

Stock Code: 688007

Stock Short Name: Appotronics



Appotronics Corporation Limited

Annual Report 2019



Laser focus on our long-term success

Dear Shareholders,

The year of 2019 is a significant year for Appotronics. In July 2019, we became one of the first group of companies listed on the Shanghai Stock Exchange's Sci-Tech Innovation Board ("STAR Market"). The establishment of the STAR Market is a historic event of the Chinese capital market in the past 30 years, which will provide technical innovation driven companies, such as Appotronics, with a broader and high-quality development space through combining the advantages of technology and capital.

The outbreak of Covid-19 throughout the world in 2020 has brought significant and irrevocable changes to global economy, people's daily life and production activities. Facing the crisis, Appotronics believes that focusing on technical innovations, satisfying users' basic demands and seeking stable and long-run profits will be the effective approach to address the long-term social changes brought by the outbreak, and create higher value for our investors.

We released our first corporate social responsibility report along with this annual report. We believe that, by making unremitting efforts in technical innovations, we will create value for the society, provide better services to the public, and effectively fulfill the social responsibility as a corporate.

I. A review of our history: Basic technical innovations bring out long-term and valuable returns

Appotronics was incorporated in Shenzhen in 2006. Since its establishment, Appotronics has been focusing on the utilization of mature industry chain to create new laser display technology architecture, form our proprietary intellectual properties ("IP"), and master the design and manufacture technology of core devices. Through more than ten years' unremitting efforts, Appotronics has taken the lead in the world in overcoming the shortcomings of traditional laser display technology, including high cost, low reliability and inefficiency, invented the creative laser phosphor display architecture, and by giving full play to this disruptive technical advantage, successfully overcome the barriers for commercialization, and realized the driving forces of both technical innovation and industrialization.

- According to the Research Report on Chinese Laser Projector Market 2019 issued by AVC, blue laser + phosphor powder technology (ALPD® is a kind of such technology), as the mainstream light source technology, occupies 98.6% of the market share. The laser display industry is growing rapidly, and plays an important role in the upgrading and transformation of the manufacturing industry. As a new low energy-consumption display technology, laser display technology is developing vigorously and will provide a good opportunity for our development.

- Since its establishment, Appotronics has persevered in investing in patents and other IP rights. As of December 31, 2019, we had obtained 908 patents in total throughout the world, and had another 756 patents pending. ALPD® technology architecture patent of Appotronics, as a basic patent for the laser phosphor display route, has been quoted 416 times in the world. As a Leader Level Member of the Laser Illuminated Projector Association (LIPA), Appotronics has participated in and led the preparation of the international laser display standard.
- In the process of industrialization in the past ten years, the advantages of ALPD® technology have been gradually reflected in high-end applications and other fields of display application. Our revenue from ALPD® technology has grown rapidly from RMB 355 million in 2016 to nearly RMB 2 billion in 2019.
- Since the installation of the first ALPD® laser cinema projection system in the world in 2014, we have been promoting laser cinema projection technology in the world through cooperation with China Film and Barco of Belgium. At present, we take the lead in the field of laser cinema projection in the world. The C5 laser cinema projector launched in 2019 is not only the first Chinese product of the like passing DCI certification of the U.S. Digital Cinema Projection Association, but also the first laser cinema projector in the industry featuring non-manual operation, muteness, no machine room and low operating cost.
- Appotronics launched the first 100 inch laser TV in the world in cooperation with LG in 2013, and the first 100 inch laser TV with a selling price of less than RMB 10,000 in cooperation with Xiaomi in 2017. In 2019, Appotronics occupied more than 30% share of the laser TV market, ranking first in the industry, and launched a portable mini projector with a selling price of less than RMB 3,000 in cooperation with Xiaomi.

Through technical innovations, we enjoy unique opportunities as a pioneer. On the cinema projector market, we take the lead in offering “Laser as a service” in the industry. Under this “mode of laser light source lease”, the cinemas just need to pay rents according to the length of use, without needing to purchase light sources, which will help the cinemas not only effectively reduce equipment purchase costs, labor costs and maintenance costs, but also improve their market competitiveness through the high luminance, wide color gamut, high contrast and good picture quality and other technical advantages provided by the laser light source of Appotronics. On the other hand, it will provide Appotronics with a long-term and stable source of revenue, and promote the rapid application of ALPD® technology. As of the date of this report, Appotronics has supplied more than 17,000 sets of ALPD® laser projectors on the market, which have provided licensed services for more than 100 million hours in total.

II. Prospects for 2020: Live in the present and focus on business and talent development

The outbreak and spread of Covid-19 around the world in early 2020 has greatly affected the economy, especially the cinema and other sectors featuring gathering of crowds. We expect that our traditional laser projector business will be greatly affected for a long time, and other business will also be affected due to the global economic recession, so that the momentum of our rapid development may be hindered. Facing such severe challenges, we have taken the following measures:

- Just as before, we will continue to adhere to the pioneering spirit, maintain the streamlined structure even after the listing of the Company, and uphold the virtue of

saving and hard struggle, especially as the epidemic situation is still severe at present.

- We will enhance budget management, promptly make business analysis and adjust the relevant budgets according to the development of the epidemic situation, closely monitor the epidemic situation and adjust the relevant business plans in a timely manner. During this process, we will enhance information disclosures, so that the investors will fully understand our new strategies and be able to make their judgments on our business plans.
- We will take a more prudent approach toward employment and focus on those talents who have pioneering spirit and will give support to the long-term development of our core business. Just as before, we will continue to use share incentive rather than cash as the main incentive approach. We wish this approach will help us recruit more outstanding talents and enhance their sense of being the master of their own affairs.
- The completion of the IPO in 2019 laid a foundation for us to focus on business and talent development. In 2019, our operating income was about RMB 1.979 billion, up 42.82% year on year; the total assets reached RMB 3.1 billion, up 49.48% over the opening of the period; the net cash flows from operating activities were RMB 243 million, up 106.33% year on year; and the R&D expenses were RMB 202 million, up 48.60% year on year.

III. Turn crisis into opportunities in the future

The consumers always seek portable large screen display technology, which will not be changed by the epidemic situation. Even if the cinemas suffer a setback temporarily, after the epidemic situation is eased or resolved, the cinemas will open again. However, the video conference, online education and other new types of operation inspired by the epidemic situation enhance the consumers' expectation for large-screen and eye-care displays. Our ALPD® laser projector can effectively provide healthier large-screen and eye-care displays. The unexpected epidemic situation makes us be clearly aware of users' expectation for our laser projection technology.

Though the epidemic situation slows down the momentum of our rapid development in the past few years, we find that it provides us with a good opportunity to adjust resources. In the future, we will continue to listen to users' demands, and focus on technology development and services that can bring about long-term use value to users, rather than product development or marketing catering to short-term market demands. We believe this approach reflects the real customer-oriented concept, and we will bring about the best long-term returns for our investors through continuous technology development.

Through accumulation of technologies in the past ten years, we have become a technology leader in the industry. In comparison with our peers, we are stronger in technology development and enjoy the head start advantage. Now we will extremely focus on the target, just like laser. Though it seems that light is invisible and powerless, when plenty of light, such as laser, focuses on an object, it can shoot through hard steel. Therefore, we plan to do the following work:

- Continue to be committed to disruptive innovations. Appotronics has been committed to innovations in 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. We will continuously increase investments in technology reserves geared to the needs of the future, and improve and extend the core industry chain, so as to build a sound patent protection system.

- Focus on core devices. We will continuously strengthen our core device research, development and manufacturing capability, as we will be unable to greatly improve the performance of complete equipment without making breakthroughs in core devices and architectures. We will consolidate and increase our advantages in core devices, create the mode of open platform operation, and cooperate with the industrial circles to jointly make the laser display industry bigger and stronger, enrich the content of the industry, and expand the applications.
- Persevere in the development direction of “software + hardware + service”. In the future, we will be committed to providing better user experience and services to end users through in-depth hardware and software integration, based on “hard-core technology”, and supplemented by upgrading of software system. We will create a stable and long-run mode of profit increase through continuous product services.
- Fully respect to the emphasis on IP on the overseas market. We will expand our overseas business and market through creating value for users.

The year of 2020 starts a new decade, witnesses great changes, and will go down in history. Appotronics will continue to uphold the pioneering spirit, to face the unknown challenges.

Thanks to all shareholders and friends following Appotronics.

Make unremitting efforts as God rewards those who work hard. Let time become our friends.

LI Yi

Founder and Chairman of Appotronics

April 28, 2020

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 Annual Report is true, accurate and complete and this Annual Report is free from any misrepresentation, misleading statement or material omission, and agree to assume joint and several liability for this Annual 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. Pan-China Certified Public Accountants (Special General Partnership) issued a standard unqualified auditor’s report to the Company.

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

The Company’s profit distribution proposal for the year of 2019 is as follows: On the basis of the total share capital of the Company as at the record date for the dividend distribution for the year of 2019, the Company will distribute a cash dividend of RMB 0.75 per 10 shares (inclusive of tax) to all shareholders. On the basis of 451,554,411 shares of the Company as at December 31, 2019, RMB 33,866,580.83 of cash dividends is expected to be distributed in total (inclusive of tax). The Company will not capitalize the capital reserve or distribute bonus shares for the reporting period. The profit distribution proposal for the year of 2019 is subject to approval by the general meeting of shareholders of the Company.

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. Other information

Applicable N/A

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Section I Definitions

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
Yuanshi	means	Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP)
Appotronics Daye	means	Shenzhen Appotronics Daye Investment Partnership (LP)
Appotronics Deye	means	Shenzhen Appotronics Deye Consulting Partnership (LP)
Appotronics Hongye	means	Shenzhen Appotronics Hongye Investment Partnership (LP)
Blackpine	means	Blackpine Investment Corp. Ltd
Jinleijing	means	Shenzhen Jinleijing Investment Limited Partnership (LP)
Appotronics Chengye	means	Shenzhen Appotronics Chengye Consulting Partnership (LP)
Appotronics Holdings	means	Shenzhen Appotronics Holdings Limited
Jiayuan I	means	Huatai Appotronics Employee Stock Ownership Plan - Jiayuan I Collective Asset Management Plan
CINIONIC	means	Cinionic Limited (previously known as Barco Cineappo Limited)
China Film	means	China Film Co., Ltd.
CFEC	means	China Film Equipment Co. Ltd
DonView Digital	means	Beijing DonView Digital Technology Co., Ltd.
Tianjin Jinmi	means	Tianjin Jinmi Investment Partnership (LP)
WUXGA	means	Widescreen Ultra eXtended Graphics Array, a computer display mode, which provides a resolution of 1920×1200 pixels.

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

II. Contact person and contact information

	Board Secretary (Domestic representative for information disclosure)
Name	XIAO Yangjian
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. Media for information disclosure and place for keeping the annual reports

Designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Websites designated by the China Securities Regulation Commission for publishing the annual reports	www.sse.com.cn
Place for keeping the annual reports	Office of the Board of Directors

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	Appotronics	688007	N/A

	Exchange, STAR Market			
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(II) Depository receipts of the Company

□ Applicable √ N/A

V. Other related information

Domestic accounting firm appointed by the Company	Name	Pan-China Certified Public Accountants (Special General Partnership)
	Office address	9/F, No. 128 Xixi Road, Xihu District, Hangzhou, Zhejiang
	Accountants signing the report	YANG Kejing, ZOU Tiantian
Sponsor performing the duty of continuous supervision within the reporting period	Name	Huatai United Securities Co., Ltd.
	Office address	5/F (01A, 02, 03 and 04), 17A, 18A, 24A, 25A and 26A, Hong Kong China Travel Service Building, Central Plaza, Futian District, Shenzhen
	Sponsor representatives signing the report	ZHANG Guanfeng, QIN Lin
	Period of continuous supervision	From July 22, 2019 to December 31, 2022

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

In RMB

Main accounting data	2019	2018	% Change (2019 v 2018)	2017
Operating income	1,979,148,918.89	1,385,727,211.09	42.82	805,587,943.59
Net profit attributable to shareholders of the listed company	186,457,276.71	176,971,092.49	5.36	105,393,395.69
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss	134,218,640.96	165,011,362.18	-18.66	132,015,218.32
Net cash flows from operating activities	243,000,903.71	117,773,454.30	106.33	-115,179,556.79
	December 31, 2019	December 31, 2018	% Change (2019 v 2018)	December 31, 2017
Net assets attributable to shareholders of the listed company	1,974,559,837.64	715,913,478.56	175.81	70,572,171.92
Total assets	3,099,508,090.85	2,073,471,490.56	49.48	1,037,660,589.99

(II) Financial highlights

Financial highlights	2019	2018	% Change (2019 v 2018)	2017
Basic earnings per share (RMB/share)	0.45	0.73	-38.36	-
Diluted earnings per share (RMB/share)	0.45	0.73	-38.36	-
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.33	0.68	-51.47	-
Weighted average return on net assets (%)	14.84	41.25	-26.41 percentage points	197.26
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	10.68	38.49	-27.81 percentage points	531.94
Proportion of R&D expenses to operating income	10.19	9.79	+0.40 percentage points	11.58

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

√Applicable □ N/A

1. The increase in operating income by 42.82% year on year was primarily due to the increase in revenue from the sale of household To C products and cinema leases during the reporting period.
2. The decrease in basic earnings per share by 38.36% year on year was primarily due to the dilution of the earnings per share resulting from the increase in the share capital by 68,000,000 shares offered in the IPO of the Company.
3. The increase in total assets by 49.48% year on year was primarily due to the funds raised through the IPO completed in the reporting period.
4. The decrease in net profit attributable to the owners of the parent company after deduction of non-recurring profit or loss by 18.66% year on year was primarily due to the rapid growth of expenses during the reporting period as the Company enhanced the recruitment of talents in response to the larger scale of operation and increased investments in technology research, development of new products and other areas.
5. The increase in net cash flows from operating activities by 106.33% year on year was primarily due to the increase in the sales revenue received.

VII. Differences in accounting data arising from adoption of foreign and Chinese accounting standards concurrently

(I) Differences in net profit and net assets attributable to shareholders of the listed company disclosed on the financial statements according to the international accounting standards and the Chinese accounting standards

□ Applicable √ N/A

(II) Differences in net profit and net assets attributable to shareholders of the listed company disclosed on the financial statements according to the foreign accounting standards and the Chinese accounting standards

□ Applicable √ N/A

(III) Explanation about the difference between foreign and Chinese accounting standards

□ Applicable √ N/A

VIII. Financial highlights in 2019 by quarter

In RMB

	1 st quarter (Jan. - Mar.)	2 nd quarter (Apr. - Jun.)	3 rd quarter (Jul. - Sep)	4 th quarter (Oct. - Dec.)
Operating income	359,369,025.24	493,987,939.60	498,415,347.23	627,376,606.82
Net profit attributable to shareholders of the listed company	27,848,207.29	38,731,366.77	57,550,852.99	62,326,849.66
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss	17,279,140.15	24,325,503.60	48,553,875.07	44,060,122.14
Net cash flows from operating activities	-65,364,673.16	50,821,259.64	68,855,552.21	188,688,765.02

Explanation about the difference between quarterly data and the data disclosed on regular reports

Applicable N/A

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

Applicable N/A

In RMB

Item of non-recurring profit or loss	2019	Note (if applicable)	2018	2017
Gain or loss on disposal of non-current assets	-3,214,488.06		-1,711,797.47	-1,845,934.69
Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the business of the Company and are provided in fixed amount or quantity continuously according to the applicable polices and standards of the country)	25,782,112.48		24,032,705.76	9,606,112.65
Net gain or loss on subsidiaries arising from business combinations involving entities under common control from the beginning of the reporting period till the date of combination	23,321,528.06		18,765,375.86	-16,306,769.81
Gain or loss on changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities and gain on disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, except for effective hedges held in the ordinary course of business	9,552,990.98			
Reversal of impairment loss on accounts receivable tested for impairment individually	238,836.00			
Other non-operating income and expenses	2,981,778.07		1,182,062.52	386,740.42

Other gains or losses meeting the definition of non-recurring profit or loss			-22,338,042.90	-6,846,741.55
Effect of minority interest	-1,891,481.86		-3,860,005.15	-10,719,926.94
Effect of income tax	-4,532,639.92		-4,110,568.31	-895,302.71
Total	52,238,635.75		11,959,730.31	-26,621,822.63

X. Items at fair value

Applicable N/A

In RMB

Item	Opening balance	Closing balance	Change	Effect on profit for the current period
Held-for-trading financial assets	0	540,000,000.00	540,000,000.00	9,552,990.98
Investment in other equity instruments	0	11,975,419.38	11,975,419.38	0
Total	0	551,975,419.38	551,975,419.38	9,552,990.98

XI. Other information

Applicable N/A

Section III Operational Highlights

I. Main business, business model, status of industry and R&D activities during the reporting period

(I) Main business and main products or services

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 cinema projection services through lease of light sources.

Since our establishment 14 years ago, we have been committed to technical innovations, invented ALPD® technology in 2007, created the new laser phosphor display architecture, formed our proprietary IP, and mastered the design and manufacture technology of core devices. We have upgraded ALPD® technology continuously, and relying on the advanced ALPD® technology, promoted the industrial applications of laser display, and gradually extended the application of laser display from laser cinema projection and other high-end applications to large venue, business education, laser TV, smart mini projector and other display applications. During this process, Appotronics has consolidated its position as a leader and become a popular brand.

We have many types of products, which can be classified into core laser display devices and complete laser display equipment, wherein the core devices can be further classified into laser light source (cinema light source and large venue light source), laser TV 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. Our rich product lines reflect the great advantages of ALPD® technology architecture as the fundamental key architecture, and the good operating results achieved by us driven by technical innovation and industrialization.

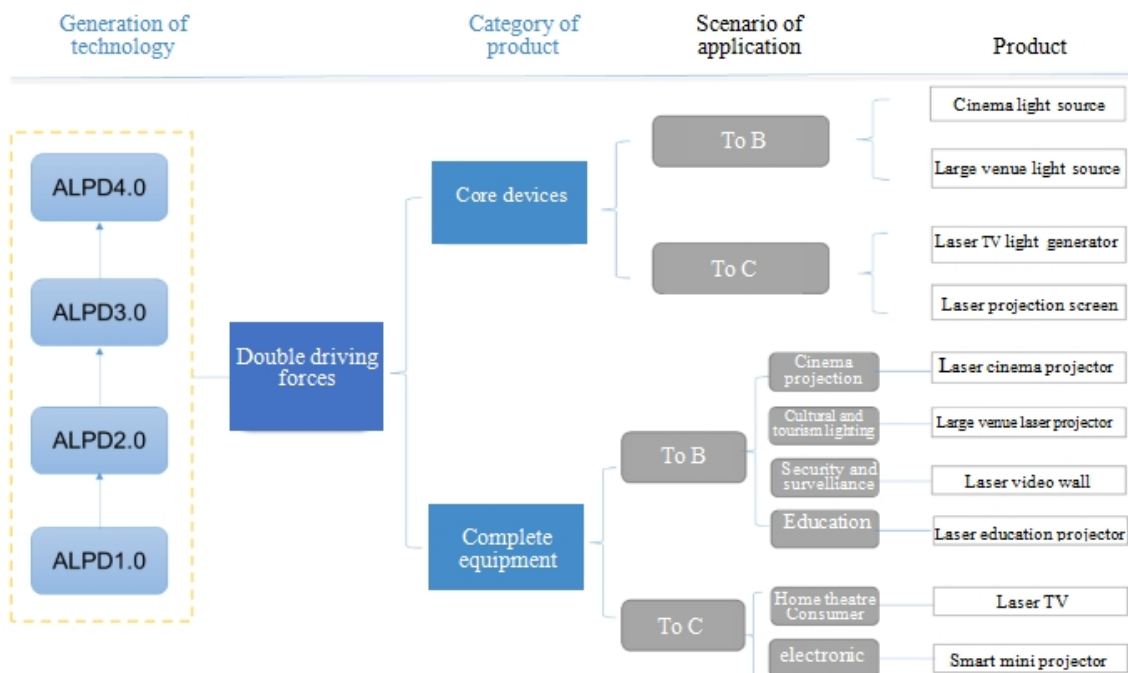


Figure 1: Technical innovation and industrialization, the double driving forces of the development of the Company

1. Core devices

Technical innovation is the foundation of business, while core devices are the basis of development. We will be unable to greatly improve the performance of complete equipment without making breakthroughs in core devices and architectures. Among our three types of core devices, laser light source and laser TV light generator are stable and mature products, which make great contributions to our operating results, including sale of such devices separately or sale of complete equipment containing such devices; while laser projection screen is one of our key new products under development, which will be used in conjunction with laser TV and smart projectors, to provide better visual experience.

Our core devices reflect various advantages and characteristics of ALPD® technology, such as high luminance, wide color gamut, high contrast and relatively low cost. The quality and performance of such products have received recognition of downstream customers, which helps us establish our position as a core supplier on the industry chain of laser display.

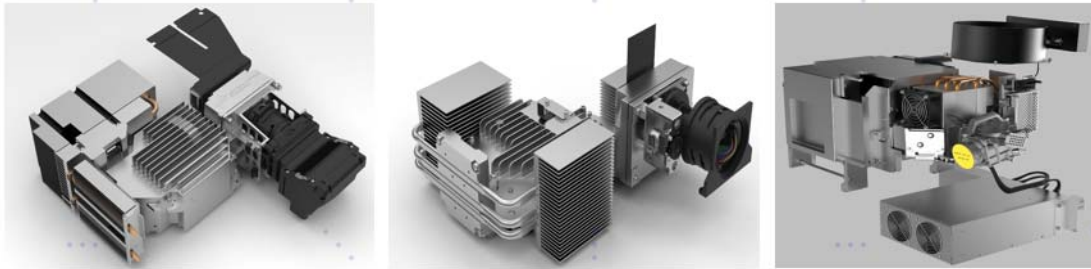


Figure 2: Laser light source and laser light generator

On the commercial market, we have entered into in-depth cooperation with China Film and Barco in laser light source and promotion of laser cinema projection technology throughout the world. We took the lead in launching “laser as a service”, the mode of laser light source lease, in the industry, which can effectively help the cinemas reduce costs and increase efficiency with the technical advantages of the light source provided by us and the flexibility and convenience of the lease mode, and has helped us become the company deploying the most laser cinema light source in China.

On the household market, we have cooperated with LG and Xiaomi to develop customized laser TV light generators. In particular, the laser TV with a selling price of less than RMB 10,000 launched by us in cooperation with Xiaomi has led the reform and development of the entire laser TV market and stimulated the consumers to purchase laser TV. At present, our laser TV light generators are not only used on Mijia products and our own brand products, but also used for providing customized development services to Hola, VAVA, Haier, ViewSonic and other companies. Its customer base is expanding gradually. According to AVC, our laser TV light generators occupied the largest domestic market share in 2019.

In the future, we will further consolidate the advantages of core devices, create an open platform, and cooperate with the industrial circles to jointly make the laser display industry bigger and stronger, enrich the content of the industry, and expand the applications.



Figure 3: Application of ALPD® laser cinema light source

2. Complete equipment

(1) To B commercial market

On the basis of laser light source and light generators, we have further developed complete equipment, which has been widely used in cinema projection, cultural and tourism lighting, security and surveillance, education and training, and other commercial applications, and become the mainstream choice for high-quality projection display technology.

—In the field of cinema projection, we have created a product portfolio of laser cinema light source covering multiple ranges of lumens, from 5,000 lumens to 51,000 lumens, which can satisfy the projection demands of different scenarios, including without limitation high-end cinema, ordinary cinema and private cinema. Relying on the solid basis of light source research and development, we have developed C5 laser cinema projector, the first equipment of the like in China that meets the standard of DCI (Digital Cinema Initiatives, LLC), which marks that we have become the fifth company in the world that is able to develop and manufacture DCI compliant digital cinema projector, have the technical capability to provide solutions to all laser cinemas of various specifications, and will promote the advancement of digital cinema projection technology in China¹.

¹https://www.dcimovies.com/compliant_equipment/KEIO-CINEAPPO-C5-20190830-ver3.html

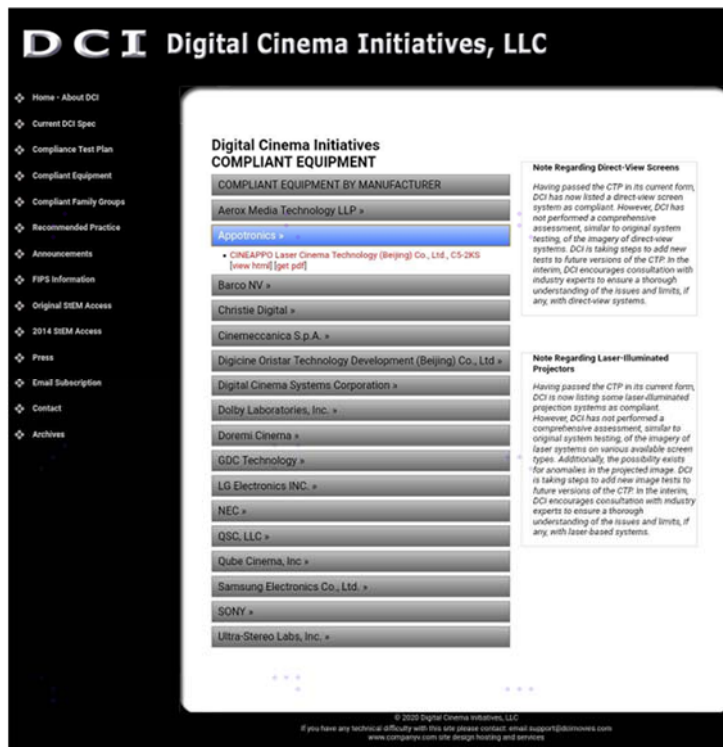


Figure 4: Certificate of DCI compliant equipment

—On the large venue display market, as the country continuously gives strong support to the cultural and tourism industry, there are strong demands for large venue laser projectors in the cultural, creative, exhibition, display and other fields. Due to its remarkable advantages such as no damage to landscape and cultural relics, being convenient to install and dismantle, low cost and recyclability, large venue laser projector has been successfully used in the “future city” project of Shenzhen venue of 2019 Spring Festival Gala, the “Light up the Forbidden City” at the night of the Lantern Festival 2019, and the ski resort project of the Beijing Winter Olympics, which has greatly increased our brand popularity and influence.



Figure 5: Effect of “Night of the Lantern Festival” at the Forbidden City and the ski resort project of the Beijing Winter Olympics

—On the security and surveillance market, the laser video wall unit produced by us features high reliability, 7x24 operation free of failure, high luminance, wide color gamut, wide viewing angle, precise color reproduction and low power consumption, among others, and has been widely used by the important State organs and large-sized enterprises and institutions. In 2019, we provided laser video walls to the Tiananmen Public Bureau of Beijing, the Nanshan District Administrative Service Hall of Shenzhen and the Inner Mongolia Commanding Center for Electric Power Dispatch.



Figure 6: Commanding Center for Electric Power Dispatch

—On the education projector market, our laser business education projector product series cover ultra short throw, short throw, long throw and other focal lengths, and luminance from 3,300 lumens to 5,000 lumens, support WUXGA images, have a service life of 25,000 hours, can be widely used in various scenarios such as colleges, universities, middle schools and primary schools, commercial exhibition and homes, replace traditional business education projectors using bulbs or LED as light source, and provide a new idea for eye protection.

(2) To C household market

In recent years, laser TV, smart mini projector and other household projector products have been developing rapidly, due to the ever increasing acceptance of the new mode of movie watching by the consumers, and rapid decrease of the costs and prices and better performance of products. During the reporting period, Mijia laser TV, Fengmi laser TV and Fengmi smart mini projector continue to maintain the lead on the market, and our household equipment business also grows rapidly.

—In the laser TV business segment, we manufacture Mijia laser TV and own brand laser TV products, of which, Mijia laser TV products are customized products manufactured for Xiaomi, which are sold by Fengmi (our affiliate) to Xiaomi and then distributed by Xiaomi to end consumers, and the own brand laser TV products are distributed by Fengmi, which have a luminance slightly higher than that of Mijia laser TV, and provide projection screen, subwoofer and other components for the consumers to choose, thereby implementing a differential sales strategy with Mijia laser TV.

The laser TV launched by us in cooperation with Xiaomi was the first product of the like with a selling price lower than RMB 10,000, thereby becoming a benchmark product in the laser TV industry. Due to the application of ALPD® technology, our products show remarkable superiority in overall performance, including image quality, audio effect and smart experience. In the future, we will increase R&D investment to develop laser TV toward larger screen, higher resolution and lower cost, and enhance hardware and software integration to provide the consumers with products with outstanding performance and a high cost-performance ratio.



Figure 7: Laser TV product

—In the smart mini projector business segment, our smart mini projector products feature small size, portability, high efficiency and strong color performance compared with general projectors, and are embedded with smart operating system and Wi-Fi module for connection with cloud server, so they can provide the consumers with more convenient information and resource sharing and huge volume of content.

As we are entering the era of 5G, the big bandwidth and low latency provided by 5G technology will make the real-time transmission and broadcasting of ultra high definition videos become a reality. Laser display features large size, high resolution and portability. The combination of laser display and 5G transmission technology can solve the contradiction between large screen and portability. Along with the increasingly strong functions of mobile phones, portable laser mini projectors used in conjunction with mobile phones are expected to become a new growth area.



Figure 8: Smart mini projector product

(II) Main business model

We are mainly engaged in the R&D, production, sale and lease 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 procurement, sales, production and service system.

1. R&D mode

We mainly adopt the independent R&D mode, and separate technology development from product development in organization structure and development process.

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 technology development team comprises a large number of creative scientists, who follow up the progress of frontier technology in the industry, focus on the key technical problems that urgently need to be solved in our business development, and develop the technologies required for our products to be launched in the next three years, to create the Company's core competitive edge in technology.

Our product development is driven by product planning, and mainly divided into stages of feasibility, EVT, DVT, PVT and MP. We set up product lines and product development teams by market segment, and develop series products based on product platform, to rapidly respond to market demands. Our product development team is responsible for developing the products that will be put into mass production within about one year. The product development team is divided into optical, structure, software, hardware, thermal and other technical departments by profession. Such technical departments share technologies and platforms with each other.

Through matrix management, we realize flexible allocation and sharing of human, operating and other resources among different products, to optimize resource allocation and improve R&D efficiency and professional and technical capability.

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 procurement affairs, and the Planning Management Department is responsible for the preparation and implementation of procurement plans and other back-end procurement affairs. We have formulated the Supplier Development, Management and Control Process and other policies, to manage the development of suppliers, implementation of procurement plans, inspection of incoming materials and other business.

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 leased 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.

With respect to the products manufactured by us, we schedule production pursuant to purchase orders, taking into account the requirement of safety stock. The production of standard spare parts is scheduled according to the requirement of safety stock and relevant production plans.

With respect to OEM products, we appoint third parties to manufacture PCBA, coating and other semi-finished products, and assemble laser TV, smart mini projector and other complete equipment.

4. Sales mode

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

(1) Product sales mode

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

① Core devices are customized for and directly sold to customers. For example, we developed a customized laser cinema light source for Barco and Cinionic (a company jointly established by Barco and us), and sold the light source products to Barco and Cinionic; and developed a customized laser TV light generator for Hola, and sold the laser TV light generator products to Hola or its supply chain service providers.

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

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 through distributors.

(2) Mode of lease service

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

Such mode of light source lease 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 leased light source equipment with its remote information platform, uses IT technology to 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, inspection and maintenance order and tracking.

The lease of light source by CINEAPPO to the cinemas is classified as operating lease.

5. Mode of joint venture

We believe that it is a reasonable business strategy to establish joint ventures with the excellent companies on the market segments, and have established the following joint ventures:

(1) We established CINEAPPO jointly with CFEC. CINEAPPO provides laser light source lease services to the cinemas throughout the country. Appotronics supplies laser light source to CINEAPPO, while China Film contributes its in-depth understanding of the film industry and gives support to CINEAPPO through its cinema network operation system. The parties initiated the business model of lease by the hour in the film projection industry, and promoted such business model among the cinemas throughout the country.

(2) We established Fengmi jointly with Tianjin Jinmi and Shunwei Technology (both are affiliates of Xiaomi Technology, a leading Internet company). Fengmi is engaged in R&D, manufacturing and sale of laser TV sets, and Xiaomi Communications is its main customer. Appotronics supplies laser TV light generators to Fengmi. Xiaomi

Communications sells the laser TV products of Fengmi at home and abroad, by giving full play to its advantages in sales channel and brand marketing capability.

(3) We established Orient Appotronics jointly with DonView, a well-known company in the field of multi-media display. Orient Appotronics is engaged in the sale of laser business education projectors supplied by Appotronics, and DonView is its customer. DonView distributes such products through its powerful sales channels throughout the country.

Such joint venture arrangements combine the respective advantages and resources of the parties thereto, and are routine and reasonable commercial arrangements. Such joint ventures enjoy superiority in talents, as the members of their management teams come from first-class enterprises in the industry, and have expertise and rich experience in the implementation of business strategies, and business and product innovations. Such joint venture arrangements have greatly promoted our business development in the past. In the future, we will continue to consolidate our relationship and closely cooperate with the relevant joint venturers, jointly promote technical and product innovations and seek development opportunities on the market with them, to promote the stable and healthy development of such joint ventures.

(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. According to the China Film Exhibition & Distribution Association, as of December 31, 2018, the domestic cinemas installed about 23,000 sets of laser projection systems; the market penetration rate of laser projection system rapidly increased from 0% to 38% within four years, and Appotronics is a leader on the laser cinema projector market. According to the Research Report on Chinese Laser Projector Market 2019 issued by AVC, the sales of

large venue laser projectors in 2019 increased by 30.5% year on year, which shows that 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 after the epidemic situation is put under control, 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.

(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, Apotronics 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 makes laser TV possible.

Since Apotronics 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. According to AVC, the sales of household laser display products on the domestic market increased from 76,000 units in 2017 to 195,000 units in 2019, with a three-year compound growth rate of 60%.

Household laser display products have three unique advantages, which are large size, eye care and portability. Along with the continuous development of the laser display 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 Main technical barriers

(1) Technical barriers

The technical barriers for To B market are continuous upgrading of performance, and the technical barriers for To C market are high efficiency, small size and low cost. After fourth upgrading, our ALPD® technology architecture has gained relatively solid technical advantages in terms of performance, cost, efficiency and size, and formed a sound IP protection system. In the future, certain companies in the industry may face the problems of lack of R&D capability and core technology, and reliance on supply chain for core patents and core devices, rendering them unable to compete with leading domestic or international companies that have their proprietary IP or core technologies and core devices.

(2) Quality barriers

We have accumulated rich experience over the years and adopted strict quality standards in respect of R&D, design, manufacturing, management system, quality control standard, installation and operation, to ensure the stability of the internal optical components and fluorescent materials of laser display products under prolonged laser exposure. Any new enterprise wishing to enter the laser display industry must put in enormous capital and accumulated experience in these areas, and may be unable to make an outstanding product satisfying the demand of the market and having stable and reliable

performance until a very long time has passed. Therefore, a new enterprise may face the quality barriers of the laser display industry before its products become mature.

(3) Talent barriers

The display equipment industry is a knowledge and technology intensive industry, requires the technologies in optical, semiconductor, material, mechanical, electronic, software and other fields, and puts forward very high requirements for the overall R&D, technology application, manufacturing and other capabilities of an enterprise, so it needs a large number of professional and inter-disciplinary talents. Along with the continuous development of the technological level of the industry, the consumers will have increasingly higher requirements for the display quality of images. An enterprise must have a high-quality R&D team with strong innovative capability, high R&D level and rich product experience, so that it can continuously develop new technologies meeting the market demands and maintain its competitive edge on the market.

Through ten years of development and fourth upgrading of ALPD® technology architecture, we have built and nurtured a team of laser display professionals having a firm grounding in technology and rich R&D experience, which lays a solid foundation for the continuous upgrading of our products and technologies and our long-term innovation and development.

2. 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 applications in China, the United States, Japan, Europe and other countries. Our leading position mainly comes from technical performance and market applications.

2.1 ALPD® architecture has become the mainstream technical route for laser light source

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. In terms of luminance, our products can realize 55,000 lumens of ultra high luminance output, taking the lead in the world. In terms of color gamut, ALPD® technology can provide a wide color gamut, which covers 98.5% of REC.2020 color gamut, or 153% of NTSC color gamut, taking the lead in the world. In terms of speckle, ALPD® technology mixes speckle-free fluorescence with laser, thereby remarkably reducing the effect of laser speckle and achieving the effect of no speckle in vision. This technology has been widely applied in the world.

According to the Research Report on Chinese Laser Projector Market 2019 issued by AVC, blue laser + phosphor powder technology architecture, represented by ALPD®, occupies 98.6% of the market share, and has become the mainstream technical route for the laser display industry.

2.2 Our core devices are widely applied and occupy a high market share in the field of film and TV

Appotronics has, on the basis of its core technologies, made available its technical solutions for complete equipment application to the market, and entered into strategic cooperation with CFGC, Xiaomi, Haier, Barco and other well-known domestic and foreign companies, to provide light source, optical engine and other core devices and complete

equipment application solutions, thereby rapidly promoting and expanding the application of ALPD® technology in cinema, household and other market segments.

On the cinema projector market, the first ALPD® cinema laser light source installed by us in June 2014 has operated stably for nearly six years. As of the end of 2019, we have supplied more than 17,000 sets of ALPD® laser projectors on the market, which have provided licensed services for more than 100 million hours in total, both of which take the lead on the market.

On the laser TV market, in addition to own brand laser TV products, we have made available our optical engine products and complete equipment application technology to the market, and launched laser TV products jointly with Xiaomi, Haier and other companies, to expand the application of ALPD® technology in the household field. In 2019, Appotronics maintained the lead in terms of market share of laser TV light generators.

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

3.1 Application of 5G technology will stimulate the market demands for laser display products

(1) 5G video will stimulate the demands for larger sized display equipment. The capacity and speed of video transmission using 5G technology will increase greatly. Larger display capacity and higher resolution are more suitable for large screen. Laser display products have exceptional technical and cost advantages in large screen, and are suitable for the content presentation and experience of 5G videos. In light of portability, eye care and other traditional advantages of laser display products, the market demands for laser display products, in particular, household products, are expected to be further stimulated. Appotronics will grasp the development opportunities brought about by the commercialization of 5G technology, focus on forward-looking development of laser TV, smart mini projector and other household products, to provide the consumers with a wholly new experience in large-screen display and entertainment in the era of 5G.

(2) The popularization of 5G mobile phones will stimulate the potential demands for peripheral laser display products. 5G mobile phones provide more functions, but have some shortcomings, such as limitation of screen size, damage to eyes by the light produced by the phones, poor experience and easy-to-fatigue if looking at the screen for a long time. If the laser display products are used in conjunction with mobile phones, the content exhibited on the small screen of the phone can be projected on an ultra high definition and large screen that is comfortable to watch, which is expected to bring about considerably potential market demands. Appotronics will insist on the development concept of high efficiency, small size and low cost, continuously follow up the demands for the development of peripheral products for mobile phones, and take active actions as we deem appropriate.

3.2 The epidemic situation brings about the market opportunity for the upgrading of the mode of “hardware + software + service”

(1) The cinema industry is turning to the asset-light business strategy that focuses on operation. During the period that the epidemic situation persists, the domestic and foreign cinemas are unable to do business, which makes them realize the importance of cash flows. The “laser as service” provided by Appotronics can partially ease the cinemas’ capital pressure caused by purchasing of cinema equipment, so this mode is expected to receive recognition by more cinemas in the days to come.

(2) To C market faces the opportunity to upgrade software and services. During the period that the epidemic situation persists, the number of users, traffic, duration of

watch time, ARPU value and other indicators in respect of online videos have increased rapidly. The epidemic situation has promoted the habits of users to watch videos on line. Appotronics is committed to in-depth hardware and software integration for To C products, and improving software capability and service experience based on its “hard-core technology”. For example, our subsidiary Fengmi has cooperated with iQiyi and other video platforms, to provide users with content services. In the future, Appotronics will continue to give full play to its software and hardware advantages in laser TV, smart mini projector and large screen display, and provide richer and high quality experiences and services to users.

(IV) 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 reference designs 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.

During the reporting period, we released ALPD® 4.0, which has been applied in many product series. At present, we are focusing on the development of ALPD® 5.0. This upgrading will not only increase the dynamic contrast and peak luminance of laser display equipment, and reduce the luminance of dark field, but also maintain relatively high light effect and high cost-performance ratio. The products for mass production applying ALPD® 5.0 are expected to be launched on the market in 2021.

2. R&D achievements during the reporting period

In respect of technical innovation, we upgraded ALPD® technology to Version 4.0 in 2019. This upgrading improved a lot of core indicators, such as light effect, reliability and color gamut, and promoted the development of laser display products toward high definition, miniaturization and higher efficiency.

In respect of product innovation, in 2019, we applied ALPD® 4.0 in certain new-generation laser display products, some of which have already been launched on the market in consideration of different product demands. Please see “Section IV Discussion

and Analysis of Business Situations - I. Discussion and analysis of business situations - (I) Overall business situation during the reporting period”.

In respect of IP protection, we have established a sound IP protection system. As of December 31, 2019, we obtained 908 patents throughout the world, including 682 domestic patents and 226 foreign patents, had 756 domestic and foreign patents pending and 337 PCT patents pending, obtained 49 software copyrights, and owned 551 domestic and foreign trademarks. In 2019, we obtained 163 new patents at home and abroad, including 113 patents for invention, and had 208 new domestic and foreign patents pending, including 150 patents for invention. In addition, we were awarded the “22nd China Patent Prize”, the “6th Gold Patent Prize of Guangdong” and the “Patent Prize 2019 of Shenzhen”, and included in the “Top Ten IP Events of Shenzhen in 2018”.

3. R&D expenses

	In RMB
R&D expenses expensed in the current period	201,697,766.26
R&D expenses capitalized in the current period	-
Total R&D expenses	201,697,766.26
Proportion of R&D expenses to operating income (%)	10.19
Number of R&D staff	387
Proportion of R&D staff to total employees of the Company (%)	31.06
Proportion of R&D expenses capitalized (%)	-

Note:

During the reporting period, our R&D expenses were RMB 202 million, accounting for 10.19% of operating income. We have maintained R&D expenses at a high level, because continuous technical innovations will enable us to maintain and increase our technical advantages, and rapidly transform such technical advantages into product advantages, thereby promoting our innovations and development.

4. R&D projects

√Applicable □ N/A

In RMB

No.	Project	Estimated total investment	Investment in the current period	Aggregate investment	Progress or interim results	Goals	Technological level	Application scenario
1	Core devices	60,500,000.00	41,717,366.61	53,544,405.70	Mass production	Great improvement of color gamut, contrast, light effect, luminance and other performance, to better satisfy the demands for cinema, laser TV and other high-end displays	Take the lead in the industry; the color gamut, contrast, light effect, luminance and other performance are greatly improved, to better satisfy the demands of customers.	Upgrading of light source for cinema projectors, laser TV and other fields.
2	High definition laser TV	63,008,512.00	57,465,969.89	66,712,048.49	Mass production	4K resolution laser TV	4K resolution laser TV takes the lead in the industry.	4K household laser TV
3	Laser cinema projector	48,985,000.00	24,101,039.59	34,972,284.37	Mass production	Laser cinema projector for community cinema chains and home theatres	The first proprietary DCI compliant projector in China.	DCI compliant small cinema projector
4	High-performance smart mini projector	34,373,807.00	21,665,201.43	21,665,201.43	Mass production	High definition portable smart mini projector	High definition portable smart mini projector takes the lead in the industry.	Smart mini projector market
5	Other complete equipment	48,750,000.00	45,528,606.83	45,528,606.83	Mass production	Large venue projector, business education projector and other complete equipment with high luminance, large screen and wide color gamut	Large venue projector and business education projector with outstanding performance in luminance and color performance take the lead in the industry.	Large venue projector, business education projector and other fields.
6	Laser display lab	34,000,000.00	5,342,814.91	6,224,971.65	Labor trial	Development of laser phosphor display optical engine, high-performance	The development of key laser display technology and devices based on	Through transformation of lab R&D

						fluorescent materials and fluorescent components, portable laser display technology, and laser display technology with high contrast and high color reproduction	laser phosphor technology takes the lead in the industry.	results, develop multiple laser display terminal products, and promote the development of the entire display industry chain.
7	Demonstration production line for trichromatic laser display complete equipment	102,840,000.00	5,876,767.00	9,403,718.77	Prototype	This project is a sub-project of the State key R&D program titled "strategic advanced electronic materials", and will research the industrialization of the technology of trichromatic laser with phosphor to satisfy the market demands for 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 build a demonstration production line for trichromatic laser display complete equipment, with an annual production capacity of 200,000 sets of trichromatic laser display complete equipment, and a yield $\geq 90\%$.
Total	/	392,457,319.00	201,697,766.26	238,051,237.24	/	/	/	/

Note:
None

5. R&D staff

In RMB 0'000

Education		
Academic background	Number	Percentage (%)
Doctor	28	7.24
Master	81	20.93
Undergraduate	206	53.23
College or below	72	18.60
Total	387	100.00
Age structure		
Age	Number	Percentage (%)
25 years of age or below	53	13.69
26-35 years of age	224	57.88
36-45 years of age	96	24.81
46 years of age or above	14	3.62
Total	387	100.00
Compensation		
Total compensation of R&D staff		11,805.40
Average compensation of R&D staff		30.50

6. Other issues

Applicable N/A

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

Applicable N/A

During the reporting period, our total assets increased by 49.48%, primarily due to the increase in cash and bank balances received through the IPO. Please see “Section IV Discussion and Analysis of Business Situations - III. Main business activities during the reporting period - (III) Analysis of assets and liabilities”.

Wherein, the overseas assets were RMB 326,727,855.34, representing 10.54% of the total assets.

III. 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

Through years of R&D efforts, we have upgraded ALPD®1.0 to ALPD®4.0 and accumulated a lot of proprietary technologies. As of December 31, 2019, we had obtained 908 patents throughout the world (including 487 patents for invention) and 337 PCT

patents pending in respect of ALPD® technology. Such patents jointly build our global patent system, which is a united whole, and is hard to be simulated or broken by the competitors. In addition to patented technologies, we also own multiple know-how accumulated 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. Before joining Appotronics, he held the posts of Chairman of Shenzhen Chinastar Optoelectronic Co., Limited and President of TCL Group and other important posts, and helped TCL become the third largest TV maker ranking only next to Samsung and LG in terms of shipment in the global color TV market. 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, and continuously launch promising and new laser display products meeting the market demands.

(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

(I) Overall business situation during the reporting period

The year of 2019 is a significant year for Apotronics. On July 22, we became one of the first group of companies listed on the STAR Market.

During the reporting period, we continued to expand the household market and cinema market, and steadily develop the overseas market. The large-sized IP projects completed by us and our listing on the STAR Market further increased our brand popularity and influence. We were awarded the “Application Innovation Prize” by the China Video Industry Association for the project “Night of the Lantern Festival” at the Forbidden City, the “22nd China Patent Prize”, the “6th Gold Patent Prize of Guangdong” and the “Patent Prize 2019 of Shenzhen”, included in the “Top Ten IP Events of Shenzhen in 2018”, and selected by the National Business Daily as one of the “Most Highly Praised STAR Market Listed Companies on the List of Highly Praised Listed Companies in China in 2019”.

During the reporting period, our operating income was RMB 1.979 billion, up 42.82% year on year; total profit was RMB 279 million, up 8.17% year on year; and the net cash flows from operating activities were RMB 243 million, up 106.33% year on year.

(II) Completion of key tasks during the reporting period

1. Continue to increase investment in technology R&D and enhance innovations in product application

Since our establishment, we have persevered in the research and development of proprietary technologies and product innovations, and maintained R&D investments at a high level. We have applied patents for our core technologies throughout the world, continuously improved our IP protection system, and reasonably protected our proprietary IP by legal means. In addition, we have developed high-performance products and a variety of solutions, to satisfy the diversified demands of the market.

(1) Field of cinema projector

The C5 laser digital cinema projector launched by us filled a gap in the field of projector manufacturing in China, made China become the fourth country in the world that could produce projectors, broke the long-term monopoly by foreign manufacturers, and promoted the development of China’s film and cultural industry. The overall design of C5 projector has taken into account the demands of the emerging cinema projector market, and popularization, communitization, video on demand (VOD), home theater and other development trends in cinema projection in China. C5 is the first laser cinema projector in the industry featuring non-manual operation, muteness, no machine room and low operating cost. In addition, the technical innovations of C5 greatly reduce the projection cost, which makes C5 become the cheapest laser cinema projector, and the entry of laser cinema projector into homes possible.

(2) Field of household TV

Our controlled subsidiary Fengmi, as our major subsidiary in the household business, launched “4K laser projector TV cinema” during the reporting period, which has a 4K ultra high definition, accommodates up to 150 inch screen, and adopts the diffuse reflection imaging principle. According to the tests by professional institutions, this laser TV can better protect eyes. This product has won a Good Design Award in Japan. In addition, “Wemax One laser projector” jointly launched by Fengmi and iQiyi was the first equipment in the industry that has passed the tests for billing system (software) and projection

equipment (hardware), and provided a cost-effective solution for the standardized and high-quality development of VOD cinemas throughout the country.

In the field of software, Fengmi launched Feng OS project, which aims to develop an open operating system customized for smart laser TV with ultra large screen, and integrate each smart laser TV terminal into the content eco-system. Through Feng OS integrated application store, the end users will have access to smart content services and functions, such as VOD, community interaction, game, entertainment, interactive education, real-time information and tremendous applications. In addition, Feng OS will provide users with innovative and concise large-screen, human-machine interaction experience, and a variety of convenient online services, so as to lay a solid foundation for Fengmi to realize the business model of “terminal sales + platform operation”.

(3) Field of smart mini projector

To enrich its product lines and fill in gaps on the market, Fengmi has launched two projector products named SmartM055FCN and SmartLiteM055DCN, which focus on the “mobile market” and are embedded with large-capacity batteries. In addition, during the reporting period, Fengmi launched 1,500 lumens “Vogue smart projector M135FCN” and 2,400 lumens “Mijia laser mini projector”, which are designed for high-end users, and embedded with Classmate AI App, support far-field voice recognition and Bluetooth link, accommodate up to 150 inch screen, and feature high luminance, high definition and intelligent control.

(4) Field of large venue projector

During the reporting period, in the field of outdoor lighting and display, Appotronics provided a laser display solution with higher luminance (up to 51,000 lumens). The size of single-equipment projection screen is up 300 square meters. It can guarantee the quality of large venue projection to the maximum extent with the minimum equipment.

The laser video wall solutions provided by Appotronics for disease control and prevention centers, rail transit, commanding and dispatch, security and surveillance, power system and other sectors and fields feature high luminance, high definition and high reliability, among others, are able to process multiple routes of signals with complicated background, and realize centralized management, efficient processing and accurate display of massive information, zoom-in and zoom-out of signals on any position in the form of window, display on single or full screen, and visualization and rapid sharing of information, and further improve the capability to make forecasts, give early warnings and prevent security risks. At present, more than 6,000 sets of Appotronics ALPD® laser video wall have been installed.

(5) Field of education projector

Along with the popularization of education IT equipment, the schools have provided more and more education equipment with display functions, which greatly increases the students’ exposure to blue light and the chances of their eyes being damaged by blue light. In August 2019, all six series of education projector products of Appotronics passed the tests by the National Testing & Inspection Center for Radio & TV Products. The first group of 11 products have passed the certification in respect of the Technical Standard for the Certification of Display Performance and Vision Health of Display Equipment Part IV: Laser Projector, which proves that our products provide the teachers and students with high standard laser display solutions with outstanding display effect, rich image color, high contrast and eye care.

2. Establish and improve our management system and management cycle, and improve our process IT system

We have preliminarily established and improved the management cycle led by mechanism, guaranteed by system, guided by culture and supported by capacity, set up a number of professional committees responsible for major strategies and business decision making, improved our strategic planning capability, and emphasized on the building of core capabilities, and implementation, management and control of our strategies. We have continuously optimized our process system through creating the process map. In addition, through informatization, we have developed and maintained a variety of management systems, including database management, business process management, Slack R&D platform, OA office and other IT systems, to improve our operation efficiency, realize all-round information management, provide information support for the implementation of our future development strategies, and promote the transition of our management style from a start-up to a comprehensive group.

3. Enhance the building of marketing system and increase our brand influence

In terms of marketing, we have focused on both domestic and overseas markets, and gradually formed a 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. We have focused on the development of channels and market cooperation through exhibitions, product presentations, nation-wide partner programs, channel training and other activities and measures. The three major projects undertaken by us, “2019 Spring Festival Gala”, the “Light up the Forbidden City” at the night of the Lantern Festival 2019, and “Shougang Ski Resort”, have become nationwide hot events, and increased our brand influence.

In terms of online sales, we have enhanced the building of our online flagship stores on Tmall, JD and other major e-retail platforms, actively cooperated with our strategic customers in online sales, and formulated well-targeted sales strategies. In terms of off-line sales, we have gradually created the mode of proactive sales for household laser display products, and made breakthroughs in retail customers on smart audio & video, household appliances, IT and other core channels. As of the end of the reporting period, we had 974 terminal exhibition stores, a 200% increase year on year.

4. Promote the mode of operation by integrated business units, and enhance team building and talent incentives

During the reporting period, we have initially completed the adjustment of business structure. In order to ensure the achievement of our strategic objectives, fully motivate all business units and improve the efficiency of internal resource integration, we have adopted the business unit system in an all-round way, broken down the overall sales targets, and assessed the performance of all business units according to their contributions to operating income and profits.

Our team building focuses on “talent recruitment, talent nurturing, talent incentives and cultural building”. In terms of talent nurturing, we have conducted “star light - sharp light - polar light” three-level talent training program, product operation training camp, Appotronics auditorium and other training programs, to improve the abilities of our employees.

In terms of talent incentives, we have enhanced our efforts to acquire and attract talents, continuously recruited high-end talents from the market, established the profit sharing mechanism and launched the medium-to-long term share incentive plans, to implement the share ownership plan for key employees. After completion of the IPO, we have explored the establishment of a long-term incentive mechanism relying on the capital market. We have granted 4.4 million incentive shares to 169 key employees, and adopted a

triple assessment system, to ensure the achievement of our strategic objectives in an all-round way.

5. Upgrade our corporate culture system and define our enterprise spirit to promote the development of the Company

In 2019, we created the model of our corporate culture, and defined our culture and core values. Specifically, we have defined our mission as “new light, new life”, development objective as “to become the pioneer in the display industry through disruptive technical innovations and differential mode covering the entire value chain”, and core values as “respect customers, guided by performance, live up to one’s words, criticism and self-criticism”. We will enhance education on our employees about our corporate culture, continuously publicize our corporate culture, promote the implementation of our corporate culture, practice our core values, improve cultural awareness, and build us into an “incentive and high-performance” organization.

6. Exploit the overseas market and enhance our influence on the professional market

We have been committed to expanding cooperation on the overseas market and providing solutions to high-end cinemas throughout the world. In January 2019, we established Cinionic jointly with Barco, China Film and CITIC Private Equity Funds, to promote the laser cinema projection technology and other advanced projection technologies on the overseas market, and the increase of the sales proceeds of our laser light source on the overseas market. In December 2019, we announced our plan to acquire 36% shares of GDC Technology Limited (“GDC”), a global leading digital cinema server provider. We and GDC will explore cooperation in R&D, sales of products, provision of solutions and other areas in the field of digital cinema projection, and relying on our R&D and manufacturing advantages in the light source of laser cinema projectors and complete laser cinema projection equipment, and the global sales market of GDC, promote the sales of our proprietary laser cinema projectors on the overseas market.

7. Use the funds raised through the IPO on the STAR Market in accordance with the applicable regulations

In July 2019, we successfully entered the capital market and became one of the first group of companies listed on the STAR Market. We issued 68 million RMB-denominated ordinary shares (A-shares) to the public, and raised RMB 1,190,000,000 in total. During the reporting period, we have deposited and used the raised funds in strict accordance with the applicable laws and regulations. Subject to the normal implementation of the plan for the use of the raised funds, we used certain raised funds that were idle for the time being to purchase low-risk and liquid bank principal-protected wealth management products, to increase the use efficiency of idle funds raised, which brought up an investment income of RMB 9,553,000 in total in 2019.

8. Optimize internal controls and supervision, and improve the effect of internal controls

We have strictly complied with the provisions of the Basic Standard for Internal Controls of Enterprises and its supplementary guidelines, and other regulatory requirements for internal controls, and established systemic internal controls and effective internal supervision mechanism, to provide reasonable guarantee for the achievement of our development strategies by ensuring legal and regulatory compliance of business activities, achievement of business goals, reliability of information, operating efficiency, and security of capital and assets, among others.

Under the leadership of the Audit Committee and by reference to the good practices in the industry, the Audit Department has completed the reform of internal audit process, and effectively improved the quality and efficiency of audits; through regular audits on business process, the Audit Department has objectively assessed and identified the internal control risks of the Company, and led the fixation of responsibilities and close-loop improvement in respect of the problems with internal control, to give support to the building of business and honest environment in the Company, provide guidance to business management in respect of risk control, improve their capability to proactively identify and manage business risks, and reduce the operating risks of the Company.

II. Risk factors

(I) Risk of not making a profit

Applicable N/A

(II) Risk of significant decrease in operating performance or loss

Applicable N/A

(III) Risk related to core competitiveness

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.

(IV) Operating risk

Applicable N/A

1. 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.

2. 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. Along with the growth of our operating performance, though the effect of tax benefits and government grants on our current net profit decreases year by year, 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.

3. Risk related to the management of light source

In our light source lease service, we enter into an agreement with a customer, pursuant to which, we charge a lease 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 fall into an unsafe situation.

4. 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 299,966,200. If any significant change in the competition pattern of the industry, material innovation in laser display technology and products or the persistence of Covid-19 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.

5. Risk of impairment of accounts receivable

Our products are generally delivered after receiving the payment therefor. We give certain credit period to some major customers. As of the end of the reporting period, the carrying amount of our accounts receivable was RMB 176,035,200. In case of any material adverse change in the business condition of our customers, we may be unable to recover certain accounts receivable, which may have an adverse effect on our operating performance in the future.

6. Risk of internal control

The increase of sales revenue and rapid growth of assets and number of employees put forward challenges for our management level, structure of corporate governance and effective implementation of internal controls. In the future, if our management fails to effectively overcome the difficulties in management caused by rapid growth of sales revenue and continuous expansion of the scale of operation, or to effectively implement internal controls, we may face risks of internal control during rapid business development, such as out-of-control in management, loss of assets, brain drain, and decrease in operating performance.

7. 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.

8. 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 efficient operation and marketing of our subsidiaries in Hong Kong and the United States, as a result of which our business development abroad may fall short of expectations.

9. 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 or any other reason, it may have an adverse effect on our production and operation.

(V) Industrial risk

√Applicable N/A

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.

(VI) Risk of macro-environment

√Applicable N/A

Covid-19 is still spreading in the world, and the epidemic situation does not look good. The economic stagnation caused by the epidemic situation, in particular the shut-down of cinemas, will have a direct effect on our revenue from cinema light source lease service. Other businesses may also be affected by the shrinkage in consumer demands caused by global economic recession. Therefore, our operating performance may decrease sharply.

(VII) Risk related to depository receipts

Applicable √ N/A

(VIII) Other significant risks

√Applicable N/A

1. Risk of outflow of key technical personnel

The laser display industry is a technology intensive industry. Along with the rapid development of the laser display industry, the competition for high-end technical personnel has been increasingly fierce. If we cannot maintain the stability of the existing R&D staff, continuously train technical personnel, and attract outstanding talents in the world, we may be unable to maintain our technical advantages in the industry, and the stability and sustainability of our business operation. The outflow of key technical personnel may cause disclosure of know-how, slow-down of R&D process, weakening of competitive advantage and other risks, which may have an adverse effect on our ability to operate continuously.

2. 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

During the reporting period, our revenue from main business was RMB 1,979,148,900, a 42.82% increase compared to 2018, and the net profit attributable to the shareholders of the listed company was RMB 186,457,300, a 5.36% increase compared to 2018.

(I) Analysis of main business

1. Analysis of changes in statement of income and statement of cash flows lines

In RMB

Item	2019	2018	% Change
Operating income	1,979,148,918.89	1,385,727,211.09	42.82
Operating costs	1,183,650,635.25	783,243,430.56	51.12
Sales expenses	151,760,111.00	102,349,110.00	48.28
Administration expenses	152,626,530.61	95,580,970.10	59.68
R&D expenses	201,697,766.26	135,730,450.92	48.60
Financial expenses	29,491,223.42	-2,652,161.71	N/A
Net cash flows from operating activities	243,000,903.71	117,773,454.30	106.33
Net cash flows from investment activities	-772,857,910.07	-272,432,179.99	N/A
Net cash flows from financing activities	884,616,830.77	522,562,789.37	69.28

2. Analysis of revenue and costs

√Applicable □ N/A

During the reporting period, our operating income was RMB 1,979,148,900, a 42.82% increase year on year as compared to RMB 593,421,700 in 2018, primarily due to the increase in the revenue from the sale of household To C products and cinema leases; operating cost was RMB 1,183,650,600, an increase of RMB 400,407,200 or 51.12% year on year. Our overall gross margin was 40.19% in 2019, a decrease of 3.28 percentage points compared to 2018.

(1) Main business by sector, product and region

In RMB 0'000

Main business by sector						
Sector	Operating income	Operating cost	Gross margin (%)	% Change in operating income	% Change in operating cost	% Change in gross margin
Laser display	197,914.89	118,365.06	40.19	42.82	51.12	Decrease by 3.28 percentage points
Main business by product						
Product	Operating income	Operating cost	Gross margin (%)	% Change in operating income	% Change in operating cost	% Change in gross margin
1. Sales	155,344.15	102,544.69	33.99	46.73	54.49	Decrease by 3.32 percentage points
2. Lease service	39,799.12	13,526.03	66.01	30.78	35.8	Decrease by 1.26 percentage points
3. Other business	2,771.62	2,294.34	17.22	21.93	15.32	Decrease by 4.74 percentage points
Main business by region						
Region	Operating income	Operating cost	Gross margin (%)	% Change in operating income	% Change in operating cost	% Change in gross margin
Domestic	178,039.72	111,260.78	37.51	42.81	51.56	Decrease by 3.61 percentage points
Overseas	19,875.17	7,104.28	64.26	42.91	44.61	Decrease by 0.42 percentage points

Explanation about main business by sector, product and region

Our laser display products have been successfully applied in cinema projection, home entertainment, education interaction, commercial applications, outdoor exhibition and other fields. Due to the strong consumer demands on the domestic market and driven by the sales of household To C products and cinema leases, our operating income in 2019 increased by 42.82% year on year.

Our overall gross margin was 40.19% in 2019, a decrease of 3.28 percentage points as compared to 2018, primarily because that we have vigorously promoted the sales of To C laser TV and smart mini projector products on the household consumer market to address the strong demands on the household consumer market that has a large customer base, and our overall gross margin decreased to certain extent due to the increase in the proportion of revenue from To C products to the total operating income.

Our products are mainly sold on the domestic market, which accounts for 89.96% of our total operating income. Revenue from the overseas market accounts for 10.04% of our total operating income.

(2) Analysis of output and sales volume

√Applicable □ N/A

Main products	Unit	Output	Sales volume	Stock	% Change in output	% Change in sales volume	% Change in stock
Core devices and complete equipment	Set	251,407	236,290	32,123	93.51	115.57	59.30

Explanation about output and sales volume

We supplied part of laser light source produced under operating leases, which was not included in the sales volume and stock, and used part of laser TV light generators produced to manufacture laser TV products, which were not included in the production, sales volume and stock.

(3) Analysis of costs

In RMB 0'000

Costs by sector							
Sector	Components of cost	2019	% of total cost	2018	% of total cost	% change	Remark
Laser display		118,365.06	100.00	78,324.34	100.00	51.12	
Costs by product							
Product	Components of cost	2019	% of total cost	2018	% of total cost	% change	Remark
1. Sales	Direct materials	89,655.34	87.43	59,106.35	89.05	51.68	
	Direct labor	2,673.66	2.61	2,044.33	3.08	30.78	
	Manufacturing expenses	10,215.69	9.96	5,223.66	7.87	95.57	
	Subtotal	102,544.69	100.00	66,374.34	100.00	54.49	
2. Lease service	Depreciation of light source	6,759.98	49.98	4,338.06	43.55	55.83	
	Software license fee	2,399.51	17.74	2,350.73	23.60	2.08	
	Technical service fee	3,917.01	28.96	2,853.46	28.65	37.27	
	Labor cost	449.53	3.32	410.16	4.12	9.60	
	Others	-	-	8.01	0.08	-100.00	
	Subtotal	13,526.03	100.00	9,960.42	100.00	35.80	

3. Other businesses		2,294.34	100.00	1,989.58	100.00	15.32	
Total		118,365.06	100.00	78,324.34	100.00	51.12	

Explanation about cost analysis

We are primarily engaged in the sale of products. Sales costs mainly comprise direct materials, direct labor and manufacturing expenses, of which, the costs of direct materials account for 87.43%. Our cost composition has basically remained stable as compared to 2018.

(4) Main customers and main suppliers

A. Main customers

The sales to top 5 customers were RMB 966,911,600 in 2019, representing 48.85% of the total annual sales, of which, the sales to related parties were RMB 798,507,600, representing 40.35% of the total annual sales.

Top 5 customers

Applicable N/A

In RMB 0'000

No.	Customer	Sales	% of total annual sales
1	Customer 1	45,648.60	23.06
2	Customer 2	23,038.31	11.64
3	Customer 3	14,177.80	7.16
4	Customer 4	7,484.85	3.78
5	Customer 5	6,341.60	3.20
Total	/	96,691.16	48.85

Other information:

None.

B. Main suppliers

The purchases from top 5 suppliers were RMB 491,154,600 in 2019, representing 34.31% of the total annual purchase cost, of which, the purchases from related parties were RMB 213,613,000, representing 14.92% of the total annual purchase cost.

Top 5 suppliers

Applicable N/A

In RMB 0'000

No.	Supplier	Purchase cost	% of total annual purchase cost
1	Supplier 1	13,594.80	9.50
2	Supplier 2	12,755.85	8.91
3	Supplier 3	9,474.80	6.62
4	Supplier 4	7,766.50	5.42
5	Supplier 5	5,523.51	3.86
Total	/	49,115.46	34.31

Other information:

None.

3. Expenses

Applicable N/A

In RMB

Item	2019	2018	% Change
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Sales expenses	151,760,111.00	102,349,110.00	48.28
Administration expenses	152,626,530.61	95,580,970.10	59.68
R&D expenses	201,697,766.26	135,730,450.92	48.60
Financial expenses	29,491,223.42	-2,652,161.71	N/A

Analysis of change in sales expenses: The increase in sales expenses in 2019 by RMB 49,411,000 or 48.28% as compared to 2018 was primarily due to the increase in sales efforts, employee benefits, marketing costs resulting from enhancing promotion of new products and brand advertising, and provision for after-sale expenses along with increase in sales.

Analysis of change in administration expenses: The increase in administration expenses in 2019 by RMB 57,045,600 or 59.68% as compared to 2018 was primarily due to the increase in investment in human resources and employee benefits to address the need of rapid business development, increase in lease expenses for the premises and office space newly leased, and increase in the amortization of land use right in respect of the R&D center located at Nanshan District, Shenzhen.

Analysis of change in R&D expenses: The increase in R&D expenses in 2019 by RMB 65,967,300 or 48.60% as compared to 2018 was primarily due to the increase in R&D investment in new products and technologies, and the increase in employee benefits and material costs.

Analysis of change in financial expenses: The increase in financial expenses in 2019 by RMB 32,143,400 as compared to 2018 was primarily due to the sharp decrease in exchange gain and increase in interest expenses caused by decrease in interest subsidies offered by the government.

4. Cash flows

Applicable N/A

In RMB

Item	2019	2018	% Change
Net cash flows from operating activities	243,000,903.71	117,773,454.30	106.33
Net cash flows from investment activities	-772,857,910.07	-272,432,179.99	N/A
Net cash flows from financing activities	884,616,830.77	522,562,789.37	69.28

Analysis of change in net cash flows from operating activities: Net cash flows from operating activities in 2019 were RMB 243,000,900, an increase of RMB 125,227,400 as compared to 2018, primarily due to the increase in the sales revenue received.

Analysis of change in net cash flows from investment activities: Net cash flows from investment activities in 2019 were RMB -772,857,900, an increase of RMB 500,425,700 as compared to 2018, primarily due to the increase in the structured deposits purchased in 2019.

Analysis of change in net cash flows from financing activities: Net cash flows from financing activities in 2019 were RMB 884,616,800, an increase of RMB 362,054,000 as compared to 2018, primarily due to the proceeds from the IPO on the STAR Market.

(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

In RMB

Item	Balance as at December 31, 2019	% of total assets	Balance as at December 31, 2018	% of total assets	% Change	Remark
Cash and bank balances	875,858,784.58	28.26	484,169,208.44	23.35	80.90	Primarily due to the proceeds from the IPO and net cash flows from operating activities in the reporting period
Held-for-trading financial assets	540,000,000.00	17.42				Primarily due to the purchase of wealth management products using the idle funds raised in the reporting period
Notes receivable	4,042,559.63	0.13	35,903,632.13	1.73	-88.74	Primarily due to the decrease in the notes received in the reporting period and acceptance of matured notes
Receivables financing	1,980,500.00	0.06				Primarily due to the adoption of the new accounting standard for financial instruments in the accounting of receivables financing according to our business mode for the management of notes receivable
Accounts receivable	176,035,155.24	5.68	119,715,786.19	5.77	47.04	Primarily due to the increase in the accounts receivable from customers along with the increase in sales
Prepayments	35,070,999.13	1.13	22,909,249.21	1.10	53.09	Primarily due to the increase in prepayments to suppliers along with the increase in purchases
Long-term equity investments	139,534,371.94	4.50				Primarily due to the investment of USD 20 million in Cinionic and returns on investment
Construction in progress	20,132,004.07	0.65	30,953,213.42	1.49	-34.96	Primarily due to the decrease in the light source installed in the reporting period
Long-term prepaid expenses	16,908,070.34	0.55	6,400,455.04	0.31	164.17	Primarily due to the increase in the fit-out expenses of the production site and office space
Other non-current	11,420,185.94	0.37	137,518,255.16	6.63	-91.70	Primarily due to the transfer of the investment

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assets						in Cinionic to long-term equity investments in the reporting period
Short-term borrowings	76,765,319.05	2.48	124,440,000.00	6.00	-38.31	Primarily due to the repayment of short-term borrowings in the reporting period
Employee benefits payable	50,586,932.71	1.63	38,184,612.34	1.84	32.48	Primarily due to the increase in employee benefits in the reporting period
Other payables	14,364,076.43	0.46	185,661,537.24	8.95	-92.26	Primarily due to the payment of the remaining land use fee in the reporting period
Non-current liabilities due within one year	64,968,795.02	2.10	28,609,163.00	1.38	127.09	Primarily due to the increase in the long-term borrowings due within one year
Long-term borrowings	279,615,107.27	9.02	403,107,800.00	19.44	-30.64	Primarily due to the transfer of long-term borrowings to non-current liabilities due within one year
Long-term accounts payable	3,488,100.00	0.11	6,863,200.00	0.33	-49.18	Primarily due to the payment for intangible assets in the reporting period
Provisions	27,072,676.49	0.87	9,449,087.12	0.46	186.51	Primarily due to the increase in provision for after-sale expenses along with the increase in sales

Other information:

None.

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

√Applicable □ N/A

In RMB

Item	Amount	Reason
Other cash and bank balances - security deposit	15,831,289.87	Security deposit for notes and letters of credit
Bank deposits - frozen funds	30,000,000.00	Funds frozen in connection with litigations
Bank deposits - deposit interest that has not become due but has been recognized	238,006.85	Deposit interest that has not become due but has been recognized

Note: As of the date of this report, among the frozen funds stated above, RMB 10 million has been released.

3. Other information

□ Applicable √ N/A

(IV) Analysis of operation information of the industry

□ Applicable √ N/A

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

√Applicable □ N/A

As of the end of the reporting period, the balance of long-term equity investments was RMB 139,534,371.94. In addition, we plan to invest an additional USD 18.2 million in Appotronics HK, for it to acquire 36% shares of GDC Technology Limited (a company incorporated in British Virgin Islands) (“GDC”). As of the end of 2019, this investment had not yet been made.

(1) Material equity investments

√Applicable □ N/A

In January 2019, we invested USD 20 million in Cinionic to acquire 20.00% of its shares, for the purpose of promoting the laser cinema projection technology and other advanced projection technologies on the overseas market, and the increase of the sales of our laser light source on the overseas market.

On December 6, 2019, the 20th meeting of the 1st Board of Directors of the Company adopted the Proposal for Capital Injection in the Wholly Owned Subsidiary and Investment in GDC, approving the investment of an additional USD 18.2 million in Appotronics HK, for it to acquire 36% shares of GDC. The relevant information was disclosed in the Announcement No.2019-029 issued by us on www.sse.com.cn and the designated media for information disclosure on December 7, 2019. In March 2020, we completed the approval and filing procedures with the development and reform, commerce and other competent government authorities in respect of this transaction. Upon satisfaction of the conditions precedent to the closing of this transaction, we paid an amount equivalent to USD 18.11 million as the consideration for such shares on April 9, 2020. As of the date of this report, we legally held 93,071,822 shares in GDC, representing 36% of the total shares of GDC.

(2) Material non-equity investments

□ Applicable √ N/A

(3) Financial assets at fair value

√Applicable □ N/A

As of December 31, 2019, the balance of held-for-trading financial assets was RMB 540,000,000.00, 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.

(VI) Sale of material assets and equities

Applicable N/A

(VII) Analysis of major investees

Applicable N/A

In RMB 0'000

Company	Main business	Registered capital	Shareholding percentage	Total assets	Net assets	Operating income	Net profit
CINEAPPO	Provision of cinema laser light source lease service and sales of projectors	10,000.00	55.20%	104,563.87	37,341.21	59,302.09	14,480.26
Fengmi	R&D and sale of household display products	5,000.00	55%	26,194.25	-2,867.57	70,057.77	-4,748.11
Appotronics HK	R&D and sale of laser light source	3,536.40	100%	32,868.29	22,873.35	18,941.60	3,266.52

(VIII) Structured entities controlled by the Company

Applicable N/A

IV. Discussion and analysis of future development of the Company

(I) Structure and trend of the industry

Applicable N/A

(1) Main market spaces

1. Sector of laser TV

In the household field, the application scenarios for home drawing room are of great value, and have remarkable advantages in large-screen content and human-machine interaction. At present, there are more and more ultra high definition TV programs; some films have their premiere on line; some online TV plays and entertainment programs are exclusively broadcast on streaming media, and there's rich content available. HiSense and other TV makers have continuously launched new laser TV products. All of these indicate that the sector of laser TV will face a new and key development period in the future.

According to AVC, 194,500 sets of laser TV were sold in 2019, a 29% increase year on year, and the total sales reached RMB 3.775 billion, a 34.5% increase year on year. The top 5 brands are the brands of household appliances and Internet TV, holding 81.5% market share in total. Appotronics holds 31.9% market share, the highest in the industry, including 17% market share held by Mijia (whose products are manufactured by Appotronics) and 14.9% market share held by Fengmi. According to AVC, the sales volume of laser TV will exceed 1 million sets on the Chinese market, so the outlook for the market is promising.

2. Sector of smart mini projector

With the help of smart projection technology, users can access the information they need at any time. Smart projector is becoming a new information access terminal. Through this "entertainment center", users can search all kinds of network resources, hold remote meetings, watch online videos and carry out other operations.

According to AVC, 3.592 million sets of smart projectors were sold in 2019 in China, a 37.5% increase year on year, and the total sales reached RMB 8.26 billion, a 38.8%

increase year on year. At present, young consumers are the main users of smart projectors. The market is still at the blue sea growth period and has great potentials.

(2) Development trend of the industry

1. As an emerging technology, laser display technology is upgrading and substituting the traditional projection industry on cinema, large venue, education, business and other markets. Laser light source has become increasingly popular. All projector manufacturers have entered the era of laser.

2. The smart products have become more and more practical, and now can provide rapid data transmission, unlimited connection with the Internet of Things, audio functions, lossless audio transmission with high sound quality, and smart hi-fi system that provide perfect audio & video experience. In addition, such products are embedded with app stores, which offer a variety of entertainment applications for downloading. The smart products also provide video conference system and apps, online education and other functions, so they have gradually become popular consumer electronic products.

3. The industrial solutions have been well accepted. As experience economy has become popular in the world, the mode of audio & video technology plus cultural IP is more preferred for the strategy of cultural and tourism integration. The immersive experience enables off-line space, and the concept of smart cultural and tourism integration draws wide attention. The outlook for the high-quality image solutions is promising.

4. The software and hardware integration and cross boundary have become the trend. Simple product functions cannot satisfy the demands of consumers, and must provide content support. A channel from the content side to the technology side will provide core competitiveness for a company.

(II) Development strategy of the Company

√Applicable □ N/A

In the future, Appotronics will be committed to its mission of “New light, New life”, focus on the demands of customers, create value for users with high-quality products and services, and strive to become the pioneer in the display industry through disruptive technical innovations and differential mode covering the entire value chain.

We will focus on the technology development and services that can provide long-term use value for users, based on core devices, create the mode of open platform operation, develop toward the mode of “software + hardware + service”, and through in-depth software and hardware integration, provide end users with better experience and services, and expand the overseas market relying on our global IP protection system.

(III) Business plan

√Applicable □ N/A

Business plan for 2020

The outbreak of Covid-19 since the beginning of 2020 has caused global economic recession, affected our businesses to different degrees, and hindered the momentum of our rapid development. Facing the present crisis and challenges, we adopt the bottom-line thinking method and prepare for worst-case scenarios. Meanwhile, we wish to grasp the opportunities of the recovery of the domestic and overseas market, consolidate resources and business, and minimize the effect of the epidemic situation.

In 2020, Appotronics will improve its capabilities in the following ways:

1. Improve R&D capabilities, integrate and optimize the R&D system, consolidate resources, optimize development mode and R&D efficiency, orient on the market, explore emerging market opportunities and spaces, rapidly enrich and extend the product lines,

ensure timely delivery of major and new products, improve the technological competitiveness of products and achieve the goal to reduce the design cost of products.

2. Improve the platform support capabilities, strictly control all kinds of expenses and implement the relevant budgets, increase working efficiency per capita and the internal collaborative efficiency, enhance echelon building of personnel, improve organization capability, promote corporate culture, optimize processes, upgrade IT system, and improve the process architecture and system, operating efficiency of business processes, and the ERP-based interconnected IT architecture.

3. Improve the capabilities of the supply chain, gradually build the manufacturing center into a profit center, continuously implement the supply chain optimization project and Lean Six Sigma production, build an industry leading supply chain team, manufacture products with reliable quality and competitive costs, increase the flexibility of supply chain, reduce the inventories and increase the inventory turnover ratio.

4. Improve the marketing capabilities, under the guidance of industry-leading business strategy, penetrate into all market segments, explore industrial applications according to the demands of the industry, design corresponding products and solutions, train a group of industrial business experts, enhance marketing efforts and channel building, dig deep into the market, realize online and off-line integration, and turn technical advantages into market advantages.

(IV) Other information

Applicable N/A

V. Information not disclosed according to the standard due to inapplicability of the standard, involving State secrets or trade secrets or other reasons, and explanation about the relevant reasons

Applicable N/A

Section V Significant Matters

I. Proposals for profit distribution on ordinary shares and capitalization of the capital reserve

(I) Establishment, implementation or adjustment of the cash dividend policy

Applicable N/A

1. Pursuant to our Articles of Association and the Statement of Appotronics Corporation Limited Regarding the Initial Public Offering of RMB-denominated Ordinary Shares (A-shares) and the Plan for Distribution of Dividends to Shareholders within Three Years Following the Listing on the STAR Market, we will focus on long-term and sustainable development, and establish a clear profit distribution policy taking into consideration our strategic development plan, actual business situation, development objectives, future profitability, status of cash flows, shareholder return, cost of social capital, external financing environment and other relevant factors, and the balance between the reasonable returns on investment for shareholders and our sustainable development, to ensure the consistency and stability of the profit distribution policy and ensure that we are able to operate continuously and healthily in the long run.

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.

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

(1) If we are at the mature stage and do not have any material capital expenditure arrangement, at least 80% of the distributable profit will be distributed in cash;

(2) If we are at the mature stage and have 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.

2. Profit distribution proposal for the year of 2019: According to our consolidated financial statements 2019 as audited by Pan-China Certified Public Accountants (Special General Partnership), the net profit attributable to the shareholders of the listed company is RMB 186,457,276.71, and the aggregate distributable profit of the parent company is RMB 211,573,548.42.

According to our overall business situations and development stage, we propose to distribute a cash dividend of RMB 0.75 per 10 shares (inclusive of tax) to all shareholders on the basis of our total share capital as at the record date for the dividend distribution for the year of 2019. RMB 33,866,580.83 of cash dividends (inclusive of tax) is expected to be distributed in total, representing 18.16% of the net profit attributable to the shareholders of the listed company as reported on our consolidated financial statements 2019. We will not capitalize the capital reserve or distribute bonus shares in the reporting period.

The amount of cash dividends stated in our profit distribution proposal for the year of 2019 was calculated on the basis of 451,554,411 shares in our total share capital at present. The total amount of cash dividends actually distributed shall be calculated on the basis of our total share capital as at the record date for the dividend distribution for the year of 2019.

The profit distribution proposal for the year of 2019 has been approved by the 21st meeting of the 1st Board of Directors of the Company. The independent directors of the Company have reviewed, expressed their independent opinions on and given explicit consent to the proposal. The Board of Supervisors of the Company has reviewed and expressed its opinions on the proposal. The proposal is still subject to approval by the general meeting of shareholders. After the proposal has been approved by the general meeting of shareholders, the Board of Directors shall distribute the cash dividends (or stock dividends) (as applicable) within two months.

3. Reasons for distribution of cash dividends lower than 30% of the distributable profit and actual use of the retained profit

The Board of Directors adopted the profit distribution proposal for the year of 2019 taking into account the provision of returns to shareholders and the requirements of the Company's steady growth. We plan to use the retained profit in R&D and market development and to address the operating risks that might be brought about by the epidemic situation, satisfy the working capital requirements in our R&D and marketing activities and day-to-day management, and support the implementation of our medium-to-long term development strategy and continuous and healthy development. In particular, we plan to use the retained profit for the following purposes:

(1) The retained profit will be used to satisfy the capital requirements of R&D activities to give support to our technical innovations and product innovations.

Our development strategy is to focus on technical innovations and product innovations, to enhance our core competitiveness and ensure our sustainable development. We will continue to maintain R&D investments in technical innovations and product innovations, improve R&D capabilities in an all-round way, integrate and optimize R&D system, consolidate resources, optimize development mode, increase R&D efficiency, and enhance the competitiveness of our products. The retained profit will mainly be used in the upgrading of core technologies, development of software platform and products for new application scenarios, and other R&D activities.

(2) The retained profit will be used to satisfy the capital requirements of marketing activities to give support to the development of the overseas market and brand building.

On the overseas market, we will adopt the internationalized thinking and management standard, enhance the international orientation of our products, gradually build a global marketing network, provide localized services, and increase the share of our products on the overseas market. With respect to brand building, we will consolidate the position of ALPD® as proprietary technology in the field of laser display, and enhance the promotion and advertising efforts on the domestic and overseas markets, to bring our products into the mainstream market system in the world.

(3) The retained profit will be used to satisfy the capital requirements of day-to-day management to address the uncertainties of the macro-environment caused by the outbreak of Covid-19.

Due to the outbreak of Covid-19, the cinemas have shut down, resulting in the suspension of our cinema light source lease service, which has a direct effect on our revenue from cinema light source lease service and other related business. In addition, the

consumer demands are shrinking due to the effect of macro-environment. Therefore, our operating performance may decrease sharply. We will keep cash reserves to address the risk of uncertainties and satisfy the capital requirements of day-to-day management.

In the future, we will continue to emphasize on providing returns to the investors in the form of cash dividends, and share our results of development with the investors in strict accordance with the applicable laws and regulations and the provisions of our Articles of Association, taking into consideration of all factors relating to profit distribution, to better safeguard the long-term interests of all shareholders.

4. During the reporting period, we have strictly complied with the dividend principles and policies in accordance with the provisions of our Articles of Association. Our dividend distribution criteria and ratio are clear, and the relevant decision-making procedures and mechanism are sound and transparent and comply with the applicable regulations. Our independent directors have duly performed their duties in the review of the profit distribution proposal by the Board of Directors, to ensure that the legitimate rights and interests of the minority shareholders are fully protected.

(II) Proposals for profit distribution on ordinary shares and capitalization of the capital reserve in the past three years (including the reporting period)

In RMB

Year	Number of bonus shares distributed per 10 shares	Cash dividends distributed per 10 shares (inclusive of tax)	Number of shares distributed out of the capital reserve	Amount of cash dividends (inclusive of tax)	Net profit attributable to the shareholders of ordinary shares of the listed company reported in the consolidated financial statements for the year	% of the net profit attributable to the shareholders of ordinary shares of the listed company reported in the consolidated financial statements
2019	0	0.75	0	33,866,580.83	186,457,276.71	18.16
2018	0	0	0	0	176,971,092.49	0
2017	0	0	0	0	105,393,395.69	0

(III) Repurchase of shares by cash included in cash dividends

Applicable N/A

(IV) If the Company made a profit in the reporting period and there's profit distributable by the parent company to the shareholders of its ordinary shares, but the Company does not propose to distribute profits on ordinary shares in cash, the Company shall explain the reason in detail and use of the undistributed profit.

Applicable N/A

II. 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	Type of covenant	Covenantor	Content of covenant	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 him, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues	Note 1	36 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 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	Note 3	36 months after completion of the IPO and the extended period stated below	Yes	Yes	N/A	N/A

		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 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, 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 6	12 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 senior officers BO Lianming, WU Bin, LI Lu, ZHAO Ruijin and XIAO Yangjian regarding restriction on the sale of	Note 7	12 months after completion of the IPO and the extended period stated below	Yes	Yes	N/A	N/A

		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						
Covenant relating to IPO	Restriction on the sale of shares	Covenant by the key technical staff YU Xin, WU Xiliang, WANG 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	Note 8	12 months after completion of the IPO and listing of stock 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 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 lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues	Note 10	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	Covenant by the senior officers and key	Note 11	at least 12 months after completion of	Yes	Yes	N/A	N/A

	of shares	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		the IPO and listing of stock				
Covenant relating to IPO	Others	Issuer's plan for stabilizing the Company's stock price and covenant regarding share repurchase measures within three years after the listing	Note 12	36 months after completion of the IPO and listing of stock	Yes	Yes	N/A	N/A
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	Note 15	Permanent	No	Yes	N/A	N/A

		against fraud in IPO						
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 the current period	Note 20	Term of office	No	Yes	N/A	N/A
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 relating to IPO	Resolve horizontal competition issues	Controlling shareholder's covenant on avoiding horizontal competition and regulating and reducing related-party transactions	Note 25	Permanent	No	Yes	N/A	N/A
Covenant relating to IPO	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
Covenant related to share incentives	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, and that 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 us to the Company’s debt or any outstanding guarantee offered by the Company for us;

(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 Appotronics 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 covenants that:

"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, and that I'm free from the following circumstances upon the transfer of my control over the Company:

(1) any illegal occupation by me 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 me 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 I 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 I deem fit in my 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 Appotronics 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 directly or indirectly 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 senior officer 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 senior officer 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.

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 relevant public information, subject to the applicable 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:

(1) 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 that:

“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 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 Apptronics 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 undertakes:

- “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 Appotronics 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: (i) 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 (ii) 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 distribution of cash dividends, the Company shall pay out at least 10% of the distributable profit earned each year as cash dividends for such year.

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 the Company is at the growth stage and has 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.

The Company will formulate or adjust the shareholder returns plan subject to the profit distribution policy set forth above, according to its 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 that:

“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 Appotronics's RMB-denominated ordinary shares (A-shares). 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 Appotronics's RMB-denominated ordinary shares (A-shares). 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.

(II) If the Company has made any profit forecast on its assets or project and the reporting period falls within the period of such profit forecast, explanation about whether the goal has been achieved and the relevant reasons

Reached Not reached N/A

(III) Fulfillment of performance covenant and the relevant effect on goodwill impairment test

Applicable N/A

III. Occupation of funds during the reporting period and return of such funds

Applicable N/A

IV. Explanation about the modified audit opinion issued by the accounting firm

Applicable N/A

V. Explanation about the reasons and effect of changes in accounting policies and accounting estimates and correction of material accounting errors**(I) Analysis of the reasons of changes in accounting policies and accounting estimates and the relevant effect**

Applicable N/A

Please see “Section XI. Financial Report - V. Significant accounting policies and accounting estimates - 41 Changes in significant accounting policies and accounting estimates”.

(II) Explanation about the reasons and effect of correction of material accounting errors

Applicable N/A

(III) Communication with the former accounting firm

Applicable N/A

(IV) Other information

Applicable N/A

VI. Appointment and termination of appointment of accounting firm

In RMB 0'000

	Current accounting firm
Name of domestic accounting firm	Pan-China Certified Public Accountants (Special General Partnership)
Fee payable to domestic accounting firm	53
Audit period of domestic accounting firm	4 years

	Name	Fee
Sponsor	Huatai United Securities Co., Ltd.	/

Explanation about the appointment and termination of appointment of accounting firm

Applicable N/A

The annual general meeting of shareholders of the Company for the year of 2018 approved the resolution to continue to appoint Pan-China Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year of 2019 for a term of one

year. Pan-China Certified Public Accountants (Special General Partnership) has issued auditor's reports for the Company between 2016 and 2018.

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

Applicable N/A

VII. Risk of delisting and the reason

Applicable N/A

VIII. Matters relating to bankruptcy and reorganization

Applicable N/A

IX. Material litigations and arbitrations

√ The Company has been involved in material litigations and arbitration in this year □ The Company has not been involved in material litigations and arbitration in this year

(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
<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. Parties 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 16,145,300.</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.</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>Defendant 2: Delta Video Display System (Wujiang) Limited Defendant 3: Shenzhen Super Network Technology Co., Ltd.</p> <p>2. Background</p> <p>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: RMB 56 million.</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>1. Parties</p> <p>Plaintiff: Appotronics Corporation Limited Defendant: Delta Electronics, Inc.</p> <p>2. Background</p> <p>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>Please refer to the Announcement No. 2019-012 issued by the Company on 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</p> <p>Plaintiff: Delta Electronics, Inc. Defendant 1: Fengmi (Beijing) Technology Co., Ltd.</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>Defendant 2: Appotronics Corporation Limited</p> <p>2. Background</p> <p>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 “MJJGTYDS01FM” 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: RMB 32.02 million.</p>	
<p>V. Case of dispute over title to patents [2019] Yue 03 Min Chu No. 4309</p> <p>1. Parties</p> <p>Plaintiff: Appotronics Corporation Limited</p> <p>Defendant: Delta Electronics, Inc.</p> <p>2. Background</p> <p>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>

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

√Applicable □ N/A

In RMB 0’000

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 and the amount	Status	Result and effect	Enforcement of judgment/ award
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 Development Co., Ltd.	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, 1899-1907 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	4,163.04	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	Pending second trial

				Plaintiff.				expenses, RMB 35.6 million in total.	
Casio Computer Co., Ltd.	Appotronics Corporation Limited	AV Design (Beijing) Technology Development Co., Ltd.	Infringement on patent for invention	In the cases of dispute over infringement on 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.	2,049.95	No	The Parties entered into a mediation agreement in March 2020.	Judgment of first instance: All claims made by Casio Computer Co., Ltd. were dismissed. The Parties entered into a mediation agreement in March 2020.	In the process of withdrawing the suit
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 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.	760	No	The Parties entered into a mediation agreement in March 2020.	The Parties entered into a mediation agreement in March 2020.	In the process of withdrawing the suit

Note: In March 2020, the Company and Casio Computer Co., Ltd. entered into a Mediation Agreement, to finally settle the litigations involving the Parties. After the execution of the Mediation Agreement, each party has begun to withdraw the suits instituted by it against the other party, and will not lodge any claim against the other party or file any new petition for invalidation in respect of the relevant patents. Please refer to the Announcement No. 2020-008 issued by the Company on www.sse.com.cn and the designated media for information disclosure on March 21, 2020. As of the disclosure date of this report, the parties are going through the procedures for withdrawing their respective suits.

(III) Other information

√Applicable □ N/A

As of December 31, 2019, 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	4W109289 4W109291	Appotronics Corporation Limited	ZL200880107739.5	A multi-color lighting apparatus using moving pattern plate containing wavelength conversion material	WEI Qun	On July 25, 2019, the petitioner for invalidation filed a petition for invalidation of the patent for invention owned by the Company, which was found to comply with the relevant provisions of <i>the Patent Law</i> , 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 August 5, 2019.	On February 5, 2020, the State Intellectual Property Office decided that the patent at issue is valid. Please refer to our Interim Announcement No. 2020-005.
2	4W109439	Appotronics Corporation Limited	ZL200880107739.5	A multi-color lighting apparatus using moving pattern plate containing wavelength conversion material	Delta Electronics Business Management (Shanghai)	On August 29, 2019, the petitioner for invalidation filed a petition for invalidation of the patent for invention 200880107739.5 titled “a multi-color lighting apparatus using	The petitioner for invalidation withdrew the petition in March 2020.

					Co., Ltd.	moving pattern plate containing wavelength conversion material” (“Patent 7739”) owned by the Company, which was found to comply with the relevant provisions of <i>the Patent Law</i> , 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 2, 2019.	
3	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 <i>the Patent Law</i> , 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.	Pending trial
4	4W108847	Appotronics Corporation Limited	ZL200810065225.X	A phosphor-based light source structure for improving the efficiency of light conversion	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” owned by the Company, which was found to comply with the relevant	Pending trial

						provisions of <i>the Patent Law</i> , 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.	
5	4W109440	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 August 29, 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 <i>the Patent Law</i> , 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 2, 2019.	The petitioner for invalidation withdrew the petition in March 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	4W109293 4W109294	Delta Electronics, Inc.	ZL201310017478.0 ZL201310625063.1	(1) Optical system; (2) Blu-ray integration method and system	Appotronics Corporation Limited	On July 29, 2019, the Company filed a petition for invalidation of the patents for invention 201310017478.0 titled “optical system” and 201310625063.1 titled “blu-ray integration method and system” owned by Delta Electronics, Inc. with the State Intellectual Property Office, which was found to comply with the relevant provisions of <i>the Patent Law</i> , the Rules for Implementation of the Patent Law	On February 5, 2020, the State Intellectual Property Office decided that the patent at issue is wholly invalid. Please refer to our Interim

						and the Guidelines for Examination according to prima facie examination, and was accepted by the State Intellectual Property Office on July 30, 2019.	Announcement No. 2020-004.
2	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 <i>the Patent Law</i> , 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.
3	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, which was found to comply with the relevant provisions of <i>the Patent Law</i> , 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.	Pending trial

X. 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

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

Applicable N/A

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

(I) 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 17 th meeting of the 1 st Board of Directors and the 7 th meeting of the 1 st 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 6 th 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 18 th meeting of the 1 st Board of Directors and the 8 th meeting of the 1 st 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 information

Applicable N/A

Employee stock ownership plan

Applicable N/A

Other incentives

Applicable N/A

XIII. 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

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

In RMB 0'000

Counterparty	Relationship	Type	Subject matter	Pricing principle	Transaction price	Amount	% of the total amount of the same type of transactions	Method of settlement	Market price	Reason for big difference between the transaction price and the market price
Xiaomi Communications Technologies Co., Ltd. and its affiliates	Corporation or other organization holding more than 10% shares in a controlled subsidiary having significant influence on the Company	Sale of goods	Laser TV, smart mini projector	Determined through consultation on the basis of market price	/	45,648.60	23.06	Bank settlement	/	N/A
CFEC and its affiliates	Corporation or other organization holding more than 10% shares in a controlled subsidiary having significant influence on the Company	Sale of goods, lease and services	Laser light source, lease and services	Determined through consultation on the basis of market price	/	14,177.80	7.16	Bank settlement	/	N/A
Cinionic	Corporation in which the actual controller or a director of the Company holds the post of director	Sale of goods	Laser light source	Determined through consultation on the basis of market price	/	12,539.51	6.34	Bank settlement	/	N/A
Beijing Donview Education Technology Co., Ltd. and its affiliates	Corporation or other organization holding more than 10% shares in a controlled subsidiary having significant influence on the Company	Sale of goods	Laser business education projector	Determined through consultation on the basis of market price	/	7,484.85	3.78	Bank settlement	/	N/A
Xiaomi	Corporation	Purchase of	Electronic	Determined	/	13,500.66	9.43	Bank	/	N/A

Communications Technologies Co., Ltd. and its affiliates	or other organization holding more than 10% shares in a controlled subsidiary having significant influence on the Company	goods and materials	components	through consultation on the basis of market price				settlement		
CFEC and its affiliates	Corporation or other organization holding more than 10% shares in a controlled subsidiary having significant influence on the Company	Purchase of goods and materials	Power supply, water cooling and services	Determined through consultation on the basis of market price	/	3,814.97	2.66	Bank settlement	/	N/A
Xiaomi Communications Technologies Co., Ltd. and its affiliates	Corporation or other organization holding more than 10% shares in a controlled subsidiary having significant influence on the Company	Acceptance of services	Service	Determined through consultation on the basis of market price	/	94.14	0.07	Bank settlement	/	N/A
CFEC and its affiliates	Corporation or other organization holding more than 10% shares in a controlled subsidiary having significant influence on the Company	Acceptance of services	Service	Determined through consultation on the basis of market price	/	3,744.48	2.62	Bank settlement	/	N/A
Beijing Donview Education Technology Co., Ltd. and its affiliates	Corporation or other organization holding more than 10% shares in a controlled subsidiary having significant influence on the Company	Acceptance of services	Service	Determined through consultation on the basis of market price	/	7.03	0.00	Bank settlement	/	N/A
CFEC and its affiliates	Corporation or other organization holding more than 10% shares in a controlled subsidiary having significant	Property lease	Property lease	Determined through consultation on the basis of market price	/	207.05	0.14	Bank settlement	/	N/A

	influence on the Company									
Total		/	/	101,219.09	/	/	/	/	/	/
Large-sum returned sales		N/A								
Explanation about related-party transactions		We conduct routine related-party transactions on an arm's length basis, according to the relevant market rules, for purpose of satisfying the requirements of our business development, production and operation. The proportion of related-party transactions to the same type of transactions is calculated on the basis of total operating income if such transactions involve sale of goods, or on the basis of total purchase cost if such transactions involve purchase of goods.								

(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) Other information

Applicable N/A

XIV. Material contracts and performance thereof**(I) Trusteeship, contracting and lease****1. Trusteeship**

Applicable N/A

2. Contracting

Applicable N/A

3. Lease

Applicable N/A

(II) Guarantees

√Applicable □ N/A

In RMB 0'000

External guarantees provided by the Company (excluding those provided for the subsidiaries)												
Total amount of guarantees provided during the reporting period (excluding those provided for the subsidiaries)											0	
Balance of guarantees at the end of the reporting period (excluding those provided for the subsidiaries) (A)											0	
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	Amount guaranteed	Commencement date of guarantee (signing date of agreement)	Effective 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	Controlled subsidiary	80,000	November 28, 2018	November 28, 2018	Two years after the due date for the obligations under the master contract	Joint and several liability	No	No		No
Appotronics Corporation Limited	Headquarters	CINEAPPO	Controlled subsidiary	6,000	June 27, 2019	June 27, 2019	June 26, 2023	Joint and several liability	No	No		No
Appotronics Corporation Limited	Headquarters	Fengmi	Controlled subsidiary	16,500	October 21, 2019	October 21, 2019	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	November 23, 2018	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	Yes	No		No
Total amount of guarantees provided for the subsidiaries during the reporting period											27,379	
Balance of guarantees provided for the subsidiaries at the end of the reporting period (B)											41,024	
Total amount of guarantees provided by the Company (including those provided for the subsidiaries)												
Total amount guaranteed (A+B)											41,024	
Proportion of total amount guaranteed to the net assets of the Company (%)											19.31	
Where:												
Total amount of guarantees provided for the shareholders, actual controller and their affiliates (C)											0	
Total amount of debt guarantees directly or indirectly provided for the obligors whose equity-debt ratio exceeds 70% (D)											26,500	

Total amount guaranteed in excess of 50% of the net assets of the Company (E)	
Total amount guaranteed (C+D+E)	26,500
Explanation about outstanding guarantees for which the Company may assume joint and several liability	None
Explanation about guarantees	None

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.

(III) Entrusted cash asset management

1. Entrusted wealth management

(1) Overall situation of entrusted wealth management

Applicable N/A

In RMB				
Type	Source of funds	Total amount	Outstanding amount	Overdue amount
Bank wealth management amount	Offering proceeds	859,000,000.00	540,000,000.00	0

Other information

Applicable N/A

(2) Single entrusted wealth management

Applicable N/A

Other information

Applicable N/A

(3) Provision for impairment of entrusted wealth management products

Applicable N/A

2. Entrusted loans**(1) Overall situation of entrusted loans**

Applicable N/A

Other information

Applicable N/A

(2) Single entrusted loans

Applicable N/A

Other information

Applicable N/A

(3) Provision for impairment of entrusted loans

Applicable N/A

3. Other information

Applicable N/A

(IV) Other material contracts

Applicable N/A

XV. Other significant matters

Applicable N/A

XVI. Active performance of social responsibilities**(I) Poverty alleviation of listed companies**

Applicable N/A

(II) Performance of social responsibilities**1. Protection of the rights and interests of shareholders and creditors**

Applicable N/A

(1) Seriously safeguard the legitimate rights and interests of investors

During the reporting period, we have continuously improved our corporate governance structure, and operated in strict accordance with the applicable laws and regulations. In addition, we have reviewed our internal control and information systems, to improve our management efficiency. We have defined the operating mechanisms of the Board of Directors, the Board of Supervisors and the general meeting of shareholders in strict accordance with the applicable laws and regulations. At the general meetings of shareholders held after our listing on the STAR Market, the shareholders could cast their votes at the venue of meeting or on line, so as to ensure that the minority shareholders can exercise their voting rights. The proceedings of the Board of Directors, the Board of Supervisors and the general meeting of shareholders comply with the applicable laws and regulations, and the procedures of business transaction are legal and valid. The directors, supervisors and senior officers have been assiduous in their duties, and seriously safeguarded the legitimate rights and interests of the shareholders.

We have strictly complied with *the Securities Law of the People's Republic of China*, the Administrative Measures for Information Disclosure by the Listed Companies, the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange and other applicable laws and regulations, and performed the obligation of information disclosure as a listed company. We have disclosed information on the principle

of truthfulness, accuracy and completeness, to ensure the investors are informed of our operational highlights and significant events in a timely manner.

We have actively carried out investor relations activities in various forms, and subjected ourselves to the supervision of the investors, to increase the transparency of our operation and enhance our corporate image. We have established the investor relations management policy, and actively communicated with the investors by telephone, email, the e-information platform of the SSE, investor briefing or otherwise, to enable the investors to have a better understanding about our business situations and development directions. We have also adopted the reasonable advice of the investors to promote our healthy development.

(2) Seriously safeguard the legitimate rights and interests of creditors

We attach importance to the protection of the legitimate rights and interests of creditors, through execution of contract or otherwise. We have duly performed our payment obligation and other obligations in strict accordance with the relevant contracts. In addition, we have enhanced communications and exchanges with our creditors, to enhance their understanding about us.

2. Protection of the rights and interests of employees

Applicable N/A

We have complied with *the Labor Law, the Labor Contract Law* and other applicable laws, regulations and normative documents, and continuously improved our human resources management system and compensation and incentive mechanisms. With a view to complying with the applicable laws and regulations of the country and fully safeguarding the rights, interests and benefits of the employees, we have established the Recruitment Policy, the Training Policy, the Performance Assessment Policy, the Basic Personnel Management Policy, the Employee Attendance Policy, the Employee Leave Policy, the Employee Benefits Policy, and other human resources management regulations and policies.

Main rights and interests of employees

In the recruitment and employment of the employees, we adhere to the principle of equality and fairness, and comply with the applicable anti-discrimination regulations, and will not treat differently, or show a bias or discrimination against any employee based on age, sex, gender, ethnicity, race, national origin, color, disability or other characteristics. Our production activities are free from any child labor or forced labor.

Our regular employees are entitled to all legal leaves stipulated by the country. In addition, the bereavement leave, and (for the employees of our subsidiary in Hong Kong) maternity leave, wedding leave and parenting leave granted by us to our employees are more favorable than those stipulated by the governments of China and Hong Kong.

Compensation and benefits of employees

In order to establish a fair and equal compensation and incentive system, and ensure the Company's market competitiveness externally and effective incentive for employees internally, we have designed a compensation system based on post, capability and performance, according to the design concept and approaches of international compensation system, and by reference to the compensation level on the market.

Our compensation system is based on position hierarchy, wherein different positions and ranks correspond to different levels of compensation, so that the employees' compensation corresponds to the value of their position and their capability and experience. The employees' compensation is also linked to their performance and contribution to the Company, thereby establishing a performance-based compensation and incentive system.

We adjust the salaries of all employees or promote certain employees to higher ranks or positions or adjust the salaries of certain employees at multiple fixed points of time every year. The adjustment of salaries is determined according to the compensation level on the market, changes in the ranks of employees, performance and other relevant factors.

Share incentive plan

In order to further improve our long-term incentive mechanism, attract and retain outstanding talents, enhance the sense of responsibility and mission of our management team and key employees for the continuous and healthy development of the Company, and ensure the achievement of our development objectives, we launched the 2019 share incentive plan immediately after our listing on the STAR Market. The plan is designed to fully motivate our business teams, effectively bind the interests of the shareholders and the Company with their personal interests, procure all stakeholders to focus on our long-term development, share the benefits of our development with the employees, and enhance the competitiveness of the salaries of our employees.

Career development of employees

We stick to the philosophy of “pooling top talents, keeping company with outstanding talents, and nurturing more talents”, continuously recruit outstanding talents, provide them with broad development spaces, and continuously improve our compensation and benefit system, talent training system and career development system.

With respect to the career development system, we have created two career development routes oriented on profession and management respectively, and carried out talent training plans for the professional line and management line respectively. In 2019, we established Appotronics auditorium, which is a platform for employees to learn and share. Through all-round talent training, we will promote and foster our corporate culture and values, and realize both development of the Company and the personal development of employees.

In order to promote talent development, Appotronics has established a fair, equal and sound performance management system, formulated the Appotronics Performance Policy, provided the employees with chances of promotion every year depending on their performance, competence for their jobs and other qualifications for jobs, and designed a sound promotion assessment process. In addition, we have provided the employees with cross-position and cross-channel career development opportunities. We have also established the complaint mechanism for the result of performance assessment, and provided channels for the employees to raise their objections to the result of performance assessment, so as to further ensure the fairness of performance assessment.

Diversified training mechanisms

We stick to the philosophy of “helping outstanding talents become more outstanding”, focus on the development of the capabilities of key employees, and arouse their enthusiasm for continuous innovation, to achieve our development objective “to become the pioneer in the laser display industry through disruptive technical innovations and differential mode covering the entire value chain”.

In 2019, we organized and implemented the “Polar Light Program”, the “Product Operation Training Camp”, the “Star Light Program” and other talent development programs, to help medium and high level managerial staff better implement our strategies, lead their teams and achieve the goals of the organization; help the members of product operation team understand product operation, enhance awareness of products and create popular products of Appotronics; and help college graduates rapidly transit to their new

roles, master the professional knowledge and skills required in their jobs, be competent for their jobs within a short time, and create the highest value.

In 2019, we built and gradually improved a three-level training management system, and achieved the initial goals. The three-level training management and course system provides visual presentation of skill training courses, makes available learning channels and satisfies the learning requirements for professional, non-professional and cross-department knowledge. In 2019, we organized and shared more than 500 training courses, with nearly 20,000 class hours in total, which effectively satisfied the requirements for the improvement of the employees' personal capabilities and the organization capabilities.

Focus on safety and health of employees

Appotronics strictly complies with the provisions of *the Labor Law* regarding injuries at work. In 2019, we did not have any accident involving injuries at work.

We advocate the philosophy of "happy work, healthy life", and focus on the health of employees. Our employees have physical examinations every year at the professional institutions selected by us. The family members of employees who have physical examinations will get the same discounts as those given to the Company. In addition, we have purchased personal accident insurance and disease and mortality life insurance for all of our employees at Ping An Insurance.

3. Protection of the rights and interests of suppliers, customers and consumers

Applicable N/A

We have established the Supplier Development, Management and Control Process and other relevant policies according to our actual circumstances, to strictly control the development of suppliers, implementation of procurement plans, inspection of incoming materials and other business. When selecting a new supplier, we will organize a group of specialists comprising members from R&D, quality control, purchasing and other related departments, to assess the processing, quality control, financial and other capabilities of the supplier. We have established long-term and stable cooperation relationship with many suppliers, and bound such suppliers by contract and standard in terms of date of delivery, quality control and others issues in respect of the goods delivered by them.

We are committed to providing the customers with high-quality products through strict quality control. Our production base has passed ISO9001 quality management system certification. The contracts executed by us with the customers generally contain quality assurance clauses, pursuant to which we have the obligation to repair the products sold by us that are found to have quality problems during the warranty period (which is 1-3 years generally) free of charge. We guarantee that the laser light source sold by us on the domestic market will have a service life of 30,000 hours. We respond to customers' requests rapidly. With respect to any service request made by a customer, our policy is to respond within two hours, provide a solution within four hours, and solve the related problems within the shortest possible time. In 2019, we passed "five-star" service certification of the After-sale Service Assessment System.

We safeguard the legitimate rights and interests of the suppliers, customers and consumers through the measures stated above.

4. Product safety

Applicable N/A

We attach great importance to ensuring safety of products, and have passed the following product safety certifications in the manufacturing field at home and abroad, which provides assurance for the safety of our products.

Abbreviation	Description
CCC	China Compulsory Certification, a compulsory safety certification required by the Certification and Accreditation Administration of the People's Republic of China for the products covered.
ETL	Electrical Testing Laboratories, a generally accepted product safety certification in the North America.
CE	Conformite Europeenne, a compulsory certification required by EU.
FCC	Federal Communications Commission, a certification required by the Federal Communications Commission for the radio products, communication products and digital products entering the American market.
CB	Certification Bodies, a global system established by the International Electrotechnical Commission (IECEE). CB test reports and CB test certificates are recognized in all member states of IECEE.
TUV	Technischer Überwachungs-Verein, a generally accepted safety certification of electronic components in Germany and Europe.

5. Public relations and public welfare activities

√Applicable □ N/A

In the context that the country is vigorously promoting the building of education IT system, the IT infrastructure is relatively weak in western China. Appotronics has closely cooperated with the local education bureaus and sports bureaus to promote the development of the educational undertakings, and enhanced cultural exchanges between Shenzhen and Ganzi County, to actively help the western region improve the level of IT infrastructure. We donated 10 sets of smart classroom solution with ALPD® laser projector, worth RMB 300,000 in total, to Ganzi Tibet Autonomous Prefecture of Sichuan Province, which have been installed and used in No.2 Six-grade Primary School of Chengguan in Ganzi County and No. 4 Middle School of Luding County.

(III) Environment

1. Environmental protection information of the Company and its major subsidiaries that are identified as major polluters by the environmental protection authority

□ Applicable √ N/A

2. 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.

3. Reason for failure to disclose environmental protection information of the Company that is not identified as a major polluter

Applicable N/A

4. New information about the environmental protection information disclosed during the reporting period

Applicable N/A

(IV) Other information

Applicable N/A

XVII. Convertible corporate bonds

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

Unit: Share

	Before the change		+/-				After the change		
	Number	%	New shares	Bonus shares	Capitalization of capital reserves	Others	Subtotal	Number	%
I. Non-tradable shares	383,554,411	100.00	10,807,087				10,807,087	394,361,498	87.33
1. Shares held by the State									
2. Shares held by State-owned corporations									
3. Shares held by other domestic investors	232,858,375	60.71	10,807,087				10,807,087	243,665,462	53.96
Incl.: Shares held by domestic non- State-owned corporations	222,808,836	58.09	10,807,087				10,807,087	233,615,923	51.73
Shares held by domestic natural persons	10,049,539	2.62						10,049,539	2.23
4. Shares held by foreign investors	150,696,036	39.29						150,696,036	33.37
Incl.: Shares held by foreign corporations	135,203,427	35.25						135,203,427	29.94
Shares held by foreign natural persons	15,492,609	4.04						15,492,609	3.43
II. Tradable shares			57,192,913				57,192,913	57,192,913	12.67
1. RMB-denominated ordinary shares			57,192,913				57,192,913	57,192,913	12.67
2. Foreign currency-denominated shares listed domestically									
3. Foreign currency-denominated shares listed overseas									
4. Others									
III. Total ordinary shares	383,554,411	100.00	68,000,000				68,000,000	451,554,411	100.00

2. Explanation about changes in ordinary shares

√Applicable □ N/A

Upon approval by the CSRC through the Reply on Approving the Registration of the Initial Public Offering of Appotronics Corporation Limited (Zheng Jian Xu Ke [2019] No. 1163) and by the SSE, we issued 68 million RMB-denominated ordinary shares (A-shares) to the public at the offering price of RMB 17.5 per share. The total offering proceeds were RMB 1,190,000,000, and the net offering proceeds were RMB 1,062,470,797.73 after deducting the offering expense of RMB 127,529,202.27 (exclusive of tax), of which, RMB 68,000,000.00 was recorded in the share capital, and RMB 994,470,797.73 was recorded in the capital reserve. Pan-China Certified Public Accountants (Special General Partnership) examined our capital increase through IPO and issued the Capital Verification Report (Tian Jian Yan [2019] No. 7-62) thereon.

3. Effect of the changes in ordinary shares on the earnings per share, net assets per share and other financial indicators of the most recent year and the most recent reporting period (if any)

√Applicable □ N/A

During the reporting period, we publicly issued A-shares on the SSE, as a result of which our share capital increased by RMB 68,000,000.00 and capital reserve increased by RMB 994,470,797.73.

Unit: RMB per share

Item	2019	2019 (calculated on the same basis) (Note)
Basic earnings per share	0.45	0.49
Diluted earnings per share	0.45	0.49
Net assets per share attributable to the shareholders of ordinary shares of the listed company	4.37	2.38

Note: The basic earnings per share, diluted earnings per share and net assets per share attributable to the shareholders of ordinary shares of the listed company in 2019 calculated on the same basis are calculated supposing that no shares were issued in 2019.

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 as at January 1, 2019	Number of non-tradable shares unlocked in 2019	Number of non-tradable shares increased in 2019	Balance of non-tradable shares as at December 31, 2019	Reason for restriction	Unlock date
Appotronics Holdings	0	0	79,762,679	79,762,679	Non-tradable pre-IPO shares	July 22, 2022
SAIF IV Hong Kong (China Investments) Limited	0	0	62,980,676	62,980,676	Non-tradable pre-IPO shares	July 22, 2020
CITIC PE Investment (Hong Kong) 2016 Limited	0	0	41,774,562	41,774,562	Non-tradable pre-IPO shares	July 22, 2020
Fuzhou Haixia Appotronics Investment Partnership	0	0	25,064,737	25,064,737	Non-tradable pre-IPO shares	July 22, 2020

(LP)						
Yuanshi	0	0	24,139,500	24,139,500	Non-tradable pre-IPO shares	July 22, 2022
Appotronics Daye	0	0	20,430,250	20,430,250	Non-tradable pre-IPO shares	July 22, 2022
Green Future Holdings Limited	0	0	16,504,518	16,504,518	Non-tradable pre-IPO shares	July 22, 2020
Appotronics Hongye	0	0	15,662,374	15,662,374	Non-tradable pre-IPO shares	July 22, 2022
Jinleijing	0	0	12,353,106	12,353,106	Non-tradable pre-IPO shares	July 22, 2022
Changzhou Lisheng Equity Investment Partnership (LP)	0	0	11,667,635	11,667,635	Non-tradable pre-IPO shares	July 22, 2020
Shenzhen Guochuang Chenggu Capital Management Co., Ltd. - Shenzhen Chengguhui Equity Investment Partnership (LP)	0	0	10,443,640	10,443,640	Non-tradable pre-IPO shares	July 22, 2020
Appotronics Chengye	0	0	10,394,846	10,394,846	Non-tradable pre-IPO shares	July 22, 2022
CAI Kunliang	0	0	10,049,539	10,049,539	Non-tradable pre-IPO shares	July 22, 2020
CUI Jingtao	0	0	9,658,792	9,658,792	Non-tradable pre-IPO shares	July 22, 2020
Smart Team Investment Limited	0	0	6,799,660	6,799,660	Non-tradable pre-IPO shares	July 22, 2020
ZHENG Yongshi	0	0	5,833,817	5,833,817	Non-tradable pre-IPO shares	July 22, 2020
Shenzhen Liansong Capital Management Partnership (LP)	0	0	5,833,817	5,833,817	Non-tradable pre-IPO shares	July 22, 2020
Shenzhen Shanqiao Capital Management Partnership (LP)	0	0	5,320,000	5,320,000	Non-tradable pre-IPO shares	July 22, 2020
Jiayuan I	0	0	4,548,685	4,548,685	Non-tradable strategic allotted shares in IPO	July 22, 2020
Blackpine Investment Corp. Limited	0	0	3,994,011	3,994,011	Non-tradable pre-IPO shares	July 22, 2022
Light Zone Limited	0	0	3,150,000	3,150,000	Non-tradable pre-IPO shares	July 22, 2020
Huatai Venture Capital Investment Co., Ltd.	0	0	2,720,000	2,720,000	Non-tradable strategic allotted shares in IPO	July 22, 2021
SCGC Hongtu Angel Investment Management (Shenzhen) Co., Ltd. - Shenzhen Hongtu Kongque Venture Capital Investment Co., Ltd.	0	0	1,736,252	1,736,252	Non-tradable pre-IPO shares	July 22, 2020
Off-line allotment account	0	0	3,538,402	3,538,402	Non-tradable off-line allotted shares in IPO	January 22, 2020
Total	0	0	394,361,498	394,361,498	/	/

Note: As of the end of the reporting period, Huatai Venture Capital Investment Co., Ltd. held 2,720,000 non-tradable shares in total, including the shares lent out under refinancing arrangement.

II. Issuance and listing of securities

(I) Securities issued during the reporting period

√Applicable □ N/A

Unit: Share, RMB

Type of shares and derivatives	Issue date	Offering price (or interest rate)	Number of shares issued	Listing date	Number of shares listed	Termination date of transaction
Type of ordinary shares						
A-shares	July 22, 2019	17.5	68,000,000	July 22, 2019	68,000,000	N/A

Explanation about the securities issued during the reporting period (in case of any outstanding bonds with different interest rates, please explain separately):

Applicable N/A

Upon approval by the CSRC through the Reply on Approving the Registration of the Initial Public Offering of Appotronics Corporation Limited (Zheng Jian Xu Ke [2019] No. 1163) and by the SSE, we issued 68 million RMB-denominated ordinary shares (A-shares) to the public at the offering price of RMB 17.5 per share. The total offering proceeds were RMB 1,190,000,000. Such shares were listed on the STAR Market on July 22, 2019.

(II) Changes in total number of ordinary shares, shareholding structure, and structure of assets and liabilities of the Company

Applicable N/A

During the reporting period, we issued 68 million RMB-denominated ordinary shares (A-shares) to the public, as a result of which the total number of shares in our share capital increased from 383,554,411 shares to 451,554,411 shares.

III. Shareholders and actual controller

(I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the reporting period	19,204
Total number of shareholders of ordinary shares as of the end of the month immediately prior to the issue date of this annual report	17,029
Total number of shareholders of preferred shares whose voting right has been restituted as of the end of the reporting period	0
Total number of shareholders of preferred shares whose voting right has been restituted as of the end of the month immediately prior to the issue date of this annual report	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	Change during the reporting period	Balance of shares held as at the end of the reporting period	%	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		Nature of shareholder
						Status of shares	Number	
Appotronics Holdings	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
Yuanshi	0	24,139,500	5.35	24,139,500	24,139,500	None	0	Domestic non-stated owned corporation
Appotronics Daye	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
Appotronics Hongye	0	15,662,374	3.47	15,662,374	15,662,374	None	0	Domestic non-stated owned corporation
Jinleijing	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						
		Type	Number					
National Social Security Fund Portfolio No. 102	1,742,168	RMB-denominated ordinary share	1,742,168					

UBS AG	1,546,625	RMB-denominated ordinary share	1,546,625
WANG Danping	329,210	RMB-denominated ordinary share	329,210
GAO Ermei	307,411	RMB-denominated ordinary share	307,411
Shanghai Securities Co., Ltd.	300,000	RMB-denominated ordinary share	300,000
LIU Qing'an	266,769	RMB-denominated ordinary share	266,769
ZHANG Shangmin	244,000	RMB-denominated ordinary share	244,000
ZHONG Haidi	201,967	RMB-denominated ordinary share	201,967
GAO Mei	185,913	RMB-denominated ordinary share	185,913
HE Ziheng	180,280	RMB-denominated ordinary share	180,280
Affiliates or concert parties among the shareholders stated above	<p>1. As of December 31, 2019, 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	Appotronics Holdings	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	Yuanshi	24,139,500	July 22, 2022	0	36 months after the listing date
6	Appotronics Daye	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	Appotronics Hongye	15,662,374	July 22, 2022	0	36 months after the listing date
9	Jinleijing	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 December 31, 2019, 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 10 shareholders as a result of allotment of new shares/ depository receipts

Applicable N/A

(V) Strategic allotment in IPO**1. Participation by any special asset management plan established by senior officers and key employees in the strategic allotment in IPO**

Applicable N/A

Unit: Share

Shareholder	Number of shares/ depository receipts allotted	Unlock date	Change during the reporting period	Balance at the end of the reporting period
Jiayuan I	4,548,685	July 22, 2020	0	4,548,685

2. Participation by any subsidiary of the sponsor in the strategic allotment in IPO

Applicable N/A

Unit: Share

Shareholder	Relationship with the sponsor	Number of shares/ depository receipts allotted	Unlock date	Change during the reporting period	Balance at the end of the reporting period
Huatai Venture Capital Investment Co., Ltd.	Subsidiary of the sponsor	2,720,000	July 22, 2021	0	2,720,000

IV. Controlling shareholder and actual controller**(I) Controlling shareholder****1 Corporation**

Applicable N/A

Name	Appotronics Holdings
Principal or legal representative	LI Yi
Date of establishment	January 17, 2014
Main business	Investment holding
Shares held in other domestic or foreign listed companies during the reporting period	None
Other information	N/A

2 Natural person

Applicable N/A

3 Special explanation if the Company does not have a controlling shareholder

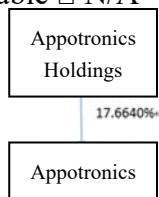
Applicable N/A

4 Reference to and date of change in the controlling shareholder during the reporting period

Applicable N/A

5 Block diagram of the controlling shareholder’s ownership of and control over the Company

√Applicable □ N/A



(II) Actual controller

1 Corporation

□ Applicable √ N/A

2 Natural person

√Applicable □ N/A

Name	LI Yi
Nationality	China
Whether or not have right of residence in any other country or region	Yes
Main occupation and title	Chairman of Appotronics
Whether or not control any domestic or foreign listed company in the past 10 years	No

3 Special explanation if the Company does not have an actual controller

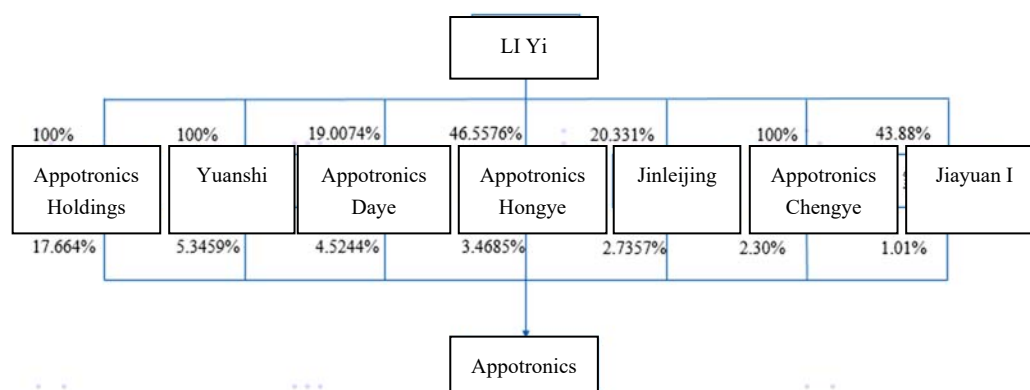
□ Applicable √ N/A

4 Reference to and date of change in the actual controller during the reporting period

□ Applicable √ N/A

5 Block diagram of the actual controller’s ownership of and control over the Company

√Applicable □ N/A



Note: The shareholding percentages of LI Yi in Yuanshi, Appotronics Daye, Appotronics Hongye, Jinleijing and Appotronics Chengye indicated above include the shares held by him in such companies directly and indirectly. LI Yi holds 28.78% of the shares of the Company in total. In addition, LI Yi’s son indirectly holds 0.2521% of the shares of the Company through Blackpine.

6 Control by the actual controller over the Company through trust or otherwise Applicable N/A**(III) Other information about the controlling shareholder and the actual controller** Applicable N/A**V. Other corporate shareholders holding more than 10% shares** Applicable N/A

In RMB

Corporate shareholder	Principal or legal representative	Date of establishment	Organization code	Registered capital	Main business or management activity
SAIF IV Hong Kong (China Investments) Limited	YAN Yan Pak Tao Wan	August 9, 2013	N/A	N/A	Equity investment
Explanation	N/A				

VI. Restrictions on the disposal of shares/ depository receipts Applicable N/A**VII. Implementation of and changes in arrangements relating to depository receipts during the reporting period** Applicable N/A**VIII. Shares with special voting rights** Applicable N/A

Section VII Preferred Shares

Applicable N/A

Section VIII Directors, Supervisors, Senior Officers and Employees

I. Changes in shareholding and remunerations

(I) Changes in shareholding and remunerations 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

Unit: Share

Name	Title (Note)	Sex	Age	Beginning date of term of office	Expiry date of term of office	Number of shares held as at January 1, 2019	Number of shares held as at December 31, 2019	Change in shareholding	Cause of change	Total remuneration (inclusive of tax) received from the Company during the reporting period (in RMB 0'000)	Whether or not receive any remuneration from any affiliate of the Company
LI Yi	Chairman of the Board of Directors & key technical staff	Male	49	July 18, 2018	July 17, 2021	/	/	/	/	293.99	No
YAN Yan	Director	Male	63	July 18, 2018	July 17, 2021	/	/	/	/	0	Yes
WU BIN	Director	Male	49	July 18, 2018	July 17, 2021	/	/	/	/	0	Yes
BO Lianming	Director & General Manager	Male	57	July 18, 2018	July 17, 2021	/	/	/	/	332.4	No
NING Xiangdong	Independent director	Male	54	July 18, 2018	July 17, 2021	/	/	/	/	15	No
TANG Guliang	Independent director	Male	57	July 18, 2018	July 17, 2021	/	/	/	/	15	No
ZHANG Wei	Independent director	Male	44	July 18, 2018	July 17, 2021	/	/	/	/	15	No
WU Bin	Deputy General Manager	Male	56	October 19, 2018	July 17, 2021	/	/	/	/	100	No
ZENG Luhai	Deputy General Manager	Male	44	April 16, 2019	January 23, 2020	/	/	/	/	313.01	No
HU Fei	Deputy General	Male	40	July 18, 2018	July 17, 2021	/	/	/	/	148.76	No

	Manager & key technical staff										
LI Lu	Deputy General Manager	Male	49	October 19, 2018	July 17, 2021	/	/	/	/	141.42	No
ZHAO Ruijin	Financial Director	Male	42	July 18, 2018	July 17, 2021	/	/	/	/	85.28	No
XIAO Yangjian	Board Secretary & Deputy General Manager	Male	34	July 18, 2018	July 17, 2021	/	/	/	/	69.31	No
GAO Lijing	Chairman of the Board of Supervisors	Female	40	July 18, 2018	July 17, 2021	/	/	/	/	61.29	No
LIANG Rong	Supervisor	Male	49	July 18, 2018	July 17, 2021	/	/	/	/	52.87	No
WANG Yanyun	Supervisor	Female	43	July 18, 2018	July 17, 2021	/	/	/	/	29.78	No
YU Xin	Key technical staff	Male	40	/	/	/	/	/	/	98.46	No
WU Xiliang	Key technical staff	Male	45	/	/	/	/	/	/	45.46	No
WANG Lin	Key technical staff	Male	39	/	/	/	/	/	/	58.59	No
GUO Zuqiang	Key technical staff	Male	30	/	/	/	/	/	/	50.04	No
total	/	/	/	/	/	/	/	/	/	1,925.66	/

Note: None of the directors, supervisors, senior officers and key technical staff directly holds any share in the Company. As of the end of the reporting period, their indirect shareholdings in the Company are as follows: Refer to “Section VI- IV(II) Actual controller” for the shares held by LI Yi; YAN Yan indirectly holds shares in the Company through Light Zone; BO Lianming indirectly holds shares in the Company through direct or indirect shareholding in Appotronics Daye; WU Bin indirectly holds shares in the Company through Appotronics Hongye, Liansong Capital and Jinleijing; HU Fei, GAO Lijing, LIANG Rong, WANG Yanyun and WU Xiliang indirectly hold shares in the Company through direct shareholding in Appotronics Hongye and indirect shareholding in Appotronics Daye; ZHAO Ruijin and XIAO Yangjian indirectly hold shares in the Company through indirect shareholding in Appotronics Daye; YU Xin and GUO Zuqiang indirectly hold shares in the Company through Appotronics Daye; and WANG Lin indirectly holds shares in the Company through Appotronics Hongye. There is no change in the indirect shareholding stated above during the reporting period. During the reporting period, LI Yi, BO Lianming, WU Bin, LI Lu and GAO Lijing participated in the strategic allotment in IPO through Jiayuan I.

Name	Main work experience
LI Yi	Mr. LI Yi holds a bachelor's degree from Tsinghua University, and a master's degree and a doctor's degree from the University of Rochester. He was previously CTO of O-Net Communications (HK) Limited. In October 2006, LI Yi founded Appotronics Corporation Ltd.. He has served as Chairman of the Company since December 2010.
YAN Yan	Mr. YAN Yan holds a master's degree from Princeton University. He was previously Economist of Washington Headquarter of the World Bank, researcher of American Thinker Hudson Institute, Director of Strategic Planning and Business Development of Sprint International Corporation in Asia Pacific, Managing Director of Emerging Markets Partnership in the Management Company of AIG Asian Infrastructure Investment Fund and Director of Hong Kong Office. He has served as Founding Managing Partner of SAIF Partners since October 2001. He has been a Director of the Company since December 2016.
WU BIN	Mr. WU BIN holds a master's degree from Stanford University. He was previously Global Associate Director of McKinsey & Company and Chief Inspector of Legend Holdings Corporation. He has served as Managing Director of CITIC Private Equity Funds since 2010. He has been a Director of the Company since December 2016.
BO Lianming	Mr. BO Lianming holds a doctor's degree from Xi'an Jiaotong University. He was previously Chief Accountant of Shenzhen Airlines Co., Ltd., President and CEO of Shenzhen Chinastar Optoelectronic Co., Limited, Director and President of TCL Technology Group Corporation and Chairman and CEO of TCL Multimedia Technology Holdings Limited.. He joined the Company in March 2018, responsible for the management and operation of the Company. He has been a Director and General Manager of the Company since July 2018, and Legal Representative of the Company since December 2018.
NING Xiangdong	Mr. NING Xiangdong holds a doctor's degree from Tsinghua University. He previously served as teaching assistant, lecturer and associate professor at Tsinghua University and Executive Deputy Director of National Center for Economic Research, Tsinghua University, and currently is a professor and doctoral tutor of Tsinghua University, School of Economic and Management. He has been an independent director of the Company since July 2018.
TANG Guliang	Mr. TANG Guliang holds a doctor's degree from Chinese Academy of Fiscal Sciences. He previously served as Dean and professor of Beijing Technology and Business University, School of Accounting (formerly known as Beijing College of Commerce), and currently is a professor and doctoral tutor of the Business School, University of International Business and Economics. He has been an independent director of the Company since July 2018.
ZHANG Wei	Mr. ZHANG Wei holds a doctor's degree from Indiana University. He was previously Legal Director of Legend Holdings Corporation and General Manager of the Legal Affairs Department of China Vanke Co., Ltd.. He has served as Vice President, Legal Affairs of Qifei International Development Co., Limited since February 2019. He has been an independent director of the Company since July 2018.
WU Bin	Mr. WU Bin holds a master's degree from Party School of the CPC. He was previously a non-executive director of Shenzhen Gotonly Investment Ltd. and Vice President of Shenzhen Lighting Institute. He has been Deputy General Manager of the Company since October 2018.
ZENG Luhai	Mr. ZENG Luhai holds a bachelor's degree from Nanyang Technological University and a master's degree from University of Michigan. He was previously Executive General Manager of the Department of Investment Bank, China International Capital Corporation Limited, and Managing Director of the Department of Equity Market, CMB International Capital Limited. He served as Deputy General Manager of the Company between

	April 2019 and January 2020.
HU Fei	Mr. HU Fei holds a bachelor's degree and a master's degree from Tsinghua University and a master's degree from Rensselaer Polytechnic Institute. He was previously a software engineer at Optical Research Associates, and Deputy President, R&D of Shenzhen YLX Technology Development Co., Ltd. and Appotronics Ltd.. He has served as CTO of the Company since February 2018, and Deputy General Manager of the Company since July 2018.
LI Lu	Mr. LI Lu holds a master's degree from Cheung Kong Graduate School of Business. He was previously Deputy President of TCL Multimedia Technology Holdings Limited., General Manager of TCL (China) Sales Company, and General Manager of White Goods Business Division of TCL Technology Group Corporation. He has been Deputy General Manager of the Company since October 2018, and Legal Representative and Chairman of Fengmi since December 2018.
ZHAO Ruijin	Mr. ZHAO Ruijin holds a master's degree from Peking University. He was previously Financial Manager of ZTE Corporation, Financial Director and Assistant to General Manager of Shenzhen ZNV Technology Co., Ltd.. He joined the Company in February 2018 as Director of the Department of Financial Management, and has been Financial Director of the Company since July 2018.
XIAO Yangjian	Mr. XIAO Yangjian holds a bachelor's degree from Beijing Jiaotong University. He was previously Deputy General Manager and Board Secretary of Vision Group and head of the Office of the Board of Directors of Appotronics Ltd.. He has been Deputy General Manager and Board Secretary of the Company since July 2018.
GAO Lijing	Ms. GAO Lijing holds a bachelor's degree from Tianjin University of Technology and Education. She previously worked at Southern China IP Office of Foxconn Technology Group, and Center for IP and Legal Affairs of Netac Technology Co., Ltd.. She has served as a supervisor of Netac Technology Co., Ltd., and Director of IP and Legal Department of the Company since May 2017, and a Supervisor of the Company since July 2018.
LIANG Rong	Mr. LIANG Rong holds a master's degree from Shanghai University of Finance and Economics. He joined the Company in 2013, and served as Assistant to Chairman of Appotronics Ltd.. He has been Director of Public Affairs of the Company since March 2018, and a Supervisor of the Company since November 2017.
WANG Yanyun	Ms. WANG Yanyun holds a bachelor's degree from Tianjin University of Commerce. She has been a senior manager of the Company since July 2013, and a Supervisor of the Company since July 2018.
YU Xin	Mr. YU Xin holds a doctor's degree from Tsinghua University. He was previously a senior software engineer at Schlumberger Ltd. and senior researcher at Shenzhen Lighting Institute. He has been a senior researcher and Software Director of the R&D Center of the Company since February 2018.
WU Xiliang	Mr. WU Xiliang holds a bachelor's degree from Huazhong University of Science and Technology. He served as R&D Manager and Technology Director of the Company between 2007 and 2016, and has been Deputy General Manager of Fengmi since 2016.
WANG Lin	Mr. WANG Lin holds a bachelor's degree from University of Science and Technology of China, a master's degree from Tsinghua University, and a doctor's degree from Universidad Politécnica de Madrid. He was previously a senior optical engineer at Shanghai Phillips Lighting (China) Investment Co., Ltd.. He has been a senior optical research of the Company since February 2017.
GUO Zuqiang	Mr. GUO Zuqiang holds a master's degree from Tsinghua University. He was previously an optical engineer at Shenzhen YLX Technology Development Co., Ltd.. He has been R&D Manager of the Company since March 2017.

Other information

Applicable N/A

(II) Share incentives granted to directors, 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

Unit: Share

Name	Title	Number of restricted shares already granted as at the beginning of the reporting period	Number of restricted shares granted during the reporting period	Exercise price of the restricted shares granted (RMB per share)	Number of restricted shares that could be vested in the reporting period	Number of restricted shares actually vested in the reporting period	Number of restricted shares already granted as of the end of the reporting period	Market price as of the end of the reporting period (RMB per share)
BO Lianming	Director & General Manager	0	100,000	17.5	0	0	100,000	27.7
WU Bin	Deputy General Manager	0	100,000	17.5	0	0	100,000	27.7
ZENG Luhai	Deputy General Manager	0	100,000	17.5	0	0	100,000	27.7
HU Fei	Deputy General Manager & CTO	0	100,000	17.5	0	0	100,000	27.7
LI Lu	Deputy General Manager	0	100,000	17.5	0	0	100,000	27.7
ZHAO Ruijin	Financial Director	0	50,000	17.5	0	0	50,000	27.7
XIAO Yangjian	Board Secretary & Deputy General	0	30,000	17.5	0	0	30,000	27.7

Manager								
YU Xin	Key technical staff	0	50,000	17.5	0	0	50,000	27.7
WANG Lin	Key technical staff	0	50,000	17.5	0	0	50,000	27.7
GUO Zuqiang	Key technical staff	0	40,000	17.5	0	0	40,000	27.7
WU Xiliang	Key technical staff	0	30,000	17.5	0	0	30,000	27.7
Total	/	0	750,000	/	0	0	750,000	/

II. Posts held by current directors, supervisors and senior officers and the former directors, supervisors and senior officers who left the Company during the reporting period

(I) Posts held at corporate shareholders of the Company

√Applicable □ N/A

Name	Corporate shareholder	Posts held at corporate shareholder	Beginning date of term of office	Expiry date of term of office
LI Yi	Appotronics Holdings	Executive Director & General Manager	January 2014	/
LI Yi	Appotronics Daye	Representative of Managing Partner	October 2016	/
LI Yi	Appotronics Hongye	Representative of Managing Partner	December 2015	/
LI Yi	Jinleijing	Representative of Managing Partner	October 2016	/
LI Yi	Yuanshi	Representative of Managing Partner	June 2016	/
LI Yi	Appotronics Chengye	Representative of Managing Partner	July 2017	/
LI Yi	Blackpine Investment Corp. Limited	Director	September 2018	/
YAN Yan	SAIF IV Hong Kong (China Investments) Limited	Director	August 2013	
YAN Yan	Light Zone Limited	Director	March 2017	
WU BIN	CITIC Private Equity Funds	Managing Director	January 2010	
Explanation about the posts held at corporate shareholders of the Company	None			

(II) Posts held at other entities

√Applicable □ N/A

Name	Other entity	Posts held at other entity	Beginning date of term of office	Expiry date of term of office
LI Yi	Appotronics Deye	Representative of Managing Partner	May 2018	
LI Yi	Cinionic	Director	November 2018	
LI Yi	Shenzhen Appotronics Technical Consulting Co., Ltd.	Executive Director & General Manager	October 2017	
LI Yi	Jiangsu Yisheng Technology Co., Ltd.	Chairman	September 2017	
LI Yi	Shenzhen YLX Technology Development Co., Ltd.	Chairman	January 2007	
LI Yi	Shenzhen Qingda Yifeng Equity Investment Fund Management Enterprise (LP)	General Manager & Executive Director	January 2017	
LI Yi	Shenzhen Qingda Yifeng Investment Consulting Partnership (LP)	Managing Partner	October 2016	
LI Yi	Shenzhen Lighting Institute	Director & Sponsor	November 2016	
LI Yi	APEX Fund Managed Limited	Director	November 2013	
LI Yi	Atria Light Ltd.	Director	April 2018	
LI Yi	Atria Light Hong Kong Limited	Director	April 2018	
LI Yi	Long Pine Investment Ltd.	Director	September 2016	
LI Yi	Longpines Financial Investment Ltd.	Director	May 2018	
LI Yi	YLX (Hong Kong) Limited	Director	June 2008	
YAN Yan	SAIF Partners	Founding Managing Partner	October 2001	
YAN Yan	Atria Light Ltd.	Director	May 2018	
YAN Yan	SAIF Investment Management Consulting (Shanghai) Co., Ltd.	General Manager	June 2002	
YAN Yan	Beijing Daotong Changjing Investment Management Center (LP)	Representative of Managing Partner	July 2011	
YAN Yan	Beijing SAIF Chuangyuan Investment Center (LP)	Representative of Managing Partner	August 2010	
YAN Yan	Beijing SAIF Hongyuan Investment Center (LP)	Representative of Managing Partner	October 2010	
YAN Yan	Beijing SAIF Ruiyi Investment Management Center (LP)	Representative of Managing Partner	July 2012	August 2019
YAN Yan	Beijing SAIF Ruizhi Investment Center (LP)	Representative of Managing Partner	July 2012	August 2019
YAN Yan	Beijing SAIF Xiangrui Investment Center (LP)	Representative of Managing Partner	April 2010	
YAN Yan	Changzhou SAIF High-Tech Venture Capital Center (LP)	Representative of Managing Partner	December 2009	
YAN Yan	Guangzhou SAIF Guangdong Fortune Radio and Television Network Investment Limited Partnership (LP)	Representative of Managing Partner	December 2011	
YAN Yan	Hefei SAIF Heyuan Venture Capital Center (LP)	Representative of Managing Partner	January 2011	

YAN Yan	Qingdao Haier-Saifu Intelligent Family Venture Capital Center (LP)	Representative of Managing Partner	October 2014	
YAN Yan	SAIF Songyuan (Shanghai) Equity Investment Fund Partnership (LP)	Representative of Managing Partner	September 2012	
YAN Yan	Xiamen SAIF Equity Investment Partnership (LP)	Representative of Managing Partner	August 2012	
YAN Yan	Xiamen SAIF Keyuan Equity Investment Partnership (LP)	Representative of Managing Partner	August 2012	
YAN Yan	Xiamen SAIF Xiayuan Equity Investment Partnership (LP)	Representative of Managing Partner	November 2013	May 2019
YAN Yan	Tianjin SAIF Venture Capital Fund (LP)	Representative of Managing Partner	July 2008	
YAN Yan	Tianjin SAIF Composite Equity Investment Center (LP)	Representative of Managing Partner	May 2010	
YAN Yan	Tianjin SAIF Hanyuan Equity Investment Partnership (LP)	Representative of Managing Partner	June 2010	
YAN Yan	Tianjin SAIF Shengyuan Investment Management Center (LP)	Representative of Managing Partner	July 2008	
YAN Yan	Hefei SAIF Venture Capital Management Co. Ltd.	Legal Representative & Executive Director & General Manager	November 2010	
YAN Yan	Nanjing SAIF Hengzhun Venture Capital Fund (LP)	Representative of Managing Partner	July 2017	
YAN Yan	China Resources Land Limited	Independent Non-executive Director	July 2006	
YAN Yan	Shanghai SAIF Yanyuan Equity Fund Management Co. Ltd.	Legal Representative & Executive Director & General Manager	January 2013	
YAN Yan	Tianjin Himalaya Investment Consulting Co. Ltd.	Legal Representative & Executive Director & Manager	June 2008	
YAN Yan	Shanghai SAIF Xinpai Investment Management Co. Ltd.	Legal Representative & Executive Director	March 2014	
YAN Yan	Qingdao SAIF Investment Management Co. Ltd.	Legal Representative & Chairman & General Manager	September 2014	
YAN Yan	Changzhou SAIF High-Tech Venture Capital Management Co. Ltd.	Legal Representative & Chairman	October 2009	
YAN Yan	Tianjin SAIF Zhongyuan Investment Advisory Co. Ltd.	Legal Representative & Chairman	July 2008	
YAN Yan	Shenzhen SAIF Qianyuan Equity Investment Fund Management Co. Ltd.	Legal Representative & Chairman	August 2013	
YAN Yan	TCL Technology Group Corporation	Independent Director	March 2015	
YAN Yan	Beijing Blue Focus Brand Management Co. Ltd.	Independent Director	March 2014	
YAN Yan	Beijing Softbank SAIF Investment Advisory Co., Ltd.	Chairman	February 2001	
YAN Yan	Huangshan SAIF Fund Management Co., Ltd.	Chairman	November 2016	
YAN Yan	Youth Happy (Beijing) Business Management Co., Ltd.	Chairman	July 2012	
YAN Yan	Shanghai TopxGun Robotics Co., Ltd.	Chairman	September 2015	

YAN Yan	CYPA (Beijing) Investment Management Co., Ltd.	Chairman	June 2012	
YAN Yan	Foreign Tribes (Beijing) Business Management Consulting Co., Ltd.	Chairman	September 2012	September 2019
YAN Yan	Leqicheng Technology (Beijing) Co., Ltd.	Vice Chairman	June 2015	May 2019
YAN Yan	Suzhou Beiang Technology Co., Ltd.	Vice Chairman	October 2013	
YAN Yan	Xi'an Maike Metal International Group Co., Ltd.	Vice Chairman	April 2014	
YAN Yan	Anqing SAIF Huanxin Auto Parts Co., Ltd.	Director	August 2015	
YAN Yan	SAIF IV Mauritius (China Investment) Ltd.	Director	July 2010	
YAN Yan	ATA Creativity Global	Director	March 2005	
YAN Yan	Anqing SAIF Huanxin Enterprise Management Consultant Co., Ltd.	Director	November 2014	
YAN Yan	Beijing Hanyuan Capital Management Co., Ltd.	Director	December 2015	
YAN Yan	Beijing Xiaodu Entertainment Technology Co., Ltd.	Director	January 2018	
YAN Yan	Guangdong Cable Co., Ltd.	Director	February 2017	
YAN Yan	Guangzhou SAIF Heyin Asset Management Co., Ltd.	Director	August 2013	
YAN Yan	Guodian Technology & Environmental Protection Group Co., Ltd.	Non-executive Director	June 2012	
YAN Yan	Hangzhou Geyun Technology Co., Ltd.	Director	February 2015	April 2016
YAN Yan	Heilongjiang Dazheng Derun Investment Management Co., Ltd.	Director	February 2017	
YAN Yan	Heilongjiang Dazheng SAIF Investment Management Co., Ltd.	Director	November 2009	
YAN Yan	Pacoo (Beijing) Technology Co., Ltd.	Director	September 2016	
YAN Yan	Xiamen SAIF Venture Capital Management Co., Ltd.	Director	February 2012	
YAN Yan	Shanghai Wenxi Enterprise Management Co., Ltd.	Director	June 2017	
YAN Yan	Shanghai Yingxun Technology Co., Ltd.	Director	August 2017	
YAN Yan	Shenzhen Orbbec Technology Co., Ltd.	Director	May 2018	
YAN Yan	Xinyong Computing Information Technology (Shanghai) Co., Ltd.	Director	September 2017	
YAN Yan	Zhejiang Daily Interaction Network Technology Co., Ltd.	Director	December 2015	May 2019
YAN Yan	Gexin Interaction (Beijing) Network Technology Co., Ltd.	Director	October 2014	December 2016
YAN Yan	COFCO Haiyou Trading Co., Ltd.	Director	July 2013	
YAN Yan	COFCO Womai Investment Co., Ltd.	Director	November 2018	
YAN Yan	Khorgos Big Color Information Technology Co., Ltd.	Director	November 2018	July 2019
YAN Yan	Shenzhen Digital Media Technology Co., Ltd.	Director	October 2018	
YAN Yan	Yinda International Holding Company Limited	Director	August 2014	
YAN Yan	Wisers Information Holdings Company Limited	Director	May 2016	

YAN Yan	Haier Smart Home Co., Ltd.	Director	June 2019	
YAN Yan	Shanghai Welltech Automation Co., Ltd.	Director	June 2019	
YAN Yan	360 Finance, Inc.	Independent Director	July 2019	
YAN Yan	COFCO Haiyou (Beijing) Co., Ltd.	Director	November 2018	
YAN Yan	COFCO Youcai Kitchen Food (Shanghai) Co., Ltd.	Director	November 2018	
WU BIN	Shaanxi Xifeng Liquor Co., Ltd.	Director	2012	
WU BIN	Shaanxi Xifeng 15-Year and 6-Year Liquor Marketing Co., Ltd.	Director	2013	
WU BIN	Yunnan Green A Biological Project Co., Ltd.	Director	2011	
WU BIN	Hangzhou BroadLink Electronic Technology Co., Ltd.	Director	2018	
NING Xiangdong	Tsinghua University	Professor & Doctoral Tutor	1990	
NING Xiangdong	Weichai Power Co., Ltd.	Independent Director	June 2018	
NING Xiangdong	Sinopec Sales Co., Ltd.	Independent Director	December 2018	
NING Xiangdong	China Life Asset Management Co., Ltd.	Independent Director	March 2018	
NING Xiangdong	Sinochem Energy Co., Ltd.	Independent Director	August 2018	
NING Xiangdong	Xiamen Bank Co., Ltd.	Director	July 2017	
NING Xiangdong	Shandong Heavy Industry Group Co., Ltd.	Director	January 2018	
TANG Guliang	University of International Business and Economics	Professor	March 2006	
TANG Guliang	China JIC Leasing Co., Ltd.	Independent Director	April 2017	
TANG Guliang	Three Gorges Capital Holdings Co., Ltd.	Independent Director	February 2018	
TANG Guliang	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	Independent Director	March 2019	
ZHANG Wei	Qifei International Development Co. Limited	Deputy President, Legal Affairs	February 2019	
ZHANG Wei	AVIC Vanke Co., Ltd.	Director	January 2018	
ZHANG Wei	Hengqin Vanke Cloudland Commercial Services Co., Ltd.	Director & General Manager	May 2017	
ZHANG Wei	Shenzhen Yingda Investment Fund Management Co., Ltd.	Director	April 2016	
ZHANG Wei	Tian'an Xincheng Development (Hengqin) Co., Ltd.	Director	July 2017	
ZHANG Wei	Shenzhen Wanhu Management Consulting Co., Ltd.	Supervisor	November 2017	
ZHANG Wei	Shenzhen Wanhu Quanyuan Management Consulting Co., Ltd.	Supervisor	November 2017	
ZHANG Wei	Shenzhen Wanshuzhimiao Management Consulting Co., Ltd.	Supervisor	November 2017	
ZHANG Wei	Shenzhen Wanqing Management Consulting Co., Ltd.	Supervisor	November 2017	
ZHANG Wei	Shenzhen Wanmazhengxian Management Consulting Co., Ltd.	Supervisor	November 2017	
ZHANG Wei	Dongguan Vanke Real Estate Co., Ltd.	Supervisor	October 2015	
ZHANG Wei	Lijiang Banyan Tree Property Services Co., Ltd.	Director	May 2018	
ZHANG Wei	Lijiang Banyan Tree Hotel Co., Ltd.	Director	March 2018	

ZHANG Wei	Lijiang Banyan Tree International Travel Agency Co., Ltd.	Director	March 2018	
ZHANG Wei	Lijiang Angsana Real Estate Development Co., Ltd.	Director	July 2018	
ZHANG Wei	Huangshan Banyan Tree Property Management Co., Ltd.	Director	September 2018	
ZHANG Wei	Huangshan Banyan Tree Tourism Development Co., Ltd.	Director	September 2018	
ZHANG Wei	Chengdu Banyan Tree No.1 Real Estate Co., Ltd.	Director	June 2018	
ZHANG Wei	Chengdu Banyan Tree No.3 Real Estate Co., Ltd.	Director	June 2018	
ZHANG Wei	Chengdu Banyan Tree No.4 Real Estate Co., Ltd.	Director	June 2018	
ZHANG Wei	Beijing 6.cn Technology Co., Ltd.	Director	December 2019	
GAO Lijing	Netac Technology Co., Ltd.	Supervisor	January 2008	
LIANG Rong	Shanghai QianKun Photoelectric Technology Co., Ltd.	Supervisor	May 2015	April 2019
WU Bin	Shenzhen Shangzuo Charity Foundation	Secretary-General	November 2015	
WU Bin	Shenzhen Lighting Institute	Director	November 2016	
Explanation about the posts held at other entities	None			

III. Remunerations of directors, supervisors, senior officers and key technical staff

√Applicable □ N/A

In RMB 0'000

Decision-making procedure regarding the remunerations of directors, supervisors and senior officers	Pursuant to the Company's Articles of Association, the Compensation and Performance Assessment Committee consider and review the compensation policy and proposal for directors and senior officers; the compensation proposal for senior officers is implemented after being approved by the Board of Directors; the compensation proposal for directors is implemented after being adopted by the Board of Directors and then approved by the general meeting of shareholders; and the compensation proposal for supervisors is implemented after being adopted by the Board of Supervisors and then approved by the general meeting of shareholders.
Basis for determining the remunerations of directors, supervisors and senior officers	The Company's directors and supervisors who hold posts in the Company shall receive remunerations for such posts pursuant to the relevant provisions of the Company, but will not receive remunerations in their capacity as director or supervisor. Each independent director will receive a fixed amount of director's emoluments. Non-independent directors not holding posts in the Company will receive director's emoluments pursuant to the compensation proposal approved by the general meeting of shareholders. Remunerations paid to senior officers comprise basic salaries and year-end bonuses, where the basic salaries are paid on a monthly basis according to the ranks and duties of the senior officers, and the year-end bonuses are paid according to the operating results of the Company and their performance in the given year.
Remunerations actually paid to directors, supervisors and senior officers	During the reporting period, the remunerations actually paid to directors, supervisors and senior officers are consistent with the relevant information disclosed by the Company.

Total remunerations paid to directors, supervisors and senior officers as of the end of the reporting period	1673.11
Total remunerations paid to key technical staff as of the end of the reporting period	695.30

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

Applicable N/A

Name	Position	Change	Cause of change
ZENG Luhai	Deputy General Manager	Left the Company	Resigned

Explanation about the changes in directors, supervisors, senior officers and key technical staff:

1. The Company's Deputy General Manager Mr. ZENG Luhai resigned from his position as Deputy General Manager of the Company due to personal career development reasons on January 23, 2020, 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.

V. Penalties imposed by the securities regulatory authorities in the past three years

Applicable N/A

VI. Employees of the parent company and major subsidiaries

(I) Employees

Number of active employees of the parent company	959
Number of active employees of major subsidiaries	287
Total number of active employees	1,246
Number of retired employees for whom the parent company and major subsidiaries need to pay certain expenses	0
Profession	
Category	Number of employees
Production staff	473
Sales staff	166
R&D staff	387
Financial staff	33
Administrative staff	187
Total	1,246
Education	
Level of education	Number of employees
Doctor	29
Master	154
Undergraduate	486
College or below	577
Total	1,246

(II) Compensation policy

√Applicable □ N/A

In order to ensure the market competitiveness of our compensation level externally and the fairness and equality internally, insist on performance-based compensation, adhere to the corporate values of creating together and sharing by all, and fully motivate the employees, we have designed a compensation system based on posts, capability and performance, according to the design concept and approaches of international compensation system, and by reference to the compensation level on the market. Our compensation system is based on position hierarchy, wherein different positions and ranks correspond to different levels of compensation, so that the employees' compensation corresponds to the value of their position and their capability and experience. The employees' compensation and bonuses are also linked to their performance and contribution to the Company, thereby establishing a performance-based compensation and incentive system. In addition to fixed salaries and bonuses, our employees enjoy a variety of benefits. We adjust the salaries of all employees or promote certain employees to higher ranks or positions or adjust the salaries of certain employees every year according to the compensation level on the market, changes in the ranks of employees, performance and other relevant factors.

Pursuant to *the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China*, the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange, the Administrative Measures for Share Incentives of the Listed Companies, the Measures for the Continuous Supervision of Companies Listed on the Sci-tech Innovation Board, the Memorandum on Information Disclosure by the Listed Companies on the STAR Market No. 4 - Guide on Information

Disclosure Regarding Share Incentives, and other applicable laws, regulations and normative documents, we launched the restricted share incentive plan in 2019 to further improve our long-term incentive mechanism, attract and retain outstanding talents, enhance the sense of responsibility and mission of our management team and key employees for the continuous and healthy development of the Company, and ensure the achievement of our development objectives. The plan is designed to fully motivate our business teams, effectively bind the interests of the shareholders and the Company with their personal interests, procure all stakeholders to focus on our long-term development, share the benefits of our development with the employees, and enhance the competitiveness of the salaries of our employees.

(III) Training programs

Applicable N/A

The building of training system plays an important role in developing the capabilities of the organization and employees, and promoting the sustainable development of the organization.

In 2019, Appotronics built and gradually improved a three-level training management system. Through providing plenty of opportunities for internal learning and high-quality external education resources, the system has effectively satisfied the requirements for the improvement of the employees' personal capabilities and the organization capabilities, and greatly aroused the employees' enthusiasm for learning and growth. According to statistics, in 2019, more than 7,000 personnel participated in the courses/sharing organized by the company, with nearly 20,000 class hours in total. Nearly 200 internal and external lecturers have given lectures at Appotronics auditorium, which lays a solid foundation for building a learning-oriented organization.

We lay stress on the training of key talents: The "Polar Light Program" is designed to help medium and high level managerial staff implement our strategies, lead their teams and achieve the goals of the organization; the "Product Operation Training Camp" is designed to help the product operation team form product-oriented thinking and create better business ideas; and the "Star Light Program" is designed to help college graduates rapidly transit to their new roles, successfully integrate with the team, rapidly improve their professional knowledge and skills, and make outstanding contributions to the Company.

In 2020, our training programs will focus on accumulating internal knowledge, consolidating the basis of the three-level training management system, training and building a team of experienced internal trainers having aspiration and spirit of dedication in a planned way, summing up the management and professional experience of the Company, and studying external good practices, to create learning products with the characteristics of Appotronics, and provide the employees with well-targeted learning services. In addition, we will continue to train key talents through the Polar Light Program, the Sharp Light Program and the Star Light Program. The growth of talents will inject vigor into the Company, while the growth of the Company will bring about opportunities for the growth of talents. Appotronics is committed to building a platform for the growth of outstanding talents, so as to enter into a sound cycle of growth of both the Company and the talents.

(IV) Outsourced workers

Applicable N/A

Total man-hours of outsourced workers	2,496 hours
Total remunerations paid to outsourced workers	RMB102,816

VII. Other information

Applicable N/A

Section IX Corporate Governance

I. Corporate governance

√Applicable □ N/A

We have continuously improved our corporate governance structure and operated in strict accordance with the requirement of *the Company Law*, *the Securities Law* and the relevant rules and regulations of the CSRC and the SSE, taking into account our actual business situations, and established a corporate governance structure comprising the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the management, and a mechanism in which the highest authority, the decision-making body, the supervisory body and the management coordinate with and hold up each other. We have established a sound corporate governance system, to effectively protect the interests of investors.

(I) Shareholders and general meeting of shareholders

The general meeting of shareholders is the highest authority of the Company. During the reporting period, we have convened and held general meetings of shareholders in strict accordance with our Articles of Association (“AOA”), the Rules of Procedure of the General Meeting of Shareholders and other applicable laws and regulations. The notices, convening, resolutions, voting, signing and information disclosures in respect of the general meeting of shareholders comply with the relevant provisions of *the Company Law*, *the Securities Law*, the CSRC and the SSE, and the resolutions of the general meeting of shareholders are legal and valid. We have fully protected the rights of all shareholders, especially the minority shareholders, and ensured that each shareholder can enjoy the right to know and participate in the affairs of the Company and exercise his voting rights according to law.

(II) Directors and the Board of Directors

The Board of Directors is the standing decision-making and management body of the Company, and has set up four committees, namely the Strategy Committee, the Compensation and Performance Assessment Committee, the Nomination Committee and the Audit Committee. During the reporting period, the number of directors and the composition of the Board of Directors comply with the requirements of the applicable laws and regulations and the AOA; the Board of Directors has exercised its functions and powers in strict accordance with the requirements of the applicable laws and regulations, the AOA, the Rules of Procedure of the Board of Directors, and the Work Regulations for Independent Directors, and each director has been assiduous in his duties and actively received the relevant trainings. In order to improve the objectivity and scientificness of the decisions made by the Board of Directors, we have appointed the independent directors to participate in and supervise the decision-making process of the Board of Directors. The independent directors have performed their duties independently, actively safeguarded the interests of the Company and the shareholders, and expressed their opinions on important and material matters of the Company. The committees of the Board of Directors have fully exercised their relevant functions, to ensure that the Board of Directors makes scientific and reasonable decisions for the Company.

(III) Supervisors and the Board of Supervisors

The Board of Supervisors is the supervisory body of the Company and comprises three supervisors. The Board of Supervisors has exercised its functions and powers according to the procedures set forth in the AOA and the Rules of Procedure of the Board of Supervisors, effectively supervised the legal and regulatory compliance of the performance of duties by

the financial staff, directors and senior officers of the Company, and actively safeguarded the interests of the Company and the shareholders.

(IV) Management of information disclosures

During the reporting period, we have disclosed the relevant information truthfully, accurately, promptly, fairly and completely, and duly performed our obligation of information disclosure in accordance with the Rules Governing the Listing of Stocks on the Sci-tech Innovation Board of the Shanghai Stock Exchange, the Administrative Measures for Information Disclosure by the Listed Companies and other applicable laws and regulations, and our Information Disclosure Policy, to ensure that all shareholders and other stakeholders have equal access to the information of the Company.

(V) Registration of insiders

During the reporting period, we have registered and filed the insiders in connection with the matters disclosed in our regular reports in strict accordance with the applicable laws and regulations and our Insider Management Policy.

During the reporting period, we have defined the respective responsibilities of the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the management. According to the requirements of the Board of Directors, the management has continuously improved the management cycle led by mechanism, guaranteed by system, guided by culture and supported by capacity. Our management level and governance capability have been improved remarkably, providing further assurance for our healthy and sustainable development. The directors, supervisors and senior officers have been assiduous in their duties, and seriously exercised the rights and performed the obligations under *the Company Law* and the AOA, to ensure the safe, steady and sustainable development of the Company and safeguard the interests of the shareholders to the maximum extent practicable.

Explanation about the material deviations (if any) of the Company's corporate governance from the relevant requirements of the CSRC

Applicable N/A

II. General meetings of shareholders held

Session	Date of meeting	Reference to resolutions published on the designated website	Date of disclosure of resolutions
1 st extraordinary general meeting of shareholders in 2019	February 26, 2019	N/A	N/A
2 nd extraordinary general meeting of shareholders in 2019	March 18, 2019	N/A	N/A
2018 annual general meeting of shareholders in 2019	April 14, 2019	N/A	N/A
3 rd extraordinary general meeting of shareholders in 2019	May 8, 2019	N/A	N/A
4 th extraordinary general meeting of shareholders in 2019	May 24, 2019	N/A	N/A
5 th extraordinary general meeting of shareholders in 2019	July 8, 2019	N/A	N/A
6 th extraordinary general meeting of shareholders	October 14, 2019	www.sse.com.cn	October 15, 2019

in 2019			
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Explanation about the general meetings of shareholders

Applicable N/A

The 1st, 2nd, 3rd, 4th and 5th extraordinary general meeting of shareholders in 2019 and 2018 annual general meeting of shareholders were held prior to the listing of the Company. The convening, proceedings, qualification of the conveners, qualification of the participants and voting procedures of such general meetings of shareholders comply with the relevant provisions of *the Company Law*, the Rules of the General Meeting of Shareholders of the Listed Company and other applicable laws and regulations and the AOA, and the resolutions of such meetings are legal and valid.

III. Performance of duties by the directors

(I) Attendance by the directors of the meetings of the Board of Directors and shareholders

Director	Whether or not an independent director	Attendance of the meetings of the Board of Directors						Attendance of the general meetings of shareholders
		Meetings the director should have attended in 2019	Meetings attended in person	Meetings attended through communication equipment	Meetings attended by proxy	Meetings from which the director was absent	Whether the director has been absent from two consecutive meetings	General meetings of shareholders attended
LI Yi	No	15	15	0	0	0	No	6
YAN Yan	No	15	15	5	0	0	No	7
WU BIN	No	15	15	5	0	0	No	7
BO Lianming	No	15	15	0	0	0	No	7
NING Xiangdong	Yes	15	15	5	0	0	No	7
TANG Guliang	Yes	15	15	5	0	0	No	7
ZHANG Wei	Yes	15	15	5	0	0	No	7

Explanation about absence from two consecutive meetings of the Board of Directors

Applicable N/A

Meetings of the Board of Directors held in 2019	15
Incl.: Face-to-face meetings	10
Meeting held through communication equipment	0
Meetings held both in the form of face-to-face meeting and through communication equipment	5

(II) Objections raised by the independent directors to matters of the Company

Applicable N/A

(III) Other information

Applicable N/A

IV. Important opinions and suggestions put forward by the committees of the Board of Directors during the reporting period and objections thereto (if any)

Applicable N/A

The Board of Directors has set up the Strategy Committee, the Audit Committee, the Compensation and Performance Assessment Committee, and the Nomination Committee. Each committee has duly exercised its functions in strict accordance with the AOA, the

Rules of Procedure of the Board of Directors, the rules of procedure of such committee and other relevant regulations. During the reporting period, the Strategy Committee has held one meeting; the Audit Committee has held four meetings; the Compensation and Performance Assessment Committee has held two meetings, and the Nomination Committee has held one meeting. The members of each committee have actively attended the meetings of such committee, been assiduous in their duties, duly exercised the functions and powers delegated by the Board of Directors to such committee, put forward guidance and advice for the proper functioning of such committee and the long-term development of the Company, and played active roles in improving the corporate governance structure and promoting the development of the Company.

During the reporting period, the members of the Strategy Committee have seriously performed their duties, fully communicated with the management of the Company with respect to the future development direction, external investments and other affairs of the Company from the prospective of their profession and put forward reasonable suggestions on the basis of the actual operations of the company; the Audit Committee has duly exercised its functions, and played an active role in the appointment of the auditor, review of regular financial reports, examination of related-party transactions, establishment of internal controls, and other relevant affairs of the Company; the Compensation and Performance Assessment Committee has assessed the performance of the senior officers of the Company, examined the compensation proposal for the senior officers, and reviewed and expressed its opinions on the 2019 restrictive share incentive plan of the Company; and the Nomination Committee has examined the qualifications of the senior officers of the Company, and reviewed and expressed its opinions on the criteria and procedures in respect of the appointment of the senior officers. Each committee of the Board of Directors has duly performed the duty of care.

V. Risks of the Company identified by the Board of Supervisors

Applicable N/A

VI. Give an explanation if the Company cannot guarantee its dependence and ability to operate independently due to its relationship with the controlling shareholder in business, personnel, assets, organization, financial and other affairs

Applicable N/A

Solutions to horizontal competition with the Company (if any) and the relevant progress and subsequent action plans

Applicable N/A

VII. Performance assessment mechanism for senior officers and the establishment and implementation of incentive mechanism for senior officers during the reporting period

Applicable N/A

The remunerations of the senior officers comprise salaries and bonuses. The Compensation and Performance Assessment Committee of the Board of Directors is responsible for formulating and implementing the compensation proposal and performance assessment proposal for senior officers. The compensation proposal for senior officers has been reviewed in accordance with the AOA and other relevant corporate governance policies. During the reporting period, the remunerations paid to the senior officers of the Company have been reviewed and approved by the Board of Directors. During the reporting period, the senior officers have been assiduous in their duties in strict accordance with the requirements of *the Company Law* and other applicable laws and regulations and the AOA, and continuously enhanced internal management of the Company under the

guidance of the Board of Directors, to lay a solid foundation for future development of the Company.

VIII. Whether a self-assessment report on internal controls has been disclosed

Applicable N/A

Please see the 2019 Assessment Report on Internal Controls disclosed by us on www.sse.com.cn on April 29, 2020.

Explanation about material loopholes in internal controls during the reporting period

Applicable N/A

IX. Explanation about the auditor's report on internal controls

Applicable N/A

Whether an auditor's report on internal controls has been disclosed: No.

X. Control structure by agreement and other special arrangements in respect of corporate governance

Applicable N/A

XI. Other information

Applicable N/A

Section X Corporate Bonds

Applicable N/A

Section XI Financial Report

I. Auditor's report

√Applicable □N/A

I. Opinion

We have audited the financial statements of Appotronics Corporation Limited (“Appotronics”), which comprise the consolidated and the Parent Company's balance sheets as at December 31, 2019, and the consolidated and the Parent Company's income statements, the consolidated and the Parent Company's statements of cash flow and the consolidated and the Parent Company's statements of changes in owners' equity for the year then ended, and the notes to the relevant financial statements.

In our opinion, the accompanying financial statements of Appotronics are prepared and present fairly, in all material respects, the consolidated and the Parent Company's financial position as of December 31, 2019, and the consolidated and the Parent Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for opinion

We conducted our audit in accordance with Chinese Standards on Audit. Our responsibilities under those standards are further described in the “Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of Appotronics in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Description

Details of relevant information are disclosed in V 36, VII 59, and XVI 6 of Section XI.

Appotronics is mainly engaged in research and development, production, sales and leasing of laser display core devices and complete equipment. In 2019, the operating income of Appotronics amounted to RMB1,979,148,900, of which the income from product sales and lease services amounted to RMB 1,553,441,500 and RMB 397,991,200 respectively. Relevant policies in terms of the revenue recognition are disclosed in V 36 of Section XI in details. As the operating income is one of Appotronics's KPIs, there may be an inherent risk that the management of Appotronics (hereinafter referred to as “management”) may recognize the revenue inappropriately to achieve specific objectives or expectations. Therefore, we identified revenue recognition as a key audit matter.

2. Description of how the key audit matter was addressed in the audit

For revenue recognition, our audit procedures include, inter alia:

(1) Understand the key internal controls related to revenue recognition, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Test general controls of information system and application controls related to the revenue recognition process;

(3) Examine major sales contracts and lease contracts, understand the major provisions or conditions thereof, and evaluate whether revenue recognition methods are appropriate;

(4) Implement analysis procedures for operating income and gross margin by month, product, customer, etc., to identify whether there are significant or unusual fluctuations and to find out the causes of such fluctuations;

(5) For sales income, sample supporting documents related to revenue recognition, including sales contracts or orders, sales invoices, warehouse receipts, delivery notes, transport information, customer signature forms, export declarations and electronic port system information; for lease income, sample supporting documents including, among other things, lease contracts, orders, installation orders, unit lease price per hour, and number of hours consumed;

(6) In conjunction with accounts receivable confirmation procedures, send confirmation to major customers to recognize the current sale volumes on a sample basis;

(7) Conduct the cut-off test on the operating incomes recognized on or after the balance sheet date to evaluate whether the operating incomes are recognized during the appropriate period;

(8) Obtain a record of sales returns after the balance sheet date to check if there is any instance that conditions for revenue recognition were not met at the balance sheet date;

(9) Check whether information relative to operating income is properly presented in the financial statements.

(II) Net realizable value of inventories

1. Description

Details of relevant information are disclosed in V 15 and VII 9 of Section XI.

As of December 31, 2019, the carrying amount of inventories of Appotronics amounted to RMB 340,431,100, and provisions for decline in value of inventories amounted to RMB 40,464,900, hence the book value of inventories amounted to RMB 299,966,200.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. In view of the purpose of holding inventories, the management determines the estimated selling price of inventories based on historical or actual average selling prices, and the net realizable value of inventories in accordance with the balance of the estimated selling price less the sum of the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The amount of inventories is material and the determination of the net realizable value of inventories involves significant management judgment, therefore, we identified the determination of the net realizable value of inventories as a key audit matter.

2. Description of how the key audit matter was addressed in the audit

For the net realizable value of inventories, our audit procedures include, inter alia:

(1) Understand the key internal controls related to the net realizable value of inventories, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review the management's forecast of the estimated selling price of inventories on a sample basis, comparing the estimated selling price with historical data and subsequent situations, etc.;

(3) Evaluate the appropriateness of the management's estimates on the estimated costs of completion of inventories and the estimated costs necessary to make the sale and relevant taxes;

(4) Test the accuracy of the management's calculation on the net realizable value of inventories;

(5) Evaluate the reasonableness of the management's estimates on the net realizable value of inventories by checking inventories recognized at the end of the period in terms of long age, obsolescence, changes in technology or market demand in conjunction with inventory monitoring;

(6) Check whether information relative to the net realizable value of inventories is properly presented in the financial statements.

IV. Other information

The management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the management and those charged with governance for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Appotronics's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Appotronics or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of Appotronics (hereinafter referred to as "Those Charged with Governance") are responsible for overseeing Appotronics's financial reporting process.

VI. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(IV) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Appotronics's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Appotronics to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Appotronics to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants
(Special General Partnership)

Hangzhou, China

Chinese Certified Public Accountant:
(Partner in Charge)

Chinese Certified Public Accountant:

April 28, 2020

II. Financial statements

Consolidated Balance Sheet

At December 31, 2019

Prepared by: Apotronics Corporation Limited

In RMB

Item	Note	At December 31, 2019	At December 31, 2018
Current Assets:			
Cash and bank balances	1	875,858,784.58	484,169,208.44
Balances with clearing agencies			
Placements with banks and other financial institutions			
Held-for-trading financial assets	2	540,000,000.00	
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	3	4,042,559.63	35,903,632.13
Accounts receivable	4	176,035,155.24	119,715,786.19
Receivables financing	5	1,980,500.00	
Prepayments	6	35,070,999.13	22,909,249.21
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables	7	9,618,750.08	12,543,543.59
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	8	299,966,170.35	325,302,295.60
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	9	44,405,513.30	44,707,753.47
Total Current Assets		1,986,978,432.31	1,045,251,468.63
Non-current Assets:			
Loans and advances			
Debt investments			
Available-for-sale financial assets			11,975,419.38
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	10	139,534,371.94	
Other equity instrument investments	11	11,975,419.38	
Other non-current financial assets			

Investment properties			
Fixed assets	12	471,204,340.95	399,651,937.13
Construction in progress	13	20,132,004.07	30,953,213.42
Bearer biological assets			
Oil and gas assets			
Use right assets			
Intangible assets	14	332,331,324.07	342,227,766.06
Development expenditure			
Goodwill			
Long-term prepaid expenses	15	16,908,070.34	6,400,455.04
Deferred tax assets	16	109,023,941.85	99,492,975.74
Other non-current assets	17	11,420,185.94	137,518,255.16
Total Non-current Assets		1,112,529,658.54	1,028,220,021.93
Total assets		3,099,508,090.85	2,073,471,490.56
Current Liabilities:			
Short-term borrowings	18	76,765,319.05	124,440,000.00
Loans from the central bank			
Taking from banks and other financial institutions			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	19	37,335,841.79	39,051,466.05
Accounts payable	20	176,624,445.46	164,258,731.06
Receipts in advance	21	184,444,643.33	172,867,568.93
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	22	50,586,932.71	38,184,612.34
Taxes payable	23	42,924,647.79	59,954,133.70
Other payables	24	14,364,076.43	185,661,537.24
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	25	64,968,795.02	28,609,163.00
Other current liabilities			

Total Current Liabilities		648,014,701.58	813,027,212.32
Non-current Liabilities:			
Insurance contract reserves			
Long-term borrowings	26	279,615,107.27	403,107,800.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Leasing liabilities			
Long-term payables	27	3,488,100.00	6,863,200.00
Long-term employee benefits payable			
Provisions	28	27,072,676.49	9,449,087.12
Deferred income	29	17,108,361.69	14,125,164.43
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities		327,284,245.45	433,545,251.55
Total Liabilities		975,298,947.03	1,246,572,463.87
Owners' (or Shareholders') Equity:			
Paid-in capital (or share capital)	30	451,554,411.00	383,554,411.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	31	1,207,942,318.37	205,995,596.85
Less: Treasury shares			
Other comprehensive income	32	3,287,063.85	1,044,703.00
Special reserve			
Surplus reserve	33	22,800,224.13	12,695,712.93
General risk reserve			
Retained profits	34	288,975,820.29	112,623,054.78
Total owners' (or shareholders') equity attributable to owners of the Parent Company		1,974,559,837.64	715,913,478.56
Minority interests		149,649,306.18	110,985,548.13
Total Owners' (or Shareholders') Equity		2,124,209,143.82	826,899,026.69
Total Liabilities and Owners' (or Shareholders') Equity		3,099,508,090.85	2,073,471,490.56

Legal Representative:
BO Lianming

Person in Charge of the Accounting Body: Chief Accountant:
ZHAO Ruijin WEI Yanlin

Balance Sheet of the Parent Company

At December 31, 2019

Prepared by: Apotronics Corporation Limited

In RMB

Item	Note	At December 31, 2019	At December 31, 2018
Current Assets:			
Cash and bank balances		570,479,390.49	306,709,743.06
Held-for-trading financial assets		540,000,000.00	
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		3,542,559.63	10,091,743.00
Accounts receivable	1	299,315,776.44	227,673,423.35
Receivables financing		442,500.00	
Prepayments		6,410,257.48	12,293,204.18
Other receivables	2	67,227,575.21	34,226,930.38
Including: Interest receivable			
Dividends receivable			
Inventories		135,617,379.22	180,602,162.31
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		12,280,164.39	
Total Current Assets		1,635,315,602.86	771,597,206.28
Non-current Assets:			
Debt investments			
Available-for-sale financial assets			7,075,419.38
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	3	257,795,276.13	219,365,735.89
Other equity instrument investments		7,075,419.38	
Other non-current financial assets			
Investment properties			
Fixed assets		60,391,512.92	49,100,811.69
Construction in progress		1,385,496.59	
Bearer biological assets			
Oil and gas assets			
Use right assets			
Intangible assets		330,796,423.87	340,207,888.91
Development expenditure			

Goodwill			
Long-term prepaid expenses		12,771,126.83	4,155,925.64
Deferred tax assets		9,545,438.20	5,710,071.90
Other non-current assets		6,744,453.85	254,255.16
Total Non-current Assets		686,505,147.77	625,870,108.57
Total assets		2,321,820,750.63	1,397,467,314.85
Current Liabilities:			
Short-term borrowings		10,217,738.36	124,440,000.00
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		37,335,841.79	39,051,466.05
Accounts payable		162,596,838.45	140,069,264.80
Receipts in advance		11,116,659.11	35,062,546.75
Employee benefits payable		26,985,668.92	20,568,733.86
Taxes payable		1,534,242.70	18,958,729.81
Other payables		42,599,703.36	173,955,421.70
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total Current Liabilities		292,386,692.69	552,106,162.97
Non-current Liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Leasing liabilities			
Long-term payables		3,488,100.00	6,863,200.00
Long-term employee benefits payable			
Provisions		14,631,273.00	9,449,087.12
Deferred income		15,724,174.30	5,125,274.76
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities		33,843,547.30	21,437,561.88
Total Liabilities		326,230,239.99	573,543,724.85
Owners' (or shareholders') equity:			
Paid-in capital (or share capital)		451,554,411.00	383,554,411.00
Other equity instruments			

Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,310,939,867.82	308,318,059.21
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		21,522,683.40	11,418,172.20
Retained profits		211,573,548.42	120,632,947.59
Total Owners' (or Shareholders') Equity		1,995,590,510.64	823,923,590.00
Total Liabilities and Owners' (or Shareholders') Equity:		2,321,820,750.63	1,397,467,314.85

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

Consolidated Income Statement

January to December 2019

In RMB

Item	Note	2019	2018
I. Total operating income		1,979,148,918.89	1,385,727,211.09
Including: Operating income	1	1,979,148,918.89	1,385,727,211.09
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		1,726,836,417.68	1,127,865,623.06
Including: Operating costs	1	1,183,650,635.25	783,243,430.56
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	2	7,610,151.14	13,613,823.19
Selling expenses	3	151,760,111.00	102,349,110.00
Administrative expenses	4	152,626,530.61	95,580,970.10
R&D expenses	5	201,697,766.26	135,730,450.92
Financial expenses	6	29,491,223.42	-2,652,161.71
Including: Interest expense		33,120,484.94	23,216,946.43

Interest income		4,079,231.03	2,204,490.11
Add: other income	7	34,124,614.12	20,937,327.12
Investment income (loss is indicated by “-”)	8	9,549,063.05	
Including: Income from investments in associates and joint ventures		-3,927.93	
Gains from derecognition of financial assets at amortized assets			
Foreign exchange gains (loss is indicated by “-”)			
Gains from net exposure hedges (loss is indicated by “-”)			
Gains from changes in fair values (loss is indicated by “-”)			
Losses of credit impairment (loss is indicated by “-”)	9	-3,771,572.38	
Impairment losses of assets (loss is indicated by “-”)	10	-12,623,251.67	-20,002,303.09
Gains from disposal of assets (loss is indicated by “-”)	11	41,420.84	
III. Operating profit (loss is indicated by “-”)		279,632,775.17	258,796,612.06
Add: Non-operating income	12	3,926,066.73	1,315,412.86
Less: Non-operating expenses	13	4,200,197.56	1,845,147.81
IV. Total profits (total losses are indicated by “-”)		279,358,644.34	258,266,877.11
Less: Income tax expenses	14	54,982,221.63	46,715,665.67
V. Net profits (net losses are indicated by “-”)		224,376,422.71	211,551,211.44
(I) Categorized by the continuity of operation			
1. Net profits from continuing operations (net losses are indicated by “-”)		224,376,422.71	211,551,211.44
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 “-”)		186,457,276.71	176,971,092.49
2. Profits or losses attributable to minority shareholders (net losses are indicated by “-”)		37,919,146.00	34,580,118.95
VI. Other comprehensive income, net of tax		2,311,885.81	948,957.22
(I) Other comprehensive income		2,242,360.85	1,044,936.22

that can be attributable to owners of the Parent Company, net of tax			
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		2,242,360.85	1,044,936.22
(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) Profit or loss from changes in the fair value of available-for-sale financial assets			
(4) Amount of financial assets reclassified to other comprehensive income			
(5) Profit or loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
(6) Provision for credit impairment of other debt investments			
(7) Reserve for cash flow hedges (Effective portion of profit or loss from cash flow hedges)			
(8) Exchange differences on translation of financial statements denominated in foreign currencies		2,242,360.85	1,044,936.22
(9) Others			
(II) Other comprehensive income that can be attributable to minority shareholders, net of tax		69,524.96	-95,979.00
VII. Total comprehensive income		226,688,308.52	212,500,168.66
(I) Total comprehensive income that can be attributable to owners of		188,699,637.56	178,016,028.71

the Parent Company			
(II) Total comprehensive income that can be attributable to minority shareholders		37,988,670.96	34,484,139.95
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.45	0.73
(II) Diluted earnings per share (RMB/share)		0.45	0.73

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: ZHAO Ruijin Chief Accountant: WEI Yanlin

Income Statement of the Parent Company

January to December 2019

In RMB

Item	Note	2019	2018
I. Operating income	1	1,070,365,243.34	1,175,915,671.75
Less: Operating costs	1	728,135,468.64	768,440,895.19
Taxes and levies		4,961,497.25	9,754,824.93
Selling expenses		82,052,362.77	93,799,707.78
Administrative expenses		104,579,027.77	69,895,078.82
R&D expenses		113,795,005.25	94,422,286.20
Financial expenses		-5,955,117.03	-18,973,568.93
Including: Interest expense		4,340,274.90	8,376,479.52
Interest income		10,208,837.58	3,138,192.73
Add: other income		13,016,565.69	9,123,680.33
Investment income (loss is indicated by "-")	2	55,488,448.65	
Including: Income from investments in associates and joint ventures			
Gains from derecognition of financial assets at amortized assets			
Gains from net exposure hedges (loss is indicated by "-")			
Gains from changes in fair values (loss is indicated by "-")			
Losses of credit impairment (loss is indicated by "-")		-1,682,540.09	
Impairment losses of assets (loss is indicated by "-")		-11,985,107.53	-35,920,615.46

Gains from disposal of assets (loss is indicated by “-”)			
II. Operating profit (loss is indicated by “-”)		97,634,365.41	131,779,512.63
Add: Non-operating income		3,686,726.20	1,128,266.53
Less: Non-operating expenses		2,291,107.75	1,386,526.38
III. Total profits (total losses are indicated by “-”)		99,029,983.86	131,521,252.78
Less: Income tax expenses		-2,015,128.17	17,339,530.79
IV. Net profits (net losses are indicated by “-”)		101,045,112.03	114,181,721.99
(I) Net profits from continuing operations (net losses are indicated by “-”)		101,045,112.03	114,181,721.99
(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. Profit or loss from changes in the fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified to other comprehensive income			

5. Profit or loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Reserve for cash flow hedges (Effective portion of profit or loss from cash flow hedges)			
8. Exchange differences on translation of financial statements denominated in foreign currencies			
9. Others			
VI. Total comprehensive income		101,045,112.03	114,181,721.99
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.25	0.47
(II) Diluted earnings per share(RMB/share)		0.25	0.47

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

Consolidated Cash Flow Statement
January to December 2019

In RMB

Item	Note	2019	2018
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		2,141,322,935.57	1,689,416,835.44
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		9,567,790.75	70,031,597.14
Other cash receipts relating to operating activities	1	78,562,934.95	75,443,525.79
Sub-total of cash inflows from operating activities		2,229,453,661.27	1,834,891,958.37
Cash payments for goods purchased and services received		1,318,597,298.92	1,168,397,115.69
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		285,393,667.92	206,733,872.64
Payments of various types of taxes		125,550,662.05	159,832,368.26
Other cash payments relating to operating activities	2	256,911,128.67	182,155,147.48
Sub-total of cash outflows from operating activities		1,986,452,757.56	1,717,118,504.07
Net cash flow from operating activities		243,000,903.71	117,773,454.30

II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,312,700,000.00	3,800,000.00
Cash receipts from investment income		9,552,990.98	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		257,846.73	4,525.88
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			85,426,350.80
Sub-total of cash inflows from investing activities		1,322,510,837.71	89,230,876.68
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		243,918,747.78	195,082,197.29
Cash payments to acquire investments		1,851,450,000.00	149,439,419.38
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units			17,141,440.00
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		2,095,368,747.78	361,663,056.67
Net cash flow from investing activities		-772,857,910.07	-272,432,179.99
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		1,094,215,094.34	451,406,814.28
Including: cash receipts from capital contributions from minority shareholders of subsidiaries			10,347,000.00
Cash receipts from borrowings		405,787,875.56	446,934,500.00
Other cash receipts relating to financing activities			51,102,952.00
Sub-total of cash inflows		1,500,002,969.90	949,444,266.28

from financing activities			
Cash repayments of borrowings		541,704,799.90	337,789,537.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		34,285,290.48	31,772,229.05
Including: payments for distribution of dividends or profits to minority shareholders of subsidiaries			
Other cash payments relating to financing activities		39,396,048.75	57,319,710.86
Sub-total of cash outflows from financing activities		615,386,139.13	426,881,476.91
Net cash flow from financing activities		884,616,830.77	522,562,789.37
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		2,521,113.05	24,581,322.48
V. Net Increase in Cash and Cash Equivalents		357,280,937.46	392,485,386.16
Add: Opening balance of cash and cash equivalents		472,508,550.40	80,023,164.24
VI. Closing Balance of Cash and Cash Equivalents		829,789,487.86	472,508,550.40

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

Cash Flow Statement of the Parent Company
January to December 2019

In RMB

Item	Note	2019	2018
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		1,084,739,304.57	1,217,448,068.36
Receipts of tax refunds		4,102,468.55	2,600,794.13
Other cash receipts relating to operating activities		76,574,005.12	62,940,850.96
Sub-total of cash inflows from operating activities		1,165,415,778.24	1,282,989,713.45
Cash payments for goods purchased and services received		722,868,487.80	829,239,661.69

Cash payments to and on behalf of employees		180,775,409.02	150,626,823.38
Payments of various types of taxes		46,036,572.76	103,776,148.37
Other cash payments relating to operating activities		180,658,173.58	189,099,669.62
Sub-total of cash outflows from operating activities		1,130,338,643.16	1,272,742,303.06
Net cash flow from operating activities		35,077,135.08	10,247,410.39
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,313,635,457.67	3,800,000.00
Cash receipts from investment income		55,552,990.98	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		117,985.66	1,775.89
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities		124,900,000.00	147,432,129.81
Sub-total of cash inflows from investing activities		1,494,206,434.31	151,233,905.70
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		227,902,344.94	186,456,128.18
Cash payments to acquire investments		1,886,364,000.00	162,409,419.38
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities		166,020,000.00	51,200,000.00
Sub-total of cash outflows from investing activities		2,280,286,344.94	400,065,547.56
Net cash flow from investing activities		-786,079,910.63	-248,831,641.86
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		1,094,215,094.34	441,059,814.28

Cash receipts from borrowings		132,000,000.00	176,000,000.00
Other cash receipts relating to financing activities		114,000,000.00	1,167,254.48
Sub-total of cash inflows from financing activities		1,340,215,094.34	618,227,068.76
Cash repayments of borrowings		246,440,000.00	141,560,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		5,416,064.64	7,758,293.09
Other cash payments relating to financing activities		110,396,048.75	5,248,465.69
Sub-total of cash outflows from financing activities		362,252,113.39	154,566,758.78
Net cash flow from financing activities		977,962,980.95	463,660,309.98
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		2,638,810.20	23,568,697.81
V. Net Increase in Cash and Cash Equivalents		229,599,015.60	248,644,776.32
Add: Opening balance of cash and cash equivalents		295,049,085.02	46,404,308.70
VI. Closing Balance of Cash and Cash Equivalents		524,648,100.62	295,049,085.02

Legal Representative:
BO Lianming

Person in Charge of the Accounting Body:
ZHAO Ruijin

Chief Accountant:
WEI Yanlin

Consolidated Statement of Changes in Owners' Equity

January to December 2019

In RMB

Item	2019												Minority interests	Total Owner's Equity	
	Equity attributable to owners of the Parent Company														
	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	383,554,411.00				205,995,596.85		1,044,703.00		12,695,712.93		112,623,054.78		715,913,478.56	110,985,548.13	826,899,026.69
Add: Changes in accounting policies															
Corrections of prior period errors															
Business combination involving entities under common control															
Others															
II. Opening balance of the current year	383,554,411.00				205,995,596.85		1,044,703.00		12,695,712.93		112,623,054.78		715,913,478.56	110,985,548.13	826,899,026.69
III. Changes for the year (decrease is indicated by "-")	68,000,000.00				1,001,946,721.52		2,242,360.85		10,104,511.20		176,352,765.51		1,258,646,359.08	38,663,758.05	1,297,310,117.13
(I) Total comprehensive income							2,242,360.85				186,457,276.71		188,699,637.56	37,988,670.96	226,688,308.52
(II) Owners' contributions and reduction in capital	68,000,000.00				1,001,946,721.52								1,069,946,721.52	675,087.09	1,070,621,808.61
1. Ordinary shares contributed by owners	68,000,000.00				994,470,797.73								1,062,470,797.73		1,062,470,797.73
2. Capital contribution from holders of other equity instruments															
3. Share-based payment recognized in owners' equity					7,475,923.79								7,475,923.79	675,087.09	8,151,010.88
4. Others															
(III) Profit distribution															
1. Transfer to surplus reserve									10,104,511.20		-10,104,511.20				
2. Transfer to general risk reserve									10,104,511.20		-10,104,511.20				
3. Distributions to owners (or shareholders)															
4. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve															
2. Capitalization of capital reserve															
3. Loss offset by surplus reserve															

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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				1,207,942,318.37		3,287,063.85		22,800,224.13		288,975,820.29		1,974,559,837.64	149,649,306.18	2,124,209,143.82

Item	2018													Minority interests	Total Owner's Equity
	Equity attributable to owners of the Parent Company														
	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	48,238,559.00				10,559,256.60		-233.22		9,630,943.39		2,143,646.15		70,572,171.92	60,901,980.61	131,474,152.53
Add: Changes in accounting policies															
Corrections of prior period errors															
Business combination involving entities under common control															
Others															
II. Opening balance of the current year	48,238,559.00				10,559,256.60		-233.22		9,630,943.39		2,143,646.15		70,572,171.92	60,901,980.61	131,474,152.53
III. Changes for the year (decrease is indicated by "-")	335,315,852.00				195,436,340.25		1,044,936.22		3,064,769.54		110,479,408.63		645,341,306.64	50,083,567.52	695,424,874.16
(I) Total comprehensive income							1,044,936.22				176,971,092.49		178,016,028.71	34,484,139.95	212,500,168.66
(II) Owners' contributions and reduction in capital	335,315,852.00				128,218,349.18								463,534,201.18	17,710,656.00	481,244,857.18
1. Ordinary shares contributed by owners	335,315,852.00				105,743,962.28								441,059,814.28	17,847,000.00	458,906,814.28
2.Capital contribution from holders of other equity instruments															
3. Share-based payment recognized in owners' equity					22,338,042.90								22,338,042.90		22,338,042.90
4. Others					136,344.00								136,344.00	-136,344.00	
(III) Profit distribution															
1. Transfer to surplus reserve									11,418,172.20		-11,418,172.20				
2. Transfer to general reserve									11,418,172.20		-11,418,172.20				
3. Distributions to owners (or shareholders)															
4. Others															
(IV) Transfers within owners' equity					65,664,628.79				-8,353,402.66		-57,311,226.13				
1.Capitalization of capital reserve															

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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					65,664,628.79					-8,353,402.66		-57,311,226.13			
(V) Special reserve															
1. Transfer to special reserve in the period															
2. Amount utilized in the period															
(VI) Others					1,553,362.28							2,237,714.47			
IV. Closing balance of the current year	383,554,411.00				205,995,596.85		1,044,703.00	0	12,695,712.93		112,623,054.78		715,913,478.56	110,985,548.13	826,899,026.69

Legal Representative:
BO Lianming

Person in Charge of the Accounting Body:
ZHAO Ruijin

Chief Accountant:
WEI Yanlin

Statement of Changes in Owners' Equity of the Parent Company
January to December 2019

In RMB

Item	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 "-")	68,000,000.00				1,002,621,808.61				10,104,511.20	90,940,600.83	1,171,666,920.64
(I) Total comprehensive income										101,045,112.03	101,045,112.03
(II) Owners' contributions and reduction in capital	68,000,000.00				1,034,366,105.22						1,102,366,105.22
1. Ordinary shares contributed by owners	68,000,000.00				1,026,215,094.34						1,094,215,094.34
2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognized in owners' equity					8,151,010.88						8,151,010.88
4. Others											
(III) Profit distribution									10,104,511.20	-10,104,511.20	
1. Transfer to surplus reserve									10,104,511.20	-10,104,511.20	
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					-31,744,296.61						-31,744,296.61
IV. Closing balance of the current year	451,554,411.00				1,310,939,867.82				21,522,683.40	211,573,548.42	1,995,590,510.64

Item	2018
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	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	48,238,559.00				114,571,425.24				8,353,402.66	75,180,623.93	246,344,010.83
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	48,238,559.00				114,571,425.24				8,353,402.66	75,180,623.93	246,344,010.83
III. Changes for the year (decrease is indicated by "-")	335,315,852.00				193,746,633.97				3,064,769.54	45,452,323.66	577,579,579.17
(I) Total comprehensive income										114,181,721.99	114,181,721.99
(II) Owners' contributions and reduction in capital	335,315,852.00				128,082,005.18						463,397,857.18
1. Ordinary shares contributed by owners	335,315,852.00				105,743,962.28						441,059,814.28
2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognized in owners' equity					22,338,042.90						22,338,042.90
4. Others											
(III) Profit distribution									11,418,172.20	-11,418,172.20	
1. Transfer to surplus reserve									11,418,172.20	-11,418,172.20	
2. Distributions to owners (or shareholders)											
3. Others											
(IV) Transfers within owners' equity					65,664,628.79				-8,353,402.66	-57,311,226.13	
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					65,664,628.79				-8,353,402.66	-57,311,226.13	
(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	120,632,947.59	823,923,590.00

Legal Representative: BO Lianming

Person in Charge of the Accounting Body: ZHAO Ruijin

Chief Accountant: WEI Yanlin

III. Basic information

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), of which 394,361,498 shares were outstanding shares under restrictions and 57,192,913 shares were outstanding shares without restrictions. 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 leasing of laser display core devices and complete equipment, and can provide customers with technical research and development services and customized products. Its products mainly include laser business education projectors, laser TV, laser large venue projector and laser digital cinema projector.

This financial statements have been approved by the Company’s twenty-first session of the first board of directors on April 28, 2020 for public disclosure.

2. Scope of consolidated financial statements

√Applicable □N/A

The Company has included 17 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., Appotronics Technology (Changzhou) Co., Ltd., FORMOVIE TECHNOLOGY INC and other subsidiaries. Refer to descriptions in VIII and 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

Important notes: 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 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 expected credit losses according to the default risk exposure and rate of lifetime expected credit loss.
Commercial acceptance bills receivable		
Accounts receivable - group of receivables from related parties in the scope of consolidation	Receivables from related parties in the scope of consolidation	
Accounts receivable -	aging	By reference to historic

grouping by aging		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.
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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 XI 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 V10 of Section XI in details.

13. Receivables financing

√Applicable N/A

The Company's policies on receivables financing are disclosed in V10 of Section XI 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 XI 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 realizable value. If the net realizable 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

Packaging materials are amortized using the immediate write-off method.

16. 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 an 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 included in profit or loss for the current 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.

17. Debt investments**(1). Method for recognition of expected credit losses of debt investments and relevant accounting treatments**

Applicable N/A

18. Other debt investments**(1). Method for recognition of expected credit losses of other debt investments and relevant accounting treatments**

Applicable N/A

19. Long-term receivables**(1). Method for recognition of expected credit losses of long-term receivables and relevant accounting treatments**

Applicable N/A

20. 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 entities under common control and 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 case of an equity investment not acquired through business combination, 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.

21. Investment properties

N/A

22. 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). Depreciation method

√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%	19.00%,13.57%

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

□Applicable √N/A

23. 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.

24. Borrowing costs

Applicable N/A

25. Biological assets

Applicable N/A

26. Oil and gas assets

Applicable N/A

27. Use right assets

Applicable N/A

28. 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.

2.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. Details for amortization period are set out as below:

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

29. 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.

30. 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.

31. Employee benefits

(1). Accounting treatment of short-term employee benefits

Applicable N/A

1. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Accounting treatment of short-term employee benefits

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.

32. Leasing liabilities

Applicable N/A

33. 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.

34. 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.

35. Preferred shares, perpetual bonds and other financial instruments

Applicable N/A

36. Revenue

Applicable N/A

1. Principles for revenue recognition

(1) Sale of goods

Revenue from sale of goods is recognized when: 1) the Company has transferred to the buyer the significant risks and rewards incidental to the ownership of the goods; 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; 3) the amount of revenue can be measured reliably; 4) it is probable that the economic benefits associated with the transaction will flow to the Company; and 5) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(2) Rendering of services

At the balance sheet date, if the outcome of a transaction involving the rendering of services can be estimated reliably (which means that the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; the stage of completion of the transaction at the end of the reporting period can be measured reliably, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably), the revenue associated with the transaction is

recognized using the percentage of completion method, and the stage of completion of the transaction is determined according to the proportion of the service already rendered to the estimated total services to be rendered. At the balance sheet date, if the outcome of a transaction involving the rendering of services cannot be estimated reliably, the transaction is accounted for as follows: if the service cost already incurred is expected to be recoverable, the service cost already incurred is recognized as the revenue from rendering of services, with an equal amount recorded as service cost; and if the service cost already incurred is expected to be unrecoverable, the service cost already incurred is recognized in profit or loss for the current period, without recognizing revenue from rendering of service.

(3) Transfer of use right of assets

Revenue from the transfer of use right of assets is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Interest income is recognized according to the time of and effective interest rate for the use by others of the Company's monetary capital. Royalty revenue is recognized according to the time and method of payment as agreed in relevant contracts or agreements.

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 downstream customers, the Company recognizes the revenue when profits from sales of product are realized. 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 leasing 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.

37. Government grants

Applicable N/A

1. Government grants are recognized if (i) the Company meets the conditions attaching to the government grants; and (ii) 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.

38. 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.

39. 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

40. Other significant accounting policies and accounting estimates

Applicable N/A

41. 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)
Implementation of the <i>Notice on Issuing the Revised Presentation of Financial Statements for</i>	Approved by the management of the Company	

<i>General Business Enterprises for 2019</i> issued by the Ministry of Finance		
Implementation of the <i>Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and Measurement</i> , the <i>Accounting Standard for Business Enterprises No.23 – Transfer of Financial Assets</i> , the <i>Accounting Standard for Business Enterprises No.24 – Hedge Accounting</i> and the <i>Accounting Standard for Business Enterprises No.37 – Financial Instruments: Presentation</i> revised by the Ministry of Finance	Approved by the management of the Company	

Other description

1) The Company prepared the financial statements of 2019 in accordance with the *Notice on Issuing the Revised Presentation of Financial Statements for General Business Enterprises for 2019* (Cai Kuai [2019] No.6) and the *Notice on Issuing the Revised Presentation of Consolidated Financial Statements (2019)* (Cai Kuai [2019] No.16) issued by the Ministry of Finance and requirements of Accounting Standards for Business Enterprises with retrospective adjustments subject to the changes in accounting policies. The followings are significantly influenced line items and amounts in the Company's financial statements in 2018.

Original line items and amounts		New line items and amounts	
Notes and accounts receivable	155,619,418.32	Notes receivable	35,903,632.13
		Accounts receivable	119,715,786.19
Notes and accounts payable	203,310,197.11	Notes payable	39,051,466.05
		Accounts payable	164,258,731.06

2) The Company has implemented the *Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and Measurement*, the

Accounting Standard for Business Enterprises No.23 – Transfer of Financial Assets, the Accounting Standard for Business Enterprises No.24 – Hedge Accounting and the Accounting Standard for Business Enterprises No.37 – Financial Instruments: Presentation (hereinafter referred to as “new financial instrument standards”) revised by the Ministry of Finance since January 1, 2019. As required by transition provisions to adopt these new financial instrument standards, information in the comparative period is not adjusted, but the opening balances of retained earnings or other comprehensive income in this report shall be adjusted retrospectively for any difference between the balance subject to the new standards and the balance subject to the previous standards at the first implementation date.

In accordance with the new financial instrument standards, classification and measurement of financial assets are changed into three measurement categories: amortized cost, fair value through other comprehensive income, and fair value through current profit or loss. The Company adopts aforementioned classification on the basis of its own business model and the contractual cash flow characteristics of financial assets. Equity investments should be measured at fair value through current profit or loss while equity investments not held for trading can be selected to be measured at fair value through other comprehensive income at the initial recognition (in which the gains or losses from disposal cannot be reversed to profit or loss, but the dividend income can be recognized as the current profit or loss), but the selection is irrevocable.

In accordance with the new financial instrument standards, the “expected credit loss model” has replaced the “incurred loss model” to measure the impairment of financial assets, which is applicable to financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and lease receivable.

① The new financial instrument standards, when implemented, will mainly bring the following influences to the Company’s financial statements as at January 1, 2019.

Item	Balance sheet		
	At December 31, 2018	Adjustment influence of new financial instrument standards	At January 1, 2019
Notes receivable	35,903,632.13	-29,396,227.13	6,507,405.00
Receivables financing		29,396,227.13	29,396,227.13
Available-for-sale financial assets	11,975,419.38	-11,975,419.38	
Other equity instrument investments		11,975,419.38	11,975,419.38

Other payables	185,661,537.24	-1,553,988.22	184,107,549.02
Short-term borrowings	124,440,000.00	754,728.10	125,194,728.10
Non-current liabilities due within one year	28,609,163.00	56,654.43	28,665,817.43
Long-term borrowings	403,107,800.00	742,605.69	403,850,405.69

② As at January 1, 2019, the comparison results of the classification and measurement of the Company's financial assets and liabilities under the previous and new financial instrument standards are set out as below:

Item	Previous financial instrument standards		New financial instrument standards	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and bank balances	Amortized cost (loans and receivables)	484,169,208.44	Amortized cost	484,169,208.44
Notes receivable	Amortized cost (loans and receivables)	35,903,632.13	Amortized cost	6,507,405.00
			At fair value through other comprehensive income	29,396,227.13
Accounts receivable	Amortized cost (loans and receivables)	119,715,786.19	Amortized cost	119,715,786.19
Other receivables	Amortized cost (loans and receivables)	12,543,543.59	Amortized cost	12,543,543.59
Other equity instrument investments	At fair value through other comprehensive income (assets classified as available for sale)	11,975,419.38	At fair value through other comprehensive income	11,975,419.38
Short-term borrowings	Amortized cost (other financial liabilities)	124,440,000.00	Amortized cost	125,194,728.10
Non-current liabilities due within one year	Amortized cost (other financial liabilities)	28,609,163.00	Amortized cost	28,665,817.43
Long-term borrowings	Amortized cost (other financial liabilities)	403,107,800.00	Amortized cost	403,850,405.69
Notes payable	Amortized cost (other financial liabilities)	39,051,466.05	Amortized cost	39,051,466.05
Accounts payable	Amortized cost (other financial liabilities)	164,258,731.06	Amortized cost	164,258,731.06
Other payables	Amortized cost (other	185,661,537.24	Amortized cost	184,107,549.02

Item	Previous financial instrument standards		New financial instrument standards	
	Measurement category	Carrying amount	Measurement category	Carrying amount
	financial liabilities)			.02
Long-term payables	Amortized cost (other financial liabilities)	6,863,200.00	Amortized cost	6,863,200.00

③ Reconciliation of the previous carrying amounts of the Company's financial assets and liabilities to the new carrying amounts of the Company's financial assets and liabilities classified and measured under the requirement of new financial instrument standards as at January 1, 2019:

Item	Carrying amount presented subject to the previous financial instrument standards (December 31, 2018)	Reclassification	Remeasurement	Carrying amount presented subject to the new financial instrument standards (January 1, 2019)
A. Financial assets				
a. Amortized cost				
Cash and bank balances	484,169,208.44			484,169,208.44
Notes receivable				
Balance presented under previous CAS 22	35,903,632.13			
Less: amount transferred to that at fair value through other comprehensive income (new CAS 22)		-29,396,227.13		
Balance presented under new CAS 22				6,507,405.00
Accounts receivable	119,715,786.19			119,715,786.19
Other receivables	12,543,543.59			12,543,543.59
Total financial assets at amortized cost	652,332,170.35	-29,396,227.13		622,935,943.22
b. Financial assets at fair value through other comprehensive income				
Receivables financing				
Balance presented under previous CAS 22				

Add: amount transferred from amortized cost (previous CAS 22)		29,396,227. 13		
Balance presented under new CAS 22				29,396,227.13
Available-for-sale financial assets				
Balance presented under previous CAS 22	11,975,419.38			
Less: amount transferred to that at fair value through other comprehensive income (new CAS 22)-designation		-11,975,41 9.38		
Balance presented under new CAS 22				
Other equity instrument investments				
Balance presented under previous CAS 22				
Add: amount transferred from available-for-sale financial assets (previous CAS 22)-designation		11,975,419. 38		
Balance presented under new CAS 22				11,975,419.38
Total financial assets at fair value through other comprehensive income	11,975,419.38	29,396,227. 13		41,371,646.51
B. Financial liabilities				
a. Amortized cost				
Other payables				

Balance presented under previous CAS 22	185,661,537.24			
Less: amount transferred to bank borrowings (interest payable)		-1,553,988.22		
Balance presented under new CAS 22				184,107,549.02
Notes payable	39,051,466.05			39,051,466.05
Accounts payable	164,258,731.06			164,258,731.06
Short-term borrowings				
Balance presented under previous CAS 22	124,440,000.00			
Add: amount transferred from other payables (interest payable)		754,728.10		
Balance presented under new CAS 22				125,194,728.10
Non-current liabilities due within one year				
Balance presented under previous CAS 22	28,609,163.00			
Add: amount transferred from other payables (interest payable)		56,654.43		
Balance presented under new CAS 22				28,665,817.43
Long-term borrowings				
Balance presented under previous CAS 22	403,107,800.00			
Add: amount transferred from other payables (interest payable)		742,605.69		
Balance presented under new CAS 22				403,850,405.69

Long-term payables	6,863,200.00			6,863,200.00
Total financial liabilities at amortized cost	951,991,897.35			951,991,897.35

④ Reconciliation of the previous closing balance of the provision for impairment of financial assets to the new balance of provision for impairment of financial assets classified and measured under the requirement of new financial instrument standards as at January 1, 2019:

Item	Provision for losses made subject to the previous financial instrument standards /estimated liabilities determined subject to contingencies standards (December 31, 2018)	Reclassification	Remeasurement	Provision for losses made subject to the new financial instrument standards (January 1, 2019)
Accounts receivable	14,072,536.97			14,072,536.97
Other receivables	699,901.69			699,901.69

(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 financial instrument standards, new revenue standard or new lease standard since 2019**

Applicable N/A

Consolidated balance sheet

In RMB

Item	At December 31, 2018	At January 1, 2019	Adjusted amount
Current Assets:			
Cash and bank balances	484,169,208.44	484,169,208.44	
Balances with clearing agencies			
Placements with banks and other financial institutions			
Held-for-trading financial assets			
Financial assets at fair value			

through profit or loss			
Derivative financial assets			
Notes receivable	35,903,632.13	6,507,405.00	-29,396,227.13
Accounts receivable	119,715,786.19	119,715,786.19	
Receivables financing		29,396,227.13	29,396,227.13
Prepayments	22,909,249.21	22,909,249.21	
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables	12,543,543.59	12,543,543.59	
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	325,302,295.60	325,302,295.60	
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	44,707,753.47	44,707,753.47	
Total Current Assets	1,045,251,468.63	1,045,251,468.63	
Non-current Assets:			
Loans and advances			
Debt investments			
Available-for-sale financial assets	11,975,419.38		-11,975,419.38
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments		11,975,419.38	11,975,419.38
Other non-current financial assets			
Investment properties			
Fixed assets	399,651,937.13	399,651,937.13	
Construction in progress	30,953,213.42	30,953,213.42	
Bearer biological assets			
Oil and gas assets			

Use right assets			
Intangible assets	342,227,766.06	342,227,766.06	
Development expenditure			
Goodwill			
Long-term prepaid expenses	6,400,455.04	6,400,455.04	
Deferred tax assets	99,492,975.74	99,492,975.74	
Other non-current assets	137,518,255.16	137,518,255.16	
Total Non-current Assets	1,028,220,021.93	1,028,220,021.93	
Total assets	2,073,471,490.56	2,073,471,490.56	
Current Liabilities:			
Short-term borrowings	124,440,000.00	125,194,728.10	754,728.10
Loans from the central bank			
Taking from banks and other financial institutions			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	39,051,466.05	39,051,466.05	
Accounts payable	164,258,731.06	164,258,731.06	
Receipts in advance	172,867,568.93	172,867,568.93	
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	38,184,612.34	38,184,612.34	
Taxes payable	59,954,133.70	59,954,133.70	
Other payables	185,661,537.24	184,107,549.02	-1,553,988.22
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	28,609,163.00	28,665,817.43	56,654.43
Other current liabilities			
Total Current Liabilities	813,027,212.32	812,284,606.63	-742,605.69
Non-current Liabilities:			
Insurance contract reserves			
Long-term borrowings	403,107,800.00	403,850,405.69	742,605.69
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Leasing liabilities			
Long-term payables	6,863,200.00	6,863,200.00	
Long-term employee benefits payable			
Provisions	9,449,087.12	9,449,087.12	
Deferred income	14,125,164.43	14,125,164.43	
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities	433,545,251.55	434,287,857.24	742,605.69
Total Liabilities	1,246,572,463.87	1,246,572,463.87	
Owners' (or Shareholders') equity:			
Paid-in capital (or share capital)	383,554,411.00	383,554,411.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	205,995,596.85	205,995,596.85	
Less: Treasury shares			
Other comprehensive income	1,044,703.00	1,044,703.00	
Special reserve			
Surplus reserve	12,695,712.93	12,695,712.93	
General risk reserve			
Retained profits	112,623,054.78	112,623,054.78	
Total owners' (or shareholders') equity attributable to owners of the Company	715,913,478.56	715,913,478.56	
Minority interests	110,985,548.13	110,985,548.13	
Total Owners'(or	826,899,026.69	826,899,026.69	

Shareholders') Equity			
Total Liabilities and Owners' (or Shareholders') Equity	2,073,471,490.56	2,073,471,490.56	

Description of adjustments on each line item:

√Applicable □N/A

The Company has reclassified the equity investments not held for trading into other equity instrument investments pursuant to the new financial instrument standards since it adopted the new financial instrument standards on January 1, 2019. Adjusted amounts refer to statements listed above for details.

The Parent Company's balance sheet

In RMB

Item	At December 31, 2018	At January 1, 2019	Adjusted amount
Current Assets:			
Cash and bank balances	306,709,743.06	306,709,743.06	
Held-for-trading financial assets			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	10,091,743.00	6,507,405.00	-3,584,338.00
Accounts receivable	227,673,423.35	227,673,423.35	
Receivables financing		3,584,338.00	3,584,338.00
Prepayments	12,293,204.18	12,293,204.18	
Other receivables	34,226,930.38	34,226,930.38	
Including: Interest receivable			
Dividends receivable			
Inventories	180,602,162.31	180,602,162.31	
Held-for-sale assets			
Non-current assets due within one year			
Other current assets			
Total Current Assets	771,597,206.28	771,597,206.28	
Non-current Assets:			
Debt investments			
Available-for-sale financial assets	7,075,419.38		-7,075,419.38
Other debt investments			

Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	219,365,735.89	219,365,735.89	
Other equity instrument investments		7,075,419.38	7,075,419.38
Other non-current financial assets			
Investment properties			
Fixed assets	49,100,811.69	49,100,811.69	
Construction in progress			
Bearer biological assets			
Oil and gas assets			
Use right assets			
Intangible assets	340,207,888.91	340,207,888.91	
Development expenditure			
Goodwill			
Long-term prepaid expenses	4,155,925.64	4,155,925.64	
Deferred tax assets	5,710,071.90	5,710,071.90	
Other non-current assets	254,255.16	254,255.16	
Total Non-current Assets	625,870,108.57	625,870,108.57	
Total assets	1,397,467,314.85	1,397,467,314.85	
Current Liabilities:			
Short-term borrowings	124,440,000.00	125,194,728.10	754,728.10
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	39,051,466.05	39,051,466.05	
Accounts payable	140,069,264.80	140,069,264.80	
Receipts in advance	35,062,546.75	35,062,546.75	
Employee benefits payable	20,568,733.86	20,568,733.86	
Taxes payable	18,958,729.81	18,958,729.81	
Other payables	173,955,421.70	173,200,693.60	-754,728.10
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			

Other current liabilities			
Total Current Liabilities	552,106,162.97	552,106,162.97	
Non-current Liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Leasing liabilities			
Long-term payables	6,863,200.00	6,863,200.00	
Long-term employee benefits payable			
Provisions	9,449,087.12	9,449,087.12	
Deferred income	5,125,274.76	5,125,274.76	
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities	21,437,561.88	21,437,561.88	
Total Liabilities	573,543,724.85	573,543,724.85	
Owners' (or Shareholders') equity:			
Paid-in capital (or share capital)	383,554,411.00	383,554,411.00	
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserve	308,318,059.21	308,318,059.21	
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	11,418,172.20	11,418,172.20	
Retained profits	120,632,947.59	120,632,947.59	
Total Owners' (or Shareholders') Equity	823,923,590.00	823,923,590.00	
Total Liabilities and Owners' (or Shareholders') Equity	1,397,467,314.85	1,397,467,314.85	

Description of adjustments on each line item:

√Applicable □N/A

The Company has reclassified the equity investments not held for trading into other equity instrument investments pursuant to the new financial instrument standards since it adopted the new financial instrument standards on January 1, 2019. Adjusted amounts refer to statements listed above for details.

(4). Description of retrospective adjustments in comparative data in prior periods due to implementation of new financial instrument standards or new lease standard in 2019

Applicable N/A

42. 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%, 10%, 13%, 16%
City maintenance and construction tax	Turnover tax payable	5%, 7%
Education surcharges	Turnover tax payable	3%
Local education surcharges	Turnover tax payable	2%
Enterprise income tax	Taxable income	8.25%、8.70%、8.84%、12.5%、15%、16.5%、20%、21%、25%

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 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
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%.

6. According to the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (Announcement No.39 in 2019 by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), for taxable income from sales or exports of goods, the general tax payers shall apply the VAT at a rate of 13% in exchange of 16%, or 9% in exchange of 10%.

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%. The Company's subsidiary Beijing Orient Appotronics Technology Co., Ltd. is qualified for enjoying such tax incentive from 2019.

3. Others

Applicable N/A

VII. Notes to items in the consolidated financial statements**1. Cash and bank balances**

√Applicable □N/A

In RMB

Item	Closing balance	Opening balance
Cash on hand	3,348.57	3,175.14
Bank deposits	857,708,997.58	470,309,528.51
Other monetary funds	18,146,438.43	13,856,504.79
Total	875,858,784.58	484,169,208.44
Including: total overseas deposits	132,334,643.95	15,316,654.03

Other description

In other monetary funds, an amount of RMB 15,831,289.87 is restricted for being used as margins while in bank deposits, an amount of RMB30,000,000.00 is restricted for being frozen due to litigation. The bank deposits include deposit interests amounting to RMB238,006.85 which have been recognized yet not matured.

2. Held-for-trading financial assets

√Applicable □N/A

In RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	540,000,000.00	
Including:		
Structural deposits	540,000,000.00	
Total	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

In RMB

Item	Closing balance	Opening balance
Bank acceptances	3,891,456.00	6,507,405.00
Commercial acceptances	151,103.63	
Total	4,042,559.63	6,507,405.00

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2018) can refer to V 41 of Section XI for details.

(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

In RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptances		2,791,456.00
Commercial acceptances		45,484.94
Total		2,836,940.94

(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

In RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		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	4,050,512.45	100.00	7,952.82	0.20	4,042,559.63	6,507,405.00	100.00			6,507,405.00
Including:										
Bank acceptances	3,891,456.00	96.07			3,891,456.00	6,507,405.00	100.00			6,507,405.00

Commercial acceptances	159,056.45	3.93	7,952.82	5.00	151,103.63					
Total	4,050,512.45	100.00	7,952.82	0.20	4,042,559.63	6,507,405.00	100.00			6,507,405.00

Provision for bad debts made individually:

Applicable N/A

Provision for bad debts made by group:

Applicable N/A

Item by group: commercial acceptance bills

In RMB

Name	Closing balance		
	Notes receivable	Bad debt provision	Proportion of provision (%)
Commercial acceptance bills group	159,056.45	7,952.82	5.00
Total	159,056.45	7,952.82	5.00

Recognition criterion to make the bad debt provision by group and explanation

Applicable N/A

If a provision for bad debts of notes receivable is made in accordance with the general model of expected credit losses (hereinafter referred to as “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

In RMB

Category	Opening balance	Changes for the current period			Closing balance
		Provision	Recovery or reversal	Write off or cancellation	
Commercial acceptance bills		7,952.82			7,952.82
Total		7,952.82			7,952.82

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

In RMB

Aging	Closing balance of carrying amount
Within 1 year	
Including: sub-items within 1 year	
Sub-total of items within 1 year	179,597,137.86
1 to 2 years	6,188,114.04
2 to 3 years	1,553,577.49
Total	187,338,829.39

(2). Disclosure by categories of provision for bad debts

√Applicable □N/A

In RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts made individually						6,661,956.09	4.98	6,661,956.09	100.00	
Including:										
Provision for bad debts made individually						6,661,956.09	4.98	6,661,956.09	100.00	
Provision for bad debts made by group	187,338,829.38	100	11,303,674.14	6.03	176,035,155.24	127,126,367.07	95.02	7,410,580.88	5.83	119,715,786.19
Including:										

Accounts receivable for which the provision for bad debts is made by aging group	187,338,829.38	100	11,303,674.14	6.03	176,035,155.24	127,126,367.07	95.02	7,410,580.88	5.83	119,715,786.19
Total	187,338,829.38	100.00	11,303,674.14	6.03	176,035,155.24	133,788,323.16	100.00	14,072,536.97	10.52	119,715,786.19

Provision for bad debts made individually:

Applicable N/A

Provision for bad debts made by group:

Applicable N/A

Item by group: aging group

In RMB

Name	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year	179,597,137.86	8,979,856.88	5.00
1-2 years	6,188,114.04	1,547,028.51	25.00
2-3 years	1,553,577.49	776,788.75	50.00
Total	187,338,829.39	11,303,674.14	6.03

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 V10 of Section XI 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

In RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or	Write off or	Other	

			reversal	cancellation	changes	
Provision for bad debts made individually	6,661,956.09		238,836.00	6,423,120.09		
Provision for bad debts made by group	7,410,580.88	3,904,459.26		11,366.00		11,303,674.14
Total	14,072,536.97	3,904,459.26	238,836.00	6,434,486.09		11,303,674.14

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

In RMB

Item	Cancellation amount
Accounts receivable actually canceled	6,434,486.09

Accounts receivable actually canceled in the current period are RMB 6,434,486.09.

In which significant amounts canceled are described as below:

Applicable N/A

In RMB

Entity	Nature of accounts receivable	Cancellation amount	Cancellation reason	Cancellation procedures performed	If arising from related party transactions
Beijing Dayang Huaying Technology & Culture Co., Ltd.	Goods payment	6,423,120.09	Expected to be unrecoverable	Approved by the management	No
Total	/	6,423,120.09	/	/	/

Description of accounts receivable cancellation:

Applicable N/A

(5). Top five closing balances of accounts receivable categorized by debtors

Applicable N/A

In RMB

Entities	Carrying amount	Proportion to the balance of accounts receivable(%)	Bad debt provision
Xiaomi Communications Technologies Co., Ltd. and its affiliates	45,679,955.49	24.38	2,283,997.77
BARCO	44,783,875.39	23.91	2,239,193.77
China Film Equipment Co., Ltd. and its affiliates	17,494,326.54	9.34	874,716.33
Beijing Jingdong Century Trading Co., Ltd.	14,737,368.94	7.87	736,868.45
Beijing Donview Education Technology Co., Ltd. and its affiliates	8,829,840.85	4.71	442,339.31
Sub-total	131,525,367.21	70.21	6,577,115.63

(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

In RMB

Item	Closing balance	Opening balance
Bank acceptance bills receivable	1,980,500.00	29,396,227.13
Total	1,980,500.00	29,396,227.13

Changes in amount and fair value of receivables financing:

Applicable N/A

If a provision for bad debts of receivables financing 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

Notes receivable which are undue as at the balance sheet date but endorsed by the Company at the end of the period

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	5,490,827.07	
Sub-total	5,490,827.07	

Considering it is less probable that the bank acceptances cannot be paid at maturity as acceptors of bank acceptances are commercial banks with higher credit ratings, the Company has derecognized the endorsed bank acceptances with higher credit ratings. However, if such notes are unable to be paid at maturity, the Company will still be jointly and severally liable to the noteholders pursuant to the Negotiable Instruments Law.

7. Prepayments

(1). Disclosure of prepayments by aging

Applicable N/A

In RMB

aging	Closing balance		Opening balance	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	34,948,314.45	99.65	22,741,632.57	99.27
1 to 2 years	122,684.68	0.35	167,616.64	0.73
Total	35,070,999.13	100.00	22,909,249.21	100.00

Reasons for overdue settlement of prepayments with significant amounts aged more than 1 year:

There are no prepayments with significant amounts aged more than 1 year at the end of the period.

(2). Top five closing balances of prepayments categorized by receivers

Applicable N/A

Entities	Carrying amount	Proportion to the balance of prepayments (%)
Guangzhou Shiyuan Electronic Technology Company Limited	13,743,559.40	39.19
Shenzhen Global Digital Technology Co., Ltd.	3,804,627.44	10.85
ACE (Shanghai) Film & TV Equipment Co., Ltd.	3,337,436.92	9.52
China Film Equipment Co., Ltd. and its affiliates	3,350,592.41	9.55
Shenzhen Puzhen Technology Co., Ltd.	901,968.13	2.57
Sub-total	25,138,184.30	71.68

Other description

Applicable N/A

8. Other receivables

Presented by items

Applicable N/A

In RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	9,618,750.08	12,543,543.59
Total	9,618,750.08	12,543,543.59

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

(1). Disclosure by aging

Applicable N/A

In RMB

Aging	Closing balance of carrying amount
Within 1 year	
Including: sub-items within 1 year	
Sub-total of items within 1 year	2,914,444.13
1 to 2 years	5,985,039.29
2 to 3 years	1,068,102.14
Over 3 years	90,300.00
Total	10,057,885.56

(2). Categories by the nature of other receivables

Applicable N/A

In RMB

Nature of other receivables	Closing balance of carrying amount	Opening balance of carrying amount
Deposits/margins/petty cash	8,772,420.22	8,496,423.15
Withholding	1,275,175.63	901,659.86
Receivables for transfer of shares		3,700,000.00
Temporary receivables	10,289.71	145,362.27
Total	10,057,885.56	13,243,445.28

(3). Provision for bad debts

√Applicable □N/A

In RMB

Bad debt provision	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, 2019	612,714.94	100.00	87,086.75	699,901.69
Balance as at January 1, 2019 in the current period				
--transferred to Stage II				
--transferred to Stage III	-30,000.00	-100.00	30,100.00	
--reversed to Stage II				
--reversed to Stage I				
Provision	-143,679.46			-143,679.46
Reversal				
Write-off				
Cancellation			117,086.75	117,086.75
Other changes				
Balance at December 31, 2019	439,035.48		100.00	439,135.48

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

(4). Provision for bad debts

√Applicable □N/A

In RMB

Category	Opening	Changes for the current period	Closing
----------	---------	--------------------------------	---------

	balance	Provision	Recovery or reversal	Write off or cancellation	Other changes	balance
Provision for bad debts made individually	87,086.75			87,086.75		
Provision for bad debts made by group	612,814.94	-143,679.46		30,000.00		439,135.48
Total	699,901.69	-143,679.46		117,086.75		439,135.48

Including significant amounts recovered or reversed from the current provision for bad debts:

Applicable N/A

(5). Other receivables actually canceled in the current period

Applicable N/A

In RMB

Item	Cancellation amount
Other receivables actually canceled	117,086.75

In which significant amounts canceled are described as below:

Applicable N/A

Description of other receivables cancellation:

Applicable N/A

(6). Top five closing balances of other receivables categorized by debtors

Applicable N/A

In RMB

Entities	Nature of other receivables	Closing balance	Aging	Proportion to the balance of other receivables (%)	Closing balance of bad debt provision
Shenzhen Meisheng Industry Co., Ltd.	Margins	4,094,368.00	1-2 years	40.71	204,718.40

Shenzhen Science and Technology Assessment Management Center	Deposits	1,036,606.40	Within 1 year, 1-2 years, 2-3 years	10.31	51,830.32
Hong Kong Science & Technology Parks Corporation	Deposits	1,036,373.11	Within 1 year	10.30	51,818.66
WANG Shaogang	Deposits	300,000.00	Within 1 year	2.98	15,000.00
China Film Equipment Co., Ltd. and its affiliates	Deposits	290,866.00	Within 1 year, 1-2 years, 2-3 years	2.89	14,543.30
Total	/	6,758,213.51	/	67.19	337,910.68

(7). **Accounts receivable involving government grants**□Applicable N/A(8). **Other receivables derecognized due to transfer of financial assets**□Applicable N/A(9). **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

In RMB

Item	Closing balance	Opening balance
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	Carrying amount	Provision for decline in value	Book value	Carrying amount	Provision for decline in value	Book value
Raw materials	169,021,593.23	18,901,716.15	150,119,877.08	172,758,435.91	15,733,715.15	157,024,720.76
Work in progress	12,337,519.02	686,431.07	11,651,087.95	9,433,678.13	931,664.29	8,502,013.84
Goods on hand	95,889,640.29	20,855,142.36	75,034,497.93	97,961,682.59	20,235,396.20	77,726,286.39
Goods upon delivery	56,776,659.73		56,776,659.73	66,939,392.07	32,258.46	66,907,133.61
Materials for consigned processing	6,405,637.99	21,590.33	6,384,047.66	17,775,800.60	2,633,659.60	15,142,141.00
Total	340,431,050.26	40,464,879.91	299,966,170.35	364,868,989.30	39,566,693.70	325,302,295.60

(2). **Provision for decline in value of inventories**

(3). **Provision for decline in value of inventories and impairment of contract performance cost**

√Applicable □N/A

In RMB

Item	Opening balance	Increase		Decrease		Closing balance
		Provision	Other s	Reversal or write-off	Other s	
Raw materials	15,733,715.15	14,992,560.91		11,824,559.91		18,901,716.15
Work in progress	931,664.29			245,233.22		686,431.07
Goods on hand	20,235,396.20	7,138,530.40		6,518,784.24		20,855,142.36
Goods upon delivery	32,258.46			32,258.46		
Materials for consigned processing	2,633,659.60			2,612,069.27		21,590.33
Total	39,566,693.70	22,131,091.31		21,232,905.10		40,464,879.91

Specify reasons for specific determination basis of net realizable value, and reversal or write-off of the provision for decline in value of inventories:

Specific determination basis of net realizable value: for inventories directly used for sale, the net realizable value is determined as the history or actual average selling price 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 history or actual average selling price of finished goods less the estimated costs of completion, and the estimated costs necessary to make the sale and relevant taxes.

The reason for reversal of the provision for decline in value of inventories for the period is that, for the inventories of which a provision for decline in value has been made in prior period, their net realizable values have increased.

The reason for write-off of the provision for decline in value of inventories for the period is that the Company has consumed or sold the inventories of which a provision for decline in value has been made.

(4). Description of capitalized amount of borrowing costs included in the closing balance of inventories

Applicable N/A

(5). Completed but not yet billed assets arising from construction contracts at the end of the period

Applicable N/A

Other description

Applicable N/A

10. Held-for-sale assets

Applicable N/A

11. Non-current assets due within one year

Applicable N/A

Debt investments and other debt investments with significant amounts at the end of the period

Applicable N/A

Other description

None

12. Other current assets

Applicable N/A

In RMB

Item	Closing balance	Opening balance
Input VAT to be deducted	40,317,187.39	44,692,236.45
Prepaid enterprise income tax	4,088,325.91	15,517.02

Total	44,405,513.30	44,707,753.47
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Other description

None

13. 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

Basis for recognizing the amount of provisions for impairment and evaluating whether the credit risk of financial instruments has been increased significantly in the current period

Applicable N/A

Other description

Applicable N/A

14. 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

Basis for recognizing the amount of provisions for impairment and evaluating whether the credit risk of financial instruments has been increased significantly in the current period

Applicable N/A

Other description:

Applicable N/A

15. Long-term receivables

(1). **Description of long-term receivables**

Applicable N/A

(2). Provision for bad debts□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**(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**16. Long-term equity investments**Applicable □N/A

In 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		139,524,000.00		-3,927.93	14,299.87					139,534,371.94	
Sub-total		139,524,000.00		-3,927.93	14,299.87					139,534,371.94	
Total		139,524,000.00		-3,927.93	14,299.87					139,534,371.94	

Other description

None

17. Other equity instrument investments**(1). Description of other equity instrument investments**Applicable □N/A

In 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

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2018) can refer to V 42 of Section XI for details.

(2). Description of equity investments not held for trading

Applicable N/A

In RMB

Item	Dividends income recognized for the current period	Accumulated gains	Accumulated losses	Amounts to retained earnings from other comprehensive income	Reasons for designating as financial assets at fair value through other comprehensive income	Reasons for transferring to retained earnings from other comprehensive income
Shen Zhen Timewaying Technology Co., Ltd.					Subject to the management's intention of holding	
Shenzhen Bevix Technology Co., Ltd.					Subject to the management's intention of holding	

Other description:

Applicable N/A

The Company's equity investments in Shen Zhen Timewaying Technology Co., Ltd. and Shenzhen Bevix Technology Co., Ltd. are mainly for promoting future business cooperation rather than making transactions, hence they are designated as investments in equity instruments at fair value through other comprehensive income.

18. Other non-current financial assets

Applicable N/A

Other description:

Applicable N/A

19. Investment properties

Measurement mode of investment properties

N/A

20. Fixed assets**Presented by items**

√Applicable □N/A

In RMB

Item	Closing balance	Opening balance
Fixed assets	471,204,340.95	399,651,937.13
Disposal of fixed assets		
Total	471,204,340.95	399,651,937.13

Other description:

√Applicable □N/A

None

Fixed assets**(1). Description of fixed assets**

√Applicable □N/A

In RMB

Item	Machinery and equipment	Transportation equipment	Electronic equipment and others	Operating leased equipment	Total
I. Cost:					
1. Opening balance	66,913,542.97	304,096.46	22,897,002.28	404,727,717.92	494,842,359.63
2. Increase	23,690,628.28	716,303.59	9,101,989.42	126,212,655.90	159,721,577.19
(1) Purchase	23,690,628.28	716,303.59	9,101,989.42		33,508,921.29
(2) Transfer from construction in progress				125,269,204.33	125,269,204.33
(3) Increase due to business combination					
(4) Transfer from inventories				943,451.57	943,451.57
3. Decrease	7,984,572.90		733,676.31	5,343,261.41	14,061,510.62
(1) Disposal or retirement	7,571,968.06		596,891.04	412,595.59	8,581,454.69
(2) Transfer to inventories	412,604.84		136,785.27	4,930,665.82	5,480,055.93
4. Closing balance	82,619,598.35	1,020,400.05	31,265,315.39	525,597,112.41	640,502,426.20

II. Accumulated depreciation					
1. Opening balance	21,928,764.07	211,823.44	7,857,607.14	65,192,227.85	95,190,422.50
2. Increase	12,407,120.20	80,400.42	4,770,710.62	63,283,462.83	80,541,694.07
(1) Provision	12,407,120.20	80,400.42	4,770,710.62	63,283,462.83	80,541,694.07
3. Decrease	4,944,463.91		544,758.80	944,808.61	6,434,031.32
(1) Disposal or retirement	4,921,838.79		487,937.15	77,504.20	5,487,280.14
(2) Transfer to inventories	22,625.12		56,821.65	867,304.41	946,751.18
4. Closing balance	29,391,420.36	292,223.86	12,083,558.96	127,530,882.07	169,298,085.25
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	53,228,177.99	728,176.19	19,181,756.43	398,066,230.34	471,204,340.95
2. Opening balance	44,984,778.90	92,273.02	15,039,395.14	339,535,490.07	399,651,937.13

(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

In RMB

Item	Closing balance of carrying amount
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Operating leased equipment	398,066,230.34
Total	398,066,230.34

(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

21. Construction in progress**Presented by items**

Applicable N/A

In RMB

Item	Closing balance	Opening balance
Construction in progress	20,132,004.07	30,953,213.42
Materials for construction		
Total	20,132,004.07	30,953,213.42

Other description:

Applicable N/A

Construction in progress**(1). Description of Construction in progress**

Applicable N/A

In RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Headquarter buildings	1,385,496.59		1,385,496.59			
Light sources to be leased	18,746,507.48		18,746,507.48	30,953,213.42		30,953,213.42

Total	20,132,004.07		20,132,004.07	30,953,213.42		30,953,213.42
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(2). Changes in significant constructions in progress for the current period

√Applicable □N/A

In RMB

Project	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: capitalized interest for the period	Interest Capitalization rate for the period (%)	Source of funds
Headquarter buildings	534,635,200.00		1,385,496.59			1,385,496.59	0.26					Self-funded capital
Light sources to be leased		30,953,213.42	113,703,147.5	125,269,204.33	640,616.36	18,746,507.48						Self-funded capital
Total	534,635,200.00	30,953,213.42	115,088,611.34	125,269,204.33	640,616.36	20,132,004.07	/	/			/	/

(3). Provision for impairment losses for construction in progress in the current periodApplicable N/A

Other description

Applicable N/A**Materials for construction****(4). Description of materials for construction**Applicable N/A**22. 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**23. Oil and gas assets**Applicable N/A**24. Use right assets**Applicable N/A**25. Intangible assets****(1). Description of intangible assets**Applicable N/A

In RMB

Item	Land use rights	Patents	Software	Total
I. Cost				
1. Opening balance	23,247,800.00	330,630,000.00	5,387,125.59	359,264,925.59
2. Increase			4,809,423.19	4,809,423.19
(1) Purchase			4,809,423.19	4,809,423.19
(2) Internal R&D				
(3) Increase due to business combination				

3. Decrease				
(1) Disposal				
4. Closing balance	23,247,800.00	330,630,000.00	10,196,548.78	364,074,348.78
II. Accumulated Amortization				
1. Opening balance	10,210,710.02	5,510,500.02	1,315,949.49	17,037,159.53
2. Increase	2,324,780.04	11,021,000.04	1,360,085.10	14,705,865.18
(1) Provision	2,324,780.04	11,021,000.04	1,360,085.10	14,705,865.18
3. Decrease				
(1) Disposal				
4. Closing balance	12,535,490.06	16,531,500.06	2,676,034.59	31,743,024.71
III. Provision for impairment				
1. Opening balance				
2. Increase				
(1) Provision				
3. Decrease				
(1) Disposal				
4. Closing balance				
IV. Book value				
1. Closing balance	10,712,309.94	314,098,499.94	7,520,514.19	332,331,324.07
2. Opening balance	13,037,089.98	325,119,499.98	4,071,176.10	342,227,766.06

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

26. Development expenditure

Applicable N/A

27. 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**28. Long-term prepaid expenses**Applicable N/A

In RMB

Item	Opening balance	Increase	Amortization	Other decreases	Closing balance
Renovation costs	6,400,455.04	15,380,470.28	4,872,854.98		16,908,070.34
Total	6,400,455.04	15,380,470.28	4,872,854.98		16,908,070.34

Other description:

None

29. Deferred tax assets / deferred tax liabilities**(1). Deferred tax assets that are not offset**Applicable N/A

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for impairment of assets	35,664,470.56	5,836,098.21	33,900,084.27	5,518,806.05
Unrealized profits for	382,370,535.17	95,185,982.07	390,702,213.23	92,556,806.62

inside transactions				
Deductible losses				
Provisions	25,267,517.71	4,667,623.73	9,449,087.12	1,417,363.07
Deferred income	16,475,547.96	2,546,469.56		
Share-based payment expenses	4,987,200.41	787,768.28		
Total	464,765,271.81	109,023,941.85	434,051,384.62	99,492,975.74

(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

In RMB

Item	Closing balance	Opening balance
Deductible temporary difference	32,593,450.49	40,272,087.80
Deductible losses	164,006,561.21	77,808,102.32
Total	196,600,011.70	118,080,190.12

(5). **Deductible losses, for which no deferred tax assets are recognized, will expire in the following years**Applicable □N/A

In RMB

Year	Closing balance	Opening balance	Remark
2020	9,243,377.13	9,246,743.85	
2021	9,487,530.31	9,488,980.32	
2022	11,900,329.00	11,956,016.78	
2023	47,115,450.59	47,116,361.37	
2024	86,259,874.18		
Total	164,006,561.21	77,808,102.32	/

Other description:

□Applicable N/A**30. Other non-current assets**Applicable □N/A

In RMB

Item	Closing balance	Opening balance
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Prepayment for purchase of long-term assets	11,420,185.94	254,255.16
Prepayments for equity investments		137,264,000.00
Total	11,420,185.94	137,518,255.16

Other description:

None

31. Short-term borrowings

(1). Categories of short-term borrowings

Applicable N/A

In RMB

Item	Closing balance	Opening balance
Guaranteed loans	50,000,000.00	21,000,000.00
Interest payable	427,443.49	754,728.10
Credit loans	10,000,000.00	
Guaranteed loans and loans against collateral	16,337,875.56	103,440,000.00
Total	76,765,319.05	125,194,728.10

Description for categories of short-term borrowings:

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2018) can refer to V 41 of Section XI for details.

Banks	Loan balance	Guarantee way
Shenzhen Branch of HSBC Bank (China) Company Limited	10,000,000.00	Credit loan without any guarantee
	50,000,000.00	Secured by the Company
Beijing Branch of China Minsheng Banking Corp., Ltd.	16,337,875.56	Pledged by accounts receivable of the Company's subsidiary CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. from its downstream customers for conclusion of equipment sale contract, and secured by the Company meanwhile

(2). Short-term borrowings overdue but not yet repaid

Applicable N/A

Of which the significant overdue short-term borrowings are described as below:

Applicable N/A

Other description

Applicable N/A

32. Held-for-trading financial liabilities

Applicable N/A

33. Derivative financial liabilities

Applicable N/A

34. Notes payable**(1). Presented by notes payable**

√Applicable □N/A

In RMB

Category	Closing balance	Opening balance
Commercial acceptance bills		
Bank acceptance bills	37,335,841.79	39,051,466.05
Total	37,335,841.79	39,051,466.05

Total notes payable matured but not paid yet is RMB 0 at the end of the period.

35. Accounts payable**(1). Presented by accounts payable**

√Applicable □N/A

In RMB

Item	Closing balance	Opening balance
Amounts payable for purchase	176,624,445.46	164,258,731.06
Total	176,624,445.46	164,258,731.06

(2). Accounts payable with significant amounts aged more than 1 year

□Applicable √N/A

Other description

□Applicable √N/A

36. Receipts in advance**(1). Presented by receipts in advance**

√Applicable □N/A

In RMB

Item	Closing balance	Opening balance
Receipts in advance for goods	184,444,643.33	172,867,568.93
Total	184,444,643.33	172,867,568.93

(2). Receipts in advance with significant amounts aged more than 1 year

√Applicable □N/A

In RMB

Item	Closing balance	Reasons for not repaid or carried-forward
Jiangsu Happy Blue Sea Cinema Development Co., Ltd.	36,309,008.65	Lease payments received in advance
Total	36,309,008.65	/

(3). Billed but not yet completed projects arising from construction contracts at the end of the period

□Applicable √N/A

Other description

□Applicable √N/A

37. Employee benefits payable**(1). Presented by employee benefits payable**

√Applicable □N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Short-term benefits	38,026,064.83	284,772,146.34	272,463,863.09	50,334,348.08
2. Post-employment benefits-defined contribution plan	158,547.51	11,168,186.21	11,086,585.82	240,147.90
3. Termination benefits		2,073,708.19	2,061,271.46	12,436.73
Total	38,184,612.34	298,014,040.74	285,611,720.37	50,586,932.71

(2). Presented by short-term employee benefits

√Applicable □N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	37,751,353.44	255,577,257.28	243,237,280.07	50,091,330.65
II. Staff welfare	179,000.00	6,916,284.26	7,095,284.26	
III. Social security contributions	95,711.39	8,737,519.02	8,773,085.48	60,144.93
Including: Medical insurance	85,298.60	8,099,156.96	8,137,672.57	46,782.99
Work injury insurance	3,989.53	194,344.65	193,600.59	4,733.59
Maternity insurance	6,423.26	444,017.41	441,812.32	8,628.35
IV. Housing funds		12,723,152.42	12,721,039.42	2,113.00
V. Union running costs and employee education costs		817,933.36	637,173.86	180,759.50
VI. Short-term paid leaves				
VII. Short-term profit sharing plan				
Total	38,026,064.83	284,772,146.34	272,463,863.09	50,334,348.08

(3). Presented by defined contribution plan

√Applicable □N/A

Item	In RMB			
	Opening balance	Increase	Decrease	Closing balance
1. Basic pensions	152,141.55	10,804,834.38	10,724,727.19	232,248.74
2. Unemployment insurance	6,405.96	363,351.83	361,858.63	7,899.16
3. Enterprise annuity contribution				
Total	158,547.51	11,168,186.21	11,086,585.82	240,147.90

Other description:

□Applicable √N/A

38. Taxes payable

√Applicable □N/A

Item	In RMB	
	Closing balance	Opening balance
VAT	776,108.18	5,855,297.62
Enterprise income tax	39,874,754.97	51,685,951.01
Individual income tax	1,447,882.44	1,229,829.98
City maintenance and construction tax	364,569.72	632,330.24
Education surcharges	156,244.17	273,030.65
Local education surcharges	104,162.78	182,020.43
Stamp duty	200,925.53	95,673.77
Total	42,924,647.79	59,954,133.70

Other description:

None

39. Other payables**Presented by items**

√Applicable □N/A

Item	In RMB	
	Closing balance	Opening balance
Interest payable		
Dividends payable		
Other payables	14,364,076.43	184,107,549.02
Total	14,364,076.43	184,107,549.02

Other description:

□Applicable √N/A

Interest payable**(1). Presented by categories**

□Applicable √N/A

Dividends payable**(1) Presented by categories**

□Applicable √N/A

Other payables**(1). Other payables presented by nature**

√Applicable □N/A

In RMB

Item	Closing balance	Opening balance
Withholding	145,265.79	198,666.56
Deposits/margins	2,626,034.93	855,151.45
Withdrawals in advance	11,539,286.03	10,313,849.81
Payable equity investments		2,450,000.00
Temporary receipts payable	53,489.68	159,881.20
Land-transferring fees payable		170,130,000.00
Total	14,364,076.43	184,107,549.02

(2). Other payables with significant amounts aged more than 1 year

□Applicable √N/A

Other description:

□Applicable √N/A

40. Held-for-sale liabilities

□Applicable √N/A

41. Non-current liabilities due within one year

√Applicable □N/A

In RMB

Item	Closing balance	Opening balance
Interest payable	127,055.02	56,654.43
Guaranteed loans and loans against collateral	64,841,740.00	28,609,163.00
Total	64,968,795.02	28,665,817.43

Other description:

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2018) can refer to V 41 of Section XI for details.

Bank	Loan balance	Guarantee way
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Bank	Loan balance	Guarantee way
Shenzhen Branch of PingAn Bank Co., Ltd.	343,902,163.10	Pledged by the right of collecting all rents from lease of all laser light sources pursuant to contracts executed between CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. and cinemas, secured by Shenzhen YLX Technology Development Co., Ltd. and the Parent Company and guaranteed by LI Yi personally

42. Other current liabilities

Description of other current liabilities

Applicable N/A

Changes in short-term bonds payable:

Applicable N/A

Other description:

Applicable N/A

43. Long-term borrowings

(1). Categories of long-term borrowings

Applicable N/A

Item	In RMB	
	Closing balance	Opening balance
Interest payable	554,684.17	742,605.69
Guaranteed loans and loans against collateral	279,060,423.10	403,107,800.00
Total	279,615,107.27	403,850,405.69

Description for categories of long-term borrowings:

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2018) can refer to V 41 of Section XI for details.

Borrowings are disclosed in VII 42 of Section XI in details.

Other description, including interest range:

Applicable N/A

44. 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

45. Leasing liabilities

Applicable N/A

46. Long-term payables

Presented by items

Applicable N/A

In RMB

Item	Closing balance	Opening balance
Long-term payables	3,488,100.00	6,863,200.00
Special payables		
Total	3,488,100.00	6,863,200.00

Other description:

Applicable N/A

Long-term payables**(1). Long-term payables presented by nature**

Applicable N/A

In RMB

Item	Opening balance	Closing balance
Purchase of patent use rights by installment	6,863,200.00	3,488,100.00
Total	6,863,200.00	3,488,100.00

Other description:

None

Special payables**(2). Special payables presented by nature**

Applicable N/A

47. Long-term employee benefits payable

□Applicable √N/A

48. Provisions

√Applicable □N/A

In RMB

Item	Opening balance	Closing balance	Reason
Products quality warranty	9,449,087.12	27,072,676.49	Expenses for “three guarantees” services
Total	9,449,087.12	27,072,676.49	/

Other description, including significant assumptions and estimates relative to material provisions:

None

49. Deferred income

Description of Deferred income

√Applicable □N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government grants	14,125,164.43	13,605,700.00	10,622,502.74	17,108,361.69	
Total	14,125,164.43	13,605,700.00	10,622,502.74	17,108,361.69	/

[Note]: Government grants included in the current profit or loss or offset relevant cost are disclosed in VII 83 of Section XI in details.

Projects relating to government grants:

√Applicable □N/A

In 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
Beijing Industrial Development Fund Allocation	8,000,000.00			8,000,000.00			Related to assets
8K Ultra High Definition Laser Display Technology Engineering Research Center		2,000,000.00				2,000,000.00	Related to assets
Research and Development of High Performance Resin and Composite Materials Preparation Technique for Additive	54,375.02			36,249.96		18,125.06	Related to income

Manufacturing							
Key Enterprise Laboratory for Laser Display in Guangdong Province		5,000,000.00		179,582.69		4,820,417.31	Related to income
Ultra-high Brightness Laser Light Source Engineering Technology Research Center		2,250,000.00		107,181.13		2,142,818.87	Related to income
Trichromatic Laser Display Complete Equipment Production Demonstration Line	5,320,789.41	3,845,700.00		1,471,735.98		7,694,753.43	Related to income
Development of Heavy 20170372 4k Ultra High Definition Laser Optical Engine Core Technology	750,000.00			750,000.00			Related to income
Key Technology of Trichromatic Laser Display Complete Equipment Industrialization		510,000.00		77,752.98		432,247.02	Related to income
Total	14,125,164.43	13,605,700.00	-	10,622,502.74		17,108,361.69	

Other description:

Applicable N/A

50. Other non-current liabilities

Applicable N/A

51. Share capital

Applicable N/A

In RMB

	Opening balance	Changes (+, -)					Closing balance
		New issue of shares	Bonus issue	Capitalization of capital reserve	Others	Sub-total	
Total shares	383,554,411.00	68,000,000.00				68,000,000.00	451,554,411.00

Other description:

According to resolutions of the seventh session of the first Board of Directors and the second extraordinary general meeting of shareholders in 2019, the Company applied to increase RMB 68,000,000.00 registered capital by issuing RMB ordinary shares (A shares) to the public. After this change, the registered capital increased to RMB 451,554,411.00. As approved by the *Official Reply of China Securities Regulatory Commission on Approving the Registration of IPO Stocks of Appotronics Corporation Limited* (Zheng Jian Xu Ke [2019] No.1163), the Company was approved to issue 68,000,000 shares of RMB ordinary shares (A shares) with the par value at RMB 1 per share through public offering at an issue price of RMB 17.50 per share, and able to raise funds of RMB 1,190,000,000.00 in total. After deduction of underwriting fees and sponsor fees (excluding VAT) amounting to RMB

95,784,905.66, the funds raised were RMB 1,094,215,094.34, in which RMB 68,000,000.00 were charged to paid-up capital and RMB 1,026,215,094.34 to capital reserve (share premium). Pan-China Certified Public Accountants (Special General Partnership) audited this capital increase and issued a Capital Verification Report (Tian Jian Yan [2019] No. 7-62).

52. 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

53. Capital reserve

Applicable N/A

In RMB				
Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (Share premium)	205,995,596.85	1,026,215,094.34	31,744,296.61	1,200,466,394.58
Other capital reserve		7,475,923.79		7,475,923.79
Total	205,995,596.85	1,033,691,018.13	31,744,296.61	1,207,942,318.37

Other description, including changes in the current period and reasons for changes:

1) The capital premium increased RMB 1,026,215,094.34, as detailed in the description in VII 51 of Section XI of this report.

2) The issuance expenses (excluding VAT) of RMB 31,744,296.61 paid by the Company which was used to offset the capital reserve (capital premium) included audit and capital verification expenses of RMB 17,660,377.36, legal fees of RMB 8,200,000.00, information disclosure expenses of RMB 4,462,264.15 and issuance expenses of RMB 1,421,655.10.

3) 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 8,151,010.88, in which RMB 7,475,923.79 were recognized in the capital reserve and RMB 675,087.09 were charged to the amount attributable to minority interests.

54. Treasury shares

Applicable N/A

55. Other comprehensive income

Applicable N/A

In 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 expenses	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	1,044,703.00	2,311,885.81				2,242,360.85	69,524.96	3,287,063.85
Provision for credit impairment of other debt investments								
Exchange differences on translation of financial statements denominated in foreign currencies	1,044,703.00	2,311,885.81				2,242,360.85	69,524.96	3,287,063.85
Total other comprehensive income	1,044,703.00	2,311,885.81				2,242,360.85	69,524.96	3,287,063.85

Other descriptions, including adjustments on transferring effective portion of cash flow hedges to amount upon initial recognition of the hedged item:

None

56. Special reserve

□Applicable √N/A

57. Surplus reserve

√Applicable □N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	11,418,172.20	10,104,511.20		21,522,683.40
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Surplus reserve recovered through business combination involving entities under common control	1,277,540.73			1,277,540.73
Total	12,695,712.93	10,104,511.20		22,800,224.13

Surplus reserve description, including changes in the current period and reasons for changes:
Increased surplus reserve for the current period refers to the appropriation to the statutory surplus reserve by 10% of net profits achieved by the Parent Company for the current period.

58. Retained profits

√Applicable □N/A

In RMB

Item	Current period	Prior period
Retained profits at the end of prior period before adjustment	112,623,054.78	2,143,646.15
Total adjusted retained profits at the beginning of the period (Add: +; Less: -)		
Retained profits at the beginning of the period after adjustment	112,623,054.78	2,143,646.15
Add: Net profit attributable to owners of the Parent Company for the period	186,457,276.71	176,971,092.49
Less: Appropriation to statutory surplus reserve	10,104,511.20	11,418,172.20

Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Declaration of dividends on ordinary shares		
Conversion of ordinary shares' dividends into share capital		
Other appropriations		-2,237,714.47
Capitalization of net assets		57,311,226.13
Retained profits at the end of the period	288,975,820.29	112,623,054.78

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 0.00.
2. Retained profits at the beginning of the period were affected by RMB 0.00 due to changes in accounting policies.
3. Retained profits at the beginning of the period were affected by RMB 0.00 due to the correction of significant accounting errors.
4. Retained profits at the beginning of the period were affected by RMB 0.00 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 0.00 in total due to other adjustments.

59. Operating income and operating costs

(1). Description of operating income and operating costs

√Applicable □N/A

In RMB

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
Principal activities	1,979,148,918.89	1,183,650,635.25	1,385,727,211.09	783,243,430.56
Total	1,979,148,918.89	1,183,650,635.25	1,385,727,211.09	783,243,430.56

Other description:

None

60. Taxes and levies

√Applicable □N/A

In RMB

Item	2019	2018
City maintenance and construction tax	3,070,823.26	6,621,885.65

Education surcharges	1,336,864.61	2,859,559.28
Local education surcharges	879,366.01	1,902,444.16
Others	2,323,097.26	2,229,934.10
Total	7,610,151.14	13,613,823.19

Other description:

None

61. Selling expenses

Applicable N/A

In RMB

Item	2019	2018
Employee benefits	52,472,593.05	39,790,394.64
Business travel expenses	6,806,740.43	4,569,693.99
Business entertainment expenses	3,015,283.66	1,806,511.97
Marketing fees	36,724,064.18	26,380,592.80
Advertising costs and business publicity expenses	6,865,906.71	9,825,678.21
After-sale repair expenses	17,690,062.80	10,475,066.52
Service fees	7,249,578.52	1,338,989.87
Other expenses	20,935,881.65	8,162,182.00
Total	151,760,111.00	102,349,110.00

Other description:

None

62. Administrative expenses

Applicable N/A

In RMB

Item	2019	2018
Employee benefits	70,126,183.15	37,225,413.50
Rent expense	15,153,597.68	4,642,844.52
Business travel expenses	3,940,279.50	2,236,127.72
Service fees	27,332,463.20	12,601,285.06
Depreciation and amortization fees	14,945,520.79	7,981,227.46
Share-based payment expenses	8,146,719.12	22,338,042.90
Other expenses	12,981,767.17	8,556,028.94
Total	152,626,530.61	95,580,970.10

Other description:

None

63. R&D expenses

Applicable N/A

In RMB

Item	2019	2018
Employee benefits	118,054,037.18	78,544,787.69
Material consumption expenses	30,630,477.60	20,203,045.19
Rent expense	9,706,785.26	3,646,917.10
Service fees	10,229,627.72	10,396,474.88
Depreciation and amortization fees	8,883,535.17	7,840,300.41
Testing expenses	4,161,556.69	2,529,155.35
Patent fees	11,169,391.10	7,131,899.77
Other expenses	8,862,355.54	5,437,870.53
Total	201,697,766.26	135,730,450.92

Other description:

None

64. Financial expenses

Applicable N/A

In RMB

Item	2019	2018
Interest expenses (income)	29,041,253.91	21,012,456.32
Exchange profit or loss	-799,344.64	-24,220,687.35
Service charges	1,249,314.15	556,069.32
Total	29,491,223.42	-2,652,161.71

Other description:

None

65. Other income

Applicable N/A

In RMB

Item	2019	2018
Government grants related to assets	8,000,000.00	4,000,000.00
Government grants related to income	22,467,052.33	16,937,327.12
Additional deduction of input VAT	3,657,561.79	
Total	34,124,614.12	20,937,327.12

Other description:

Government grants recognized in other income in the current period are disclosed in VII 82 of Section XI in details.

66. Investment income

Applicable N/A

In RMB

Item	2019	2018
Long-term equity investment accounted for using the equity method	-3,927.93	
Investment income from disposal of financial assets at fair value through profit or loss	9,552,990.98	
Total	9,549,063.05	

Other description:

None

67. Income from net exposure hedges

Applicable N/A

68. Gains from changes in fair values

Applicable N/A

69. Losses of credit impairment

Applicable N/A

In RMB

Item	2019	2018
Bad debt losses	-3,771,572.38	
Total	-3,771,572.38	

Other description:

None

70. Impairment losses of assets

Applicable N/A

In RMB

Item	2019	2018
I.Bad debt losses		-319,212.92
II.Decline in value of inventories	-12,623,251.67	-19,683,090.17
Total	-12,623,251.67	-20,002,303.09

Other description:

None

71. Gains on disposal of assets

Applicable N/A

In RMB

Item	2019	2018
Gains on disposal of assets	41,420.84	
Total	41,420.84	

Other description:

None

72. Non-operating income

Description of non-operating income

Applicable N/A

In RMB

Item	2019	2018	Amount included in non-recurring profit or loss for the period
Total gains from disposal of non-current assets			
Including: gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Gains from debt restructuring			
Gains from exchange of non-monetary assets			
Donation receipts			
Government grants			
Amounts not required for payment	1,876,501.15	1,314,418.36	1,876,501.15
Indemnity	2,005,696.00		2,005,696.00
Others	43,869.58	994.50	43,869.58
Total	3,926,066.73	1,315,412.86	3,926,066.73

Government grants included in profit or loss for the period

Applicable N/A

Other description:

Applicable N/A**73. Non-operating expenses**Applicable N/A

In RMB

Item	2019	2018	Amount included in
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			non-recurring profit or loss for the period
Total losses from disposal of non-current assets			
Including: losses from disposal of fixed assets			
Losses from disposal of intangible assets			
Losses from debt restructuring			
Losses from exchange of non-monetary assets			
External donations	715,387.87		715,387.87
Losses from damage and retirement of non-current assets	3,255,908.90	1,711,797.47	3,255,908.90
Penalties and overdue fines	212,581.48	133,350.32	212,581.48
Others	16,319.31	0.02	16,319.31
Total	4,200,197.56	1,845,147.81	4,200,197.56

Other description:

None

74. Income tax expense

(1). Statement of income tax expense

Applicable N/A

In RMB

Item	2019	2018
Income tax expense in the current period	64,508,782.78	80,669,735.12
Deferred income tax expenses	-9,526,561.15	-33,954,069.45
Total	54,982,221.63	46,715,665.67

(2). Reconciliation of income tax expenses to the accounting profit

Applicable N/A

In RMB

Item	2019
Total profit	279,358,644.34
Income tax expense calculated based on	41,903,796.65

statutory/applicable tax rate	
Effect of different tax rates of subsidiaries operating in other jurisdictions	14,819,386.38
Effect of adjustment on income tax for the period	-768,791.21
Effect of non-taxable income	-163,610.80
Effect of non-deductible cost, expense and loss	768,007.37
Effect of utilizing deductible loss not recognized for deferred tax assets for prior period	-751,471.60
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	16,436,559.98
Effect of additional deduction of R&D expenses	-17,261,655.14
Income tax expense	54,982,221.63

Other description:

Applicable N/A

75. Other comprehensive income

Applicable N/A

See annex for details

Other comprehensive income net of tax has been disclosed in VII 55 of Section XI in details.

76. Items in cash flow statement

(1). Other cash receipts relating to operating activities

Applicable N/A

Item	In RMB	
	2019	2018
Government grants	28,765,309.74	23,017,245.19
Non-operating income	2,049,565.58	994.50
Interest income	3,841,224.18	2,204,490.11
Other monetary funds-margins	37,531,542.28	48,140,204.01
Receivables and payables	6,375,293.17	2,080,591.98
Total	78,562,934.95	75,443,525.79

Description of other cash receipts relating to operating activities:

None

(2). Other cash payments relating to operating activities

Applicable N/A

Item	In RMB	
	2019	2018

Selling expenses paid in cash	75,178,450.72	59,397,046.56
Administrative and R&D expenses paid in cash	101,950,001.38	74,782,918.77
Financial expenses paid in cash	1,249,314.15	556,069.32
Non-operating expenses	944,288.66	133,350.34
Other monetary funds-margins	41,702,174.11	40,750,627.38
Bank deposits-frozen funds due to litigation	30,000,000.00	
Receivables and payables	5,886,899.65	6,535,135.11
Total	256,911,128.67	182,155,147.48

Description of other cash payments relating to operating activities:

None

(3). Other cash receipts relating to investing activities

Applicable N/A

In RMB

Item	2019	2018
Fund transaction		85,426,350.80
Total		85,426,350.80

Description of other cash receipts relating to investing activities:

None

(4). Other cash payments relating to operating activities

Applicable N/A

(5). Other cash receipts relating to financing activities

Applicable N/A

In RMB

Item	2019	2018
Fund transaction		51,102,952.00
Total		51,102,952.00

Description of other cash receipts relating to financing activities:

None

(6). Other cash payments relating to financing activities

Applicable N/A

In RMB

Item	2019	2018
Fund transaction		53,856,591.99
Call loan interest		3,463,118.87
Issue expenses	39,396,048.75	
Total	39,396,048.75	57,319,710.86

Description of other cash payments relating to financing activities:

None

77. Supplementary information to the cash flow statement

(1). Supplementary information to the cash flow statement

√Applicable □N/A

In RMB

Supplementary information	2019	2018
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	224,376,422.71	211,551,211.44
Add: Provision for impairment of assets	16,394,824.05	20,002,303.09
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	80,539,152.68	56,780,866.37
Amortization of intangible assets	14,703,595.57	8,310,952.62
Amortization of long-term prepaid expenses	4,870,707.84	2,678,955.07
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “—”)	-41,420.84	
Losses on retirement of fixed assets (gains are indicated by “—”)	3,255,908.90	1,711,797.47
Losses on changes in fair values (gains are indicated by “—”)		
Financial expenses (income is indicated by “—”)	33,561,732.74	9,967,160.17
Investment losses (income is indicated by “—”)	-9,549,063.05	
Decrease in deferred tax assets (increase is indicated by “-”)	-9,530,966.11	-33,958,813.16
Increase in deferred tax liabilities (decrease is indicated by “-”)		
Decrease in inventories (increase is indicated by “—”)	-101,935,742.75	-210,665,615.43
Decrease in receivables from operating activities (increase is indicated by “—”)	-73,469,932.05	-59,597,514.17
Increase in payables from operating activities (decrease is indicated by “—”)	51,678,964.90	88,654,107.93
Others	8,146,719.12	22,338,042.90
Net cash flow from operating	243,000,903.71	117,773,454.30

activities		
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	829,789,487.86	472,508,550.40
Less: Opening balance of cash	472,508,550.40	80,023,164.24
Add: Closing balance of Cash Equivalents		
Less: Opening balance of Cash Equivalents		
Net increase in cash and cash equivalents	357,280,937.46	392,485,386.16

In the cash flow statement, the following are excluded from the scope of cash equivalents: the margins of RMB 15,831,289.87 under restriction, the fund of RMB 30,000,000.00 frozen due to litigation and the deposit interests of RMB 238,006.85 which have been recognized yet not matured.

(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

Item	In RMB	
	Closing balance	Opening balance
I. Cash	829,789,487.86	472,508,550.40
Including: Cash on hand	3,348.57	3,175.14
Bank deposit that can be paid at any time	827,470,990.73	470,309,528.51
Other monetary funds that can be paid at any time	2,315,148.56	2,195,846.75
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	829,789,487.86	472,508,550.40
Including: restricted cash and cash equivalents of the Parent Company or subsidiaries within the Group		

Other description:

Applicable N/A

78. 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

79. Assets with limited ownership or use right

Applicable N/A

In RMB		
Item	Closing balance of carrying amount	Reason
Other monetary funds	15,831,289.87	Margins
Bank deposits	30,000,000.00	Frozen due to litigation
Bank deposits	238,006.85	Deposit interests which have been recognized yet not matured
Total	46,069,296.72	/

Other description:

None

80. Foreign currency monetary items

(1). Foreign currency monetary items

Applicable N/A

In RMB			
Item	Closing balance of foreign currency	Exchange rate	Closing balance of RMB equivalent

Cash and bank balances	-	-	155,036,860.28
Including: USD	22,142,782.48	6.9762	154,472,479.14
GBP	365.96	9.1501	3,348.57
HKD	626,292.22	0.8958	561,032.57
Accounts receivable	-	-	42,083,074.57
Including: USD	6,032,377.88	6.9762	42,083,074.57
EUR			
HKD			
Accounts payable	-	-	34,480,943.20
Including: USD	4,798,988.06	6.9762	33,478,700.47
EUR	126,138.18	7.8155	985,832.94
HKD	18,318.59	0.8958	16,409.79

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

81. Hedge

Applicable N/A

82. Government grants

- (1). **Basic government grants**

Applicable N/A

In RMB

Category	Amount	Item presented	Amount recognized in current profit or loss
Government grants related to assets	2,000,000.00	Deferred income	8,000,000.00
Government grants related to income and used for compensation of the Company's relevant costs or losses in subsequent periods	11,605,700.00	Deferred income	2,622,502.74
Government grants related to income and used for compensation of the	19,844,549.59	Other income	19,844,549.59

Company's relevant costs or losses that have been incurred			
Interest subsidies	720,000.00	Financial expenses	720,000.00

Description: the amount refers to government grants actually received in the current period.

1) Government grants related to assets

In RMB

Item	Opening balance of deferred income	Increase	Amortization	Closing balance of deferred income	Amortization Item presented	Description
Beijing Industrial Development Fund Allocation	8,000,000.00		8,000,000.00		Other income	Project Contract of Beijing Industrial Development Fund Allocation
8K Ultra High Definition Laser Display Technology Engineering Research Center		2,000,000.00		2,000,000.00	Other income	Project Contract of 8K Ultra High Definition Laser Display Technology Engineering Research Center (XMHT20190101023)
Sub-total	8,000,000.00	2,000,000.00	8,000,000.00	2,000,000.00		

(2) Government grants related to income and used for compensation of the Company's relevant costs or losses in subsequent periods

In RMB

Item	Opening balance of deferred income	Increase	Carrying forward	Closing balance of deferred income	Carrying forward Item presented	Description
High Performance Resin and Composite Materials Preparation Technique for Additive Manufacturing	54,375.02		36,249.96	18,125.06	Other income	Research and Development Cooperation Contract (2016YFB1100802)

Key Enterprise Laboratory for Laser Display in Guangdong Province		5,000,000.00	179,582.69	4,820,417.31	Other income	Project Contract for Science and Technology Plan of Key Laboratory of Laser Display Enterprises in Guangdong Province (Yue Ke Gui Cai Zi [2018] No. 233), Notice of Shenzhen Science and Technology Innovation Commission on the Issuance of Grants to Provincial Key Laboratory in 2018 and 2019
Ultra-high Brightness Laser Light Source Engineering Technology Research Center		2,250,000.00	107,181.13	2,142,818.87	Other income	The Project Contract for Shenzhen Municipality Science and Technology Plan (Shen Ke Ji Chuang Xin [2019] No. 33)
Trichromatic Laser Display Complete Equipment Production Demonstration Line	5,320,789.41	3,845,700.00	1,471,735.98	7,694,753.43	Other income	Notice on the Establishment of 2018 Annual Projects for Strategic Advanced Electronic Materials in the National Key Research and Development Programs (Guo Ke Gao Fa Ji Zi [2018] No.41)
Development of Heavy 20170372 4k Ultra High Definition Laser Optical Engine Core Technology	750,000.00		750,000.00		Other income	The Project Contract for Shenzhen Municipality Science and Technology Plan (Shen Fa Gai [2017] No. 713)
Key Technology of Trichromatic Laser Display Complete Equipment Industrialization		510,000.00	77,752.98	432,247.02	Other income	Task Statements for Research and Development Program in Key Fields of Guangdong Province
Sub-total	6,125,164.43	11,605,700.00	2,622,502.74	15,108,361.69		

3) Government grants related to income and used for compensation of the Company's relevant costs or losses that have been incurred

In RMB

Project	Amount	Item presented	Description
VAT refunds upon collection	5,404,939.85	Other income	

Project	Amount	Item presented	Description
2018 Shunyi District Cultural and Creativity Fund Awards	3,000,000.00	Other income	Measures for Administration of Special Funds for the Development of Cultural and Creative Industries in Shunyi District (Revised)
Refund of Unemployment Benefits from Shunyi District Social Insurance Business Management Center	40,416.15	Other income	<i>Notice of Beijing Municipal Human Resources and Social Security Bureau, Beijing Municipal Finance Bureau, Beijing Municipal Commission of Development and Reform, Beijing Municipal Bureau of Economy and Information Technology on Issues Related to Unemployment Insurance and Employment Stabilization (Jing Ren She Jiu Fa [2019] No. 68)</i>
Prize Money for Shunyi Sub-contest Areas' Winner of 2019 Beijing Culture and Creative Competition	20,000.00	Other income	Invitation Letter for Participation in Shunyi Sub-Region of 2019 Beijing Culture and Creative Competition
2019 Talent Housing Rent Allowance of Nanshan District	1,014,016.10	Other income	Supplementary Announcement on 2019 Talent Housing Rent Allowance of Nanshan District
Maternity allowance from Shenzhen Social Insurance Fund Administration	384,716.37	Other income	Regulations on Employee Maternity Insurance of Guangdong Province
Subsidy for maintaining job position from Shenzhen Social Insurance Fund Administration	4,913.25	Other income	Disclosure of 2019 Subsidy for Maintaining Job Positions of Enterprises in Shenzhen Municipality (First Batch)
Subsidies for high-tech qualifications	300,000.00	Other income	Notice on Allocation of Funds for Science and Technology Projects
Enterprise Listing Financing Incentive Program of Economic Promotion Bureau of Nanshan District, Shenzhen Municipality	600,000.00	Other income	Disclosure of the Forth Batch of Entities that Nanshan District Independent Innovation Industry Development Special Fund proposes to support in 2018
2018 Award for the licensing of overseas inventions for enhancing the competitiveness of enterprises by the Market and Quality Supervision Commission of Shenzhen Municipality	92,000.00	Other income	List of Grant Allocation for Maintenance of Domestic Invention Patent Annuities and Overseas Invention Patent Licensing Awards of Shenzhen Municipality in 2018
Grants to the support program of cultivating and upgrading large industrial innovation capacity from the Bureau of Science and Technology of Nanshan District, Shenzhen Municipality	1,000,000.00	Other income	Disclosure of the First Batch of Entities that Nanshan District Independent Innovation Industry Development Special Fund proposes to support in 2019
The first batch of enterprise research and development grants from Shenzhen Science and Technology Innovation Commission	2,218,000.00	Other income	Disclosure of Shenzhen Science and Technology Innovation Commission on the First Batch of Enterprises proposed to be funded under 2018 Enterprise Research and Development Subsidy Scheme
Intellectual property rights protection special funds for science and technology innovation from the Market and Quality Supervision Commission of Shenzhen Municipality	500,000.00	Other income	Disclosure on the proposed funding units for intellectual property protection funding for 2019 for certain measures to support enterprises to enhance competitiveness and certain measures to promote technological innovation
Supporting incentives of Twentieth China Patent Award of Guangdong Province	600,000.00	Other income	Disclosure of Guangdong Administration for Market Regulation on 2019 Special Fund Allocation Plan

Project	Amount	Item presented	Description
Special funds for cultural industry development from the Culture Sports and Tourism Administration of Shenzhen Municipality	500,000.00	Other income	Award for Recognition of Excellent Cultural and Creative Enterprises in Emerging Industries
Grants to the first batch of patent application from the Market and Quality Supervision Commission of Shenzhen Municipality in 2018	1,019,220.00	Other income	Notice of the Market and Quality Supervision Commission of Shenzhen Municipality on the Allocation List of 2018 Shenzhen Municipal Patent Awards
“Navigating Talents” academic training subsidy of the Human Resources Bureau of Nanshan District, Shenzhen Municipality	10,000.00	Other income	Notice on Implementing the Application of Project Grants through the Third Batch of Talent Sub-funds in 2019
2019 Support Plan for Enterprises’ Production Expansion and Efficiency Improvement of Shenzhen Bureau of Industry and Information Technology	1,000,000.00	Other income	Notification of Shenzhen Bureau of Industry and Information Technology on the Disclosure of 2019 Proposed Subsidy Scheme for Enterprises’ Production Expansion and Efficiency Improvement
The first batch of overseas trademark registration funding projects of the Market and Quality Supervision Commission of Shenzhen Municipality in 2018	52,000.00	Other income	Notification on the Disclosure of the Second Batch in 2017 and the First Batch in 2018 of Oversea Trademark Registration Funding Projects of the Market Supervision and Regulation Bureau of Shenzhen Municipality
Steady growth subsidy to top 100 industrial enterprises in Nanshan District, Shenzhen Municipality	40,700.00	Other income	Disclosure of the Second Batch of Entities that Nanshan District Independent Innovation Industry Development Special Fund proposes to support in 2019
The first batch of computer software grants in 2018	8,100.00	Other income	Notice of the Market Supervision and Regulation Bureau of Shenzhen Municipality on the Subsidy Allocation List of the First Batch of Computer Software Copyright Registration in Shenzhen Municipality in 2018
Talent Quality Enhancement Project (Aurora Project- Layer Leadership Training Program) of the Human Resources Bureau of Nanshan District, Shenzhen Municipality	118,600.00	Other income	Subsidy Application for Talent Quality Enhancement Project by Special Funds for Independent Innovation Industry Development in Nanshan District, Shenzhen Municipality (2019)
Grants to the first batch of patent application in 2019	960,000.00	Other income	Notice on the Issuance of the First Batch of Patent Funding of Shenzhen Intellectual Property Special Funds in 2019
Scientific research grants to the first batch of post doctors leaving work stations from the Human Resources Bureau of Nanshan District, Shenzhen Municipality in 2019	100,000.00	Other income	Disclosure of the List of Post Doctors Leaving Work Stations Proposed to be Granted with Scientific Research Grants (First Batch in 2019)
Matters of supporting foreign trade SMEs to expand markets funded by central governments in 2018- Oversea Trademark Registration Project	56,627.87	Other income	Notice of the Commerce Bureau of Shenzhen Municipality on the Disclosure of Projects on Matters for Supporting Foreign Trade SMEs to Expand Markets Funded by Central Governments in 2018
Special funds of portfolio national intellectual property operating service system for high value patent in 2019	500,000.00	Other income	Notice of the Market Supervision and Regulation Bureau of Shenzhen Municipality on the Disclosure of 2019 Project List (First Batch) Proposed to be Funded by the Intellectual Property Special Funds under the Approval System and the Assessment System

Project	Amount	Item presented	Description
Funds for introducing high-end talent from Headquartered Enterprises and High-end Talent Service Center for Airport Economy in Shunyi District, Beijing	300,000.00	Other income	Notice of Headquartered Enterprises and High-end Talent Service Center for Airport Economy in Shunyi District, Beijing on Supporting the Verification of Introduced High-end Talents (Shun Zu Fa [2017] No. 12)
Beijing Municipal Patent Subsidy	300.00	Other income	
Sub-total	19,844,549.59		

4) Interest subsidies

In RMB

Item	Opening balance of deferred income	Increase	Carrying forward	Closing balance of deferred income	Carrying forward item presented	Description
Technology Finance Interest Subsidy Scheme (2018 IP Pledge Loan)		538,800.00	538,800.00		Financial expenses	Nanshan District Independent Innovation Industry Development Special Fund - Science and Technology Innovation Sub-Fund - Project Application for Technology Financial Interest Subsidy Scheme (2019)
Technology Finance Interest Subsidy Scheme (2017 Combined Credit Facility)		181,200.00	181,200.00		Financial expenses	Nanshan District Independent Innovation Industry Development Special Fund - Science and Technology Innovation Sub-Fund - Project Application for Technology Financial Interest Subsidy Scheme (2019)
Sub-total		720,000.00	720,000.00			

Government grants included in profit or loss for the period amounted to RMB 31,187,052.33.

(2). Refund of government grants

Applicable N/A

Other description:

None

83. 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

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 name	Method of obtaining equity	Time point of obtaining equity	Capital contribution	Proportion of contribution
Appotronics Technology (Changzhou) Co., Ltd.	Establishment	September 2019	RMB 2 million	100.00%
FORMOVIE TECHNOLOGY INC	Establishment	July 2019		55.00%

2. Decreased scope of combination

Company name	Method of disposing equity	Time point of disposing equity	Net assets on the disposal date	Net profits from the beginning of the period to the disposal date
Beijing Appotronics Xiaoming Technology Co., Ltd.	Deregistration	February 2019	937,767.91	-400.00
Qingda Appotronics (Shenzhen) Technology Co., Ltd.	Deregistration	February 2019	0.00	0.00
United Technology Corporation	Deregistration	May 2019	92,291.20	0.00

6. Others

Applicable N/A

IX. Equity in other entities

1. Equity in subsidiaries

(1). Composition of enterprise group

√Applicable □N/A

Subsidiaries	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		Establishment
Shenzhen Appotronics Software Technology Co., Ltd.	Shenzhen	Shenzhen	Technology development and sales of computer software and hardware	100		Establishment
Beijing Orient Appotronics Technology Co., Ltd.	Beijing	Beijing	Technology promotion; computer systems, application software services	59		Establishment
Shenzhen Appotronics Xiaoming Technology Co., Ltd.	Shenzhen	Shenzhen	Development, consultation and transfer of laser display technology	100		Establishment
Fengmi (Beijing) Technology Co., Ltd.	Beijing	Beijing	Technology and software development	55		Establishment
Shenzhen Appotronics Laser Display Technology Co., Ltd.	Shenzhen	Shenzhen	R&D and sales of laser display products	100		Acquisition through business combination involving entities under common control
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	Beijing	Beijing	Research and development, production, sales and lease of laser cinema projection equipment	24.84	30.36	Acquisition through business combination involving entities under common control
Qingda Appotronics (Xiamen) Technology Co., Ltd.	Beijing	Xiamen	Information technology consulting services	51		Establishment
Shenzhen Appotronics Laser Technology Co., Ltd.	Shenzhen	Shenzhen	Software development for semiconductor optoelectronic devices	100		Establishment
Shenzhen Appotronics Home Line Technology Co., Ltd.	Shenzhen	Shenzhen	Software development related to semiconductor optoelectronic products	100		Establishment
Appotronics Hong Kong Limited	Hong Kong	Hong Kong	Information technology consulting services	100		Establishment
Appotronics USA, Inc.	USA	USA	R&D, manufacture and		100	Acquisition through business

			sales of semiconductor optoelectronic products			combination involving entities under common control
Fabulus Technology Hong Kong Limited	Hong Kong	Hong Kong	R&D, manufacture and sales of screens		100	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		Establishment
FORMOVIE TECHNOLOGY INC			No specific business conducted		55	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

In RMB

Subsidiaries	Shareholding proportion by minority shareholders	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%	-21,366,510.04		-12,904,049.48
CINEAPPO	44.80%	64,871,559.07		167,288,609.89

Laser Cinema Technology (Beijing) Co., Ltd.				
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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

None

(3). Significant financial information of significant non-wholly subsidiaries

√Applicable □N/A

In 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 (Beijing) Technology Co., Ltd.	253,973,931.39	7,968,567.46	261,942,498.85	288,180,191.85	2,437,972.51	290,618,164.36	169,863,293.93	3,285,377.69	173,148,671.62	154,545,487.96	501,666.67	155,047,154.63
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	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	257,104,710.30	716,694,256.35	973,798,966.65	342,250,356.10	403,606,023.00	745,856,379.10

Subsidiaries	2019				2018			
	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 (Beijing) Technology Co., Ltd.	700,577,662.64	-47,481,133.43	-47,481,133.43	-99,566,333.52	325,770,716.69	-22,748,600.79	-22,748,600.79	29,164,155.57
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	593,020,861.03	144,802,587.21	144,802,587.21	173,475,022.15	377,779,539.47	103,750,837.96	103,750,837.96	-16,464,187.23

Other description:

None

(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

(2). Major financial information of significant joint ventures

□Applicable √N/A

(3). Major financial information of significant associates

□Applicable √N/A

(4). Summary financial information of insignificant joint ventures and associates

√Applicable □N/A

In RMB 0'000

	Closing balance/2019	Opening balance / 2018
Joint ventures:		
Total carrying amount of investments		
Total amounts calculated based on shareholding proportions		
--Net profit		
--Other comprehensive income		
--Total comprehensive income		
Associates:		

Total carrying amount of investments	13,953.44	
Total amounts calculated based on shareholding proportions	1.04	
--Net profit	-0.39	
--Other comprehensive income	1.43	
--Total comprehensive income	1.04	

Other description

Basic information of associates

Associates	Principal	Registration place	Business nature	Proportion of shareholding (%)		Accounting treatment method for investments in joint ventures and associates
	operation place			Direct	Indirect	
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, VII 5 and VII 8 of Section XI.

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 of December 31, 2019, the Company is exposed to certain concentration of credit risks, as the Company's accounts receivable from top 5 customers have accounted for 70.21% of the total balance of accounts receivable (December 31, 2018: 80.76%). 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	Over 3 years

Item	Closing 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 payables	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	

(Continued to above table)

Item	Opening balance				
	Book value	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Bank borrowings	557,710,951.22	590,065,504.00	155,154,966.13	434,910,537.87	
Notes payable	39,051,466.05	39,051,466.05	39,051,466.05		
Accounts payable	164,258,731.06	164,258,731.06	164,258,731.06		
Other payables	184,107,549.02	184,107,549.02	184,107,549.02		
Long-term payables	6,863,200.00	6,863,200.00	6,863,200.00		
Sub-total	951,991,897.35	984,346,450.13	549,435,912.26	434,910,537.87	

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2018) can refer to V 41 of Section XI for details.

(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. 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 at December 31, 2019, the principal of the Company's floating-rate interest-bearing bank borrowings amounted to RMB 420,240,038.66 (December 31, 2018: RMB556,156,963.00). On the basis of the assumption that the interest rate has changed 50 basic points, where all other variables are held constant, it will bring no material impacts on the Company's total profits and shareholders' equity.

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. 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 80 of Section XI 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

In 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			540,000,000.00	540,000,000.00
1. Financial assets at fair value through profit or loss			540,000,000.00	540,000,000.00
(1) Investment in debt instrument				
(2) Investment in equity instrument				
(3) Derivative financial assets				
(4) Structural deposits			540,000,000.00	540,000,000.00
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			551,975,419.38	551,975,419.38
(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 itemsApplicable 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 itemsApplicable 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

In RMB 0'000

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 Limited	Shenzhen	R&D and sales of semiconductor products	1,000.00	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

Information of the significant subsidiaries of the Company are disclosed in the Annex.

√Applicable □N/A

Subsidiaries of the Company are disclosed in descriptions in IX 3 of Section XI in details.

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

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
Cinionic Limited	Participating 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 Bevix 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 Co., Ltd. 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

In RMB

Related party	Details of related-party transaction	2019	2018
China Film Equipment Co., Ltd. and its affiliates	Power, water cooling and service	75,594,510.73	58,306,727.65
Xiaomi Communications Technologies Co., Ltd. and its affiliates	Electronic components and services	135,947,996.69	74,825,228.94
Beijing Donview Education Technology Co., Ltd. and its affiliates	Services	70,302.92	
Sub-total		211,612,810.34	133,131,956.59

Sales of goods/rendering of services

√Applicable □N/A

In RMB

Related party	Details of related-party transaction	2019	2018
Shenzhen Bevix Technology Co., Ltd.	Laser TV and smart mini projector		191,843.14
Shenzhen Lighting Institute	Projectors		3,333.33

Shenzhen YLX Technology Development Co., Ltd.	Large venue projector and software		35,897.44
China Film Equipment Co., Ltd. and its affiliates	laser cinema projector light source and lease service	141,777,980.65	90,546,834.84
Xiaomi Communications Technologies Co., Ltd. and its affiliates	Laser TV and smart mini projector	456,486,039.21	247,297,756.49
Beijing Donview Education Technology Co., Ltd. and its affiliates	Laser business education projectors	74,848,453.68	138,261,388.57
Cinionic Limited	Laser light source	125,395,135.96	
Sub-total		798,507,609.50	476,337,053.81

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

In 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 Co., Ltd. and its affiliates	Housing rent	2,070,494.22	1,462,547.83

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

In RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Shenzhen YLX Technology Development Co., Ltd., LI Yi	758,318.00	July 4, 2017	January 4, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	333,318.00	July 4, 2017	January 4, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	1,750,000.00	July 27, 2017	January 27, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	2,250,000.00	August 18, 2017	February 17, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	11,874,986.00	September 13, 2017	March 13, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	624,986.00	September 15, 2017	March 15, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	10,958,327.00	November 21, 2017	May 21, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	1,374,994.00	December 20, 2017	June 15, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	14,291,661.00	January 17, 2018	July 17, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	5,962,500.00	March 26, 2018	September 23, 2020	No

Shenzhen YLX Technology Development Co., Ltd., LI Yi	3,712,500.00	March 26, 2018	September 23, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	5,150,158.00	April 25, 2018	October 25, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	3,150,000.00	June 1, 2018	December 1, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	2,649,992.00	June 27, 2018	December 26, 2020	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	4,456,660.00	August 17, 2018	February 17, 2021	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	6,379,372.00	September 27, 2018	March 26, 2021	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	18,866,458.10	November 1, 2018	April 30, 2021	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	11,085,412.00	November 30, 2018	April 29, 2021	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	58,227,196.00	December 19, 2018	December 19, 2021	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	21,975,998.00	December 19, 2018	June 21, 2021	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	10,327,996.00	December 29, 2018	December 29, 2021	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	26,516,665.00	January 30, 2019	January 30, 2022	No
Shenzhen YLX	10,152,000.00	March 1, 2019	March 1, 2022	No

Technology Development Co., Ltd., LI Yi				
Shenzhen YLX Technology Development Co., Ltd., LI Yi	15,687,000.00	March 1, 2019	March 1, 2022	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	10,287,000.00	March 29, 2019	August 29, 2022	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	11,348,666.00	May 9, 2019	April 30, 2022	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	10,560,000.00	June 4, 2019	June 4, 2022	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	12,780,000.00	July 8, 2019	July 4, 2022	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	18,540,000.00	July 29, 2019	July 29, 2022	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	11,540,000.00	August 21, 2019	August 21, 2022	No
Shenzhen YLX Technology Development Co., Ltd., LI Yi	20,330,000.00	September 18, 2019	September 18, 2022	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

In RMB 0'000

Item	2019	2018
Compensation for key management personnel	1,673.11	724.09

(8). Other related-party transactions

□Applicable √N/A

6. Amounts due from / to related parties**(1). Amounts due from related parties**

√Applicable □N/A

In RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	China Film Equipment Co., Ltd. and its affiliates	17,494,326.54	874,716.33	27,317,201.02	1,365,860.05
Accounts receivable	Beijing Donview Education Technology Co., Ltd. and its affiliates	8,829,840.85	442,339.31	6,674,446.36	333,722.32
Accounts receivable	Xiaomi Communications Technologies Co., Ltd. and its affiliates	45,679,955.49	2,283,997.77		
Accounts receivable	Cinionic Limited	24,298,258.08	1,214,912.90		
Sub-total		96,302,380.96	4,815,966.31	33,991,647.38	1,699,582.37
Prepayments	China Film Equipment Co., Ltd. and its affiliates	3,350,592.41		5,517.24	
Sub-total		3,350,592.41		5,517.24	
Other receivables	Shenzhen Fengye Investment Consulting Limited Partnership (LP)			3,700,000.00	185,000.00
Other receivables	China Film Equipment Co., Ltd. and its affiliates	290,866.00	14,543.30	266,046.00	13,302.30
Other receivables	Xiaomi Communications Technologies Co., Ltd. and its	100,000.00	5,000.00		

	affiliates				
Sub-total		390,866.00	19,543.30	3,966,046.00	198,302.30

(2). Amounts due to related parties

√Applicable □N/A

In RMB

Item	Related party	Closing balance of carrying amount	Opening balance of carrying amount
Accounts payable	China Film Equipment Co., Ltd. and its affiliates	11,595,819.93	30,428,997.91
Accounts payable	Xiaomi Communications Technologies Co., Ltd. and its affiliates		20,751,194.86
Sub-total		11,595,819.93	51,180,192.77
Receipts in advance	China Film Equipment Co., Ltd. and its affiliates	15,893,424.21	14,492,010.96
Receipts in advance	Xiaomi Communications Technologies Co., Ltd. and its affiliates		6,000.00
Sub-total		15,893,424.21	14,498,010.96
Other payables	China Film Equipment Co., Ltd. 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	4,400,000
Total number of the Company's equity instruments executed during the period	0
Total number of the Company's equity instruments lapsed during the period	0
Range of exercise prices and remaining contractual life of the Company's share options outstanding at the end of the period	Grant date: October 14, 2019; grant price: RMB 17.5/share; remaining contractual life: 10/22/34 months
Range of exercise prices and remaining	None

contractual life of the Company's other equity instruments outstanding at the end of the period	
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Other description:

The Company granted 4.4 million shares of restricted shares during the current period.

2. Equity-settled share-based payments

Applicable N/A

In 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	7,475,923.79
Total expenses recognized arising from equity-settled share-based payments	8,146,719.12

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

Significant lease contracts which the Company has entered into or will perform and their financial impacts are disclosed in the following table:

Serial 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	6,143.79	Research and development, office administration	From May 1, 2018 to December 31, 2021	5,898,038.40

Serial No.	Rent address	Rent area(square meters)	Rent purpose	Rent period	Rent expense/year
2	Yaochuan Industrial Zone, Tangwei Community, Fuhai Street, Bao'an District, Shenzhen	23,765.57	Plant	From December 1, 2018 to November 30, 2022	13,751,023.67
3	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	3,289,377.60

2. Contingencies

(1). Significant contingencies as of the balance sheet date

√Applicable □N/A

As of the date of issue of the financial statements, there have been five civil litigations where the Company was a defendant, with details as below:

Case No.	Cause of action	Plaintiffs	Defendants	Patents involved	Progress
(2019) Yue 73 Zhi Min Chu No.662	Infringement of patent rights of inventions	Delta Electronics, Inc.	Appotronics Corporation Limited; Futian SPN Projector & Video System Firm of Shenzhen	ZL201610387831.8	Suspension of hearing
(2019) Yue 73 Zhi Min Chu No.663				ZL201310017478.0	Pending
(2019) Yue 73 Zhi Min Chu No.664				ZL20310625063.1	Pending
(2019) Jing 73 Min Chu No.1275			Fengmi (Beijing) Technology Co., Ltd.;	ZL201410249663.7	Pending
(2019) Jing 73 Min Chu No.1276			Appotronics Corporation Limited	ZL201610387831.8	Pending

As of December 31, 2019, the Company has had RMB 30 million frozen a result of the above litigation. As of the date of issue of the financial statements, the Guangzhou Intellectual Property Court has released the Company's deposits amounting to RMB 10 million.

(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

As of the end of 2019, the principal balance of the Company's bank borrowings was RMB 420,240,038.66, including credit borrowings amounting to RMB 10,000,000.00, guaranteed borrowings amounting to RMB 50,000,000.00, and guaranteed loans and loans against collateral amounting to RMB 360,240,038.66. Guaranteed loans and loans against collateral are disclosed in VII 18 and 25 of Section XI in details.

XV. Events after the balance sheet date**1. Material non-adjusting event**Applicable □N/A

In RMB			
Item	Content	Effects on the financial position and operating results	Reasons for not being able to estimate such effects
Significant external investments	GDC Investments		

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). In March 2020, the Company completed the approval and filing procedures for overseas investments by National Development and Reform Commission and Ministry of Commerce and other competent authorities. 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. As of the date of the approval issue of the financial statements, the Company has legally held 93,071,822 shares of GDC, accounting for 36% of total shares in GDC.

2. Profit distributionApplicable □N/A

In RMB	
Proposed distributions of profits or dividends	33,866,580.83
Profits or dividends declared for distribution upon discussion and approval	

The Company's 2019 preliminary plan for profit distribution is disclosed as below: the Company proposed to distribute to all shareholders a cash dividend of RMB 0.75 (including tax) for every 10 shares on the basis of the total share capital as at the date of share

registration for 2019 annual dividend distribution, according to which the total cash dividends expected to be distributable would be RMB33,866,580.83; the Company would neither capitalize its capital reserve nor grant bonus shares. The amount for cash dividends in the aforesaid 2019 profit distribution plan is temporarily calculated based on the Company's current total share capital of 451,554,411 shares, but the actual amount for cash dividends in total should be calculated subject to the basis of the total share capital as at the date of share registration for 2019 annual dividend distribution. The Company's 2019 preliminary plan for profit distribution still needs to be approved by the general meeting of shareholders of the Company.

3. Sales return

Applicable N/A

4. Description of other events after the balance sheet date

Applicable N/A

1. Effect of the pneumonia epidemic infected by COVID-19

With the breaking out of the pneumonia epidemic infected by COVID-19 (hereinafter referred to as the COVID-19 epidemic) nationwide in January 2020, governments across the country have introduced measures in order to prevent and control the COVID-19 epidemic. The COVID-19 epidemic and the corresponding prevention and control measures have brought certain impacts on the normal production and operation of the Company, with details as below:

Specific effects	Effects on the financial position and operating results
<p>(1) Effect on production The Company's main production and operation place is located in Shenzhen Municipality, Guangdong Province. As affected by the COVID-19 epidemic, the Company resumed work on February 10, 2020 instead of the planned date of February 3, 2020 after the Spring Festival.</p>	<p>It is expected that the Company's incomes from lease services will decline significantly on a year-on-year basis, and incomes from other businesses will also be affected to some extent with detailed effects depending on specific situations and duration period of epidemic prevention and control as well as implementation of various epidemic prevention and control measures by governments.</p>
<p>(2) Effect on sales The COVID-19 epidemic has brought a certain impact on the economic performance of Hubei and other provinces and cities as well as the country as a whole, which may, to a certain extent, affect the Company's cinema light source lease business.</p>	

Specific effects	Effects on the financial position and operating results
<p>(3) Effect on provision for credit losses of receivables</p> <p>The Company's downstream customers are mainly engaged in the film, television and education industry and located in various regions of the country. Considering the operating results and cash flows of these industries were significantly affected by the COVID-19 epidemic, the Company may be exposed to increased expected credit risk of receivables.</p>	

The Company will continue to closely monitor the development of the COVID-19 and actively respond to its adverse impacts on the Company's financial positions and operating results.

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

(4). Other description

√Applicable □N/A

The Company has no reporting segments due to absence of diversified operations. A breakdown of the Company's principal operating incomes and costs categorized by businesses, products and regions is disclosed as below:

Categorized by businesses and products:

In RMB 0'000

Item	2019		2018	
	Principal activity income	Principal activity cost	Principal activity income	Principal activity cost
1. Sales	155,344.15	102,544.69	105,867.83	66,374.34
2. Lease service	39,799.12	13,526.03	30,431.71	9,960.42
3. Other business	2,771.62	2,294.34	2,273.18	1,989.58
Sub-total	197,914.89	118,365.06	138,572.72	78,324.34

Categorized by regions:

In RMB 0'000

Item	2019		2018	
	Principal activity income	Principal activity cost	Principal activity income	Principal activity cost
In China	178,039.72	111,260.78	124,664.87	73,411.52
Oversea	19,875.17	7,104.28	13,907.85	4,912.82
Sub-total	197,914.89	118,365.06	138,572.72	78,324.34

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

In RMB

Aging	Closing balance of carrying amount
Within 1 year	
Including: sub-items within 1 year	
Within 1 year	19,245,692.97
Sub-total of items within 1 year	19,245,692.97
1 to 2 years	1,764,101.36
2 to 3 years	141,469.65
Total	21,151,263.98

(2). Disclosure by categories of provision for bad debts

√Applicable □N/A

In RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		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	300,789,821.26	100.00	1,474,044.82	0.49	299,315,776.44	229,538,979.01	100.00	1,865,555.66	0.81	227,673,423.35
Including:										
Group of aging	21,151,263.98	7.03	1,474,044.82	6.97	19,677,219.16	33,160,290.65	14.45	1,865,555.66	0.95	194,513,132.70
Group of receivables from related parties in the scope of consolidation	279,638,557.28	92.97			279,638,557.28	196,378,688.36	85.55			
Total	300,789,821.26	100.00	1,474,044.82	0.49	299,315,776.44	229,538,979.01	100.00	1,865,555.66	0.81	227,673,423.35

Provision for bad debts made individually:

□Applicable √N/A

Provision for bad debts made by group:

√Applicable □N/A

Item by group: aging group

In RMB

Name	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year	19,245,692.97	962,284.65	5.00

1-2 years	1,764,101.36	441,025.34	25.00
2-3 years	141,469.65	70,734.83	50.00
Total	21,151,263.98	1,474,044.82	6.97

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 V10 of Section XI 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

In 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	1,865,555.66	-380,144.84		11,366.00		1,474,044.82
Total	1,865,555.66	-380,144.84		11,366.00		1,474,044.82

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

In RMB

Item	Cancellation amount
Accounts receivable actually canceled	11,366.00

In which significant amounts canceled are described as below:

Applicable N/A

(5). Top five closing balances of accounts receivable categorized by debtors

Applicable N/A

Entities	Carrying amount	Proportion to the balance of accounts receivable(%)	Bad debt provision
Fengmi (Beijing) Technology Co., Ltd.	129,613,544.52	43.09	
Appotronics Hong Kong Limited	79,389,380.91	26.39	
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	59,561,540.15	19.80	
Qingda Appotronics (Xiamen) Technology Co., Ltd.	4,370,507.00	1.45	
Barco Visual (Beijing) Electronics Co., Ltd.	4,114,596.68	1.37	205,729.83
Total	277,049,569.26	92.11	205,729.83

(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

In RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	67,227,575.21	34,226,930.38
Total	67,227,575.21	34,226,930.38

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

(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

(1). Disclosure by aging

Applicable N/A

		In RMB
Aging	Closing balance of carrying amount	
Within 1 year		
Including: sub-items within 1 year		
Sub-total of items within 1 year		47,244,926.00
1 to 2 years		19,500,616.19
2 to 3 years		779,437.14
Over 3 years		20,300.00
Total		67,545,279.33

(2). Categories by the nature of other receivables

Applicable N/A

			In RMB
Nature of other receivables	Closing balance of carrying amount	Opening balance of carrying amount	
Deposits/margins/petty cash	6,343,792.67	7,466,203.05	
Withholding	650,484.24	650,484.24	
Receivables from related parties in the scope of consolidation	60,540,712.71	22,913,571.50	
Receivables for transfer of shares		3,700,000.00	
Temporary receivables	10,289.71	57,875.52	
Total	67,545,279.33	34,788,134.31	

(3). Provision for bad debts

√Applicable □N/A

In RMB

Bad debt provision	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, 2019	561,203.93			561,203.93
Balance as at January 1, 2019 in the current period				
--transferred to Stage II				
--transferred to Stage III	-30,000.00		30,000.00	
--reversed to Stage II				
--reversed to Stage I				
Provision	-213,499.81			-213,499.81
Reversal				
Write-off				
Cancellation			30,000.00	30,000.00
Other changes				
Balance at December 31, 2019	317,704.12			317,704.12

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

(4). Provision for bad debts

√Applicable □N/A

In 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	561,203.93	-213,499.81		30,000.00		317,704.12
Total	561,203.93	-213,499.81		30,000.00		317,704.12

Including significant amounts recovered or reversed from the current provision for bad debts:

□Applicable √N/A

(5). Other receivables actually canceled in the current period

√Applicable □N/A

In RMB

Item	Cancellation amount
Other receivables actually canceled	30,000.00

In which significant amounts canceled are described as below:

□Applicable √N/A

Description of other receivables cancellation:

□Applicable √N/A

(6). Top five closing balances of other receivables categorized by debtors

√Applicable □N/A

In RMB

Entities	Nature of other receivables	Closing balance	Aging	Proportion to the balance of other receivables (%)	Closing balance of bad debt provision
Fengmi (Beijing) Technology Co., Ltd.	Receivables from related parties	46,456,712.71	Within 1 year	68.78	
Shenzhen Appotronics Laser Display Technology Co., Ltd.	Receivables from related parties	13,919,500.00	Within 1 year, 1-2 years,	20.61	
Shenzhen Meisheng Industry Co., Ltd.	Margins	4,094,368.00	1-2 years	6.06	204,718.40
Shenzhen Science and Technology Assessment Management Center	Deposits	983,006.40	1-2 years, 2-3 years	1.46	49,150.32
WANG Shaogang	Deposits	300,000.00	Within 1 year	0.44	15,000.00
Total		65,753,587.11		97.35	268,868.72

(7). Accounts receivable involving government grants

□Applicable √N/A

(8). Other receivables derecognized due to transfer of financial assets

□Applicable √N/A

(9). 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

In RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investments in subsidiaries	303,680,560.40	45,885,284.27	257,795,276.13	265,251,020.16	45,885,284.27	219,365,735.89
Investments in associates and joint ventures						
Total	303,680,560.40	45,885,284.27	257,795,276.13	265,251,020.16	45,885,284.27	219,365,735.89

(1). Investments in subsidiaries

√Applicable □N/A

In RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment	Closing 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.	100,000.00	416,813.05		516,813.05		
Beijing Orient Appotronics Technology Co., Ltd.	5,900,000.00			5,900,000.00		
Beijing Appotronics Xiaoming Technology Co., Ltd.	1,000,000.00		1,000,000.00			
Fengmi (Beijing) Technology Co., Ltd.	27,500,000.00	703,950.93		28,203,950.93		6,057,491.48
Shenzhen Appotronics Laser Display Technology Co., Ltd.	18,966,857.26			18,966,857.26		
CINEAPPO	30,100,162.90	666,900.88		30,767,063.78		

Laser Cinema Technology (Beijing) Co., Ltd.						
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	137,584,000.00	35,641,875.38		173,225,875.38		
Appotronics Technology (Changzhou) Co., Ltd.		2,000,000.00		2,000,000.00		
Total	265,251,020.16	39,429,540.24	1,000,000.00	303,680,560.40		45,885,284.27

Note: In the additional investments in Appotronics Hong Kong Limited by the Company for the current period, an amount of RMB 277,875.38 is the expense of share-based payments arising from stock ownership incentive.

(2). Investments in associates and joint ventures

Applicable N/A

Other description:

None

4. Operating income and operating costs

(1). Description of operating income and operating costs

Applicable N/A

In RMB

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
Principal activities	1,070,365,243.34	728,135,468.64	1,175,915,671.75	768,440,895.19
Total	1,070,365,243.34	728,135,468.64	1,175,915,671.75	768,440,895.19

Other description:

None

5. Investment income

Applicable N/A

In RMB

Item	2019	2018
Gains from long-term equity investment accounted for using the cost method	46,000,000.00	
Investment income from disposal of	-64,542.33	

long-term equity investments		
Investment income from financial assets at fair value through profit or loss during the holding period		
Investment income from disposal of financial assets at fair value through profit or loss	9,552,990.98	
Investment income from held-to-maturity investments during the holding period		
Investment income from disposal of held-to-maturity investments		
Investment income from available-for-sale financial assets during the holding period		
Investment income from disposal of available-for-sale financial assets		
Investment income from held-for-trading financial assets during the holding period		
Dividend income from other equity instrument investments during the holding period		
Interest income from debt investments during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of held-for-trading financial assets		
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investments		
Investment income from disposal of other debt investments		
Total	55,488,448.65	

Other description:

Description of dividend income from subsidiaries: in 2019, the Company's wholly-owned subsidiary, Shenzhen Appotronics Laser Technology Co., Ltd., distributed to the Company a cash dividend amounting to RMB 46,000,000. As Shenzhen Appotronics Laser Technology Co., Ltd. is a wholly-owned subsidiary included in the scope of the Company's consolidated financial statements, the aforementioned distributed profits have been added to the net profits disclosed in the Company's financial statements in 2019 but not to the net profits disclosed in the consolidated financial statements of the Company in 2019.

6. Others

√Applicable □N/A

R&D expenses

In RMB

Item	2019	2018
Employee benefits	61,405,298.83	49,499,398.90
Material consumption expenses	17,246,073.81	16,877,135.28
Rent expense	8,730,216.56	3,100,298.35
Professional service fees	3,292,062.70	6,565,393.97
Depreciation and amortization fees	7,573,085.07	6,899,681.02
Patent fees	9,382,940.04	7,063,710.22
Other expenses	6,165,328.24	4,416,668.46
Total	113,795,005.25	94,422,286.20

XVIII. Supplementary information**1. Breakdown of non-recurring profit or loss for the current period**

√Applicable □N/A

In RMB

Item	Amount	Description
Profit or loss on disposal of non-current assets	-3,214,488.06	
Tax refunds or reductions with ultra vires approval or without official approval documents		
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)	25,782,112.48	
Income earned from lending funds to non-financial institutions and recognized in profit or loss		
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures		
Profit or loss on exchange of		

non-monetary assets		
Profit or loss on entrusted investments or assets management		
Impairment losses on assets due to force majeure events, e.g. natural disasters		
Profit or loss on debt restructuring		
Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.		
Profit or loss attributable to the evidently unfair portion of transaction price, being transacted price in excess of fair transaction price, of a transaction		
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	23,321,528.06	
Profit or loss arising from contingencies other than those related to normal operating business		
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	9,552,990.98	
Reversal of provision for accounts receivable that are tested for impairment losses individually	238,836.00	
Profit or loss on entrusted loans		
Profit or loss on changes in the fair value of investment properties that are subsequently measured using the fair value model		
Effects on profit or loss of one-off adjustment to profit or loss for the period according to the requirements of laws and regulations in respect of tax, accounting, etc.		
Custodian fees earned from entrusted		

operation		
Other non-operating income and expenses other than the above	2,981,778.07	
Other profit or loss items that meet the definition of non-recurring profit or loss		
Income tax effects	-4,532,639.92	
Effects attributable to minority interests	-1,891,481.86	
Total	52,238,635.75	

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	14.84	0.45	0.45
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	10.68	0.33	0.33

1. Calculation process of weighted average return on net assets:

Item	Serial No.	2019
Net profit attributable to ordinary shareholders of the Company	A	186,457,276.71
Non-recurring profit or loss	B	52,238,635.75
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	C=A-B	134,218,640.96
Opening balance of net assets attributable to ordinary shareholders of the Company	D	715,913,478.56
Net assets increased due to issue of new shares or debt-to-equity swap that are attributable to ordinary shareholders of the Company	E	1,062,470,797.73
Accumulated months from the month following the addition of net assets to the end of the reporting period	F	5
Net assets reduced by repurchases or cash dividends that are attributable to ordinary shareholders of the Company	G	
Accumulated months from the month following the reduction of net assets to the end of the reporting period	H	

Item	Serial No.	2019	
Others	Effect of share-based payments on net assets	I1	7,475,923.79
	Accumulated months from the month following the addition or reduction of net assets to the end of the reporting period	J1	6
	Effect of translation of financial statements denominated in foreign currencies on net assets	I2	2,242,360.85
	Accumulated months from the month following the addition or reduction of net assets to the end of the reporting period	J2	6
Months of reporting period	K	12	
Weighted average net assets	$L = D + A/2 + E \times F/K - G \times H/K \pm I \times J/K$	1,256,697,424.95	
Weighted average return on net assets	$M = A/L$	14.84%	
Weighted average return on net assets after deduction of non-recurring profit or loss	$N = C/L$	10.68%	

2. Calculation process of basic and diluted earnings per share

(1) Calculation process of basic earnings per share

Item	Serial No.	2019
Net profits attributable to ordinary shareholders of the Company	A	186,457,276.71
Non-recurring profit or loss	B	52,238,635.75
Net profits after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	$C = A - B$	134,218,640.96
Total shares at the beginning of the period	D	383,554,411.00
Shares increased due to issue of new shares or debt-to-equity swap	E	68,000,000.00
Accumulated months from the month following the addition of shares to the end of the reporting period	F	5
Months of reporting period	G	12
Weighted average number of outstanding ordinary shares	$H = D + E \times F/G$	411,887,744.33
Basic earnings per share	$I = A/L$	0.45
Basic earnings per share after deduction of non-recurring profit or loss	$J = C/L$	0.33

(1) Calculation process of diluted earnings per share

Item	Serial No.	2019
Net profits attributable to ordinary shareholders of the Company	A	186,457,276.71
Effect of diluted potential ordinary shares on net profit	B	

Item	Serial No.	2019
Net profits after dilution attributable to ordinary shareholders of the Company	C=A-B	186,457,276.71
Non-recurring profit or loss	D	52,238,635.75
Net profits after dilution and deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	E=C-D	134,218,640.96
Weighted average number of outstanding ordinary shares	F	411,887,744.33
Weighted average number of ordinary shares added to warrants, share options, and convertible bonds, etc.	G	306,196.26
Weighted average number of outstanding ordinary shares after dilution	H=F+G	412,193,940.59
Diluted earnings per share	M=C/H	0.45
Diluted earnings per share after deduction of non-recurring profit or loss	N=E/H	0.33

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

Applicable N/A

4. Others

Applicable N/A

Section XII List of Documents Available for Inspection

List of Documents Available for Inspection	1. <i>2019 Financial and Accounting Statements</i> with seals and signatures of the principal of the Company, the person in charge of the accounting body and the chief accountant.
List of Documents Available for Inspection	2. The <i>Auditor's Report</i> with seals of Pan-China Certified Public Accountants (Special General Partnership) and seals and signatures of the certified public accountant.
List of Documents Available for Inspection	3. All original documents and announcements of the Company publicly disclosed in the websites designated by the Company as of the reporting period.
List of Documents Available for Inspection	4. The above-mentioned documents are prepared in: Office of the Board of Directors of Appotronics Corporation Limited

Chairman of the Board of Directors: LI Yi

Approval for submission by the Board of Directors: April 29, 2020

Revised information

Applicable N/A