

Stock Code: 688007

Stock Short Name: Appotronics



Appotronics Corporation Limited 2020 Semiannual Report

Important Note

I. The Board of Directors, the Board of Supervisors, directors, supervisors and senior officers of the Company hereby warrant that the information contained in this Semiannual Report is true, accurate and complete and this Semiannual Report is free from any misrepresentation, misleading statement or material omission, and agree to assume joint and several liability for this Semiannual Report.

II. Alert of significant risks

During the reporting period, there has been no extremely significant risk that may have a material effect on the production and operation of the Company. The Company has described in detail the risks that may exist. Please refer to Section IV “Discussion and Analysis of Business Situations” for the relevant risks.

III. All directors of the Company attended the meeting of the Board of Directors.

IV. This semiannual report has not been audited.

V. BO Lianming, Principal of the Company, ZHAO Ruijin, Person in Charge of the Accounting Body and WEI Yanlin, Chief Accountant, hereby represent that the financial statements contained in this Semiannual Report are true, accurate and complete.

VI. Profit distribution proposal or proposal for capitalization of capital reserve approved by the Board of Directors during the reporting period

None

VII. Is there any material event concerning any special arrangement of corporate governance?

Applicable N/A

VIII. Risk statement regarding forward-looking statements

Applicable N/A

The forward-looking statements contained herein regarding the future plans, development strategies or other matters of the Company do not constitute any substantive covenant made by the Company to the investors. The investors should be aware of the risk of investment.

IX. Is there any non-operational occupation of funds by the controlling shareholder or its affiliates?

No

X. Is there any external guarantee provided in contravention of the stipulated decision-making procedure?

No

XI. Others

Applicable N/A

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Section I. Definitions

For purpose of this report, unless the context otherwise requires, the following terms shall have the meanings indicated below:

| Terms | | |
|------------------------|-------|---|
| Company or Appotronics | means | Appotronics Corporation Limited |
| Appotronics Ltd. | means | Appotronics Corporation Ltd., the former name of the Company |
| CINEAPPO | means | CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. |
| Fengmi | means | Fengmi (Beijing) Technology Co., Ltd. |
| Appotronics HK | means | Appotronics Hong Kong Limited |
| Appotronics Holdings | means | Shenzhen Appotronics Holdings Co., Ltd. |
| CINIONIC | means | Cinionic Limited (previously known as Barco Cineappo Limited) and its wholly-owned subsidiaries |
| GDC | means | GDC Technology Limited (British Virgin Islands) |
| China Film | means | China Film Co., Ltd. |
| CFEC | means | China Film Equipment Co., Ltd. |
| Xiaomi | means | Xiaomi Group, a Hong Kong listed company (1810.HK), and its affiliates |
| Tianjin Jinmi | means | Tianjin Jinmi Investment Partnership (LP) |
| Shunwei Technology | means | Suzhou Industrial Park Shunwei Technology Venture Capital Partnership (LP) |
| Xiaomi Communications | means | Xiaomi Communications Technologies Co., Ltd. and its affiliates |
| DonView | means | Beijing DonView Digital Technology Co., Ltd., Beijing DonView Education Technology Co., Ltd., and their controlled subsidiaries |
| Orient Appotronics | means | Beijing Orient Appotronics Technology Co., Ltd. |

Section II. Company Profile and Financial Highlights

I. Company profile

| | |
|--|---|
| Chinese name | 深圳光峰科技股份有限公司 |
| Short name in Chinese | 光峰科技 |
| English name | Appotronics Corporation Limited |
| Short name in English | Appotronics |
| Legal representative | BO Lianming |
| Registered address | 20-22/F, Hi-tech Zone Union Tower, No. 63 Xuefu Road, Yuehai Street, Nanshan District, Shenzhen |
| Postal code of registered address | 518052 |
| Office address | 20-22/F, Hi-tech Zone Union Tower, No. 63 Xuefu Road, Yuehai Street, Nanshan District, Shenzhen |
| Postal code of office address | 518052 |
| Website | http://www.appotronics.com |
| Email | ir@appotronics.cn |
| Reference to changes during the reporting period | N/A |

II. Contact person and contact information

| | |
|-----------|---|
| | Board Secretary (Domestic representative for information disclosure) |
| Name | YAN Li |
| Address | 20-22/F, Hi-tech Zone Union Tower, No. 63 Xuefu Road, Yuehai Street, Nanshan District, Shenzhen |
| Telephone | 0755-32950536 |
| Facsimile | 0755-86186299 |
| Email | ir@appotronics.cn |

III. Description of changes to the media for information disclosure and place for keeping semiannual reports

| | |
|---|--|
| Designated newspaper for information disclosure | China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily |
| Websites designated by the China Securities Regulation Commission for publishing the semiannual reports | www.sse.com.cn |
| Place for keeping the semiannual reports | Office of the Board of Directors |
| Reference to changes during the reporting period | N/A |

IV. Stock and depository receipts of the Company**(I) Stock of the Company**

√ Applicable □ N/A

| Stock of the Company | | | | |
|----------------------|--------------------------------------|------------------|------------|-------------------------|
| Type of stock | Stock exchange and board | Stock short name | Stock code | Former stock short name |
| A-shares | Shanghai Stock Exchange, STAR Market | Appotronics | 688007 | N/A |

(II) Depository receipts of the Company

□ Applicable √ N/A

V. Other related information

□ Applicable √ N/A

VI. Main accounting data and financial highlights of the Company in the past three years**(I) Main accounting data**

Unit: Yuan Currency: RMB

| Main accounting data | During the reporting period (Jan. - Jun.) | Prior period | Change over the prior period (%) |
|--|---|----------------|----------------------------------|
| Operating income | 716,025,207.34 | 853,356,964.84 | -16.09 |
| Net profits attributable to shareholders of the listed company | 14,327,442.96 | 66,579,574.06 | -78.48 |
| Net profits attributable to shareholders of the listed company after deduction of non-recurring profit or loss | -30,232,495.13 | 41,604,643.75 | -172.67 |
| Net cash flow from operating activities | 63,006,061.80 | -14,543,413.52 | N/A |

| | 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 (%) |
|---|------------------------------------|------------------------------|---|
| Net assets attributable to shareholders of the listed company | 1,973,397,952.69 | 1,974,559,837.64 | -0.06 |
| Total assets | 3,082,777,641.24 | 3,099,508,090.85 | -0.54 |

(II) Financial highlights

| Financial highlights | During the reporting period (Jan. - Jun.) | Prior period | Change over the prior period (%) |
|---|---|--------------|----------------------------------|
| Basic earnings per share (RMB/share) | 0.03 | 0.17 | -82.35 |
| Diluted earnings per share (RMB/share) | 0.03 | 0.17 | -82.35 |
| Basic earnings per share after deduction of non-recurring profit or loss (RMB/share) | -0.07 | 0.11 | -163.64 |
| Weighted average return on net assets (%) | 0.72 | 8.89 | -8.17 percentage points |
| Weighted average return on net assets after deduction of non-recurring profit or loss (%) | -1.52 | 5.60 | -7.12 percentage points |
| Proportion of R&D investments to operating income | 12.19 | 10.47 | +1.72 percentage points |

Explanation about the main accounting data and financial highlights in the past three years

√ Applicable □ N/A

1. The decrease in the operating income by 16.09% year on year was primarily due to the shut-down of cinemas under the impact of COVID-19, leading to the decrease of the Company's cinema services and sales; meanwhile, the decrease in demand both in and outside of China under the impact of COVID-19 also affected the expansion of large venue, business education, and other To-B operations;
2. The decrease in the net profit attributable to the shareholders of the listed company by 78.48% was primarily due to the decrease in the incomes during the period, the decline in the profitability caused by the changed income structure, and losses suffered by major subsidiaries under the impact of COVID-19;
3. The decrease in the net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss by 78.48% was primarily due to the decrease in the incomes during the period and the decline in the profitability caused by the changed income structure;
4. The net cash flows from operating activities turned from negative to positive primarily due to the increase in payment by bank's acceptance bills during the period, leading to the decrease in cash payment for actual procurement, and to the reduction in taxes paid during the period given the decrease in the income and profit.
5. The decrease in the basic earnings per share and diluted earnings per share by 82.35% was primarily due to the decrease in the net profit attributable to the shareholders of the listed company and the increase in the IPO share capital of the Company.

VII. Differences in accounting data under Chinese Accounting Standards and Oversea Accounting Standards

Applicable N/A

VIII. Items and amounts of non-recurring profit or loss

Applicable N/A

Unit: Yuan Currency: RMB

| Item of non-recurring profit or loss | Amount | Note (if applicable) |
|--|---------------|----------------------|
| Gain or loss on disposal of non-current assets | 45,940.33 | |
| 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 | 29,851,687.48 | |
| Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises involving enterprises under common control | 11,655,728.28 | |
| 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 | 10,824,793.71 | |
| Other non-operating income and expenses other than the above | -366,405.89 | |
| Effects attributable to minority interests | -1,938,077.23 | |
| Effect of income tax | -5,513,728.59 | |
| Total | 44,559,938.09 | |

IX. Others

Applicable N/A

Section III. Operational Highlights

I. Main business, business model, and status of industry during the reporting period

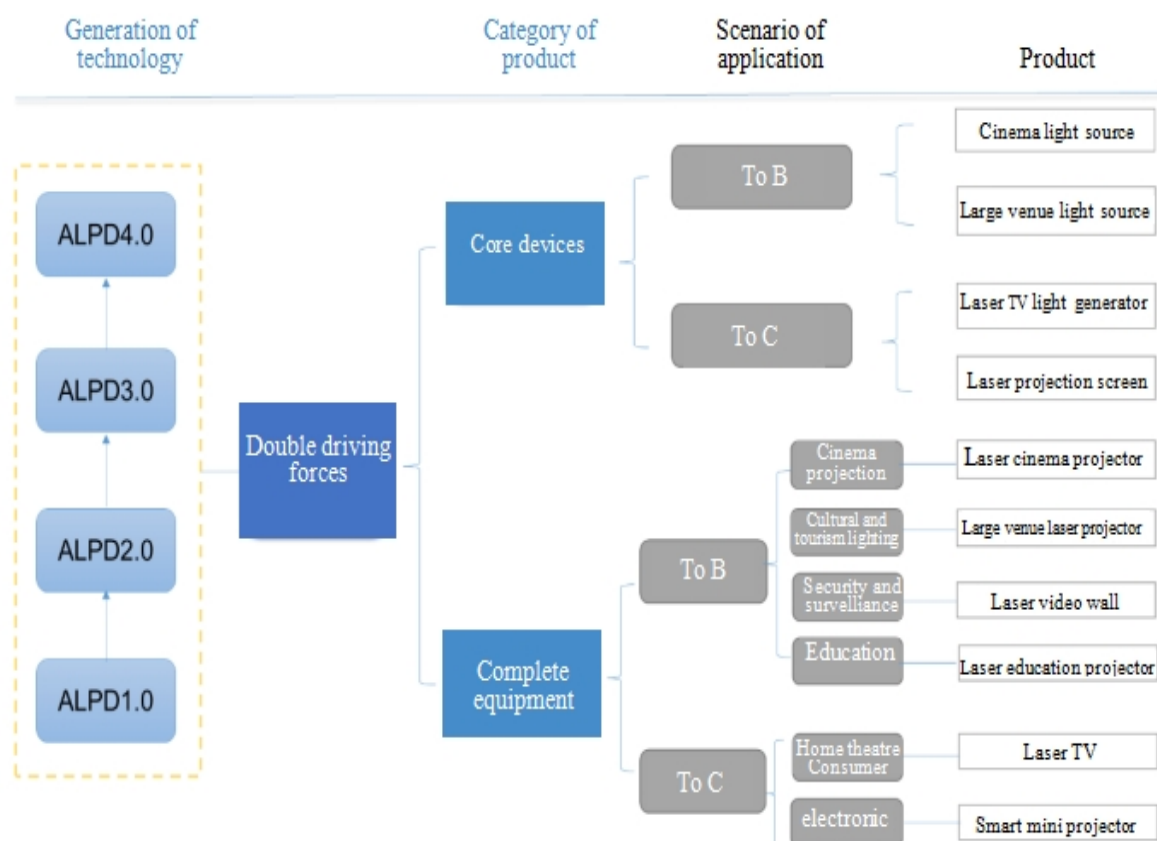
(I) Main business and main products or services

1. Main business

We are a leading laser display technology enterprise in the world owning proprietary technologies and core patents and having core device research, development and manufacturing capability. In the reporting period, we were mainly engaged in the research and development, production and sale of core laser display devices and complete laser display equipment, and provision of laser film cinema services.

2. Main products and services

Our products may be classified into core laser display devices and complete laser display equipment. The core devices can be further classified into laser light source (cinema light source and large venue light source), light generator and laser projection screen, and complete laser display equipment can be further classified into laser cinema projector, large venue laser projector, laser video wall, laser education projector, laser TV and smart mini projector, of which, the former four products fall within the field of To B, while the latter two fall within the field of To C.



(II) Main business model

We are mainly engaged in the R&D, production, sale of core laser display devices and complete laser display equipment, and provision of customized R&D and manufacturing services to customers, and have an independent and complete R&D, procurement, sales, production and service system.

1. R&D mode

We mainly adopt the independent R&D mode. Our technology development focuses on creating and mastering core and key technologies. When a kind of technology becomes relatively mature, it will be applied in product development. Our product development is driven by product planning. We set up product lines and product development teams by market segment, and develop series products based on product platform.

2. Procurement mode

Our Resources Development Department and Supply Chain Center Planning Management Department are responsible for procurement, of which, the Resources Development Department is responsible for the selection of suppliers, determination of purchasing prices, building of business system and supply platform and other front-end affairs, and the Planning Management Department is responsible for the preparation and implementation of procurement plans and other back-end procurement affairs.

3. Production mode

Our production mode relies on own production, supplemented by OEM, mainly because of the different production capacity required by different manufacturing processes and modes and consideration of cost-effectiveness. Our core devices sold or offered to customers are manufactured by us. Laser TV and smart mini projector products are assembled by OEMs. Other complete equipment products are also manufactured by us.

4. Sales mode

Our sales mode is mainly classified into product sales and cinema service, as described below:

(1) Product sales mode

Our products include core laser display devices and complete laser display equipment.

① The sale of core devices is implemented in the mode of customized development and direct sale.

② The sale of complete equipment has three modes, which are customized direct sale, non-customized direct sale and distribution. Including:

Xiaomi, DonView, CVTE, VAVA, Haier, ViewSonic and other companies purchase customized complete equipment products developed by us for them.

Large venue laser projectors are sold mainly using the off-line direct sale mode, while Fengmi branded laser TV and smart mini projector products are sold both at the online retail stores on Tmall, JD, Youpin, Pinduoduo and other platforms, and off-line physical stores.

Other complete equipment products are sold mainly through distributors.

(2) Mode of cinema service

We established CINEAPPO jointly with CFEC, a wholly owned subsidiary of China Film. CINEAPPO purchases laser cinema light source from Appotronics, and then provides cinema services to downstream cinema customers (“Laser as a service”).

Such mode of cinema service was a first in the industry, under which CINEAPPO charges service fees according to the length of use of light source by the cinemas (the fees are charged by the hour or a certain period of time), while the cinemas do not need to purchase light source equipment, thereby effectively easing their capital pressure and reducing their labor and maintenance costs. CINEAPPO connects the light source equipment with its remote information platform, provide remote license and smart timer services in respect of such light source, and gives support to day-to-day operation of such light source, such as asset monitoring and tracking, inspection and maintenance order.

(III) Industry in which the Company operates

1. Development stage, basic characteristics and main technical barriers of the industry

1.1 Industry

According to the Industrial Classification for National Economic Activities (GB/T4754-2017) published by the National Bureau of Statistics, we are classified into the “display device manufacturing” industry (industrial code: C3974) of the “computer, communication and other electronic equipment manufacturing” industry (industrial code: C39). According to the Guidelines on the Industrial Classification for the Listed Companies published by the China Securities Regulatory Commission, we are classified into the “computer, communication and other electronic equipment manufacturing” industry (industrial code: C39).

1.2 Development stage of the industry

(1) Laser display To B market: Growth stage in which the performance of mature products is improved and the products are continuously upgraded

On the To B market, laser display technology is mainly applied in cinema projection and large venue display, including cinema projection, security and surveillance, command and control, theater performance, exhibition and display, artificial and virtual reality and other scenarios. In recent years, due to its remarkable advantages such as stable performance, long service life and rich color, laser display technology has been rapidly replacing the traditional light source technology used in cinema projection and large venue display equipment.

Since the launch of the first ALPD® laser cinema projector jointly developed by Appotronics, China Film and Barco in 2014, ALPD® laser light source has been widely applied in the cinemas throughout the country, and entered the overseas projector market, making Appotronics a leader on the laser cinema projector market. In addition, the laser display technology is rapidly penetrating into the large venue display market.

Though the growth of laser display on To B market is temporarily hindered by the epidemic situation, laser display has great growth potentials due to its unique advantages. We expect that as the epidemic situation is put under control gradually, the demands for laser display technologies and products on To B market will grow continuously and steadily, and the laser display technologies and products for To B market will provide better performance and more functions through continuous innovation.

(2) Laser display To C market: As an emerging industry, it is at the early stage of rapid development

The application of laser display technology in TV and other household products is a wholly new creation. Based on the long-term accumulation of ALPD® technology, Appotronics has made a breakthrough in the application of core devices and imaging solutions of laser display and achieved superiority in the field of household display, including lower cost, higher efficiency and smaller size, among others, which created laser TVs.

Since Appotronics launched the first 100 inch laser TV in the world and introduced the concept of laser TV based on “ultra short throw front laser projector with anti-ambient light screen” in 2013 in cooperation with LG, HiSense, Xiaomi, Changhong, Haier and other well-known companies have been engaged in R&D, production and marketing of laser TV products, promoting the rapid growth of the market size of laser TV and other related household products.

Household laser display products have three unique advantages, which are large size, eye care and portability. Along with the continuous development of the industry chain, the costs of core materials and devices will be further lowered and their performance will be further improved. It is expected that household laser display products will develop toward lower price, smaller size and better display effect in the next few years, and become common household products.

1.3 Analysis of the position of the Company in the industry and changes therein

At the beginning of the industrialization of laser display technology, as one of the leading companies in the field of laser display, Appotronics has mastered core technologies. We have not only created the fundamental key architecture for laser phosphor display technology, but also built a proprietary IP protection system through patent layout in China, the United States, Japan, Europe and other countries.

1.4 Development of new technologies, new industries, new types of operation and new modes during the reporting period and future trend

(1) Projectors are expanding into the household consumer market at a rapid growth rate in the market segment

Given the rapid technical advancement and high household demand on large-screen displays, smart projector devices have become the largest market segment for projector devices in China on the basis of the rapid increase in sales thanks to their cost effectiveness and portability compared with large-screen TVs. In the *Guidelines for Myopia Prevention in Children and Adolescents during COVID-19 Epidemic (Updated Version)* released by the National Health Commission, projectors are recommended as the first choice of devices for use during the teaching sessions. Compared with conventional liquid crystal screens, some projectors equipped with advanced laser technologies can protect consumers during long-time online work and study and reduce the harm due to eye fatigue. According to IDC, it is expected that the projector device market of China will grow at the compound growth rate of 14% between 2020 and 2024.

(2) The accelerated technical upgrade in the smart mini projector industry leads to a promising prospect for the application of laser light sources

The projector light sources are gradually evolving from bulbs to semiconductor solid light sources. The *Report of Market Research and Investment Forecast Analysis of China Projector Industry* released by Forward Industry Research Institute revealed the rapid growth of projectors within the range of 1500-2000 lumens with a rapidly increasing share

of smart projectors, and the development trend of high-definition, high-brightness, and smart projects. With respect to market demands, it is expected that projectors within the range of 1500-2000 lumens will gain increasing shares in projectors, which may further reducing the survival space of low-brightness projectors. In the future, on the basis of the development in fundamental hardware technologies such as light sources, lighting technologies, and lens technologies, the optimization of overall device design, and the development of software technologies such as smart sensing capabilities and image quality optimization technologies, the smart projector market will further expand thanks to the greatly improved display performance and use experience of projector devices, technical upgrade, and reduced costs.

1.5 The core technology of the Company is the mainstream technical route for the laser projector industry

With respect to the laser phosphor display technology, the *Summary Report on Chinese Laser Projector Market for 2020Q2* issued by AVC showed that the blue laser + phosphor powder technology architecture, represented by ALPD®, was still the mainstream light source technology.

II. Core technologies and progress in R&D of technologies

1. Core technologies and their advancement, and changes during the reporting period

We have been committed in the breakthroughs, innovations, commercialization and industrialization of laser display technology, and created technology reserves and patent portfolios covering the whole technology chain of laser display from key system architecture, core devices to key algorithm. ALPD® technology architecture has been upgraded to the fourth generation. The performance of each generation of architecture platform has been improved in an all-round way as compared to the previous generation, thereby enabling us to maintain the technical and performance advantages in the industry. As a Leader Level Member of the Laser Illuminated Projector Association (LIPA), we have participated in and led the preparation of the international laser display standard.

During the reporting period, we have poured substantial R&D resources in the preparation and processing of thin film materials, micro- & nano- optical structure technology, light source architecture, dynamic control, complete equipment structure, machine perception and miniaturization of laser display system. The big data, algorithm and design solutions accumulated by us over the years will enable us to rapidly develop products and solutions meeting the requirements of different application scenarios, such as

cinema projection, home entertainment, outdoor exhibition, ultra large-sized display, and immersive display.

In addition, we are developing laser display technology with high dynamic contrast and high dynamic color gamut, battery-powered high-performance mini laser projector technology and other technologies. Such new technologies have been continuously validated and will be applied in our future products.

2. R&D achievements during the reporting period

(1) Achievements of product R&D

For software, Fengmi, a controlled subsidiary of the Company, released the FengOS operating system, which upgraded the experience in page performance by employing the independently developed browser and core standard components on the basis of the independently developed Feng Dynamic Page (FDP) technical architecture, hence enhanced the flexibility in content operation, improved the capability of continuous delivery in agile operation, and realized more complex interaction functions.

For products, we developed high-, medium-, and low-end laser TV products to cater for different user demands on the household market. Having the highest brightness of 4,000 lumens, covering the REC.709, DCI, and REC.2020 color gamuts, and with the maximum color gamut area of 158% NTSC, our products are at the highest level in the industry. In the business field, we developed the ultra-high bright large venue projector S4K60, which can reach the highest brightness of 60,000 lumens in the industry; we continuously improved the performance of ultra short throw business education projector devices on the basis of the previous generation of light generators and released the 4K resolution ultra short throw business education device with the brightness improved by 50% and screen size increased from 100 inch to 150 inch, which further improved the application scope and competitiveness of the products; and we released economic light sources suitable for medium- and small-sized cinemas covering the brightness of 5,000 to 25,000 lumens for screen sizes of 6 meter to 8 meter, which further optimized light source costs while ensuring the brightness and image quality, hence are more suitable for use in medium- and small-sized cinemas.

(2) Patent acquisition

By the end of the period, the Company obtained 88 new patents at home and abroad, including 41 patents for invention granted at home and abroad, and filed 156 new patent application in and outside of China, including 80 applications for invention patent in and

outside of China. By the end of the period, we have obtained 996 patents throughout the world, including 747 domestic patents and 249 foreign patents, had 824 domestic and foreign patents pending and 259 PCT patents pending, obtained 57 software copyrights, and owned 608 domestic and foreign trademarks.

3. R&D expenses

| | Unit: Yuan |
|--|---------------|
| R&D expenses expensed in the current period | 87,295,450.75 |
| R&D expenses capitalized in the current period | - |
| Total R&D expenses | 87,295,450.75 |
| Proportion of R&D expenses to operating income (%) | 12.19 |
| Proportion of R&D expenses capitalized (%) | - |

4. R&D projects

√ Applicable □ N/A

Unit: Yuan

| No. | Item | Estimated total investment | Investment in the current period | Aggregate investment | Progress or interim results | Goals | Technological level | Application scenario |
|-----|---|----------------------------|----------------------------------|----------------------|-----------------------------|--|---|--|
| 1 | Key Enterprise Laboratory for Laser Display in Guangdong Province | 34,000,000.00 | 3,688,412.87 | 9,913,384.52 | Labor trial | Development of laser phosphor display optical engine, high-performance fluorescent materials and fluorescent components, portable laser display technology, and laser display technology with high contrast and high color reproduction | The development of key laser display technology and devices based on laser phosphor technology takes the lead in the industry. | Through transformation of lab R&D results, develop multiple laser display terminal products, and promote the development of the entire display industry chain. |
| 2 | Trichromatic Laser Display Complete Equipment Production Demonstration Line | 102,840,000.00 | 5,425,895.79 | 14,829,614.56 | Labor trial | This project will research the industrialization of the technology of RGB trichromatic laser with phosphor to satisfy the market demands for RGB trichromatic laser display, build a mass production line for trichromatic laser display complete equipment, acquire proprietary IP, and realize large-scale application of trichromatic laser display products. | This project will greatly promote the industrial upgrading of trichromatic laser display technology, and gain international competitive edge for proprietary trichromatic laser display technology. | This project will establish a trichromatic laser display complete equipment production demonstration line. |
| 3 | Core devices | 28,850,535.08 | 14,242,356.66 | 14,242,356.66 | Labor trial | By employing the fourth generation of light | Take the lead in the industry; the | Upgrading of light source for |

| | | | | | | | | |
|---|---------------------------------|---------------|---------------|---------------|-------------|--|--|--|
| | | | | | | generator technologies and making use of the advantages of the APLD technology, create a new generation of high-end but inexpensive trichromatic light generator products, so as to reduce the cost, improve the color gamut brightness, hence improve the cost effectiveness of cinema light sources. | cost effectiveness, color gamut, light effect, and other performance are greatly improved, to better satisfy the demands of customers. | small-sized cinema projectors, trichromatic laser TV and other fields. |
| 4 | High-performance mini projector | 36,861,102.98 | 11,886,775.48 | 11,886,775.48 | Labor trial | New generation of mini projector products with greatly improved cost effectiveness by employing a new generation of platform display technology. | Smart mini projector takes the lead in the industry. | Household mini projector market. |
| 5 | Laser cinema projector | 46,686,367.07 | 11,033,536.34 | 11,033,536.34 | Labor trial | DCI-compliant overseas small cinema projector meeting overseas standards. | The first proprietary DCI compliant projector in China to cater for demands on the overseas market. | DCI-compliant small cinema projector to expand the overseas market. |
| 6 | Laser TV | 67,071,461.81 | 23,738,663.45 | 23,738,663.45 | Labor trial | 4K trichromatic laser TV with a new generation of light generator technologies, with the independently developed FengOS system, achieves great improvement in color gamut, brightness, cost effectiveness, and | The 4K trichromatic laser TV equipped with the FengOS system suitable for large screens takes the lead in the industry. | 4K household laser TV |

| | | | | | | | | |
|-------|---|----------------|---------------|----------------|-------------|---|--|--|
| | | | | | | ease of use. | | |
| 7 | Other complete equipment (large venue + business education) | 38,415,018.29 | 17,279,810.17 | 17,279,810.17 | Labor trial | High-lumen, large-size, and wide-color gamut large venue projectors and business projectors with higher brightness and cost effectiveness, which are models for expanding the high-end market in the large venue and business education fields. | The high-end large venue projector and business education projector take the lead in the industry. | High-end large venue projector, business education projector and other fields. |
| Total | / | 354,724,485.23 | 87,295,450.75 | 102,924,141.18 | / | / | / | / |

Remark

□ Applicable√ N/A

5. R&D staff

Unit: Yuan Currency: RMB

| Basic information | | |
|---|--------|----------------|
| Number of R&D staff (persons) | | 336 |
| Proportion of R&D staff to total employees of the Company (%) | | 30 |
| Total compensation of R&D staff (RMB) | | 54,917,336.45 |
| Average compensation of R&D staff (RMB) | | 163,444.45 |
| Education | | |
| Academic background | Number | Proportion (%) |
| Doctor | 24 | 7.14 |
| Master | 77 | 22.92 |
| Undergraduate | 176 | 52.38 |
| College or below | 59 | 17.56 |
| Total | 336 | 100.00 |
| Age structure | | |
| Age | Number | Proportion (%) |
| ≤30 | 149 | 44.35 |
| 31≤X≤40 | 153 | 45.53 |
| 41≤X≤50 | 26 | 7.74 |
| >50 | 8 | 2.38 |
| Total | 336 | 100.00 |

Note: The average compensation of R&D staff shown in the table above was the average compensation for the first half of 2020.

6. Other information

□ Applicable√ N/A

III. Material changes in the main assets during the reporting period

√ Applicable□ N/A

Please see “Section IV Discussion and Analysis of Business Situations - Main business activities during the reporting period - Analysis of assets and liabilities”.

Wherein, the overseas assets were RMB 409,708,787.31, representing 13.29 of the total assets.

IV. Analysis of core competitiveness during the reporting period**(I) Analysis of core competitiveness**

√ Applicable□ N/A

1. Advantage in proprietary technologies

Since we invented ALPD® technology, the fundamental key technology architecture has been gradually formed and improved. On the basis of this technology, we have established rich product lines, which have a remarkable substitution effect on the traditional products in cinema, TV, business education, large venue and other fields. ALPD® technology has become the mainstream technical route for laser display. By relying on technical innovation rather than consumption of resources, we have realized rapid

development, continuously improved the performance and cost-performance ratio of our products, and maintained the competitive advantages in the industry.

2. Sound IP protection system

With our core patents covering laser phosphor display technologies, we have gradually built up a patent system containing the largest number of patents covering the widest scope with the highest quality in the industry. With key core patent at the center, we have built a united whole patent system, and is hard to be simulated or broken by the competitors. In addition to patented technologies, we also own multiple know-how accumulated including core algorithms through R&D efforts over the years.

3. Advantage in product performance

Through more than ten years of R&D efforts, our technical advantages have been given full play in cinema, household, large venue and other fields. Our products show superior performance in luminance, service life, color gamut, removal of speckle and other aspects. Through sufficient validation at R&D and quality labs and on-site use for a long time, all types of our products have become mature. Since its installation in June 2014, the first set of ALPD® cinema light source has been stably operating for nearly six years. Our products in other fields have also won trust on the market with their outstanding performance and reliable quality.

4. Advantage in multiple product series

At present, our ALPD® technology has certain demonstration effect in the field of laser display, and its application covers professional market and mass market, and high-end market and low-end market. Our multiple product series can satisfy the demands of various scenarios. In addition, we have adopted the differential development strategy and upgraded ALPD® technology from multiple angles to satisfy the demands of different market segments and applications.

5. Advantage in talents and teams

Our founder and Chairman, Dr. LI Yi, is a well-known expert in the field of laser display. Our President, Dr. BO Lianming is a well-known leader in the display industry. Under the leadership of our outstanding management team, we now have a sound corporate governance system and strong internal controls, and have greatly improved our management level and risk prevention capability. In addition, we have a group of high-quality R&D personnel, including a lot of doctors graduated from famous domestic and foreign universities. Our R&D team has taken the lead in the research of laser display

technology in the industry. Through the combination of technology and management, we are able to precisely catch the development trend of the display industry.

6. Advantage in business model

For the To C market, we developed the FengOS system - an open operating system customized for laser TVs and smart projectors. This system can integrate every smart laser TV terminal into the content ecology industry chain, hence implementing in-depth integration of hardware and software by integrating the innovative, concise, and smart operating system into advanced hardware. The Company also became the only player in the laser display industry with the capability of manufacturing core devices and complete equipment and the capability of designing and developing the operating system.

For the cinema projector market, based on our advanced technology and stable products, we took the lead in releasing the “cinema service mode” for cinema laser light sources in the industry. Under this mode, a cinema only needs to pay for the duration in use instead of purchasing a light source. This not only effectively reduced their fund pressure and maintenance cost, but also protected the cinema from the depreciation of cinema light sources upon the occurrence of material adverse effects, such as COVID-19. This mode presents the Company with stable incomes for a long period of time and promotes the rapid application of the ALPD® technology.

7. Comprehensive capability of product development

In the laser display field, as the core device, the light generator is the most expensive and most highly technical part in laser display equipment, and is the most critical part in the complete equipment. With the capability of manufacturing core devices based on our fundamental key technologies, we have built up the unique advantage in the laser display industry. Along with the constant upgrade in technologies and products, we have accumulated precious technologies and experience in system development and key algorithms, which lead to our comprehensive capability of product development.

(II) Events occurred during the reporting period that have a material effect on the Company's core competitiveness, analysis of the effect and countermeasures

Applicable√ N/A

Section IV. Discussion and analysis of business situations

I. Discussion and analysis of business situations

The year 2020 is a year for Appotronics to take our initiative in addressing the crisis and challenge - the spread of COVID-19 throughout the world caused in-depth impact on the world, and the complicated international conditions also brought more uncertainties. Appotronics, as a corporate citizen, is not immune to the condition, especially its cinema services.

In the past three years, our cinema services increased at the compound growth rate of 83.32%, reaching the income of RMB 398 million in 2019, increased by 30.78% year on year and accounting for 20.11% in our total incomes at the gross margin rate of 66.01%. As our business platform of cinema services, the controlled subsidiary CINEAPPO realized the net profit of RMB 145 million in 2019, but suffered the loss of RMB 34.6384 million from January to June 2020. During the reporting period, the Company made the provision for depreciation expenses of RMB 36,60 million for equipment for cinema services, and made share-based payment of RMB 17.5765 million for implementing incentives of restricted shares. The performance of the Company declined sharply in the first half year under the impact of cinema shut-down, equipment depreciation, and share-based payment.

To address this crisis and seize the opportunity of demand recovery, we actively adjusted our services, improved operation quality, implemented the scheme of “broadening sources of incomes and reducing expenses”, improved operating efficiency, reduced expenses and costs, and responded to the market rapidly to minimize our losses. With the efforts of all our employees, we realized the operating income of RMB 716 million and the net profit attributable to shareholders of the listed company of RMB 14.3274 million. On the background that China Film Administration released the announcement for orderly reopening of cinemas in July, it is expected that our incomes from cinema services will recover gradually.

We completed the following main tasks during the reporting period:

1. The operation in the form of business units went on well, and the information-based corporate operation became more healthy

The Company set up the Large Venue, Education, Overseas, and Household ODM business units according to the business maturity in October 2019. During the reporting period, all the business units operated well with improved independent decision-making

and accelerate market response capabilities; our business expanded via the online channel by enhancing online promotion, training, and channel certification; we released industrial standards and solutions to build our position as a professional expert; and proactively took opportunities of recovery to show the resilience of our business under the impact of COVID-19. Meanwhile, we intensified informatization efforts. For example, the CRM system was employed to start sales process management for all To-B business, off-line customers of To-C business were recorded on the online CRM system, and online business was connected with e-commerce warehouse to eliminate blind spot in warehouse storage. In addition, we also initiated information-based budget management and control in all aspect to improve operating efficiency, making the corporate operation more healthy.

2. Focused on our strategy and business to proactively explore patent operation modes

While making our best efforts to keep the stability of our “fundamental business”, the management insisted on ensuring the investment in R&D. The R&D expenses of the first half year were RMB 87 million, accounting for 12.19% of our income. With the continuous improvement and expansion of the core industrial chain, we further focused on the development strategy of “core technology + core patent + ecology” and built up a comprehensive patent protection system on this basis. Through the global patent layout, we proactively safeguarded our rights in patents and explored patent operation modes to seek and realize our patent value. On one hand, we protected our investment in R&D by safeguarding our rights in patents; on the other hand, we realized product innovation through constant technical upgrade, which result in new patents in an attempt to drive the development of the entire industry by our leading core devices.

3. The household business realized growth despite the adverse environment, and FengOS supported service offering by integrating software with hardware

On the background of COVID-19, the household large-screen demands explored, leading to the rapid development of the content industry and accelerated implementation of ultra-definition content. Given the rapid development of the smart mini projector industry, we realized the growth of 59.72% for our smart mini projector business, which effectively filled up the gap left by the decline in other businesses. During the reporting period, we released the independently developed FengOS operating system, and opened the FengOS system for cooperation with large-screen hardware and projector manufacturers. Under the Pro theme, we also released two hardware products - the 4K laser TV product Cinema Pro and high-brightness smart projector Vogue Pro. The Cinema Pro product was equipped

with a brand new ALPD laser light source to improve the brightness by over 40%, while Vogue Pro was equipped with the FengOS system to achieve more functions and entertainment options, hence implementing in-depth integration of hardware and the smart operating system.

4. Incubation of new business was almost completed, which may become a new growth driver

On the professional cinema application market, the DCI-compliant digital film projector C5 - the first one in China and the smallest one with the lowest noise on the world - was put into trial production, and we invested in GDC as expected in the first half year. In consideration of the post-COVID-19 development of the cinema industry, we will carry out our layout of the cinema solution business. For the household market, the laser projection screen product working with laser TVs was almost completed, and our independently developed flexible anti-ambient light screen with the thickness of 500 micrometer, which was convenient for installation and transportation, will gradually realize mass production and sale. The new business is taking shape after the efforts for three years, and is expected to become a new growth driver in the future.

5. New product series was released to enrich the product portfolio

During the reporting period, we released new products to cater for more consumer scenarios. In the education field, we continuously improved the performance of ultra short throw business education projector devices on the basis of the previous generation of light generators and released the 4K resolution ultra short throw business education projectors with the brightness improved by 50% and screen size increased from 100 inch to 150 inch, which further improved the application scope and competitiveness of the products. In the household field, we developed high-, medium-, and low-end laser TV products to cater for different user demands on the household market. Having the highest brightness of 4,000 lumens, covering the REC.709, DCI, and REC.2020 color gamuts, and with the maximum color gamut area of 158% NTSC, our products are at the highest level in the industry. For cinemas, we successfully developed the economic light source suitable for medium- and small-sized cinemas, which further optimized light source costs while ensuring the brightness and image quality, hence are more suitable for use in medium- and small-sized cinemas.

II. Risk factors

√ Applicable □ N/A

Risk of the technology R&D falling short of expectations

The core of our development is technical innovation. If we fail to effectively judge the direction of technical innovations, or to make continuous technical innovations, or to make effective R&D investments due to limited funds, or to successfully commercialize the technologies developed by us, our core competitiveness in technical innovation may be impaired, and we may encounter technological risks in future development.

Risk of unsustainability of rapid growth driven by the mode of cooperation

We adopt the business strategy of joint venture and cooperation, which combines the advantages and resources of all partners. If our technical and product innovations slow down and cannot satisfy the market demands, or our innovation capability decreases continuously as a result of which our products are surpassed by our competitors, such cooperation may bring lower benefits, or become unable to drive our rapid growth or unable to continue.

Risks related to tax benefits and government grants

During the reporting period, we have received certain VAT reduction and government grants pursuant to the applicable policies of the country. Generally, along with the growth of our operating performance, though the effect of tax benefits and government grants on our current net profit decreases, and our operating results do not rely on tax benefits and government grants, such tax benefits and government grants still have certain effect on our operating results. The decrease in our revenue from tax benefits and government grants may affect our profit.

Risk related to the management of light source

In our light source service, we enter into an agreement with a customer, pursuant to which, we charge a service fee on the customer based on the duration of use of the light source, while the customer uses the light source and pays fees therefor, and is responsible for the day-to-day safekeeping and maintenance of the light source and damages thereto, but we do not collect any deposit or other similar fees for the light source. The cinemas will use their best endeavors to maintain the light source in good condition in order to ensure normal projection of films and continuity of their business operation. However, we still face the risk of impairment of assets due to damage or loss of light source caused by improper safekeeping on the part of the cinemas. In particular, due to the effect of the

outbreak of Covid-19, most cinemas have closed down. If such situation persists, some cinemas may go bankrupt, as a result of which our assets may face additional risks.

Risk of business development on the overseas market

As the outbreak of Covid-19 has not been effectively put under control in the world, the stagnation of economic activities abroad will have certain effect on our export, the business development of Cinionic and GDC on the overseas market, and the operation and marketing of our subsidiaries in Hong Kong and the United States. If the COVID-19 is out of control throughout the world for a long period of time, or the intense international condition persists, the Company faces risks of failing to meet its expectation of the expansion speed of overseas business.

Risk related to the supply of important raw materials

The key components of our products include laser devices, chips and lenses, which are mainly purchased from some key suppliers of the United States and Japan. If such suppliers significantly change the prices for such components, or are unable to supply such components in a timely manner with both quality and quantity guaranteed, or fall into difficulties in operation, or are unable to supply such components in a normal manner due to trade dispute between the relevant countries, COVID-19 or any other reason, it may have an adverse effect on our production and operation.

Risk of impairment of inventories

Our inventories mainly comprise raw materials and goods in stock. As of the end of the reporting period, the carrying amount of our inventories was RMB 403 million. If any significant change in the competition pattern of the industry, material innovation in laser display technology and products or the change in the macro environment results in a large quantity of unsalable products, the recoverable amount of the inventories will be lower than their carrying amount. The impairment of inventories will have a negative effect on our earnings.

Risk of IP litigation

IP protection and management includes protection of our proprietary and core technologies, and prevention of infringement on third-party IP. On the one hand, the process of patent application often lasts a long time and requires continuous and huge investment. If any proprietary IP in the process of patent application is infringed by any third party, it may have an adverse effect on our production and operation. On the other hand, due to the increasingly fierce competition in the industry, many manufacturers wish

to gain competitive advantages through developing core laser phosphor display technology. If we fail to effectively prevent infringement on our proprietary IP, or inadvertently infringe on any IP of others during the development of products, we may face IP litigations or disputes, which may have an adverse effect on our business development and financial condition.

Risk of increasingly fierce market competition

Laser display is a new and thriving field in the display device industry. A lot of international and domestic companies have entered the field, further heating up the market competition. If we cannot maintain our competitive advantages in technology, product, cost, service and other areas, or the competitors combine their advantages and resources through acquisition and merger, or the top technology companies in the world increase their investment in the field of laser display, we may face the risks of decrease in the amount or growth rate of operating income, gross margin, profitability and market share.

Risk of macro-environment

Thanks to the high efficiency and quick response of the Chinese government, COVID-19 was under proper control in China, and cinemas reopened gradually from July 20. However, COVID-19 is still very serious throughout the rest of the world. In addition, the deterioration of the relationship between China and the United States created more uncertainty in the global economy. If the global economic declines continuously, resulting in less consumer demands, our product lines will be affected to different degrees.

Risk of loss on external investments

We attempt to expand our scale of operation through merger, acquisition or otherwise according to the development situation of the industry, to continuously improve our overall competitiveness. If the environments or policies in respect of the industry in which the investee operates undergo any material change, or the technological level of the investee falls short of our expectation, or the operating performance of the investee decreases sharply due to poor management, the returns on investment in the investee may fall short of expectation and we may need to recognize an impairment loss on the long-term equity investment. If we fail to achieve a synergy effect through acquisition of the investee, our strategic plan may be unable to be implemented as scheduled.

III. Main business activities during the reporting period

Please refer to “I. Discussion and analysis of business situations” in this section for details.

(I) Analysis of main business**1 Analysis of changes in the lines of financial statements**

Unit: Yuan Currency: RMB

| Item | Amount of the current period | Amount of the prior period | % Change |
|---|------------------------------|----------------------------|----------|
| Operating income | 716,025,207.34 | 853,356,964.84 | -16.09 |
| Operating costs | 529,787,789.94 | 511,757,903.12 | 3.52 |
| Sales expenses | 50,833,894.50 | 60,585,489.84 | -16.10 |
| Administration expenses | 77,813,657.09 | 58,777,738.22 | 32.39 |
| Financial expenses | 8,037,691.04 | 17,357,639.69 | -53.69 |
| R&D expenses | 87,295,450.75 | 89,309,489.80 | -2.26 |
| Net cash flow from operating activities | 63,006,061.80 | -14,543,413.52 | N/A |
| Net cash flows from investment activities | -92,315,802.97 | -18,809,408.04 | N/A |
| Net cash flows from financing activities | -115,291,912.69 | 79,108,521.49 | -245.74 |

Description of reasons for changes in the operating income: The decrease in the operating income by 16.09% year on year was primarily due to the shut-down of cinemas under the impact of COVID-19, leading to the decrease of the Company's cinema light source services and sales; meanwhile, the decrease in demand both in and outside of China under the impact of COVID-19 also affected the expansion of large venue, business education, and other To-B operations.

Description of reasons for changes in the sales expenses: The decrease in the sales expenses by 16.10% year on year was primarily due to the intensified expense control implemented by the Company under the impact of COVID-19, which reduced the expenditures in remuneration, travel expenses, and entertainment expenses relating to sales personnel, and the marketing and advertising expenses.

Description of reasons for changes in the administration expenses: The increase in the administrative expenses by 32.39% year on year was primarily due to the increase in share-based payment and service fees relating to litigations during the period.

Description of reasons for changes in the financial expenses: The decrease in the financial expenses by 53.69% year on year was primarily due to the reduction of long-term loans of the Company and the reduced capital costs.

Description of reasons for changes in the R&D expenses: The R&D expenses decreased by 2.26% year on year, which were almost same as the prior period. The main reasons were the stable R&D team and slightly increased depreciation and amortization, which were set off by the slight decrease in material consumed in R&D and third-party service and test during the period.

Description of reasons for changes in the net cash flows from operating activities: The

increase in the net cash flows from operation activities was primarily due to the increased settlement by using notes, which reduced the needs of cash payment for procurement, and the decrease in taxes paid given the decline in the overall income and profit.

Description of reasons for changes in the net cash flows from investment activities: The change was primarily caused by the buy-back of financial products and differences in redemption amounts during the period.

Description of reasons for changes in the net cash flows from financing activities: The net cash flows from financing activities changed from net inflows to net outflows, which was primarily due to the reduction of new loans year on year because the Company gradually reduced long-term loans bearing high interest rates.

2 Others

(1) Detailed description of major changes in the profit composition or profit sources of the Company

Applicable N/A

(2) Others

Applicable N/A

(II) Explanation about material change in profit due to non-main business

Applicable N/A

(III) Analysis of assets and liabilities

√ Applicable □ N/A

1. Status of assets and liabilities

Unit: Yuan

| Item | Balance at the end of the period | % of total assets at the end of the period | Balance at the end of the prior period last year | % of total assets at the end of the prior period last year | % Change | Remark |
|-----------------------------------|----------------------------------|--|--|--|----------|---|
| Cash and bank balances | 729,447,665.39 | 23.66 | 522,897,380.65 | 23.72 | 39.50 | Primarily due to the increase in the working capital of the Company |
| Held-for-trading financial assets | 495,000,000.00 | 16.06 | | | N/A | Primarily due to the purchase of wealth management products by the Company |
| Contract assets | 3,914,909.70 | 0.13 | | | N/A | Primarily due to the implementation of new standard on incomes, which lead to changes in the items presented |
| Other current assets | 35,547,978.31 | 1.15 | 64,705,623.81 | 2.93 | -45.06 | Primarily due to the decrease in the input VAT to be deducted |
| Long-term equity investments | 268,154,993.87 | 8.70 | 134,030,375.31 | 6.08 | 100.07 | Primarily due to the investment in GDC and adjustment of gains/losses on long-term equity investment recognized during this period |
| Construction in progress | 30,992,866.46 | 1.01 | 19,921,502.98 | 0.90 | 55.57 | Primarily due to the increase in the investment for the construction in progress of the headquarters building of Appotronics during this period |
| Long-term prepaid expenses | 14,996,204.71 | 0.49 | 4,288,337.27 | 0.19 | 249.70 | Primarily due to the increase in decoration expenses of newly leased properties |
| Short-term borrowings | 115,636,028.30 | 3.75 | 242,000,000.00 | 10.98 | -52.22 | Primarily due to the decrease of short-term borrowings of the Company |
| Notes payable | 126,525,026.22 | 4.10 | 31,926,388.58 | 1.45 | 296.30 | Primarily due to the increase in payment by bank's acceptance bills for procurement during this period |

| | | | | | | |
|---|----------------|------|----------------|-------|--------|--|
| Contract liabilities | 19,442,085.20 | 0.63 | | | N/A | Primarily due to the implementation of new standard on incomes, which lead to changes in the items presented |
| Employee benefits payable | 16,524,638.79 | 0.54 | 33,990,627.07 | 1.54 | -51.38 | Primarily due to the decrease in the number of staff during the period, leading to reduced bonuses and remuneration |
| Taxes payable | 8,453,167.47 | 0.27 | 29,022,599.44 | 1.32 | -70.87 | Primarily due to the decreased payment of enterprise income tax for the previous year and the decline in taxes payable in the current period |
| Other payables | 42,106,615.24 | 1.37 | 187,575,802.83 | 8.51 | -77.55 | Primarily the land-transferring fees not paid by the end of the prior period last year |
| Non-current liabilities due within one year | 144,769,488.72 | 4.70 | 91,354,110.00 | 4.14 | 58.47 | Primarily due to the increase in the long-term borrowings due within one year |
| Other current liabilities | 1,667,826.54 | 0.05 | | | N/A | Primarily due to the implementation of new standard on incomes, and the taxes corresponding to contract liabilities |
| Long-term borrowings | 79,892,744.86 | 2.59 | 322,571,733.30 | 14.63 | -75.23 | Primarily due to the transfer of long-term borrowings to non-current liabilities due within one year |
| Provisions | 33,664,528.96 | 1.09 | 13,936,139.89 | 0.63 | 141.56 | Primarily due to the provision of “three guarantee” service expenses that have not be actually incurred |

No other description.

2. Encumbrances on assets as of the end of the reporting period

√ Applicable □ N/A

| Item | Amount | Reason |
|---|---------------|--|
| Other cash and bank balances - security deposit | 23,151,615.78 | Security deposit for notes and letters of credit |
| Bank deposits - frozen funds | 20,000,000.00 | Funds frozen in connection with litigations |

Note: As of the date of this report, among the frozen funds stated above, RMB 20 million has been released.

3. Other information

□ Applicable √ N/A

(IV) Analysis of investments**1. Overall analysis of external equity investments**

√ Applicable □ N/A

At the end of the reporting period, the Company holds the long-term equity investment of RMB 268.1550 million, RMB 128.6206 million more than the opening amount, which is primarily due to the additional investment in GDC Technology Limited (British Virgin Islands).

(1) Material equity investments

√ Applicable □ N/A

In the twentieth session of the First Board of Directors held on December 6, 2019, the Proposal on Proposed Additional Capital Contribution to the Wholly-owned Subsidiary and Foreign Investments in GDC was discussed and approved, according to which it was agreed to make additional capital contribution of USD 18.2 million to the Company's wholly-owned subsidiary APPOTRONICS HONG KONG LIMITED for acquisition of 36% shares of GDC Technology Limited (British Virgin Islands). Please refer to the Announcement No. 2019-029 issued by the Company on www.sse.com.cn and the designated media for information disclosure on December 7, 2019. In March 2020, the Company completed the approval and filing procedures for overseas investments by National Development and Reform Commission and Ministry of Commerce. After meeting the precedent closing conditions of this acquisition, on April 9, 2020, the Company paid the total consideration of approximately USD 18.11 million by its own funds. During the reporting period, the Company holds 36% equity interests in GDC, namely, 93,071,822 shares of GDC.

According to the report from KPMG, the net after-tax profit after deduction of non-operating gains/losses realized by GDC in 2019 exceeded the promised performance covenant, hence completed the performance covenant for 2019.

(2) Material non-equity investments

□ Applicable √ N/A

(3) Financial assets at fair value

√ Applicable □ N/A

As of June 30, 2020, the balance of held-for-trading financial assets was RMB 495,000,000.00, which was structured deposits; the balance of investment in other equity instruments was RMB 11,975,419.38, which was investment in equity instruments not held for trading. The change in fair value of such financial assets was RMB 0 in the reporting period.

(V) Sale of material assets and equities

Applicable N/A

(VI) Analysis of major investees

Applicable N/A

Unit: In RMB 0'000 RMB

| Company | Main business | Registered capital | Shareholding percentage | Total assets | Net assets | Operating income | Net profit |
|----------------|--|--------------------|-------------------------|--------------|------------|------------------|------------|
| CINE APPO | Provision of cinema laser light source service and sales of projectors | 10,000.00 | 55.20% | 89,516.04 | 34,032.98 | 7,852.89 | -3,463.84 |
| Feng mi | R&D and sale of household display products | 5,000.00 | 55.00% | 43,183.20 | -3,907.37 | 39,633.59 | -1,041.86 |
| Appotronics HK | R&D and sale of laser light source | 16,357.75 | 100.00% | 40,989.21 | 35,550.59 | 7,300.72 | -300.61 |

(VII) Structured entities controlled by the Company

Applicable N/A

IV. Other disclosures

(I) 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

Applicable N/A

Due to the impact of this epidemic, businesses in the movie industry where the Company's cinema light source service belongs have also suspended, causing the Company stops its cinema service business. Meanwhile, the shrink of consumption demand as the result of the macro environment has also affected the Company's other businesses to a certain extent. As GDC invested by the Company belongs to the cinema projection equipment industry, it is also affected by the discontinued operation of cinemas, so that it may fail to achieve the expected results, which will increase the Company's external investment risks. Therefore, the Company is exposed to the risk that the Company's performance from the beginning of the year to the end of the next reporting period will be lower than that of the same period of the previous year.

(II) Other disclosures

Applicable N/A

Section V. Significant Matters

I. General meetings of shareholders held

| Session | Date of meeting | Reference to resolutions published on the designated website | Date of disclosure of resolutions |
|--|-----------------|--|-----------------------------------|
| Annual general meeting of shareholders in 2019 | May 22, 2020 | www.sse.com.cn | May 23, 2020 |

Explanation about the general meetings of shareholders

Applicable N/A

II. Proposals for profit distribution and capitalization of the capital reserve

(I) Profit distribution proposal or proposal for capitalization of capital reserve during the reporting period

| | |
|--|----|
| Whether to implement profit distribution or capitalization of capital reserve | No |
| Number of bonus shares distributed per 10 shares | 0 |
| Cash dividends distributed per 10 shares (inclusive of tax) | 0 |
| Number of shares distributed out of the capital reserve | 0 |
| Description of the proposal for profit distribution on ordinary shares and capitalization of the capital reserve | |
| None | |

III. Fulfillment of covenants

(I) Covenants made by the actual controller, shareholders, affiliates and acquirer of the Company, the Company itself and other related parties during the reporting period or the outstanding covenants made by them in the prior periods

Applicable N/A

| Background of covenant | Covenant Type | Covenantor | Covenant Content | Validity period of covenant | Whether there's a time limit for the fulfillment of the covenant | Whether the covenant has been strictly fulfilled on time | Reason for failure to fulfill the covenant on time (if applicable) | Action plan if failing to fulfill the covenant on time |
|--------------------------|-----------------------------------|---|------------------|--|--|--|--|--|
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the controlling shareholder regarding restriction on the sale of shares held by | Note 1 | 36 months after completion of the IPO and the extended period stated | Yes | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------|-----------------------------------|--|--------|---|-----|-----|-----|-----|
| | | him, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | | below | | | | |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the actual controller regarding restriction on the sale of shares held by him, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | Note 2 | 36 months after completion of the IPO and the extended period stated below, and 6 months after termination of employment with the Company | Yes | Yes | N/A | N/A |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the concert parties of the actual controller regarding restriction on the sale of shares held by them, voluntary lock-up of such shares, extension of lock-up period, intention to | Note 3 | 36 months after completion of the IPO and the extended period stated below | Yes | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------|-----------------------------------|---|--------|--|-----|-----|-----|-----|
| | | hold and dispose of shares and other issues | | | | | | |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the directors regarding restriction on the sale of shares held by them, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | Note 4 | 12 months after completion of the IPO and the extended period stated below | Yes | Yes | N/A | N/A |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the supervisors regarding restriction on the sale of shares held by them, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | Note 5 | 12 months after completion of the IPO | Yes | Yes | N/A | N/A |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by HU Fei, as a senior officer and member of key technical staff, | Note 6 | 12 months after completion of the IPO and the extended period | Yes | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------|-----------------------------------|---|--------|---|-----|-----|-----|-----|
| | | regarding restriction on the sale of shares held by him, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | | stated below, and 6 months after termination of employment with the Company | | | | |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the senior officers BO Lianming, WU Bin, LI Lu, ZHAO Ruijin and XIAO Yangjian regarding restriction on the sale of shares held by them, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | Note 7 | 12 months after completion of the IPO and the extended period stated below | Yes | Yes | N/A | N/A |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the key technical staff YU Xin, WU Xiliang, WANG | Note 8 | 12 months after completion of the IPO and listing of stock and | Yes | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------|-----------------------------------|--|---------|--|-----|-----|-----|-----|
| | | Lin and GUO Zuqiang regarding restriction on the sale of shares held by them, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | | the extended period stated below | | | | |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the holders of more than 5% shares regarding restriction on the sale of shares held by them, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | Note 9 | 12 months after completion of the IPO and listing of stock | Yes | Yes | N/A | N/A |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the other shareholders regarding restriction on the sale of shares held by them, voluntary | Note 10 | 12 months after completion of the IPO and listing of stock | Yes | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------|-----------------------------------|---|---------|---|-----|-----|-----|-----|
| | | lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | | | | | | |
| Covenant relating to IPO | Restriction on the sale of shares | Covenant by the senior officers and key employees participating in the strategic allotment, LI Yi, BO Lianming, WU Bin, LI Lu, GAO Lijing, CHEN Xuxiang, LAI Yongsai and GAO Xiaohong, regarding restriction on the sale of shares held by him, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues | Note 11 | At least 12 months after completion of the IPO and listing of stock | Yes | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Issuer's plan for stabilizing the | Note 12 | 36 months after completion of the | Yes | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------|--------|--|---------|--|-----|-----|-----|-----|
| | | Company's stock price and covenant regarding share repurchase measures within three years after the listing | | IPO and listing of stock | | | | |
| Covenant relating to IPO | Others | Controlling shareholder and the actual controller's plan for stabilizing the Company's stock price and covenant regarding share repurchase measures within three years after the listing | Note 13 | 36 months after completion of the IPO and listing of stock | Yes | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Directors and senior officers' plan for stabilizing the Company's stock price and covenant regarding share repurchase measures within three years after the listing | Note 14 | 36 months after completion of the IPO and listing of stock | Yes | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Issuer's covenant regarding measures against fraud in IPO | Note 15 | Permanent | No | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------|--------|---|---------|----------------|----|-----|-----|-----|
| Covenant relating to IPO | Others | Controlling shareholder, actual controller and their concert parties' covenant regarding measures against fraud in IPO | Note 16 | Permanent | No | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Directors, supervisors and senior officers' covenant regarding measures against fraud in IPO | Note 17 | Permanent | No | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Issuer's covenant regarding remedial measures for diluted earnings in the current period | Note 18 | Permanent | No | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Controlling shareholder, actual controller and their concert parties' covenant regarding remedial measures for diluted earnings in the current period | Note 19 | Permanent | No | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Directors, supervisors and senior officers' covenant regarding remedial measures for diluted earnings in | Note 20 | Term of office | No | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------|---------|---|---------|----------------|----|-----|-----|-----|
| | | the current period | | | | | | |
| Covenant relating to IPO | Others | Issuer's covenant regarding profit distribution policy | Note 21 | Permanent | No | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Issuer's covenant regarding restraint measures and liability for compensation in the event of failure to fulfill its covenants | Note 22 | Permanent | No | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Controlling shareholder, actual controller and their concert parties' covenant regarding restraint measures and liability for compensation in the event of failure to fulfill their covenants | Note 23 | Permanent | No | Yes | N/A | N/A |
| Covenant relating to IPO | Others | Directors, supervisors and senior officers' covenant regarding restraint measures and liability for compensation in the event of failure to fulfill their covenants | Note 24 | Term of office | No | Yes | N/A | N/A |
| Covenant | Resolve | Controlling | Note 25 | Permanent | No | Yes | N/A | N/A |

| | | | | | | | | |
|--------------------------------------|--|--|---------|-----------|----|-----|-----|-----|
| relating to IPO | horizontal competition issues | shareholder's covenant on avoiding horizontal competition and regulating and reducing related-party transactions | | t | | | | |
| | Resolve related-party transaction issues | Actual controller's covenant on avoiding horizontal competition and regulating and reducing related-party transactions | Note 26 | Permanent | No | Yes | N/A | N/A |
| Covenant related to share incentives | Others | Covenant by the grantee of share incentives regarding information disclosure documents | Note 27 | Permanent | No | Yes | N/A | N/A |
| | Others | Company's covenant on refraining from providing financial assistance | Note 28 | Permanent | No | Yes | N/A | N/A |

Note 1:

Appotronics Holdings, as the controlling shareholder of the Company, hereby covenants that:

“1. With respect to the shares directly or indirectly held by us in the Company, we undertake:

(1) within 36 months after completion of the IPO and the extended period stated below (“Lock-up Period”), not to transfer or appoint any other person to manage the shares held by us in the Company

directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or to request the Company to repurchase such Pre-IPO Shares; and

(2) to comply with the applicable laws and regulations, the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange and other business rules of the Shanghai Stock Exchange regarding share transfer by the controlling shareholder and the actual controller of a listed company.

The foregoing covenants shall not apply to any transfer to any person who controls, is controlled by or is under common control with the transferor within 12 months after completion of the IPO.

2. If the closing price of the Company’s stock has been lower than the offering price of the IPO for 20 consecutive trading days within six months after completion of the IPO, or on the date that is six months after completion of the IPO, the Lock-up Period for the shares held by us in the Company shall be extended by an additional six months after the expiration of the initial Lock-up Period.

3. After the expiration of the Lock-up Period, if we dispose of any shares held by us in the Company, we will do so in strict accordance with the applicable laws, rules, regulations and normative documents, through call auction on the secondary market, private transfer, allotment, block trade or otherwise.

4. After the expiration of restriction on the sale of shares, if we dispose of any Pre-IPO Shares, we will ensure that the Company continues to operate stably. If we transfer our control over the Company, we will ensure that such transfer is conducted on an arm’s length basis, without prejudice to the legitimate rights and interests of the Company and other shareholders. We are free from the following circumstances upon the transfer of our control over the Company:

(1) any illegal occupation by us of the funds of the Company;

(2) any obligation owed by me to the Company’s debt or any outstanding guarantee offered by the Company for me;

(3) any outstanding covenant made by us to the Company or any other shareholder; or

(4) any other circumstance on our part that has a material adverse effect on the interests of the Company or the minority shareholders.

5. If we dispose of any Pre-IPO Shares within two years after the expiration of the Lock-up Period, the selling price shall not be lower than the offering price of the IPO, as adjusted for any distribution of dividends or bonus shares, capitalization of the capital reserve or rights issue by the Company during the period from the date of listing of the Company’s stock to the date of such disposal pursuant to the applicable rules of the Shanghai Stock Exchange. If we dispose of any Pre-IPO Shares two years after the expiration of the Lock-up Period, the selling price shall be determined according to the market price of the Company’s stock then.

6. We will strictly comply with the applicable laws, rules, regulations and normative documents, and regulatory requirements, and will not dispose of any shares held by us in the Company during the Lock-up Period. After the expiration of the Lock-up Period, we will formulate the share disposal plan in a prudent manner, and dispose of the shares at such time as we deem fit in our sole discretion, taking

into consideration the situations of the stock market, movement of the Company's stock price, and the relevant public information, subject to the applicable laws, rules, regulations and normative documents.

7. If we dispose of any shares held by us in the Company within two years after the expiration of the Lock-up Period, we will do so in accordance with the provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange regarding disposal of shares by a shareholder and the relevant information disclosure.

8. If the Company meets the criteria for delisting due to any serious violation as set forth below, we will not dispose of any shares held by us in the Company from the date that the relevant administration penalty or judicial judgment is imposed or made, till the date of delisting of the Company's stock:

(1) where the Company has committed fraud in IPO, seriously violated the laws regarding information disclosure or otherwise seriously disrupted the order of stock market, as a result of which its listing status is seriously undermined; or

(2) where the Company has seriously violated the laws regarding national security, public security, ecological security, production safety or public health, and such violation is of a serious nature, has seriously damaged the national interest or public interest, or seriously undermined its listing status.

9. We will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Apotronics Corporation Limited in effect regarding the duties and obligations of a shareholder.

10. We will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

Note 2:

LI Yi, as the actual controller of the Company, hereby undertakes:

“1. With respect to the shares directly or indirectly held by me in the Company, I undertake:

(1) within 36 months after completion of the IPO and the extended period stated below, and 6 months after termination of my employment with the Company (“Lock-up Period”), not to transfer or appoint any other person to manage the shares held by me in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or to request the Company to repurchase such Pre-IPO Shares;

The foregoing covenants shall not apply to any transfer to any person who controls, is controlled by or is under common control with the transferor within 12 months after completion of the IPO;

(2) within four years after the expiration of restriction on the sale of Pre-IPO shares, not to transfer more than 25% of the total Pre-IPO Shares held by me in aggregate every year;

(3) so long as I remain a director of the Company, not to transfer more than 25% of the total shares held by me in the Company;

(4) within half a year after I retire from my post as director of the Company, not to transfer any shares held by me in the Company; and

(5) to comply with the applicable laws and regulations, the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange and other business rules of the Shanghai Stock Exchange regarding share transfer by the actual controller, directors or key technical staff of a listed company.

I will comply with foregoing covenants notwithstanding any change in my shareholding in the Company due to any equity distribution made by the Company or otherwise.

2. If the closing price of the Company's stock has been lower than the offering price of the IPO for 20 consecutive trading days within six months after completion of the IPO, or on the date that is six months after completion of the IPO, the Lock-up Period for the shares held by me in the Company shall be extended by an additional six months after the expiration of the initial Lock-up Period.

3. After the expiration of the Lock-up Period, if I dispose of any shares held by me in the Company, I will do so in strict accordance with the applicable laws, rules, regulations and normative documents, through call auction on the secondary market, private transfer, allotment, block trade or otherwise.

4. After the expiration of restriction on the sale of shares, if I dispose of any Pre-IPO Shares, I will ensure that the Company continues to operate stably. If I transfer my control over the Company, I will ensure that such transfer is conducted on an arm's length basis, without prejudice to the legitimate rights and interests of the Company and other shareholders. I am free from the following circumstances upon the transfer of my control over the Company:

(1) any illegal occupation by us of the funds of the Company;

(2) any obligation owed by me to the Company's debt or any outstanding guarantee offered by the Company for me;

(3) any outstanding covenant made by us to the Company or any other shareholder; or

(4) any other circumstance on our part that has a material adverse effect on the interests of the Company or the minority shareholders.

5. If I dispose of any Pre-IPO Shares within two years after the expiration of the Lock-up Period, the selling price shall not be lower than the offering price of the IPO, as adjusted for any distribution of dividends or bonus shares, capitalization of the capital reserve or rights issue by the Company during the period from the date of listing of the Company's stock to the date of such disposal pursuant to the applicable rules of the Shanghai Stock Exchange. If we dispose of any Pre-IPO Shares two years after the expiration of the Lock-up Period, the selling price shall be determined according to the market price of the Company's stock then.

6. I will strictly comply with the applicable laws, rules, regulations and normative documents, and regulatory requirements, and will not dispose of any shares held by me in the Company during the Lock-up Period. After the expiration of the Lock-up Period, I will formulate the share disposal plan in a prudent manner, and dispose of the shares at such time as we deem fit in our sole discretion, taking into

consideration the situations of the stock market, movement of the Company's stock price, and the relevant public information, subject to the applicable laws, rules, regulations and normative documents.

7. During my employment with the Company, I will truthfully report the shares held by me in the Company and changes therein to the Company on a regular basis (other than changes arising from any dividend distribution or capitalization of the capital reserve by the Company).

8. If I dispose of any shares held by me in the Company within two years after the expiration of the Lock-up Period, I will do so in accordance with the provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange regarding disposal of shares by the actual controller, directors or key technical staff and the relevant information disclosure.

9. If the Company meets the criteria for delisting due to any serious violation as set forth below, I will not dispose of any shares held by me in the Company from the date that the relevant administration penalty or judicial judgment is imposed or made, till the date of delisting of the Company's stock:

(1) where the Company has committed fraud in IPO, seriously violated the laws regarding information disclosure or otherwise seriously disrupted the order of stock market, as a result of which its listing status is seriously undermined; or

(2) where the Company has seriously violated the laws regarding national security, public security, ecological security, production safety or public health, and such violation is of a serious nature, has seriously damaged the national interest or public interest, or seriously undermined its listing status.

10. I will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics Corporation Limited in effect regarding the duties and obligations of the actual controller, directors and key technical staff.

11. I will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

Note 3:

Each of the concert parties of the actual controller of the Company hereby covenants that:

“1. With respect to the shares directly or indirectly held by us in the Company, we undertake:

(1) within 36 months after completion of the IPO and the extended period stated below (“Lock-up Period”), not to transfer or appoint any other person to manage the shares held by us in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or to request the Company to repurchase such Pre-IPO Shares; and

(2) to comply with the applicable laws and regulations, the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange and other business rules of the Shanghai Stock Exchange regarding share transfer by the controlling shareholder and the actual controller of a listed company.

The foregoing covenants shall not apply to any transfer to any person who controls, is controlled by or is under common control with the transferor within 12 months after completion of the IPO.

2. If the closing price of the Company's stock has been lower than the offering price of the IPO for 20 consecutive trading days within six months after completion of the IPO, or on the date that is six months after completion of the IPO, the Lock-up Period for the shares held by us in the Company shall be extended by an additional six months after the expiration of the initial Lock-up Period.

3. After the expiration of the Lock-up Period, if we dispose of any shares held by us in the Company, we will do so in strict accordance with the applicable laws, rules, regulations and normative documents, through call auction on the secondary market, private transfer, allotment, block trade or otherwise.

4. If we dispose of any Pre-IPO Shares within two years after the expiration of the Lock-up Period, the selling price shall not be lower than the offering price of the IPO, as adjusted for any distribution of dividends or bonus shares, capitalization of the capital reserve or rights issue by the Company during the period from the date of listing of the Company's stock to the date of such disposal pursuant to the applicable rules of the Shanghai Stock Exchange. If we dispose of any Pre-IPO Shares two years after the expiration of the Lock-up Period, the selling price shall be determined according to the market price of the Company's stock then.

5. We will strictly comply with the applicable laws, rules, regulations and normative documents, and regulatory requirements, and will not dispose of any shares held by us in the Company during the Lock-up Period. After the expiration of the Lock-up Period, we will formulate the share disposal plan in a prudent manner, and dispose of the shares at such time as we deem fit in our sole discretion, taking into consideration the situations of the stock market, movement of the Company's stock price, and the relevant public information, subject to the applicable laws, rules, regulations and normative documents.

6. If we dispose of any shares held by us in the Company within two years after the expiration of the Lock-up Period, we will do so in accordance with the provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange regarding disposal of shares by a shareholder and the relevant information disclosure.

7. If the Company meets the criteria for delisting due to any serious violation as set forth below, we will not dispose of any shares held by us in the Company from the date that the relevant administration penalty or judicial judgment is imposed or made, till the date of delisting of the Company's stock:

(1) where the Company has committed fraud in IPO, seriously violated the laws regarding information disclosure or otherwise seriously disrupted the order of stock market, as a result of which its listing status is seriously undermined; or

(2) where the Company has seriously violated the laws regarding national security, public security, ecological security, production safety or public health, and such violation is of a serious nature, has seriously damaged the national interest or public interest, or seriously undermined its listing status.

8. We will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Apotronics Corporation Limited in effect regarding the duties and obligations of a shareholder.

9. We will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

Note 4:

Each director of the Company, who is also a shareholder, hereby covenants that:

“1. With respect to the shares directly or indirectly held by me in the Company, within 12 months after completion of the IPO and the extended period stated below (“Lock-up Period”), I will not transfer or appoint any other person to manage the shares held by me in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or request the Company to repurchase such Pre-IPO Shares.

2. If the closing price of the Company's stock has been lower than the offering price of the IPO for 20 consecutive trading days within six months after completion of the IPO, or on the date that is six months after completion of the IPO, the Lock-up Period for the shares held by me in the Company shall be extended by an additional six months after the expiration of the initial Lock-up Period.

3. During my employment with the Company, I will truthfully report the shares held by me in the Company and changes therein to the Company on a regular basis (other than changes arising from any dividend distribution or capitalization of the capital reserve by the Company).

4. If I dispose of any Pre-IPO Shares within two years after the expiration of the Lock-up Period, the selling price shall not be lower than the offering price of the IPO, as adjusted for any distribution of dividends or bonus shares, capitalization of the capital reserve, issuance of new shares or rights issue by the Company during the period from the date of listing of the Company's stock to the date of such disposal pursuant to the applicable rules of the Shanghai Stock Exchange. If the Company has distributed any dividends or bonus shares, capitalized the capital reserve or made any rights issue during the period from the date of listing of the Company's stock to the date of such disposal, the minimum selling price and number of shares salable shall be adjusted accordingly.

5. If I retire from my post as director of the Company prior to the expiration of my term of office, I will comply with the following restrictive provisions:

(1) so long as I remain a director of the Company, I will not transfer more than 25% of the total shares held by me in the Company; and

(2) within half a year after I retire from my post as director of the Company, I will not transfer any shares held by me in the Company.

I will comply with foregoing covenants notwithstanding any change in my shareholding in the Company due to any equity distribution made by the Company or otherwise.

6. If the Company meets the criteria for delisting due to any serious violation as set forth below, I will not dispose of any shares held by me in the Company from the date that the relevant administration penalty or judicial judgment is imposed or made, till the date of delisting of the Company's stock:

(1) where the Company has committed fraud in IPO, seriously violated the laws regarding information disclosure or otherwise seriously disrupted the order of stock market, as a result of which its listing status is seriously undermined; or

(2) where the Company has seriously violated the laws regarding national security, public security, ecological security, production safety or public health, and such violation is of a serious nature, has seriously damaged the national interest or public interest, or seriously undermined its listing status.

7. I will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics Corporation Limited in effect.

8. If I acquire any additional shares of the Company or become eligible to sell any shares held by me in the Company, I will strictly comply with, and cooperate with the Company to comply with, all applicable information disclosure provisions and requirements regarding the dealings in the Company's shares.

I will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith. If I fail to perform my duties and obligations under the covenants set forth above, I will indemnify the Company and other shareholders or stakeholders of the Company for the losses arising therefrom according to law, and surrender my gains from illegal disposal of the Company's shares (if any) to the Company. ”

Note 5:

Each supervisor of the Company, who is also a shareholder, hereby covenants that:

“1. With respect to the shares directly or indirectly held by me in the Company, within 12 months after completion of the IPO (“Lock-up Period”), I will not transfer or appoint any other person to manage the shares held by me in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or request the Company to repurchase such Pre-IPO Shares.

2. During my employment with the Company, I will truthfully report the shares held by me in the Company and changes therein to the Company on a regular basis (other than changes arising from any dividend distribution or capitalization of the capital reserve by the Company).

3. If I retire from my post as supervisor of the Company prior to the expiration of my term of office, I will comply with the following restrictive provisions:

(1) so long as I remain a supervisor of the Company, I will not transfer more than 25% of the total shares held by me in the Company; and

(2) within half a year after I retire from my post as supervisor of the Company, I will not transfer any shares held by me in the Company.

I will comply with foregoing covenants notwithstanding any change in my shareholding in the Company due to any equity distribution made by the Company or otherwise.

4. If the Company meets the criteria for delisting due to any serious violation as set forth below, I will not dispose of any shares held by me in the Company from the date that the relevant administration penalty or judicial judgment is imposed or made, till the date of delisting of the Company's stock:

(1) where the Company has committed fraud in IPO, seriously violated the laws regarding information disclosure or otherwise seriously disrupted the order of stock market, as a result of which its listing status is seriously undermined; or

(2) where the Company has seriously violated the laws regarding national security, public security, ecological security, production safety or public health, and such violation is of a serious nature, has seriously damaged the national interest or public interest, or seriously undermined its listing status.

5. I will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics Corporation Limited in effect regarding the duties and obligations of a supervisor.

6. If I acquire any additional shares of the Company or become eligible to sell any shares held by me in the Company, I will strictly comply with, and cooperate with the Company to comply with, all applicable information disclosure provisions and requirements regarding the dealings in the Company's shares.

7. I will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith. ”

Note 6:

HU Fei, as the deputy general manager and member of key technical staff of the Company, hereby covenants that:

“1. With respect to the shares directly or indirectly held by me in the Company, I undertake:

(1) within 12 months after listing of the Company's stock and the extended period stated below, and 6 months after termination of my employment with the Company (“Lock-up Period”), not to transfer or appoint any other person to manage the shares held by me in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or to request the Company to repurchase such Pre-IPO Shares;

(2) within four years after the expiration of restriction on the sale of Pre-IPO shares, not to transfer more than 25% of the total Pre-IPO Shares held by me in aggregate every year;

(3) so long as I remain a senior officer of the Company, not to transfer more than 25% of the total shares held by me in the Company;

(4) within half a year after I retire from my post as senior officer of the Company, not to transfer any shares held by me in the Company; and

(5) to comply with the applicable laws and regulations, the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange and other business rules of the Shanghai Stock Exchange.

2. If the closing price of the Company's stock has been lower than the offering price of the IPO for 20 consecutive trading days within six months after completion of the IPO, or on the date that is six months after completion of the IPO, the Lock-up Period for the shares held by me in the Company shall be extended by an additional six months after the expiration of the initial Lock-up Period.

3. If I dispose of any Pre-IPO Shares within two years after the expiration of the Lock-up Period, the selling price shall not be lower than the offering price of the IPO, as adjusted for any distribution of dividends or bonus shares, capitalization of the capital reserve, issuance of new shares or rights issue by the Company during the period from the date of listing of the Company's stock to the date of such disposal pursuant to the applicable rules of the Shanghai Stock Exchange. If the Company has distributed any dividends or bonus shares, capitalized the capital reserve or made any rights issue during the period from the date of listing of the Company's stock to the date of such disposal, the minimum selling price and number of shares salable shall be adjusted accordingly.
4. If the Company meets the criteria for delisting due to any serious violation as set forth below, I will not dispose of any shares held by me in the Company from the date that the relevant administration penalty or judicial judgment is imposed or made, till the date of delisting of the Company's stock:
 - (1) where the Company has committed fraud in IPO, seriously violated the laws regarding information disclosure or otherwise seriously disrupted the order of stock market, as a result of which its listing status is seriously undermined; or
 - (2) where the Company has seriously violated the laws regarding national security, public security, ecological security, production safety or public health, and such violation is of a serious nature, has seriously damaged the national interest or public interest, or seriously undermined its listing status.
5. I will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics Corporation Limited in effect.
6. During my employment with the Company, I will truthfully report the shares held by me in the Company and changes therein to the Company on a regular basis (other than changes arising from any dividend distribution or capitalization of the capital reserve by the Company). If I acquire any additional shares of the Company or become eligible to sell any shares held by me in the Company, I will strictly comply with, and cooperate with the Company to comply with, all applicable information disclosure provisions and requirements regarding the dealings in the Company's shares.
7. I will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith. ”

Note 7:

Each of the senior officers of the Company other than HU Fei, who is also a shareholder, hereby covenants that:

“1. With respect to the shares directly or indirectly held by me in the Company, within 12 months after completion of the IPO and the extended period stated below (“Lock-up Period”), I will not transfer or appoint any other person to manage the shares held by me in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or request the Company to repurchase such Pre-IPO Shares.

2. If the closing price of the Company's stock has been lower than the offering price of the IPO for 20 consecutive trading days within six months after completion of the IPO, or on the date that is six months

after completion of the IPO, the Lock-up Period for the shares held by me in the Company shall be extended by an additional six months after the expiration of the initial Lock-up Period.

3. During my employment with the Company, I will truthfully report the shares held by me in the Company and changes therein to the Company on a regular basis (other than changes arising from any dividend distribution or capitalization of the capital reserve by the Company).

4. If I dispose of any Pre-IPO Shares within two years after the expiration of the Lock-up Period, the selling price shall not be lower than the offering price of the IPO, as adjusted for any distribution of dividends or bonus shares, capitalization of the capital reserve, issuance of new shares or rights issue by the Company during the period from the date of listing of the Company's stock to the date of such disposal pursuant to the applicable rules of the Shanghai Stock Exchange. If the Company has distributed any dividends or bonus shares, capitalized the capital reserve or made any rights issue during the period from the date of listing of the Company's stock to the date of such disposal, the minimum selling price and number of shares salable shall be adjusted accordingly.

5. If I retire from my post as senior officer of the Company prior to the expiration of my term of office, I will comply with the following restrictive provisions:

(1) so long as I remain a director of the Company, I will not transfer more than 25% of the total shares held by me in the Company; and

(2) within half a year after I retire from my post as director of the Company, I will not transfer any shares held by me in the Company.

I will comply with foregoing covenants notwithstanding any change in my shareholding in the Company due to any equity distribution made by the Company or otherwise.

6. If the Company meets the criteria for delisting due to any serious violation as set forth below, I will not dispose of any shares held by me in the Company from the date that the relevant administration penalty or judicial judgment is imposed or made, till the date of delisting of the Company's stock:

(1) where the Company has committed fraud in IPO, seriously violated the laws regarding information disclosure or otherwise seriously disrupted the order of stock market, as a result of which its listing status is seriously undermined; or

(2) where the Company has seriously violated the laws regarding national security, public security, ecological security, production safety or public health, and such violation is of a serious nature, has seriously damaged the national interest or public interest, or seriously undermined its listing status.

7. I will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Apotronics Corporation Limited in effect.

8. If I acquire any additional shares of the Company or become eligible to sell any shares held by me in the Company, I will strictly comply with, and cooperate with the Company to comply with, all applicable information disclosure provisions and requirements regarding the dealings in the Company's shares.

9. I will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith. ”

Note 8:

Each of the members of key technical staff of the Company other than LI Yi and HU Fei, who is also a shareholder, hereby covenants that:

- “1. Within 12 months after completion of the IPO and listing of stock (“the IPO”) and the extended period stated below (“Lock-up Period”), I will not transfer or appoint any other person to manage the shares held by me in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or request the Company to repurchase such Pre-IPO Shares.
2. Within four years after the expiration of the Lock-up Period, I will not transfer more than 25% of the total Pre-IPO Shares held by me in aggregate every year. If the Company has distributed any dividends or bonus shares, capitalized the capital reserve or made any rights issue during such period, the number of shares salable shall be adjusted accordingly.
3. During my employment with the Company, I will truthfully report the shares held by me in the Company and changes therein to the Company on a regular basis (other than changes arising from any dividend distribution or capitalization of the capital reserve by the Company). If I acquire any additional shares of the Company or become eligible to sell any shares held by me in the Company, I will strictly comply with, and cooperate with the Company to comply with, all applicable information disclosure provisions and requirements regarding the dealings in the Company’s shares.
4. I will strictly comply with the applicable laws and regulations, the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange and other business rules of the Shanghai Stock Exchange, and the Articles of Association of Appotronics Corporation Limited in effect.
5. I will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith. ”

Note 9:

Each of the holders of more than 5% of the shares of the issuer hereby covenants that:

- “1. With respect to the shares directly or indirectly held by us in the Company, within 12 months after completion of the IPO (“Lock-up Period”), we will not transfer or appoint any other person to manage the shares held by us in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or request the Company to repurchase such Pre-IPO Shares.
2. After the expiration of the Lock-up Period, if we dispose of any shares held by me/us in the Company, we will do so in strict accordance with the applicable laws, rules, regulations and normative documents, through call auction on the secondary market, private transfer, allotment, block trade or otherwise.
3. If we dispose of any Pre-IPO Shares within two years after the expiration of the Lock-up Period, the selling price shall not be lower than the offering price of the IPO, as adjusted for any distribution of dividends or bonus shares, capitalization of the capital reserve or rights issue by the Company during the period from the date of listing of the Company’s stock to the date of such disposal pursuant to the applicable rules of the Shanghai Stock Exchange. If we dispose of any Pre-IPO Shares two years after

the expiration of the Lock-up Period, the selling price shall be determined according to the market price of the Company's stock then.

4. We will strictly comply with the applicable laws, rules, regulations and normative documents, and regulatory requirements, and will not dispose of any shares held by us in the Company during the Lock-up Period. After the expiration of the Lock-up Period, we will formulate the share disposal plan in a prudent manner, and dispose of the shares at such time as we deem fit in our sole discretion, taking into consideration the situations of the stock market, movement of the Company's stock price, and the public information, subject to the relevant laws, rules, regulations and normative documents.

5. If we dispose of any shares held by us in the Company within two years after the expiration of the Lock-up Period, we will do so in accordance with the provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange regarding disposal of shares by a shareholder and the relevant information disclosure.

6. We will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics Corporation Limited in effect regarding the duties and obligations of a shareholder.

We will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith. ”

Note 10:

Each of the other corporate shareholders hereby covenants that:

“1. With respect to the shares directly or indirectly held by us in the Company, within 12 months after completion of the IPO (“Lock-up Period”), we will not transfer or appoint any other person to manage the shares held by us in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or request the Company to repurchase such Pre-IPO Shares.

2. We will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics Corporation Limited in effect regarding the duties and obligations of a shareholder.

3. If we acquire any additional shares of the Company or become eligible to sell any shares held by us in the Company, we will strictly comply with, and cooperate with the Company to comply with, all applicable information disclosure provisions and requirements regarding the dealings in the Company's shares.

We will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith. ”

Each of the other natural-person shareholders hereby covenants that:

“1. With respect to the shares directly or indirectly held by me in the Company, within 12 months after completion of the IPO (“Lock-up Period”), I will not transfer or appoint any other person to manage the shares held by me in the Company directly or indirectly issued prior to the IPO of the Company (“Pre-IPO Shares”), or request the Company to repurchase such Pre-IPO Shares.

2. I will strictly comply with the provisions and requirements of the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics Corporation Limited in effect regarding the duties and obligations of a shareholder.

3. If I acquire any additional shares of the Company or become eligible to sell any shares held by me in the Company, I will strictly comply with, and cooperate with the Company to comply with, all applicable information disclosure provisions and requirements regarding the dealings in the Company's shares.

I will faithfully fulfill the covenants set forth above and assume the legal liabilities in connection therewith. ”

Note 11:

Each of the senior officers and key employees participating in the strategic allotment, namely LI Yi, BO Lianming, WU Bin, LI Lu, GAO Lijing, CHEN Xuxiang, LAI Yongsai and GAO Xiaohong, hereby covenants that:

- “1. I am the actual holder of the asset management plan, and have not participated in the strategic allotment on behalf of any other investor or appointed any other investor to participate in the strategic allotment on my behalf;
2. I use my own funds to participate in the strategic allotment;
3. I believe in the long-term investment value of the Company, and agree with the asset management plan to subscribe for the shares available to it through the strategic allotment at such offering price as finally determined;
4. I agree to accept such number of shares available through the strategic allotment as finally determined by the issuer and the lead underwriter, subject to the number/amount of share that the asset management plan undertakes to subscribe for;
5. I will not participate in the online or off-line offering in connection with the IPO of the Company;
6. I will hold the shares acquired through the strategic allotment for a period of not less than 12 months, calculated from the date of listing of the shares publically offered this time;
7. I will not transfer any shares held by me under the asset management plan during the Lock-up Period in any manner;
8. There isn't any illegal benefit transfer between me and the Company or any other stakeholder. ”

Note 12:

The issuer hereby covenants:

“I. Conditions for triggering and stopping the stock price stabilization measures

(I) Condition for triggering the measures

If, within 36 months after completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares) on the STAR Market (“IPO”), the closing price of the Company's stock has been lower than its most recently audited net assets per share (as adjusted for any distribution of

dividends or bonus shares, capitalization of the capital reserve, issuance of new shares or rights issue by the Company) for 20 consecutive trading days (“Trigger Condition” or “Trigger Condition for Stabilization of Stock Price”), except for any event of force majeure, the Company and the related persons shall take the following measures to stabilize the Company’s stock price subject to the provisions of the China Securities Regulatory Commission (“CSRC”) and the Shanghai Stock Exchange (“SSE”) regarding share repurchase, acquisition of additional shares and information disclosure and other applicable provisions:

- (1) repurchase of shares by the Company;
- (2) acquisition of additional shares of the Company by the controlling shareholder and the actual controller;
- (3) acquisition of additional shares of the Company by the directors and senior officers;
- (4) other measures permitted by the applicable laws, rules, regulations and normative documents, and the CSRC and the SSE.

If the Company intends to repurchase shares upon satisfaction of the Trigger Condition, the Company shall hold a meeting of the Board of Directors within 10 days and a general meeting of shareholders within 30 days, to review the specific proposal for stabilizing the stock price and the period for implementing such proposal, and implement such proposal within five trading days after the same has been approved by the general meeting of shareholders.

(2) Condition for stopping the measures

If, prior to or during the implementation of the stock price stabilization measures, the closing price of the Company’s stock has been higher than its most recently audited net assets per share for 20 consecutive trading days, the Company shall stop the stock price stabilization measures to the extent permitted by the applicable laws, rules, regulations and normative documents.

After the stock price stabilization measures have been completed or stopped, if the Trigger Condition is satisfied again, the Company shall implement the stock price stabilization plan again.

II. Measures for stabilizing the stock price of the Company

Upon satisfaction of the Trigger Condition, the Company and its controlling shareholder, actual controller, directors and senior officers shall promptly take all or part of the following measures to stabilize the stock price of the Company:

(I) Repurchase of shares by the Company

1. Any share repurchase by the Company for purpose of stabilizing its stock price shall comply with the Contract Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures for Repurchase by the Listed Companies of their Public Shares (Tentative), the Supplementary Provisions on Repurchase by the Listed Companies of their Public Shares through Call Auction, the Opinion on Supporting Repurchase by the Listed Companies of their Public Shares, the Rules of the Shanghai Stock Exchange for Implementation of Share Repurchase by the Listed Companies, and other applicable laws, rules, regulations and normative documents.

2. Any share repurchase by the Company for purpose of stabilizing its stock price shall meet the following conditions:

- (1) the Company's stock has been listed for at least one year;
- (2) after the completion of such share repurchase, the Company shall be solvent and have the ability to continue as a going concern;
- (3) after the completion of such share repurchase, the shareholding structure of Company shall continue to meet the listing conditions; and
- (4) such other conditions as may be set forth by the CSRC.

If the Company repurchases shares for purpose of stabilizing its stock price and reduces its registered capital accordingly, the Company may do so even if its stock has been listed for less than one year.

3. The share repurchase proposal requires the approval of the shareholders representing more than two thirds of the total votes present at the general meeting of shareholders. The controlling shareholder and the actual controller of the Company undertake to vote for such share repurchase proposal.

4. The general meeting of shareholders may authorize the Board of Directors to decide on the share repurchase proposal, provided that the relevant resolution of the general meeting of shareholders shall specify the specific powers delegated to the Board of Directors and the delegation period. The resolution of the Board of Directors on the share repurchase proposal requires the approval of more than two thirds of the directors present at the meeting of the Board of Directors. The non-independent directors of the Company undertake to vote for the share repurchase proposal (to the extent that they have the voting power).

5. After the share repurchase proposal has been approved by the general meeting of shareholders, the Company shall notify its creditors and submit the relevant documents and go through the applicable approval or filing procedures with the CSRC, the SSE and other competent authorities according to law, and may implement the share repurchase proposal only after the applicable approval, filing, information disclosure and other procedures have been completed. If the share repurchase proposal fails to be approved by the general meeting of shareholders, the Company shall procure the controlling shareholder and the actual controller to perform their obligations to acquire additional shares of the Company as promised by them.

6. In addition to the requirements of the applicable laws, rules, regulations and normative documents, any share repurchase by the Company for purpose of stabilizing its stock price shall also comply with the following provisions:

- (1) the Company shall repurchase its shares on the secondary market through call auction or tender offer;
- (2) the total amount used by the Company in the share repurchase shall not exceed 80% of its IPO net proceeds;
- (3) the total number of shares repurchased by the Company within 12 consecutive months shall not exceed 2% of the total shares of the Company as of the end of the preceding year; and
- (4) the total amount used by the Company under a share repurchase plan shall not be lower than 5% and not be more than 10% of its audited net profit attributable to the shareholders of the parent company for

the preceding accounting year, or such other higher ratio may be applied as approved by the Board of Directors;

In case of any conflict between the provisions of Paragraph (3) and Paragraph (4) above, Paragraph (3) shall prevail.

(5) the Company may use its own funds, proceeds from issuance of preferred shares or bonds, the excess funds raised through issuance of ordinary shares beyond what is actually required, the surplus funds of the projects in which the funds raised invest, the funds raised that have been permanently applied to replenish working capital according to law, loans from financial institutions and other legal funds to repurchase its shares.

7. The Board of Directors of the Company shall pay close attention to the Company's capital position, solvency and ability to continue as a going concern, draw up and implement the share repurchase plan prudently, and ensure that the number and amount of the shares repurchased are appropriate for the actual financial condition of the Company.

The Company shall establish sound and effective internal controls in respect of share repurchase, draw up the detailed operation plans, prevent insider trading and other unfair transactions, and shall not manipulate its stock price or make any illegal benefit transfer to any of its directors, supervisors, senior officers, controlling shareholder or actual controller through any share repurchase.

(II) Acquisition of additional shares of the Company by the controlling shareholder and the actual controller

1. Upon satisfaction of the Trigger Condition, if the Company is unable to make share repurchase, the controlling shareholder and the actual controller shall acquire additional shares of the Company, subject to the Administrative Measures for the Acquisition of the Listed Companies and other applicable laws, rules, regulations and normative documents, provided that such transaction will not cause the shareholding structure of Company to cease to meet the listing conditions and/or trigger obligation to make a tender offer by the controlling shareholder.

2. Subject to Paragraph 1 above, the controlling shareholder and the actual controller of the Company shall, within 10 trading days after satisfaction of the Trigger Condition, notify the Company in writing of their plan to acquire additional shares, which shall specify, among others, the scope of number of shares to be acquired, upper limit of the purchase price and time limit for such acquisition. The Company shall announce such plan within 3 trading days prior to the implementation of such plan.

3. The controlling shareholder and the actual controller shall acquire additional shares of the Company on the secondary market through call auction or otherwise legally.

4. The stock price stabilization plan implemented by the controlling shareholder and the actual controller shall also comply with the following provisions:

(1) the amount used by the controlling shareholder and the actual controller in the acquisition of additional shares under a single plan shall not be lower than 20% of the aggregate cash dividends (after tax) received by them from the Company after the listing of the Company;

(2) the total amount used by the controlling shareholder and the actual controller in the acquisition of additional shares under a single plan or within 12 consecutive months shall not exceed 50% of the aggregate cash dividends (after tax) received by them from the Company after the listing of the Company;

(3) the total number of additional shares acquired by the controlling shareholder and the actual controller under a single plan shall not exceed 2% of the total shares of the Company; and

(4) the purchase price paid by the controlling shareholder and the actual controller for the additional shares shall not exceed 100% of the most recently audited net assets per share of the Company.

In case of any conflict between the provisions of Paragraph (1) and Paragraph (3) above, Paragraph (3) shall prevail.

5. The controlling shareholder and the actual controller shall be jointly and severally liable for such acquisition of additional shares.

(III) Acquisition of additional shares of the Company by the directors and senior officers

1. Upon satisfaction of the Trigger Condition, if the Company is unable to make share repurchase, and the controlling shareholder and the actual controller are unable to acquire additional shares of the Company, or fail to put forward or implement the plan to acquire additional shares of the Company, the directors and senior officers shall acquire additional shares of the Company, subject to the Administrative Measures for the Acquisition of the Listed Companies, the Management Rules for Shareholding by Directors, Supervisors and Senior Officers of Listed Companies in the Companies and Changes in such Shareholding and other applicable laws, rules, regulations and normative documents, provided that such transaction will not cause the shareholding structure of Company to cease to meet the listing conditions.

2. Subject to Paragraph 1 above, the directors and senior officers of the Company shall, within 10 trading days after satisfaction of the Trigger Condition, notify the Company in writing of their plan to acquire additional shares, which shall specify, among others, the scope of number of shares to be acquired, upper limit of the purchase price and time limit for such acquisition. The Company shall announce such plan within 3 trading days prior to the implementation of such plan.

3. The stock price stabilization plan implemented by the directors and senior officers shall also comply with the following provisions:

(1) the amount used by any director or senior officer in the acquisition of additional shares under a single plan shall not be lower than 20% of the aggregate cash dividends, remunerations and subsidies (in each case, if any and after tax) received by such director or senior officer from the Company in the preceding year;

(2) the total amount used by any director or senior officer in the acquisition of additional shares under a single plan or within 12 consecutive months shall not exceed 50% of the aggregate cash dividends, remunerations and subsidies (in each case, if any and after tax) received by such director or senior officer from the Company in the preceding year; and

(3) the purchase price paid by the directors and senior officers for the additional shares shall not exceed 100% of the most recently audited net assets per share of the Company.

4. The Company shall request each new director or senior officer appointed within three years after completion of the IPO to sign a letter of undertaking, warranting that he will fulfill the covenants made by the existing directors and senior officers in the IPO.

(IV) Other measures permitted by the applicable laws, rules, regulations and normative documents, and the CSRC and the SSE

The Company and the related persons may take one or more measures to stabilize the Company's stock price according to the situations of the Company and the market, provided that such measures shall be taken for purpose of safeguarding the listing status of the Company and protecting the interests of the Company and the investors, and comply with the applicable laws, rules, regulations and normative documents, and the relevant provisions of the SSE, and shall perform the relevant obligation of information disclosure.

III. Restraint mechanisms for stock price stabilization plan

Upon satisfaction of the Trigger Condition, if the Company or any controlling shareholder, actual controller, director or senior officer fails to take the stock price stabilization measures stated above, the Company and such person shall be bound by the following restraint mechanisms:

1. The Company or such controlling shareholder, actual controller, director or senior officer (as applicable) shall publicly explain the reason for failure to take the stock price stabilization measures to the general meeting of shareholders of the Company and on the media for information disclosure designated by the CSRC, and apologize to the shareholders of the Company and the investors, and the Company shall assume the relevant legal liabilities.
2. If any controlling shareholder, actual controller, director or senior officer fails to fulfill his covenant regarding acquisition of additional shares, the issuer may defer the payment of cash dividends (if any) for the year in which the obligation to acquire additional shares is triggered and the following year and 50% of the total remuneration and subsidies for such year payable to him, and prohibit him from transferring the shares held by him in the Company, until he has taken and completed the relevant stock price stabilization measures.
3. The Company shall remind and procure the directors and senior officers newly appointed in the future to fulfill the covenants made by the existing directors and senior officers in the IPO regarding the stock price stabilization measures.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares) on the STAR Market. ”

Note 13:

Appotronics Holdings, as the controlling shareholder of the Company, hereby covenants that:

“We will seriously perform our duties in accordance with the requirements of the Plan of Appotronics Corporation Limited on Stabilizing the Stock Price of the Company if the Stock Price is Lower than the

Net Assets per Share of the Company within Three Years after Completion of the IPO and Listing of the Company's RMB-denominated Ordinary Shares (A-shares) on the STAR Market, and ensure the implementation of the Plan through the restraint mechanisms set forth therein, to maintain the stability of the Company's stock price and protect the interests of the investors.

We will actively support the Company in repurchasing shares according to law, and will not engage in any abuse of rights, insider trading, market manipulation or other illegal acts to the detriment of the interests of the Company and other shareholders in connection with the share repurchase by the Company.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

LI Yi, as the actual controller of the Company, hereby covenants that:

“I will seriously perform my duties in accordance with the requirements of the Plan of Appotronics Corporation Limited on Stabilizing the Stock Price of the Company if the Stock Price is Lower than the Net Assets per Share of the Company within Three Years after Completion of the IPO and Listing of the Company's RMB-denominated Ordinary Shares (A-shares) on the STAR Market, and ensure the implementation of the Plan through the restraint mechanisms set forth therein, to maintain the stability of the Company's stock price and protect the interests of the investors.

I will actively support the Company in repurchasing shares according to law, and will not engage in any abuse of rights, insider trading, market manipulation or other illegal acts to the detriment of the interests of the Company and other shareholders in connection with the share repurchase by the Company. I will be honest, keep my promise, be assiduous in my duties, and safeguard the interests of the Company and the legitimate rights and interests of the shareholders and creditors of the Company in the share repurchase by the Company. I covenant that the share repurchase by the Company will not prejudice the Company's solvency and ability to continue as a going concern.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

Note 14:

Each of the directors and senior officers of the Company hereby covenants that:

“I will seriously perform my duties in accordance with the requirements of the Plan of Appotronics Corporation Limited on Stabilizing the Stock Price of the Company if the Stock Price is Lower than the Net Assets per Share of the Company within Three Years after Completion of the IPO and Listing of the Company's RMB-denominated Ordinary Shares (A-shares) on the STAR Market, and ensure the implementation of the Plan through the restraint mechanisms set forth therein, to maintain the stability of the Company's stock price and protect the interests of the investors.

I will be honest, keep my promise, be assiduous in my duties, and safeguard the interests of the Company and the legitimate rights and interests of the shareholders and creditors of the Company in the

share repurchase by the Company. I covenant that the share repurchase by the Company will not prejudice the Company's solvency and ability to continue as a going concern.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

Note 15:

The issuer hereby covenants:

“1. If the competent securities regulatory authority or any other competent authority finds that the Company's IPO prospectus contains any misrepresentation or misleading statement or omits any material fact, which has a material and substantial effect on the determination of whether the Company meets the conditions for IPO and listing set forth in the applicable laws, regulations and normative documents, the Company undertakes to take the following measures to repurchase all new shares issued in the IPO according to law:

(1) subject to the applicable laws, regulations and normative documents, if such event occurs after completion of the IPO but prior to the listing of the new shares of the Company, within 30 working days after the competent securities regulatory authority or any other competent authority makes the relevant decision, the Company shall repurchase all new shares issued in the IPO from the investors who have successfully subscribed for the new shares on line and the investors who have received the new shares allotted off the line at the offering price plus interest at the bank deposit rate for the same period; and (2) subject to the applicable laws, regulations and normative documents, if such event occurs after completion of the IPO and the listing of the new shares of the Company, within 5 working days after the competent securities regulatory authority or any other competent authority makes the relevant decision, the Company shall prepare a share repurchase plan and submit the same to the general meeting of shareholders for approval, and after the plan has been approved by the general meeting of shareholders, repurchase all new shares issued in the IPO to the extent practicable. The repurchase price shall be determined on the basis of the offering price, taking into account the relevant market factors. If the Company has distributed any dividends or bonus shares, capitalized the capital reserve or made any rights issue after the listing of the Company, the price and number of shares repurchased shall be adjusted accordingly.

2. If the Company's IPO prospectus contains any misrepresentation or misleading statement or omits any material fact, the Company shall indemnify the investors for the losses incurred in dealings in the stock of the Company resulting therefrom in the following manner according to law: after the competent securities regulatory authority has found that the Company violated the law and issued an official decision on administrative penalty, the Company shall arrange for registration of the investors who claim compensation from the Company, and after verifying their qualifications and amount of losses, pay compensation to such investors in a timely manner. ”

Note 16:

The controlling shareholder Appotronics Holdings, the actual controller LI Yi and their concert parties hereby covenant that:

“The Company’s IPO prospectus is free from any misrepresentation, misleading statement or material omission. If the prospectus contains any misrepresentation or misleading statement or omits any material fact, which has been found to have a material and substantial effect on the determination of whether the Company meets the conditions for IPO set forth in the applicable laws, we/I and the related persons will promptly put forward proposals for compensation and conduct share repurchase according to law, vote for such proposals at the meeting of the Board of Directors or general meeting of shareholders, and indemnify the investors for the losses incurred in dealings in the stock of the Company resulting therefrom according to law.

Procedures for compensation and criteria for determining the losses suffered by the investors: Within 20 working days after the competent securities regulatory authority or any other competent authority finds that the Company’s IPO prospectus contains any misrepresentation or misleading statement or omits any material fact, the procedures for compensating the losses of the investors shall be commenced. The losses of the investors shall be determined through consultation with the investors, or in such manner as required by the competent securities regulatory authority or judicial authority.”

Note 17:

Each of the directors, supervisors and senior officers of the Company hereby covenants that:

“The Company’s IPO prospectus is free from any misrepresentation, misleading statement or material omission. If the prospectus contains any misrepresentation or misleading statement or omits any material fact, I will indemnify the investors for the losses incurred in dealings in the stock of the Company resulting therefrom according to law.

Procedures for compensation and criteria for determining the losses suffered by the investors: Within 20 working days after the competent securities regulatory authority or any other competent authority finds that the Company’s IPO prospectus contains any misrepresentation or misleading statement or omits any material fact, the procedures for compensating the losses of the investors shall be commenced. The losses of the investors shall be determined through consultation with the investors, or in such manner as required by the competent securities regulatory authority or judicial authority.”

Note 18:

The issuer’s covenant regarding remedial measures for diluted earnings in the current period:

“(I) Focus on technology R&D and product innovations, and continuously improve the IP protection system

The Company will focus on technology R&D and product innovations relying on its technology R&D capabilities. Since its establishment, the Company has obtained a lot of domestic and foreign patents in respect of laser display and related fields. In the future, the Company will continue to consolidate and enhance its market competitive advantages through conforming to the development law of the industry,

increasing R&D investments, improving product functions and quality, optimizing product portfolio and other measures. In addition, the Company will continue to improve its IP protection system, apply for patents in respect of its core technologies throughout the world, reasonably use legal means to protect its proprietary IP, and promote the establishment of industrial technical standards and the harmonious and healthy development of the laser display industry.

(II) Enhance the building of marketing system and improve profitability

The Company will, based on the current marketing system, give full play to the advantages of the multi-level and all-round marketing mode combining online sales with off-line sales, agent mode with direct sale mode, and sales on the domestic market with exploitation of overseas market, to expand the market layout, and continuously optimize the sales service system and enhance brand influence relying on the advantages of technologies and products, to realize synchronous and sound development of the base and quality of customers. In addition, the Company will actively cultivate and develop overseas market, promote its laser display products with proprietary IP in the world based on its leading technologies and outstanding products, and giving full play to the synergy effect with its strategic partners, to realize the continuous growth of sales and improvement of profitability.

(III) Enhance internal controls and team building of talents, and improve management and operational efficiency in an all-round way

The Company has established relatively sound internal controls and management system, and will continue to improve its management and operation level, revise and improve internal controls, control management and operating risks, and ensure the continuous and effective implementation of internal controls. In addition, the Company will enhance the building of IT system and budget management, control costs and expenses meticulously, improve the use efficiency of funds, and realize reduction of costs and improvement of efficiency. The Company will also continuously improve the compensation and incentive mechanisms, recruit outstanding talents, motivate the employees to the maximum extent, and give full play to the employees' creative power and maximize their potentials. Through such measures, the Company will improve its management and operational efficiency in an all-round way, and realize long-term, steady and healthy development.

(IV) Enhance management over the funds raised and strive to yield the desired results as soon as practicable

The projects in which the funds raised will invest orient on the main business of the Company and comply with the applicable industrial policies of the country, and after being completed, will improve the Company's technological level, increase its production scale and market share, and improve its profitability, core competitiveness and sustainability.

After completion of the IPO, the Company will strictly manage the use and ensure the full and efficient use of the funds raised in accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange, the Administrative Measures of the Shanghai Stock Exchange for Fund-raising by the Listed Companies, and other applicable laws, rules, regulations and normative documents, and the Measures of Appotronics

Corporation Limited for Management and Use of Funds Raised. In addition, the Company will, according to the use and amount of the offering proceeds as promised, actively push forward the building and implementation of the relevant projects, and have the projects yield the desired results as soon as practicable, to safeguard the interests of all shareholders of the Company.

After receipt of the offering proceeds, the Company will actively push forward the investment in and building of the relevant projects, and fully mobilize R&D, procurement, production, sales, administrative and other resources of the Company, to promptly and efficiently complete the projects. In addition, the Company will ensure the availability of the relevant personnel, provide thorough and comprehensive skill trainings to new employees, and through active market exploitation and sound communications with the customers, ensure that the products of the newly built projects will be launched on the market successfully. Through these all-round measures, the Company will procure the relevant investment projects to reach the designed production capacity and yield the desired results as soon as practicable.

(V) Improve the profit distribution policy and enhance the mechanism of returns to investors

The general meeting of shareholders of the Company has adopted the Articles of Association of Appotronics Corporation Limited (draft) for the IPO, which further specifies and improves the Company's profit distribution principles and approaches, the respective conditions and proportion of cash dividends and stock dividends, and improves the Company's decision-making procedures and mechanisms with respect to profit distribution, and decision-making procedures for the adjustment of the profit distribution policy.

In addition, the Company has formulated the Plan of Appotronics Corporation Limited on the Shareholder Returns within Three Years after Completion of the IPO and Listing of the Company's Shares on the STAR Market, to make specific arrangements for profit distribution within three years after completion of the IPO. The Company will maintain the consistency and stability of its profit distribution policy, attach importance to the reasonable returns to investors, enhance the protection of the investors' rights and interests, and take into account both the overall interest of all shareholders and the sustainable development of the Company.

The Company reminds the investors to be aware that the remedial measures for diluted earnings stated above do not mean any warranty made by the Company as to its earnings in the future. After being approved by the general meeting of shareholders of the Company, this proposal will take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares) on the STAR Market.

(VI) Covenants of the directors and senior officers regarding the serious implementation of the remedial measures for diluted earnings of the Company

Pursuant to the relevant provisions of the CSRC, each of the directors and senior officers of the Company hereby covenants as follows with respect to the remedial measures for diluted earnings of the Company:

1. Not to transfer benefits to any other entity or individual without compensation or on unfair terms, or otherwise damage the interest of the Company;
2. To exercise self-discipline in consumption in performing his duties;
3. Not to use the assets of the Company to engage in any investment or consumption activities not in connection with his duties;
4. To link the compensation system adopted by the Board of Directors or the Compensation Committee with the implementation of the Company's remedial measures for diluted earnings in the current period;
5. If the Company implements any share incentive plan in the future, to link the conditions to exercise rights under such share incentive plan with the implementation of the Company's remedial measures for diluted earnings in the current period; and
6. To indemnify the Company or shareholders of the Company for the losses arising from any breach of or refusal to fulfill the covenants by him according to law.

(VII) Controlling shareholder, actual controller and their concert parties

Note 19:

Each of controlling shareholder, actual controller and their concert parties hereby covenants as follows with respect to the serious implementation of the remedial measures for diluted earnings of the Company:

1. Not to interfere with management and operation of the Company beyond its/his powers;
2. Not to infringe on the interest of the Company;
3. Not to transfer benefits to any other entity or individual without compensation or on unfair terms, or otherwise damage the interest of the Company; and
4. To indemnify the Company or shareholders of the Company for the losses arising from any breach of or refusal to fulfill the covenants by it/him according to law.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

2. Covenants of the controlling shareholder and the actual controller regarding the remedial measures for diluted earnings in the current period

Each of the concert parties of the controlling shareholder Appotronics Holdings and the actual controller hereby undertakes:

- “1. Not to interfere with management and operation of the Company beyond its powers;
2. Not to infringe on the interest of the Company;
3. Not to transfer benefits to any other entity or individual without compensation or on unfair terms, or otherwise damage the interest of the Company; and
4. To indemnify the Company or shareholders of the Company for the losses arising from any breach of or refusal to fulfill the covenants by it according to law.

As one of the persons responsible for the remedial measures for diluted earnings, if we breach or refuse to fulfill the covenants set forth above, we agree that the CSRC, the SSE and other securities regulatory

authorities may mete out punishments on or take other administrative actions against us pursuant to the relevant provisions and rules established or published by them.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). The covenants and warranties stated above shall remain in effect so long as we remain a concert party of the controlling shareholder or the actual controller of the Company. ”

LI Yi, as the actual controller of the Company, hereby undertakes:

- “1. Not to interfere with management and operation of the Company beyond his powers;
2. Not to infringe on the interest of the Company;
3. Not to transfer benefits to any other entity or individual without compensation or on unfair terms, or otherwise damage the interest of the Company;
4. To indemnify the Company or shareholders of the Company for the losses arising from any breach of or refusal to fulfill the covenants by him according to law;
5. To exercise self-discipline in consumption in performing his duties;
6. Not to use the assets of the Company to engage in any investment or consumption activities not in connection with his duties;
7. To link the compensation system adopted by the Board of Directors or the Compensation Committee with the implementation of the Company's remedial measures for diluted earnings in the current period; and
8. If the Company implements any share incentive plan in the future, to link the conditions to exercise rights under such share incentive plan with the implementation of the Company's remedial measures for diluted earnings in the current period.

As one of the persons responsible for the remedial measures for diluted earnings, if I breach or refuse to fulfill the covenants set forth above, I agree that the CSRC, the SSE and other securities regulatory authorities may mete out punishments on or take other administrative actions against me pursuant to the relevant provisions and rules established or published by them.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). The covenants contained in Paragraphs 1 through 4 above shall remain in effect so long as I remain the actual controller of the Company, and the covenants contained in Paragraphs 3 through 8 above shall remain in effect so long as I remain a director of the Company. ”

Note 20:

Each of the directors and senior officers of the Company hereby covenants that:

- “1. Not to transfer benefits to any other entity or individual without compensation or on unfair terms, or otherwise damage the interest of the Company;
2. To exercise self-discipline in consumption in performing his duties;

3. Not to use the assets of the Company to engage in any investment or consumption activities not in connection with his duties;
4. To link the compensation system adopted by the Board of Directors or the Compensation Committee with the implementation of the Company's remedial measures for diluted earnings in the current period;
5. If the Company implements any share incentive plan in the future, to link the conditions to exercise rights under such share incentive plan with the implementation of the Company's remedial measures for diluted earnings in the current period; and
6. To indemnify the Company or shareholders of the Company for the losses arising from any breach of or refusal to fulfill the covenants by him according to law.

As one of the persons responsible for the remedial measures for diluted earnings, if I breach or refuse to fulfill the covenants set forth above, I agree that the CSRC, the SSE and other securities regulatory authorities may mete out punishments on or take other administrative actions against me pursuant to the relevant provisions and rules established or published by them.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

Note 21:

The issuer hereby covenants as follows with respect to the profit distribution policy of the Company:

I. Considerations in the preparation of the shareholder returns plan

The Company focuses on the long-term and sustainable development, and in preparing the plan, has taken into consideration its strategic development plan, actual business situation, development objectives, future profitability, status of cash flows, shareholder returns, cost of social capital, external financing environment and other relevant factors, and established a clear profit distribution mechanism on the basis of the balance between the reasonable returns on investment for shareholders and its sustainable development, to ensure the consistency and stability of the profit distribution policy and that the Company is able to operate continuously and healthily in the long run.

II. Principles observed in the preparation of the shareholder returns plan

(I) To strictly observe the basic principles for profit distribution set forth in the Articles of Association of Apotronics Corporation Limited (“AOA”);

(II) To give full consideration and listen to the opinions of the shareholders (especially the minority shareholders) and the independent directors;

(III) To strike a balance between the short-term interest and long-term development, and ensure that the profit distributions made by the Company will not undermine its ability to continue as a going concern; and

(IV) To give priority to the distribution of cash dividends, attach importance to the provision of reasonable returns to investors, and ensure that the profit distributions are made continuously and stably and comply with the applicable laws, rules, regulations and normative documents, and the AOA.

III. Detailed shareholder returns plan within three years following completion of the IPO

(I) Intervals of profits distribution

The Company shall make profit distributions at least once a year to the extent there are distributable profits. The annual profit distributions shall be made within two months following the relevant annual general meeting of shareholders. The Company may make interim profit distributions in cash according to its production and business situations and capital requirements. Such interim profit distributions shall be proposed by the Board of Directors according to the capital position of the Company, and made within two months after the same have been approved by the general meeting of shareholders.

(II) Form of profit distribution

The Company may distribute its profits in the form of cash dividends, stock dividends or a combination of cash dividends and stock dividends or otherwise permitted by the applicable laws, rules, regulations and normative documents, provided that cash dividends shall take precedence over stock dividends. The Company shall distribute its profits in cash to the extent that the conditions for distribution of cash dividends are satisfied.

The cash dividends shall be distributed once every year in principle, but the Board of Directors may propose the distribution of interim cash dividends according to the earnings and capital position of the Company.

(III) Conditions for distribution of cash dividends

The Company shall distribute cash dividends for a year if:

- (1) the Company has earned a distributable profit in such year (after making up for the losses in prior years and appropriating public reserves), has sufficient cash flows, and will be able to continue as a going concern after such distribution of cash dividends;
- (2) the Company's accumulated distributable profit is positive;
- (3) the Company's auditor has issued a standard unqualified opinion on the Company's financial report for such year;
- (4) the Company does not have any material investment plan or material capital expenditures (except the projects in which the offering proceeds invest);

Material capital expenditures mean: (1) the aggregate amount of expenditures on external investments, acquisition of assets, purchase of equipment or land or other transactions that the Company plans to conduct in the next 12 months is equal to or exceeds 50% of the most recently audited net assets of the Company; or (2) the aggregate amount of expenditures on external investments, acquisition of assets, purchase of equipment or land or other transactions that the Company plans to conduct in the next 12 months is equal to or exceeds 30% of the most recently audited total assets of the Company.

(5) there isn't any special circumstance that makes the profit distribution unsuitable as approved by the general meeting of shareholders. If the conditions set forth above are not satisfied, the Board of Directors shall determine whether or not to distribute cash dividends according to the actual circumstances.

(IV) Ratio of cash dividends

Subject to the satisfaction of the conditions for distributing cash dividends, we will distribute not less than 10% of the distributable profit made in each year in cash.

A subsidiary shall prepare its distribution plans on the basis of the distributable profit reported in the financial statements of the parent company. The Company shall determine the specific profit distribution ratio on the basis of the lower of the distributable profits reported in the consolidated financial statements and the financial statements of the parent company, to avoid excess profit distribution.

If the Company has repurchased any shares by cash through tender offer or call auction in a year, the repurchase price paid by the Company shall be deemed as the cash dividends already distributed by the Company, and taken into account in the calculation of the cash dividend ratio for such year.

(V) Differential cash dividend policy

The Board of Directors will adopt the following differential cash dividend policy according to the procedures set forth in the AOA, giving comprehensive consideration to the characteristics of the industry in which the Company operates, its development stage, business model and earnings, material capital expenditure arrangements and other relevant factors:

- (1) If the Company is at the mature stage and does not have any material capital expenditure arrangement, at least 80% of the distributable profit will be distributed in cash;
- (2) If the Company is at the mature stage and has certain material capital expenditure arrangements, at least 40% of the distributable profit will be distributed in cash; or
- (3) If we are at the growth stage and have certain material capital expenditure arrangements, at least 20% of the distributable profit will be distributed in cash.

If it is hard to determine the development stage but there are certain material capital expenditure arrangements, the policy set forth above may apply.

We will formulate or adjust the shareholder returns plan subject to the profit distribution policy set forth above, according to our actual situations and the opinions of the shareholders (in particular, the minority shareholders) and the independent directors.

(VI) Conditions for distribution of stock dividends

The Company may distribute profits in the form of stock dividends according to its earnings and cash flows in a given year and on the premise of full distribution of cash dividends, to the extent that the Company maintains the minimum cash dividend ratio and reasonable share capital and shareholding structure, and ensures that the increase in share capital keeps pace with the growth of its operating performance.

IV. Cycle for drawing up the shareholder returns plan and the relevant decision-making mechanism

(I) The Company shall review the shareholder returns plan at least once every three years, make appropriate and necessary amendments to its profit distribution policy and decide on the shareholder returns plan for the giving period according to the opinions of the shareholders (in particular, holders of public shares), the independent directors and supervisors, subject to the applicable laws, rules, regulations and normative documents.

(II) The Board of Directors shall draw up the specific profit distribution proposal for each year according to the AOA, earnings, capital requirements and shareholder returns plan of the Company, thoroughly discuss the reasonableness of such profit distribution proposal, seriously analyze and discuss the timing, conditions, minimum ratio, conditions for adjustment, decision-making procedures and other issues in respect of distribution of cash dividends, adopt a special resolution thereon, and submit the same to the general meeting of shareholders for consideration. The independent directors shall explicitly express their opinions on such profit distribution proposal, and may solicit the opinions of minority shareholders, and then directly submit a profit distribution proposal to the Board of Directors for consideration.

(III) In considering a specific cash dividend distribution proposal, the general meeting of shareholders shall actively communicate and exchange with shareholders, in particular minority shareholders in various ways, including without limitation online voting and inviting minority shareholders to participate in the general meeting of shareholders, fully listen to the opinions and claims of minority shareholders, and promptly answer the questions raised by minority shareholders. The dividend distribution proposal requires the approval of the shareholders representing a majority of the total votes present at the general meeting of shareholders in person or by proxy.

(V) The Board of Supervisors shall supervise the implementation of the Company's profit distribution policy and shareholder returns plan by the Board of Directors and the management of the Company and the relevant decision-making procedures, and if the Company makes a profit in a year and does not intend to distribute profits, make an explanation and issue an opinion about the implementation of the relevant policies and plans.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

Note 22:

The issuer hereby covenants:

“The Company will strictly perform all duties and obligations under all covenants made by it publicly in connection with the IPO (“Covenants”). If the Company fails to perform all duties and obligations under the Covenants, the Company shall make a public explanation and apologize to the shareholders and investors of public shares at the general meeting of shareholders and on the media for information disclosure designated by the CSRC, disclose the reasons for failure to fulfill the relevant Covenants, make supplementary or alternate covenants, or put forward other solutions, and assume the relevant legal liabilities and liability for compensation according to law. The shareholders and investors of public shares shall have the right to take legal actions to request the Company to fulfill the Covenants.

The Company shall not increase the salaries or subsidies of the directors, supervisors and senior officers who assume personal liability for failure of the Company to fulfill the Covenants in any manner until the Company has fully removed the adverse effect of its failure to fulfill the Covenants.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). ”

Note 23:

The controlling shareholder Appotronics Holdings, the actual controller LI Yi and their concert parties hereby covenant that:

“1. We/I will strictly perform all duties and obligations under all covenants made by us/me publicly in connection with the IPO (“Covenants”).

2. If we/I fail to perform, or actually become unable to perform, or become unable to perform as scheduled all duties and obligations under the Covenants (except those resulting from any change in the applicable laws, regulations and policies, natural disaster, event of force majeure or any other objective circumstances beyond our/my control), we/I will:

(1) promptly and fully disclose the reasons for failure or inability to perform, or inability to perform as scheduled the relevant Covenants through the Company, and make a public apology to other shareholders of the Company;

(2) make supplementary or alternate covenants to the Company and other shareholders of the Company, to protect their rights and interests to the maximum extent practicable.

(3) submit such supplementary or alternate covenants to the general meeting of shareholders for consideration; and

(4) surrender all gains (if any) obtained from failure to perform the relevant Covenants to the Company, and indemnify the Company and other shareholders of the Company for the losses arising therefrom according to law.

3. If we/I fail to perform, or actually become unable to perform, or become unable to perform as scheduled the duties and obligations under the Covenants due to any change in the applicable laws, regulations and policies, natural disaster, event of force majeure or any other objective circumstances beyond our/my control, we/I will:

(1) promptly and fully disclose the reasons for failure or inability to perform, or inability to perform as scheduled the relevant Covenants through the Company; and

(2) make supplementary or alternate covenants to the Company and other shareholders of the Company, to protect their rights and interests to the maximum extent practicable.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company’s RMB-denominated ordinary shares (A-shares). The covenants set forth above shall remain in effect so long as we/I remain the controlling shareholder/actual controller/concert party of the actual controller (as applicable) of the Company. ”

Note 24:

Each of the directors, supervisors and senior officers of the Company hereby covenants that:

“1. I will strictly perform all duties and obligations under all covenants made by me publicly in connection with the IPO (“Covenants”).

2. If I fail to perform, or actually become unable to perform, or become unable to perform as scheduled all duties and obligations under the Covenants (except those resulting from any change in the applicable laws, regulations and policies, natural disaster, event of force majeure or any other objective circumstances beyond my control), I agree to surrender the gains obtained from breach of the Covenants to the Company, and indemnify the Company or the investors for the losses arising therefrom according to law.

3. If I fail to perform, or actually become unable to perform, or become unable to perform as scheduled the duties and obligations under the Covenants due to any change in the applicable laws, regulations and policies, natural disaster, event of force majeure or any other objective circumstances beyond my control, I will:

(1) promptly and fully disclose the reasons for failure or inability to perform, or inability to perform as scheduled the relevant Covenants through the Company; and

(2) make supplementary or alternate covenants to the Company and the shareholders of the Company, to protect their rights and interests to the maximum extent practicable.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the Company's RMB-denominated ordinary shares (A-shares). The covenants and warranties set forth above shall remain in effect so long as I remain a director/supervisor/senior officer (as applicable) of the Company.” ”

Note 25:

Appotronics Holdings, as the controlling shareholder of the issuer, hereby covenants that:

I. We acknowledge that as of the date of this Letter of Undertaking, we and our subsidiaries have not, directly or indirectly, engaged in any business or activity competing with the main business presently conducted by Appotronics in or outside China in any manner.

II. We covenant and warrant that so long as we remain the controlling shareholder of Appotronics, we and our subsidiaries will not engage in any competing business that might have a material adverse effect on the main business of Appotronics.

III. We and our subsidiaries will avoid and reduce related-party transactions with Appotronics to the maximum extent practicable.

IV. With respect to the related-party transactions that are unavoidable or conducted with good reason:

1. We will abstain from the review of and voting on related-party transactions involving us in strict accordance with the applicable laws, rules, regulations and normative documents, and the Articles of Association, the Policy on Related-party Transaction and other regulations of Appotronics;

2. We will enter into contracts or agreements with Appotronics in respect of such related-party transactions according to the general commercial principle of “fairness, free will and valuable consideration”, and ensure that the price for such related-party transactions is fair and does not materially differ from the price or rate that will be offered by or to an independent third party on the market;

3. We will duly perform the applicable approval procedures and the obligation of information disclosure in connection with such related-party transactions in accordance with the applicable laws, rules, regulations and normative documents; and

4. We will not transfer any profits or benefits through any related-party transaction or take advantage of our decision-making power over the management of Appotronics to damage the legitimate rights and interests of Appotronics and the other shareholders of Appotronics.

V. We undertake to exercise the relevant rights and perform the relevant obligations in strict accordance with the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics, and not to take advantage of our position and influence as the controlling shareholder to seek illegal gains or damage the legitimate rights and interests of Appotronics and the other shareholders of Appotronics.

VI. We will procure our subsidiaries to comply with the covenants set forth above, and indemnify Appotronics and the other shareholders of Appotronics for damages to their legitimate rights and interests resulting from any breach by us or any of our subsidiaries of the covenants set forth above.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the RMB-denominated ordinary shares (A-shares) of Appotronics Corporation Limited. The covenants and warranties set forth above shall remain in effect so long as we remain the controlling shareholder of Appotronics. ”

Note 26:

LI Yi, as the actual controller of the issuer, hereby covenants that:

“I. I acknowledge that as of the date of this Letter of Undertaking, I and my subsidiaries have not, directly or indirectly, engaged in any business or activity competing with the main business presently conducted by Appotronics in or outside China in any manner.

II. I covenant and warrant that so long as I remain the actual controller of Appotronics, I and my subsidiaries will not engage in any competing business that might have a material adverse effect on the main business of Appotronics.

III. I and my subsidiaries and other business or economic entities in which I hold the post of director or senior officer (each an “Employer”) will avoid and reduce related-party transactions with Appotronics to the maximum extent practicable.

IV. With respect to the related-party transactions that are unavoidable or conducted with good reason:

1. I will abstain from the review of and voting on related-party transactions involving me in strict accordance with the applicable laws, rules, regulations and normative documents, and the Articles of Association, the Policy on Related-party Transaction and other regulations of Appotronics;

2. I will enter into contracts or agreements with Appotronics in respect of such related-party transactions according to the general commercial principle of “fairness, free will and valuable consideration”, and ensure that the price for such related-party transactions is fair and does not materially differ from the price or rate that will be offered by or to an independent third party on the market;

3. I will duly perform the applicable approval procedures and the obligation of information disclosure in connection with such related-party transactions in accordance with the applicable laws, rules, regulations and normative documents; and

4. I will not transfer any profits or benefits through any related-party transaction or take advantage of my decision-making power over the management of Appotronics to damage the legitimate rights and interests of Appotronics and the other shareholders of Appotronics.

V. I undertake to exercise the relevant rights and perform the relevant obligations in strict accordance with the applicable laws, rules, regulations and normative documents, and the Articles of Association of Appotronics, and not to take advantage of my position and influence as the actual controller to seek illegal gains or damage the legitimate rights and interests of Appotronics and the other shareholders of Appotronics.

VI. I will procure my subsidiaries and the Employers to comply with the covenants set forth above, and indemnify Appotronics and the other shareholders of Appotronics for damages to their legitimate rights and interests resulting from any breach by me or any of my subsidiaries or the Employers of the covenants set forth above.

This Letter of Undertaking shall take effect from the date of completion of the IPO and listing of the RMB-denominated ordinary shares (A-shares) of Appotronics Corporation Limited. Unless otherwise agreed, the covenants and warranties set forth above shall remain in effect so long as I remain the actual controller of Appotronics. ”

Note 27:

Each of the grantees of share incentives of the Company hereby covenants that if the relevant information disclosure documents of the Company contain any misrepresentation or misleading statement or omit any material fact, as a result of which that the grantee becomes ineligible for the equities granted to him or the relevant equity attribution arrangement, the grantee shall surrender all benefits received by him under the incentive plan to the Company after the relevant information disclosure documents of the Company have been found to contain any misrepresentation or misleading statement or omit any material fact.

Note 28:

The Company undertakes not to provide loans or any other financial assistance to any grantee of restricted shares under the incentive plan, including guarantee for any loan obtained by such grantee.

IV. Appointment and termination of appointment of accounting firm

Explanation about the appointment and termination of appointment of accounting firm

Applicable N/A

Explanation about re-appointment of accounting firm during the audit period

Applicable N/A

Explanation about the modified audit opinion issued by the accounting firm

Applicable N/A

Explanation about the modified audit opinion issued by the accounting firm on the financial statements in the semiannual report

Applicable N/A

V. Matters relating to bankruptcy and reorganization

Applicable N/A

VI. Material litigations and arbitrations

- √ The Company was involved in material litigations or arbitration during the reporting period
 □ The Company was not involved in material litigations or arbitration during the reporting period

(I) Litigations and arbitrations already disclosed in interim announcements about which no new information is available

√ Applicable □ N/A

| Summary and type of case | Reference |
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| <p>I. Cases of dispute over infringement on patents for invention [2019] Yue 73 Zhi Min Chu No. 663 and No. 664</p> <p>1. Plaintiff: Delta Electronics, Inc. Defendant 1: Appotronics Corporation Limited Defendant 2: Futian SPN Projector & Video System Firm of Shenzhen</p> <p>2. Background The Plaintiff alleges that the production, sale and offer for sale of “Appotronics Laser Projector AL-LX410UST” by Defendant 1 and Defendant 2 for purpose of production and operation has infringed on the Plaintiff’s patent for invention and caused economic losses to the Plaintiff.</p> <p>3. Amount claimed: RMB 16.1453 for each case</p> <p>4. The Guangzhou IP Court has issued Civil Rulings [2019] Yue 73 Zhi Min Chu No. 663 and No. 664, ordering the seizure and freeze of an aggregate of RMB 10 million of deposit or other properties in the equivalent amount of the Company.</p> | <p>Please refer to the Announcement No. 2019-005 issued by the Company on www.sse.com.cn and the designated media for information disclosure on July 30, 2019.</p> |
| <p>II. Cases of dispute over infringement on patents for invention [2019] Yue 03 Min Chu No.s 2942-2951</p> <p>1. Parties Plaintiff: Appotronics Corporation Limited Defendant 1: Delta Electronics Business Management (Shanghai) Co., Ltd. Defendant 2: Delta Video Display System (Wujiang) Limited Defendant 3: Shenzhen Super Network Technology Co., Ltd.</p> <p>2. Background: The Plaintiff alleges that it is the owner of the patents for invention ZL200810065225.X “a phosphor-based light source structure for improving the efficiency of light conversion”, and ZL200880107739.5 “a multi-color lighting apparatus using moving pattern plate containing wavelength conversion material, and the production, sale and offer for sale of a variety of laser projector products by Defendant 1, Defendant 2 and Defendant 3 for purpose of production and operation has infringed on such patents for invention owned by the Plaintiff and caused economic losses to the Plaintiff.</p> <p>3. Amount claimed: 56.00 million.</p> | <p>Please refer to the Announcement No. 2019-006 issued by the Company on www.sse.com.cn and the designated media for information disclosure on July 31, 2019.</p> |
| <p>III. Case for changing the inventor of patent 19-cv-00466-RGD-LRL in the United States District Court for the Eastern District of Virginia</p> | <p>Please refer to the Announcement No. 2019-012 issued by the Company on</p> |

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| <p>1. Parties Plaintiff: Appotronics Corporation Limited Defendant: Delta Electronics, Inc.</p> <p>2. Background The Company brings a suit against Delta in the United States District Court for the Eastern District of Virginia for breach of non-disclosure agreement, wrongful appropriation of the technical solutions actually invented by the Company’s employees LI Yi and HU Fei, and filing for patent application in the United States without authorization, and petitions the court to order that the inventors of the patent-in-suit US 9,024,241 shall be changed from WANG Bo, ZHANG Kesu and HUA Jianhao into LI Yi and HU Fei.</p> | <p>www.sse.com.cn and the designated media for information disclosure on September 9, 2019.</p> |
| <p>IV. Cases of dispute over infringement on patents for invention [2019] Jing 73 Min Chu No. 1275 and No. 1276</p> <p>1. Parties Plaintiff: Delta Electronics, Inc. Defendant 1: Fengmi (Beijing) Technology Co., Ltd. Defendant 2: Appotronics Corporation Limited</p> <p>2. Background: The Plaintiff alleges that it is the owner of the patents for invention ZL201410249663.7 “manufacturing method of light source module and color wheel” and ZL201610387831.8 “phosphor color wheel and its applicable light source system”, and the joint production and sale of Mijia Laser Projector TV “MJJGTYS01FM” by Defendant 1 and Defendant 2 has infringed on such patents for invention owned by the Plaintiff and caused economic losses to the Plaintiff.</p> <p>3. Amount claimed: 32.02 million.</p> | <p>Please refer to the Announcement No. 2019-014 issued by the Company on www.sse.com.cn and the designated media for information disclosure on September 21, 2019.</p> |
| <p>V. Case of dispute over title to patents [2019] Yue 03 Min Chu No. 4309</p> <p>1. Parties Plaintiff: Appotronics Corporation Limited Defendant: Delta Electronics, Inc.</p> <p>2. Background The Plaintiff brings a suit in the Shenzhen Intermediate People’s Court, alleging that the Defendant filed a patent application in respect of the technical solution owned by the Plaintiff and named WANG Bo, ZHANG Kesu and HUA Jianhao as the inventors of such technical solution without authorization, thereby infringed on the technical achievements made by the Plaintiff and the right of authorship of LI Yi and HU Fei, the actual inventors, and petitions the court to declare that Plaintiff 1, Appotronics Corporation Limited owns the patent ZL201610387831.8 “phosphor color wheel and its applicable light source system”, and that Plaintiff 2, HU Fei and Plaintiff 3, LI Yi are the first and second inventors of the patent ZL201610387831.8 “phosphor color wheel and its applicable light source system”.</p> | <p>Please refer to the Announcement No. 2019-028 issued by the Company on www.sse.com.cn and the designated media for information disclosure on November 8, 2019.</p> |
| <p>VI. Case of dispute over infringement on patents for invention (2020) Jin 03 Zhi Min Chu No. 159</p> <p>1. Parties</p> | <p>Please refer to the Announcement No. 2020-021 issued by the Company on</p> |

| | |
|---|--|
| <p>Plaintiff: Fengmi (Beijing) Technology Co., Ltd. Defendant 1: Chengdu XGIMI Technology Co., Ltd. Defendant 2: Chengdu XGIMI Vision E-commerce Co., Ltd. Tianjin Second Branch</p> <p>2. Background According to the investigation, the Plaintiff detected that Defendant 2 sold and offered for sale the product accused of infringement that were manufactured by Defendant 1. The product accused of infringement - Z6 series projector - adopted the technical solution falling within the protection scope of the claims in the patent No. ZL201110086731.9 “High-brightness excitation method and light-emitting device based on optical wavelength conversion”, hence constituted infringement. The Plaintiff held that the two defendants implemented the patent at issue for business purposes without permission, hence violated the provisions of Article 11 of the <i>Patent Law of the People’s Republic of China</i>, and should be held legally liable for stopping infringement and making compensation for losses.</p> <p>3. Amount claimed: 46.00 million.</p> | <p>www.sse.com.cn and the designated media for information disclosure on June 3, 2020.</p> |
| <p>VII. Cases of dispute over infringement on patents for invention [2019] Jing 73 Min Chu No. 1277 and No. 1278</p> <p>1. Parties Plaintiff: Delta Electronics, Inc. Defendant 1: Fengmi (Beijing) Technology Co., Ltd. Defendant 2: Appotronics Corporation Limited</p> <p>2. Background: The Plaintiff alleges that it is the owner of the patents for invention ZL201310017478.0 “Optical system” and ZL201010624724.5 “Light source system and projecting device comprising same”, and the joint production and sale of Mijia Laser Projector TV “MJJGTYS01FM” by Defendant 1 and Defendant 2 has infringed on such patents for invention owned by the Plaintiff and caused economic losses to the Plaintiff.</p> <p>3. Amount claimed: 32.02 million.</p> | <p>Please refer to the Announcement No. 2020-022 issued by the Company on www.sse.com.cn and the designated media for information disclosure on June 13, 2020.</p> |

Note: The Guangzhou IP Court has issued Civil Rulings [2019] Yue 73 Zhi Min Chu No. 663 and No. 664, ordering the freeze of an aggregate of RMB 20 million of deposit of the Company. As of the date when this Report is released, this amount has been released.

(II) Litigations and arbitrations that have not been disclosed in interim announcements or about which there’s new information available

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| During the reporting period: | | | | | | | | | |
|------------------------------|----------------------|--|---------------------------------------|------------|-------------------|---|--------|----------------------|--------------------------------------|
| Plaintiff/ claimant | Defendant/respondent | Party jointly and severally liable | Type of litigation/ arbitration | Background | Amount claimed | Whether any provision is recognized | Status | Result and effect | Enforcement of judgment/ award |

| | | | | | | and the amount | | | |
|--|----------------------------------|--|--------------------------------------|--|----------|----------------|--|---|----------------------------------|
| Delta Electronics, Inc. | Appotronics Corporation Limited | Futian SPN Projector & Video System Firm of Shenzhen | Infringement on patent for invention | In the case of dispute over infringement on patents for invention [2019] Yue 73 Zhi Min Chu No. 662, the Plaintiff alleges that it is the owner of the patent for invention ZL201610387831.8 “phosphor color wheel and its applicable light source system”, and the production, sale and offer for sale of “Appotronics Laser Projector AL-LX410UST” by Defendant 1 and Defendant 2 for purpose of production and operation has infringed on such patent for invention of the Plaintiff and caused economic losses to the Plaintiff. | 1,614.53 | No | Stayed, RMB 10 million has been released | Stayed | RMB 10 million has been released |
| Appotronics Corporation Limited, and Shenzhen YLX Technology | Dehao Electronic Technology Ltd. | Shenzhen Super Network Technology Co., Ltd. | Infringement on patent for invention | In the cases of dispute over infringement on patents for invention [2018] Yue 03 Min Chu No.s 1899-1907, the Plaintiff alleges | 2,081.52 | No | Pending second trial | Judgment of first instance: The Defendant should stop | Pending second trial |

| | | | | | | | | | |
|---------------------------------|----------------------------------|---|--------------------------------------|---|----------|----|----------------------|--|----------------------|
| Development Co., Ltd. | | | | that the production, sale and offer for sale of a variety of projector products by Defendant 1 and Defendant 2 for purpose of production and operation has infringed on the Plaintiff's patent for invention and caused economic losses to the Plaintiff. | | | | its act of infringement and pay the Plaintiff for the economic losses and reasonable expenses, RMB 17.80 million in total. | |
| Appotronics Corporation Limited | Dehao Electronic Technology Ltd. | Shenzhen Super Network Technology Co., Ltd. | Infringement on patent for invention | In the cases of dispute over infringement on patents for invention [2018] Yue 03 Min Chu No.s 1891-1898 and 1940, the Plaintiff alleges that the production, sale and offer for sale of a variety of projector products by Defendant 1 and Defendant 2 for purpose of production and operation has infringed on the Plaintiff's patent for invention and caused economic losses to the Plaintiff. | 2,081.52 | No | Pending second trial | Judgment of first instance: The Defendant should stop its act of infringement and pay the Plaintiff for the economic losses and reasonable expenses, RMB 17.80 million in total. | Pending second trial |
| Casio Computer | Appotronics Corporation Limited | AV Design (Beijing) | Infringement on patent for | In the cases of dispute over infringement on | 2,049.95 | No | The Parties | Judgment of first | The withdrawing |

| | | | | | | | | | |
|---------------------------------|--------------------------|--|--------------------------------------|---|-----|----|---|---|--|
| Co., Ltd. | | Technology Development Co., Ltd. | invention | patents for invention [2016] Jing 73 Min Chu No.s 59-60, the Plaintiff alleges that it is the owner of the patents for invention 201210334155.X and 201010293730.7, and the production, sale and offer for sale of Laser TV APUS-20(S) by Defendant 1 and Defendant 2 for purpose of production and operation has infringed on such patents for invention of the Plaintiff and caused economic losses to the Plaintiff. | | | entered into a mediation agreement in March 2020. | instance: All claims made by Casio Computer Co., Ltd. were dismissed. The Parties entered into a mediation agreement in March 2020. | ruling has been received |
| Appotronics Corporation Limited | Casio Computer Co., Ltd. | Casio (China) Co., Ltd. and Beijing Hongyang Jiye Technology Co., Ltd. | Infringement on patent for invention | In the cases of dispute over infringement on patents for invention [2018] Jing 73 Min Chu No.s 1239 and 1240, the Plaintiff alleges that it is the owner of the patent for invention ZL200810065225.X, and the production, sale and offer for sale of two laser projector products by | 760 | No | The Parties entered into a mediation agreement in March 2020. | The Parties entered into a mediation agreement in March 2020. | The withdrawing ruling has been received |

| | | | | | | | | | |
|--|--|--|--|---|--|--|--|--|--|
| | | | | Defendant 1, Defendant 2 and Defendant 3 for purpose of production and operation has infringed on such patent for invention of the Plaintiff and caused economic losses to the Plaintiff. | | | | | |
|--|--|--|--|---|--|--|--|--|--|

(III) Other information

√ Applicable □ N/A

As of June 30, 2020, the cases of petition for invalidation involving the Company that were pending trial by the State Intellectual Property Office are as follows:

1. Cases of petition for invalidation brought against the Company as the patent assignee

| No. | Case No. | Current patent assignee | Patent No. at issue | Title of patent at issue | Petitioner for invalidation | Background | Remark |
|-----|----------|---------------------------------|---------------------|--|----------------------------------|--|--|
| 1 | 4W108668 | Appotronics Corporation Limited | ZL200810065225.X | A phosphor-based light source structure for improving the efficiency of light conversion | Dehao Electronic Technology Ltd. | On March 27, 2019, the petitioner for invalidation filed a petition for invalidation of the patent for invention 200810065225.X titled “a phosphor-based light source structure for improving the efficiency of light conversion” owned by the Company, which was found to comply with the relevant provisions of the Patent Law, the Rules for Implementation of the Patent Law and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office on April 4, 2019. | The State Intellectual Property Office decided that the patent at issue is valid. Please refer to our Interim Announcement No. 2020-026 on July 8, 2020 for details. |
| 2 | 4W108847 | Appotronics Corporation Limited | ZL200810065225.X | A phosphor-based light source structure for improving the efficiency of light | WEI Qun | On May 9, 2019, the petitioner for invalidation filed a petition for invalidation of the patent for invention 200810065225.X titled “a phosphor-based light source structure for improving the efficiency of light conversion” | The State Intellectual Property Office decided that the patent at issue is |

| | | | | | | | |
|---|----------|---------------------------------|------------------|---|--|--|--|
| | | | | conversion | | owned by the Company, which was found to comply with the relevant provisions of the Patent Law, the Rules for Implementation of the Patent Law and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office on June 5, 2019. | valid. Please refer to our Interim Announcement No. 2020-026 on July 8, 2020 for details. |
| 3 | 4W110041 | Appotronics Corporation Limited | ZL200810065225.X | A phosphor-based light source structure for improving the efficiency of light conversion | Delta Electronics Business Management (Shanghai) Co., Ltd. | On February 5, 2020, the petitioner for invalidation filed a petition for invalidation of the patent for invention 200810065225.X titled “a phosphor-based light source structure for improving the efficiency of light conversion” owned by the Company, which was found to comply with the relevant provisions of the Patent Law, the Rules for Implementation of the Patent Law and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office on February 20, 2020. | The State Intellectual Property Office decided that the patent at issue is valid. Please refer to our Interim Announcement No. 2020-026 on July 8, 2020 for details. |
| 4 | 4W110045 | Appotronics Corporation Limited | ZL200880107739.5 | A multi-color lighting apparatus using moving pattern plate containing wavelength conversion material | Delta Electronics Business Management (Shanghai) Co., Ltd. | On February 12, 2020, the petitioner for invalidation filed a petition for invalidation of the patent for invention 200880107739.5 titled “a multi-color lighting apparatus using moving pattern plate containing wavelength conversion material” (“Patent 7739”) owned by the Company, which was found to comply with the relevant provisions of the Patent Law, the Rules for Implementation of the Patent Law and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office on March 5, 2020. | Pending trial |
| 5 | 4W110558 | Appotronics Corporation | ZL201110086731.9 | High-brightness excitation method | Chengdu XGIMI | On June 3, 2020, the petitioner for invalidation filed a petition for invalidation of the patent for | Pending trial |

| | | | | | | | |
|--|--|---------|--|--|----------------------|---|--|
| | | Limited | | and light-emitting device based on optical wavelength conversion | Technology Co., Ltd. | invention 201110086731.9 titled “High-brightness excitation method and light-emitting device based on optical wavelength conversion” owned by the Company, which was found to comply with the relevant provisions of the Patent Law, the Rules for Implementation of the Patent Law and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office on June 12, 2020. | |
|--|--|---------|--|--|----------------------|---|--|

2. Cases of petition for invalidation brought by the Company

| No. | Case No. | Current patent assignee | Patent No. at issue | Title of patent at issue | Petitioner for invalidation | Background | Remark |
|-----|----------|-------------------------|---------------------|---|---------------------------------|--|---|
| 1 | 4W109295 | Delta Electronics, Inc. | ZL201610387831.8 | Phosphor color wheel and its applicable light source system | Appotronics Corporation Limited | On July 29, 2019, the Company filed a petition for invalidation of the patent for invention 201610387831.8 titled “phosphor color wheel and its applicable light source system” owned by Delta Electronics, Inc. with the State Intellectual Property Office, which was found to comply with the relevant provisions of the Patent Law, the Rules for Implementation of the Patent Law and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office on July 30, 2019. | On December 9, 2019, the State Intellectual Property Office decided to suspend the trial from November 7, 2019 to November 7, 2020. |
| 2 | 4W109538 | Delta Electronics, Inc. | ZL201410249663.7 | Manufacturing method of light source module and color wheel | Appotronics Corporation Limited | On September 20, 2019, the Company filed a petition for invalidation of the patent for invention 201410249663.7 titled “manufacturing method of light source module and color wheel” owned by Delta Electronics, Inc. with the State Intellectual Property Office, | Pending trial |

| | | | | | | | |
|---|----------|-------------------------|------------------|---|---------------------------------|---|---------------|
| | | | | | | which was found to comply with the relevant provisions of the Patent Law, the Rules for Implementation of the Patent Law and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office on September 23, 2019. | |
| 3 | 4W110623 | Delta Electronics, Inc. | ZL201010624724.5 | Light source system and projecting device comprising same | Appotronics Corporation Limited | On June 15, 2020, the Company filed a petition for invalidation of the patent for invention 201010624724.5 titled "Light source system and projecting device comprising same" owned by Delta Electronics, Inc. with the State Intellectual Property Office, which was found to comply with the relevant provisions of the Patent Law, the Rules for Implementation of the Patent Law and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office. | Pending trial |

3. During the reporting period, the National Intellectual Property Administration examined and declared that the following patents held by the Company are valid, namely patent for invention 200880107739.5 titled "A multi-color lighting apparatus using moving pattern plate containing wavelength conversion material" and patent for invention 200810065225.X titled "A phosphor-based light source structure for improving the efficiency of light conversion". Please refer to the Interim Announcements 2020-005 and 2020-026 for details.

VII. Penalties imposed on the listed company and its directors, supervisors, senior officers, controlling shareholder, actual controller and acquirer and rectification of the relevant violations

Applicable N/A

VIII. Credit standing of the Company and its controlling shareholder and actual controller during the reporting period

Applicable N/A

IX. Share incentive plan, employee stock ownership plan and other employee incentive measures of the Company and their effect

(I) Equity incentives already disclosed in the interim announcements about which no new information is available

Applicable N/A

| Summary | Reference |
|--|--|
| On September 27, 2019, the Company held the 17th meeting of the 1st Board of Directors and the 7th meeting of the 1st Board of Supervisors, which reviewed and approved the Proposal on the 2019 Restricted Share Incentive Plan (Draft) of the Company and Summary of the Plan and other related proposals. | Please refer to the relevant announcement issued by the Company on www.sse.com.cn and the designated media for information disclosure on September 28, 2019. |
| On October 14, 2019, the Company held the 6th extraordinary general meeting of shareholders in 2019, which reviewed and approved the Proposal on the 2019 Restricted Share Incentive Plan (Draft) of the Company and Summary of the Plan and other related proposals. | Please refer to the relevant announcement issued by the Company on www.sse.com.cn and the designated media for information disclosure on October 15, 2019. |
| On October 14, 2019, the Company held the 18th meeting of the 1st Board of Directors and the 8th meeting of the 1st Board of Supervisors, which reviewed and approved the Proposal on the Adjustment of the 2019 Restricted Share Incentive Plan and the Proposal on Initial Grant of Restricted Shares, pursuant to which, the Company initially granted 4.4 million shares to 169 persons at the price of RMB 17.5 per share on October 14, 2019. The Company's independent directors expressed their independent opinions on such proposals, and the Board of Supervisors expressed its opinion after review of such proposals. | Please refer to the relevant announcement issued by the Company on www.sse.com.cn and the designated media for information disclosure on October 15, 2019. |

(II) Incentives that have not been disclosed in any interim announcement or about which there's new information available

Share incentives

Applicable N/A

Other description

Applicable N/A

Employee stock ownership plan

Applicable N/A

Other incentives
 Applicable N/A

X. Material related-party transactions

(I) Related-party transactions in connection with day-to-day operation

1. Matters already disclosed in the interim announcements about which no new information is available

Applicable N/A

| Summary | Reference |
|---|--|
| The Company expects to engage in routine related-party transactions with China Film Equipment Co., Ltd. and its affiliates, Xiaomi Communications Technologies Co., Ltd. and its affiliates, Beijing DonView Education Technology Co., Ltd. and its affiliates, and CINIONIC for a total expected amount of RMB 1,253.1000 million. | Please refer to the Announcement No. 2020-014 “Announcement on expected routine related-party transactions in 2020” issued by the Company on www.sse.com.cn and the designated media for information disclosure on April 29, 2020) . |

2. Matters already disclosed in the interim announcements about which there’s new information available

Applicable N/A

3. Matters that have not been disclosed in any interim announcement

Applicable N/A

(II) Related-party transactions involving acquisition or sale of assets or equities

1. Matters already disclosed in the interim announcements about which no new information is available

Applicable N/A

2. Matters already disclosed in the interim announcements about which there’s new information available

Applicable N/A

3. Matters that have not been disclosed in any interim announcement

Applicable N/A

4. Fulfillment of performance covenants (if any) during the reporting period

Applicable N/A

(III) Related-party transactions involving joint external investments

1. Matters already disclosed in the interim announcements about which no new information is available

Applicable N/A

2. Matters already disclosed in the interim announcements about which there’s new information available

Applicable N/A

3. Matters that have not been disclosed in any interim announcement

Applicable N/A

(IV) Accounts receivable from and payable to related parties

1. Matters already disclosed in the interim announcements about which no new information is available

Applicable N/A

2. Matters already disclosed in the interim announcements about which there's new information available

Applicable N/A

3. Matters that have not been disclosed in any interim announcement

Applicable N/A

(V) Material related-party transactions

Applicable N/A

(VI) Others

Applicable N/A

XI. Material contracts and performance thereof

1 Trusteeship, contracting and lease

Applicable N/A

2 Guarantees

√ Applicable □ N/A

Unit: In RMB 0'000 RMB

| External guarantees provided by the Company (excluding those provided for the subsidiaries) | | | | | | | | | | | | | |
|---|---|--|---|--|--|-----------------------------|--|---|---|--|---|---|-----------------------|
| Guarantor | Relationship between the guarantor and the listed company | Obligor | Guaranteed amount | Commencement date of guarantee (signing date of agreement) | Guarantee start date | Guarantee expiry date | Type of guarantee | Whether the obligation guaranteed has been discharged | Whether the obligation guaranteed has become overdue | Amount of the overdue obligation guaranteed | Whether there's a counter guarantee | Whether a guarantee for a related party | Related relationships |
| Total amount of guarantees provided during the reporting period (excluding those provided for the subsidiaries) | | | | | | | | | | | | | |
| Balance of guarantees at the end of the reporting period (excluding those provided for the subsidiaries) (A) | | | | | | | | | | | | | |
| Guarantees provided by the Company or its subsidiaries for the subsidiaries of the Company | | | | | | | | | | | | | |
| Guarantor | Relationship between the guarantor and the listed company | Obligor | Relationship between the obligor and the listed company | Guaranteed amount | Commencement date of guarantee (signing date of agreement) | Inception date of guarantee | Expiry date of guarantee | Type of guarantee | Whether the obligation guaranteed has been discharged | Whether the obligation guaranteed has become overdue | Amount of the overdue obligation guaranteed | Whether there's a counter guarantee | |
| Appotronics Corporation Limited | Headquarters | CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | Controlled subsidiary | 70,000 | 2020-5-31 | 2020-5-31 | Three years after the due date for the obligations under the master contract | Joint and several liability | No | No | | No | |
| Appotronics Corporation | Headquarters | CINEAPPO Laser | Controlled subsidiary | 6,000 | 2019-6-27 | 2019-6-27 | 2023-6-26 | Joint and several | No | No | | No | |

| | | | | | | | | | | | | |
|--|--------------|---------------------------------------|-----------------------|--------|------------|---|---|-----------------------------|----|----|--|-------|
| Limited | | Cinema Technology (Beijing) Co., Ltd. | | | | | | liability | | | | |
| Appotronics Corporation Limited | Headquarters | Fengmi | Controlled subsidiary | 16,500 | 2019-10-21 | 2019-10-21 | Two years after the due date for the obligations | Joint and several liability | No | No | | No |
| Appotronics Corporation Limited | Headquarters | Fengmi | Controlled subsidiary | 10,000 | 2018-11-23 | Initial utilization date or actual date of utilization under the financing letter | Two years after the latest due date of the loans under the financing letter | Joint and several liability | No | No | | No |
| Total amount of guarantees provided for the subsidiaries during the reporting period | | | | | | | | | | | | 17,56 |
| Balance of guarantees provided for the subsidiaries at the end of the reporting period (B) | | | | | | | | | | | | 41,62 |
| Total amount of guarantees provided by the Company (including those provided for the subsidiaries) | | | | | | | | | | | | |
| Total amount guaranteed (A+B) | | | | | | | | | | | | 41,62 |
| Proportion of total amount guaranteed to the net assets of the Company (%) | | | | | | | | | | | | 19.8 |
| Including: | | | | | | | | | | | | |
| Total amount of guarantees provided for the shareholders, actual controller and their affiliates (C) | | | | | | | | | | | | |
| Total amount of debt guarantees directly or indirectly provided for the obligors whose equity-debt ratio exceeds 70% (D) | | | | | | | | | | | | 26,50 |
| Total amount guaranteed in excess of 50% of the net assets of the Company (E) | | | | | | | | | | | | |
| Total amount guaranteed (C+D+E) | | | | | | | | | | | | 26,50 |
| Explanation about outstanding guarantees for which the Company may assume joint | | | | | | | | | | | | |

| | |
|------------------------------|--|
| and several liability | |
| Explanation about guarantees | |

Note: With respect to the guarantee provided by the Company for Fengmi in the amount of RMB 100 million as of the date of this Report, the guarantee contract has been executed but the relevant bank loan has not been granted, so no liability for guarantee has been incurred.

3 Other material contracts

Applicable N/A

XII. Poverty alleviation of listed companies

Applicable N/A

XIII. Convertible corporate bonds

Applicable N/A

XIV. Environment**(I) Environmental protection information of the Company and its major subsidiaries that are identified as major polluters by the environmental protection authority**

Applicable N/A

(II) Environmental protection information of the Company that is not identified as a major polluter

Applicable N/A

We have not been identified as a major polluter during the reporting period. We attach importance to environmental protection and have taken the following environmental protection measures to fulfill our social responsibility:

Disposal of solid wastes

Our solid wastes include consumer wastes, general industrial solid wastes and hazardous wastes. The consumer wastes are collected and then handed over to the environmental sanitation entity for centralized treatment. The general industrial solid wastes mainly consist of leadless waste scruff and waste packing materials generated in the production process, which are collected by category and then handed over to the relevant resource recycling entities for recycling. The hazardous wastes mainly consist of waste active carbon generated in the waste gas treatment process, and wastes containing industrial alcohol and waste packing materials containing cleaning agents that are generated in the production process, which are collected and then handed over to the qualified entities for treatment.

Sewage treatment

Our sewage includes domestic sewage and industrial sewage. The domestic sewage is pre-treated through septic tank or otherwise, and after meeting the relevant standard, discharged to the municipal sewage treatment pipelines and sewage treatment plant. The industrial sewage is handed over to the qualified entities for treatment. In addition, we have optimized the technologies currently used to reduce the sewage discharged. We appoint a third party to inspect our domestic sewage every year.

Waste gas treatment

Our waste gas mainly includes waste gas containing tin and organic waste gas generated in the production process. We have built a waste gas treatment system, comprising UV photolysis, active carbon adsorption plant, air purification equipment and other equipment. The concentration of tin and NmHc in the waste gas discharged by us to the air meets the local standard for Atmospheric Pollutant Emission Limit. We appoint a third party to conduct the relevant inspections every year.

Certifications relating to environmental protection

We passed ISO14001 environmental management system certification in 2008, and has maintained such certification to date. In 2019, we passed QC080000 hazardous substance process management system certification. All of our products are green products and have passed RoHS, REACH and China environmental labeling product certification, among others.

(III) Reason for failure to disclose environmental protection information of the Company that is not identified as a major polluter

Applicable N/A

(IV) New information about the environmental protection information disclosed during the reporting period

Applicable N/A

XV. Other significant matters

(I) Changes, reasons, and impacts of accounting policies, accounting estimates, and accounting methods compared with the previous accounting period

Applicable N/A

Please refer to V.44 of Section X Financial Report for details.

(II) Description of retrospective restatement, amount of adjustment, reasons and impacts of material accounting errors occurred during the reporting period

Applicable N/A

(III) Others

Applicable N/A

Section VI. Changes in Shares and Shareholders

(I) Changes in ordinary shares

(I) Statement of changes in ordinary shares

1. Statement of changes in ordinary shares

| | Before the change | | +/- | | | | | After the change | | Unit: Share |
|--|-------------------|----------------|------------|--------------|------------------------------------|------------|------------|------------------|----------------|-------------|
| | Number | Proportion (%) | New shares | Bonus shares | Capitalization of capital reserves | Others | Sub-total | Number | Proportion (%) | |
| I. Non-tradable shares | 394,361,498 | 87.33 | | | | -3,538,402 | -3,538,402 | 390,823,096 | 86.55 | |
| 1. Shares held by the State | | | | | | | | | | |
| 2. Shares held by state-owned corporations | | | | | | | | | | |
| 3. Shares held by other domestic investors | 243,665,462 | 53.96 | | | | -3,538,402 | -3,538,402 | 240,127,060 | 53.18 | |
| Including: Shares held by domestic non-stated-owned corporations | 233,615,923 | 51.73 | | | | -3,538,402 | -3,538,402 | 230,077,521 | 50.95 | |
| Shares held by domestic natural persons | 10,049,539 | 2.23 | | | | | | 10,049,539 | 2.23 | |
| 4. Shares held by foreign investors | 150,696,036 | 33.37 | | | | | | 150,696,036 | 33.37 | |
| Including: Shares held by foreign corporations | 135,203,427 | 29.94 | | | | | | 135,203,427 | 29.94 | |
| Shares held by foreign natural persons | 15,492,609 | 3.43 | | | | | | 15,492,609 | 3.43 | |
| II. Tradable shares | 57,192,913 | 12.67 | | | | 3,538,402 | 3,538,402 | 60,731,315 | 13.45 | |
| 1. RMB-denominated ordinary shares | 57,192,913 | 12.67 | | | | 3,538,402 | 3,538,402 | 60,731,315 | 13.45 | |
| 2. Foreign currency-denominated shares listed domestically | | | | | | | | | | |
| 3. Foreign currency-denominated shares listed overseas | | | | | | | | | | |
| 4. Others | | | | | | | | | | |
| III. Total shares | 451,554,411 | 100.00 | | | | 0 | 0 | 451,554,411 | 100.00 | |

2. Explanation about changes in ordinary shares

Applicable N/A

On January 14, 2020, 3,538,402 off-line allotted shares in IPO were eligible for trading on the market. Please refer to the Announcement No. 2020-001 “Announcement of Appotronics Corporation Limited on the circulation of off-line allotted shares in IPO” issued by the Company on www.sse.com.cn on January 14, 2020 for details.

3. Effect of the changes in shares on the earnings per share, net assets per share and other financial indicators for the duration after the reporting period to the disclosure date of the semiannual report (if any)

Applicable N/A

4. Other information disclosed as the Company deems necessary or required by the securities regulatory authority

Applicable N/A

(II) Changes in non-tradable shares

Applicable N/A

Unit: Share

| Shareholder | Balance of non-tradable shares at the beginning of the reporting period | Number of non-tradable shares unlocked during the reporting period | Number of non-tradable shares increased during the reporting period | Balance of tradable shares at the end of the reporting period | Reason for restriction | Unlock date |
|----------------------------|---|--|---|---|--|------------------|
| Off-line allotment account | 3,538,402 | 3,538,402 | 0 | 0 | Non-tradable off-line allotted shares in IPO | January 22, 2020 |
| Total | 3,538,402 | 3,538,402 | 0 | 0 | / | / |

(II) Shareholders

(I) Total number of shareholders:

| | |
|---|--------|
| Total number of shareholders of ordinary shares as of the end of the reporting period | 16,563 |
| Total number of shareholders of preferred shares whose voting right has been restituted as of the end of the reporting period | 0 |

Number of holders of depository receipts

Applicable N/A

(II) Shares held by top 10 shareholders and top 10 holders of tradable shares as of the end of the reporting period

Unit: Share

| Shares held by top 10 shareholders | | | | | | | | |
|------------------------------------|------------------------------------|--|----------------|------------------------------------|---|--------------------------|--------|--------------------|
| Shareholder (full name) | Change during the reporting period | Balance of shares held as at the end of the reporting period | Proportion (%) | Number of non-tradable shares held | Number of non-tradable shares held, including the shares lent out under the refinancing arrangement | Shares pledged or frozen | | Shareholder nature |
| | | | | | | Share status | Number | |

| | | | | | | | | |
|--|---|------------|-------|------------|------------|------|---|---------------------------------------|
| Shenzhen Appotronics Holdings Co., Ltd. | 0 | 79,762,679 | 17.66 | 79,762,679 | 79,762,679 | None | 0 | Domestic non-stated owned corporation |
| SAIF IV Hong Kong (China Investments) Limited | 0 | 62,980,676 | 13.95 | 62,980,676 | 62,980,676 | None | 0 | Foreign corporation |
| CITIC PE Investment (Hong Kong) 2016 Limited | 0 | 41,774,562 | 9.25 | 41,774,562 | 41,774,562 | None | 0 | Foreign corporation |
| Fuzhou Haixia Appotronics Investment Partnership (LP) | 0 | 25,064,737 | 5.55 | 25,064,737 | 25,064,737 | None | 0 | Domestic non-stated owned corporation |
| Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP) | 0 | 24,139,500 | 5.35 | 24,139,500 | 24,139,500 | None | 0 | Domestic non-stated owned corporation |
| Shenzhen Appotronics Daye Investment Partnership (LP) | 0 | 20,430,250 | 4.52 | 20,430,250 | 20,430,250 | None | 0 | Domestic non-stated owned corporation |
| GREEN FUTURE HOLDINGS LIMITED | 0 | 16,504,518 | 3.66 | 16,504,518 | 16,504,518 | None | 0 | Foreign corporation |
| Shenzhen Appotronics Hongye Investment Partnership (LP) | 0 | 15,662,374 | 3.47 | 15,662,374 | 15,662,374 | None | 0 | Domestic non-stated owned corporation |

| | | | | | | | | |
|---|---|------------|------|------------|------------|------|---|---------------------------------------|
| Shenzhen Jinleijing Investment Limited Partnership (LP) | 0 | 12,353,106 | 2.74 | 12,353,106 | 12,353,106 | None | 0 | Domestic non-stated owned corporation |
| Changzhou Lisheng Equity Investment Partnership (LP) | 0 | 11,667,635 | 2.58 | 11,667,635 | 11,667,635 | None | 0 | Domestic non-stated owned corporation |

Shares held by top 10 holders of tradable shares

| Shareholder | Number of tradable shares held | Type and number of shares | |
|---|--------------------------------|--------------------------------|-----------|
| | | Category | Number |
| UBS AG | 1,557,640 | RMB-denominated ordinary share | 1,557,640 |
| Huatai Securities Co., Ltd. | 978,400 | RMB-denominated ordinary share | 978,400 |
| ZHONG Haidi | 834,659 | RMB-denominated ordinary share | 834,659 |
| National Social Security Fund Portfolio No. 102 | 700,000 | RMB-denominated ordinary share | 700,000 |
| LONG Shixue | 464,700 | RMB-denominated ordinary share | 464,700 |
| GAO Ermei | 393,713 | RMB-denominated ordinary share | 393,713 |
| China Merchants Bank Co., Ltd. - Pengyang Jingxin Hybrid Securities Investment Fund | 385,157 | RMB-denominated ordinary share | 385,157 |
| WANG Danping | 329,210 | RMB-denominated ordinary share | 329,210 |
| ZHANG Shangmin | 317,734 | RMB-denominated ordinary share | 317,734 |
| Guotai Junan Securities Co., Ltd. | 288,088 | RMB-denominated ordinary share | 288,088 |

| | |
|--|---|
| Affiliates or concert parties among the shareholders stated above | <p>1. As of the end of the reporting period, among our top 10 shareholders, Appotronics Holdings, Yuanshi, Appotronics Daye, Appotronics Hongye and Jinleijing are concert parties. We have not received any notice about affiliates or concert parties among other shareholders stated above.</p> <p>2. We are not aware whether there are affiliates or concert parties as defined in the Administrative Measures for the Acquisition of the Listed Companies among the holders of tradable shares.</p> |
| Holders of preferred shares whose voting right has been restituted and the number of shares held by them | N/A |

Top 10 holders of non-tradable shares and lock-up period

√ Applicable □ N/A

Unit: Share

| No. | Holder of non-tradable shares | Number of non-tradable shares held | Unlocking of non-tradable shares | | Lock-up period |
|-----|--|------------------------------------|----------------------------------|---------------------------------|----------------------------------|
| | | | Unlock date | Number of shares newly unlocked | |
| 1 | Shenzhen Appotronics Holdings Co., Ltd. | 79,762,679 | July 22, 2022 | 0 | 36 months after the listing date |
| 2 | SAIF IV Hong Kong (China Investments) Limited | 62,980,676 | July 22, 2020 | 0 | 12 months after the listing date |
| 3 | CITIC PE Investment (Hong Kong) 2016 Limited | 41,774,562 | July 22, 2020 | 0 | 12 months after the listing date |
| 4 | Fuzhou Haixia Appotronics Investment Partnership (LP) | 25,064,737 | July 22, 2020 | 0 | 12 months after the listing date |
| 5 | Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP) | 24,139,500 | July 22, 2022 | 0 | 36 months after the listing date |
| 6 | Shenzhen Appotronics Daye Investment Partnership (LP) | 20,430,250 | July 22, 2022 | 0 | 36 months after the listing date |

| | | | | | |
|---|---|--|---------------|---|----------------------------------|
| 7 | GREEN FUTURE HOLDINGS LIMITED | 16,504,518 | July 22, 2020 | 0 | 12 months after the listing date |
| 8 | Shenzhen Appotronics Hongye Investment Partnership (LP) | 15,662,374 | July 22, 2022 | 0 | 36 months after the listing date |
| 9 | Shenzhen Jinleijing Investment Limited Partnership (LP) | 12,353,106 | July 22, 2022 | 0 | 36 months after the listing date |
| 10 | Changzhou Lisheng Equity Investment Partnership (LP) | 11,667,635 | July 22, 2020 | 0 | 12 months after the listing date |
| Affiliates or concert parties among the shareholders stated above | | As of the end of the reporting period, among our top 10 shareholders, Appotronics Holdings, Yuanshi, Appotronics Daye, Appotronics Hongye and Jinleijing are concert parties. We have not received any notice about affiliates or concert parties among other shareholders stated above. | | | |

Statement of top 10 holders of domestic depository receipts as of the end of the reporting period
 Applicable N/A
Number of non-tradable depository receipts held by top 10 holders and lock-up period
 Applicable N/A
(III) Statement of top 10 shareholders by number of votes held as of the end of the reporting period
 Applicable N/A
(IV) Strategic investors or general corporations that become top shareholders as a result of allotment of new shares/depository receipts
 Applicable N/A
(III) Changes in the controlling shareholder or actual controller
 Applicable N/A
(IV) Implementation of and changes in arrangements relating to depository receipts during the reporting period
 Applicable N/A
(V) Shares with special voting rights**Section VII. Preferred Shares**
 Applicable N/A

Section VIII. Directors, Supervisors, Senior Officers and Employees

I. Changes in shareholding

(I) Changes in shareholding of current directors, supervisors, senior officers and key technical staff and the former directors, supervisors, senior officers and key technical staff who left the Company during the reporting period

Applicable N/A

Other information

Applicable N/A

(II) Share incentives granted to directors, supervisors, senior officers and key technical staff during the reporting period

1. Share options

Applicable N/A

2. Type I restricted shares

Applicable N/A

3. Type II restricted shares

Applicable N/A

II. Changes in directors, supervisors, senior officers and key technical staff

Applicable N/A

| Name | Position | Change |
|---------------|--|------------------|
| ZENG Luhai | Deputy General Manager | Left the Company |
| XIAO Yangjian | Deputy General Manager & Board Secretary | Left the Company |

Changes in directors, supervisors, senior officers and key technical staff

Applicable N/A

1. Mr. ZENG Luhai resigned from his position as Deputy General Manager of the Company due to personal career development reasons, and will act as a consultant of the Company after resigning from the Company. The Company issued an announcement regarding this event on January 23, 2020.
2. Mr. XIAO Yangjian resigned from his position as Deputy General Manager & Board Secretary of the Company due to personal career development reasons, and will hold no position in the Company after resigning from the Company. The Company issued an announcement regarding this event on May 21, 2020.

III. Other information

Applicable N/A

Section IX. Corporate Bonds

Applicable N/A

Section X. Financial Report

I. Auditor's report

Applicable N/A

II. Financial statements

Consolidated Balance Sheet

At June 30, 2020

Prepared by: Appotronics Corporation Limited

Unit: Yuan Currency: RMB

| Item | Note | At June 30, 2020 | At December 31, 2019 |
|--|---------|------------------|----------------------|
| Current Assets: | | | |
| Cash and bank balances | VII. 1 | 729,447,665.39 | 875,858,784.58 |
| Balances with clearing agencies | | | |
| Placements with banks and other financial institutions | | | |
| Held-for-trading financial assets | VII. 2 | 495,000,000.00 | 540,000,000.00 |
| Derivative financial assets | | | |
| Notes receivable | VII. 4 | 4,181,386.79 | 4,042,559.63 |
| Accounts receivable | VII. 5 | 134,035,161.27 | 176,035,155.24 |
| Receivables financing | VII. 6 | 362,600.00 | 1,980,500.00 |
| Prepayments | VII. 7 | 39,439,987.06 | 35,070,999.13 |
| Premiums receivable | | | |
| Amounts receivable under reinsurance contracts | | | |
| Reinsurer's share of insurance contract reserves | | | |
| Other receivables | VII. 8 | 11,424,632.94 | 9,618,750.08 |
| Including: Interest receivable | | | |
| Dividends receivable | | | |
| Financial assets purchased under resale agreements | | | |
| Inventories | VII. 9 | 402,722,530.65 | 299,966,170.35 |
| Contract assets | VII. 10 | 3,914,909.70 | |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | VII. 13 | 35,547,978.31 | 44,405,513.30 |
| Total Current Assets | | 1,856,076,852.11 | 1,986,978,432.31 |
| Non-current Assets: | | | |
| Loans and advances | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | VII. 17 | 268,154,993.87 | 139,534,371.94 |
| Other equity instrument investments | VII. 18 | 11,975,419.38 | 11,975,419.38 |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | VII. 21 | 455,164,004.06 | 471,204,340.95 |
| Construction in progress | VII. 22 | 30,992,866.46 | 20,132,004.07 |
| Bearer biological assets | | | |
| Oil and gas assets | | | |
| Use right assets | | | |

| | | | |
|--|---------|------------------|------------------|
| Intangible assets | VII. 26 | 324,969,424.31 | 332,331,324.07 |
| Development expenditure | | | |
| Goodwill | | | |
| Long-term prepaid expenses | VII. 29 | 14,996,204.71 | 16,908,070.34 |
| Deferred tax asset | VII. 30 | 114,095,667.69 | 109,023,941.85 |
| Other non-current assets | VII. 31 | 6,352,208.65 | 11,420,185.94 |
| Total Non-current Assets | | 1,226,700,789.13 | 1,112,529,658.54 |
| Total assets | | 3,082,777,641.24 | 3,099,508,090.85 |
| Current Liabilities: | | | |
| Short-term borrowings | VII. 32 | 115,636,028.30 | 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 | VII. 35 | 126,525,026.22 | 37,335,841.79 |
| Accounts payable | VII. 36 | 198,595,546.20 | 176,624,445.46 |
| Receipts in advance | VII. 37 | 173,963,358.36 | 184,444,643.33 |
| Contract liabilities | VII. 38 | 19,442,085.20 | |
| 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 | VII. 39 | 16,524,638.79 | 50,586,932.71 |
| Taxes payable | VII. 40 | 8,453,167.47 | 42,924,647.79 |
| Other payables | VII. 41 | 42,106,615.24 | 14,364,076.43 |
| Including: Interest payable | | | |
| Dividends payable | VII. 41 | 11,279,223.68 | |
| Fees and commissions payable | | | |
| Amounts payable under reinsurance contracts | | | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | VII. 43 | 144,769,488.72 | 64,968,795.02 |
| Other current liabilities | | 1,667,826.54 | |
| Total Current Liabilities | | 847,683,781.04 | 648,014,701.58 |
| Non-current Liabilities: | | | |
| Insurance contract reserves | | | |
| Long-term borrowings | VII. 45 | 79,892,744.86 | 279,615,107.27 |
| Bonds payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Leasing liabilities | | | |
| Long-term accounts payable | VII. 48 | 3,539,750.00 | 3,488,100.00 |
| Long-term employee benefits payable | | | |
| Provisions | VII. 50 | 33,664,528.96 | 27,072,676.49 |

| | | | |
|--|---------|------------------|------------------|
| Deferred income | VII. 51 | 16,784,096.20 | 17,108,361.69 |
| Deferred tax liabilities | | | |
| Other non-current liabilities | | | |
| Total Non-current Liabilities | | 133,881,120.02 | 327,284,245.45 |
| Total Liabilities | | 981,564,901.06 | 975,298,947.03 |
| Owners' (or Shareholders') Equity: | | | |
| Paid-in capital (or share capital) | VII. 53 | 451,554,411.00 | 451,554,411.00 |
| Other equity instruments | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Capital reserve | VII. 55 | 1,224,027,021.21 | 1,207,942,318.37 |
| Less: Treasury shares | | | |
| Other comprehensive income | VII. 57 | 4,300,879.05 | 3,287,063.85 |
| Special reserve | | | |
| Surplus reserve | VII. 59 | 22,800,224.13 | 22,800,224.13 |
| General risk reserve | | | |
| Retained profits | VII. 60 | 270,715,417.30 | 288,975,820.29 |
| Total owners' (or shareholders') equity attributable to owners of the Parent Company | | 1,973,397,952.69 | 1,974,559,837.64 |
| Minority interests | | 127,814,787.49 | 149,649,306.18 |
| Total Owners' (or Shareholders') Equity | | 2,101,212,740.18 | 2,124,209,143.82 |
| Total Liabilities and Owners' (or Shareholders') Equity | | 3,082,777,641.24 | 3,099,508,090.85 |

Legal representative:
BO Lianming

Person in Charge of the Accounting Body:
WEI Yanlin

Chief Accountant:
ZHAO Ruijin

Balance Sheet of the Parent Company

At June 30, 2020

Prepared by: Appotronics Corporation Limited

Unit: Yuan Currency: RMB

| Item | Note | At June 30, 2020 | At December 31, 2019 |
|-----------------------------------|---------|------------------|----------------------|
| Current Assets: | | | |
| Cash and bank balances | | 474,625,994.92 | 570,479,390.49 |
| Held-for-trading financial assets | | 495,000,000.00 | 540,000,000.00 |
| Derivative financial assets | | | |
| Notes receivable | | 1,518,836.79 | 3,542,559.63 |
| Accounts receivable | XVII. 1 | 381,316,044.94 | 299,315,776.44 |
| Receivables financing | | 362,600.00 | 442,500.00 |
| Prepayments | | 13,215,986.43 | 6,410,257.48 |
| Other receivables | XVII. 2 | 32,169,108.08 | 67,227,575.21 |

| | | | |
|---|---------|------------------|------------------|
| Including: Interest receivable | | | |
| Dividends receivable | | | |
| Inventories | | 157,332,693.76 | 135,617,379.22 |
| Contract assets | | 3,883,882.70 | |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | | 2,946,612.19 | 12,280,164.39 |
| Total Current Assets | | 1,562,371,759.81 | 1,635,315,602.86 |
| Non-current Assets: | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | XVII. 3 | 393,643,159.82 | 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 | | 56,384,337.62 | 60,391,512.92 |
| Construction in progress | | 17,253,087.13 | 1,385,496.59 |
| Bearer biological assets | | | |
| Oil and gas assets | | | |
| Use right assets | | | |
| Intangible assets | | 323,721,801.47 | 330,796,423.87 |
| Development expenditure | | | |
| Goodwill | | | |
| Long-term prepaid expenses | | 11,819,212.96 | 12,771,126.83 |
| Deferred tax asset | | 11,124,507.71 | 9,545,438.20 |
| Other non-current assets | | 6,099,956.30 | 6,744,453.85 |
| Total Non-current Assets | | 827,121,482.39 | 686,505,147.77 |
| Total assets | | 2,389,493,242.20 | 2,321,820,750.63 |
| Current Liabilities: | | | |
| Short-term borrowings | | 52,418,795.92 | 10,217,738.36 |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | | 20,559,800.24 | 37,335,841.79 |
| Accounts payable | | 182,773,808.53 | 162,596,838.45 |
| Receipts in advance | | 6,672,836.65 | 11,116,659.11 |
| Contract liabilities | | 6,597,357.56 | |
| Employee benefits payable | | 9,595,495.89 | 26,985,668.92 |
| Taxes payable | | 2,243,767.43 | 1,534,242.70 |
| Other payables | | 72,454,716.04 | 42,599,703.36 |
| Including: Interest payable | | | |
| Dividends payable | | 11,279,223.68 | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | | 343,217.43 | |
| Total Current Liabilities | | 353,659,795.69 | 292,386,692.69 |
| Non-current Liabilities: | | | |
| Long-term borrowings | | | |

| | | | |
|--|--|------------------|------------------|
| Bonds payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Leasing liabilities | | | |
| Long-term accounts payable | | 3,539,750.00 | 3,488,100.00 |
| Long-term employee benefits payable | | | |
| Provisions | | 17,615,667.43 | 14,631,273.00 |
| Deferred income | | 15,571,644.47 | 15,724,174.30 |
| Deferred tax liabilities | | | |
| Other non-current liabilities | | | |
| Total Non-current Liabilities | | 36,727,061.90 | 33,843,547.30 |
| Total Liabilities | | 390,386,857.59 | 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 | | 1,328,516,411.30 | 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 | | 197,512,878.91 | 211,573,548.42 |
| Total Owners' (or Shareholders') Equity | | 1,999,106,384.61 | 1,995,590,510.64 |
| Total Liabilities and Owners'(or Shareholders') Equity | | 2,389,493,242.20 | 2,321,820,750.63 |

Legal representative:
BO Lianming

Person in Charge of the Accounting Body:
WEI Yanlin

Chief Accountant:
ZHAO Ruijin

Consolidated Income Statement

Jan. - Jun. 2020

Unit: Yuan Currency: RMB

| Item | Note | Half year of 2020 | Half year of 2019 |
|-----------------------------|---------|-------------------|-------------------|
| I. Total operating income | | 716,025,207.34 | 853,356,964.84 |
| Including: Operating income | VII. 61 | 716,025,207.34 | 853,356,964.84 |
| Interest income | | | |
| Premiums earned | | | |
| Fee and commission income | | | |
| II. Total operating costs | | 756,098,193.88 | 742,125,211.65 |
| Including: Operating costs | VII. 61 | 529,787,789.94 | 511,757,903.12 |
| Interest expenses | | | |
| 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 | VII. 62 | 2,329,710.56 | 4,336,950.98 |
| Sales expenses | VII. 63 | 50,833,894.50 | 60,585,489.84 |
| Administration expenses | VII. 64 | 77,813,657.09 | 58,777,738.22 |
| R&D expenses | VII. 65 | 87,295,450.75 | 89,309,489.80 |
| Financial expenses | VII. 66 | 8,037,691.04 | 17,357,639.69 |
| Including: Interest expense | | 11,612,825.87 | 18,267,758.92 |
| Interest income | | 4,618,971.33 | 2,986,857.28 |
| Add: Other income | VII. 67 | 32,922,034.97 | 17,417,109.11 |
| Investment income (loss is indicated by "-") | VII. 68 | 11,726,688.51 | -3,460,616.55 |
| Including: Income from investments in associates and joint ventures | | 901,894.80 | -3,458,306.31 |
| Gains from derecognition of financial assets at amortized assets (loss is indicated by "-") | | | |
| 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 "-") | VII. 71 | 2,170,106.96 | -761,760.88 |
| Impairment losses of assets (loss is indicated by "-") | VII. 72 | -12,109,681.09 | -1,379,296.10 |
| Gains from disposal of assets (loss is indicated by "-") | VII. 73 | 149,620.91 | |
| III. Operating profit (loss is indicated by "-") | | -5,214,216.28 | 123,047,188.77 |
| Add: Non-operating income | VII. 74 | 270,615.48 | 2,330,175.84 |
| Less: Non-operating expenses | VII. 75 | 740,701.95 | 1,031,334.68 |
| IV. Total profits (total losses are indicated by "-") | | -5,684,302.75 | 124,346,029.93 |
| Less: Income tax expense | VII. 76 | 2,693,941.42 | 33,140,213.74 |
| V. Net profits (net losses are indicated by "-") | | -8,378,244.17 | 91,205,816.19 |
| (I) Categorized by the continuity of operation | | | |
| 1. Net profits from continuing operations (net losses are indicated by "-") | | -8,378,244.17 | 91,205,816.19 |
| 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 "-") | | 14,327,442.96 | 66,579,574.06 |
| 2. Profits or losses attributable to minority shareholders (net losses are indicated by "-") | | -22,705,687.13 | 24,626,242.13 |
| VI. Other comprehensive income, net of tax | | 1,039,650.57 | -434,926.03 |
| (I) Other comprehensive income that can be attributable to owners of the Parent Company, net of tax | | 1,013,815.20 | -432,661.21 |
| 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 | | 1,013,815.20 | -432,661.21 |
| (1) Other comprehensive income that will be reclassified to profit or loss under the equity method | | -135,706.31 | |
| (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 | | 1,149,521.51 | -432,661.21 |
| (7) Others | | | |
| (II) Other comprehensive income that can be attributable to minority shareholders, net of tax | | 25,835.37 | -2,264.82 |
| VII. Total comprehensive income | | -7,338,593.60 | 90,770,890.16 |
| (I) Total comprehensive income that can be attributable to owners of the Parent Company | | 15,341,258.16 | 66,146,912.85 |
| (II) Total comprehensive income that can be attributable to minority shareholders | | -22,679,851.76 | 24,623,977.31 |
| VIII. Earnings per share: | | | |
| (I) Basic earnings per share (RMB/share) | | 0.03 | 0.17 |
| (II) Diluted earnings per share | | 0.03 | 0.17 |

(RMB/share)

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.

Legal representative:
BO Lianming

Person in Charge of the Accounting Body:
WEI Yanlin

Chief Accountant:
ZHAO Ruijin

Income Statement of the Parent Company

Jan. - Jun. 2020

Unit: Yuan Currency: RMB

| Item | Note | Half year of 2020 | Half year of 2019 |
|---|---------|-------------------|-------------------|
| I. Operating income | XVII. 4 | 384,899,378.41 | 427,684,505.04 |
| Less: Operating costs | XVII. 4 | 256,660,786.97 | 290,643,668.97 |
| Taxes and levies | | 1,352,141.01 | 3,071,754.81 |
| Sales expenses | | 27,526,291.43 | 40,844,366.05 |
| Administration expenses | | 56,310,385.85 | 39,125,724.07 |
| R&D expenses | | 51,085,854.54 | 56,165,426.14 |
| Financial expenses | | -6,218,121.07 | -126,392.93 |
| Including: Interest expense | | 354,733.03 | 2,053,982.09 |
| Interest income | | 6,827,084.77 | 4,133,521.27 |
| Add: Other income | | 26,399,900.47 | 9,867,959.13 |
| Investment income (loss is indicated by "-") | XVII. 5 | 10,824,793.71 | -64,542.33 |
| Including: Income from investments in associates and joint ventures | | | |
| Gains from derecognition of financial assets at amortized assets (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 "-") | | -144,581.15 | 859,443.66 |
| Impairment losses of assets (loss is indicated by "-") | | -10,600,208.60 | -1,501,552.91 |
| Gains from disposal of assets (loss is indicated by "-") | | | |
| II. Operating profit (loss is indicated by "-") | | 24,661,944.11 | 7,121,265.48 |
| Add: Non-operating income | | 253,319.61 | 2,325,793.95 |
| Less: Non-operating expenses | | 350,387.34 | 839,436.27 |
| III. Total profits (total losses are indicated by "-") | | 24,564,876.38 | 8,607,623.16 |
| Less: Income tax expense | | 4,758,965.06 | 1,257,976.90 |
| IV. Net profits (net losses are indicated by "-") | | 19,805,911.32 | 7,349,646.26 |
| (I) Net profits from continuing operations (net losses are indicated by | | 19,805,911.32 | 7,349,646.26 |

| | | | |
|---|--|---------------|--------------|
| “-”) | | | |
| (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 will 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 | | 19,805,911.32 | 7,349,646.26 |
| VII. Earnings per share: | | | |
| (I) Basic earnings per share (RMB/share) | | 0.04 | 0.02 |
| (II) Diluted earnings per share (RMB/share) | | 0.04 | 0.02 |

Legal representative:
BO Lianming

Person in Charge of the Accounting Body:
WEI Yanlin

Chief Accountant:
ZHAO Ruijin

Consolidated Cash Flow Statement

Jan. - Jun. 2020

Unit: Yuan Currency: RMB

| Item | Note | Half year of 2020 | Half year of 2019 |
|---|---------|-------------------|-------------------|
| I. Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 857,080,419.89 | 958,367,229.40 |
| 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 | | 4,632,072.61 | 2,508,672.80 |
| Other cash receipts relating to operating activities | VII. 78 | 81,270,397.72 | 52,872,028.86 |
| Sub-total of cash inflows from operating activities | | 942,982,890.22 | 1,013,747,931.06 |
| Cash payments for goods purchased and services received | | 572,318,784.38 | 665,098,139.82 |
| 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 | | 163,925,755.54 | 143,289,429.46 |
| Payments of various types of taxes | | 43,586,182.30 | 111,587,382.38 |

| | | | |
|--|---------|------------------|------------------|
| Other cash payments relating to operating activities | VII. 78 | 100,146,106.20 | 108,316,392.92 |
| Sub-total of cash outflows from operating activities | | 879,976,828.42 | 1,028,291,344.58 |
| Net cash flow from operating activities | | 63,006,061.80 | -14,543,413.52 |
| II. Cash Flows from Investing Activities: | | | |
| Cash receipts from disposals and recovery of investments | | 1,075,000,000.00 | 3,700,000.00 |
| Cash receipts from investment income | | 10,824,793.71 | |
| 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 | | 1,085,828,393.71 | 3,704,467.91 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | | 19,930,656.68 | 22,513,875.95 |
| Cash payments to acquire investments | | 1,158,213,540.00 | |
| 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 | | 1,178,144,196.68 | 22,513,875.95 |
| Net cash flows from investment activities | | -92,315,802.97 | -18,809,408.04 |
| III. Cash Flows from Financing Activities: | | | |
| Cash receipts from capital contributions | | | |
| Including: Cash receipts from capital contributions from minority shareholders of subsidiaries | | | |
| Cash receipts from borrowings | | 98,922,683.45 | 256,260,000.00 |
| Other cash receipts relating to financing activities | | | |
| Sub-total of cash inflows from financing activities | | 98,922,683.45 | 256,260,000.00 |
| Cash repayments of borrowings | | 179,644,434.20 | 156,491,119.70 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 34,547,574.58 | 17,090,008.81 |

| | | | |
|---|---------|-----------------|----------------|
| Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries | | | |
| Other cash payments relating to financing activities | VII. 78 | 22,587.36 | 3,570,350.00 |
| Sub-total of cash outflows from financing activities | | 214,214,596.14 | 177,151,478.51 |
| Net cash flows from financing activities | | -115,291,912.69 | 79,108,521.49 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | 1,108,215.61 | -519,590.51 |
| V. Net Increase in Cash and Cash Equivalents | | -143,493,438.25 | 45,236,109.42 |
| Add: Opening balance of cash and cash equivalents | | 829,789,487.86 | 472,508,550.40 |
| VI. Closing Balance of Cash and Cash Equivalents | | 686,296,049.61 | 517,744,659.82 |

Legal representative:
BO Lianming

Person in Charge of the Accounting Body:
WEI Yanlin

Chief Accountant:
ZHAO Ruijin

Cash Flow Statement of the Parent Company

Jan. - Jun. 2020

Unit: Yuan Currency: RMB

| Item | Note | Half year of 2020 | Half year of 2019 |
|--|------|-------------------|-------------------|
| I. Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 351,592,568.58 | 422,086,255.83 |
| Receipts of tax refunds | | 3,108,523.77 | |
| Other cash receipts relating to operating activities | | 147,176,514.17 | 183,663,872.41 |
| Sub-total of cash inflows from operating activities | | 501,877,606.52 | 605,750,128.24 |
| Cash payments for goods purchased and services received | | 320,604,308.34 | 286,971,692.80 |
| Cash payments to and on behalf of employees | | 98,194,575.75 | 89,454,762.70 |
| Payments of various types of taxes | | 4,579,897.88 | 43,848,346.80 |
| Other cash payments relating to operating activities | | 87,411,317.15 | 222,179,859.64 |
| Sub-total of cash outflows from operating activities | | 510,790,099.12 | 642,454,661.94 |
| Net cash flow from operating activities | | -8,912,492.60 | -36,704,533.70 |
| II. Cash Flows from Investing Activities: | | | |

| | | | |
|--|--|------------------|----------------|
| Cash receipts from disposals and recovery of investments | | 1,075,000,000.00 | 4,635,457.67 |
| Cash receipts from investment income | | 10,824,793.71 | |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | | 3,600.00 | |
| 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 | | 1,085,828,393.71 | 4,635,457.67 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | | 14,697,925.55 | 18,327,199.02 |
| Cash payments to acquire investments | | 1,161,213,540.00 | |
| 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 | | 1,175,911,465.55 | 18,327,199.02 |
| Net cash flows from investment activities | | -90,083,071.84 | -13,691,741.35 |
| III. Cash Flows from Financing Activities: | | | |
| Cash receipts from capital contributions | | | |
| 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 | 132,000,000.00 |
| Cash repayments of borrowings | | 10,000,000.00 | 44,440,000.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 23,000,602.77 | 2,432,260.06 |
| Other cash payments relating to financing activities | | 22,587.36 | 3,570,350.00 |
| Sub-total of cash outflows from financing activities | | 33,023,190.13 | 50,442,610.06 |
| Net cash flows from financing activities | | 19,218,197.17 | 81,557,389.94 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | 295,306.01 | -607,553.95 |
| V. Net Increase in Cash and Cash Equivalents | | -79,482,061.26 | 30,553,560.94 |
| Add: Opening balance of cash and cash equivalents | | 524,648,100.62 | 295,049,085.02 |

| | | | |
|---|--|----------------|----------------|
| VI. Closing Balance of Cash and Cash Equivalents | | 445,166,039.36 | 325,602,645.96 |
|---|--|----------------|----------------|

Legal representative:
BO Lianming

Person in Charge of the Accounting Body:
WEI Yanlin

Chief Accountant:
ZHAO Ruijin

Consolidated Statement of Changes in Owners' Equity
Jan. - Jun. 2020

Unit: Yuan Currency: RMB

| Item | Half year of 2020 | | | | | | | | | | | | | |
|--|---|--------------------------|--------|--|------------------|-----------------------|----------------------------|-----------------|-----------------|----------------------|------------------|--------|--------------------|----------------|
| | Equity attributable to owners of the Parent Company | | | | | | | | | | | | Minority interests | |
| | Paid-in capital (or share capital) | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserve | Surplus reserve | General risk reserve | Retained profits | Others | | Sub-total |
| Preferred shares | | Perpetual bonds | Others | | | | | | | | | | | |
| I. Closing balance of the preceding year | 451,554,411.00 | | | | 1,207,942,318.37 | | 3,287,063.85 | | 22,800,224.13 | | 288,975,820.29 | | 1,974,559,837.64 | 149,649,306.18 |
| Add: Changes in accounting policies | | | | | | | | | | | 1,278,734.88 | | 1,278,734.88 | -646,507.57 |
| Correction of prior period errors | | | | | | | | | | | | | | |
| Business combination involving entities under common control | | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | | |
| II. Opening balance of the current year | 451,554,411.00 | | | | 1,207,942,318.37 | | 3,287,063.85 | | 22,800,224.13 | | 290,254,555.17 | | 1,975,838,572.52 | 149,002,798.61 |
| III. Changes for the year (decrease is indicated by “-”) | | | | | 16,084,702.84 | | 1,013,815.20 | | | | -19,539,137.87 | | -2,440,619.83 | -21,188,011.12 |
| (I) Total comprehensive income | | | | | | | 1,013,815.20 | | | | 14,327,442.96 | | 15,341,258.16 | -22,679,851.76 |
| (II) Owners' contributions and reduction in capital | | | | | 16,084,702.84 | | | | | | | | 16,084,702.84 | 1,491,840.64 |
| 1. Ordinary | | | | | | | | | | | | | | |

Statement of Changes in Owners' Equity of the Parent Company
Jan. - Jun. 2020

Unit: Yuan Currency: RMB

| Item | Half year of 2020 | | | | | | | | | | |
|--|---------------------------------------|--------------------------|---------------------|------------|----------------------|------------------------------|-----------------------------------|----------------------------|-------------------|--------------------|-------------------------|
| | Paid-in capital (or share capital) | Other equity instruments | | | Capital reserve | Less: Treasur y shares | Other comprehensiv e income | Specia l reserv e | Surplus reserve | Retained profits | Total Owner's Equity |
| | | Preferre d shares | Perpetua l bonds | Other s | | | | | | | |
| I. Closing balance of the preceding year | 451,554,411.0 0 | | | | 1,310,939,867.8 2 | | | | 21,522,683.4 0 | 211,573,548.4 2 | 1,995,590,510.6 4 |
| Add: Changes in accounting policies | | | | | | | | | | | |
| Correctio ns of prior period errors | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance of the current year | 451,554,411.0 0 | | | | 1,310,939,867.8 2 | | | | 21,522,683.4 0 | 211,573,548.4 2 | 1,995,590,510.6 4 |
| III. Changes for the year (decrease is indicated by “-”) | | | | | 17,576,543.48 | | | | | -14,060,669.51 | 3,515,873.97 |
| (I) Total comprehensiv e income | | | | | | | | | | 19,805,911.32 | 19,805,911.32 |
| (II) Owners' contributions and reduction in capital | | | | | 17,576,543.48 | | | | | | 17,576,543.48 |
| 1. Ordinary shares contributed by owners | | | | | | | | | | | |
| 2. Capital contribution | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|---------------|--|--|--|--|----------------|----------------|
| from holders of other equity instruments | | | | | | | | | | | |
| 3. Share-based payment recognized in owners' equity | | | | | 17,576,543.48 | | | | | | 17,576,543.48 |
| 4. Others | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | -33,866,580.83 | -33,866,580.83 |
| 1. Transfer to surplus reserve | | | | | | | | | | | |
| 2. Distributions to owners (or shareholders) | | | | | | | | | | -33,866,580.83 | -33,866,580.83 |
| 3. Others | | | | | | | | | | | |
| (IV) Transfers within owners' equity | | | | | | | | | | | |
| 1. Capitalization of capital reserve | | | | | | | | | | | |
| 2. Capitalization of capital reserve | | | | | | | | | | | |
| 3. Loss offset by surplus reserve | | | | | | | | | | | |
| 4. Retained earnings carried forward from changes in defined benefit plans | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|----------------|--|--|--|------------------|--|--|--|---------------|----------------|------------------|
| 5.Retained earnings carried forward from other comprehensive income | | | | | | | | | | | |
| 6.Others | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | |
| 1. Transfer to special reserve in the period | | | | | | | | | | | |
| 2. Amount utilized in the period | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | |
| IV. Closing balance of the current year | 451,554,411.00 | | | | 1,328,516,411.30 | | | | 21,522,683.40 | 197,512,878.91 | 1,999,106,384.61 |

| Item | Half year of 2019 | | | | | | | | | | |
|--|------------------------------------|--------------------------|-----------------|--------|-------------------|-----------------------|----------------------------|-----------------|------------------|-------------------|----------------------|
| | Paid-in capital (or share capital) | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Retained profits | Total Owner's Equity |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | |
| I. Closing balance of the preceding year | 383, 554, 411. 00 | | | | 308, 318, 059. 21 | | | | 11, 418, 172. 20 | 120, 632, 947. 59 | 823, 923, 590. 00 |
| Add: Changes in accounting policies | | | | | | | | | | | |
| Corrections of prior period errors | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance of the current year | 383, 554, 411. 00 | | | | 308, 318, 059. 21 | | | | 11, 418, 172. 20 | 120, 632, 947. 59 | 823, 923, 590. 00 |

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--------------|--------------|
| III. Changes for the year (decrease is indicated by "-") | | | | | | | | | | | 7,349,646.26 | 7,349,646.26 |
| (I) Total comprehensive income | | | | | | | | | | | 7,349,646.26 | 7,349,646.26 |
| (II) Owners' contributions and reduction in capital | | | | | | | | | | | | |
| 1. Ordinary shares contributed by owners | | | | | | | | | | | | |
| 2. Capital contribution from holders of other equity instruments | | | | | | | | | | | | |
| 3. Share-based payment recognized in owners' equity | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | | |
| 1. Transfer to surplus reserve | | | | | | | | | | | | |
| 2. Distributions to owners (or shareholders) | | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | | |
| (IV) Transfers within owners' equity | | | | | | | | | | | | |
| 1. Capitalization of capital reserve | | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|----------------|--|--|--|----------------|--|--|--|---------------|----------------|----------------|
| 2. Capitalization of capital reserve | | | | | | | | | | | |
| 3. Loss offset by surplus reserve | | | | | | | | | | | |
| 4. Retained earnings carried forward from changes in defined benefit plans | | | | | | | | | | | |
| 5. Retained earnings carried forward from other comprehensive income | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | |
| 1. Transfer to special reserve in the period | | | | | | | | | | | |
| 2. Amount utilized in the period | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | |
| IV. Closing balance of the current year | 383,554,411.00 | | | | 308,318,059.21 | | | | 11,418,172.20 | 127,982,593.85 | 831,273,236.26 |

Legal representative:
BO Lianming

Person in Charge of the Accounting Body:
WEI Yanlin

Chief Accountant:
ZHAO Ruijin

III. Company profile

1. Profile

√ Applicable □ N/A

Appotronics Corporation Limited (hereinafter referred to as “Company” or “the Company”), formally named as Appotronics Corporation Ltd.(hereinafter referred to as “Appotronics Ltd.”), was jointly invested and established by LI Yi and XU Yanzheng and registered in Nanshan Branch of Market Supervision and Regulation Bureau of Shenzhen Municipality on October 24, 2006 with the business license numbered in 4403011245637. Upon establishment, the registered capital of Appotronics Inc. was RMB 100,000. On May 31, 2018, the benchmark date, Appotronics Inc was changed into a company limited by shares as a whole. On July 20, 2018, the Company completed the registration in Nanshan Branch of Market Supervision and Regulation Bureau of Shenzhen Municipality and headquartered in Shenzhen, Guangdong Province. The Company now holds the business license with the unified social credit code of 91440300795413991N and has registered capital amounted to RMB 451,554,411.00. The Company has 451,554,411 shares in total (with the par value of RMB 1 per share). The Company’s shares were listed for trading on Shanghai Stock Exchange on July 22, 2019.

The Company can be classified into the computer, communication and other electronic equipment manufacturing industry. It mainly engages in research and development, production, sales and services of laser display core devices and complete equipment, and can provide customers with technical research and development services and customized products.

This financial statements have been approved by the Company’s twenty-fifth session of the first board of directors on August 25, 2020 for public disclosure.

2. Scope of consolidated financial statements

√ Applicable □ N/A

The Company has included 20 subsidiaries into the consolidated financial statements for the current period, including Appotronics Timewaying (Beijing) Technology Co., Ltd., Shenzhen Appotronics Software Technology Co., Ltd., Shenzhen City Appotronics Xiaoming Technology Co., Ltd., Beijing Orient Appotronics Technology Co., Ltd., Fengmi (Beijing) Technology Co., Ltd., CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd., Shenzhen Appotronics Laser Display Technology Co., Ltd., Shenzhen Appotronics Laser Technology Co., Ltd., Qingda Appotronics (Xiamen) Technology Co., Ltd., Shenzhen Appotronics Home Line Technology Co., Ltd., Appotronics Hong Kong Limited, Appotronics USA, Inc., Fabulus Technology Hong Kong Limited, JoveAI Limited, JoveAI Innovation, Inc., FORMOVIE TECHNOLOGY INC, WEMAX LLC, JOVEAI ASIA COMPANY LIMITED, Shenzhen Appotronics Display Device Co., Ltd. and other subsidiaries. Refer to descriptions in IX of Section XI for details.

IV. Basis of preparation of financial statements

1. Basis of preparation

The Company’s financial statements are prepared on a going-concern basis.

2. Going concern

√ Applicable N/A

The Company has detected no events or circumstances that may cast significant doubt upon its ability to continue as a going concern within 12 months from the reporting period.

V. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimates:

√ Applicable N/A

The Company establishes the specific accounting policies and makes the specific accounting estimates with respect to the impairment of financial instruments, depreciation of fixed assets, amortization of intangible assets, recognition of revenues and other transactions and events according to the actual production and operation characteristics of the Company.

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, changes in shareholders' equity, cash flows and other related information.

2. Accounting period

The Company's accounting year is from January 1 to December 31 of each calendar year.

3. Operating cycle

√ Applicable N/A

The Company has a relatively short operating cycle, and determines the liquidity of assets and liabilities on the basis of 12 months.

4. Functional currency

The Company adopts RMB as its functional currency.

5. The accounting treatment of business combinations involving entities under common control and not involving entities under common control

√ Applicable N/A

1. Accounting treatment of business combinations involving entities under common control

Assets and liabilities acquired from a business combination by the Company are measured at the carrying amounts of the assets and liabilities of the acquiree in the consolidated financial statements of the ultimate controller at the date of combination. The difference between the carrying amount of the owners' equity of the acquiree as stated in the consolidated financial statements of the ultimate controller and the carrying amount of the total consideration paid or total par value of the shares issued in connection with the combination is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

2. Accounting treatment of business combinations not involving entities under common control

Where the cost of combination exceeds the Company's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. Where the cost of combination is less than the Company's interest in the fair value of the acquiree's identifiable net assets, the Company firstly reassesses the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the Company's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

6. Method of preparation of consolidated financial statements√ Applicable N/A

The parent company includes all of its controlled subsidiaries in its consolidated financial statements. The consolidated financial statements are prepared by the parent company in accordance with the Accounting Standards for Business Enterprises No. 33 -- Consolidated Financial Statements, on the basis of the respective financial statements of the parent company and its subsidiaries, by reference to other relevant data.

7. Classification of joint arrangements and accounting treatment of joint operations√ Applicable N/A

1. Joint arrangements are classified into joint operations and joint ventures.

2. When the Company is a party to a joint operation, the Company recognizes the following items relating to its interest in the joint operation:

- (1) the assets individually held by the Company, and the Company's share of the assets held jointly;
- (2) the liabilities incurred individually by the Company, and the Company's share of the liabilities incurred jointly;
- (3) the Company's revenue from the sale of its share of output of the joint operation;
- (4) the Company's share of revenue from the sale of assets by the joint operation; and
- (5) the expenses incurred individually by the Company, and the Company's share of the expenses incurred jointly.

8. Recognition of cash and cash equivalents

Cash represented in the statement of cash flows comprises cash on hand and deposits that can be readily withdrawn on demand. Cash represented in the statement of cash flows comprises cash on hand and deposits that can be readily withdrawn on demand (generally, within three months from the date of acquisition). Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Translation of transactions and financial statements denominated in foreign currencies√ Applicable N/A

1. Transactions denominated in foreign currencies

A foreign currency transaction is recorded in RMB, on initial recognition, by applying the spot exchange rate on the date of the transaction. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from such translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets and accrued interest. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the foreign exchange rates ruling at the transaction dates, without adjusting the amounts in RMB. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates prevailing at the dates when the fair value was determined, with exchange differences arising from such translations recognized in profit or loss for the current period or other comprehensive income.

2. Translation of financial statements denominated in foreign currencies

Asset and liability items on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items other than "retained profits" are translated at the spot exchange rates at the dates on which such items arose; income and expense items in the income statement are translated at the exchange rates that approximate the actual spot exchange rates on the dates of the transactions. Exchange differences arising from such translations are recognized in other comprehensive income.

10. Financial instruments

Applicable N/A

1. Classification of financial assets and financial liabilities

On initial recognition, the Company's financial assets are classified into three categories, including (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss for the current period.

Upon initial recognition, the Company's financial liabilities are classified into four categories, including (1) financial liabilities at fair value through profit or loss for the current period; (2) financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred; (3) financial guarantee contracts not falling under Clauses (1) and (2), and loan commitments not falling under Clause (1) and below market interest rate; and (4) financial liabilities at amortized cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Recognition and initial measurement of financial assets and financial liabilities

When the Company becomes a party to a financial instrument contract, a financial asset or liability is recognized. Financial assets and liabilities are initially measured at fair value. Transaction costs relating to financial assets or liabilities at fair value through profit or loss are directly recognized in profit or loss for the current period. Transaction costs relating to other kinds of financial assets or liabilities are included in their initially recognized amount. However, the accounts receivable, if do not contain any significant financing component or are recognized by the Company without taking into consideration the financing components under the contracts with a term of less than one year upon initial recognition, are initially measured at transaction price.

(2) Subsequent measurement of financial assets

1) Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from financial assets at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition, reclassification, amortization using the effective interest method or recognition of impairment.

2) Investments in debt instruments at fair value through other comprehensive income

Investments in debt instruments at fair value through other comprehensive income are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method are recognized in profit or loss for the current period, and other gains

or losses are recognized in other comprehensive income. Upon derecognition, the aggregate gains or losses previously recognized in other comprehensive income are transferred to profit or loss for the current period.

3) Investments in equity instruments at fair value through other comprehensive income

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value. Dividends received (other than those received as recovery of investment cost) are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income are transferred to retained earnings.

4) Financial assets at fair value through profit or loss for the current period

Financial assets at fair value through profit or loss for the current period are subsequently measured at fair value, with gains or losses arising therefrom, including interest and dividend income, recognized in profit or loss for the current period, except the financial assets belonging to any hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss for the current period

Financial liabilities at fair value through profit or loss for the current period include financial liabilities held for trading (including derivatives classified as financial liabilities), and financial liabilities directly designated as at fair value through profit or loss for the current period. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities designated as at fair value through profit or loss for the period arising out of changes in the Company's own credit risk are recognized in other comprehensive income, unless such treatment will result in or increase any accounting mismatch in profit or loss. Other gains or losses arising from such financial liabilities, including interest expenses and changes in fair value not arising out of changes in the Company's own credit risk, are recognized in profit or loss for the current period, except the financial liabilities belonging to any hedging relationship. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income are transferred to retained earnings.

2) Financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred

Such financial liabilities are measured in accordance with the Accounting Standards for Business Enterprises No. 23 -- Transfer of Financial Assets.

3) Financial guarantee contracts not falling under Clauses 1) and 2), and loan commitments not falling under Clause 1) and below market interest rate

Such financial liabilities are subsequently measured at the higher of ① provision for impairment losses determined according to the policy for impairment of financial instruments; and ② balance of the initially recognized amount after deduction of the accumulated amortization determined in accordance with the relevant policy.

4) Financial liabilities at amortized cost

Financial liabilities at amortized cost are subsequently measured at amortized cost using the

effective interest method. Gains or losses on financial liabilities at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition or amortization using the effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

① the contractual right to receive cash flows from the financial assets has expired; or

② the financial assets have been transferred and such transfer meets the criteria for derecognition of financial assets as set forth in the Accounting Standards for Business Enterprises No. 23 -- Transfer of Financial Assets.

2) A financial liability (or part thereof) is derecognized when all or part of the outstanding obligations thereon have been discharged.

3. Recognition and measurement of financial assets transferred

When a financial asset of the Company is transferred, if substantially all the risks and rewards incidental to the ownership of the financial asset have been transferred, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be); if substantially all the risks and rewards incidental to the ownership of the financial asset have been retained, the financial asset transferred continues to be recognized. If the Company neither transferred nor retained a substantial portion of all risks and rewards incidental to the ownership of the financial asset, then: (1) if the Company does not retain control over the financial asset, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be); and (2) if the Company retains control over the financial asset, the financial asset continues to be recognized to the extent of the Company's continuing involvement in the financial asset transferred, and a corresponding liability is recognized.

If an entire transfer of a financial asset meets the criteria for derecognition, the difference between (1) the carrying amount of the financial asset transferred at the date of derecognition; and (2) the sum of the consideration received from the transfer and the portion of the accumulated amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period. If part of a financial asset is transferred and the part transferred entirely meets the criteria for derecognition, the total carrying amount of the financial asset immediately prior to the transfer is allocated between the part derecognized and the part not derecognized in proportion to their relative fair value at the date of transfer, and the difference between (1) the carrying amount of the part derecognized; and (2) the sum of the consideration received from the transfer of the part derecognized and the portion of the accumulated amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the

current period.

4. Determination of fair value of financial assets and financial liabilities

The Company adopts the valuation techniques applicable to the current situations and with sufficient data available and support of other information, to determine the fair value of financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques in the following levels and uses them in turn:

(1) Level 1 inputs: quoted market price (unadjusted) in an active market for an identical asset or liability available at the date of measurement;

(2) Level 2 inputs: inputs other than inputs included within Level 1 that are observable directly or indirectly. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, observable inputs other than quoted prices (such as interest rate and yield curves observable during regular intervals of quotation), and inputs validated by the market;

(3) Level 3 inputs: inputs that are unobservable. This category includes interest rate or stock volatility that cannot be directly observed or validated by observable market data, future cash flows from retirement obligation incurred in business combinations, and financial forecasts made using own data.

5. Impairment of financial instruments

(1) Measurement and accounting treatment of impairment of financial instruments

The Company determines the impairment and assesses provision for impairment losses of financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income, lease receivable, loan commitments other than financial liabilities designated at fair value through profit or loss for the current period, and financial guarantee contracts other than financial liabilities designated at fair value through profit or loss for the current period and financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred, on the basis of expected credit losses.

Expected credit loss is the weighted average of credit losses on financial instruments taking into account the possibility of default. Credit loss is the difference between all contractual cash flows receivable under the contract and estimated future cash flows discounted at the original effective interest rate, i.e. the present value of all cash shortage, wherein the Company's purchased or originated financial assets that have become credit impaired are discounted at their credit-adjusted effective interest rate.

With respect to purchased or originated financial assets that have become credit impaired, at the balance sheet date, the Company recognizes a loss allowance equal to the accumulated amount of changes in lifetime expected credit losses since initial recognition.

With respect to accounts receivable that do not contain any significant financing component or are recognized by the Company without taking into consideration the financing components under the contracts with a term of less than one year, the Company uses the simple measurement method and recognizes a loss allowance equal to the lifetime expected credit loss.

With respect to financial assets not using the measurement methods stated above, at each balance sheet date, the Company assesses whether the credit risk has increased significantly since initial recognition, and recognizes a loss allowance equal to the lifetime expected credit loss if the credit risk has increased significantly since initial recognition, or to the expected credit losses within the next 12 months if the credit risk has not increased significantly since initial recognition.

The Company uses reasonable and supportable information, including forward-looking information, and compares the possibility of default at the balance sheet date with the possibility of default upon initial recognition, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition.

At the balance sheet date, if the Company determines that a financial instrument only has low credit risk, the Company assumes that its credit risk has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses of financial instruments individually or collectively. When assessing the financial instruments collectively, the Company includes the financial instruments in different groups according to their common risk characteristics.

At each balance sheet date, the Company re-assesses the expected credit losses, with the amount of increase in or reversal of loss allowance recognized in profit or loss for the current period as impairment losses or gains. With respect to a financial asset at amortized cost, its carrying amount recorded in the balance sheet is written off against the loss allowance. With respect to an investment in debt instruments at fair value through other comprehensive income, the Company recognizes the loss allowance in other comprehensive income, without reducing its carrying amount.

(2) Financial instruments for which expected credit risk is assessed and expected credit losses are measured collectively

| Item | Basis for determining a group | Method for measuring expected credit losses |
|---|--|--|
| Other receivables - group of deposit and security receivable | Nature of receivables | By reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions, calculate the expected credit losses according to the default risk exposure and 12-month or rate of lifetime expected credit loss. |
| Other receivables- group of withholding receivable | | |
| Other receivables - group of receivables from related parties in the scope of consolidation | Receivables from related parties in the scope of consolidation | |
| Other receivables - grouping by aging | Aging | |

(3) Accounts receivable for which expected credit losses are measured collectively

1) Groups and method for measuring expected credit losses

| Item | Basis for determining a group | Method for measuring expected credit losses |
|---|--|---|
| Bank acceptance bills receivable | Type of notes | By reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions, calculate the |
| Commercial acceptance bills receivable | | |
| Accounts receivable - group of receivables from related parties | Receivables from related parties in the scope of consolidation | |

| | | |
|---|-------|---|
| in the scope of consolidation | | expected credit losses according to the default risk exposure and rate of lifetime expected credit loss. |
| Accounts receivable - grouping by aging | Aging | By reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions, prepare a comparison table of the aging of accounts receivable and rate of lifetime expected credit loss, and calculate the expected credit losses. |

2) Accounts receivable - comparison table of the age of accounts receivable and rate of lifetime expected credit loss

| Aging | Accounts receivable Rate of expected credit loss for accounts receivable (%) |
|---|--|
| Within 1 year (including, the same below) | 5.00 |
| 1-2 years | 25.00 |
| 2-3 years | 50.00 |
| Over 3 years | 100.00 |

6. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented in the balance sheet separately, without offsetting each other. However, the Company may represent the financial assets and financial liabilities on a net basis in the balance sheet only if: (1) the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and (2) the Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

With respect to the transfer of financial assets not meeting the criteria for derecognition, the Company does not offset the financial assets transferred against the relevant liabilities.

11. Notes receivable

Method for recognition of expected credit losses of notes receivable and relevant accounting treatments

Applicable N/A

The Company's method for recognition of expected credit losses of notes receivable and relevant accounting treatments are disclosed in V10 of Section X in details.

12. Accounts receivable

Method for recognition of expected credit losses of accounts receivable and relevant accounting treatments

Applicable N/A

The Company's method for recognition of expected credit losses of accounts receivable and relevant accounting treatments are disclosed in V.10 of Section X in details.

13. Receivables financing

Applicable N/A

The Company's policies on receivables financing are disclosed in V10 of Section X in details.

14. Other receivables**Method for recognition of expected credit losses of other receivables and relevant accounting treatments**

√ Applicable □ N/A

The Company's method for recognition of expected credit losses of other receivables and relevant accounting treatments are disclosed in V10 of Section X in details.

15. Inventories

√ Applicable □ N/A

1. Categories of inventories

Inventories mainly include finished goods or commodities held for sale in the ordinary course of businesses, work in progress in the process of production or materials and supplies consumed in the process of production or rendering service.

2. Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the moving weighted average method.

3. Basis for determining net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. For inventories directly used for sale, the net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. For inventories required for processing, the net realizable value is determined as the estimated selling price of finished goods in the ordinary course of business less the estimated costs of completion, and the estimated costs necessary to make the sale and relevant taxes. As at the balance sheet date, if in the same item of inventories, some are agreed with contractual prices while the others are not, the net realizable value for such inventories is determined separately, and compared with the costs of the two parts of inventories distinctively, as to determine the provisions or reversal of provisions for decline in value of inventories separately.

4. Inventory count system

The perpetual inventory system is maintained for stock system.

5. Amortization method for low cost and short-lived consumable items and packaging materials**(1) Low cost and short-lived consumable items**

Low cost and short-lived consumable items are amortized using the immediate write-off method.

(2) Packaging materials

Low cost and short-lived consumable items are amortized using the immediate write-off method.

16. Contract assets**(1). Recognition method and criteria of contract assets**

√ Applicable □ N/A

Contract assets refer to the rights of the Company for collecting the considerations for goods or services that have been transferred to customers, which rights depend on factors other than the lapse of time.

(2). Method for recognition of expected credit losses of contract assets and relevant accounting treatments

√ Applicable □ N/A

The Company adopted the simplified model of expected credit losses for contract assets, that is, the loss provision is made according to the amount of expected credit losses during the entire lifetime.

The Company considered all reasonable and supportable information, including forward-looking information, and estimated the expected credit losses of contract assets on the individual or group basis.

17. Held-for-sale assets

√ Applicable □ N/A

1. Categories of non-current assets or disposal group classified as held-for-sale

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the assets or disposal groups are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Company has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

Non-current assets or disposal groups acquired by the Company for resale only are classified as held for sale at the acquisition date if the assets or disposal groups can satisfy the condition that “the sale is expected to be completed within one year” at the acquisition date and are highly probable to meet other conditions for being classified as held for sale in a short term (within 3 months in general).

Despite transactions between unrelated parties not completed within one year, the Company continues to classify as held for sale the non-current assets or disposal groups that the Company still undertakes to sell if the failure in completion is due to one of the following reasons beyond the Company's control: (1) purchasers or other parties set conditions unexpectedly, which has led to a sale deferral, but the Company has taken measures promptly in response to such conditions and expects to solve the delay problem within one year from date when conditions leading to the sale deferral are set; (2) there are rare circumstances occurring, as a result of which non-current assets or disposal groups classified as held for sale fail to be sold, but the Company has taken necessary measures in the initial year to address these new circumstances to enable the non-current assets or disposal groups to satisfy classification criteria of held-for-sale category.

2. Measurement of non-current assets or disposal groups classified as held for sale

(1) Initial and subsequent measurement

When the Company measures the non-current assets or disposal groups classified as held for sale upon initial recognition or re-measures them at the balance sheet date, if their carrying amount is higher than the net amount of their fair value less costs to sell, the carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and

included in profit or loss for the current period with a provision for impairment loss of held-for-sale assets made.

Non-current assets or disposal groups classified as held for sale at the acquisition date are measured at the lower of their initial amount measured at the assumption of not being classified as held for sale and the net amount of fair value less costs to sell. Except non-current assets or disposal groups acquired through business combination, the balance of non-current assets or disposal groups incurred by recognizing the net amount of fair value less costs to sell as the initial measurement amount is included in profit or loss for the current period.

Impairment losses recognized in disposal groups classified as held for sale are firstly offset against the carrying amount of goodwill in the disposal groups and then offset against the carrying amount of each non-current asset in proportion to their shares in the disposal groups.

When the non-current assets held for sale or in the disposal groups make no provision of depreciation or amortization, the interests incurred by the liabilities and other expenses in the disposal groups held for sale shall continue to be recognized.

(2) Accounting treatment for reversal of impairment loss of assets

When there is an increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date subsequently, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the current period. No reversion is made for the impairment loss of assets recognized before the classification of held-for-sale category.

When there is increase in the net amount of fair value of disposal groups held for sale less costs to sell at the balance sheet date subsequently, the original deduction should be reversed in impairment loss of non-current assets recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period. No reversion is made for the carrying amount of goodwill that has been offset and the impairment loss of non-current assets recognized before the classification of held-for-sale category.

The reversed amount of impairment loss of assets recognized in disposal groups held for sale is added to the carrying amount of each non-current asset other than goodwill in proportion to their shares in the disposal groups.

(3) Accounting treatment for discontinued classification of held for sale and derecognition

When a non-current asset or disposal group ceases to be classified as held for sale since it no longer meets the criteria for classification of held-for-sale category, or when a non-current asset is removed from a disposal group classified as held for sale, the non-current asset or disposal group is measured at the lower of: 1) the carrying amount recognized before classification of held-for-sale category, subject to the amount adjusted according to depreciation, amortization or impairment that would have been recognized if it had not been classified as held for sale; and 2) the recoverable amount.

Gains or losses from derecognized non-current assets or disposal groups classified as held for sale that have not been recognized are included in profit or loss for the current period.

18. Debt investments**Method for recognition of expected credit losses of debt investments and relevant accounting treatments**

Applicable N/A

19. Other debt investments**Method for recognition of expected credit losses of other debt investments and relevant accounting treatments**

Applicable N/A

20. Long-term receivables**Method for recognition of expected credit losses of long-term receivables and relevant accounting treatments**

Applicable N/A

21. Long-term equity investments

Applicable N/A

1. Judgments on joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities of such arrangement require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy making of an entity, but does not control or jointly control over those policies.

2. Determination of investment cost

(1) In case of an equity investment acquired through a business combination involving entities under common control, if the acquirer pays consideration for the business combination by cash, transfer of non-monetary assets, assumption of liabilities or issuance of equity securities, the initial investment cost of the long-term equity investment is the Company's share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller at the date of combination. The difference between: (i) the initial investment cost of the long-term equity investment; and (ii) the carrying amount of the consideration paid for the combination or the total par value of the shares issued is treated as an adjustment to the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

For a long-term equity investment acquired through business combination involving enterprises under common control that is achieved through multiple transactions by steps, the Company shall judge whether such transactions constitute a package deal. If such transactions constitute a package deal, the Company accounts for such transactions as one transaction to acquire control. If such transactions do not constitute a package deal, the initial investment cost is the Company's share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller at the date of combination. The difference between: (i) the initial investment cost of the long-term equity investment at the date of combination; and (ii) the sum of the carrying amount of long-term equity investment before

the combination and the carrying amount of the consideration paid for acquisition of the additional shares at the date of combination is adjusted against the capital reserve. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

(2) In case of an equity investment acquired through a business combination not involving entities under common control, the initial investment cost is the fair value of the carrying amount of the consideration paid for the combination at the date of acquisition.

For a long-term equity investment acquired through a business combination not involving entities under common control and achieved through multiple transactions by steps, the accounting treatment thereof in the separate financial statements is different from that in the consolidated financial statements as stated below:

1) In the separate financial statements, the sum of the carrying amount of the equity investment originally held in the acquiree and the additional investment cost incurred is recorded as the initial investment cost of the equity investment changed into the cost method.

2) In the consolidated financial statements, it is required to judge whether such transactions constitute a package deal. If such transactions constitute a package deal, the Company accounts for such transactions as one transaction to acquire control. If such transactions do not constitute a package deal, the Company re-measures the fair value of the equity held in the acquiree prior to the date of acquisition, and records the difference between the fair value and the carrying amount as investment income for the current period; if the equity held in the acquiree prior to the date of acquisition involves other comprehensive income under equity method, such other comprehensive income is transferred to the income of the period in which the date of acquisition falls, except for other comprehensive income arising from re-measurement of changes in net liabilities or net assets of defined benefit plans.

(3) In the event of no business combination: (3) The initial investment cost is the purchase price actually paid if it is acquired by cash, or the fair value of the equity securities issued if it is acquired through issuance of equity securities, or determined in accordance with the Accounting Standards for Business Enterprises No. 12 -- Debt Restructuring if it is acquired through debt restructuring, or determined in accordance with the Accounting Standards for Business Enterprises No. 7 -- Exchange of Non-monetary Assets if it is acquired through exchange of non-monetary assets.

3. Subsequent measurement and recognition of profit or loss

Long-term equity investments in investees are measured using the cost method. Long-term equity investments in associates and joint ventures are measured using the equity method.

4. Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary

(1) Separate financial statements

The difference between the carrying amount of the equity disposed of and the proceeds of disposal actually received is recognized in profit or loss for the current period. If the remaining equity empowers the Company to exercise significant influence or joint control over the investee, the remaining equity is

accounted for using the equity method; if the remaining equity does not empower the Company to exercise control, joint control or significant influence over the investee, the remaining equity is accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 -- Recognition and Measurement of Financial Instruments.

(2) Consolidated financial statements

1) Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary which does not constitute a package deal

Prior to the loss of control, the difference between the proceeds from disposal and the share owned by the Company in the net assets of the subsidiary in relation to the long-term equity investment disposed of that is calculated continuously from the date of acquisition or combination is adjusted against the capital reserve (capital premium). In case the capital premium is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

When losing control over a subsidiary, the remaining equity is re-measured at its fair value at the date of loss of control. The sum of the consideration received from the disposal of the equity and the fair value of the remaining equity, net of the share owned by the Company in the net assets of the subsidiary in relation to the long-term equity investment disposed of as calculated continuously from the date of acquisition or combination according to the previous shareholding ratio, is recognized in the investment income for the period in which the control is lost, and the goodwill is reduced accordingly. Other comprehensive income relating to the equity investment in the subsidiary is transferred to the investment income for the period in which the control is lost.

2) Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary which constitutes a package deal

The Company accounts for such transactions as one transaction to dispose of and lose its control over the subsidiary. However, the difference between the proceeds from each disposal before loss of control and the share owned by the Company in the net assets of the subsidiary in relation to the investment disposed of is recognized in other comprehensive income in the consolidated financial statements, which is wholly transferred to the profit or loss in the period in which the control is lost.

22. Investment properties

N/A

23. Fixed assets

(1). Criteria for recognition

Applicable N/A

Fixed assets are tangible assets held for production of goods, rendering of service, lease or operation and management with a useful life of more than one accounting year. A fixed asset is recognized if the economic benefits relating to it are very likely to flow to the Company and its cost can be reliably measured.

(2). Method of depreciation

√ Applicable □ N/A

| Category | Method of depreciation | Depreciation period(years) | Residual value rate (%) | Annual depreciation rate (%) |
|---------------------------------|------------------------|----------------------------|-------------------------|------------------------------|
| Machinery and equipment | Straight line method | 5 | 5.00% | 19.00% |
| Transportation equipment | Straight line method | 5 | 5.00% | 19.00% |
| Electronic equipment and others | Straight line method | 3-5 | 5.00% | 19.00%-31.67% |
| Operating leased equipment | Straight line method | 3、7 | 5.00% | 31.67%、13.57% |

(3). Identification basis, valuation method and depreciation method for fixed assets acquired under finance leases

□ Applicable √ N/A

24. Construction in progress

√ Applicable □ N/A

1. A construction in progress is recognized if the economic benefits relating to it are very likely to flow to the Company and its cost can be reliably measured. A construction in progress is measured at the actual cost incurred before it is completed and ready for intended use.

2. When a construction in progress is ready for intended use, it is transferred to fixed assets at its actual construction cost. A construction in progress that is ready for intended use but the final settlement of which has not yet been completed is transferred to fixed assets at estimated value first, and after the completion of final settlement, the estimated value is adjusted according to the actual cost, but the accrued depreciation is not adjusted.

25. Borrowing costs

√ Applicable □ N/A

1. Recognition for capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expenses and charged to the current profit and loss.

2. Period for capitalizing borrowing expenses

(1) Borrowing expenses are capitalized when all of the following conditions are met: 1) capital expenditure has been incurred; 2) borrowing expenses have been incurred; and 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Where acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall

be suspended. The borrowing expenses incurred during these periods shall be recognized as expenses for the current period until the acquisition, construction or production of a qualifying asset is resumed.

(3) Capitalization of borrowing expenses shall be ceased when acquisition, construction or production of the qualifying asset has prepared for its intended use or sale.

3. Capitalization rate and capitalization amount of borrowing expenses

As for the specific borrowings for the acquisition and construction or production of assets qualifying for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred on the current specific borrowings (including the amortization of discounts or premiums determined using the effective interest method) minus the income of interests earned from the unused borrowings by depositing it in the bank or investment income from such borrowing by making it as a temporary investment; where a general borrowing is used for the acquisition and construction or production assets qualifying for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average value of the accumulative expenditures to asset minus the specific borrowing by the capitalization rate of the general borrowing used.

26. Biological assets

Applicable N/A

27. Oil and gas assets

Applicable N/A

28. Use right assets

Applicable N/A

29. Intangible assets

(1). Measurement, service life and impairment test

Applicable N/A

1. Intangible assets include land use rights, patents, and software etc. and are measured at cost initially.

An intangible asset with a finite useful life is amortized over its useful life in a systematical and rational expected realization of economic benefits relative to the intangible asset, or is amortized using the straight-line method if it is impossible to determine expected realization reliably. The specific years are as follows:

| Item | Amortization period(years) |
|-----------------|----------------------------|
| Land use rights | 30 |
| Patents | 10 |
| Software | 3-5 |

(2). Accounting policy on internal research and development expenditures

Applicable N/A

30. Impairment of long-term assets

Applicable N/A

For long-term equity investments, fixed assets, construction in progress, intangible assets with a finite useful life and other long-term assets, if there's an indication of impairment at the balance sheet date, the Company assesses their recoverable amount. Goodwill arising from business combinations and intangible assets with an infinite useful life are tested for impairment every year regardless of whether there's an indication of impairment. Goodwill is tested for impairment together with the relevant groups of assets or combinations of groups of assets.

If the recoverable amount of a long-term asset is less than its carrying amount, the difference is measured as impairment loss of the asset and recognized in profit or loss for the current period.

31. Long-term prepaid expenses

Applicable N/A

Long-term prepaid expenses are expenses that have already been incurred but should be amortized over a period of more than one year (excluding one year). Long-term prepaid expenses are stated as the amount actually incurred and shall be amortized evenly by stages within the benefit period or specified period. If an item of long-term prepaid expenses will not benefit the subsequent periods, the amortized value of the item that has not yet been amortized is wholly transferred to profit or loss for the current period.

32. Contract liabilities

Recognition method for contract liabilities

Applicable N/A

The Company presents contract liabilities as its obligations for transferring goods or providing services to customers corresponding to considerations that have been received or receivable.

Before goods are transferred to a customer, if the customer has paid the contractual consideration or the Company has obtained the right of unconditionally receiving the contractual consideration, we recognize the amount received or receivable as contract liabilities at the earlier of the actual payment of such amount by the customer and the due payment date of such amount.

33. Employee benefits

(1) Accounting treatment of short-term employee benefits

Applicable N/A

The short-term employee benefits actually incurred are recognized as liabilities in the accounting period during which employee services are rendered, and included in profit or loss for the current period or the cost of related assets.

(2) Accounting treatment of post-employment benefits

Applicable N/A

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

(1) In the accounting period during which employee services are rendered, the amount in contribution as calculated according to the defined contribution plan is recognized as liabilities and included in profit or loss for the current period or the cost of related assets.

(2) The accounting treatment of a defined benefit plan generally involves the following steps:

1) According to the projected unit credit method, use the unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, measure the obligation arising

from the defined benefit plan and determine the period to which the relevant obligation belongs. Meanwhile, discount the obligation arising from the defined benefit plan, in order to determine the present value of the benefit plan obligation and the current service cost.

2) If the defined benefit plan has assets, the deficit or surplus resulting after reducing the present value of the defined benefit plan obligation by the fair value of the defined benefit plan is recognized as a net liability or asset of the defined benefit plan. If the defined benefit plan has a surplus, the net assets of the defined benefit plan are measured at the lower of surplus in the defined benefit plan and asset ceiling;

3) At the end of the reporting period, the cost of employee benefits arising from the defined benefit plan is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, and changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan, wherein the service cost and the net interest on the net liabilities or net assets of the defined benefit plan are included in profit or loss for the current period or the cost of related assets, and the changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, which will not be reserved to profit or loss in subsequent periods, but may be transferred within the scope of equity.

(3) Accounting treatment of termination benefits

Applicable N/A

When the Company can no longer withdraw the offer of termination benefits as a result of termination of employment or redundancy, or recognizes the restructuring costs or expenses relating to payment of termination benefits, whichever the earlier, the employee benefit liabilities arising from recognition of termination benefits are recognized in profit or loss for the current period.

(4) Accounting treatment of other long-term employee benefits

Applicable N/A

Other long-term employee benefits are accounted for in accordance with the provisions applicable to defined contribution plans if they are qualified as defined contribution plans, otherwise, are accounted for in accordance with the provisions applicable to defined benefit plans. In order to simplify the accounting treatment, the total net amount of the cost of employee benefits arising from the defined benefit plans that is recorded as service cost, net interest on the net liabilities or net assets of other long-term employee benefits, changes arising from re-measurement of the net liabilities or net assets of other long-term employee benefits and other components is included in profit or loss for the current period or the cost of related assets.

34. Leasing liabilities

Applicable N/A

35. Provisions

Applicable N/A

1. An obligation arising from any external guarantee, instigation, product quality warranty, onerous contract or other contingencies is recognized as a provision if it is a present obligation assumed by the

Company, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured.

2. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation. The carrying amount of provisions is reviewed at the balance sheet date.

36. Share-based payments

√ Applicable N/A

1. Categories of share-based payments

Share-based payments include equity-settled share-based payments and cash-settled share-based payments

2. Accounting treatment for implementation, modification and termination of share-based payment plan

(1) Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees that can be executed immediately upon being granted, are measured at the fair value of the equity instruments at the grant date, and recognized as related costs or expenses with a corresponding adjustment to capital reserve. At each balance sheet date during the vesting period, equity-settled share-based payments in exchange for services rendered by employees that cannot be executed until services in the vesting period are completed or required performance conditions are satisfied, are measured at the fair value of the equity instruments at the grant date based on the best estimate of exercisable numbers of equity instruments, and recognized as related costs or expenses with a corresponding adjustment to capital reserve.

For equity-settled share-based payments in exchange for services rendered by other parties, if the fair value of services from other parties can be measured reliably, they are measured at the fair value of services from other parties at the date when such services are received. If the fair value of services from other parties cannot be measured reliably but the fair value of the equity instruments can be measured reliably, they are measured at the fair value of the equity instruments at the date when such services are received. The fair value of the equity instruments are recognized as related costs or expenses, with a corresponding increase in owners' equity.

(2) Cash-settled share-based payments

Cash-settled share-based payments in exchange for services rendered by employees that can be executed immediately upon being granted, are recognized as related costs or expenses based on the fair value of liabilities assumed by the Company at the grant date, with a corresponding increase in liability. At each balance sheet date during the vesting period, cash-settled share-based payments in exchange for services rendered by employees that cannot be executed until services in the vesting period are completed or required performance conditions are satisfied, are measured at the fair value of liabilities assumed by the Company based on the best estimate of exercisable conditions, and recognized as related costs or expenses and relevant liabilities.

(3) Modification and termination of share-based payment plan

In case the Company modifies a share-based payment plan, if the modification increases the fair value of the equity instruments granted, the Company will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Company will include the fair value of additional equity instruments granted in the measurement of the amount recognized for services received. If the Company modifies the exercisable conditions of the share-based payment plan in a manner beneficial to the employee, the Company will consider the modified exercisable conditions when dealing with exercisable conditions.

If the modification decreases the fair value of the equity instruments granted, the Company will continue to measure the amount recognized for services received at the fair value of the equity instruments at the grant date without including the decremental fair value of the equity instruments. If the modification decreases the number of the equity instruments granted, the Company will treat the decreased number as the cancelled number of equity instruments granted. If the Company modifies the exercisable conditions in a manner unbeneficial to the employee, the Company will not consider the modified exercisable conditions when dealing with exercisable conditions.

If cancellation or settlement of the equity instruments granted occurs (not due to unsatisfaction of exercisable conditions) during the vesting period, the Company will account for the cancellation or settlement of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period.

37. Preferred shares, perpetual bonds and other financial instruments

Applicable N/A

38. Revenue

(1). Accounting policies adopted for income recognition and measurement

Applicable N/A

1. Principles for revenue recognition

The Company recognizes revenue upon the fulfillment of its performance obligations, that is, when the customer receives the control over relevant goods or services.

At the beginning date of a contract, the Company assesses the contract to identify individual performance obligations contained in the contract and determine whether individual obligations are to be performed during a period of time or at a specific time point, and then separately recognize revenue upon the fulfillment of individual obligations.

An obligation meeting one of the following conditions is one to be performed within a period of time, and the remaining are obligations to be performed at a specific time point:

- 1) The customer receives and consumes the economic benefits from the performance of the Company when the Company performs its obligations;
- 2) The customer can control the goods in progress during the performance of the Company; or
- 3) The goods generated during the performance process of the Company have irreplaceable uses, and the Company is entitled to payment for the portion completed during the entire contract term.

The Company recognizes revenue according to the performance progress during the period of time

for obligations to be performed during a period of time. If the performance progress cannot be determined reasonably, and the Company is expected to be paid based on the costs incurred, the Company recognizes revenue according to the amount of costs incurred until the performance progress can be determined reasonably.

For obligations to be performed at a specific time point, the Company recognizes revenue when the customer receives the control over the relevant goods or services. The following will be considered when determining whether the customer has obtained the control over the goods or services:

- 1) The Company has the present rights of receiving payments for such goods or services;
- 2) The Company has transferred the physical goods to the customer;
- 3) The Company has transferred major risks and rewards of the legal title or ownership in the goods to the customer; and
- 3) The Customer has accepted such goods or services.

If a contract contains two or more performance obligations, the Company allocates the transaction price to individual performance obligations according to the relative proportion of the individual sale prices of the goods or services promised under such individual performance obligations, and measures the revenue according to the transaction price allocated to individual performance obligations.

The transaction price refers to the amount of the consideration expected to be received by the Company on the basis of transferring goods to the customer. Amounts received by the Company on behalf of third parties, and amounts expected to be refunded to the customer, are accounted for as liabilities, but are not included in the transaction price. If a contract contains a major financing portion, the Company determines the transaction price as the amount payable in cash when the customer obtains the control over the goods or services. The difference between the transaction price and contract consideration is amortized using the effective interest method during the term of the contract. If the Company expects that the interval between the acquisition of the goods or services by the customer and the payment of prices by the customer will not exceed one year from the commencement date of the contract, no significant financing factor is considered.

The rights of the Company for collecting the considerations for goods or services that have been transferred to customers (which rights depend on factors other than the lapse of time) are presented as contract assets, for which the provision of impairment is made on the basis of expected credit loss. The rights of the Company for unconditionally collecting payments from customers (depending only on the lapse of time) are presented as receivables. The obligations of the Company for transferring goods or providing services to customers corresponding to considerations that have been received or receivable are presented as contract liabilities.

2. Specific methods for revenue recognition

(1) Revenue from sales of goods

Goods sold to the domestic market: 1) Under the direct sale model and the distribution mode, the Company recognizes the revenue when the goods sent have been delivered to customers with customers' receipt given to the Company. For goods sold attached with return conditions, the Company recognizes

the revenue when the validity period of goods return conditions expires; for goods required for installment and inspection after sales, the Company recognizes the revenue when such goods have been installed and inspected with customers' acceptance certificate given to the Company; for goods sold through a physical store, the Company recognizes the revenue when such goods are delivered to customers with payments received. If the Company shares profits from sales of product to customers, the Company recognizes the revenue at the settlement prices agreed between the parties when customers receive and inspect the goods. After the customers sold such goods, the Company shares the rewards of the incomes from external sales implemented by the customers after deducting relevant costs, and recognizes the share revenue on this basis. 2) Under the commissioned sales mode, the Company recognizes the revenue when it receives the list of commissioned sales from the customer.

Goods exported to overseas markets: The Company mainly adopts FCA for export of goods. Under this mode, the Company recognizes revenue when it delivers goods at the designated location with export customs clearance procedures completed.

(2) Revenue from light source services

For light source products of laser digital cinema projector leased by the Company with technical services to customers, the Company recognizes the revenue by multiplying actual hours in consumption by the agreed unit price at the end of each month if the rent is charged by actual hours in consumption pursuant to contract provisions, or by apportioning over the agreed service period at the end of each month (time proportion) if the rent is charged on a monthly, quarterly or annual basis.

For other products leased by the Company, the Company recognizes the revenue by apportioning over the service period pursuant to contract provisions.

(3) Other incomes

For installation services provided by the Company, the Company recognizes the revenue when it has completed the services and received customers' acceptance certificate; for repair and maintenance services provided by the Company, the Company recognizes the revenue when it has completed the services and received payments; for technology development services provided by the Company, the Company recognizes the revenue when it has completed the services or when the agreed time point of service acceptance is reached.

(2). Description of differences in the accounting policies in revenue recognition due to different operating modes adopted for the same business type

Applicable N/A

39. Contract costs

Applicable N/A

Contract costs include incremental costs incurred for acquiring the contract and contract performance costs. The incremental costs incurred for acquiring the contract ("Contract Acquisition Costs") refer to costs that would not be incurred if the contract is not acquired. If such costs are expected to be recovered, such costs are recognized as an asset as Contract Acquisition Costs.

The costs incurred by the Company for performing a contract are recognized as an asset of contract performance costs if they do not fall within the scope of other Accounting Standards for Business Enterprises, like inventories, and meet all the following conditions:

1. The cost is directly related to a present or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs explicitly to be borne by users, and other costs arising from the contract;
2. The cost leads to the increase in resources of the Company for fulfilling its performance obligations in the future; and
3. The cost is expected to be recovered.

Assets recognized by the Company from Contract Acquisition Costs and contract performance costs (hereinafter referred to as “assets related to contract costs”) are amortized on the same basis as recognizing incomes from goods related to assets, and are recognized in the profit or loss for the current period. If the amortization period of assets recognized from the incremental costs of acquiring a contract is no more than one year, such incremental costs are recognized in the profit or loss for the current period.

When the book value of assets related to contract costs is greater than the difference between the following two items, the Company makes a provision of impairment on the exceeding portion and recognizes losses of asset impairment:

1. Remaining consideration expected to be collected for transferring the goods related to the assets; and
2. Costs expected to be incurred for transferring the related goods.

40. Government grants

Applicable N/A

1. Government grants are recognized if (1) the Company meets the conditions attaching to the government grants; and (2) the Company will receive the government grants. Government grants in the form of monetary assets are measured at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value, or if their fair value is unavailable, at nominal amount.

2. Determination and accounting treatment of government grants related to assets

Government grants related to assets are government grants which are offered for purchasing, constructing or otherwise acquiring long-term assets as provided by the applicable government documents. In the absence of such express provision in the applicable government documents, government grants related to assets are those with a primary condition that the Company should purchase, construct or otherwise acquire long-term assets. Government grants related to assets are offset against the carrying amount of the relevant assets or recognized as deferred income. Government grants related to assets recognized as deferred income shall be included in profit or loss over the service life of the relevant assets on a reasonable and systemic basis. Government grants measured at nominal amount are directly recognized in profit or loss for the current period. In case of sale, transfer, retirement or

damage of the relevant assets before the end of intended service life, the balance of the unallocated deferred income is transferred to profit or loss for the period in which the assets are disposed of.

3. Determination and accounting treatment of government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to both assets and income in which it is difficult to make a distinction between the portion related to assets and the portion related to income are wholly classified as government grants related to income. Government grants related to income as compensation for expenses or losses to be incurred in subsequent periods are recognized as deferred income and in the period for recognizing the relevant costs, expenses or losses, included in profit or loss for the current period or offset against the relevant costs. Government grants related to income as compensation for expenses or losses already incurred are directly included in profit or loss for the current period or offset against the relevant costs.

4. Government grants related to daily operations of the Company are recognized in other income or offset against the relevant costs and expenses depending on the nature of economic business. Government grants not related to daily operations of the Company are recognized in non-operating income or expenses.

5. Accounting treatment of policy preferential loans and interest subsidies

(1) If the Ministry of Finance appropriates the interest subsidies to the lending bank, who then grants the loan to the Company at the policy preferential rate, the loan is stated as the amount actually received, and the borrowing cost is calculated according to the principal of the loan and the policy preferential rate.

(2) If the Ministry of Finance directly appropriates the interest subsidies to the Company, the interest subsidies are offset against the borrowing cost.

41. Deferred tax assets and deferred tax liabilities

Applicable N/A

1. The difference between the tax base of an asset or liability and its carrying amount (or in case of an item not recognized as asset or liability whose tax base can be determined according to the applicable tax law, the difference between its tax base and carrying amount) is recognized as a deferred tax asset or deferred tax liability according to the tax rate applicable to the period in which the asset or liability is expected to be recovered or settled.

2. Deferred income tax assets are recognized to the extent of the amount of income tax payable that will be available in future periods against which deductible temporary differences are deductible. At the balance sheet date, deferred tax assets not recognized in prior periods are recognized if there's conclusive evidence that it is probable that sufficient taxable income will be available in future periods against which the deductible temporary differences are deductible.

3. At the balance sheet date, the carrying amount of deferred income tax assets is reviewed and reduced to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of the deferred tax assets to be utilized. If it is probable that sufficient

taxable income will be available, the reduced amount is reversed.

4. The income taxes and deferred income taxes are included in profit or loss for the current period as income tax expenses or gains, except the income taxes arising from any: (i) business combination; or (ii) transaction or event directly recognized in owners' equity.

42. Leases

(1). Accounting treatment of operating leases

Applicable N/A

If the Company is a lessee, the rents paid by the Company are included in the costs of the relevant assets or in profit or loss for the current period over the whole lease term on a straight line basis. The initial direct cost incurred by the Company is directly recognized in profit or loss for the current period. Contingent rents are recognized in profit or loss in the period in which they are incurred.

If the Company is a lessor, the rents received by the Company are recognized in profit or loss for the current period over the whole lease term on a straight line basis. The initial direct cost incurred by the Company is directly recognized in profit or loss for the current period. However, if such initial direct cost is of a large amount, the initial direct cost is capitalized and recognized in profit or loss by installments. Contingent rents are recognized in profit or loss in the period in which they are incurred.

(2). Accounting treatment of finance leases

Applicable N/A

If the Company is a lessee, the lower of the fair value of the leased asset at the inception of the lease and the present value of the minimum lease payments is recorded as the carrying amount of the rented assets, with the minimum lease payments as the carrying amount of long-term payables and the difference charged to unrecognized financing fees at the commencement date of the lease term. The initial direct cost incurred by the Company is directly recognized in the value of the rented assets. In each period of the lease term, the financing fees for the period is recognized by using the effective interest method.

If the Company is a lessor, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as the carrying amount of the finance lease receivable and the unguaranteed residual value is recorded at the same time at the commencement date of the lease term; the difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned financing income. In each period of the lease term, the financing income for the period is recognized by using the effective interest method.

(3). Method for determination and accounting treatments of lease under new lease standards

Applicable N/A

43. Other significant accounting policies and accounting estimates

Applicable N/A

44. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting policies

Applicable N/A

| Changes in accounting policies and associated reasons | Approval procedures | Remarks(name and amount of line items in financial statements that have been materially affected) |
|--|---|---|
| Implement the <i>Accounting Standard for Business Enterprises No. 14 - Revenue</i> amended and released by the Ministry of Finance | Approved by the management of the Company | See the table below |

Other description:

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 internal 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 in 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, and made adjustment on the opening balance of relevant item recognized in the financial statements, but the data in comparable period can be unadjusted: (1) the goods payments received in advance originally qualified for conditions of “Receipts in advance” were charged to the line item of Contract liability”; (2) the rights of the Company for collecting considerations of goods that have been transferred to customers are presented under “contract assets”, which rights are dependent upon factors other than the lapse of time; and (3) for goods sold under the model of “profit distribution”, income from customers received but not recognized were changed as it satisfied the new revenue standard, with an adjustment on the opening balance of relevant item recognized.

The new revenue standards, when implemented, will mainly bring the following influences to the Company’s financial statements as at January 1, 2020:

| Item | Balance sheet | | |
|--|----------------------|---|------------------|
| | At December 31, 2019 | Adjustment influence of the new revenue standards | January 1, 2020 |
| Accounts receivable | 176,035,155.24 | 15,587,556.77 | 191,622,712.01 |
| Inventories | 299,966,170.35 | -16,355,310.22 | 283,610,860.13 |
| Contract assets | - | 3,740,605.96 | 3,740,605.96 |
| Other current assets | 44,405,513.30 | -2,340,625.20 | 42,064,888.10 |
| Receipts in advance | 184,444,643.33 | -16,910,443.03 | 167,534,200.30 |
| Contract liabilities | | 15,777,305.81 | 15,777,305.81 |
| Other current liabilities | | 1,133,137.22 | 1,133,137.22 |
| Retained profits | 288,975,820.29 | 1,278,734.88 | 290,254,555.17 |
| Total equity attributable to owners of the | 1,974,559,837.64 | 1,278,734.88 | 1,975,838,572.52 |

| | | | |
|--------------------|----------------|-------------|----------------|
| Parent Company | | | |
| Minority interests | 149,649,306.18 | -646,507.57 | 149,002,798.61 |

(2). Changes in significant accounting estimates

□ Applicable√ N/A

(3). Description of adjustments in opening balances of line items in financial statements of the year due to implementation of new income standard and new lease standard since 2020

√ Applicable□ N/A

Consolidated Balance Sheet

Unit: Yuan Currency: RMB

| Item | At 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 |
| 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 asset | 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 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 accounts payable | 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 | |
| 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 line 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 internal 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 in 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, and made adjustment on the opening balance of relevant item recognized in the financial statements, but the data in comparable period can be unadjusted: (1) the goods payments received in advance originally qualified for conditions of "Receipts in advance" were charged to the line item of Contract liability"; (2) the rights of the Company for collecting considerations of goods that have been transferred to customers are presented under "contract assets", which rights are dependent upon factors other than the lapse of time; and (3) for goods sold under the model of "profit distribution", income from customers received but not recognized were changed as it satisfied the new revenue standard, with an adjustment on the opening balance of relevant item recognized.

Balance Sheet of the Parent Company

Unit: Yuan Currency: RMB

| Item | At 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 | | | |
| 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 asset | 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 | |
| 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 accounts payable | 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 line 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 internal 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 in 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, and made adjustment on the opening balance of relevant item recognized in the financial statements, but the data in comparable period can be unadjusted: (1) the goods payments received in advance originally qualified for conditions of “Receipts in advance” were charged to the line item of Contract liability”; and (2) the rights of the Company for collecting considerations of goods that have been transferred to customers are presented under “contract assets”, which rights are dependent upon factors other than the lapse of time.

(4). Description of retrospective adjustments on comparable data in previous periods upon the first adoption of the new revenue standard and new lease standard from 2020

Applicable N/A

45. Others

Applicable N/A

VI. Taxes**1. Major categories of taxes and tax rates**

Description of major categories of taxes and tax rates

√ Applicable □ N/A

| Category of tax | Basis of tax computation | Tax rate |
|---------------------------------------|---|---|
| Value-added tax (VAT) | Sales of goods or rendering of taxable services | 3%、6%、9%、13% |
| City maintenance and construction tax | Turnover tax payable | 5%、7% |
| Enterprise income tax | Taxable income | 8.25%、8.70%、8.84%、12.5%、15%、16.5%、20%、21%、25% |
| Education surcharges | Turnover tax payable | 3% |
| Local education surcharges | Turnover tax payable | 2% |

Disclosure of taxpayers with different rates of enterprise income tax:

√ Applicable □ N/A

| Taxpayer | Rate of enterprise income tax(%) |
|---|----------------------------------|
| Appotronics Corporation Limited | 15.00 |
| Fengmi (Beijing) Technology Co., Ltd. | 15.00 |
| Shenzhen Appotronics Software Technology Co., Ltd. | 12.50 |
| Appotronics Timewaying (Beijing) Technology Co., Ltd. | 20.00 |
| Shenzhen Appotronics Xiaoming Technology Co., Ltd. | 20.00 |
| Shenzhen Appotronics Laser Technology Co., Ltd. | 20.00 |
| Qingda Appotronics (Xiamen) Technology Co., Ltd. | 20.00 |
| Shenzhen Appotronics Home Line Technology Co., Ltd. | 20.00 |
| Appotronics Technology (Changzhou) Co., Ltd. | 20.00 |
| Shenzhen Appotronics Display Device Co., Ltd. | 20.00 |
| Appotronics Hong Kong Limited | 8.25、16.50 |
| Beijing Orient Appotronics Technology Co., Ltd. | 20.00 |
| Fabulus Technology Hong Kong Limited | 16.50 |
| JoveAI Innovation, Inc. | 8.70、8.84、21.00 |
| Appotronics USA, Inc. | 21.00 |
| FORMOVIE TECHNOLOGY INC | 21.00 |
| JoveAI Limited | Tax exemption |
| WEMAX LLC | 21.00 |
| JOVEAI ASIA COMPANY LIMITED | 20.00 |
| Other taxpayers except above | 25.00 |

Note:

1. Appotronics Hong Kong Limited and Fabulus Technology Hong Kong Limited, as domiciled in Hong Kong, one of which can apply the two-level income tax system, namely, applying the tax rate of 8.25% for the first HKD 2 million taxable income and 16.5% for the remaining taxable income.

2. JoveAI Limited, as domiciled in the Cayman Islands, is exempt from enterprise income tax.

3. Appotronics USA, Inc., as domiciled in the United States, applies the federal enterprise income tax rate of 21%.

4. JoveAI Innovation, Inc., as domiciled in the United States, applies the federal enterprise income

tax rate of 21%, the California state enterprise income tax rate of 8.84%, and the Delaware state enterprise income tax rate of 8.70%.

5. FORMOVIE TECHNOLOGY INC, as domiciled in the United States, applies the federal enterprise income tax rate of 21%.

5. WEMAX LLC, as domiciled in the United States, applies the federal enterprise income tax rate of 21%.

7. JOVEAI ASIA COMPANY LIMITED, as domiciled in Viet Nam, applies the corporate income tax rate of 20%.

2. Tax incentives

Applicable N/A

1. On December 9, 2019, the Company obtained the High-tech Enterprise Certificate (Certificate No.: GR201944204257) jointly issued by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Bureau and Shenzhen Tax Service of State Taxation Administration with a valid term of three years. Therefore, the Company can pay the enterprise income tax at a rate of 15% from 2019 to 2021.

2. On November 30, 2018, Fengmi (Beijing) Technology Co., Ltd. obtained the High-tech Enterprise Certificate (Certificate No.: GR201811009590) jointly issued by Beijing Municipal Science and Technology Commission, Beijing Finance Bureau and Beijing Tax Service of State Taxation Administration with a valid term of three years. However, as Fengmi (Beijing) Technology Co., Ltd. failed to complete the registration in competent authorities, it enjoyed no tax incentives in 2018. It can pay the enterprise income tax at a rate of 15% since 2019.

3. In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (Cai Shui (2012) No.27), commencing from the first year of earning profits prior to December 31, 2017, a qualified company can be exempted from the enterprise income tax for the first two years and enjoy a 50% tax reduction on the statutory tax rate of 25% from the third to the fifth year until the tax incentive period expires. Therefore, the Company's subsidiary, Shenzhen Appotronics Software Technology Co., Ltd., is qualified for the tax incentive policy of "exemption from income tax for the first two years and 50% reduction for next three years", which means, it can be exempted from enterprise income tax from 2016 to 2017, and pay the enterprise income tax at a rate of 12.5% from 2018 to 2020.

4. In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products (Cai Shui [2011] No.100), for self-developed and produced software products sold by general VAT taxpayers, the tax-refund-upon-collection policy is applicable to the part of their actual VAT burden in excess of 3% after the VAT has been collected at a tax rate of 17%. The Company's subsidiary Shenzhen Appotronics Software Technology Co., Ltd. is qualified for enjoying such tax incentive from January 1, 2015.

5. In accordance with Article 1 (26) of Annex 3 of the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No.36), taxpayers are exempted from VAT if they provide technology transfer, technology development, and technology consultation and services in connection therewith. The Company is qualified for enjoying such tax incentive from January 26, 2018.

6. In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No.13), the annual taxable income of a small low-profit enterprise that is not more than RMB 1 million shall be levied with the enterprise income tax rate at a discount of 25%, namely, for which the applicable enterprise income tax rate is 20%; for the annual taxable income more than RMB 1 million but no more than RMB 3 million, the taxable income shall be calculated at a discount of 50%, namely, for which the applicable enterprise income tax rate is 20%. The following subsidiaries are qualified for enjoying such tax incentives: Beijing Orient Appotronics Technology Co., Ltd., Appotronics Timewaying (Beijing) Technology Co., Ltd., Shenzhen Appotronics Xiaoming Technology Co., Ltd., Shenzhen Appotronics Laser Technology Co., Ltd., Qingda Appotronics (Xiamen) Technology Co., Ltd., Shenzhen Appotronics Home Line Technology Co., Ltd., Appotronics Technology (Changzhou) Co., Ltd., and Shenzhen Appotronics Display Device Co., Ltd.

3. Others

Applicable N/A

VII. Notes to items in the consolidated financial statements

1. Cash and bank balances

Applicable N/A

| Item | Closing balance | Unit: Yuan Currency: RMB |
|--------------------------------------|-----------------|--------------------------|
| | | Opening balance |
| Cash on hand | 3,189.12 | 3,348.57 |
| Bank deposits | 699,310,868.31 | 857,708,997.58 |
| Other monetary funds | 30,133,607.96 | 18,146,438.43 |
| Total | 729,447,665.39 | 875,858,784.58 |
| Including: Total oversea deposits | 98,559,109.82 | 132,334,643.95 |

Other description:

In other monetary funds, an amount of RMB 23,151,615.78 is restricted for being used as margins while in bank deposits, an amount of RMB 20,000,000.00 is restricted for being frozen due to litigation.

2. Held-for-trading financial assets

Applicable N/A

| Item | Closing balance | Unit: Yuan Currency: RMB |
|--|-----------------|--------------------------|
| | | Opening balance |
| Financial assets at fair value through profit or loss | 495,000,000.00 | 540,000,000.00 |
| Including: | | |
| Structural deposits | 495,000,000.00 | 540,000,000.00 |

| | | |
|-------|----------------|----------------|
| Total | 495,000,000.00 | 540,000,000.00 |
|-------|----------------|----------------|

Other description:

 Applicable N/A**3. Derivative financial assets** Applicable N/A**4. Notes receivable****(1). Categories of notes receivable** Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|------------------------|-----------------|-----------------|
| Bank acceptances | 2,126,550.00 | 3,891,456.00 |
| Commercial acceptances | 2,054,836.79 | 151,103.63 |
| Total | 4,181,386.79 | 4,042,559.63 |

(2). Notes receivable pledged by the Company at the end of the period Applicable N/A**(3). Notes receivable which are undue as at the balance sheet date but endorsed or discounted by the Company at the end of the period** Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount derecognized at the end of the period | Amount not derecognized at the end of the period |
|------------------------|--|--|
| Bank acceptances | | 900,000.00 |
| Commercial acceptances | | 324,337.00 |
| Total | | 1,224,337.00 |

(4). Notes transferred to accounts receivable due to drawer's failure in cashing at the end of the period Applicable N/A**(5). Disclosure by categories of provision for bad debts** Applicable N/A

Unit: Yuan Currency: RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|---|-----------------|----------------|-------------------------|-----------------------------|--------------|-----------------|----------------|-------------------------|-----------------------------|--------------|
| | Carrying amount | | Provision for bad debts | | Book value | Carrying amount | | Provision for bad debts | | Book value |
| | Amount | Proportion (%) | Amount | Proportion of provision (%) | | Amount | Proportion (%) | Amount | Proportion of provision (%) | |
| Provision for bad debts made individually | | | | | | | | | | |
| Including: | | | | | | | | | | |
| Provision for bad debts made by group | 4,211,325.57 | 100.00 | 29,938.78 | 0.71 | 4,181,386.79 | 4,050,512.45 | 100.00 | 7,952.82 | 0.20 | 4,042,559.63 |
| Including: | | | | | | | | | | |
| Bank acceptance bills | 2,126,550.00 | 50.50 | | | 2,126,550.00 | 3,891,456.00 | 96.07 | | | 3,891,456.00 |

| | | | | | | | | | | |
|------------------------|--------------|-------|-----------|------|--------------|--------------|------|----------|------|--------------|
| Commercial acceptances | 2,084,775.57 | 49.50 | 29,938.78 | 1.44 | 2,054,836.79 | 159,056.45 | 3.93 | 7,952.82 | 5.00 | 151,103.63 |
| Total | 4,211,325.57 | / | 29,938.78 | / | 4,181,386.79 | 4,050,512.45 | / | 7,952.82 | / | 4,042,559.63 |

Provision for bad debts made individually:

Applicable N/A

Provision for bad debts made by group:

Applicable N/A

Item by group: Commercial acceptances

Unit: Yuan Currency: RMB

| Name | Closing balance | | |
|-----------------------------------|------------------|-------------------------|-----------------------------|
| | Notes receivable | Provision for bad debts | Proportion of provision (%) |
| Commercial acceptance bills group | 2,084,775.57 | 29,938.78 | 1.44 |
| Total | 2,084,775.57 | 29,938.78 | 1.44 |

Recognition criterion to make the bad debt provision by group and explanation

Applicable N/A

If a provision for bad debts of accounts receivable is made in accordance with the general model of ECL, please disclose relevant information subject to the disclosure of the bad debt provision for other receivables.

Applicable N/A

(6). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

| Category | Opening balance | Changes for the current period | | | Closing balance |
|------------------------|-----------------|--------------------------------|----------------------|---------------------------|-----------------|
| | | Provision | Recovery or reversal | Write off or cancellation | |
| Commercial acceptances | 7,952.82 | 21,985.96 | | | 29,938.78 |
| Total | 7,952.82 | 21,985.96 | | | 29,938.78 |

Including significant amounts recovered or reversed from the current provision for bad debts:

Applicable N/A

Other description:

None

(7). Notes receivable actually canceled in the current period

Applicable N/A

Other description:

Applicable N/A

5. Accounts receivable

(1). Disclosure by aging

Applicable N/A

Unit: Yuan Currency: RMB

| Aging | Closing balance of carrying amount |
|-----------------------------------|------------------------------------|
| Within 1 year | |
| Including: Subitems within 1 year | |
| Sub-total of items within 1 year | 132,580,489.29 |
| 1 to 2 years | 9,833,618.95 |
| 2 to 3 years | 1,416,964.56 |
| Total | 143,831,072.80 |

(2). Disclosure by categories of provision for bad debts

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|--|-----------------|----------------|-------------------------|----------------|----------------|-----------------|----------------|-------------------------|----------------|----------------|
| | Carrying amount | | Provision for bad debts | | Book value | Carrying amount | | Provision for bad debts | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | | Amount | Proportion (%) | Amount | Proportion (%) | |
| Provision for bad debts made individually | | | | | | | | | | |
| Including: | | | | | | | | | | |
| Provision for bad debts made by group | 143,831,072.80 | 100.00 | 9,795,911.53 | 6.81 | 134,035,161.27 | 203,746,783.87 | 100.00 | 12,124,606.71 | 5.95 | 191,622,712.01 |
| Including: | | | | | | | | | | |
| Accounts receivable for which the provision for bad debts is made by aging group | 143,831,072.80 | 100.00 | 9,795,911.53 | 6.81 | 134,035,161.27 | 203,746,783.87 | 100.00 | 12,124,606.71 | 5.95 | 191,622,712.01 |
| Total | 143,831,072.80 | / | 9,795,911.53 | / | 134,035,161.27 | 203,746,783.87 | / | 12,124,606.71 | / | 191,622,712.01 |

Provision for bad debts made individually:

□ Applicable √ N/A

Provision for bad debts made by group:

√ Applicable □ N/A

Item by group: Accounts receivable for which the provision for bad debts is made by aging group

Unit: Yuan Currency: RMB

| Name | Closing balance | | |
|---------------|---------------------|-------------------------|-----------------------------|
| | Accounts receivable | Provision for bad debts | Proportion of provision (%) |
| Within 1 year | 132,580,489.29 | 6,629,024.51 | 5.00 |
| 1-2 years | 9,833,618.95 | 2,458,404.74 | 25.00 |
| 2-3 years | 1,416,964.56 | 708,482.28 | 50.00 |
| Total | 143,831,072.80 | 9,795,911.53 | 6.81 |

Recognition criterion to make the bad debt provision by group and explanation:

√ Applicable □ N/A

Recognition criterion to make the bad debt provision by group and explanation can refer to V.10 of Section X for details.

If a provision for bad debts of accounts receivable is made in accordance with the general model of ECL, please disclose relevant information subject to the disclosure of the bad debt provision for other receivables.

Applicable N/A

(3). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|---------------------------------------|-----------------|--------------------------------|----------------------|---------------------------|---------------|-----------------|
| | | Provision | Recovery or reversal | Write off or cancellation | Other changes | |
| Provision for bad debts made by group | 12,124,606.71 | -2,328,695.18 | | | | 9,795,911.53 |
| Total | 12,124,606.71 | -2,328,695.18 | | | | 9,795,911.53 |

Including significant amounts recovered or reversed from the current provision for bad debts:

Applicable N/A

(4). Accounts receivable actually canceled in the current period

Applicable N/A

(5). Top five closing balances of accounts receivable categorized by debtors

Applicable N/A

| Entity | Carrying amount | Proportion to the balance of accounts receivable(%) | Provision for bad debts |
|------------|-----------------|---|-------------------------|
| Customer 1 | 61,820,725.66 | 42.98 | 3,091,036.29 |
| Customer 2 | 26,341,388.52 | 18.31 | 1,317,069.43 |
| Customer 3 | 10,190,007.00 | 7.09 | 509,500.35 |
| Customer 4 | 6,464,740.91 | 4.49 | 1,547,150.28 |
| Customer 5 | 2,195,500.00 | 1.53 | 109,775.00 |
| Sub-total | 107,012,362.09 | 74.40 | 6,574,531.35 |

(6). Accounts receivable derecognized due to transfer of financial assets

Applicable N/A

(7). Assets and liabilities arising from transfer of accounts receivable and continued involvement

Applicable N/A

Other description:

Applicable N/A

6. Receivables financing

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|----------------------------------|-----------------|-----------------|
| Bank acceptance bills receivable | 362,600.00 | 1,980,500.00 |
| Total | 362,600.00 | 1,980,500.00 |

Changes in amount and fair value of receivables financing:

Applicable N/A

If a provision for bad debts of accounts receivable is made in accordance with the general model of ECL, please disclose relevant information subject to the disclosure of the bad debt provision for other receivables:

Applicable N/A

Other description:

Applicable N/A

7. Prepayments

(1). Disclosure of prepayments by aging

Applicable N/A

Unit: Yuan Currency: RMB

| Aging | Closing balance | | Opening balance | |
|---------------|-----------------|----------------|-----------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 32,644,779.66 | 82.77 | 34,948,314.45 | 99.65 |
| 1 to 2 years | 6,794,374.05 | 17.23 | 122,684.68 | 0.35 |
| 2 to 3 years | 833.35 | 0.00 | | |
| Total | 39,439,987.06 | 100.00 | 35,070,999.13 | 100.00 |

Reasons for overdue settlement of prepayments with significant amounts aged more than 1 year:

None

(2). Top five closing balances of prepayments categorized by receivers

Applicable N/A

| Entity | Carrying amount | Proportion to the balance of prepayments (%) |
|------------|-----------------|--|
| Supplier 1 | 13,030,362.87 | 33.04 |
| Supplier 2 | 3,909,472.50 | 9.91 |
| Supplier 3 | 2,678,466.27 | 6.79 |
| Supplier 4 | 2,270,088.50 | 5.76 |
| Supplier 5 | 1,935,509.79 | 4.91 |
| Sub-total | 23,823,899.93 | 60.41 |

Other description:

Applicable N/A

8. Other receivables

Presented by items

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|----------------------|-----------------|-----------------|
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 11,424,632.94 | 9,618,750.08 |
| Total | 11,424,632.94 | 9,618,750.08 |

Other description:

Applicable N/A

Interest receivable

(1). Categories of interest receivable

Applicable N/A

(2). Significant interests overdue

Applicable N/A

(3). Provision for bad debts

Applicable N/A

Other description:

Applicable N/A

Dividends receivable**(1). Dividends receivable**

□ Applicable√ N/A

(2). Dividends receivable with significant amounts aged more than 1 year

□ Applicable√ N/A

(3). Provision for bad debts

□ Applicable√ N/A

Other description:

□ Applicable√ N/A

Other receivables**(4). Disclosure by aging**

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Aging | Closing balance of carrying amount |
|-----------------------------------|------------------------------------|
| Within 1 year | |
| Including: Subitems within 1 year | |
| Sub-total of items within 1 year | 5,917,632.34 |
| 1 to 2 years | 4,959,142.86 |
| 2 to 3 years | 441,715.69 |
| Over 3 years | 675,637.60 |
| Total | 11,994,128.49 |

(5). Categories by the nature of other receivables

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Nature of receivables | Closing balance of carrying amount | Opening balance of carrying amount |
|-----------------------------|------------------------------------|------------------------------------|
| Deposits/margins/petty cash | 10,159,405.34 | 8,772,420.22 |
| Withholding | 604,218.29 | 1,275,175.63 |
| Temporary receivables | 1,230,504.86 | 10,289.71 |
| Total | 11,994,128.49 | 10,057,885.56 |

(6). Provision for bad debts

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Provision for bad debts | Stage I | Stage II | Stage III | Total |
|---|----------------------------|--|---------------------------------------|------------|
| | 12-month ECL in the future | Lifetime ECL (without credit impairment) | Lifetime ECL (with credit impairment) | |
| Balance as at January 1, 2020 | 439,035.48 | | 100.00 | 439,135.48 |
| Balance as at January 1, 2020 in the current period | | | | |
| --transferred to Stage II | | | | |
| --transferred to Stage III | | | | |
| --reversed to Stage II | | | | |
| --reversed to Stage I | | | | |

| | | | | |
|-----------------------------|------------|--|--------|------------|
| Provision | 130,360.07 | | | 130,360.07 |
| Reversal | | | | |
| Write-off | | | | |
| Cancellation | | | | |
| Other changes | | | | |
| Balance as at June 30, 2020 | 569,395.55 | | 100.00 | 569,495.55 |

Description of significant changes in the balance of other receivables with changed provisions for losses in the current period:

Applicable N/A

Basis for recognizing the amount of bad debt provisions and evaluating whether the credit risk of financial instruments has been increased significantly in the current period:

Applicable N/A

(7). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|---------------------------------------|-----------------|--------------------------------|----------------------|---------------------------|---------------|-----------------|
| | | Provision | Recovery or reversal | Write off or cancellation | Other changes | |
| Provision for bad debts made by group | 439,135.48 | 130,360.07 | | | | 569,495.55 |
| Total | 439,135.48 | 130,360.07 | | | | 569,495.55 |

Including significant amounts recovered or reversed from the current provision for bad debts:

Applicable N/A

(8). Other receivables actually canceled in the current period

Applicable N/A

(9). Top five closing balances of other receivables categorized by debtors

Applicable N/A

Unit: Yuan Currency: RMB

| Entity | Nature of other receivables | Closing balance | Aging | Proportion to the balance of other receivables (%) | Provision for bad debts Closing balance |
|--|-----------------------------|-----------------|-------------------------------------|--|---|
| Shenzhen Meisheng Industry Co., Ltd. | Margins | 3,574,618.00 | 1-2 years | 29.80 | 178,730.90 |
| China Securities Depository and Clearing Co., Ltd. Shanghai Branch | Deposits/margins | 2,000,000.00 | Within 1 year | 16.67 | 100,000.00 |
| Shenzhen Science and Technology Assessment Management Center | Deposits | 1,257,075.20 | Within 1 year, 1-2 years, 2-3 years | 10.48 | 62,853.76 |
| Hong Kong Science & Technology Parks Corporation | Deposits | 1,110,223.68 | 1-2 years | 9.26 | 55,511.21 |
| Beijing Dongsheng Bozhan Technology Development Co., Ltd. | Deposits/margins | 658,584.72 | Within 1 year | 5.49 | 32,929.24 |

| | | | | | |
|-------|---|--------------|---|-------|------------|
| Total | / | 8,600,501.60 | / | 71.70 | 430,025.11 |
|-------|---|--------------|---|-------|------------|

(10). Accounts receivable involving government grants

□ Applicable√ N/A

(11). Other receivables derecognized due to transfer of financial assets

□ Applicable√ N/A

(12). Assets and liabilities arising from transfer of other receivables and continued involvement

□ Applicable√ N/A

Other description:

□ Applicable√ N/A

9. Inventories**(1). Categories of inventories**

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | | | Opening balance | | |
|------------------------------------|-----------------------|---|-----------------------|-----------------------|---|-----------------------|
| | Carrying amount | Provision for decline in value of inventories/impairment of contract performance cost | Book value | Carrying amount | Provision for decline in value of inventories/impairment of contract performance cost | Book value |
| Raw materials | 254,078,688.64 | 18,429,074.88 | 235,649,613.76 | 169,021,593.23 | 18,901,716.15 | 150,119,877.08 |
| Work in progress | 14,784,099.68 | 1,478,412.05 | 13,305,687.63 | 12,337,519.02 | 686,431.07 | 11,651,087.95 |
| Goods on hand | 149,723,126.64 | 23,614,864.89 | 126,108,261.75 | 95,889,640.29 | 20,855,142.36 | 75,034,497.93 |
| Goods upon delivery | 17,355,687.48 | | 17,355,687.48 | 40,421,349.51 | | 40,421,349.51 |
| Materials for consigned processing | 10,306,931.89 | 3,651.86 | 10,303,280.03 | 6,405,637.99 | 21,590.33 | 6,384,047.66 |
| Total | 446,248,534.33 | 43,526,003.68 | 402,722,530.65 | 324,075,740.04 | 40,464,879.91 | 283,610,860.13 |

(2). Provision for decline in value of inventories and impairment of contract performance cost

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Increase | | Decrease | | Closing balance |
|------------------|-----------------|--------------|--------|-----------------------|--------|-----------------|
| | | Provision | Others | Reversal or write-off | Others | |
| Raw materials | 18,901,716.15 | 7,274,390.65 | | 7,747,031.92 | | 18,429,074.88 |
| Work in progress | 686,431.07 | 1,376,044.40 | | 584,063.42 | | 1,478,412.05 |

| | | | | | | |
|------------------------------------|---------------|---------------|--|---------------|--|---------------|
| Goods on hand | 20,855,142.36 | 11,528,667.49 | | 8,768,944.96 | | 23,614,864.89 |
| Goods upon delivery | | | | | | |
| Materials for consigned processing | 21,590.33 | | | 17,938.47 | | 3,651.86 |
| Total | 40,464,879.91 | 20,179,102.54 | | 17,117,978.77 | | 43,526,003.68 |

(3). Description of capitalized amount of borrowing costs included in the closing balance of inventories

Applicable N/A

(4). Description of amortization of contract performance cost during the period

Applicable N/A

Other description:

Applicable N/A

10. Contract assets

(1). Description of contract assets

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | | | Opening balance | | |
|---------------|-----------------|--------------------------|--------------|-----------------|--------------------------|--------------|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Goods payment | 4,143,457.96 | 228,548.26 | 3,914,909.70 | 3,937,479.96 | 196,874.00 | 3,740,605.96 |
| Total | 4,143,457.96 | 228,548.26 | 3,914,909.70 | 3,937,479.96 | 196,874.00 | 3,740,605.96 |

(2). Amount and reasons of major changes in the book value during the reporting period

Applicable N/A

(3). Description of provision for impairment made on contract assets during the period

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Provision | Reversal | Write-off/cancellation in the period | Reason |
|---------------|-----------|----------|--------------------------------------|--------|
| Goods payment | 31,674.26 | | | |
| Total | 31,674.26 | | | / |

If a provision for bad debts of accounts receivable is made in accordance with the general model of ECL, please disclose relevant information subject to the disclosure of the bad debt provision for other receivables.

Applicable N/A

Other description:

Applicable N/A

11. Held-for-sale assets

Applicable N/A

12. Non-current assets due within one year

Applicable N/A

13. Other current assets

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|-------------------------------|-----------------|-----------------|
| Input VAT to be deducted | 35,391,912.94 | 37,976,562.19 |
| Prepaid enterprise income tax | 156,065.37 | 4,088,325.91 |
| Total | 35,547,978.31 | 42,064,888.10 |

Other description:

None

14. Debt investments

(1). Description of debt investments

Applicable N/A

(2). Debt investments with significant amounts at the end of the period

Applicable N/A

(3). Description of provision for impairment

Applicable N/A

15. Other debt investments

(1). Description of other debt investments

Applicable N/A

(2). Other debt investments with significant amounts at the end of the period

Applicable N/A

(3). Description of provision for impairment

Applicable N/A

Other description:

Applicable N/A

16. Long-term receivables

(1) Description of long-term receivables

Applicable N/A

(2) Provision for bad debts

Applicable N/A

(3) Long-term receivables derecognized due to transfer of financial assets

Applicable N/A

(4) Assets and liabilities arising from transfer of long-term receivables and continued involvement

Applicable N/A

Other description:

Applicable N/A

17. Long-term equity investments

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Investees | Opening balance | Changes for the current period | | | | | | | | Closing balance | Closing balance of provision for impairment |
|------------------------------|-----------------|--------------------------------|----------------------|---|--|----------------------|------------------------------------|--------------------------|--------|-----------------|---|
| | | Additional investment | Decreased investment | Investment profit or loss under equity method | Adjustment in other comprehensive income | Other equity changes | Declared cash dividends or profits | Provision for impairment | Others | | |
| I. Joint venture | | | | | | | | | | | |
| Sub-total | | | | | | | | | | | |
| II. Associates | | | | | | | | | | | |
| Cinionic Limited | 139,534,371.94 | | | 217,201.22 | -1,059,162.87 | | | | | 138,692,410.29 | |
| GDC Technology Limited (BVI) | | 127,773,820.62 | | 765,306.40 | 923,456.56 | | | | | 129,462,583.58 | |
| Sub-total | 139,534,371.94 | 127,773,820.62 | | 982,507.62 | -135,706.31 | | | | | 268,154,993.87 | |
| Total | 139,534,371.94 | 127,773,820.62 | | 982,507.62 | -135,706.31 | | | | | 268,154,993.87 | |

Other description

The difference between the adjustment for gains/losses of long-term equity investment during the period and the investment returns is the difference from the combination and set-off of upstream transactions.

18. Other equity instrument investments**(1). Description of other equity instrument investments**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Shen Zhen Timewaying Technology Co., Ltd. | 7,075,419.38 | 7,075,419.38 |
| Shenzhen Bevix Technology Co., Ltd. | 4,900,000.00 | 4,900,000.00 |
| Total | 11,975,419.38 | 11,975,419.38 |

(2). Description of equity investments not held for trading

□ Applicable √ N/A

Other description:

□ Applicable √ N/A

19. Other non-current financial assets

□ Applicable √ N/A

20. Investment properties

Measurement mode of investment properties

N/A

21. Fixed assets**Presented by items**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Fixed assets | 455,164,004.06 | 471,204,340.95 |
| Disposal of fixed assets | | |
| Total | 455,164,004.06 | 471,204,340.95 |

Other description:

None

Fixed assets**(1). Description of fixed assets**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Machinery and equipment | Transportation equipment | Electronic equipment and others | Operating leased equipment | Total |
|--|-------------------------|--------------------------|---------------------------------|----------------------------|----------------|
| I. Cost: | | | | | |
| 1. Opening balance | 82,619,598.35 | 1,020,400.05 | 31,265,315.39 | 525,597,112.41 | 640,502,426.20 |
| 2. Increase | 12,312,206.56 | | 3,674,254.43 | 17,545,660.28 | 33,532,121.27 |
| (1) Purchase | 12,312,206.56 | | 3,674,254.43 | | 15,986,460.99 |
| (2) Transfer from construction in progress | | | | 17,545,660.28 | 17,545,660.28 |
| (3) Increase due to business combination | | | | | |

| | | | | | |
|--------------------------------|---------------|--------------|---------------|----------------|----------------|
| 3. Decrease | 288,679.29 | | 210,903.03 | 3,084,721.48 | 3,584,303.80 |
| (1) Disposal or retirement | 288,679.29 | | 210,903.03 | | 499,582.32 |
| (2) Transfer to inventories | | | | 3,084,721.48 | 3,084,721.48 |
| 4. Closing balance | 94,643,125.62 | 1,020,400.05 | 34,728,666.79 | 540,058,051.21 | 670,450,243.67 |
| II. Accumulated depreciation | | | | | |
| 1. Opening balance | 29,391,420.36 | 292,223.86 | 12,083,558.96 | 127,530,882.07 | 169,298,085.25 |
| 2. Increase | 7,815,934.89 | 87,399.54 | 2,841,383.57 | 36,660,302.40 | 47,405,020.40 |
| (1) Provision | 7,815,934.89 | 87,399.54 | 2,841,383.57 | 36,660,302.40 | 47,405,020.40 |
| 3. Decrease | 178,134.48 | | 174,820.37 | 1,063,911.19 | 1,416,866.04 |
| (1) Disposal or retirement | 178,134.48 | | 174,820.37 | | 352,954.85 |
| (2) Transfer to inventories | | | | 1,063,911.19 | 1,063,911.19 |
| 4. Closing balance | 37,029,220.77 | 379,623.40 | 14,750,122.16 | 163,127,273.28 | 215,286,239.61 |
| III. Provision for impairment | | | | | |
| 1. Opening balance | | | | | |
| 2. Increase | | | | | |
| (1) Provision | | | | | |
| 3. Decrease | | | | | |
| (1) Disposal or retirement | | | | | |
| 4. Closing balance | | | | | |
| IV. Book value | | | | | |
| 1. Closing balance | 57,613,904.85 | 640,776.65 | 19,978,544.63 | 376,930,777.93 | 455,164,004.06 |
| 2. Opening balance | 53,228,177.99 | 728,176.19 | 19,181,756.43 | 398,066,230.34 | 471,204,340.95 |

(2). Temporarily idle fixed assets

 Applicable N/A

(3). Fixed assets rent under finance lease

 Applicable N/A

(4). Fixed assets leased out under operating lease

 Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance of carrying amount |
|----------------------------|------------------------------------|
| Operating leased equipment | 376,930,777.93 |

(5). Fixed assets of which certificates of title have not been obtained

 Applicable N/A

Other description:

 Applicable N/A**Disposal of fixed assets** Applicable N/A**22. Construction in progress****Presented by items** Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Construction in progress | 30,992,866.46 | 20,132,004.07 |
| Total | 30,992,866.46 | 20,132,004.07 |

Other description:

None

Construction in progress

(1). Description of Construction in progress

 Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | | | Opening balance | | |
|----------------------------|-----------------|--------------------------|---------------|-----------------|--------------------------|---------------|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Headquarter buildings | 17,253,087.13 | | 17,253,087.13 | 1,385,496.59 | | 1,385,496.59 |
| Light sources to be leased | 13,739,779.33 | | 13,739,779.33 | 18,746,507.48 | | 18,746,507.48 |
| Total | 30,992,866.46 | | 30,992,866.46 | 20,132,004.07 | | 20,132,004.07 |

(2). Changes in significant constructions in progress for the current period

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Budget amount | Opening balance | Increase | Amount transferred to fixed assets | Other decreases | Closing balance | Amount injected as a proportion of budget amount (%) | Construction progress | Amount of accumulated capitalized interest | Including: Capitalised interest for the period | Interest Capitalization rate for the period (%) | Source of funds |
|----------------------------|----------------|-----------------|---------------|------------------------------------|-----------------|-----------------|--|-----------------------|--|--|---|-----------------|
| Headquarter buildings | 534,635,200.00 | 1,385,496.59 | 15,867,590.54 | | | 17,253,087.13 | 3.23 | | | | | Self-financing |
| Light sources to be leased | | 18,746,507.48 | 12,538,932.13 | 17,545,660.28 | | 13,739,779.33 | | | | | | Self-financing |
| Total | 534,635,200.00 | 20,132,004.07 | 28,406,522.67 | 17,545,660.28 | | 30,992,866.46 | / | / | | | / | / |

(3). Provision for impairment losses for construction in progress in the current period

□ Applicable √ N/A

Other description

□ Applicable √ N/A

Materials for construction

□ Applicable √ N/A

23. Bearer biological assets

(1). Bearer biological assets measured at cost

□ Applicable √ N/A

(2). Bearer biological assets measured at fair value

□ Applicable √ N/A

Other description

□ Applicable √ N/A

24. Oil and gas assets

□ Applicable√ N/A

25. Use right assets

□ Applicable√ N/A

26. Intangible assets**(1). Description of intangible assets**

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Item | Land use rights | Patents | Software | Total |
|--|-----------------|---------------|---------------|----------------|
| I. Cost | | | | |
| 1. Opening balance | 330,630,000.00 | 23,247,800.00 | 10,196,548.78 | 364,074,348.78 |
| 2. Increase | | | 303,152.64 | 303,152.64 |
| (1) Purchase | | | 303,152.64 | 303,152.64 |
| (2) Internal R&D | | | | |
| (3) Increase due to business combination | | | | |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| 4. Closing balance | 330,630,000.00 | 23,247,800.00 | 10,499,701.42 | 364,377,501.42 |
| II. Accumulated Amortization | | | | |
| 1. Opening balance | 16,531,500.06 | 12,535,490.06 | 2,676,034.59 | 31,743,024.71 |
| 2. Increase | 5,510,500.02 | 1,162,390.02 | 992,162.36 | 7,665,052.40 |
| (1) Provision | 5,510,500.02 | 1,162,390.02 | 992,162.36 | 7,665,052.40 |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| 4. Closing balance | 22,042,000.08 | 13,697,880.08 | 3,668,196.95 | 39,408,077.11 |
| III. Provision for impairment | | | | |
| 1. Opening balance | | | | |
| 2. Increase | | | | |
| (1) Provision | | | | |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| 4. Closing balance | | | | |
| IV. Book value | | | | |
| 1. Closing balance | 308,587,999.92 | 9,549,919.92 | 6,831,504.47 | 324,969,424.31 |
| 2. Opening balance | 314,098,499.94 | 10,712,309.94 | 7,520,514.19 | 332,331,324.07 |

The proportion of intangible assets generated by the Company's internal research and development to the balance of intangible assets at the end of the period is 0%.

(2). Land use rights of which certificates of title have not been obtained

□ Applicable√ N/A

Other description:

Applicable N/A

27. Development expenditure

Applicable N/A

28. Goodwill

(1). Original book value of goodwill

Applicable N/A

(2). Impairment provision of goodwill

Applicable N/A

(3). Relevant information of groups of assets or combinations of groups of assets where the goodwill is recognized

Applicable N/A

(4). Specify test procedure, key parameters of impairment of goodwill (such as increase rate at the projection period, increase rate at the steady period, profit rate, discount rate, and projection period upon the estimates of the presented value of future cash flow) as well as recognition method for impairment loss

Applicable N/A

(5). Impacts on test of goodwill impairment

Applicable N/A

Other description:

Applicable N/A

29. Long-term prepaid expenses

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Increase | Amortization | Other decreases | Closing balance |
|------------------|-----------------|--------------|--------------|-----------------|-----------------|
| Renovation costs | 16,908,070.34 | 606,210.23 | 3,264,991.68 | | 14,249,288.89 |
| Service fees | | 844,339.62 | 97,423.80 | | 746,915.82 |
| Total | 16,908,070.34 | 1,450,549.85 | 3,362,415.48 | | 14,996,204.71 |

Other description:

None

30. Deferred tax assets and deferred tax liabilities

(1). Deferred tax assets that are not offset

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | | Opening balance | |
|--|---------------------------------|--------------------|---------------------------------|--------------------|
| | Deductible temporary difference | Deferred tax asset | Deductible temporary difference | Deferred tax asset |
| Provision for impairment of assets | 36,194,716.25 | 5,864,962.15 | 35,664,470.56 | 5,836,098.21 |
| Unrealized profits for inside transactions | 354,219,403.76 | 88,018,859.65 | 382,370,535.17 | 95,185,982.07 |
| Deductible losses | 41,067,865.66 | 10,266,966.41 | | |
| Provisions | 28,973,907.94 | 5,481,910.24 | 25,267,517.71 | 4,667,623.73 |
| Deferred income | 16,286,885.41 | 2,514,556.91 | 16,475,547.96 | 2,546,469.56 |
| Share-based payment expenses | 12,301,140.62 | 1,948,412.33 | 4,987,200.41 | 787,768.28 |
| Total | 489,043,919.64 | 114,095,667.69 | 464,765,271.81 | 109,023,941.85 |

(2). Deferred tax assets that are not offset Applicable N/A**(3). Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset** Applicable N/A**(4). Details of unrecognized deferred tax assets** Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|---------------------------------|-----------------|-----------------|
| Deductible temporary difference | 43,561,465.48 | 30,524,539.70 |
| Deductible losses | 179,388,652.04 | 162,566,621.36 |
| Total | 222,950,117.52 | 193,091,161.06 |

(5). Deductible losses, for which no deferred tax assets are recognized, will expire in the following years Applicable N/A

Unit: Yuan Currency: RMB

| Year | Closing balance | Opening balance | Remark |
|---------------|-----------------|-----------------|--------|
| 2020 | 9,243,377.13 | 9,243,377.13 | |
| 2021 | 9,487,530.31 | 9,487,530.31 | |
| 2022 | 11,900,329.00 | 11,900,329.00 | |
| 2023 | 47,115,450.59 | 47,115,450.59 | |
| 2024 (Note 1) | 84,819,934.33 | 84,819,934.33 | |
| 2025 | 16,822,030.68 | | |
| Total | 179,388,652.04 | 162,566,621.36 | / |

Other description:

 Applicable N/A

Note 1: Due to the implementation of the new revenue standard in the current period, the reparable losses of subsidiaries decreased in 2019; meanwhile, the deferred tax assets corresponding to unrealized internal gains/losses on the consolidated statements decreased.

31. Other non-current assets Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | | | Opening balance | | |
|---|-----------------|--------------------------|--------------|-----------------|--------------------------|---------------|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Prepayment for purchase of long-term assets | 6,352,208.65 | | 6,352,208.65 | 11,420,185.94 | | 11,420,185.94 |
| Total | 6,352,208.65 | | 6,352,208.65 | 11,420,185.94 | | 11,420,185.94 |

Other description:

None

32. Short-term borrowings**(1). Categories of short-term borrowings**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Guaranteed loans | 28,602,306.05 | 50,000,000.00 |
| Credit loans | 54,476,763.36 | 10,000,000.00 |
| Guaranteed loans and loans against collateral | 32,199,672.45 | 16,337,875.56 |
| Interest payable | 357,286.44 | 427,443.49 |
| Total | 115,636,028.30 | 76,765,319.05 |

Description for categories of short-term borrowings:

None

(2). Short-term borrowings overdue but not yet repaid

□ Applicable √ N/A

Other description:

□ Applicable √ N/A

33. Held-for-trading financial liabilities

□ Applicable √ N/A

34. Derivative financial liabilities

□ Applicable √ N/A

35. Notes payable

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Category | Closing balance | Opening balance |
|-----------------------|-----------------|-----------------|
| Bank acceptance bills | 126,525,026.22 | 37,335,841.79 |
| Total | 126,525,026.22 | 37,335,841.79 |

Total notes payable matured but not paid yet is RMB 0 at the end of the period.

36. Accounts payable**(1). Presented by accounts payable**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| Amounts payable for purchase | 198,595,546.20 | 176,624,445.46 |
| Total | 198,595,546.20 | 176,624,445.46 |

(2). Accounts payable with significant amounts aged more than 1 year

□ Applicable √ N/A

Other description:

□ Applicable √ N/A

37. Receipts in advance**(1). Presented by receipts in advance**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Receipts in advance for goods and cinema services | 173,963,358.36 | 167,534,200.30 |
| Total | 173,963,358.36 | 167,534,200.30 |

(2). Receipts in advance with significant amounts aged more than 1 year

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Reasons for not repaid or carried-forward |
|---|-----------------|---|
| Jiangsu Happy Blue Sea Cinema Development Co., Ltd. | 35,493,335.55 | Receipts in advance cinema services |
| Total | 35,493,335.55 | / |

Other description:

□ Applicable √ N/A

38. Contract liabilities**(1). Description of contract liabilities**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|-------------------------------|-----------------|-----------------|
| Receipts in advance for goods | 19,442,085.20 | 15,777,305.81 |
| Total | 19,442,085.20 | 15,777,305.81 |

(2). Amount and reasons of major changes in the book value during the reporting period

□ Applicable √ N/A

Other description:

□ Applicable √ N/A

39. Employee benefits payable**(1). Presented by employee benefits payable**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|---|-----------------|----------------|----------------|-----------------|
| 1. Short-term benefits | 50,334,348.08 | 123,101,364.00 | 156,974,389.27 | 16,461,322.81 |
| 2. Post-employment benefits-defined contribution plan | 240,147.90 | 1,150,522.82 | 1,327,354.74 | 63,315.98 |
| 3. Termination benefits | 12,436.73 | 5,021,391.68 | 5,033,828.41 | |
| Total | 50,586,932.71 | 129,273,278.50 | 163,335,572.42 | 16,524,638.79 |

(2). Presented by short-term employee benefits

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|---|-----------------|----------------|----------------|-----------------|
| I. Wages or salaries, bonuses, allowances and subsidies | 50,091,330.65 | 110,772,242.86 | 144,539,237.15 | 16,324,336.36 |
| II. Staff welfare | | 3,232,087.89 | 3,232,087.89 | |
| III. Social security contributions | 60,144.93 | 2,006,273.77 | 2,055,913.48 | 10,505.22 |
| Including: Medical insurance | 46,782.99 | 1,878,771.60 | 1,915,871.04 | 9,683.55 |
| Work injury insurance | 4,733.59 | 17,286.78 | 21,198.70 | 821.67 |
| Maternity insurance | 8,628.35 | 110,215.39 | 118,843.74 | |
| IV. Housing funds | 2,113.00 | 6,666,826.30 | 6,665,837.30 | 3,102.00 |

| | | | | |
|--|---------------|----------------|----------------|---------------|
| V.Union running costs and employee education costs | 180,759.50 | 423,933.18 | 481,313.45 | 123,379.23 |
| VI. Short-term paid leaves | | | | |
| VII.Short-term profit sharing plan | | | | |
| Total | 50,334,348.08 | 123,101,364.00 | 156,974,389.27 | 16,461,322.81 |

(3). Presented by defined contribution plan

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|------------------------------------|-----------------|--------------|--------------|-----------------|
| 1. Basic pensions | 232,248.74 | 1,109,469.14 | 1,278,506.24 | 63,211.64 |
| 2. Unemployment insurance | 7,899.16 | 41,053.68 | 48,848.50 | 104.34 |
| 3. Enterprise annuity contribution | | | | |
| Total | 240,147.90 | 1,150,522.82 | 1,327,354.74 | 63,315.98 |

Other description:

□ Applicable √ N/A

40. Taxes payable

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|---------------------------------------|-----------------|-----------------|
| Value-added tax (VAT) | 246,070.95 | 776,108.18 |
| Enterprise income tax | 6,824,644.08 | 39,874,754.97 |
| Individual income tax | 857,706.75 | 1,447,882.44 |
| City maintenance and construction tax | 267,509.52 | 364,569.72 |
| Education surcharges | 114,646.93 | 156,244.17 |
| Local education surcharges | 76,431.29 | 104,162.78 |
| Stamp duty | 66,157.95 | 200,925.53 |
| Total | 8,453,167.47 | 42,924,647.79 |

Other description:

None

41. Other payables**Presented by items**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|-------------------|-----------------|-----------------|
| Interest payable | | |
| Dividends payable | 11,279,223.68 | |
| Other payables | 30,827,391.56 | 14,364,076.43 |
| Total | 42,106,615.24 | 14,364,076.43 |

Other description:

None

Interest payable

□ Applicable √ N/A

Dividends payable

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| Dividends on ordinary shares | 11,279,223.68 | |
| Total | 11,279,223.68 | |

Other description, including significant dividend payable with ageing of over 1 year, and the reason of non-payment shall be disclosed:

None

Other payables**(1). Other payables presented by nature**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|----------------------------|-----------------|-----------------|
| Withholding | 116,156.76 | 145,265.79 |
| Deposits/margins | 4,187,542.19 | 2,626,034.93 |
| Withdrawals in advance | 17,230,992.61 | 11,539,286.03 |
| Temporary receipts payable | 9,292,700.00 | 53,489.68 |
| Total | 30,827,391.56 | 14,364,076.43 |

(2). Other payables with significant amounts aged more than 1 year

□ Applicable √ N/A

Other description:

□ Applicable √ N/A

42. Held-for-sale liabilities

□ Applicable √ N/A

43. Non-current liabilities due within one year

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Interest payable | 262,155.82 | 127,055.02 |
| Guaranteed loans and loans against collateral | 144,507,332.90 | 64,841,740.00 |
| Total | 144,769,488.72 | 64,968,795.02 |

Other description:

None

44. Other current liabilities

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Taxes to be written off for contract liabilities | 1,667,826.54 | 1,133,137.22 |
| Total | 1,667,826.54 | 1,133,137.22 |

Changes in short-term bonds payable:

□ Applicable √ N/A

Other description:

□ Applicable √ N/A

45. Long-term borrowings**(1). Categories of long-term borrowings**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Guaranteed loans and loans against collateral | 79,750,396.00 | 279,060,423.10 |
| Interest payable | 142,348.86 | 554,684.17 |
| Total | 79,892,744.86 | 279,615,107.27 |

Description for categories of long-term borrowings:

None

Other description, including interest range:

□ Applicable √ N/A

46. Bonds payable**(1). Bonds payable**

□ Applicable √ N/A

(2). Changes in bonds payable: (excluding other financial instruments such as preference shares, perpetual bonds and others classified as financial liabilities)

□ Applicable √ N/A

(3). Description of converting terms and period of convertible corporate bonds

□ Applicable √ N/A

(4). Description of other financial instruments classified as financial liabilities

Basic information of other financial instruments including outstanding preferred shares and perpetual bonds at the end of the period

□ Applicable √ N/A

Changes in financial instruments including outstanding preferred shares and perpetual bonds at the end of the period

□ Applicable √ N/A

Other financial instruments classified as financial liabilities

□ Applicable √ N/A

Other description:

□ Applicable √ N/A

47. Leasing liabilities

□ Applicable √ N/A

48. Long-term accounts payable**Presented by items**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|----------------------------|-----------------|-----------------|
| Long-term accounts payable | 3,539,750.00 | 3,488,100.00 |
| Total | 3,539,750.00 | 3,488,100.00 |

Other description:

None

Long-term accounts payable

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|------|-----------------|-----------------|
|------|-----------------|-----------------|

| | | |
|--|--------------|--------------|
| Purchase of patent use rights by installment | 3,539,750.00 | 3,488,100.00 |
| Total | 3,539,750.00 | 3,488,100.00 |

Other description:

None

Special payables

Applicable N/A

49. Long-term employee benefits payable

Applicable N/A

50. Provisions

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Closing balance | Reason |
|---------------------------|-----------------|-----------------|--|
| Products quality warranty | 27,072,676.49 | 33,664,528.96 | Expenses for “three guarantees” services |
| Total | 27,072,676.49 | 33,664,528.96 | / |

Other description, including significant assumptions and estimates relative to material provisions:

None

51. Deferred income

Description of Deferred income

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Increase | Decrease | Closing balance | Reason |
|-------------------|-----------------|---------------|---------------|-----------------|--------|
| Government grants | 17,108,361.69 | 11,083,800.00 | 11,408,065.49 | 16,784,096.20 | |
| Total | 17,108,361.69 | 11,083,800.00 | 11,408,065.49 | 16,784,096.20 | / |

[Note]: Government grants included in the current profit or loss or offset relevant cost are disclosed in VII.84 of Section X in details.

Projects relating to government grants:

Applicable N/A

Unit: Yuan Currency: RMB

| Projects with liabilities | Opening balance | Increased government grants for the current period | Amount recognized in non-operating income for the current period | Amount recognized in other income for the current period | Other changes | Closing balance | Related to assets/income |
|---|-----------------|--|--|--|---------------|-----------------|-------------------------------------|
| 8K Ultra High Definition Laser Display Technology Engineering Research Center | 2,000,000.00 | | | 17,881.98 | | 1,982,118.02 | Government grants related to assets |
| High Performance Resin and Composite Materials Preparation | 18,125.06 | | | 18,125.06 | | | Government grants related to income |

| | | | | | | | |
|---|---------------|---------------|--|---------------|--|---------------|-------------------------------------|
| Technique for Additive Manufacturing | | | | | | | |
| Key Enterprise Laboratory for Laser Display in Guangdong Province | 4,820,417.31 | | | 4,345,430.17 | | 474,987.14 | Government grants related to income |
| Ultra-high Brightness Laser Light Source Engineering Technology Research Center | 2,142,818.87 | | | 2,142,818.87 | | | Government grants related to income |
| Trichromatic Laser Display Complete Equipment Production Demonstration Line | 7,694,753.43 | 8,873,800.00 | | 2,241,562.39 | | 14,326,991.04 | Government grants related to income |
| Key Technology of Trichromatic Laser Display Complete Equipment Industrialization | 432,247.02 | 2,210,000.00 | | 2,642,247.02 | | | Government grants related to income |
| Total | 17,108,361.69 | 11,083,800.00 | | 11,408,065.49 | | 16,784,096.20 | |

Other description:

Applicable N/A

52. Other non-current liabilities

Applicable N/A

53. Share capital

Applicable N/A

Unit: Yuan Currency: RMB

| | Opening balance | Changes (+, -) | | | | | Closing balance |
|--------------|-----------------|-----------------|--------------|-----------------------------------|--------|-----------|-----------------|
| | | Issue New share | Bonus shares | Capitalization of capital reserve | Others | Sub-total | |
| Total shares | 451,554,411.00 | | | | | | 451,554,411.00 |

Other description:

None

54. Other equity instruments**(1) Basic information of other financial instruments including outstanding preferred shares and perpetual bonds at the end of the period**

Applicable N/A

(2) Changes in financial instruments including outstanding preferred shares and perpetual bonds at the end of the period

Applicable N/A

Changes of other equity instruments in the current period, reasons for such change and basis for related accounting treatments:

Applicable N/A

Other description:

Applicable N/A

55. Capital reserve

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|---------------------------------|------------------|---------------|----------|------------------|
| Capital premium (Share premium) | 1,200,466,394.58 | | | 1,200,466,394.58 |
| Other capital reserve | 7,475,923.79 | 16,084,702.84 | | 23,560,626.63 |
| Total | 1,207,942,318.37 | 16,084,702.84 | | 1,224,027,021.21 |

Other description, including changes in the current period and reasons for changes:

On October 14, 2019, the Company held the eighteenth session of the first board of directors and the eighth session of the first board of supervisors, in which resolutions on matters related to the 2019 Restricted Stock Incentive Plan were discussed and approved. As the Company's implementation of this incentive plan was approved in the general meeting of shareholders, it was determined that 4.4 million shares of restricted shares were granted to 169 incentive participants who met the grant conditions at a grant price of RMB 17.5 per share on the grant date of October 14, 2019. The total expense of equity-settled share-based payments amounted to RMB 17,576,543.48, in which RMB 16,084,702.84 were recognized in the capital reserve and RMB 1,491,840.64 were charged to the amount attributable to minority interests.

56. Treasury shares

Applicable N/A

57. Other comprehensive income

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Amount recognized in the current period | | | | | | Closing balance |
|--|-----------------|---|---|--|--------------------------|--|---|-----------------|
| | | Amount incurred for current period before tax | Less: Amount previously included in other comprehensive income and transferred to profit or loss for the period | Less: Amount previously included in other comprehensive income and transferred to retained earnings for the period | Less: Income tax expense | Attributable to owners of the parent company after tax | Attributable to minority shareholders after tax | |
| I. Other comprehensive income that cannot be reclassified subsequently to profit or loss | | | | | | | | |
| II. Other comprehensive income that will be reclassified to profit or loss | 3,287,063.85 | 1,013,815.20 | | | | 1,013,815.20 | 25,835.37 | 4,300,879.05 |
| Including: Other comprehensive income that will be reclassified to profit or loss | | -135,706.31 | | | | -135,706.31 | | -135,706.31 |

| | | | | | | | | |
|---|--------------|--------------|--|--|--|--------------|-----------|--------------|
| under the equity method | | | | | | | | |
| Exchange differences on translation of financial statements denominated in foreign currencies | 3,287,063.85 | 1,149,521.51 | | | | 1,149,521.51 | 25,835.37 | 4,436,585.36 |
| Total other comprehensive income | 3,287,063.85 | 1,013,815.20 | | | | 1,013,815.20 | 25,835.37 | 4,300,879.05 |

Other descriptions, including adjustments on transferring effective portion of cash flow hedges to amount upon initial recognition of the hedged item:

The other comprehensive income that will be reclassified to profit or loss under the equity method is the difference on translation of foreign currency financial statements on the basis of long-term equity investments of the Hong Kong subsidiary accounted for using the equity method during the period.

58. Special reserve

□ Applicable√ N/A

59. Surplus reserve

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|--|-----------------|----------|----------|-----------------|
| Statutory surplus reserve | 21,522,683.40 | | | 21,522,683.40 |
| Surplus reserve recovered through business combination involving entities under common control | 1,277,540.73 | | | 1,277,540.73 |
| Total | 22,800,224.13 | | | 22,800,224.13 |

Surplus reserve description, including changes in the current period and reasons for changes:

None

60. Retained profits

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Item | Current period | Last year |
|--|----------------|----------------|
| Retained profits at the end of prior period before adjustment | 288,975,820.29 | 112,623,054.78 |
| Total adjusted retained profits at the beginning of the period (Add:+; Less:-) | 1,278,734.88 | |
| Retained profits at the beginning of the period after adjustment | 290,254,555.17 | 112,623,054.78 |
| Add: Net profit attributable to owners of the Parent Company for the period | 14,327,442.96 | 186,457,276.71 |
| Less: Appropriation to statutory surplus reserve | | 10,104,511.20 |
| Appropriation to discretionary surplus reserve | | |
| Appropriation to general risk reserve | | |
| Declaration of dividends on ordinary shares | 33,866,580.83 | |
| Conversion of ordinary shares' dividends into share capital | | |
| Retained profits at the end of the period | 270,715,417.30 | 288,975,820.29 |

Details of adjustments to retained profits at the beginning of the period:

- 1) As a result of the retrospective adjustment of the Accounting Standards for Business Enterprises and related new regulations, retained profits at the beginning of the period were affected by RMB 1,278,734.88.
2. Retained profits at the beginning of the period were affected by RMB 0 due to changes in accounting policies.
3. Retained profits at the beginning of the period were affected by RMB 0 due to the correction of significant accounting errors.
4. Retained profits at the beginning of the period were affected by RMB 0 due to changes in the scope of consolidation resulting from business combination involving entities under common control.

5. Retained profits at the beginning of the period were affected by RMB 0 in total due to other adjustments.

61. Operating income and operating costs

(1). Description of operating income and operating costs

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | | Amount for the prior period | |
|---------------|-------------------------------|----------------|-----------------------------|----------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 716,025,207.34 | 529,787,789.94 | 853,356,964.84 | 511,757,903.12 |
| Total | 716,025,207.34 | 529,787,789.94 | 853,356,964.84 | 511,757,903.12 |

(2). Description of incomes from contracts

Applicable N/A

(3). Description of performance obligations

Applicable N/A

(4). Description of allocation to remaining performance obligations

Applicable N/A

Other description:

None

62. Taxes and levies

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|---------------------------------------|-------------------------------|-----------------------------|
| City maintenance and construction tax | 854,951.57 | 1,975,668.74 |
| Education surcharges | 378,217.31 | 854,233.24 |
| Local education surcharges | 248,054.96 | 561,364.18 |
| Others | 848,486.72 | 945,684.82 |
| Total | 2,329,710.56 | 4,336,950.98 |

Other description:

None

63. Sales expenses

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|---|-------------------------------|-----------------------------|
| Employee benefits | 23,380,108.03 | 25,006,899.21 |
| Business travel expenses | 650,816.90 | 2,972,256.98 |
| Business entertainment expenses | 344,196.59 | 1,217,757.65 |
| Marketing fees | 11,258,761.35 | 15,155,417.35 |
| Advertising costs and business publicity expenses | 2,025,841.22 | 3,340,057.79 |
| After-sale repair expenses | 7,335,750.91 | 4,797,990.08 |
| Other expenses | 5,838,419.50 | 8,095,110.78 |
| Total | 50,833,894.50 | 60,585,489.84 |

Other description:

None

64. Administration expenses

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|------------------------------------|-------------------------------|-----------------------------|
| Employee benefits | 27,739,712.49 | 33,954,968.02 |
| Rent expense | 3,676,664.67 | 8,124,328.18 |
| Service fees | 17,562,845.34 | 2,764,441.73 |
| Depreciation and amortization fees | 8,228,493.80 | 7,371,168.39 |
| Share-based payment expenses | 17,576,543.47 | |
| Other expenses | 3,029,397.32 | 6,562,831.90 |
| Total | 77,813,657.09 | 58,777,738.22 |

Other description:

None

65. R&D expenses

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|------------------------------------|-------------------------------|-----------------------------|
| Employee benefits | 54,917,336.45 | 52,557,555.42 |
| Material consumption expenses | 9,045,544.84 | 10,978,567.36 |
| Rent expense | 4,614,423.44 | 5,519,043.68 |
| Service fees | 2,313,102.75 | 6,105,287.85 |
| Depreciation and amortization fees | 6,299,814.11 | 4,291,396.67 |
| Testing expenses | 1,963,709.91 | 2,564,033.45 |
| Patent fees | 4,325,481.23 | 4,412,009.53 |
| Other expenses | 3,816,038.02 | 2,881,595.84 |
| Total | 87,295,450.75 | 89,309,489.80 |

Other description:

None

66. Financial expenses

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|-------------------------|-------------------------------|-----------------------------|
| Interest expenses | 11,612,825.87 | 18,267,758.92 |
| Less: Interest income | -4,618,971.33 | -2,986,857.28 |
| Exchange profit or loss | 189,748.99 | 1,440,004.41 |
| Bank service charges | 854,087.51 | 636,733.64 |
| Total | 8,037,691.04 | 17,357,639.69 |

Other description:

None

67. Other income

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|-------------------------------------|-------------------------------|-----------------------------|
| Government grants related to assets | 17,881.98 | 2,000,000.00 |
| Government grants related to income | 31,357,361.04 | 15,417,109.11 |
| Additional deduction of input VAT | 1,546,791.95 | |
| Total | 32,922,034.97 | 17,417,109.11 |

Other description:

Government grants recognized in other income in the current period are disclosed in VII.84 of Section X in details.

68. Investment income

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|--|-------------------------------|-----------------------------|
| Long-term equity investment accounted for using the equity method | 901,894.80 | -3,460,616.55 |
| Investment income from disposal of financial assets at fair value through profit or loss | 10,824,793.71 | |
| Total | 11,726,688.51 | -3,460,616.55 |

Other description:

None

69. Income from net exposure hedges Applicable N/A**70. Gains from changes in fair values** Applicable N/A**71. Losses of credit impairment** Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|-----------------|-------------------------------|-----------------------------|
| Bad debt losses | 2,170,106.96 | -761,760.88 |
| Total | 2,170,106.96 | -761,760.88 |

Other description:

None

72. Impairment losses of assets Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|--|-------------------------------|-----------------------------|
| 2. Losses of decline in value of inventories and losses of contract performance cost | -12,109,681.09 | -1,379,296.10 |
| Total | -12,109,681.09 | -1,379,296.10 |

Other description:

None

73. Gains on disposal of assets Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|-----------------------------|-------------------------------|-----------------------------|
| Gains on disposal of assets | 149,620.91 | |
| Total | 149,620.91 | |

Other description:

 Applicable N/A**74. Non-operating income** Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period | Amount included in non-recurring profit or loss for the period |
|--|-------------------------------|-----------------------------|--|
| Gains from damage and retirement of non-current assets | 8,412.77 | | 8,412.77 |

| | | | |
|----------------------------------|------------|--------------|------------|
| Amounts not required for payment | 4,200.00 | 818,292.07 | 4,200.00 |
| Indemnity | 252,001.08 | 1,500,000.00 | 252,001.08 |
| Others | 6,001.63 | 11,883.77 | 6,001.63 |
| Total | 270,615.48 | 2,330,175.84 | 270,615.48 |

Government grants included in profit or loss for the period

Applicable N/A

Other description:

Applicable N/A

75. Non-operating expenses

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period | Amount included in non-recurring profit or loss for the period |
|---|-------------------------------|-----------------------------|--|
| External donations | 563,138.63 | | 563,138.63 |
| Losses from damage and retirement of non-current assets | 140,563.32 | 816,871.91 | 140,563.32 |
| Penalties and overdue fines | 1,000.00 | 214,462.77 | 1,000.00 |
| Others | 36,000.00 | | 36,000.00 |
| Total | 740,701.95 | 1,031,334.68 | 740,701.95 |

Other description:

None

76. Income tax expense

(1) Statement of income tax expense

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|--|-------------------------------|-----------------------------|
| Income tax expense in the current period | 7,761,319.12 | 36,244,557.63 |
| Deferred income tax expenses | -5,067,377.70 | -3,104,343.89 |
| Total | 2,693,941.42 | 33,140,213.74 |

(2) Reconciliation of income tax expenses to the accounting profit

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period |
|--|-------------------------------|
| Total profit | -5,684,302.75 |
| Income tax expense calculated based on statutory/applicable tax rate | -852,645.41 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | -4,137,384.06 |
| Effect of adjustment on income tax for the period | -295,268.25 |
| Effect of non-taxable income | -470,704.61 |
| Effect of non-deductible cost, expense and loss | 1,808,156.04 |
| Effect of utilizing deductible loss not recognized for deferred tax assets for prior period | |
| Effect of deductible temporary difference or deductible loss not recognized for deferred tax | 6,641,787.71 |

| | |
|-------------------------------|--------------|
| assets for the current period | |
| Income tax expense | 2,693,941.42 |

Other description:

Applicable N/A

77. Other comprehensive income

Applicable N/A

Other comprehensive income net of tax has been disclosed in VII.57 of Section X in details.

78. Items in cash flow statement

(1). Other cash receipts relating to operating activities

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|--|-------------------------------|-----------------------------|
| Government grants | 29,527,428.69 | 18,030,440.03 |
| Non-operating income | 258,002.71 | 1,513,303.93 |
| Interest income | 4,618,971.33 | 2,986,857.28 |
| Other monetary funds-margins | 20,402,679.86 | 24,642,060.94 |
| Bank deposits-frozen funds due to litigation | 10,000,000.00 | |
| Receivables and payables | 16,463,315.13 | 5,699,366.68 |
| Total | 81,270,397.72 | 52,872,028.86 |

Description of other cash receipts relating to operating activities:

None

(2). Other cash payments relating to operating activities

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|--|-------------------------------|-----------------------------|
| Sales expenses, administrative and R&D expenses paid in cash | 67,811,667.43 | 84,083,929.16 |
| Financial expenses paid in cash | 854,087.51 | 636,733.64 |
| Non-operating expenses | 600,138.63 | 214,462.77 |
| Other monetary funds-margins | 27,484,998.92 | 18,134,123.73 |
| Receivables and payables | 3,395,213.71 | 5,247,143.62 |
| Total | 100,146,106.20 | 108,316,392.92 |

Description of other cash payments relating to operating activities:

None

(3). Other cash receipts relating to investing activities

Applicable N/A

(4). Other cash payments relating to operating activities

Applicable N/A

(5). Other cash receipts relating to financing activities

Applicable N/A

(6). Other cash payments relating to financing activities

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|------------------------------|-------------------------------|-----------------------------|
| Share-based payment expenses | 22,587.36 | |
| Issue expenses | | 3,570,350.00 |
| Total | 22,587.36 | 3,570,350.00 |

Description of other cash payments relating to financing activities:

None

79. Supplementary information to the cash flow statement**(1) Supplementary information to the cash flow statement**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Supplementary information | 2019 | 2018 |
|---|-----------------|----------------|
| 1. Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | -8,378,244.17 | 91,205,816.19 |
| Add: Provision for impairment of assets | 12,109,681.09 | 761,760.88 |
| Losses of credit impairment | -2,170,106.96 | 1,379,296.10 |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets | 47,418,126.65 | 37,653,612.42 |
| Amortization of use right assets | | |
| Amortization of intangible assets | 7,660,838.99 | 7,226,875.32 |
| Amortization of long-term prepaid expenses | 3,409,529.26 | 1,346,577.20 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “—”) | -149,620.91 | 816,871.91 |
| Losses on retirement of fixed assets (gains are indicated by “—”) | 132,150.55 | |
| Losses on changes in fair values (gains are indicated by “—”) | | |
| Financial expenses (income is indicated by “—”) | 11,802,574.86 | 19,707,763.33 |
| Investment losses (income is indicated by “—”) | -11,726,688.51 | 3,460,616.55 |
| Decrease in deferred tax assets (increase is indicated by “-”) | -5,071,725.84 | -3,104,697.63 |
| Increase in deferred tax liabilities (decrease is indicated by “-”) | | |
| Decrease in inventories (increase is indicated by “—”) | -142,500,844.11 | -91,143,123.90 |
| Decrease in receivables from operating activities (increase is indicated by “—”) | 67,912,872.37 | -22,249,801.57 |
| Increase in payables from operating activities (decrease is indicated by “—”) | 64,980,975.06 | -61,604,980.32 |
| Others | 17,576,543.47 | |
| Net cash flow from operating activities | 63,006,061.80 | -14,543,413.52 |
| 2. Significant investing and financing activities that do not involve cash receipts and payments: | | |
| Conversion of debt into capital | | |
| Convertible corporate bonds due within one year | | |
| Fixed assets acquired under finance leases | | |

| | | |
|---|-----------------|----------------|
| 3. Net changes in cash and cash equivalents: | | |
| Closing balance of cash | 686,296,049.61 | 517,744,659.82 |
| Less: Opening balance of cash | 829,789,487.86 | 472,508,550.40 |
| Add: Closing balance of cash equivalents | | |
| Less: Opening balance of cash equivalents | | |
| Net increase in cash and cash equivalents | -143,493,438.25 | 45,236,109.42 |

(2) Net cash paid to acquire subsidiaries for the current period

□ Applicable√ N/A

(3) Net cash receipts from disposal of subsidiaries for the current period

□ Applicable√ N/A

(4) Composition of cash and cash equivalents

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| I. Cash | 686,296,049.61 | 829,789,487.86 |
| Including: Cash on hand | 3,189.12 | 3,348.57 |
| Bank deposit that can be paid at any time | 679,310,868.31 | 827,470,990.73 |
| Other monetary funds that can be paid at any time | 6,981,992.18 | 2,315,148.56 |
| Deposits in the Central Bank that can be used for payments | | |
| Deposits made with other banks | | |
| Placements with banks | | |
| II. Cash equivalents | | |
| Including: Investments in debt securities due within three months | | |
| | | |
| III. Closing balance of cash and cash equivalents | 686,296,049.61 | 829,789,487.86 |
| Including: Restricted cash and cash equivalents of the Parent Company or subsidiaries within the Group | | |

Other description:

√ Applicable□ N/A

In the cash flow statement, the following are excluded from the scope of cash equivalents: the margins of RMB 23,151,615.78 under restriction, the fund of RMB 20,000,000.00 frozen due to litigation.

80. Notes to items in the statement of changes in owners' equity

Describe matters such as the names and the adjustment amounts of the items included in "others" in respect of adjustments to the closing balances of the prior year:

□ Applicable√ N/A

81. Assets with limited ownership or use right

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance of carrying amount | Reason |
|------------------------|------------------------------------|--------------------------|
| Cash and bank balances | 23,151,615.78 | Margins |
| Bank deposits | 20,000,000.00 | Frozen due to litigation |
| Total | 43,151,615.78 | / |

Other description:

None

82. Foreign currency monetary items

(1). Foreign currency monetary items

√ Applicable □ N/A

Unit: Yuan

| Item | Closing balance of foreign currency | Exchange rate | Closing balance of RMB equivalent balance |
|------------------------|-------------------------------------|---------------|---|
| Cash and bank balances | - | - | 114,063,299.33 |
| Including: USD | 15,939,775.69 | 7.0795 | 112,845,641.99 |
| VND | 128,710,543.00 | 0.00030595 | 39,378.47 |
| HKD | 1,286,444.37 | 0.9134 | 1,175,089.75 |
| GBP | 365.96 | 8.7144 | 3,189.12 |
| Accounts receivable | - | - | 24,631,615.01 |
| Including: USD | 3,479,287.38 | 7.0795 | 24,631,615.01 |
| Short-term borrowings | - | - | 12,281,152.08 |
| Including: USD | 1,734,748.51 | 7.0795 | 12,281,152.08 |
| Accounts payable | - | - | 60,890,264.62 |
| Including: USD | 8,569,726.64 | 7.0795 | 60,669,379.75 |
| EUR | 27,745.87 | 7.9610 | 220,884.87 |
| Other receivables | - | - | 1,451,045.43 |
| Including: USD | 37,674.71 | 7.0795 | 266,718.11 |
| VND | 110,630,000.00 | 0.00030595 | 33,846.80 |
| HKD | 1,259,503.11 | 0.9134 | 1,150,480.52 |
| Other payables | - | - | 5,846,302.51 |
| Including: USD | 707,891.14 | 7.0795 | 5,011,515.30 |
| EUR | 64,845.30 | 7.9610 | 516,233.44 |
| HKD | 348,740.77 | 0.9134 | 318,553.77 |

Other description:

None

(2). **Description of overseas operating entities, including significant overseas operating entities, of which the major operation place, functional currency and choosing basis as well as the reason for change of functional currency should be disclosed**

□ Applicable √ N/A

83. Hedge

□ Applicable √ N/A

84. Government grants**1. Basic government grants**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Category | Amount | Item presented | Amount recognized in |
|----------|--------|----------------|----------------------|
|----------|--------|----------------|----------------------|

| | | | |
|---|---------------|-----------------|------------------------|
| | | | current profit or loss |
| Government grants related to assets | | Deferred income | 17,881.98 |
| Government grants related to income and used for compensation of the Company's relevant costs or losses in subsequent periods | 11,083,800.00 | Deferred income | 11,390,183.51 |
| Government grants related to income and used for compensation of the Company's relevant costs or losses that have been incurred | 19,967,177.53 | Other income | 19,967,177.53 |

Note: the amount refers to government grants actually received in the current period. The amount recognized in the profit or loss for the current period include the amount of government grants that is received in previous periods and recognized in the profit or loss for the current period.

2. Refund of government grants

Applicable N/A

Other description

None

85. Others

Applicable N/A

VIII. Changes in scope of consolidation

1. Business combination not involving enterprises under common control

Applicable N/A

2. Business combination involving entities under common control

Applicable N/A

3. Counter purchase

Applicable N/A

4. Disposal of subsidiaries

Single disposal of investments in subsidiaries, i.e. the loss of control

Applicable N/A

Other description:

Applicable N/A

Disposal of investment in a subsidiary through multiple transactions by steps with loss of control over the subsidiary in the current period

Applicable N/A

Package deal

Applicable N/A

Non-package deal

Applicable N/A

5. Changes in scope of consolidation for other reasons

Description of changes in the scope of consolidation for other reasons (e.g., new subsidiary establishment and subsidiary liquidation, etc.) and the relevant information:

Applicable N/A

1. Increased scope of combination

| Company | Method of obtaining equity | Time point of obtaining equity | Capital contribution (RMB) | Proportion of contribution |
|---|----------------------------|--------------------------------|----------------------------|----------------------------|
| Shenzhen Appotronics Display Device Co., Ltd. | Establishment | 2020-2-13 | 3,000,000.00 | 100.00% |

| | | | | |
|--------------------------------|---------------|-----------|------------|--------|
| WEMAX LLC | Establishment | 2020-3-17 | / | / |
| JOVEAI ASIA COMPANY LIMITED | Establishment | 2020-4-24 | 709,310.00 | 64.29% |

6. Others Applicable N/A

IX. Equity in other entities**1. Equity in subsidiaries****(1). Composition of enterprise group**

√ Applicable □ N/A

| Subsidiary Name | Principal operation place | Registration place | Business nature | Proportion of shareholding (%) | | Acquisition method |
|---|---------------------------|--------------------|--|--------------------------------|----------|--|
| | | | | Direct | Indirect | |
| Appotronics Timewaying (Beijing) Technology Co., Ltd. | Beijing | Beijing | Sales; technology development, consulting | 90.00 | | |
| Shenzhen Appotronics Software Technology Co., Ltd. | Shenzhen | Shenzhen | Technology development and sales of computer software and hardware | 100.00 | | |
| Beijing Orient Appotronics Technology Co., Ltd. | Beijing | Beijing | Technology promotion; computer systems, application software services | 59.00 | | |
| Shenzhen Appotronics Xiaoming Technology Co., Ltd. | Shenzhen | Shenzhen | Development, consultation and transfer of laser display technology | 100.00 | | Establishment |
| Fengmi (Beijing) Technology Co., Ltd. | Beijing | Beijing | Technology and software development | 55.00 | | Establishment |
| Shenzhen Appotronics Laser Display Technology Co., Ltd. | Shenzhen | Shenzhen | R&D and sales of laser display products | 100.00 | | Business combination involving entities under common control |
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | Beijing | Beijing | Research and development, production, sales and service of laser cinema projection equipment | 24.84 | 30.36 | Business combination involving entities under common control |
| Qingda Appotronics (Xiamen) Technology Co., Ltd. | Beijing | Xiamen | Information technology consulting services | 51.00 | | Establishment |
| Shenzhen Appotronics Laser Technology Co., Ltd. | Shenzhen | Shenzhen | Software development for semiconductor optoelectronic devices | 100.00 | | Establishment |
| Shenzhen Appotronics Home Line Technology Co., Ltd. | Shenzhen | Shenzhen | Software development related to semiconductor optoelectronic | 100.00 | | Establishment |

| | | | | | | |
|---|---------------|---------------|---|--------|--------|--|
| | | | products | | | |
| Appotronics Hong Kong Limited | Hong Kong | Hong Kong | Information technology consulting services | 100.00 | | Establishment |
| Appotronics USA, Inc. | USA | USA | R&D, manufacture and sales of semiconductor optoelectronic products | | 100.00 | Business combination involving entities under common control |
| Fabulus Technology Hong Kong Limited | Hong Kong | Hong Kong | R&D, manufacture and sales of screens | | 100.00 | Establishment |
| JoveAI Limited | Cayman Island | Cayman Island | No specific business conducted | | 64.29 | Establishment |
| JoveAI Innovation, Inc. | USA | USA | R&D of laser display software system | | 64.29 | Establishment |
| Appotronics Technology (Changzhou) Co., Ltd. | Changzhou | Changzhou | Technical research and development of projection equipment, screen and electronic computer. | 100.00 | | Establishment |
| FORMOVIE TECHNOLOGY INC | USA | USA | No specific business conducted | | 55.00 | Establishment |
| Shenzhen Appotronics Display Device Co., Ltd. | Shenzhen | Shenzhen | No specific business conducted | 100.00 | | Establishment |
| WEMAX LLC | USA | USA | Sale of laser equipment | | 100.00 | Establishment |
| JOVEAI ASIA COMPANY LIMITED | Vietnam | Vietnam | Technical research and development of projection equipment, screen and electronic computer. | | 64.29 | Establishment |

Description of the difference between the proportion of shareholding and the proportion of voting rights in a subsidiary:

None

Basis for holding half of the voting rights or below but still controlling the investee, and holding over half voting right but having no control over the investee:

None

Basis for controls over significant structured entities included in consolidation scope:

None

Basis to determine the company acts as the agent or the principal:

None

Other description:

None

(2). Significant non-wholly subsidiaries

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Subsidiaries | Shareholding by minority shareholders Percentage (%) | Profit or loss attributable to minority shareholders for the current period | Dividends declared for distribution to minority shareholders in the current period | Closing balance of minority interests |
|--------------|--|---|--|---------------------------------------|
| | | | | |

| | | | | |
|--|-------|----------------|--|----------------|
| Fengmi (Beijing) Technology Co., Ltd. | 45.00 | -4,688,356.17 | | -17,583,172.99 |
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | 44.80 | -15,518,003.49 | | 152,467,740.13 |

Description of the difference between the proportion of shareholding by minority shareholders and their proportion of voting rights in a subsidiary:

Applicable/ N/A

Other description:

Applicable/ N/A

(3). Significant financial information of significant non-wholly subsidiaries

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Subsidiaries | Closing balance | | | | | | Opening balance | | | | | |
|--------------|-----------------|--------------------|----------------|---------------------|-------------------------|-------------------|-----------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current Liabilities | Total Liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current Liabilities | Total Liabilities |
| Fengmi | 421,067,008.90 | 10,764,967.98 | 431,831,976.88 | 467,579,146.78 | 3,326,547.85 | 470,905,694.63 | 252,558,076.54 | 7,968,567.46 | 260,526,644.00 | 288,201,120.45 | 2,437,972.51 | 290,639,092.96 |
| CINEAPPO | 147,816,334.88 | 747,344,068.24 | 895,160,403.12 | 462,864,399.74 | 91,966,226.31 | 554,830,626.05 | 255,777,103.29 | 789,861,645.43 | 1,045,638,748.72 | 383,085,231.40 | 289,141,441.68 | 672,226,673.08 |

| Subsidiaries | Amount for the current period | | | | Amount for the prior period | | | |
|--------------|-------------------------------|----------------|----------------------------|-------------------------------------|-----------------------------|----------------|----------------------------|-------------------------------------|
| | Operating income | Net profit | Total comprehensive income | Cash flow from operating activities | Operating income | Net profit | Total comprehensive income | Cash flow from operating activities |
| Fengmi | 396,335,864.51 | -10,418,569.26 | -10,418,569.26 | 83,212,791.30 | 327,846,132.62 | -16,225,067.89 | -16,225,067.89 | -5,554,506.48 |
| CINEAPPO | 78,528,870.68 | -34,638,400.65 | -34,638,400.65 | 22,787,991.80 | 267,701,240.20 | 77,574,624.13 | 77,574,624.13 | 41,227,104.36 |

Other description: Due to the implementation of the new revenue standard, Fengmi (Beijing) Technology Co., Ltd. adjusted the opening balances on the balance sheet on a retrospective basis without adjusting comparable data.

(4). Significant limitations on use of the group assets and paying off the group debts: Applicable N/A**(5). Financial or other support provided to structured entities included in consolidated financial statements:** Applicable N/A

Other description:

 Applicable N/A**2. Changes of shares of owners' equity in subsidiaries but continue to remain control over transactions of subsidiaries** Applicable N/A**3. Equity in joint ventures or associates** Applicable N/A**(1). Significant associates or joint ventures** Applicable N/A

Unit: Yuan Currency: RMB

| Name of associates or joint ventures | Principal operation place | Registration place | Business nature | Proportion of shareholding (%) | | Accounting treatment method for investments in joint ventures and associates |
|--------------------------------------|---------------------------|------------------------|--|--------------------------------|----------|--|
| | | | | Direct | Indirect | |
| GDC Technology Limited (BVI) | Asia and North America | British Virgin Islands | R&D, production, and sale of digital cinema servers and cinema management system | | 36.00 | Accounting for under equity method |

Description of variances between shareholding ratio and the ratio of voting rights in joint ventures or associates:

None

Basis that the Company owns less than 20% voting rights but may exercise major impact, or that the

Company owns 20% or over voting rights but does not has major impact:

None

(2). Major financial information of significant joint ventures Applicable N/A**(3). Major financial information of significant associates** Applicable N/A

Unit: Yuan Currency: RMB

| | Closing balance/amount of this period | Opening balance/amount of last period |
|--|---------------------------------------|---------------------------------------|
| | GDC | GDC (note 2) |
| Current assets | 586,292,470.81 | 395,470,018.62 |
| Non-current assets | 249,809,120.86 | 435,956,015.86 |
| Total assets | 836,101,591.67 | 831,426,034.48 |
| Current liabilities | 629,982,428.50 | 365,525,438.62 |
| Non-current Liabilities | 19,357,179.51 | 283,701,219.95 |
| Total Liabilities | 649,339,608.01 | 649,226,658.57 |
| Minority interests | | |
| Interests attributable to shareholders of the parent company | 186,761,983.66 | 182,199,375.91 |

| | | |
|---|----------------|----------------|
| Share of net assets calculated by ownership percentage | 67,234,314.12 | 65,591,775.33 |
| Adjustment | 62,228,269.46 | 62,182,045.29 |
| --Goodwill | 62,182,045.29 | 62,182,045.29 |
| --Unrealized profits for inside transactions | | |
| --Others | 46,224.17 | |
| Carrying amount of investment of associate | 129,462,583.58 | 127,773,820.62 |
| Fair values of equity investments in associates having publicly quoted prices | | |
| Operating income | 44,845,312.70 | |
| Net profit | 2,142,306.37 | |
| Net profit of discontinued operations | | |
| Other comprehensive income | 2,565,157.07 | |
| Total comprehensive income | 4,707,463.44 | |
| Dividends received from associates in the current year | | |

Other description

Note 1: "Others" in the adjustment matters refer to the portion not belonging to the Company in the exchange differences for converting foreign currency-denominated statements of associates into RMB-denominated statements.

Note 2: The opening balance in respect of GDC is the recent unaudited data as of the recognition date (March 31, 2020), and the data on gains/losses from GDC during the period is the cumulated data from April to June.

(4). Summary financial information of insignificant joint ventures and associates

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| | Closing balance/2019 | Opening balance / 2018 |
|--|----------------------|------------------------|
| Associates: | | |
| Total carrying amount of investments | 138,692,410.29 | 139,534,371.94 |
| Total amounts calculated based on shareholding proportions | | |
| Opening book value | 139,534,371.94 | |
| --Net profit | 217,201.22 | -3,458,306.31 |
| --Other comprehensive income | -1,059,162.87 | -2,035,318.38 |
| --Total comprehensive income | -841,961.65 | -5,493,624.69 |

Other description

1、 The amount of other comprehensive income arise from the exchange difference on the translation of foreign currency statements due to different functional currencies in use by the investee and the investor enterprise, and the exchange difference on the translation of foreign currency statements of the investee.

2、 Basic information of associates:

| Associates | Principal operation place | Registration place | Business nature | Proportion of shareholding (%) | | Accounting treatment method for investments in joint ventures |
|------------|---------------------------|--------------------|-----------------|--------------------------------|----------|---|
| | | | | Direct | Indirect | |
| | | | | | | |

| | | | | | | |
|------------------|----------------|-----------|---------------------------|--|----|------------------------------------|
| | | | | | | and associates |
| Cinionic Limited | Europe and USA | Hong Kong | Sale of cinema projectors | | 20 | Accounting for under equity method |

(5). Descriptions of significant limitations over the ability of joint ventures or associates to transfer funds to the Company

Applicable N/A

(6). Excessive loss of joint venture or associates

Applicable N/A

(7). **Unrecognized commitment relating to investments in joint ventures**

Applicable N/A

(8). **Contingent liabilities relating to investments in joint ventures or associates**

Applicable N/A

4. Significant joint operations

Applicable N/A

5. Interests in structured entities that are not included in consolidated financial statements

Description of structured entities that are not included in consolidated financial statements:

Applicable N/A

6. Others

Applicable N/A

X. Risks associated with financial instruments

Applicable N/A

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyze its exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The Company is exposed to various risks associated with financial instruments in its daily routines, primarily including credit risk, liquidity risk and market risk. The management has reviewed and approved policies to manage these risks, summarized as below.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instrument will default on its obligations resulting in financial loss to the counterparty.

1. Management of credit risk

(1) Evaluation of credit risk

The Company assesses at each balance sheet date whether the credit risk of the underlying financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including quantitative and qualitative analysis based on historical data, ranking of external credit risks and forward-looking information. The Company compares the risk of a default occurring on a financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or a group of financial instruments with similar credit risk characteristic, to determine the change of the risk of a default occurring on a financial instrument over the expected life.

The Company considers the credit risk of financial instruments has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion primarily refers to a certain percentage of increase in the probability of default over the remaining life of the financial instruments as of the balance sheet date when comparing with that at initial recognition of the financial instruments;

2) The qualitative criteria includes, inter alia, adverse material changes in business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations, and an actual or expected significant adverse change in the technological, market, economic, or legal environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(2) Definition of defaulted or credit-impaired assets

A financial asset is defined as defaulted when the financial instrument meets one or more conditions stated as below, and the criteria of defining defaulted asset is consistent with that of defining credit-impaired asset:

1) significant financial difficulty of the debtor;

2) a breach of contract terms with binding force by the debtor;

3) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;

4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of ECL

Key parameters to measure ECL include the probability of default, loss given default and the exposure at default. The Company established models of the probability of default, loss given default and the exposure at default on the basis of qualitative analysis on historical statistical data (such as counterparty ranking, guarantee methods, collateral category, and repayment way) and forward-looking information.

3. Details of reconciliation of the opening balance and the closing balance of provision for impairment of financial instruments can refer to the description in VII 4, 5 and 8 of Section X.

4. Credit risk exposure and credit risk concentration

The Company's credit risk is primarily from cash and bank balances and receivables. In order to control the risks associated with aforementioned items, the Company has taken the following measures.

(1) Cash and bank balances

The credit risk of the Company is limited because the Company has deposited bank deposits and other monetary funds in banks with high credit ratings.

(2) Receivables

The Company regularly evaluates the creditworthiness of its customers with deals on credit, and selects to deal with approved and creditworthy customers subject to the results of the credit assessment with monitoring the balance of its receivables, so as to ensure that the Company is not exposed to significant risk of bad debt.

No collaterals are required since the Company only deals with third parties that are approved and creditworthy. The concentrated credit risks are managed by customers. As June 30, 2020, the Company faced certain credit concentration risks 74.40% (June 30, 2020) of the Company's accounts receivable comes from top 5 customers. The Company held no collateral or other credit ranking measures for the balance of accounts receivable.

The maximum exposure to the Company is the carrying amount of each financial asset in the balance sheet.

(II) Liquidity risk

Liquidity risk refers to the risk that the Company is in shortage of funds in performing obligations that are settled by delivering cash or another financial asset. Liquidity risk may arise from an inability to sell a financial asset at fair value as soon as possible, a counterparty's inability to pay its contractual liabilities, the accelerated maturity of liabilities, or an inability to generate expected cash flows.

In order to control this risk, the Company balances the continuity and flexibility of financing by using various financing measures such as notes settlement and bank loans comprehensively and adopting both long-term and short-term financing methods to optimize the financing structure. The Company has received credit facilities from a number of commercial banks to satisfy its working capital requirements and capital expenditures.

Financial liabilities classified by remaining maturity dates

| Item | Closing balance | | | | |
|----------------------------|-----------------|------------------------------|----------------|---------------|--------------|
| | Book value | Undiscounted contract amount | Within 1 year | 1-3 years | Over 3 years |
| Bank borrowings | 339,536,470.76 | 351,355,411.88 | 269,576,858.96 | 81,778,552.92 | |
| Notes payable | 126,525,026.22 | 126,525,026.22 | 126,525,026.22 | | |
| Accounts payable | 198,595,546.20 | 198,595,546.20 | 198,595,546.20 | | |
| Other payables | 42,106,615.24 | 42,106,615.24 | 42,106,615.24 | | |
| Long-term accounts payable | 3,539,750.00 | 3,539,750.00 | 3,539,750.00 | | |
| Sub-total | 710,303,408.42 | 722,122,349.54 | 640,343,796.62 | 81,778,552.92 | |

(Continued to above table)

| Item | Opening balance | | | | |
|----------------------------|-----------------|------------------------------|----------------|----------------|--------------|
| | Book value | Undiscounted contract amount | Within 1 year | 1-3 years | Over 3 years |
| Bank borrowings | 421,349,221.34 | 444,275,984.40 | 159,065,657.15 | 285,210,327.25 | |
| Notes payable | 37,335,841.79 | 37,335,841.79 | 37,335,841.79 | | |
| Accounts payable | 176,624,445.46 | 176,624,445.46 | 176,624,445.46 | | |
| Other payables | 14,364,076.43 | 14,364,076.43 | 14,364,076.43 | | |
| Long-term accounts payable | 3,488,100.00 | 3,488,100.00 | 3,488,100.00 | | |
| Sub-total | 653,161,685.02 | 676,088,448.08 | 390,878,120.83 | 285,210,327.25 | |

(III) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and currency risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because

of changes in market interest rates. The Company is exposed to the risk of fair value interest rate due to financial instruments with a fixed interest rate and to the risk of cash value interest rate due to financial instruments with a floating interest rate. The Company determines the proportion between the fixed-rate financial instruments and the floating-rate financial instruments based on market conditions, and maintains appropriate portfolios of financial instruments through regular review and monitoring. The cash flow interest rate risk exposed to the Company relates primarily to the Company's floating-rate interest-bearing bank borrowings.

As of June 30, 2020, the Company held bank loans of RMB 339,536,470.76 (December 31, 2019: RMB 420,240,038.66 Yuan) at floating rates. On the assumption that other variables remain unchanged, a change in the interest rate by 50 base points will not cause significant impact on the total profits and shareholders' equity of the Company.

2. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the currency risk is primarily associated with the Company's monetary assets and liabilities dominated in foreign currencies. The Company's exposure to the currency risk is primarily associated with the Company's monetary assets and liabilities dominated in foreign currencies. If the monetary assets and liabilities dominated in foreign currencies are imbalanced in a short time, the Company will purchase and sell foreign currencies at the market exchange rate to keep the net risk exposure acceptable.

The closing balance of the Company's monetary assets and liabilities dominated in foreign currencies are disclosed in VII.82 of Section X in details.

XI. Disclosure of fair value

1. The closing balance of the fair value of assets and liabilities measured at fair value

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Item | Closing balance of fair value | | | |
|--|-------------------------------|---------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| I. Continuous fair value measurement | | | | |
| (I) Held-for-trading financial assets | | | 495,000,000.00 | 495,000,000.00 |
| 1. Financial assets at fair value through profit or loss | | | 495,000,000.00 | 495,000,000.00 |
| (1) Investment in debt instrument | | | | |
| (2) Investment in equity instrument | | | | |

| | | | | |
|---|--|--|----------------|----------------|
| (3) Derivative financial assets | | | | |
| (4) Structural deposits | | | 495,000,000.00 | 495,000,000.00 |
| 2. Designated as financial assets at fair value through profit or loss | | | | |
| (1) Investment in debt instrument | | | | |
| (2) Investment in equity instrument | | | | |
| (II) Other debt investments | | | | |
| (III) Other equity instrument investments | | | 11,975,419.38 | 11,975,419.38 |
| (IV) Investment properties | | | | |
| 1. Land use right for leasing purpose | | | | |
| 2. Buildings leased | | | | |
| 3. Land use right held for the purpose of transfer after value appreciation | | | | |
| (V) Biological assets | | | | |
| 1. Consumable biological assets | | | | |
| 2. Bearer biological assets | | | | |
| | | | | |
| | | | | |
| Total assets continuously measured at fair value | | | 506,975,419.38 | 506,975,419.38 |
| (VI) Held-for-trading financial liabilities | | | | |
| 1. Financial liabilities at fair value through profit or loss | | | | |
| Including: Held-for-trading bonds issued | | | | |
| Derivative financial liabilities | | | | |
| Others | | | | |
| 2. Designated as financial liabilities at fair value through profit or loss | | | | |
| | | | | |
| | | | | |
| Total liabilities continuously measured at fair value | | | | |
| II. Non-continuous fair value measurement | | | | |
| (I) Held-for-sale assets | | | | |
| | | | | |
| | | | | |
| Total assets that are not continuously measured at fair value | | | | |
| | | | | |

| | | | | |
|---|--|--|--|--|
| | | | | |
| Total liabilities that are not continuously measured at fair value | | | | |

2. Basis for determining the market price of continuous and non-continuous level 1 fair value measurement items

Applicable N/A

3. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 2 fair value measurement items

Applicable N/A

4. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 3 fair value measurement items

Applicable N/A

The fair value of short-term wealth management products of banks is determined based on their par value. The fair value of investments in equity instruments is determined by using the cost as the best estimate, since such investments are unlisted equity investments that do not have quoted prices in active markets.

5. Reconciliation between opening and closing carrying amounts and sensitivity analysis of unobservable parameters for continuous level 3 fair value measurement items

Applicable N/A

6. Where transfers among levels occurred in the period, transfer reasons and policies for determining transfer time point for continuous fair value measurement items

Applicable N/A

7. Changes in valuation techniques in the period and reasons for changes

Applicable N/A

8. Fair value of financial assets and financial liabilities not measured at fair value

Applicable N/A

9. Others

Applicable N/A

XII. Related-party relationships and transactions

1. Parent of the Company

Applicable N/A

Unit: In RMB 0'000 RMB

| Name of the parent | Registration place | Business nature | Registered capital | Proportion of the Company's shares held by the parent (%) | Proportion of the Company's voting right held by the parent (%) |
|---|--------------------|---|--------------------|---|---|
| Shenzhen Appotronics Holdings Co., Ltd. | Shenzhen | R&D and sales of semiconductor products | 1,000 | 20.80 | 20.80 |

Description of the parent of the Company

None

The ultimate controlling party of the Company is LI Yi.

Other description:

None

2. Subsidiaries of the Company

Please refer to the Notes for details about the subsidiaries of the Company.

Applicable N/A

Please refer to the description in XII.2 of Section X for details about the subsidiaries of the Company.

3. Associates and joint ventures of the Company

Information of the significant joint ventures or associates of the Company are disclosed in the Annex.

Applicable N/A

Please refer to the description in XII.3 of Section X for the details about the major joint ventures or associates of the Company.

Details of other joint ventures or associates having related-party transactions and balances with the Company in the period or in prior periods:

Applicable N/A

| Name of associates or joint ventures | Relationship with the Company |
|--------------------------------------|--|
| GDC Technology Limited (BVI) | Enterprise with 36% equity interests held by the Company |
| Cinionic Limited | Enterprise with 20% equity interests held by the Company |

Other description

Applicable N/A

4. Other related parties of the Company

Applicable N/A

| Name of other related party | Relationship between other related party and the Company |
|---|---|
| Shenzhen YLX Technology Development Co., Ltd. | Controlled by the same de facto controller |
| Shenzhen Beviv Technology Co., Ltd. | holding more than 5% of shares in the company |
| Shenzhen Lighting Institute | Affiliates of the de facto controller |
| Shenzhen Fengye Investment Consulting Limited Partnership (LP) | Affiliates of the de facto controller |
| China Film Equipment Corporation and its affiliates | Minority shareholders holding more than 10% shares in the subsidiary and their affiliates |
| Xiaomi Communications Technologies Co., Ltd. and its affiliates | Minority shareholders holding more than 10% shares in the subsidiary and their affiliates |
| Beijing Donview Education Technology Co., Ltd. and its affiliates | Minority shareholders holding more than 10% shares in the subsidiary and their affiliates |

Other description

None

5. Related-party transactions**(1). Sales and purchase of goods, rendering and receipt of services**

Purchase of goods/receipt of services

Applicable N/A

Unit: Yuan Currency: RMB

| Related party | Subject matter | Amount for the current period | Amount for the prior period |
|---|--|-------------------------------|-----------------------------|
| China Film Equipment Corporation and its affiliates | Power supply, water cooling and services | 10,824,895.69 | 22,838,096.22 |
| Xiaomi Communications Technologies Co., Ltd. and its affiliates | Electronic components and services | 99,513,144.41 | 82,763,206.03 |

| | | | |
|---|---------------|----------------|----------------|
| Beijing Donview Education Technology Co., Ltd. and its affiliates | Service | 17,123.89 | 27,452.70 |
| GDC and its affiliates | Circuit board | 3,586,000.00 | 0.00 |
| Total | | 113,941,163.99 | 105,628,754.95 |

Sales of goods/rendering of services

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Related party | Subject matter | Amount for the current period | Amount for the prior period |
|---|---|-------------------------------|-----------------------------|
| China Film Equipment Corporation and its affiliates | Laser cinema projector light source and cinema services | 34,976,389.39 | 43,561,500.35 |
| Xiaomi Communications Technologies Co., Ltd. and its affiliates | Laser TV, smart mini projector | 254,631,263.83 | 259,366,426.80 |
| Beijing Donview Education Technology Co., Ltd. and its affiliates | Laser business education projector | 6,138,857.93 | 27,229,934.46 |
| CINIONIC | Laser light source | 35,973,430.61 | 53,450,024.46 |
| GDC and its affiliates | Laser light source parts | 13,274.34 | 0.00 |
| Sub-total | | 331,733,216.10 | 383,607,886.07 |

Description of sales and purchase of goods, rendering and receipt of services

□ Applicable √ N/A

(2). Details of trust with related parties/subcontracting and trust management/contract-issuing

Details of trust / contracting where a group entity is the trustor / main contractor:

□ Applicable √ N/A

Description of trust/subcontracting with related parties

□ Applicable √ N/A

Details of trust/contracting where a group entity is the trustor/main contractor:

□ Applicable √ N/A

Description of management/contract-issuing with related parties

□ Applicable √ N/A

(3). Leases with related parties

The Company as the lessor:

□ Applicable √ N/A

The Company as the lessee:

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Name of lessor | Type of leased assets | Lease fees recognized in the current period | Lease fees recognized in the prior period |
|---|-----------------------|---|---|
| China Film Equipment Corporation and its affiliates | Property lease | 835,379.65 | 1,118,156.20 |

Description of leases with related parties

□ Applicable √ N/A

(4). Guarantees with related parties

The Company as a guarantor:

□ Applicable √ N/A

The Company as a guaranteed party:

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Guarantor | Guaranteed amount | Inception date of guarantee | Expiry date of guarantee | Whether the obligation guaranteed has been discharged |
|--|-------------------|-----------------------------|--------------------------|---|
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 2,041,659.00 | 2018-1-17 | 2020-7-17 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 1,237,500.00 | 2018-3-26 | 2020-9-23 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 1,987,500.00 | 2018-3-26 | 2020-9-23 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 2,340,154.00 | 2018-4-25 | 2020-10-25 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 1,575,000.00 | 2018-6-1 | 2020-12-1 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 1,324,988.00 | 2018-6-27 | 2020-12-26 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 2,546,656.00 | 2018-8-17 | 2021-2-17 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 3,827,620.00 | 2018-9-27 | 2021-3-26 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 12,207,707.90 | 2018-11-1 | 2021-4-30 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 7,172,908.00 | 2018-11-30 | 2021-4-29 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 43,670,392.00 | 2018-12-19 | 2021-12-19 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 16,481,996.00 | 2018-12-19 | 2021-6-21 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 7,745,992.00 | 2018-12-29 | 2021-12-29 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 20,152,663.00 | 2019-1-30 | 2022-1-30 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 7,896,000.00 | 2019-3-1 | 2022-3-1 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 12,201,000.00 | 2019-3-1 | 2022-3-1 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 8,001,000.00 | 2019-3-29 | 2022-8-29 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 9,000,662.00 | 2019-5-9 | 2022-4-30 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 8,448,000.00 | 2019-6-4 | 2022-6-4 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 10,650,000.00 | 2019-7-8 | 2022-7-4 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 15,450,000.00 | 2019-7-29 | 2022-7-29 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 10,001,332.00 | 2019-8-21 | 2022-8-21 | No |
| Shenzhen YLX Technology Development Co., Ltd., LI Yi | 18,296,999.00 | 2019-9-18 | 2022-9-18 | No |

Description of guarantees with related parties

Applicable√ N/A

(5). Borrowings/loans with related parties

Applicable√ N/A

(6). Assets transfer/debt restructuring with related parties

□ Applicable√ N/A

(7). Compensation for key management personnel

√ Applicable□ N/A

Unit: In RMB 0'000 RMB

| Item | Amount for the current period | Amount for the prior period |
|---|-------------------------------|-----------------------------|
| Compensation for key management personnel | 657.82 | 682.63 |

(8). Other related-party transactions

□ Applicable√ N/A

6. Amounts due from / to related parties**(1). Amounts due from related parties**

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Item | Related party | Closing balance | | Opening balance | |
|---------------------|---|-----------------|-------------------------|-----------------|-------------------------|
| | | Carrying amount | Provision for bad debts | Carrying amount | Provision for bad debts |
| Accounts receivable | China Film Equipment Corporation and its affiliates | 1,320,333.26 | 81,543.92 | 17,494,326.54 | 874,716.33 |
| Accounts receivable | Beijing Donview Education Technology Co., Ltd. and its affiliates | 2,198.00 | 109.90 | 8,829,840.85 | 442,339.31 |
| Accounts receivable | Xiaomi Communications Technologies Co., Ltd. and its affiliates | 61,820,725.66 | 3,091,036.29 | 45,679,955.49 | 2,283,997.77 |
| Accounts receivable | CINIONIC | 10,072,422.34 | 503,621.12 | 24,298,258.08 | 1,214,912.90 |
| Sub-total | | 73,215,679.26 | 3,676,311.23 | 96,302,380.96 | 4,815,966.31 |
| Prepayments | GDC and its affiliates | 2,270,088.50 | | | |
| Prepayments | China Film Equipment Corporation and its affiliates | 2,678,466.27 | | 3,350,592.41 | |
| Sub-total | | 4,948,554.77 | | 3,350,592.41 | |
| Other receivables | China Film Equipment Corporation and its affiliates | 296,435.00 | 14,821.75 | 290,866.00 | 14,543.30 |
| Other receivables | Xiaomi Communications Technologies Co., Ltd. and its affiliates | 100,000.00 | 5,000.00 | 100,000.00 | 5,000.00 |
| Sub-total | | 396,435.00 | 19,821.75 | 390,866.00 | 19,543.30 |

(2). Amounts due to related parties

√ Applicable□ N/A

Unit: Yuan Currency: RMB

| Item | Related party | Closing balance of carrying amount | Opening balance of carrying amount |
|----------|--|------------------------------------|------------------------------------|
| Accounts | China Film Equipment Corporation and its | 7,787,327.81 | 11,595,819.93 |

| | | | |
|----------------------|---|--------------|---------------|
| payable | affiliates | | |
| Sub-total | | 7,787,327.81 | 11,595,819.93 |
| Receipts in advance | China Film Equipment Corporation and its affiliates | 1,082,606.56 | 15,407,937.54 |
| Sub-total | | 1,082,606.56 | 15,407,937.54 |
| Contract liabilities | China Film Equipment Corporation and its affiliates | 1,964,601.77 | 429,634.22 |
| Sub-total | | 1,964,601.77 | 429,634.22 |
| Other payables | China Film Equipment Corporation and its affiliates | | 9,645.00 |
| Sub-total | | | 9,645.00 |

7. Related party commitments

Applicable N/A

8. Others

Applicable N/A

XIII. Share-based payments

1. Summary of share-based payments

Applicable N/A

Unit: Share Currency: RMB

| | |
|--|--|
| Total number of the Company's equity instruments granted during the period | Restricted shares 4.4000 million shares |
| Total number of the Company's equity instruments executed during the period | None |
| Total number of the Company's equity instruments lapsed during the period | None |
| Range of exercise prices and remaining contractual life of the Company's share options outstanding at the end of the period | Granted on October 14, 2019 |
| Range of exercise prices and remaining contractual life of the Company's other equity instruments outstanding at the end of the period | grant price: RMB 17.50/share; remaining contractual life: 4/16/28 months |

Other description

None

2. Equity-settled share-based payments

Applicable N/A

Unit: Yuan Currency: RMB

| | |
|--|---------------------|
| The method of determining the fair value of equity instruments at the grant date | Open market quotes |
| The basis of determining the number of equity instruments expected to be executed | Actual grant amount |
| Reasons for the significant difference between the estimate in the current period and that in the prior period | None |
| Amounts of equity-settled share-based payments accumulated in capital reserve | 23,560,626.63 |
| Total expenses recognized arising from equity-settled share-based payments | 17,576,543.47 |

Other description

The difference between the the total expenses recognized by equity-settled share-based payments in the current period and the amount of share-based payments included in owners' equity arises from the exchange rate translation difference.

3. Cash-settled share-based payments

□ Applicable√ N/A

4. Modification to and termination of share-based payments

□ Applicable√ N/A

5. Others

□ Applicable√ N/A

XIV. Commitments and contingencies**1. Significant commitments**

√ Applicable□ N/A

Significant external commitments, and nature and amount thereof as of the balance sheet date

1. Significant lease contracts which the Company has entered into or will perform and their financial impacts are disclosed in the following table:

| No. | Rent address | Rent area(square meters) | Rent purpose | Rent period | Rent expense/year |
|-----|--|--------------------------|---|--|-------------------|
| 1 | 20/F, 21/F, 22/F, United Headquarter Building, High-Tech Zone, No. 63 Xuefu Road, Nanshan District, Shenzhen | 5,808.79 | Research and development, office administration | From May 1, 2018 to December 31, 2021 | 5,310,893.71 |
| 2 | 23/F, United Headquarter Building, High-Tech Zone, No. 63 Xuefu Road, Nanshan District, Shenzhen | 2,047.93 | Research and development, office administration | From February 1, 2020 to January 31, 2025 | 1,872,393.14 |
| 3 | Yaochuan Industrial Zone, Tangwei Community, Fuhai Street, Bao'an District, Shenzhen | 23,765.57 | Plant and dormitory | From December 1, 2018 to November 30, 2022 | 13,405,336.20 |
| 4 | Room101, 1/F, Building 22E, Phase III of Hong Kong Science and Technology Park | 1,138.25 | Office administration | From March 20, 2019 to March 19, 2022 | 3,354,004.80 |
| 5 | C1002, Building B6, Dongsheng Science & Technology Park, 66 West Xiaokou Road, Haidian District, Beijing | 998.39 | Research and development, office administration | From May 11, 2020 to May 10, 2021 | 1,706,605.80 |

2. Contingencies**(1). Significant contingencies as of the balance sheet date**

√ Applicable□ N/A

| Case No. | Cause of action | Plaintiffs | Defendants | Patents involved | Progress |
|----------------------------------|---|-------------------------|---|------------------|---------------|
| (2019) Yue 73 Zhi Min Chu No.663 | Infringement of patent rights of inventions | Delta Electronics, Inc. | Appotronics Corporation Limited; Futian SPN Projector & Video System Firm of Shenzhen | ZL201310017478.0 | Pending trial |
| (2019) Yue 73 Zhi Min | | | | ZL20310625063.1 | Pending trial |

| | | | | |
|--|--|---|------------------|------------------|
| Chu No.664 | | | | |
| (2019) Jing 73 Min Chu No.1275 | | | ZL201410249663.7 | Pending trial |
| (2019) Jing 73 Min Chu No. 1276 | | Fengmi (Beijing) Technology Co., Ltd.; Appotronics Corporation Limited | ZL201610387831.8 | Pending trial |
| (2019) Jing 73 Min Chu No. 1277 | | | ZL201310017478.0 | Pending trial |
| (2019) Jing 73 Min Chu No. 1278 | | | ZL201010624724.5 | Pending trial |

As of June 30, 2020, the Company has had RMB 20 million frozen a result of the above litigations. As of the date of this report, RMB 20 million involved under [2019] Yue 73 Zhi Min Chu No.s 663 and 664 has been released.

(2). Description shall also be provided even if the Company has no significant contingencies to be disclosed:

Applicable√ N/A

3. Others

Applicable√ N/A

XV. Events after the balance sheet date

1. Material non-adjusting event

Applicable√ N/A

2. Profit distribution

Applicable√ N/A

3. Sales return

Applicable√ N/A

4. Description of other events after the balance sheet date

Applicable√ N/A

XVI. Other significant events

1. Corrections of prior period errors

(1). Retrospective application

Applicable√ N/A

(2). Prospective application

Applicable√ N/A

2. Debt restructuring

Applicable√ N/A

3. Asset swap

(1). Exchange of non-monetary assets

Applicable√ N/A

(2). Other asset swap

Applicable√ N/A

4. Annuity plan Applicable N/A**5. Discontinued operations** Applicable N/A**6. Segment reporting**

(1). Determination basis and accounting policies of reporting segments

 Applicable N/A(2). **Financial information of reporting segments** Applicable N/A(3). **If the Company has no reporting segments, or cannot disclose the total assets and liabilities of reporting segments, specify the reasons** Applicable N/A

The Company has no reporting segments due to absence of diversified operations.

(4). **Other description:** Applicable N/A

Categorized by businesses and products:

Unit:

Yuan

| Project | Amount of the current period | | Amount of the prior period | |
|----------------|------------------------------|-------------------------|----------------------------|-------------------------|
| | Principal activity income | Principal activity cost | Principal activity income | Principal activity cost |
| Sales | 687,172,378.00 | 485,666,508.20 | 646,147,276.73 | 444,567,381.82 |
| Lease service | 27,433,018.22 | 42,549,487.82 | 198,853,981.12 | 59,785,111.50 |
| Other business | 1,419,811.12 | 1,571,793.92 | 8,355,706.99 | 7,405,409.80 |
| Sub-total | 716,025,207.34 | 529,787,789.94 | 853,356,964.84 | 511,757,903.12 |

Categorized by regions:

Unit:

Yuan

| Project | Amount of the current period | | Amount of the prior period | |
|-----------|------------------------------|-------------------------|----------------------------|-------------------------|
| | Principal activity income | Principal activity cost | Principal activity income | Principal activity cost |
| Domestic | 640,139,114.14 | 503,435,571.70 | 771,763,293.59 | 483,942,730.42 |
| Overseas | 75,886,093.20 | 26,352,218.24 | 81,593,671.25 | 27,815,172.70 |
| Sub-total | 716,025,207.34 | 529,787,789.94 | 853,356,964.84 | 511,757,903.12 |

7. Other significant transactions and matters having an impact on the decisions of investors Applicable N/A**8. Others** Applicable N/A

XVII. Notes to key items in the Parent Company's financial statements**1. Accounts receivable****(1). Disclosure by aging**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Aging | Closing balance of carrying amount |
|---|------------------------------------|
| Within 1 year | |
| Including: Subitems within 1 year | |
| Others | 16,147,768.10 |
| Group of receivables from related parties in the scope of consolidation | 341,024,873.57 |
| Sub-total of items within 1 year | 357,172,641.67 |
| 1 to 2 years | 25,404,808.35 |
| 2 to 3 years | 49,366.65 |
| Over 3 years | |
| Total | 382,626,816.67 |

(2). Disclosure by categories of provision for bad debts

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|--|-----------------|----------------|-------------------------|-----------------------------|----------------|-----------------|----------------|-------------------------|-----------------------------|----------------|
| | Carrying amount | | Provision for bad debts | | Book value | Carrying amount | | Provision for bad debts | | Book value |
| | Amount | Proportion (%) | Amount | Proportion of provision (%) | | Amount | Proportion (%) | Amount | Proportion of provision (%) | |
| Provision for bad debts made individually | | | | | | | | | | |
| Including: | | | | | | | | | | |
| Provision for bad debts made by group | 382,626,816.67 | 100.00 | 1,310,771.73 | 0.34 | 381,316,044.94 | 296,895,698.30 | 100.00 | 1,279,338.67 | 0.43 | 295,616.67 |
| Including: | | | | | | | | | | |
| Group of aging | 18,111,934.75 | 4.73 | 1,310,771.73 | 7.24 | 16,801,163.02 | 17,257,141.02 | 5.81 | 1,279,338.67 | 7.41 | 15,977,824.35 |
| Combination of related parties in the scope of consolidation | 364,514,881.92 | 95.27 | | | 364,514,881.92 | 279,638,557.28 | 94.19 | | | 279,638,557.28 |
| Total | 382,626,816.67 | 100.00 | 1,310,771.73 | 0.34 | 381,316,044.94 | 296,895,698.30 | 100.00 | 1,279,338.67 | 0.43 | 295,616.67 |

Provision for bad debts made individually:

□ Applicable √ N/A

Provision for bad debts made by group:

√ Applicable □ N/A

Item by group: Group of aging

Unit: Yuan Currency: RMB

| Name | Closing balance | | |
|---------------|---------------------|-------------------------|-----------------------------|
| | Accounts receivable | Provision for bad debts | Proportion of provision (%) |
| Within 1 year | 16,147,768.10 | 807,388.40 | 5.00 |
| 1-2 years | 1,914,800.00 | 478,700.00 | 25.00 |
| 2-3 years | 49,366.65 | 24,683.33 | 50.00 |
| Total | 18,111,934.75 | 1,310,771.73 | 7.24 |

Recognition criterion to make the bad debt provision by group and explanation:

Applicable N/A

If a provision for bad debts of accounts receivable is made in accordance with the general model of ECL, please disclose relevant information subject to the disclosure of the bad debt provision for other receivables.

Applicable N/A

(3). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|---|-----------------|--------------------------------|----------------------|---------------------------|---------------|-----------------|
| | | Provision | Recovery or reversal | Write off or cancellation | Other changes | |
| Provision for bad debts made individually | | | | | | |
| Provision for bad debts made by group | 1,279,338.67 | 31,433.06 | | | | 1,310,771.73 |
| Total | 1,279,338.67 | 31,433.06 | | | | 1,310,771.73 |

Including significant amounts recovered or reversed from the current provision for bad debts:

Applicable N/A

(4). Accounts receivable actually canceled in the current period

Applicable N/A

(5). Top five closing balances of accounts receivable categorized by debtors

Applicable N/A

| Entity | Carrying amount | Proportion to the balance of accounts receivable(%) | Provision for bad debts |
|--|-----------------|---|-------------------------|
| Fengmi (Beijing) Technology Co., Ltd. | 244,410,569.50 | 63.88 | |
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | 61,166,154.66 | 15.99 | |
| Appotronics Hong Kong Limited | 46,266,620.95 | 12.09 | |
| Appotronics Technology (Changzhou) Co., Ltd. | 5,555,472.59 | 1.45 | |
| Qingda Appotronics (Xiamen) Technology Co., Ltd. | 4,243,723.75 | 1.11 | |
| Sub-total | 361,642,541.45 | 94.52 | |

(6). Accounts receivable derecognized due to transfer of financial assets

Applicable N/A

(7). Assets and liabilities arising from transfer of accounts receivable and continued involvement

Applicable N/A

Other description:

 Applicable N/A**2. Other receivables****Presented by items** Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | Opening balance |
|----------------------|-----------------|-----------------|
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 32,169,108.08 | 67,227,575.21 |
| Total | 32,169,108.08 | 67,227,575.21 |

Other description:

 Applicable N/A**Interest receivable****(1). Categories of interest receivable** Applicable N/A**(2). Significant interests overdue** Applicable N/A**(3). Provision for bad debts** Applicable N/A

Other description:

 Applicable N/A**(4). Dividends receivable** Applicable N/A**(5). Dividends receivable with significant amounts aged more than 1 year** Applicable N/A**(6). Provision for bad debts** Applicable N/A

Other description:

 Applicable N/A**Other receivables****(7). Disclosure by aging** Applicable N/A

Unit: Yuan Currency: RMB

| Aging | Closing balance of carrying amount |
|-----------------------------------|------------------------------------|
| Within 1 year | |
| Including: Subitems within 1 year | |
| Within 1 year | 13,729,992.78 |
| Sub-total of items within 1 year | 13,729,992.78 |
| 1 to 2 years | 17,698,419.15 |
| 2 to 3 years | 441,715.69 |
| Over 3 years | 675,637.60 |
| Total | 32,545,765.22 |

(8). Categories by the nature of the amount Applicable N/A

Unit: Yuan Currency: RMB

| Nature of receivables | Closing balance of carrying amount | Opening balance of carrying amount |
|-----------------------------|------------------------------------|------------------------------------|
| Deposits/margins/petty cash | 7,342,161.24 | 6,343,792.67 |
| Withholding | | 650,484.24 |

| | | |
|--|---------------|---------------|
| Receivables from related parties in the scope of consolidation | 25,012,622.34 | 60,540,712.71 |
| Temporary receivables | 190,981.64 | 10,289.71 |
| Total | 32,545,765.22 | 67,545,279.33 |

(9). Provision for bad debts

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Provision for bad debts | Stage I | Stage II | Stage III | Total |
|---|----------------------------|--|---------------------------------------|------------|
| | 12-month ECL in the future | Lifetime ECL (without credit impairment) | Lifetime ECL (with credit impairment) | |
| Balance as at January 1, 2020 | 317,704.12 | | | 317,704.12 |
| Balance as at January 1, 2020 in the current period | | | | |
| --transferred to Stage II | | | | |
| --transferred to Stage III | | | | |
| --reversed to Stage II | | | | |
| --reversed to Stage I | | | | |
| Provision | 58,953.02 | | | 58,953.02 |
| Reversal | | | | |
| Write-off | | | | |
| Cancellation | | | | |
| Other changes | | | | |
| Balance as at June 30, 2020 | 376,657.14 | | | 376,657.14 |

Description of significant changes in the balance of other receivables with changed provisions for losses in the current period:

□ Applicable √ N/A

Basis for recognizing the amount of bad debt provisions and evaluating whether the credit risk of financial instruments has been increased significantly in the current period:

□ Applicable √ N/A

(10). Provision for bad debts

√ Applicable □ N/A

Unit: Yuan Currency: RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|---------------------------------------|-----------------|--------------------------------|----------------------|---------------------------|---------------|-----------------|
| | | Provision | Recovery or reversal | Write off or cancellation | Other changes | |
| Provision for bad debts made by group | 317,704.12 | 58,953.02 | | | | 376,657.14 |
| Total | 317,704.12 | 58,953.02 | | | | 376,657.14 |

Including significant amounts recovered or reversed from the current provision for bad debts:

□ Applicable √ N/A

(11). Other receivables actually canceled in the current period

□ Applicable √ N/A

Description of other receivables cancellation:

Applicable N/A

(12). **Top five closing balances of other receivables categorized by debtors**

Applicable N/A

Unit: Yuan Currency: RMB

| Entity | Nature of other receivables | Closing balance | Aging | Proportion to the balance of other receivables (%) | Provision for bad debts Closing balance |
|---|-----------------------------|-----------------|-------------------------------------|--|---|
| Shenzhen Apptronics Laser Display Technology Co., Ltd. | Internal transaction | 13,969,500.00 | Within 1 year and 1-2 years | 42.92 | |
| Fengmi (Beijing) Technology Co., Ltd. | Internal transaction | 10,621,938.36 | Within 1 year | 32.64 | |
| Shenzhen Meisheng Industry Co., Ltd. | Supplier deposit | 3,574,618.00 | 1-2 years | 10.98 | 178,730.90 |
| China Securities Depository and Clearing Co., Ltd. Shanghai Branch (settlement reserve) | Supplier security | 2,000,000.00 | Within 1 year | 6.15 | 100,000.00 |
| Shenzhen Science and Technology Assessment Management Center | Supplier deposit | 1,257,075.20 | Within 1 year, 1-2 years, 2-3 years | 3.86 | 62,853.76 |
| Total | | 31,423,131.56 | | 96.55 | 341,584.66 |

(13). **Accounts receivable involving government grants**

Applicable N/A

(14). **Other receivables derecognized due to transfer of financial assets**

Applicable N/A

(15). **Assets and liabilities arising from transfer of other receivables and continued involvement**

Applicable N/A

Other description:

Applicable N/A

3. **Long-term equity investments**

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Closing balance | | | Opening balance | | |
|-----------------------------|-----------------|--------------------------|----------------|-----------------|--------------------------|----------------|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Investments in subsidiaries | 439,528,444.09 | 45,885,284.27 | 393,643,159.82 | 303,680,560.40 | 45,885,284.27 | 257,795,276.13 |
| Total | 439,528,444.09 | 45,885,284.27 | 393,643,159.82 | 303,680,560.40 | 45,885,284.27 | 257,795,276.13 |

(1) **Investments in subsidiaries**

Applicable N/A

Unit: Yuan Currency: RMB

| Investees | Opening | Increase | Decrease | Closing | Provision | Closing |
|-----------|---------|----------|----------|---------|-----------|---------|
|-----------|---------|----------|----------|---------|-----------|---------|

| | balance | | | balance | for impairment | balance of provision for impairment |
|---|----------------|----------------|--|----------------|-------------------|--|
| Appotronics Timewaying (Beijing) Technology Co., Ltd. | 27,000,000.00 | | | 27,000,000.00 | | 27,000,000.00 |
| Shenzhen Appotronics Software Technology Co., Ltd. | 516,813.05 | 972,563.80 | | 1,489,376.85 | | |
| Beijing Orient Appotronics Technology Co., Ltd. | 5,900,000.00 | | | 5,900,000.00 | | |
| Fengmi (Beijing) Technology Co., Ltd. | 28,203,950.93 | 1,457,301.95 | | 29,661,252.88 | | 6,057,491.48 |
| Shenzhen Appotronics Laser Display Technology Co., Ltd. | 18,966,857.26 | | | 18,966,857.26 | | |
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | 30,767,063.78 | 1,556,102.08 | | 32,323,165.86 | | |
| Qingda Appotronics (Xiamen) Technology Co., Ltd. | 5,100,000.00 | | | 5,100,000.00 | | 827,792.79 |
| Shenzhen Appotronics Xiaoming Technology Co., Ltd. | 12,000,000.00 | | | 12,000,000.00 | | 12,000,000.00 |
| Appotronics Hong Kong Limited | 173,225,875.38 | 128,861,915.86 | | 302,087,791.24 | | |
| Appotronics Technology (Changzhou) Co., Ltd. | 2,000,000.00 | | | 2,000,000.00 | | |
| Shenzhen Appotronics Display Device Co., Ltd. | | 3,000,000.00 | | 3,000,000.00 | | |
| Total | 303,680,560.40 | 135,847,883.69 | | 439,528,444.09 | | 45,885,284.27 |

(2) Investments in associates and joint ventures

Applicable N/A

Other description:

Applicable N/A

4. Operating income and operating costs**(1). Description of operating income and operating costs**

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | | Amount for the prior period | |
|---------------|-------------------------------|----------------|-----------------------------|----------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 384,899,378.41 | 256,660,786.97 | 427,684,505.04 | 290,643,668.97 |
| Total | 384,899,378.41 | 256,660,786.97 | 427,684,505.04 | 290,643,668.97 |

(2). Description of incomes from contracts

Applicable N/A

(3). Description of performance obligations

Applicable N/A

(4). Description of allocation to remaining performance obligations

Applicable N/A

Other description:

None

5. Investment income

Applicable N/A

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the prior period |
|--|-------------------------------|-----------------------------|
| Investment income from disposal of long-term equity investments | | -64,542.33 |
| Investment income from disposal of held-for-trading financial assets | 10,824,793.71 | |
| Total | 10,824,793.71 | -64,542.33 |

Other description:

None

6. Others

Applicable N/A

XVIII. Supplementary information**1. Breakdown of non-recurring profit or loss for the current period**

Applicable N/A

Unit: 元 Currency: 人民币

| Item | Amount | Description |
|--|---------------|-------------|
| Gain or loss on disposal of non-current assets | 45,940.33 | |
| 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) | 29,851,687.48 | |
| Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises involving | 11,655,728.28 | |

| | | |
|--|---------------|--|
| enterprises 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 | 10,824,793.71 | |
| Other non-operating income and expenses other than the above | -366,405.89 | |
| Other gains or losses meeting the definition of non-recurring profit or loss | | |
| | | |
| Effect of income tax | -5,513,728.59 | |
| Effects attributable to minority interests | -1,938,077.23 | |
| Total | 44,559,938.09 | |

It is required to specify the reason for defining items as non-recurring profit or loss items according to Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1—Non-recurring Profit or Loss, and reasons for defining non-recurring profit or loss items illustrated in Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1—Non-recurring Profit or Loss as recurring profit or loss items.

Applicable N/A

2. Return on net assets and earnings per share

Applicable N/A

| Profit for the reporting period | Weighted average return on net assets (%) | Earnings per share | |
|--|---|--------------------------|----------------------------|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to ordinary shareholders of the Company | 0.72 | 0.03 | 0.03 |
| Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | -1.52 | -0.07 | -0.07 |

2. Calculation process of weighted average return on net assets

| Item | No. | Amount of the current period |
|--|-------|------------------------------|
| Net profit attributable to ordinary shareholders of the Company | A | 14,327,442.96 |
| Non-recurring profit or loss | B | 44,559,938.09 |
| Net profits after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | C=A-B | -30,232,495.13 |
| Opening balance of net assets attributable to ordinary shareholders of the Company | D | 1,975,838,572.52 |
| Net assets increased due to issue of new shares or debt-to-equity swap that are attributable to ordinary shareholders of the Company | E | |
| Accumulated months from the month following the addition of net assets to the end of the reporting period | F | |
| Net assets reduced by repurchases or cash dividends that are attributable to ordinary shareholders of the Company | G | 33,866,580.83 |

| | | | |
|--|--|--|------------------|
| Accumulated months from the month following the reduction of net assets to the end of the reporting period | | H | 1 |
| Others | Effect of share-based payments on net assets | I1 | 16,084,702.84 |
| | Accumulated months from the month following the addition or reduction of net assets to the end of the reporting period | J1 | 3 |
| | Effect of translation of financial statements denominated in foreign currencies on net assets | I2 | 1,013,815.20 |
| | Accumulated months from the month following the addition or reduction of net assets to the end of the reporting period | J2 | 3 |
| Months of reporting period | | K | 6 |
| Weighted average net assets | | $L = D + A/2 + E \times F/K - G \times H/K \pm I \times J/K$ | 1,985,907,122.88 |
| Weighted average return on net assets | | $M = A/L$ | 0.72% |
| Weighted average return on net assets after deduction of non-recurring profit or loss | | $N = C/L$ | -1.52% |

3. Calculation process of basic and diluted earnings per share

(1) Calculation process of basic earnings per share

| Item | No. | Amount of the current period |
|---|---|------------------------------|
| Net profit attributable to ordinary shareholders of the Company | A | 14,327,442.96 |
| Non-recurring profit or loss | B | 44,559,938.09 |
| Net profits after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | $C = A - B$ | -30,232,495.13 |
| Total shares at the beginning of the period | D | 451,554,411.00 |
| Shares increased from conversion of reserve into capital or share dividend distribution | E | |
| Shares increased due to issue of new shares or debt-to-equity swap | F | |
| Accumulated months from the month following the addition of shares to the end of the reporting period | G | |
| Reduced shares arising from repurchase | H | |
| Accumulated months from the month following the reduction of shares to the end of the reporting period | I | |
| Number of reduced shares during the reporting period | J | |
| Months of reporting period | K | 6 |
| Weighted average number of outstanding ordinary shares | $L = D + E + F \times G/K - H \times I/K - J$ | 451,554,411.00 |
| Basic earnings per share | $M = A/L$ | 0.03 |
| Basic earnings per share after deduction of non-recurring profit or loss | $N = C/L$ | -0.07 |

(2) Calculation process of diluted earnings per share

| Item | No. | Amount of the current period |
|------|-----|------------------------------|
|------|-----|------------------------------|

| | | |
|--|-------|----------------|
| Net profit attributable to ordinary shareholders of the Company | A | 14,327,442.96 |
| Effect of diluted potential ordinary shares on net profit | B | |
| Net profits after dilution attributable to ordinary shareholders of the Company | C=A-B | 14,327,442.96 |
| Non-recurring profit or loss | D | 44,559,938.09 |
| Net profits after dilution and deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | E=C-D | -30,232,495.13 |
| Weighted average number of outstanding ordinary shares | F | 451,554,411.00 |
| Weighted average number of ordinary shares added to warrants, share options, and convertible bonds, etc. | G | 1,336,784.26 |
| Weighted average number of outstanding ordinary shares after dilution | H=F+G | 452,891,195.26 |
| Diluted earnings per share | M=C/H | 0.03 |
| Diluted earnings per share after deduction of non-recurring profit or loss | N=E/H | -0.07 |

3. Differences in accounting data under Chinese Accounting Standards and Oversea Accounting Standards

Applicable N/A

4. Others

Applicable N/A

Section XI. List of Documents Available for Inspection

| | |
|--|--|
| List of Documents Available for Inspection | 1. <i>2020 Semiannual Financial Statements</i> with seals and signatures of the principal of the Company, the person in charge of the accounting body and the chief accountant |
| | 2. All original documents and announcements of the Company publicly disclosed in the websites designated by the Company as of the reporting period |
| | 3. The above-mentioned documents are prepared in: Office of the Board of Directors of Appotronics Corporation Limited |

Legal representative: BO Lianming

Approval for submission by the Board of Directors: August 25, 2020

Revision information

Applicable N/A