

Stock Code: 688007

Stock Short Name: Appotronics



# **Appotronics Corporation Limited Annual Report 2020**



**APPOTRONICS®**

## **Hold Fast to Long-term Value Whenever to Change or Persevere**

### **Dear Shareholders,**

Like many other companies, Appotronics has experienced an extraordinary year of 2020. Our performance has inevitably been affected under the circumstances of the pandemic.

The good news is that most of our business sectors were advancing steadily in the first half of the year and the cinema sector quickly rebounded in the second half of the year. And the overall annual revenue was basically the same as the previous year, which is more than RMB100 million, demonstrating good resilience.

Instead of the figures in the annual report, I would like to share with you where such strong resilience comes from, what we have done to seek a breakthrough in those days when we were “besieged” by the pandemic, and what we have done to prepare for the next year and even longer term.

### **Insist on Technology Innovation for Long-term Value**

In 2020, the pandemic brought tremendous uncertainty to the world. For companies like Appotronics who pursues long-term values, we experienced unprecedented pressure to adhere to our original goal, which is insisting on technology innovation and striving to continuous evolution. We believe that only by meeting basic needs of customers and creating long-term profits for investors can we go through the ups and downs in this turbulent market.

Since the original invention of ALPD® fluorescent laser display technology in 2007, Appotronics has never stopped the evolution of this technology. We launched the world’s first laser TV in 2013, installed the world’s first ALPD® laser cinema projector in 2014, introduced the world’s first laser TV priced under RMB10,000 in 2017, became the first company in China to manufacture laser digital cinema projectors with DCI certification in

2019, and launched the world's first highly profitable Fresnel flexible screen in 2020, all of which cannot materialize without the long-term technology innovation that we have been pursuing.

While completing a number of “0 to 1” technological breakthroughs, we also promoted the market applications, such as in the fields of cinema, engineering, education and household markets, thus creating new fast-growing tracks.

Our efforts in technology innovation can be evidenced by the following figures: From 2016 to 2019, Appotronics invested RMB70.12 million, RMB93.30 million, RMB136 million and RMB201 million in R&D, respectively. Even in 2020, we still invested RMB204 million in R&D, accounting for 10.49% of our annual revenue despite the performance pressure.

By the end of 2020, Appotronics had a total of 2,191 patent applications worldwide, of which about 70% are invention patents. The original ALPD® technology has been regarded as the development direction of new-generation laser display by the international industry, and has been cited by the industry and domestic and foreign enterprises more than 600 times.

From ALPD® 1.0 to ALPD® 4.0, Appotronics has continuously iterated and upgraded the technology, not only by significantly improving visual effects such as brightness, contrast ratio and color gamut, but also by achieving high efficiency in many areas such as safety, energy saving and environmental protection, and industrialization. We are developing ALPD®5.0 and ALPD®6.0 technologies, which will strengthen the laser display effect and further reduce the cost of laser display, truly realizing the value creation for users through continuous technology innovation.

All of the above builds up the confidence that we can maintain our profitability fundamentals, adjust quickly in the crisis, and find a new growth curve in the midst of the major changes brought about by the pandemic in 2020.

### **Capture Industry Trends and Explore New Growth Curves**

In the first half of 2020, we kept an eye on the changes in the market. With the rise of the “In-house Economy”, large-screen displays such as laser TVs and smart pico-projectors begun to attract public attentions although the laser projection business, which has always

been our advantage, was greatly affected by the pandemic, and the global economic downturn caused by the pandemic also affected our overseas business.

From this perspective, we continued to strengthen our advantages in core devices, actively adjusted our business structure and focused on TO C business, recording revenue of more than RMB1 billion from our consumer business during the year, accounting for more than 50% of our total revenue for the first time.

We adopted the business division system for our operation. On the one hand, we implemented separate accounting for each business unit, which can strengthen internal competition, enhance the ability of independent management and decision-making, and speed up our market response, improve our business resilience and flexibility under the pandemic. On the other hand, we realized the interconnection of information systems, improving the coordination efficiency between supply, production and sales within the business divisions.

In the meantime, we have completed the optimization of the R&D organizational structure. While retaining the research institute that continues to focus on long-term technology development, we have established R&D centers that correspond to business units, which have been divided into TO B, TO C and Solution Departments to integrate the operation of R&D, product and sales, thus forming a two-wheel-driven management model of upgrading R&D driven by market demand and promoting sales with R&D.

We are striving to establish a dynamic and entrepreneurial team. In the past year, we continued to attract and retain young talents and teams that would support the long-term development of our core business, and enhanced their sense of ownership through equity incentives and other means. In addition, we consciously improved the structure of our management layer by attracting more young talents to stimulate its vitality.

In the context of “De-globalization” catalyzed by the pandemic, we realize that professional IP operation will be an effective means to protect our own products, which has prompted us to pay more attention to IP protection and management. The year of 2020 has also witnessed a breakthrough in IP operation. We look forward to working with more partners to make the industry bigger and stronger.

It has to be admitted that the pandemic has slowed down the momentum of our rapid development in the past few years. However, we have also further optimized our organizational structure, improved our operational efficiency, and adjusted our development direction as we move forward under pressure. And we adjusted the

development direction, improved the strategic position of TO C business and find a new growth curve based on our judgment of future market trends.

### **Time tells everything**

Although the pandemic hit the macro economy badly, it also gave rise to many new growth opportunities in the field of technology innovation. The pandemic was more like an “accelerator” for Appotronics , pushing us to transform strategically in pain.

We are effectively executing the strategic transformation of our consumer business with productization and commercialization at the core. We are working harder than ever to identify opportunities in overseas markets and we are placing the highest priority on market growth as we believe that a certain level of scale is the most central foundation for realizing our business model.

Looking ahead to 2021, innovation and change will remain the key words of our development, while technology and commercialization will be the main focus of our development.

We will continue to devote ourselves to the breakthrough innovation, productization and industrialization promotion of laser display technology, so as to develop a technology reserve and patent layout of the whole technology chain of laser display from key system structure, core devices to key algorithms.

We will focus on technology development and services that can bring long-term usage value to users, provide more excellent products and applications for our consumers, promote the expansion of application scenarios of ALPD® technology in the household field, and enhance our profitability.

We will continue to increase our IP asset-based operations, combine IP layout, IP protection, IP licensing with disruptive innovation to maintain our innovation edge, and conduct IP operations with an open mind and seek cooperation with head companies in various fields worldwide. Meanwhile, we will work with more partners to explore overseas markets and look for the next growth curve.

As a corporate citizen, we will also optimize our corporate governance, improve our technology innovation, make adequate information disclosure, and assume our social responsibility to our investors, customers and other stakeholders.

We believe that the stock market should be a weighing machine instead of air-blower for a company that pursues long-termism, which means the stock market can weigh the real value of a company worthy of investment sooner or later. We have been working hard to make us “a heavier company” that can maintain vitality and continuous progress despite the ever-changing external environment.

After more than a decade of development, Appotronics has developed a complete corporate governance system and has an excellent management team led by Mr. Bo Lianming. As the leader of R&D, I will devote more energy to R&D and lead the technical team to promote industrial development with continuous enthusiasm for innovation in the future.

It would be a great honor for us to continue to create more value for our company, for our shareholders, and for the world!

Last but not least, I would like to thank all shareholders and friends who have been caring for Appotronics! Please believe that when you are optimistic about a track and a company, time will prove it.

Time tells everything!

Li ,Yi

April 2021

## 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**

The Company has described in detail the risks that may exist in the production and operation of the Company. Please refer to “Section IV Discussion and Analysis of Business Situations - Risk factors” for the relevant risks. We draw the attention of investors to such risks in making investments.

**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 LIU Jie, Chief Accountant, 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**

Upon consideration at the 31<sup>st</sup> meeting of the 1<sup>st</sup> Board of Directors of the Company, it is approved to make profit distribution on the basis of the total shares on the record date of interest distribution - the Company proposed to distribute to all shareholders a cash dividend of RMB 0.55 (tax inclusive) for every 10 shares. As of December 31, 2020, the Company has a total of 452,756,901 shares, leading to the total cash dividend of RMB 24,901,629.56 (tax inclusive). The cash dividends proposed by the Company for this year account for 21.87% of the net profits attributable to the shareholders of the listed company in the current consolidated financial statements of the Company. No capitalization of the capital reserve or bonus shares will be made or distributed in the profit distribution.

The preliminary plan for profit distribution is still subject to approval at 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-operating 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. Whether more than half of the directors unable to guarantee the truthfulness, accuracy and completeness of the Annual Report disclosed by the Company**

No

**XII. 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:

Definitions of frequently-used 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.
Formoive	means	Formoive (Beijing) Technology Co., Ltd.
Appotronics HK	means	Appotronics Hong Kong Limited
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)
GDC	means	GDC Technology Limited (British Virgin Islands)
IMB	means	Integrated Media Block, embedded inside a digital projector
FDP	means	Feng Dynamic Page, dynamic page architecture developed independently by Appotronics
DCI	means	Digital Cinema Initiatives of the United States

## Section II Company Profile and Main Financial Indicators

### 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	<a href="http://www.appotronics.com">http://www.appotronics.com</a>
Email	ir@appotronics.cn

### II. Contact person and contact information

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

### III. Information disclosure and place of reports prepared for inquiry

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	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
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 Exchange, STAR Market	Appotronics	688007	N/A

#### (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, NIU Chunjun
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 indicators in the past three years****(I) Main accounting data**

In RMB

Main accounting data	2020	2019	% Change (2020 v 2019)	2018
Operating income	1,948,884,176.83	1,979,148,918.89	-1.53	1,385,727,211.09
Net profit attributable to shareholders of the listed company	113,847,873.06	186,457,276.71	-38.94	176,971,092.49
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss	40,289,988.80	134,218,640.96	-69.98	165,011,362.18
Net cash flow from operating activities	52,390,430.42	243,000,903.71	-78.44	117,773,454.30
	December 31, 2020	December 31, 2019	% Change (2020 v 2019)	December 31, 2018
Net assets attributable to shareholders of the listed company	2,091,599,671.75	1,974,559,837.64	5.93	715,913,478.56
Total assets	3,226,204,326.69	3,099,508,090.85	4.09	2,073,471,490.56

**(II) Main financial indicators**

Main financial indicators	2020	2019	% Change (2020 v 2019)	2018
Basic earnings per share (RMB/share)	0.25	0.45	-44.44	0.73
Diluted earnings per share (RMB/share)	0.25	0.45	-44.44	0.73
Basic earnings per share after	0.09	0.33	-72.73	0.68

deduction of non-recurring profit or loss (RMB/share)				
Weighted average return on net assets (%)	5.62	14.84	-9.22 percentage points	41.25
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	1.99	10.68	-8.69 percentage points	38.49
Proportion of R&D investments to operating income (%)	10.49	10.19	+0.30 percentage points	9.79

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

Applicable  N/A

1. During the reporting period, the net profit attributable to shareholders of the listed company and the net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss decreased by 38.94% and 69.98%, respectively; the basic earnings per share, diluted earnings per share, and basic earnings per share after deduction of non-recurring profit or loss decreased by 44.44%, 44.44%, and 72.73%, primarily due to the following:

(1) Under the impact of COVID-19, revenues from the cinema business with a higher profit margin decreased despite the substantial increase in revenues from the household business, which reduced the consolidated gross margin. As a result, the gross profits decreased although the revenues remained at the same level due to the changes in the product portfolio of the Company.

(2) During the reporting period, the year-on-year increase in non-recurring profit or loss was primarily due to the gains of RMB 18.6249 million from wealth management products purchased with temporarily idle funds, and the government grants of RMB 40.7508 million recognized in the profit or loss for the current period.

2. The decrease in the net cash flow from operating activities by 78.44% year on year was primarily due to the reduction in revenues from the cinema service business under the impact of COVID-19, and the increase in payments for procurement of risk-based stocks.

## VII. Differences in accounting data between domestic and overseas accounting standards

**(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 overseas accounting standards and the Chinese accounting standards**

Applicable  N/A

**(III) Explanation about the difference between domestic and overseas accounting standards**

Applicable  N/A

## VIII. Main financial indicators in 2020 by quarter

In RMB

	1 <sup>st</sup> quarter (Jan. - Mar.)	2 <sup>nd</sup> quarter (Apr. - Jun.)	3 <sup>rd</sup> quarter (Jul. - Sep.)	4 <sup>th</sup> quarter (Oct. - Dec.)
Operating income	306,900,748.84	409,124,458.50	522,373,501.53	710,485,467.96

Net profit attributable to shareholders of the listed company	13,322,216.29	1,005,226.67	29,810,782.27	69,709,647.83
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss	-7,989,708.14	-22,242,786.99	18,410,451.42	52,112,032.51
Net cash flow from operating activities	-38,289,185.55	101,295,247.35	50,310,681.49	-60,926,312.87

From the 3<sup>rd</sup> quarter, the cinema projector business recovered gradually, and in the 4<sup>th</sup> quarter, the sales of laser TVs and smart mini projectors, among other To C products, increased rapidly, leading to substantial increase in both the operating income and gross profits. This resulted in the increase by 133.84% and 183.06% quarter on quarter in the net profit attributable to shareholders of the listed company and increase in the net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss, respectively.

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	2020	Note (if applicable)	2019	2018
Gain or loss on disposal of non-current assets	-1,112,121.13		-3,214,488.06	-1,711,797.47
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 policies and standards of the country)	40,750,823.51		25,782,112.48	24,032,705.76
Profit or loss on entrusted investments or assets management	18,624,853.96			
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	23,593,500.83		23,321,528.06	18,765,375.86
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			9,552,990.98	

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				
Reversal of impairment loss on accounts receivable and contract assets tested for impairment individually			238,836.00	
Other non-operating income and expenses	2,429,083.25		2,981,778.07	1,182,062.52
Other gains or losses meeting the definition of non-recurring profit or loss	323,003.17			-22,338,042.90
Effect of minority interests	-1,982,929.14		-1,891,481.86	-3,860,005.15
Effect of income taxes	-9,068,330.19		-4,532,639.92	-4,110,568.31
Total	73,557,884.26		52,238,635.75	11,959,730.31

**X. Items at fair value**

√ Applicable □ N/A

Item	Opening balance	Closing balance	Change	In RMB
				Effect on profit for the current period
Held-for-trading financial assets	540,000,000.00	114,000,000.00	-426,000,000.00	18,624,853.96
Investment in other equity instruments	11,975,419.38	11,975,419.38		
Total	551,975,419.38	125,975,419.38	-426,000,000.00	18,624,853.96

**XI. Explanation about performance indicators not under the Accounting Standards for Business Enterprises**

□ Applicable √ N/A

## Section III Business Overview

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

#### (I) Main business and main products or services

##### 1. Main business

As a leading laser display technology enterprise in the world, we mainly engage in the research, development, and production of high-end semiconductor display light sources and the provision of solid light source solutions based on ALPD® laser display technology and architecture.

Since our innovative invention of the ALPD® technology in 2007, we have created new laser display architecture, built core intellectual properties, and mastered the designing and manufacturing of core devices. We have upgraded the 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.

### ALPD®激光显示技术不断推动显示应用发展





## 2. Main products

Our diversified products may 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.

### (1) Products of core devices

Our core devices, including the laser light source and light generator, reflect various advantages and characteristics of ALPD® technology, such as high brightness, 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.

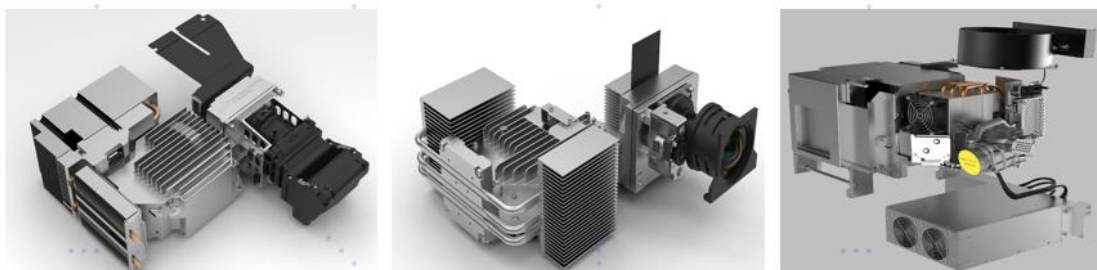


Figure 1: Laser light source and laser light generator



Figure 2: Technical effects of the ALFA screen

### (2) Products of complete equipment

#### 1) Products for the 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 sources covering multiple ranges of lumens from 5,000 lumens to 55,000 lumens, which are compatible with all projection equipment brands on the market for wide application in large-sized, medium-sized and small-sized cinemas. Thanks to the low operating power, the laser cinema light source reduces electricity consumption by 50% compared with the xenon lamp; moreover, since no bulb replacement is required, it helps cinemas to minimize their operating costs. We have more than 20,000 laser cinema light sources installed throughout China.



Figure 3: More than 20,000 halls chose Appotronics's ALPD laser projection solutions

- On the large venue display market, Appotronics's DLP large venue projector series covers the range of 5,000-60,000 lumens, hence suitable for outdoor lighting, cultural and tourism lighting, theme exhibition halls, corporate exhibition rooms, theater performance, 4D dining hall, conference control, rail transit, and other scenarios.

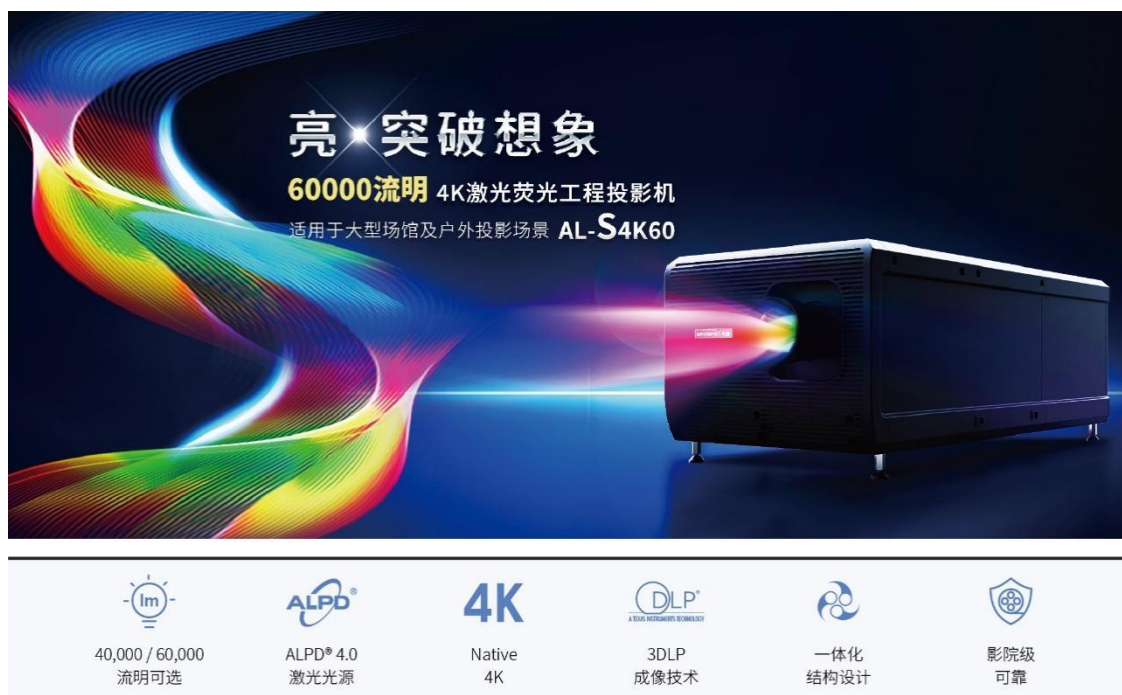


Figure 4: Apotronics's laser high-brightness S4K series products

- On the education market, in line with the national implementation plan of “Internet + education”, the Company has developed a series of solutions for smart classrooms, including laser smart all-in-one teaching device, laser synchronous classroom solution, laser interconnected dual-board solution, high-definition high-brightness conference system, etc., making its contribution to promote the building of education IT systems with users at the center.



Figure 5: Apotronics multi-screen interactive smart classroom

## 2) Products for the 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, Formoive laser TV and smart mini projector continue to gain market shares, leading to the rapid growth in our household equipment business.



Figure 6: Formoive household laser cinema

## (II) Main business model

We are mainly engaged in the R&D, production, sale and light source projection 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 technologies 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 with reference to the prevailing trend of market demands

from the perspective of user requirements on product designing, so as to maintain the Company's core competitive edge in technology and leading position in the industry.

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 supplier 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

We mainly rely on own production, supplemented by OEM, mainly because of the different production capacity required by different manufacturing processes and different products and consideration of cost-effectiveness. Our core devices sold or used to provide projection services 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 provision of projection services, as described below:

##### (1) Product sales mode

Our products include core laser display devices and complete laser display equipment: the sale of core devices is implemented in the mode of customized development and direct sale; the sale of

complete equipment has three modes, which are customized direct sale, non-customized direct sale and distribution; large venue laser projectors are sold mainly using the off-line direct sale mode; Formoive 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; and laser teaching machine products are sold through distributors.

(2) Mode of projection services

CINEAPPO, a controlled subsidiary of the Company, provides laser cinema projection services to downstream cinema customers (“laser as a service”), and 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.

**(III) Industry in which the Company operates**

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

As an emerging industry, laser display 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.

Currently, picture display technologies are mostly implemented by using DLP, 3LCD, and LCOS display chips as the picture modulator, achieving greatly different actual display effects depending on the light source. In 2007, the ALPD® technology created by Appotronics’s R&D team made a breakthrough in the application of core devices and imaging solutions of laser display, hence becoming the mainstream technical route for the laser projector industry and widely used in movie, TV, business education, and large venue fields.

In terms of core technologies, 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.

In terms of specific applications, the technical barriers for To C market are high efficiency, small size and low cost, and the technical barriers for To B market are continuous upgrading of performance.

**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. After multiple iterations, our ALPD® technology architecture has gained relatively solid technical advantages in terms of performance, cost, efficiency and size. 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. On the principle of being open for cooperation and striving for win-win development, Appotronics has become a leading supplier of core devices in the laser display industry based on its intellectual property rights and core devices, hence driving the development of the entire industry and ecology.

According to the *Research Report on Chinese Laser Projector Market 2020* issued by AVC, blue laser + phosphor powder technology architecture, represented by ALPD®, is still the mainstream light source technical route for the laser display industry at present.

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

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

Given the rapid technical advancement and high household demand on large-screen displays, smart projector devices have become the largest market segment for projector devices in China on the basis of the rapid increase in sales thanks to their cost effectiveness and portability compared with large-screen TVs. According to AVC, despite the impact of pandemic in 2020, the sales of laser TVs increased by 15.5% year on year; laser TVs will become a new product type with “millions” installation in two or three years. In the *Guidelines for Myopia Prevention in Children and Adolescents during COVID-19 pandemic (Updated Version)* released by the National Health Commission, projectors are recommended as the first choice of devices for use during the teaching sessions. Compared with conventional liquid crystal screens, some projectors equipped with advanced laser technologies can protect consumers during long-time online work and study and reduce the harm due to eye fatigue. According to IDC, it is expected that the projector device market of China will grow at the compound growth rate of 14% between 2020 and 2024.

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

The projector light sources are gradually evolving from bulbs to semiconductor solid light sources. The *Report of Market Research and Investment Forecast Analysis of China Projector Industry* released by Forward Industry Research Institute revealed the rapid growth of projectors within the range of 1500-2000 lumens with a rapidly increasing share of smart projectors, and the development trend of high-definition, high-brightness, and smart projects. With respect to market demands, it is expected that projectors within the range of 1500-2000 lumens will gain increasing shares in projectors, which may further reducing the survival space of low-brightness projectors. In the future, on the basis of the development in fundamental hardware technologies such as light sources, lighting technologies, and lens technologies, the optimization of overall device design, and the development of software technologies such as smart sensing capabilities and image quality optimization technologies, the smart projector market will further expand thanks to the greatly improved display performance and use experience of projector devices, technical upgrade, and reduced costs.

(3) Laser display is integrated with new technologies for expansion into new display fields

Given the compatibility between the laser display technology and cutting-edge technologies, including human-machine interaction, smart recognition, Internet of Things, cloud platform, and big data, the wide application of 5G mobile phones will create potential demands for supporting laser display products. Therefore, it's expected there will be huge market demands for supporting mobile products

featuring high efficiency, small size and low cost in the future. In the short term, the development priority of the current display market will witness the development of laser display technology towards advantages in cost-performance ratio, high portability, high dynamic range, wide color gamut, and high brightness for integration with ultra short throw and anti-ambient light screen technologies.

(4) In the recovery of the movie industry, the global film industry may transform into an asset-light operating mode

According to the data of China Film Administration, with the box office receipts of USD 2.983 billion, and total cinema visits of 548 million in urban cinemas, Chinese film market surpassed North America to become the largest film market on the world. In 2020, despite the impact of the pandemic, China still maintained the growth trend in the total number of screens - with 5,794 additional screens, the total number of screens reached 75,581 in China, up by 8.30% on the basis of the 69,787 screens in 2019.

Considering the shut-down of cinemas both in and outside of China during the pandemic, more cinemas realized the importance of cash flow and digitalized management. Apotronics released the projection service mode of “laser as a service”, for which service fees are charged 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). This service mode eases the cinemas’ capital pressure caused by purchasing of cinema equipment, hence driving cinema transformation from input of factors to inherent efficiency.

#### **(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. With the ALPD®4.0 technology matured and the ALPD® 5.0 and 6.0 technology under development and trial operation at the same time, we constantly maintain our leading advantages compared with followers and competitors in the industry. In addition, 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, miniaturization of laser display system, and battery-powered high-performance mini laser projector technology. The big data, algorithm and design solutions accumulated by us over the years will enable us to rapidly develop products and solutions meeting the requirements of different application scenarios, such as cinema projection, home entertainment, outdoor exhibition, ultra large-sized display, and immersive display.

In terms of cutting-edge technologies, the Company has started the development of the ALPD 5.0 and 6.0 technology at the same time. The ALPD 5.0 technology will make use of the characteristics of



laser with reference to the creation of content to achieve high dynamic range display and improve visual experience. The ALPD 6.0 is planned to make breakthrough in the existing display architecture to further reduce the cost of laser display systems. By now, with the prototype developed successfully, the Company is conducting further optimization. This technology has the prospect of entering the stage of product development.

## **2. R&D achievements during the reporting period**

During the reporting period, the Company made the following achievements in product innovation:

### **1. Core devices**

The Company independently developed the advanced light shaping and light absorption ALFA technology, and with the micro- & nano- structure and nanometer coating, released Fabulus series products - the first 100-inch flexible Fresnel anti-light screen on the world. Being made with multiple layers of nanometer optical films, the screen has superior performance and greatly improves display effects. Thanks to its foldable design and small size, it solves the transportation difficulty of large-screen laser TVs in the industry; moreover, we offer the integrated DIY installation solution to make household cinema more light-weighted and more convenient. We are far ahead of conventional products of flexible anti-ambient light screens in terms of costs and performance; being combined with our core devices, the screen can further improve the space for reducing the costs of the complete equipment. We have filed a total of 138 domestic and foreign patent applications (including PCT applications) for the ALFA screen technology, including 87 Chinese patent applications, 12 overseas patent applications, and 39 PCT international patent applications, of which 24 have been granted covering multiple fields including optical designing, structure, process, and materials.

During the reporting period, we completed the product development for the ALPD RGB+ technology based on ALPD 4.0, including the trichromatic laser cinema light source platform and the trichromatic laser TV light generator platform, hence providing more abundant and more competitive solutions of core devices for the cinema industry and the laser TV industry. Meanwhile, in an effort to create the track of smart mini projectors, we developed various laser smart mini projection light generators embedded with the ALPD technology, which greatly upgrade the brightness and energy efficiency while improving color effects.

We developed a new-generation cinema RGB+ light source suitable for almost all cinema application scenarios from small-sized projection halls to giant screens. The latest heat radiation technology integrated not only reduced the size and costs of the light source, but also reduced the maintenance and use costs of the light source, helping cinema customers reduce operating costs and enhance profitability.

### **2. Software**

Our independently developed projector integrated media block (DCMB/IMB), which has passed the DCI certification, has the capabilities of the independently developed cinema media block and media server.

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

### 3. Complete equipment

We developed high-, medium-, and low-end laser TV products to cater for different user demands on the household market. Having the highest brightness of 4,000 lumens, covering the REC.709, DCI, and REC.2020 color gamuts, and with the maximum color gamut area of 158% NTSC, our products are at the highest level in the industry.

On the commercial market, we developed the ultra-high bright large venue projector S4K60, which can reach the highest brightness of 60,000 lumens in the industry; we continuously improved the performance of ultra short throw business education projector devices on the basis of the previous generation of light generators and developed the 4K resolution ultra short throw business education projector equipment with the brightness improved by 50% and screen size increased from 100 inch to 150 inch, which further improved the application scope and competitiveness of the products.

List of intellectual property rights acquired during the reporting period

	Newly added in the current year		Total	
	Applications (pcs)	Granted (pcs)	Applications (pcs)	Granted (pcs)
Patent for invention	183	113	1,352	601
Patent for utility model	71	72	429	396
Patent for design	31	36	153	139
Software copyright	40	33	88	81
Others	157	97	868	654
Total	482	351	2,890	1,871

Note: 1. "Others" in the table above refer to trademarks of the Company; 2. During the reporting period, the Company filed 257 PCT international patent applications.

### 3. R&D investments

	In RMB		
	Current year	Last year	Change (%)
R&D investments expensed	204,443,369.10	201,697,766.26	1.36
R&D investments capitalized	0.00	0.00	N/A
Total R&D investments	204,443,369.10	201,697,766.26	1.36
Proportion of R&D investments to operating income (%)	10.49	10.19	0.30
Proportion of R&D investments capitalized (%)	0.00	0.00	N/A

**Reason for the material change in the total R&D investments compared with last year**

□ Applicable√ N/A

**Reasons of the great change in the proportion of R&D investments capitalized and explanation about the rationality thereof**

Applicable  N/A

#### 4. R&D projects

√ Applicable □ N/A

N o.	Item	Estimated total investment	Investment in the current period	Aggregate investment	Progress or interim results	Goals	Technological level	In RMB
								Specific application scenario
1	Trichromatic Laser Display Complete Equipment Production Demonstration Line	102,840,000.00	15,131,388.57	24,535,107.34	Laboratory test	This project will research the industrialization of the technology of RGB trichromatic laser with phosphor to satisfy the market demands for RGB trichromatic laser display, build a mass production line for trichromatic laser display complete equipment, acquire proprietary IP, and realize large-scale application of trichromatic laser display products.	This project will greatly promote the industrial upgrading of trichromatic laser display technology, and gain international competitive edge for proprietary trichromatic laser display technology.	This project will 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.
2	Laser TV	49,770,000.00	46,460,846.84	46,460,846.84	Mass production	4K laser TV with a new generation of light generator technologies, with the independently developed Feng OS system, achieves great improvement in color gamut, brightness, cost effectiveness, and ease of use.	Take the lead in the industry	Household market
3	Core devices	40,890,000.00	38,765,825.33	38,765,825.33	Mass production	By employing the fourth generation of light generator technologies and making use of the advantages of the APLD technology, create a new generation of high-end but	Take the lead in the industry; the cost effectiveness, color gamut, light effect, and	Upgrading of light source for small-sized cinema projectors, laser TV and other fields.

No.	Item	Estimated total investment	Investment in the current period	Aggregate investment	Progress or interim results	Goals	Technological level	Specific application scenario
						inexpensive light generator products, so as to reduce the cost, improve the color gamut and brightness, hence improve the cost effectiveness of cinema light sources.	other performance are greatly improved, to better satisfy the demands of customers.	
4	Other complete equipment (large venue + business education)	41,920,000.00	36,629,898.45	36,629,898.45	Mass production	30,000-lumen, large-size, and wide-color gamut large venue projectors and S4 business projectors with higher brightness and cost effectiveness, which are models for expanding the high-end market in the large venue and business education fields.	The high-end large venue projector and business education projector take the lead in the industry.	High-end large venue projector, business education projector and other fields.
5	Laser cinema projector	35,060,000.00	31,533,935.11	31,533,935.11	Mass production	DCI-compliant overseas small cinema projector meeting overseas standards.	The first proprietary DCI-compliant cinema projector in China.	Expand to overseas markets.
6	Key Enterprise Laboratory for Laser Display in Guangdong Province	34,000,000.00	9,815,926.16	16,040,897.81	Pilot test	Development of laser phosphor display optical engine, high-performance fluorescent materials and fluorescent components, portable laser display technology, and laser display technology with high contrast and high color reproduction.	Take the lead in the industry.	Through transformation of lab R&D results, develop multiple laser display terminal products, and promote the development of the entire display

No.	Item	Estimated total investment	Investment in the current period	Aggregate investment	Progress or interim results	Goals	Technological level	Specific application scenario
								industry chain.
7	High-performance mini projector	18,540,000.00	17,661,161.77	17,661,161.77	Mass production	New generation of mini projector products with greatly improved cost effectiveness by employing a new generation of platform display technology.	Smart mini projector with the highest brightness-to-size ratio to take the lead in the industry.	Smart mini projector market.
8	Screen	8,830,000.00	8,444,386.87	8,444,386.87	Mass production	Low cost, high reflection efficiency, anti-ambient light TV screen, the first flexible Fresnel anti-light screen for laser TV on the world	Take the lead in the industry.	Applied in household laser products in combination with existing laser display.
Total	/	331,850,000.00	204,443,369.10	220,072,059.52	/	/	/	/

**Remark**

The Trichromatic Laser Display Complete Equipment Production Demonstration Line is under the “Strategic Advanced Electronic Materials” in the National Key Research and Development Programs, for which Appotronics is the undertaking unit, while Formoive and CINEAPPO are the cooperating units. The expenditure budgets planned by the three companies are RMB 95.18 million, RMB 4.22 million, and RMB 3.44 million, respectively.

**5. R&D staff**

In RMB 0'000

Basic information		
	Current period	Previous period
Number of R&D staff (persons)	369	387
Proportion of R&D staff to total employees of the Company (%)	31.54	31.06
Total compensation of R&D staff	12,090.48	11,805.40
Average compensation of R&D staff	32.77	30.50

Education background		
Academic background	Number (persons)	Percentage (%)
Doctor	19	5.15
Master	98	26.56
Undergraduate	202	54.74
College or below	50	13.55
Total	369	100.00
Age structure		
Age range	Number (persons)	Percentage (%)
30 years of age or below	153	41.46
30-40 years of age	177	47.97
40 years of age or above	39	10.57
Total	369	100.00

**6. Other issues**

Applicable  N/A

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

Applicable  N/A

The total assets of the Company increased by 4.09% during the reporting period. For specific changes, refer to “Section IV Discussion and Analysis of Business Situations - III. Main business activities during the reporting period - (III) Analysis of assets and liabilities”.

Where: overseas assets RMB 387,072,800.58, representing 12.00% 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 the 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. The ALPD® technology has become the mainstream technical route for laser display. By relying on fundamental research and original innovation rather than consumption of resources, we have realized rapid development, continuously improved the performance and cost-performance ratio of our products, and maintained the competitive advantages in the industry.

**2. Sound IP protection system**

With our core patents covering laser phosphor display technologies, we have gradually built up a patent system containing the largest number of patents covering the widest scope with the highest quality in the industry. This patent system safeguards our fundamental research and original innovation. With key core patents at the center, we have built a united whole patent system, and is hard to be simulated fully or broken by the competitors.

### **3. Advantage in full coverage of laser display scenarios**

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 adopted the differential development strategy and upgraded ALPD® technology from multiple angles, so as to provide solutions to satisfy the demands of different market segments and applications.

### **4. Advantage in layout in the whole industry chain**

We have layout in the whole laser display industry - from the development and manufacturing of independently developed core devices and complete equipment to laser display solutions. For core devices, we have released the cinema light source, large venue light source, laser light generator, and laser projection screen; for complete equipment, we have products for laser cinema projector, large venue laser projector, laser video wall, laser education projector, laser TV and smart mini projector; our solutions are widely used in cinemas, cultural and tourism lighting, security and surveillance, education interaction, commercial applications, household cinema, and consumer electronic products.

### **5. 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 brightness, 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, our product models have become mature. Since its installation in June 2014, the first set of ALPD® cinema light source has been stably operating for over six years. Our products in other fields have also won trust on the market with their outstanding performance and reliable quality.

### **6. Advantage in talents and teams**

Our founder and Chairman, Dr. LI Yi, is a well-known expert in the field of laser display. Our General Manager, Dr. BO Lianming is a well-known leader in the display industry. Under the leadership of our outstanding management team, we now have a sound corporate governance system and strong internal controls, and have greatly improved our management level and risk prevention capability. In addition, we have a group of high-quality R&D talents, including a lot of doctors and masters 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 release new laser display products with prominent prospects in response to market demands.

### **7. Advantage in business model**



For the cinema projector market, based on our advanced technology and stable product performance, we took the lead in releasing the “projection service mode” for cinema laser light sources in the industry. Under this mode, a cinema only needs to pay for the duration in use instead of purchasing a light source. This not only effectively reduced their fund pressure and maintenance cost of the cinema, but also maintained the long-term and stable revenues for the Company while promoting the rapid application of the ALPD® technology on the cinema projection market.

**(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) Analysis of the overall business situation during the reporting period

**The year 2020 is an extraordinary year - a year of challenge to the Company; however, we achieved the performance better than expectation by making response to the crisis actively.**

Our projection service business was hit badly by the shut-down of cinemas throughout China for half a year due to COVID-19. The operating income decreased by 56.85% year on year, and the gross margin rate decreased by 28.76 percentage points compared with last year. In 2020, thanks to the active adjustment in the operating strategy in an attempt to eliminate the impact of the pandemic, we achieved stable development of the non-cinema business, especially the rapid growth in the household business and core device business, which enhanced the Company's resistance to material risks. The gradual recovery of the cinema service business resumed the growth of our performance in the 4<sup>th</sup> quarter.

During the reporting period, our operating income was RMB 1.949 billion, substantially the same as that of last year; the total assets of the Company at the end of the reporting period was RMB 3.226 billion, up by 4.09% from the beginning of the reporting period; and the equity attributable to owners of the Parent Company was RMB 2.092 billion, up by 5.93% from the beginning of the reporting period. In the 4<sup>th</sup> quarter, our operating income was RMB 710 million, up by 13.25% year on year; the net profit attributable to the Parent Company was RMB 69.7096 million, up by 11.85% year on year, and the net profit attributable to the Parent Company after deduction of non-recurring profit or loss was RMB 52.1120 million, up by 18.27% year on year.

**The year 2020 was also an important year for the Company to improve our internal strength and further enhance the foundation in pursuit of a new growth curve.**

#### **1. Explore intellectual property operation to scale up and strengthen the ecology of the laser display industry**

Given the enhanced top-level design on the protection of intellectual property rights and emphasis on technology innovation on the national level, the creation, protection, and exploitation of intellectual property rights will become normal operating activities of strategic emerging technology enterprises. As of December 31, 2020, Appotronics has obtained 1,136 patents throughout the world, had 798 domestic and foreign patents pending (including 751 patent applications for invention) and 257 PCT patents pending, owning a total of 2,191 patents pending and granted throughout the world.

As of December 31, 2020, a total of 23 cases of petition for invalidation were brought up by domestic and foreign entities against our core patents. By now, we have received the examination results from China National Intellectual Property Administration (CNIPA) for 22 of the cases, in all of which the validity of our patent rights were maintained. Since 2013, Appotronics initiated a total of 49 patent lawsuits against domestic and foreign enterprises during the industrialization of our core technologies and intellectual property rights, and received favorable results in the 22 cases that have been decided, involving the total amount of RMB 40.45 million as compensation for infringement, settlement fees, or patent license fees.

On the principle of being open for cooperation and striving for win-win development, and based on our intellectual property rights and core devices, the Company is exploring the mode of patent operation to establish and gradually improve the ecology of the laser display industry chain, showing the commercial values of step by step. During the reporting period, the Company entered into *Patent License Agreements* and *Strategic Cooperation Agreements* with partners to grant licenses of our patents and providing such partners with advanced and highly efficient core devices. In addition, in response to the current complicated environment of international trade, our strong system of intellectual property rights safeguards not only our business development but also the overseas business of our partners.

In the future, we will continue our efforts in building our system of intellectual property rights, enhancing patent operation and management, and constantly promoting the formulation of industrial technical standards to continuously maintain our competitive advantages in the industry, drive the overall development of the industry ecology, and scale up and strengthen the laser display industry with our core devices and technical advantages.

## **2. Focus on the household business to create new momentum for continuous growth**

During the reporting period, our household business (laser TV and smart mini projector) realized the revenue of RMB 1.065 billion, up by 60.88% year on year, accounting for 54.65% in the total operating income, up by 21.20 percentage points compared with the last year. The smart mini projector business realized the revenue of RMB 518 million, up by nearly 100% year on year with the gross margin rate improved by 1.80 percentage points, showing improved profitability. Formoive, a controlled subsidiary of the Company, independently developed the Feng OS operating system to provide users with innovative and concise large-screen human-machine interaction experience and a variety of convenient online services; meanwhile, Formoive introduced a strategic investor and raised the share capital of RMB 200 million by issuing additional shares, which capital will be used to enhance R&D and market expansion to promote the overall development of the Company.

## **3. Continuously improve the R&D strength to promote the development of the core device business**

The pandemic in 2020 accelerated the online transformation of consumption all over the world, hence creating a new development opportunity for cross-border e-commerce business. During the reporting period, the Company realized rapid growth in the core device business through business cooperation with cross-border e-commerce operators by providing customized development services of laser TV light generators and complete equipment to build up our experience for the overseas market; moreover, with the help of cross-border e-commerce, our products have entered multiple countries and regions in Europe, North America, and Southeast Asia in our active layout for overseas markets. Furthermore, during the reporting period, we continued to improve our R&D strength and make breakthroughs in R&D. We independently developed the core technology for the ALFA screen, built the world's first 100-inch flexible Fresnel anti-light screen with a thickness of only 500 um to facilitate installation and transportation, and solved many pain points in conventional projection screens, such as

low gain, bright spots, “image sticking”, transportation of hard screens, to greatly improve display effects and promote the development of the core device business.

#### **4. Enhance the management and control over period expenses to maintain the overall profits in large venue and business education fields**

During the reporting period, we actively and rapidly adjusted our services, improved operation quality, implemented the scheme of “broadening sources of incomes and reducing expenses”, improved operating efficiency, and enhanced expense management and control. The sales expense ratio is 6.85%, down by 0.81 percentage points year on year; the administration expense ratio is 6.97%, down by 0.75 percentage points year on year, and the financial expense ratio is 0.47%, down by 1.02 percentage points year on year.

We rapidly caught the opportunity of the recovery on the commercial market and actively adjusted our product portfolio to maintain the overall profitability. With the revenues from business education and large venue services of RMB 370 million, down by 5.46% year on year, we achieved the gross profits of RMB 130 million, up by 8.98% year on year, leading to the consolidated gross margin of 34.81%, up by 4.61 percentage points year on year.

#### **(II) Completion of other key tasks during the reporting period**

During the reporting period, we achieved favorable results in R&D innovation, operation management, production operation, and capability building:

##### **1. Insist on making investments in R&D to enhance innovations in product application**

Technical innovation is the foundation of an enterprise as well as the industry. Given the adverse situation in which the cinema business was shut down due to the pandemic, we still insisted on making investments in R&D - invested RMB 204 million in R&D this year, up by 1.36% year on year. We continuously upgraded the ALPD technology, stably increased our patents, and released multiple new products for the household, business education, and large venue portfolio to continuously improve our sales and market shares.

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

During the reporting period, all the business units operated well with improved independent decision-making and accelerated market response capabilities. Our business gradually expanded via the online channel by enhancing online promotion, training, and channel certification; we constantly released industrial standards and solutions to build our position as a professional expert; and proactively took opportunities of recovery to show the resilience of our business under the impact of COVID-19. Meanwhile, we optimized our procedures and systems to intensify informatization efforts. On the basis of the further upgraded ERP system, we implemented the sales management system CRM, improved the product life cycle management system PLM, and connected the various information systems to eliminate information islands, hence laying the ground for reflecting the true operating conditions in our financial data and management data and improving the operating efficiency of the overall business procedures.

### **3. Build the supply chain profit center to reduce costs while improving efficiency, and build the quality information system**

We built an agile and efficient supply chain system in pursuit of high standards, high quality, and high efficiency. We implemented balanced production scheduling to ensure product delivery; carried out full lean production to involve every employee in fine improvement; and built a quality information system to create a platform-based, information-oriented, visualized, and IT-based quality system, so as to stably improve customer satisfaction and enhance the competitiveness of our supply chain.

## **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 and innovation 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 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.

#### **2. Risks related to government grants**

During the reporting period, we have received certain government grants pursuant to the applicable policies of the country. Along with the growth of our operating performance, though the effect of government grants on our current net profit decreases year by year, and our operating results do not rely on government grants, the decrease in our revenue from government grants may affect our profit.

#### **3. 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.

#### **4. Risk related to the management of cinema light source**

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

#### **5. Risk of impairment of inventories**

Our inventories mainly comprise raw materials and goods in stock. At the end of the reporting period, the carrying amount of our inventories was RMB 418.8121 million, accounting for 12.98% of our assets, where 33.91% of the inventories are finished goods on hand. If any significant change in the competition pattern of the industry, material innovation in laser display technology and products or the impact 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.

#### **6. 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. At the end of the reporting period, the carrying amount of our accounts receivable was RMB 341.6608 million, accounting for 10.59% of our total assets. 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.

#### **7. Management risks from rapid operating scale expansion**

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 continuous expansion of the scale of operation, or to effectively implement internal controls, we may face management risks during rapid business development, such as out-of-control in management, loss of assets, brain drain, and decrease in operating performance.

#### **8. 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.

#### **9. 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.

#### **(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 profitability and market share.

#### **(VI) Risk of macro-environment**

Applicable  N/A

By now, the pandemic in China has been alleviated. Given the successful development of the vaccine, the domestic economic condition will be further stabilized and improved. However, the prevention and control of the pandemic on the world remain grim, which increased the uncertainty in our production and operation.

#### **(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 the business operation through merger, acquisition or otherwise according to the development situation of the industry to 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 and market expansion of the investee falls short of our expectation, or the operating performance of the investee decreases sharply due to poor management, the profits 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 operating income was RMB 1.949 billion, substantially the same as that of last year; the net profits attributable to the shareholders of the listed company was RMB 114 million, down by 38.94% year on year; the total assets of the Company at the end of the reporting period was RMB 3.226 billion, up by 4.09% from the beginning of the reporting period; and the net assets attributable to shareholders of the listed company was RMB 2.092 billion, up by 5.93% from the beginning of the reporting period.

#### (I) Analysis of main business

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

In RMB

Item	Current period	Corresponding period in prior year	Changes (%)
Operating income	1,948,884,176.83	1,979,148,918.89	-1.53
Operating costs	1,393,075,043.93	1,183,650,635.25	17.69
Selling expenses	133,588,234.60	151,760,111.00	-11.97
Administrative expenses	135,757,276.26	152,626,530.61	-11.05
R&D expenses	204,443,369.10	201,697,766.26	1.36
Financial expenses	9,224,974.20	29,491,223.42	-68.72
Net cash flow from operating activities	52,390,430.42	243,000,903.71	-78.44
Net cash flows from investment activities	205,906,256.46	-772,857,910.07	N/A
Net cash flows from financing activities	-99,126,552.86	884,616,830.77	-111.21

##### 2. Analysis of revenue and costs

√ Applicable □ N/A

During the reporting period, our operating income was RMB 1.949 billion, substantially the same as that of last year. Except for the cinema business, all other business achieved stable growth.

##### (1). Main business by sector, product and region

In RMB 0'000

Main business by sector						
Sector	Operating income	Operating costs	Gross margin	Change in operating	Change in operating	Change in gross



			(%)	income (%)	cost (%)	margin (%)
Laser display	194,888.42	139,307.50	28.52	-1.53	17.69	-11.67 percentage points
Main business by product						
Product	Operating income	Operating costs	Gross margin (%)	Change in operating income (%)	Change in operating cost (%)	Change in gross margin (%)
1. Sales	174,412.32	128,143.44	26.53	12.27	24.96	-7.46 percentage points
(1) Laser optical engine	20,270.75	8,152.95	59.78	-38.44	-21.79	-8.56 percentage points
(2) Complete laser projector	146,519.56	115,178.71	21.39	31.39	35.85	-2.58 percentage points
Laser cinema projector	2,969.46	1,536.48	48.26	-51.57	-40.26	-9.80 percentage points
Laser TV	54,742.37	39,860.14	27.19	35.97	35.01	+0.52 percentage points
Laser business education projector	26,867.45	19,271.26	28.27	-10.85	-14.83	+3.35 percentage points
Laser large venue projector	10,172.23	4,875.04	52.08	12.50	3.22	+4.31 percentage points
Smart mini projector	51,768.06	49,635.79	4.12	99.54	95.87	+1.80 percentage points
(3) Other products	7,622.01	4,811.78	36.87	-30.08	-34.38	+4.14 percentage points
2. Lease service	17,173.26	10,775.31	37.26	-56.85	-20.34	-28.76 percentage points
3. Other business	3,302.83	388.75	88.23	19.17	-83.06	+71.01 percentage points
Total	194,888.42	139,307.50	28.52	-1.53	17.69	-11.67 percentage points
Main business by region						
Region	Operating income	Operating costs	Gross margin (%)	Change in operating income (%)	Change in operating cost (%)	Change in gross margin (%)
Domestic	185,561.99	135,605.70	26.92	4.23	21.88	-10.59 percentage points
Overseas	9,326.43	3,701.80	60.31	-53.07	-47.89	-3.95 percentage points

Total	194,888.42	139,307.50	28.52	-1.53	17.69	-11.67 percentage points
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Explanation about main business by sector, product and region

1. Our laser display products have been applied in cinema projection, home entertainment, education interaction, commercial applications, outdoor exhibition and other fields. Under the impact of COVID-19, the cinema service business decreased by 56.85% year on year. However, due to the strong consumer demands on the domestic market and driven by the sales of household To C products, our operating income in 2020 substantially the same as that of the last year.

2. Our overall gross margin rate was 28.52% in 2020, a decrease of 11.67 percentage points compared with 2019. The decrease was primarily caused by the change in the product portfolio - To C products with lower gross margin rates increased greatly in terms of both incomes and proportion; meanwhile, under the impact of COVID-19, there was no income from the cinema service business despite the high fixed costs such as depreciation, reducing the gross margin rate by 28.76 percentage point.

3. Other business mainly covers the patent license fees received in this year.

4. Our business was mostly operated in China, with the incomes from China and outside China accounting for 95.21% and 4.79%, respectively. For the overseas business, the sales of laser optical engine products decreased year on year under the impact of COVID-19.

## (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 (%)
Optical engine and complete equipment	Set	354,890.00	360,152.00	26,861.00	41.16	52.42	-16.38

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 and sales volume.

## (3). Analysis of costs

In RMB 0'000

Costs by sector							
Sector	Components of cost	Amount for the current period	Ratio in total costs for the current period (%)	Amount for the prior period	Ratio in total costs for the prior period	Change in amount (%)	Situation Description

					(%)		
Laser display	Operating costs	139,307.50	100	118,365.06	100	17.69	
Costs by product							
Product	Components of cost	Amount for the current period	Ratio in total costs for the current period (%)	Amount for the prior period	Ratio in total costs for the prior period (%)	Change in amount (%)	Situation Description
1. Sales	Direct materials	114,782.91	89.57	89,655.34	87.43	28.03	
	Direct labor	3,144.71	2.45	2,673.66	2.61	17.62	
	Manufacturing expenses	10,215.82	7.98	10,215.69	9.96	0.00	
	Subtotal	128,143.44	100	102,544.69	100	24.96	
2. Lease service	Depreciation of light source	7,484.65	69.46	6,759.98	49.98	10.72	
	Software license fee	844.05	7.83	2,399.51	17.74	-64.82	
	Technical service fee	2,070.54	19.22	3,917.01	28.96	-47.14	
	Labor cost	376.07	3.49	449.53	3.32	-16.34	
	Subtotal	10,775.31	100	13,526.03	100	-20.34	
3. Other businesses		388.75	100	2,294.34	100	-83.06	
Total		139,307.50	100	118,365.06	100	17.69	

#### Explanation about cost analysis

1. Sales costs mainly comprise direct materials, direct labor and manufacturing expenses, of which, the costs of direct materials account for 89.57%. Compared with the prior period, the proportion of manufacturing expenses decreased while the proportion of direct materials increased mainly due to the change in the product portfolio for the sales business.

2. The lease service business was hit by COVID-19. In 2020, cinema operating hours decreased compared with the prior year, leading to corresponding decrease in variable cost items such as technical service fees and software license fees.

#### (4). Main customers and main suppliers

##### A. The Company's major customers of the sales

The sales to top 5 customers were RMB 1,088.2434 million, representing 55.84% of the total annual sales, of which the sales to related parties were RMB 778.7607 million, representing 39.96% 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	65,054.20	33.38
2	Customer 2	14,340.69	7.36

3	Customer 3	11,189.20	5.74
4	Customer 4	9,251.20	4.75
5	Customer 5	8,989.05	4.61
Total	/	108,824.34	55.84

#### Description of the change in the constitution of top 5 customers

Customer 2 and customer 3 were newly counted in the top 5 customers.

#### B. Information on major suppliers of the Company

The purchases from top 5 suppliers were RMB 653.4916 million, representing 38.97% of the total annual purchase cost, of which the purchases from related parties were RMB 205.8851 million, representing 12.28% of the total annual purchase cost.

#### Top 5 suppliers

Applicable  N/A

In RMB 0'000			
No.	Supplier	Procurement cost	of total annual purchase cost (%)
1	Supplier 1	20,588.51	12.28
2	Supplier 2	13,943.93	8.31
3	Supplier 3	13,191.79	7.87
4	Supplier 4	12,164.36	7.25
5	Supplier 5	5,460.57	3.26
Total	/	65,349.16	38.97

#### Description of the change in the constitution of top 5 suppliers

Supplier 4 and supplier 5 were newly counted in the top 5 suppliers.

#### 3. Expenses

Applicable  N/A

Unit: In RMB			
Item	Current period	Corresponding period in prior year	Change (%)
Selling expenses	133,588,234.60	151,760,111.00	-11.97
Administrative expenses	135,757,276.26	152,626,530.61	-11.05
R&D expenses	204,443,369.10	201,697,766.26	1.36
Financial expenses	9,224,974.20	29,491,223.42	-68.72

(1) The total selling expenses were RMB 133.5882 million in 2020, decreased by 11.97% year on year because the advertising and business promotion expenses, travel expenses, and business entertainment expenses decreased due to the pandemic, and the after-sale repair expenses provided for product warranty decreased year on year;

(2) The total administrative expenses were RMB 135.7573 million in 2020, decreased by 11.05% year on year, in which rent expenses and travel expenses decreased greatly due to the pandemic, the amortization of land use rights meeting the capitalization criteria was recognized as construction in progress, the amortization of expenses decreased year on year, and the share-based payment expenses increased in 2020 because such expenses were recognized from October 2019.

(3) The total R&D expenses were RMB 204.4434 million in 2020, increased by 1.36% year on year, primarily due to the increase in the depreciation and amortization of the equipment and software in use for R&D;

(4) The total financial expenses were RMB 9.2250 million in 2020, decreased by 68.72% year on year, primarily because the decrease in loans and capital costs led to the reduction in interest expenses by 39.41% while the interests on deposits increased.

#### 4. Cash flow

Applicable  N/A

Unit: In RMB

Item	Current period	Corresponding period in prior year	Change (%)
Net cash flow from operating activities	52,390,430.42	243,000,903.71	-78.44
Net cash flows from investment activities	205,906,256.46	-772,857,910.07	N/A
Net cash flows from financing activities	-99,126,552.86	884,616,830.77	-111.21

Description of reasons for changes in the net cash flows from operating activities: the net cash flow from operating activities was RMB 52.3904 million, decreased by RMB 190.6105 million compared with last year. This was primarily due to the reduction in revenues from the cinema service business under the impact of COVID-19, and the increase in payments for procurement of risk-based stocks.

Description of reasons for changes in the net cash flows from investment activities: the net cash flow from investing activities was RMB 205.9063 million, increased by RMB 978.7642 million compared with last year, primarily because the structural deposits purchased became mature and were recovered in the current period.

Description of reasons for changes in the net cash flow from financing activities: the net cash flow from financing activities activities was RMB -99.1266 million, decreased by RMB 983.7434 million compared with last year, primarily due to the proceeds from the IPO of the Company on the STAR Market in the previous reporting period.

#### (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 at the end of the period	Proportion of total assets at the end of the period (%)	Balance as at December 31, 2019	Proportion of total assets as at December 31, 2019 (%)	Change in amount (%)	Explanation
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Item	Balance at the end of the period	Proportion of total assets at the end of the period (%)	Balance as at December 31, 2019	Proportion of total assets as at December 31, 2019 (%)	Change in amount (%)	Explanation
Held-for-trading financial assets	114,000,000.00	3.53	540,000,000.00	17.42	-78.89	Primarily due to the wealth management products purchased with idle funds
Accounts receivable	341,660,832.43	10.59	176,035,155.24	5.68	94.09	Primarily due to the impact of the relocation and changes in business and tax registration of Formoive, which resulted in the great increase in the closing balance
Receivables financing	11,959,000.00	0.37	1,980,500.00	0.06	503.84	Primarily due to the increase in bank's acceptance bills received during this period
Prepayments	47,447,601.43	1.47	35,070,999.13	1.13	35.29	Primarily due to the increase in advance payments for goods during the reporting period
Other receivables	12,534,062.15	0.39	9,618,750.08	0.31	30.31	Primarily due to the increase in compensation receivable in connection with patent litigations during the reporting period
Inventories	418,812,140.80	12.98	299,966,170.35	9.68	39.62	Primarily due to the increase in the risk stock and the increase in the inventories prepared for the growing household business
Contract assets	3,744,655.50	0.12	-	-	N/A	Primarily due to the implementation of the new revenue standard
Other	13,002,195.46	0.40	44,405,513.30	1.43	-70.72	Primarily due to

Item	Balance at the end of the period	Proportion of total assets at the end of the period (%)	Balance as at December 31, 2019	Proportion of total assets as at December 31, 2019 (%)	Change in amount (%)	Explanation
current assets						the decrease in the reclassified input VAT to be deducted
Long-term accounts receivable	13,196,087.78	0.41	-	-	N/A	Primarily due to the increase in patent license fees by installment during the reporting period
Long-term equity investment	262,744,772.48	8.14	139,534,371.94	4.50	88.30	Primarily due to the investment in GDC
Construction in progress	51,576,850.72	1.60	20,132,004.07	0.65	156.19	Primarily due to the increase in the investment for the construction in progress of the headquarters building during the reporting period
Long-term prepaid expenses	11,572,346.79	0.36	16,908,070.34	0.55	-31.56	Primarily due to the amortization of long-term prepaid expenses during the reporting period
Other non-current assets	6,299,781.06	0.20	11,420,185.94	0.37	-44.84	Primarily due to the settlement of some advanced payments for fixed assets from the prior period
Notes payable	116,822,674.67	3.62	37,335,841.79	1.20	212.90	Primarily due to the increase in settlement by bank's acceptance bills during the reporting period
Contract liabilities	31,518,312.59	0.98	-	-	N/A	Primarily due to the reclassification of receipts in advance to contract liabilities under the implementation of the new revenue

Item	Balance at the end of the period	Proportion of total assets at the end of the period (%)	Balance as at December 31, 2019	Proportion of total assets as at December 31, 2019 (%)	Change in amount (%)	Explanation
						standard
Taxes payable	19,871,846.94	0.62	42,924,647.79	1.38	-53.71	Primarily due to the decreased payment of enterprise income tax for the prior period and the decline in taxes in the current period
Other payables	59,848,053.83	1.86	14,364,076.43	0.46	316.65	Primarily due to the funds borrowed by the subsidiary CINEAPPO from a minority shareholder and the increase in the share transfer amount pending payment
Non-current liabilities due within one year	181,417,412.46	5.62	64,968,795.02	2.10	179.24	Primarily due to the increase in the long-term borrowings due within one year
Other current liabilities	3,045,831.07	0.09	-	-	N/A	Primarily due to the increase in the output taxes corresponding to contract liabilities under the implementation of the new revenue standard
Long-term borrowings	64,845,281.53	2.01	279,615,107.27	9.02	-76.81	Primarily due to the reclassification of long-term borrowings to non-current liabilities due within one year

Other information

None



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

√ Applicable □ N/A

In RMB

Item	Amount	Reason
Other monetary funds	14,057,949.58	Margins
Bank deposits	40,000,000.00	Term deposits
Land use rights	303,077,499.90	Loan mortgage

**3. Other issues**

□ 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

At the end of the reporting period, the balance of long-term equity investments was RMB 262,744,772.48. During the reporting period, the Company acquired 36% equity interests in GDC Technology Limited (British Virgin Islands) at about USD 18.11 million. The transaction has been completed by the end of the reporting period.

**(1) Material equity investments**

√ Applicable □ N/A

In the 20<sup>th</sup> session of the First Board of Directors held on December 6, 2019, the *Proposal on Proposed Additional Capital Contribution to the Wholly-owned Subsidiary and Foreign Investments in GDC* was discussed and approved, according to which it was agreed to make additional capital contribution of USD 18.2 million to the Company's wholly-owned subsidiary APPOTRONICS HONG KONG LIMITED for acquisition of 36% shares of GDC Technology Limited (British Virgin Islands). Please refer to the Announcement No. 2019-029 issued by the Company on [www.sse.com.cn](http://www.sse.com.cn) and the designated media for information disclosure on December 7, 2019.

In March 2020, the Company completed the approval and filing procedures for overseas investments by National Development and Reform Commission and Ministry of Commerce. After meeting the precedent closing conditions of this acquisition, on April 9, 2020, the Company paid the total consideration of approximately USD 18.11 million by its own funds. During the reporting period, the Company holds 36% equity interests in GDC BVI, namely, 93,071,822 ordinary shares of GDC BVI.

According to the *Share Transfer Agreement*, GDC BVI made the the following performance covenants: the audited net profit after deduction of non-recurring profit or loss in 2020 shall be no less than USD 9.35 million; if it fails to achieve the performance objective above, GDC Cayman, the shareholder of GDC BVI, shall make compensation within 15 working days from the submission date of GDC BVI's annual auditor's report within the limit of USD 5.60 million or 46,535,911 ordinary shares of GDC BVI.

According to the 2020 auditor's report of GDC BVI issued by Deloitte, GDC BVI achieved the net profit of USD 926,800 in 2020, and failed to achieve the performance covenant for the year 2020, hence triggering the performance compensation provisions.

By now, we have officially required GDC Cayman to make performance compensation in accordance with the provisions. As of the disclosure date of this report, we have reached no consensus with GDC Cayman on this matter.

## (2) Material non-equity investments

Applicable  N/A

## (3) Financial assets at fair value

Applicable  N/A

As of December 31, 2020, the balance of held-for-trading financial assets was RMB 114,000,000.00, which was structured deposits.

The balance of investment in other equity instruments was RMB 11,975,419.38, which was investment in two investee companies with zero change in the fair value during the reporting period.

## (VI) Sales of significant assets and equity interests

Applicable  N/A

## (VII) Analysis of significant controlled and investee companies

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	63.20%	93,130.04	37,858.00	28,869.92	335.81
Formoive	R&D and sale of household display products	5,000.00	55%	61,940.36	-7,804.64	100,677.01	-4,974.48
Appotronics HK	R&D and sale of laser light source	16,357.75	100%	37,604.45	32,377.48	7,925.27	-2,550.72

The operating income and net profit of CINEAPPO decreased by 51.32% and 97.68% year on year, respectively, primarily because under the impact of COVID-19, there was no income from the cinema service business despite the high fixed costs such as depreciation.

The operating income of Formoive increased by 43.71% year on year, primarily due to the high demands on the household market and the rapid growth in the sales of To C products.

The operating income and net profit of Appotronics HK decreased by 58.16% and 178.09% year on year, respectively, primarily because the overseas sales of laser light source products decreased under the impact of COVID-19.

## (VIII) Structured entities under control of 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. A promising prospect for the household market

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. 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.

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. 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. Further expansion space for the cinema industry

We will continue to promote the penetration of laser projection to further improve the market shares of laser projection. With respect to the overseas market, considering the 130,000 existing markets, we will promote the new mode of Cinema as a Service (CaaS) through CINIONIC to provide customers with a comprehensive digital projection solution, hence effectively reducing the pressure on cash flows caused by the pandemic and improving the profitability of cinemas. This helps to achieve rapid development after the pandemic. Furthermore, besides the growth space on the urban cinema market, the digital cinema projector C5 we released is also suitable for non-urban cinemas, such as new application scenarios including household cinemas and community cinemas.

#### (2) Development trend of the industry

The laser display industry is developing along the trend of using laser, being smart, being content-oriented, and being solution-based:

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; the Internet of Things realized via wireless connection and smart hi-fi system provide perfect audio & video experience. In addition, such products are embedded with app stores. The smart products also provide video conference systems, online education and other functions, so they have gradually become popular consumer electronic products.

3. 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.

4. The industrial solutions have been well accepted. As experience economy has become popular in the world, the outlook for the high-quality image solutions is promising.

## **(II) Development strategy of the Company**

√ Applicable □ N/A

For the future, Apotronics is committed to becoming a promoter of the display industry, and under our mission of “New light, New life”, with our persistence on the orientation of customer demands and persistence on dual-drivers of “technology + market”, we will make use of disruptive technical innovations to create new consumption demands and a new growth curve, hence creating value for users and promoting in-depth industrialization of laser display technologies.

We will intensify efforts on the household market and the layout of the overseas business with a focus on providing users with products and services capable of creating long-term value, and based on the innovation of core technologies and IP operation, build an open operating platform for the development of the core device business to scale up and strengthen the ecology of the laser display industry.

## **(III) Business plan**

√ Applicable □ N/A

With the adjustment and preparation made in 2020, the year 2021 is a key year for the Company to achieve leapfrog development in the next three years. As a result, an essential task of the Company for 2021 is to take the opportunity of the economy recovery of the world and work along the development trend of the industry, hence achieving rapid growth in all businesses.

We will focus on the following aspects:

1. Continue to increase the R&D investments in core devices to enhance our leading advantages in technology, to establish leading advantages in products centering on customers, and to create a new product field to become a leading supplier of core devices in the laser display industry; insist on patent layout and IP operation to further explore and realize the value of patents, hence establishing and gradually improving the ecology of the laser display industry.

2. Intensify efforts on the household market by developing and releasing new products, accelerating product upgrade and iteration, and improving product and service experience; take the opportunity on the emerging market to create a new product field, and release new product models, including laser TVs, smart mini projectors, and anti-ambient light screens, in consideration of layered consumption to cover more consumers.

3. Improve and enhance our competitive advantages in the field of cinema services, intensify cooperation with partners, make full use of the synergy effects between domestic and foreign cinema markets and the technology team to release more cost-effective cinema light source products while actively exploring community cinema and household cinema markets to accelerate the trend of laser projection.

4. Steadily promote the layout of the overseas business. By now, our products have penetrated into many countries and regions in Europe, North America, and Southeast Asia. We plan to further enhance

the efforts of channel building and marketing for overseas markets to take the opportunity of rapid development on overseas markets.

5. Continue to build an agile and efficient supply chain system in response to the risks of tension supply of upstream raw materials, hence guaranteeing product delivery and optimizing the stock structure.

**(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. Cash dividend policy

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 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;

(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. Preliminary plan on profit distribution for 2020**

According to our consolidated financial statements 2019 as audited by Pan-China Certified Public Accountants (Special General Partnership), Appotronics Corporation Limited (hereinafter referred to as the “Company”) realized the net profit of RMB 86,657,198.57 in the consolidated financial statements for 2020, including the net profit attributable to the shareholders of the listed company of RMB 113,847,873.06, and the distributable profit of the parent company is RMB 289,684,566.58.

In accordance with the provision of the *Notice of China Securities Regulatory Commission on Further Implementing Cash Dividend Distribution by Listed Companies*, the *Guidelines of Shanghai Stock Exchange on Cash Dividend Distribution by Listed Companies*, *Regulatory Guidelines for Listed Companies No. 3 - Cash Dividend Distribution by Listed Companies*, and the *Articles of Association*, in consideration of the current overall operation and development stage, the Company proposes to distribute the cash dividend of RMB 0.55 (tax inclusive) per 10 shares to all shareholder. As of December 31, 2020, the Company has a total of 452,756,901 shares, leading to the total cash dividend of RMB 24,901,629.56 (tax inclusive). The cash dividends proposed by the Company for this year account for 21.87% of the net profits attributable to the shareholders of the listed company in the current consolidated financial statements of the Company. No capitalization of the capital reserve or bonus shares will be made or distributed in the profit distribution.

If, prior to the record date of interest distribution, changes are caused to the total shares of the Company due to conversion of convertible bonds/repurchase of shares/granting of share incentives/share repurchase and cancellation/share repurchase and cancellation for material assets restructuring, the Company intends to maintain the total distribution amount unchanged, and correspondingly adjust the distribution ratio per share. In the event of changes in the total shares, an announcement will be separately released to disclose the specific adjustment.

Reasons for distribution of cash dividends lower than 30% of the distributable profit: Being in the growth stage, the Company needs a large amount of funds. We plan to use the retained profit to 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.

The profit distribution proposal for the year of 2020 has been approved at the 31<sup>st</sup> meeting of the first Board of Directors and the 18<sup>th</sup> meeting of the first Board of Supervisors of the Company. The independent directors of the Company have reviewed the preliminary plan on profit distribution, expressed their independent opinions on and given explicit consent to the proposal. The preliminary plan

for profit distribution is still subject to approval at the annual general meeting of shareholders of the Company.

### 3. Implementation of the policy on cash dividend distribution

During the reporting period, we have strictly complied with the dividend principles and policies. Our dividend distribution criteria and ratio are clear, and the relevant decision-making procedures and mechanism comply with the applicable regulations. Our independent directors have duly performed their duties in the review of the preliminary plan on profit distribution 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
Distribution 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 (Tax inclusive)	Net profit attributable to the shareholders of ordinary shares of the listed company reported in the consolidated financial statements for the year	Proportion of the net profit attributable to the shareholders of ordinary shares of the listed company reported in the consolidated financial statements (%)
2020	0	0.55	0	24,901,629.56	113,847,873.06	21.87
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

#### (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	Covenant Type	Covenantor	Covenant Content	Validity period of covenant	Whether there's a time limit for the fulfillment of the covenant	Whether the covenant has been strictly fulfilled on time	Reason for failure to fulfill the covenant on time (if applicable)	Action plan if failing to fulfill the covenant on time
Covenant relating to IPO	Restriction on the sale of shares	Covenant by the controlling shareholder regarding restriction on the sale of shares held by him, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues	Refer to IPO Prospectus	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	Refer to IPO Prospectus	36 months after completion of the IPO and the extended period stated below, and 6 months after termination of employment	Yes	Yes	N/A	N/A



		shares and other issues		with the Company				
Covenant relating to IPO	Restriction on the sale of shares	Covenant by the concert parties of the actual controller regarding restriction on the sale of shares held by them, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues	Refer to IPO Prospectus	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 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	Refer to IPO Prospectus	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	Refer to IPO Prospectus	12 months after completion of the IPO	Yes	Yes	N/A	N/A

		dispose of shares and other issues						
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	Refer to IPO Prospectus	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 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	Refer to IPO Prospectus	12 months after completion of the IPO and the extended period stated below	Yes	Yes	N/A	N/A
Covenant relating to IPO	Restriction on the sale of shares	Covenant by the key technical staff YU Xin, WU Xiliang, WANG Lin and	Refer to IPO Prospectus	12 months after completion of the IPO and	Yes	Yes	N/A	N/A

		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		listing of stock and the extended period stated below				
Covenant relating to IPO	Restriction on the sale of shares	Covenant by the holders of more than 5% shares regarding restriction on the sale of shares held by them, voluntary lock-up of such shares, extension of lock-up period, intention to hold and dispose of shares and other issues	Refer to IPO Prospectus	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	Refer to IPO Prospectus	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 senior officers and core employees participating in strategic allotment 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	Refer to IPO Prospectus	At least 12 months after completion of the IPO and listing of stock	Yes	Yes	N/A	N/A
Covenant relating to IPO	Others	Issuer's plan for stabilizing the Company's stock price and covenant regarding share repurchase measures within three years after the listing	Refer to IPO Prospectus	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	Refer to IPO Prospectus	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	Refer to IPO Prospectus	36 months after	Yes	Yes	N/A	N/A

		stabilizing the Company's stock price and covenant regarding share repurchase measures within three years after the listing		completion of the IPO and listing of stock				
Covenant relating to IPO	Others	Issuer's covenant regarding measures against fraud in IPO	Refer to IPO Prospectus	Permanent	No	Yes	N/A	N/A
Covenant relating to IPO	Others	Controlling shareholder, actual controller and their concert parties' covenant regarding measures against fraud in IPO	Refer to IPO Prospectus	Permanent	No	Yes	N/A	N/A
Covenant relating to IPO	Others	Directors, supervisors and senior officers' covenant regarding measures against fraud in IPO	Refer to IPO Prospectus	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	Refer to IPO Prospectus	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	Refer to IPO Prospectus	Permanent	No	Yes	N/A	N/A

		in the current period						
Covenant relating to IPO	Others	Directors, supervisors and senior officers' covenant regarding remedial measures for diluted earnings in the current period	Refer to IPO Prospectus	Term of office	No	Yes	N/A	N/A
Covenant relating to IPO	Others	Issuer's covenant regarding profit distribution policy	Refer to IPO Prospectus	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	Refer to IPO Prospectus	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	Refer to IPO Prospectus	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	Refer to IPO Prospectus	Term of office	No	Yes	N/A	N/A

		event of failure to fulfill their covenants						
Covenant relating to IPO	Resolve horizontal competition issues	Controlling shareholder's covenant on avoiding horizontal competition and regulating and reducing related-party transactions	Refer to IPO Prospectus	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	Refer to IPO Prospectus	Permanent	No	Yes	N/A	N/A
Covenant related to share incentives	Others	Covenant by the grantee of share incentives regarding information disclosure documents	Refer to the 2019 Restricted Share Incentive Plan (Draft) of the Company	Permanent	No	Yes	N/A	N/A
	Others	Company's covenant on refraining from providing financial assistance	Refer to the 2019 Restricted Share Incentive Plan (Draft) of the Company	Permanent	No	Yes	N/A	N/A

**(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

According to the *Share Transfer Agreement*, GDC made the the following performance covenants: The net profit after deduction of non-recurring profit or loss shall be no less than USD 9.35 million in 2020. According to the 2020 auditor's report of GDC issued by Deloitte, GDC achieved the net profit of USD 0.9268 million in 2020, and failed to achieve the performance covenant for the year 2020.

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

Applicable  N/A

According to the 2020 auditor's report of GDC issued by Deloitte, GDC achieved the net profit of USD 0.9268 million in 2020, and failed to achieve the performance covenant for the year 2020.

The Company holds 36% equity interests in GDC, which were recognized as long-term equity investments. At the beginning of 2021, the Company made impairment test on the long-term equity investment in the GDC asset group. According to the Assets Evaluation Report issued by Shenzhen Pengxin Assets Land and Real Estate Appraisal Co., Ltd. (Peng Xin Zi Ping Bao [2021] No. S064), the evaluation of the 36% equity interests held by the Company in GDC was USD 21.06 million. Therefore, the Company made no provision for impairment with respect to the long-term equity investment in the GDC asset group.

**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

Refer to "Section XI. Financial Report - V. Significant accounting policies and accounting estimates - 44 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

	Current accounting firm
Name of domestic accounting firm	Pan-China Certified Public Accountants (Special General Partnership)
Fee payable to domestic accounting firm	950,000
Audit period of domestic accounting firm	5 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 2019 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 2020 for a term of one year. Pan-China Certified Public Accountants (Special General Partnership) has issued auditor's reports for the Company between 2016 to 2019.

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 was involved in material litigations or arbitration during the current year  
 The Company was not involved in material litigations or arbitration during the current 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 03 Min Chu No. 2942-2951            In July 2019, the Company initiated a civil litigation on the ground that Delta Electronics, Inc infringed the patent for invention ZL200810065225.X and ZL200880107739.5 owned by the Company, requesting the court to order to stop the acts of infringing the Company’s patent right and the damages for infringement in the amount of RMB 56.00 million.</p>	<p>Refer to the <i>Announcement on Litigation</i> disclosed on July 31, 2019 (No. 2019-006).</p>
<p>II. Case for changing the inventor of patent 19-cv-00466-RGD-LRL in the United States District Court for the Eastern District of Virginia            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>Refer to the <i>Announcement on Litigation</i> disclosed on September 9, 2019 (No. 2019-012).</p>
<p>III. Cases of dispute over infringement on patents for invention [2019] Jing 73 Min Chu No. 1275, 1276, and 1278            In September 2019, Delta Electronics, Inc. initiated a civil litigation on the ground that the Company and its controlled subsidiary Formoive infringed the patent for invention ZL201410249663.7, ZL201610387831.8, and ZL201010624724.5, requesting the court to order to stop the acts of infringing the patent rights and the damages for infringement in the amount of RMB 48.03 million.</p>	<p>Refer to the <i>Announcement on Litigation</i> disclosed on September 21, 2019 (No. 2019-014), and the <i>Announcement on Litigation</i> disclosed on June 13, 2020 (No. 2020-022).</p>
<p>IV. Case of dispute over title to patents [2019] Yue 03 Min Chu No. 4309            In November 2019, the Company initiated a civil litigation, alleging that the Delta Electronics, Inc. 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 infringing 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 the patent ZL201610387831.8 “phosphor color wheel and its applicable light source</p>	<p>Refer to the <i>Announcement on Litigation</i> disclosed on November 8, 2019 (No. 2019-028).</p>

system” is owned by the Company.	
V. (2020) Yue 73 Min Chu No. 1335-1341, 1353, 1355-1361 In July 2019, the Company initiated a civil litigation on the ground that Delta Electronics, Inc infringed the patent for invention ZL200880107739.5 and ZL200810065225.X owned by the Company, requesting the court to order to stop the acts of infringing the Company’s patent right and the damages for infringement in the amount of RMB 80.00 million.	Refer to the <i>Announcement on Litigation Against Delta Electronics (Shanghai) Co., Ltd. and Other Entities</i> disclosed on August 11, 2020 (No. 2020-037).

**(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	[2019] Yue 73 Zhi Min Chu No. 662, the Plaintiff alleges that it is the owner of the patent for invention ZL201610387831.8 and the Defendant infringed such patent for invention of the Plaintiff and caused economic losses to the Plaintiff.	1,614.53	No	RMB 10.00 million released and trial suspended	Stayed	
Delta Electronics, Inc.	Appotronics Corporation Limited	Futian SPN Projector & Video System Firm of Shenzhen	Infringement on patent for invention	[2019] Yue 73 Zhi Min Chu No. 663, the Plaintiff alleges that it is the owner of the	1,614.53	No	Trial of the first instance completed	Judgment of first instance: All claims	

				patent for invention ZL201310017478.0 and the Defendant infringed such patent for invention of the Plaintiff and caused economic losses to the Plaintiff.				made by the Plaintiff were dismissed.	
Delta Electronics, Inc.	Appotronics Corporation Limited	Futian SPN Projector & Video System Firm of Shenzhen	Infringement on patent for invention	[2019] Yue 73 Zhi Min Chu No. 664, the Plaintiff alleges that it is the owner of the patent for invention ZL20310625063.1 and the Defendant infringed such patent for invention of the Plaintiff and caused economic losses to the Plaintiff.	1,614.53	No	Trial of the first instance completed	Judgment of first instance: All claims made by the Plaintiff were dismissed.	
Delta Electronics, Inc.	Formoive (Beijing) Technology Co., Ltd.	Appotronics Corporation Limited	Infringement on patent for invention	[2019] Jing 73 Min Chu No. 1277, the Plaintiff alleges that it is the owner of the patent for invention ZL201310017478.0 and the Defendant infringed such patent for invention of the Plaintiff and caused economic losses to the Plaintiff.	1,601.00	No	Trial of the first instance completed	Ruling of the first instance The case of the Plaintiff was rejected.	
Chengdu Jimi Technology	Chengdu Jingying Times	Formoive (Beijing) Technology Co., Ltd.	Infringement on patent for invention	[2020] Chuan 01 Zhi Min Chu No. 252, the Plaintiff alleges that the	5,000.00	No	Settled	The Plaintiff withdraw	

Co., Ltd.	Communication Device Co., Ltd.			Defendant infringed such patent for invention of the Plaintiff and caused economic losses to the Plaintiff.				its case, and the court has issued a civil ruling	
Chengdu Jimi Technology Co., Ltd.	Appotronics Corporation Limited	Formoive (Beijing) Technology Co., Ltd.	Unfair competition	[2020] Chuan 01 Min Chu No. 4391 unfair competition case, the Plaintiff alleged that the Defendant conducted unfair competition and caused economic losses to the Plaintiff.	1,000.00	No	Settled	The Plaintiff withdraw its case, and the court has issued a civil ruling	
Haining Ningjia Electronics Technology Co., Ltd.	Shenzhen Appotronics Xiaoming Technology Co., Ltd.	Appotronics Corporation Limited; Zhejiang Tmall Network Co., Ltd.	Infringement on patent for invention	[2020] Zhe 01 Zhi Min Chu No. 540, the Plaintiff alleges that it is the owner of the patent for invention ZL200710037859X and the Defendant infringed such patent for invention of the Plaintiff and caused economic losses to the Plaintiff.	205.00	No	The Plaintiff withdraw its case	The Plaintiff withdraw its case, and the court has issued a civil ruling	
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. 59-60, the Plaintiff alleges that it is the owner of the patents for invention	2,049.95	No	Settled	The Plaintiff withdraw its case, and the court has issued a civil	

				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.				ruling	
Appotronics Corporation Limited	Dehao Electronic Technology Ltd.	Shenzhen Super Network Technology Co., Ltd.	Infringement on patent for invention	In the cases of dispute over infringement on patents for invention [2018] Yue 03 Min Chu No. 1899-1907, the Plaintiff alleges that the production, sale and offer for sale of a variety of projector products by Defendant 1 and Defendant 2 for purpose of production and operation has infringed on the Plaintiff's patent for invention and caused economic losses to the Plaintiff.	2,081.52	No	Trial of the second instance completed	Judgment of second instance: The Defendant should stop its act of infringement and pay the Plaintiff for the economic losses and reasonable expenses, RMB 3,577,279.61 in total.	In March 2021, the Company received the compensation and reasonable expenditures paid by the Defendant in the amount of RMB 3,577,279.61.
Appotronics	Dehao	Shenzhen Super	Infringement	In the cases of dispute	2,081.52	No	Trial of the	The	

s Corporatio n Limited, and Shenzhen YLX Technology Developme nt Co., Ltd.	Electronic Technology Ltd.	Network Technology Co., Ltd.	on patent for invention	over infringement on patents for invention [2018] Yue 03 Min Chu No. 1891-1898 and 1940, the Plaintiff alleges that the production, sale and offer for sale of a variety of projector products by Defendant 1 and Defendant 2 for purpose of production and operation has infringed on the Plaintiff's patent for invention and caused economic losses to the Plaintiff.			second instance completed	Plaintiff withdraw its case, and the court has issued a civil ruling	
Appotronic s Corporatio n Limited	Casio Computer Co., Ltd.	Casio (China) Co., Ltd. and Beijing Hongyang Jiye Technology Co., Ltd.	Infringement on patent for invention	[2018] Jing 73 Min Chu No. 1239 and 1240, the Plaintiff alleges that it is the owner of the patent for invention ZL200810065225.X and the Defendant infringed such patent for invention of the Plaintiff and caused economic losses to the Plaintiff.	760.00	No	Settled	The Plaintiff withdraw its case, and the court has issued a civil ruling	
Formoive (Beijing) Technology Co., Ltd.	Chengdu XGIMI Vision E-commerce Co., Ltd.	Chengdu Jimi Technology Co., Ltd.	Infringement on patent for invention	(2020) Jin 03 Zhi Min Chu No. 159, case of dispute over infringement on patents	4,600.00	No	Settled	The Plaintiff withdraw its case,	

	Tianjin Second Branch			for invention, the Plaintiff alleges that the Defendant infringed rights of the Plaintiff and caused economic losses to the Plaintiff.				and the court has issued a civil ruling	
Formoive (Beijing) Technology Co., Ltd.	Chengdu Jimi Technology Co., Ltd.	Fuding Electronic Operation	Juqiyi Product	Infringement on patent for invention	(2020) Min 01 Min Chu No. 1312, case of dispute over infringement on patents for invention, the Plaintiff alleges that the Defendant infringed rights of the Plaintiff and caused economic losses to the Plaintiff.	200.00	No	Settled	The Plaintiff withdraw its case, and the court has issued a civil ruling

### (III) Other issues

√ Applicable □ N/A

A total of 14 invalidation petitions has been raised against the Company's patent for invention ZL200880107739.5, and a total of 9 invalidation petitions has been raised against the Company's patent for invention ZL200810065225.X. At the end of the reporting period, 22 invalidation cases with the Company as the patentee have been decided by the National Intellectual Property Administration, with the patent sustained, or withdrawn by the petitioner, and only 1 case is in trial at the National Intellectual Property Administration. At the end of the reporting period, there was 1 invalidation case where the Company acted as a petitioner. The case is in trial at the National Intellectual Property Administration, and is related to the invalidation petition against patents held by Delta Electronics, Inc.



**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) Overview of share incentives**

Applicable  N/A

**1. Share incentive plan during the reporting period**

Name of plan	Type of incentive	Number of target shares	Proportion of target shares (%)	Number of grantees	Proportion of grantees (%)	In RMB
						Price of target shares granted
2019 Restricted Share Incentive Plan	Type II restricted shares	5,500,000	1.21	206	17.61%	17.425

Note: The proportion of grantees is calculated with the total number of employees of the Company as of December 31, 2020 as the denominator.

**2. Implementation progress of the share incentive during the reporting period**

Applicable  N/A

1. On October 13, 2020, the Company held the 27<sup>th</sup> meeting of the first Board of Directors and the 14<sup>th</sup> meeting of the first Board of Supervisors, at which the *Proposal on Adjusting the Grant Price of Restricted Shares under the 2019 Restricted Share Incentive Plan* and the *Proposal on Granting Reserved Restricted Shares to Grantees of Share Incentives under the 2019 Restricted Share Incentive Plan* were reviewed and passed.

(1) Considering that the 2019 profit distribution plan of the Company has been completely implemented, in accordance with the relevant provisions of the incentive plan, the Company made corresponding adjustment to the grant price of restricted shares to adjust the grant price from RMB 17.5 to RMB 17.425.

(2) The vesting conditions for reserved restricted shares have been met; therefore, October 13, 2020 was determined as the grant date to grant 1.10 million restricted shares to 38 grantees of share incentives.

2. On October 27, 2020, the Company held the 28<sup>th</sup> meeting of the first Board of Directors and the 15<sup>th</sup> meeting of the first Board of Supervisors, at which the *Proposal on Invalidating Partial Granted but Not Vested 2019 Restricted Shares* and the *Proposal on Vesting Criteria for the First Vesting Period in the Initial Grant under 2019 Restricted Share Incentive Plan* were reviewed and passed.

(1) Considering that 13 grantees of share incentives in the initial grant under the 2019 Restricted Share Incentive Plan have left the Company, in accordance with the relevant provisions of the incentive plan, such grantees are no longer qualified as grantees. Therefore, the restricted shares granted but not vested should not be vested, but should be invalidated by the Company. The grantees of restricted shares in the initial grant are adjusted from 169 to 156, the number of restricted shares in the initial grant is adjusted from 4.40 million to 4.1283 million, with 0.2717 million invalidated.

(2) Substantial vesting conditions for the first vesting period with respect to the 156 grantees in the initial grant under the 2019 incentive plan have been met. Therefore, the Company vested 1.23849 million restricted shares to the 156 qualified grantees.

3. As of November 11, 2020, the Company has received the subscription amount of RMB 20,953,388.25 paid in cash by 147 grantees, including RMB 1,202,490.00 recognized as the share capital, and RMB 19,750,898.25 recognized as the capital reserve. On November 24, 2020, the share registration formalities for the first vesting period of the initial grant under the 2019 Restricted Share Incentive Plan have been completed, and China Securities Depository and Clearing Corporation Limited Shanghai Branch has issued the *Certificate of Securities Change Registration*. After the vesting of the restricted share, the total shares of the Company increased from 451,554,411 to 452,756,901, with 1,202,490 additional tradable shares.

### 3. Share-based payment recognized due to the share incentive during the reporting period

In RMB

Total share-based payment recognized for the current period	20,581,939.14
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#### (II) Incentives already disclosed in the interim announcements about which no new information is available

Applicable  N/A

Summary	Reference
On October 13, 2020, the Company held the 27 <sup>th</sup> meeting of the first Board of Directors and the 14 <sup>th</sup> meeting of the first Board of Supervisors, at which the <i>Proposal on Adjusting the Grant Price of Restricted Shares under the 2019 Restricted Share Incentive Plan</i> and the <i>Proposal on Granting Reserved Restricted Shares to Grantees of Share Incentives under the 2019 Restricted Share Incentive Plan</i> were reviewed and passed.	Refer to the relevant announcement issued by the Company on www.sse.com.cn and the designated media for information disclosure on October 14, 2020.
On October 27, 2020, the Company held the 28 <sup>th</sup> meeting of the first Board of Directors and the 15 <sup>th</sup> meeting of the first Board of Supervisors, at which the <i>Proposal on Invalidating Partial Granted but Not Vested 2019 Restricted Shares</i> and the <i>Proposal on Vesting Criteria for the First Vesting Period in the Initial Grant under 2019 Restricted Share Incentive Plan</i> were reviewed and passed.	Refer to the relevant announcement issued by the Company on www.sse.com.cn and the designated media for information disclosure on October 29, 2020.
On November 24, 2020, the share registration formalities for the first vesting period of the initial grant under the 2019 Restricted Share Incentive Plan have been completed, and China Securities Depository and Clearing Corporation Limited Shanghai Branch has issued the <i>Certificate of</i>	Refer to the relevant announcement issued by the Company on www.sse.com.cn and the designated media for information disclosure on November 25, 2020.

<i>Securities Change Registration.</i> After the vesting of the restricted share, the total shares of the Company increased from 451,554,411 to 452,756,901.	
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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

Summary	Reference
On April 28, 2020, the Company held the 21 <sup>st</sup> meeting of the first Board of Directors, at which the <i>Proposal on Daily Related-party Transactions in 2020</i> was reviewed and passed. This proposal has been reviewed and passed on May 22, 2020 at the annual general meeting of shareholders in 2019. It's expected that the Company will have daily related-party transactions in the amount of RMB1.2531 billion in 2020.	Refer to the Announcement No. 2020-014 "Announcement on expected routine related-party transactions in 2020" issued by the Company on www.sse.com.cn and the designated media for information disclosure on April 29, 2020.
On October 27, 2020, the Company held the 28 <sup>th</sup> meeting of the first Board of Directors and the 15 <sup>th</sup> meeting of the first Board of Supervisors, at which the <i>Proposal on Increasing the Amount of Daily Related-party Transactions in 2020</i> was reviewed and passed. This proposal has been reviewed and passed on November 13, 2020 at the third interim general meeting of shareholders in 2020, approving to increase the amount of related-party transactions by RMB 40.00 million for 2020.	Refer to the Announcement No. 2020-059 "Announcement on increasing the amount of related-party transactions in 2020" issued by the Company on www.sse.com.cn and the designated media for information disclosure on October 29, 2020.

**2. Matters already disclosed in the interim announcements about which there's new information available** Applicable  N/A**3. Matters that have not been disclosed in any interim announcement** Applicable  N/A**(II) Related-party transactions involving acquisition or sale of assets or equities****1. Matters already disclosed in the interim announcements about which no new information is available** Applicable  N/A

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

□ Applicable√ N/A

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

√ Applicable□ N/A

											In RMB
Related party	Relationship	Type	Subject matter	Pricing principle	Carrying amount of assets transferred	Evaluation of assets transferred	Transfer price	Method of settlement	Income from the transfer of assets	Impact of the transaction on the operating results and financial conditions of the Company	Reason for great difference between the transaction price and the carrying amount, evaluation, or market fair value
Shenzhen YLX Technology Development Co., Ltd.	Related person (same Chairman as the Company)	Sales of assets except for goods	Fixed assets	Negotiation	740,617.73	N/A	740,617.73	Cash	0	Revitalize the assets	N/A

Description of related-party transactions involving acquisition or sale of assets

In December 2020, the Company sold idle fixed assets in the amount of RMB 740,617.73 to its related party Shenzhen YLX Technology Development Co., Ltd., whose actual controller is Mr. Li Yi. In accordance with Article 132 of the Articles of Association, this transaction did not reach the disclosure standard and was not subject to the approval by the Board of Directors or general meeting, and may be implemented with the internal approval of the Company.

**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

Summary	Reference
The Company held the 24 <sup>th</sup> meeting of the first Board of Directors on August 17, 2020 and the second interim general meeting for 2020 on September 3, 2020, at which the <i>Proposal on Increasing the Capital of a Controlled Subsidiary by Issuing Additional Shares and Introducing a Strategic Investor</i> was reviewed and passed, approving the controlled subsidiary Formoive to introduce a strategic investor.	Refer to the Announcement No. 2020-038 “ <i>Announcement on Increasing the Capital of a Controlled Subsidiary by Issuing Additional Shares &amp; Related-party Transaction</i> ” issued by the Company on www.sse.com.cn on August 18, 2020.

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

√ Applicable □ N/A

As of February 2021, the plan of capital increase by issuing additional shares has not been duly implemented. The parties negotiated to optimize and adjust the original transaction plan. In February 2021, the Company held the 29<sup>th</sup> meeting of the first Board of Directors and the first interim general meeting for 2021, at which the *Proposal on Adjusting the Plan of Increasing the Capital of a Controlled Subsidiary by Issuing Additional Shares & Related-party Transaction* was reviewed and passed. Refer to the Announcement No. 2021-002 “*Announcement on Adjusting the Plan for Increasing the Capital of a Controlled Subsidiary by Issuing Additional Shares & Related-party Transaction*” issued by the Company on www.sse.com.cn on February 10, 2021.

**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) Others**

□ 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

In RMB 0'000

Name of lessor	Name of lessee	Leased assets	Amount of leased assets	Lease start date	Lease end date	Lease income	Basis for determining lease income	Impact of lease income on the Company	Related-party transaction or not	Relationship
Shenzhen Meisheng Industry Co., Ltd.	Appotronics Corporation Limited	Office, R&D, factory, employee dormitory	1,265.96	December 1, 2018	November 30, 2022	/ /	/	/	No	None

Description of lease

None

**(II) Guarantees**

√ Applicable□ N/A

In RMB 0'000

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	Guaranteed amount	Commencement date of guarantee (signing date of agreement)	Inception date of guarantee	Expiry date of guarantee	Type of guarantee	Whether the obligation guaranteed has been discharged	Whether the obligation guaranteed has become overdue	Amount of the overdue obligation guaranteed	Whether there's a counter guarantee
Appotronics Corporation Limited	Headquarters	CINE APPO Laser Cinema	Controlled subsidiary	70,000	May 31, 2020	May 31, 2020	Three years after the due	Joint and several liability	No	No		No

d		Technology (Beijing) Co., Ltd.					date for the obligations under the master contract	ity				
Appotronics Corporation Limited	Headquarters	CINE APPO Laser Cinema Technology (Beijing) Co., Ltd.	Controlled subsidiary	6,000	June 27, 2019	June 27, 2019	June 26, 2023	Joint and several liability	No	No		No
Appotronics Corporation Limited	Headquarters	Formoive (Beijing) Technology Co., Ltd.	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	Formoive (Beijing) Technology Co., Ltd.	Controlled subsidiary	10,000	December 1, 2020	Initial utilization date or actual date of utilization under the financing letter	Two years after the latest due date of the loans under the financing letter	Joint and several liability	No	No		No
Appotronics Corporation Limited	Headquarters	Formoive (Beijing) Technology Co., Ltd.	Controlled subsidiary	10,000	July 1, 2020	July 1, 2020	Three years after the due date for the oblig	Joint and several liability	No	No		No





**(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. Use of offering proceeds**

√ Applicable □ N/A

In RMB 0'000

Total offering proceeds		106,247.08				Total offering proceeds used in this year		12,624.40				
Total offering proceeds with the purpose changed		0				Cumulative total offering proceeds used		45,223.24				
Proportion of total offering proceeds with the purpose changed (%)		0										
Investment project promised	Change d project, including partial change (if any)	Total offering proceeds committed	Post-adjustment total investment	Committed investment amount by the end of the period①	Amount invested in this year	Cumulative amount invested by the end of the period②	Difference between the cumulative amount invested and the committed investment amount by the end of the period ③=②-①	Investment progress by the end of the period (%) ④=②/①	Date for the project to reach the working condition for its intended use	Benefits realized in the current year	Whether exceed expected benefits	Material changes in the project feasibility
R&D and industrialization of new generation of laser display products	No change	31,300.00	31,300.00	31,300.00	5,725.36	8,871.47	-22,428.53	28.34	March 2022	-	N/A	No
R&D center at the head office of Appotronics	No change	28,400.00	28,400.00	28,400.00	1,044.70	1,307.10	-27,092.90	4.6	August 2022	N/A	N/A	No

Information system upgrade and building	No change	7,000.00	7,000.00	7,000.00	750.61	1,505.17	-5,494.83	21.5	March 2022	N/A	N/A	No
Supplementary working capital	No change	33,300.00	33,300.00	33,300.00	5,103.73	33,539.50		100.72	N/A	N/A	N/A	No
Total	-	100,000.00	100,000.00	100,000.00	12,624.40	45,223.24	-55,016.26	-	-		-	-
Reason for not reaching the planned progress (by specific investment project)	<p>1. The head office of the Company is still in construction; as a result, the R&amp;D center at the head office and the information system upgrade and building cannot be implemented in a large scale.</p> <p>2. Under the impact of COVID-19, during the implementation of the R&amp;D and industrialization of new generation of laser display products, based on the principle of ensuring quality, controlling costs, and reducing risks, the Company acted more diligently in the specific planning and use of funds for the projects, which delayed the overall implementation progress expected.</p>											
Description of material changes in project feasibility	No material change											
Early investment and replacement of offering proceeds	<p>On July 29, 2019, the <i>Proposal on Replacing Early Funds Invested with Offering Proceeds</i> was reviewed and passed at the 16<sup>th</sup> meeting of the first Board of Directors, approving the Company to replace the invested funds of RMB 18.9584 million as of July 19, 2019 with the offering proceeds, and replace the offering expenses paid in the amount of RMB 3.1056 million with the offering proceeds. The matters above have been assured by Pan-China Certified Public Accountants (Special General Partnership), which issued the <i>Assurance Report on Replacement of Funds with Offering Proceeds by Appotronics Corporation Limited</i> (Tian Jian Shen [2019] No. 7-393).</p>											
Supplement the working capital with idle offering proceeds	None											
Cash management of idle offering proceeds, and investment in relevant products	<p>On July 29, 2019, the <i>Proposal on Cash Management of Temporarily Idle Offering Proceeds</i> was reviewed and passed at the 16<sup>th</sup> meeting of the first Board of Directors. It was approved that, without affecting the normal implementation of the investment plan for offering proceeds, a maximum of RMB 900 million temporarily idle offering proceeds may be put under cash management to purchase investment products featuring high security, good liquidity, and guarantee of the principal (including but not limited to structural deposits, agreement deposits, notice deposits, term deposits, large-amount deposit note, and return notes), where the total amount for purchasing return notes shall be no more than RMB 200 million for no more than 12 months, which shall be effective within 12 months from the review and approval by the Board of Directors and Board of Supervisors. On July 21, 2020, the <i>Proposal on Cash Management of Temporarily Idle Offering Proceeds</i> was reviewed and passed at the 23<sup>rd</sup></p>											

	meeting of the first Board of Directors. It was approved that, without affecting the normal implementation of the investment plan for offering proceeds, a maximum of RMB 670 million temporarily idle offering proceeds may be put under cash management to purchase investment products featuring high security, good liquidity, and guarantee of the principal (including but not limited to structural deposits, agreement deposits, notice deposits, term deposits, large-amount deposit note, and return notes), where the total amount for purchasing return notes shall be no more than RMB 200 million for no more than 12 months, which shall be effective within 12 months from the review and approval by the Board of Directors and Board of Supervisors.
Supplement working capital or repay bank loans with excess offering proceeds	None
Balance of offering proceeds and reasons thereof	N/A
Other use of offering proceeds	None

[Note] During the project, the total wealth management returns of RMB 2.3950 million were realized from the special account of supplementary working capital, which have been put into use in the project (supplementary working capital). As of the date of approval for issue of this Report, the special account (Huaxia Bank Co., Ltd. Houhai Branch, account number: 10869000000251463) has been deregistered. The interest RMB 1,418.11 incurred after the project has been paid to the basic account of the Company to be used as supplementary working capital.

**XVI. Other significant matters**

Applicable  N/A

**XVII. 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. Welcome regulations and make compliant disclosure to respond to concerns of shareholders**

The Board Secretary of the Company is responsible for external information disclosure. The Company has designated *Shanghai Securities News*, *China Securities Journal*, *Securities Times*, and *Securities Daily* as the newspaper and website for information disclosure. During the reporting period, we have always 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 *Guidelines on the Application of Self-Regulation Rules for Companies Listed on the STAR Market No. 1 - Regulated Operation* 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. In 2020, we disclosed 4 true, accurate, and complete regular reports; promptly disclosed 147 interim announcements on the resolutions of the general meeting and use of offering proceeds, and voluntarily disclosed the English version of our regular reports, announcement on the recovery of the cinema business, and social responsibility report. We performed the information disclosure obligations in accordance with law to promptly notify investors of significant operating updates of the Company and progress of major matters, hence protecting the legitimate rights of investors.

**2. Innovate channels for communicating with investors to deliver the investment value of the company from multiple perspectives**

In 2020, we made 30+ roadshows in the form of strategy meetings with securities companies, on-site reception at the Company, teleconferences, online Q&A, etc., and communicated with 110+ buyer and seller institutions and over 240 person-times. We held performance briefings via video or telephone for the annual report, semiannual report, and third quarter report to build the bridge for

communication between the management of the Company and the capital market. We communicated with and answered the queries of 190+ investors via the investor hotline. We received 30+ queries in SSE E-Interaction, and replied to all the queries. Meanwhile, in consideration of the video dissemination, we opened a WeChat video account to deliver performance interpretation, business progress, management interview, and other updates of the Company to investors more vividly.

### **3. Improve the profit distribution policy and enhance the mechanism of returns to investors**

The Company reviews 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.

## **2. Protection of the rights and interests of employees**

√ Applicable □ N/A

### **2.1 Employee structure**

At the end of 2020, we have a total of 1,170 employees at the average age of 32, including 456 employees below 30, representing 44% of the total employees. The ratio of male to female employees is 7:3. Male employees are slightly more than female employees, which is in line with the characteristics of the technology industry.

The company has 369 R&D persons, accounting for 31.54% of the total number of employees. 31.71% R&D persons hold a master or doctor degree, while nearly 90% R&D persons hold a bachelor's or higher degree. The core R&D team is led by the internationally leading talent in the laser display field, and attracted R&D staff graduated from well-known domestic and foreign universities covering optical, electronics, materials, physics, mechanical designing, fine manufacturing, etc.

### **2.2 Compensation and benefits of employees**

Based on the development objective and talent policy of the Company, we regulate the remuneration management on the basic idea of “matching the market environment, reflecting the value of talents, and achieving incentive effects”. We combine guaranteed benefits with incentives in balanced consideration of internal fairness and market competitiveness to achieve “consistency between responsibilities and rights, consistency between capabilities and value, and consistency between performance and benefits” in the allotment of employee remunerations.

With reference to the operating conditions, objective achievement, and business characteristics of the Company, we have formulated a corresponding incentive plan focusing on performance to inspire teams and individuals with outstanding performance, containing profit sharing bonus, patent rewards, major innovation rewards, sales commissions, sales rewards, ranking rewards (outstanding employee, quarterly/annual honour awards), and talent spotter rewards.

### **2.3 Career development of employees**

We classified all positions into 5 position groups according to the position contribution, nature of work, and the professional knowledge and skills required - management group, technology group, professional group, marketing group, and operation group, set separate career development channels for different position groups, and formulated the *Provisions on Employee Promotion Management* to provide effective guidelines for the development of employees.

Meanwhile, we make every effort for resource building, helping talents to achieve rapid development on the Appotronics platform. After the efforts for years, we have gradually established a sound talent training system: the “Star Light Program” for the development of college graduates, the “Sharp Light Program” for the development of grassroots managers, and the “Polar Light Program” for the development of middle managers. The continuous talent input and intensive culture inheritance in the training at both the primary and middle level effectively support the stable development of the Company.

### **2.4 Diversified training mechanisms**

We comprehensively implement the three-level training management system - training programs at the Company level, universal capability training at the central level, and field-specific capability training at the department level. The layered and multiple-perspective trainings provide a learning and exchange platform for employees, hence cultivating all-round talents required by our business and achieving win-win results of corporate development and personal development. In 2020, we organized 608 training sessions for a total of 16,500 training hours, which effectively meet the demands for employee personal capability development and organization capability improvement, which received the employee satisfaction of 9 out of 10 scores.

### **2.5 Other employee benefits**

#### **2.5.1 Elect employee representatives to participate in the governance of the Company**

The trade union started the registration of representative candidates for the “Second Meeting of Employee Representatives” on April 29, 2020 and carried out the election on May 7, 2020 to elect 100 employee representatives and 27 representative candidates. During the term of three years, employee representatives exercise democratic management rights and participate in the review of policies and rules involving employee interests. All regular employees are qualified for the election.

#### **2.5.2 Safeguarding the travel safety at night**

We have enabled the Didi corporate version so that all employees may call for cars free of charge by using the Didi corporate version; this solves the safety concerns of employees after overtime work at night. To ensure equal benefits for employees driving to work, the Company negotiated with the property management company to provide employees leaving at night with the benefit of free parking for the day.

#### **2.5.3 Annual physical examination for all employees**

We cooperate with physical examination institutions to provide all employees with health physical examination. In 2020, under the impact of COVID-19, the physical examination of all employees is planned between the middle of December to the middle of March 2021. All employees who have joined the Company for three months are qualified for this benefit.

#### **2.5.4 Free dinner**

We provide free dinners for all employees. Employees may claim for a dinner ticket after 6:30 in the evening to take the free dinner at the designated dining hall with the ticket.

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

√ Applicable □ N/A

#### **1. Implement strict quality control to ensure quality output**

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.

#### **2. Continuously optimize services to improve customer experience**

Our service team implements the service idea of “customer foremost” and abide by the national standard *Evaluation System for After-sales Service of Commodity* and our internal after-sales service



management requirements to carry out internal inspection and management review, constantly optimize the service procedure, enhance monitoring and management, and continuously improve the service system. We safeguard the legitimate rights and interests of the suppliers, customers and consumers through the measures stated above.

### 3. Innovate the service mode to support customers in reducing costs and improving efficiency

For the cinema projector market, we took the lead in releasing “Laser as a Service” for cinema laser light sources in the industry. 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, therefore truly achieve “cost reduction and efficiency improvement”.

### 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.

Abbr eviation	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.

#### 4. Public relations and public welfare activities

√ Applicable □ N/A

##### 1. Good faith in operation

We insist on good faith in our operation. During the reporting period, neither the Company nor any director, supervisor, or senior officer was subject to investigation by a competent authority, enforcement by a judicial or disciplinary authority, or transferred to judicial authority or investigated for criminal liabilities.

##### 2. Actively perform the duties as a corporate citizen

**2.1 Compliant operation and tax payment.** We abide by the relevant national laws and regulations, operate in compliance with requirements, obey the management of the local government, accept the supervision of local regulatory authorities, and strictly fulfill our obligations as a taxpayer.

**2.2 Continuously promote employment.** We strictly abide by relevant provisions of the *Labor Law* and the *Labor Contract Law*, attach importance to the protection of employee rights and interests, follow the principles of equality, voluntariness, and coordination to provide employees with equal employment opportunities in accordance with law, so as to establish a regulated and orderly, mutually beneficial, harmonious and stable relationship to make our contributions for the national objective of “stable employment”.

##### 3. Healthcare for employees in prevention of COVID-19

At the beginning of COVID-19, we made quick judgement to establish the “pandemic-fighting Panel” to implement preventive measures such as environment sterilization, issuance of facial masks, etc. We implemented comprehensive control and prevention measures on an ongoing basis as normal activities, so as to provide employees with prevention instructions, materials, and mental care to safeguard the health and lives of all employees. None of our employees were verified or suspected of being infected in 2020.

##### 4. Take the lead in resume production to facilitate economy recovery

With a series of prevention measures and preparation made, Appotronics duly resumed production on February 10 as one of the first high-tech enterprises resuming production in Shenzhen, hence setting an exemplary role in resuming production and promoting economy recovery with safety guaranteed. On March 3, 2020, European Pressphoto Agency (EPA) took a picture of Appotronics’s cinema product shop, depicting our employees inspecting products carefully with text description. After being forwarded

by Wall Street Journal, the Guardian, Bajapress, ShutterStock, The Top 10 News, and other authoritative media, this picture was widely disseminated in the western world as the “Chinese power” amid the pandemic.

#### **5. Donate materials to empower scientific pandemic prevention and controlling**

After the occurrence of the pandemic, we immediately offered our support to the front line by providing large laser display screens to Shenzhen Disease Control Center to facilitate visualization of medical data, hence offering our help in releasing pandemic information, patient diagnosis, and tracking of suspected patients and traces in real time, and in video conferences with governments at various levels and medical institutions.

Meanwhile, we donated customized laser smart projectors equipped with keyboards and mouse for interaction to medical teams went to Wuhan. Such mobile, portable, high-definition, and high-brightness smart mini projectors adopt the principle of reflection display, hence generating no direct lights to eyes and no blue lights to avoid visual fatigue after viewing for a long period of time. During the period of preventing and controlling the pandemic, smart mini projectors may be used as auxiliary devices for online education to help children of those went to Wuhan take “online lessons” in a safe way, solving the concerns of the medical staff so that they may focus on fighting COVID-19 without worrying about their home, and being a reassuring and hart-warming “rear area” for the frontline soldiers fighting the pandemic.

#### **6. Care eyes with laser display to protect the vision of teenagers**

At the beginning of 2020, student learning never stopped despite the shut down of schools. Parents were worried about the eyes of children since children had to take lessons using display screens. The *People’s Daily*, *Health Times*, and many ophthalmology professions and education experts advocated high-definition projector for taking online lessons, and recommended, in order, projectors, liquid crystal TVs, and LED displays. Formoive, a subsidiary of Appotronics, intensified efforts on smart mini projector products to release Formoive projector Smartpro, Voguepro, and other products. Such products have the features of reflection light and diffuse reflection for eyes, hence protecting teenagers from blue light damages from mobile phones, tablet computers, liquid crystal display screens, helping children take lessons effectively while caring for eyes, so parents are more reassured.

#### **7. Innovate application scenarios for laser display to care about the mental health of children**

In 2020, Appotronics cooperated with Shenzhen Children’s Hospital to build a creative anesthesia induction room with laser display technologies. The integrated solution created a virtual 3D dynamic space for children to achieve the natural and immersive effects, hence realizing “no physical pain” and “no mental hurt” in children anesthesia. Children may be accompanied by their parents through a “underwater world” before entering the operating room and go into sleep step by step. Such drugless anesthesia induction effectively relieves the anxiety of children to protect their mental health.

#### **8. Establish a system to support social welfare as normal activities**

By combining the strategic objectives with the actual requirements for social development, the Company made a plan for social welfare to support industry development, environment protection, education grants, charity donation, and employee care. We make the plan and budget for social welfare activities every year, which activities will be implemented and organized by the trade union and the Human Resources Department.

#### **9. Be awarded as the “Most Socially Responsible Listed Company”**

In November 2020, *National Business Daily* released the 10<sup>th</sup> ranking of Chinese listed companies covering companies listed on Chinese mainland, Hong Kong, and US stock markets. Appotronics distinguished itself as the “Most Socially Responsible Listed Company” on the ranking of Chinese listed companies. Moreover, at the Second Social Responsibility Forum of Shenzhen Enterprises & Award Ceremony sponsored by *Nanfang Daily*, Appotronics was granted the “Award of Social Responsibility”.

### **(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. After the treatment, 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*. In addition, 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

**XVIII 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	Percentage (%)	New shares	Bonus shares	Capitalization of capital reserve	Others	Subtotal	Number	Percentage (%)
I. Non-tradable shares	394,361,498	87.33				-224,904,732	-224,904,732	169,456,766	37.43
1. Shares held by the State									
2. Shares held by State-owned corporations									
3. Shares held by other domestic investors	243,665,462	53.96				-78,202,707	-78,202,707	165,462,755	36.55
Where: Shares held by domestic non-stated-owned corporations	233,615,923	51.73				-68,153,168	-68,153,168	165,462,755	36.55
Shares held by domestic natural persons	10,049,539	2.23				-10,049,539	-10,049,539	0	0.00
4. Shares held by foreign investors	150,696,036	33.37				-146,702,025	-146,702,025	3,994,011	0.88
Where: Shares held by foreign corporations	135,203,427	29.94				-131,209,416	-131,209,416	3,994,011	0.88
Shares held by foreign	15,492,609	3.43				-15,492,609	-15,492,609	0	0.00

natural persons									
II. Tradable shares	57,192,913	12.67	1,202,490			224,904,732	226,107,222	283,300,135	62.57
1. RMB-denominated ordinary shares	57,192,913	12.67	1,202,490			224,904,732	226,107,222	283,300,135	62.57
2. Foreign currency-denominated shares listed domestically									
3. Foreign currency-denominated shares listed overseas									
4. Others									
III. Total ordinary shares	451,554,411	100	1,202,490			1,202,490	1,202,490	452,756,901	100



**2. Explanation about changes in ordinary shares**

√ Applicable □ N/A

During the reporting period, we completed the share registration for the first vesting period in the initial grant of the restricted share incentive plan 2019. On November 27, 2020, 147 grantees of share incentives completed vesting registration with 1.20249 million shares eligible for trading on the market, representing 0.27% of the Company total shares prior to the vesting. After this vesting was completed, the total shares of the Company changed from 451,554,411 shares to 452,756,901 shares. For details, refer to the *Announcement of Appotronics Corporation Limited on the Vesting Result for the First Vesting Period in the Initial Grant of the Restrict Share Incentive Plan 2019 and Listing of Shares* published on www.sse.com.cn on November 25, 2020 (No. 2020-067).

**1. 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 completed the share registration for the first vesting period in the initial grant of the restricted share incentive plan 2019, which increased the share capital by RMB 1,202,490 and the capital reserve by RMB 19,750,898.25.

In RMB

Item	2020	2020 (calculated on the same basis) (Note)
Basic earnings per share	0.25	0.25
Diluted earnings per share	0.25	0.25
Net assets per share attributable to the shareholders of ordinary shares of the listed company	4.62	4.59

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 2020 calculated on the same basis are calculated supposing that the ordinary shares remained unchanged in 2020.

**2. 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, 2020	Number of non-tradable shares unlocked in 2020	Number of non-tradable shares increased in 2020	Balance of non-tradable shares as at December 31, 2020	Reason for restriction	Unlock date
SAIF IV Hong Kong (China Investments) Limited	62,980,676	62,980,676	0	0	Non-tradable pre-IPO shares	July 22, 2020
CITIC PE Investment (Hong Kong) 2016 Limited	41,774,562	41,774,562	0	0	Non-tradable pre-IPO shares	July 22, 2020
Fuzhou Haixia Appotronics Investment Partnership (LP)	25,064,737	25,064,737	0	0	Non-tradable pre-IPO shares	July 22, 2020
Green Future Holdings Limited	16,504,518	16,504,518	0	0	Non-tradable pre-IPO shares	July 22, 2020
Changzhou Lisheng Equity Investment Partnership (LP)	11,667,635	11,667,635	0	0	Non-tradable pre-IPO shares	July 22, 2020
Shenzhen Guochuang Chenggu Capital Management Co., Ltd. - Shenzhen Chengguhui Equity Investment Partnership (LP)	10,443,640	10,443,640	0	0	Non-tradable pre-IPO shares	July 22, 2020
CAI Kunliang	10,049,539	10,049,539	0	0	Non-tradable pre-IPO shares	July 22, 2020
CUI Jingtao	9,658,792	9,658,792	0	0	Non-tradable pre-IPO shares	July 22, 2020
Smart Team Investment Limited	6,799,660	6,799,660	0	0	Non-tradable pre-IPO shares	July 22, 2020

ZHENG Yongshi	5,833,817	5,833,817	0	0	Non-tradable pre-IPO shares	July 22, 2020
Shenzhen Liansong Capital Management Partnership (LP)	5,833,817	5,833,817	0	0	Non-tradable pre-IPO shares	July 22, 2020
Shenzhen Shanqiao Capital Management Partnership (LP)	5,320,000	5,320,000	0	0	Non-tradable pre-IPO shares	July 22, 2020
Huatai Appotronics Employee Stock Ownership Plan - Jiayuan I Collective Asset Management Plan	4,548,685	4,548,685	0	0	Non-tradable strategic allotted shares in IPO	July 22, 2020
LIGHTZONE LIMITED	3,150,000	3,150,000	0	0	Non-tradable pre-IPO shares	July 22, 2020
Shenzhen Hongtu Kongque Venture Capital Investment Co., Ltd.	1,736,252	1,736,252	0	0	Non-tradable pre-IPO shares	July 22, 2020
Off-line allotment plan	3,538,402	3,538,402	0	0	Non-tradable off-line allotted shares in IPO	January 22, 2020
Total	224,904,732	224,904,732	0	0	/	/

## II. Issuance and listing of securities

### (I) Securities issued during the reporting period

Applicable  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

### (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 completed the share registration for the first vesting period in the initial grant of the restricted share incentive plan 2019. On November 27, 2020, 147 grantees of share incentives completed vesting registration with 1.20249 million shares eligible for trading on the market, representing 0.27% of the Company total shares prior to the vesting. After this vesting was completed, the total shares of the Company changed from 451,554,411 shares to 452,756,901 shares. For details, refer to the *Announcement of Appotronics Corporation Limited on the Vesting Result for the First Vesting Period in the Initial Grant of the Restrict Share Incentive Plan 2019 and Listing of Shares* published on www.sse.com.cn on November 25, 2020 (2020-067).

### 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	15,616
Total number of shareholders of ordinary shares as of the end of the month immediately prior to the issue date of this annual report	13,653
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 (Full name)	Change during the reporting period	Balance of shares held as at the end of the reporting period	Percent age (%)	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		Share holder nature
						Share status	N u m b e r	

Shenzhen Appotronics Holdings Limited	0	79,762,679	17.62	79,762,679	79,762,679	None	0	Domestic non-stated owned corporation
SAIF IV Hong Kong (China Investments) Limited	-9,066,941	53,913,735	11.91	0	0	None	0	Foreign corporation
CITIC PE Investment (Hong Kong) 2016 Limited	-4,361,530	37,413,032	8.26	0	0	None	0	Foreign corporation
Nantong Strait Appotronics Investment Partnership (LP)	0	25,064,737	5.54	0	0	None	0	Domestic non-stated owned corporation
Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP)	0	24,139,500	5.33	24,139,500	24,139,500	None	0	Domestic non-stated owned corporation
Shenzhen Appotronics Daye Investment Partnership (LP)	0	20,430,250	4.51	20,430,250	20,430,250	None	0	Domestic non-stated owned corporation

GREEN FUTURE HOLDINGS LIMITED	0	16,504,518	3.65	0	0	None	0	Foreign corporation
Shenzhen Appotronics Hongye Investment Partnership (LP)	0	15,662,374	3.46	15,662,374	15,662,374	None	0	Domestic non-stated owned corporation
Shenzhen Jinleijing Investment Limited Partnership (LP)	0	12,353,106	2.73	12,353,106	12,353,106	None	0	Domestic non-stated owned corporation
Shenzhen Chengguhui Equity Investment Partnership (LP)	0	10,443,640	2.31	0	0	None	0	Domestic non-stated owned corporation

## Shares held by top 10 holders of tradable shares

Shareholder	Number of tradable shares held	Type and number of shares	
		Category	Number
SAIF IV Hong Kong (China Investments) Limited	53,913,735	RMB-denominated ordinary share	53,913,735
CITIC PE Investment (Hong Kong) 2016 Limited	37,413,032	RMB-denominated ordinary share	37,413,032
Nantong Strait Appotronics Investment Partnership (LP)	25,064,737	RMB-denominated ordinary share	25,064,737
GREEN FUTURE HOLDINGS LIMITED	16,504,518	RMB-denominated ordinary share	16,504,518
Shenzhen Chengguhui Equity Investment Partnership (LP)	10,443,640	RMB-denominated ordinary share	10,443,640
Smart Team Investment Limited	6,799,660	RMB-denominated ordinary share	6,799,660

CAI Kunliang	6,096,243	RMB-denominated ordinary share	6,096,243
ShenZhen Xiaoxiang Junyi Asset Management Co., Ltd. - Junyi Hongcheng Private Securities Investment Fund	5,849,872	RMB-denominated ordinary share	5,849,872
Shenzhen Liansong Capital Management Partnership (LP)	5,833,817	RMB-denominated ordinary share	5,833,817
Huaxia SSE STAR Market 50 Constituent Trading Open-end Index Securities Investment Fund	4,713,113	RMB-denominated ordinary share	4,713,113
Affiliates or concert parties among the shareholders stated above	<p>1. As of December 31, 2020, 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 <i>Administrative Measures for the Acquisition of the Listed Companies</i> among other shareholders.</p>		
Holders of preferred shares whose voting right has been restituted and the number of shares held by them	N/A		

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

√ Applicable □ N/A

Unit: Share

No.	Holder of non-tradable shares	Number of non-tradable shares held	Unlocking of non-tradable shares		Lock-up period
			Unlock date	Number of shares newly unlocked	
1	Shenzhen Appotronics Holdings Limited	79,762,679	July 22, 2022	0	36 months after the listing date
2	Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP)	24,139,500	July 22, 2022	0	36 months after the listing date
3	Shenzhen Appotronics Daye Investment Partnership (LP)	20,430,250	July 22, 2022	0	36 months after the listing date

4	Shenzhen Appotronics Hongye Investment Partnership (LP)	15,662,374	July 22, 2022	0	36 months after the listing date
5	Shenzhen Jinleijing Investment Limited Partnership (LP)	12,353,106	July 22, 2022	0	36 months after the listing date
6	Shenzhen Appotronics Chengye Consulting Partnership (LP)	10,394,846	July 22, 2022	0	36 months after the listing date
7	BLACKPINE Investment Corp. Limited	3,994,011	July 22, 2022	0	36 months after the listing date
8	Huatai Venture Capital Investment Co., Ltd.	2,720,000	July 22, 2021	0	24 months after the listing date
Affiliates or concert parties among the shareholders stated above		As of December 31, 2020, among the shareholders of the restricted shares above, Appotronics Holdings, Yuanshi, Appotronics Daye, Appotronics Hongye, Jinleijing, Appotronics Chengye, and BLACKPINE Investment Corp. Limited are concert parties. We have not received any notice about affiliates or concert parties among other shareholders stated above.			

**Statement of top 10 holders of domestic depository receipts as of the end of the reporting period**

Applicable  N/A

**Number of non-tradable depository receipts held by top 10 holders and lock-up period**

Applicable  N/A

**(III) Statement of top 10 shareholders by number of votes held as of the end of the reporting period**

Applicable  N/A

**(IV) Strategic investors or general corporations that become top shareholders as a result of allotment of new shares/depository receipts**

Applicable  N/A

**(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	Unlock date	Changes during the reporting period	Closing number of non-tradable
-------------	-----------------------------	-------------	-------------------------------------	--------------------------------



	receipts allotted			shares held, including the shares/depository receipts lent out under the refinancing arrangement
Huatai Appotronics Employee Stock Ownership Plan - Jiayuan I Collective Asset Management Plan	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	Changes during the reporting period	Closing number of non-tradable shares held, including the shares/depository receipts lent out under the refinancing arrangement
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 Legal person

√ Applicable □ N/A

Name	Shenzhen Appotronics Holdings Limited
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

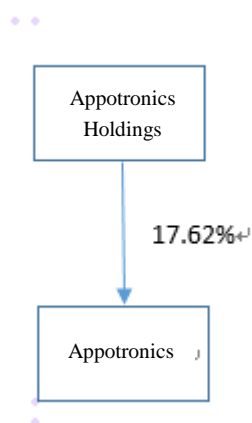
Applicable  N/A

## 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 Legal person

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	None

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

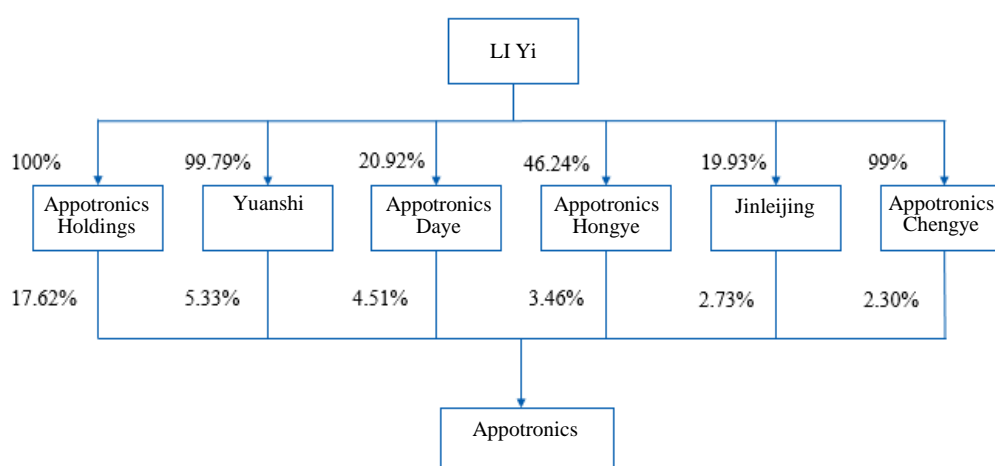
Applicable  N/A

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

Applicable  N/A

**5 Illustration of shareholding and controlling relation between the Company and its ultimate controlling shareholder**

Applicable  N/A

**6 The actual controller controls the Company by means of trust or other assets management**

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, PakTaoWan	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)	Whether key technical staff	Gender	Age	Beginning date of term of office	Expiry date of term of office	Number of shares held as at January 1, 2020	Number of shares held as at December 31, 2020	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	Yes	Male	50	July 18, 2018	July 17, 2021	/	/	/	/	319.39	No
YAN Yan	Director	No	Male	64	July 18, 2018	July 17, 2021	/	/	/	/	10.00	Yes
WU Bin	Director	No	Male	50	July 18, 2018	July 17, 2021	/	/	/	/	0.00	Yes
BO Lianming	Director & General Manager	No	Male	58	July 18, 2018	July 17, 2021	0	30,000	30,000	Share incentive	332.40	No
NING Xiangdo	Independent	No	Male	55	July 18, 2018	July 17, 2021	/	/	/	/	17.00	No

ng	director												
TANG Guliang	Independent director	No	Male	58	July 18, 2018	July 17, 2021	/	/	/	/		17.00	No
ZHANG Wei	Independent director	No	Male	45	July 18, 2018	July 17, 2021	/	/	/	/		17.00	No
WU Bin	Deputy General Manager	No	Male	56	July 18, 2018	July 17, 2021	0	30,000	30,000	Share incentive		100.05	No
HU Fei	Deputy General Manager & key technical staff	Yes	Male	40	July 18, 2018	July 17, 2021	0	30,000	30,000	Share incentive		157.68	No
LI Lu	Deputy General Manager	No	Male	50	July 18, 2018	July 18, 2021	0	30,000	30,000	Share incentive		142.56	No
ZHAO Ruijin	Financial Director	No	Male	43	July 18, 2018	July 17, 2021	0	15,000	15,000	Share incentive		70.27	No
YAN Li	Board Secretary	No	Female	37	May 19, 2020	July 17, 2021	0	15,000	15,000	Share incentive		58.29	No
GAO Lijing	Chairman of the Board of Supervisors	No	Female	41	July 18, 2018	July 17, 2021	/	/	/	/		96.99	No
LIANG Rong	Supervisor	No	Male	50	July 18, 2018	July 17, 2021	/	/	/	/		52.35	No
WANG Yanyun	Supervisor	No	Female	44	July 18, 2018	July 17, 2021	/	/	/	/		39.40	No
YU Xin	Key technical staff	Yes	Male	41	/	/	0	15,000	15,000	Share incentive		76.96	No

WU Xiliang	Key technical staff	Yes	Male	46	/	/	0	9,000	9,000	Share incentive	53.74	No
WANG Lin	Key technical staff	Yes	Male	40	/	/	0	15,000	15,000	Share incentive	58.03	No
GUO Zuqiang	Key technical staff	Yes	Male	31	/	/	0	12,000	12,000	Share incentive	64.10	No
ZENG Luhai	Former Deputy General Manager	No	Male	45	April 16, 2019	January 23, 2020	/	/	/	/	9.89	No
XIAO Yangjian	Former Board Secretary & Deputy General Manager	No	Male	37	July 18, 2018	May 19, 2020	/	/	/	/	22.84	No
Total	/	/	/	/	/	/	/	201,000	201,000	/	1,715.94	/

Note: The table above shows shares directly held by the directors, supervisors, senior officers, and key technical staff personally in the Company.

At the end of the reporting period, indirect shareholding is as follows: LI Yi holds shares as described in “Section VI IV (II) Actual controller”; YAN Yan holds shares in the Company indirectly through Light Zone; BO Lianming holds shares in the Company by directly and indirectly holding shares in Appotronics Daye; WU Bin holds shares in the Company indirectly through Appotronics Hongye, Liansong Capital, and Jinleijing; HU Fei, GAO Lijing, LIANG Rong, WANG Yanyun, and WU Xiliang hold shares in the Company through Appotronics Hongye and by indirectly holding shares in Appotronics Daye; ZHAO Ruijin holds shares in the Company by indirectly holding shares in Appotronics Daye; YU Xin and GUO Zuqiang hold shares in the Company indirectly through Appotronics Daye; WANG Lin holds shares in the Company indirectly through Appotronics Hongye. No change occurred to the indirect shareholding above during the reporting period. During the reporting period, LI Yi, BO Lianming, WU Bin, LI Lu, and GAO Lijing participated in the IPO strategic allotment 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.
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 Formoive 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.
YAN Li	Ms. YAN Li, Chinese, holding no overseas permanent residence rights, holds a bachelor's degree. She previously worked as the securities affairs representative at Midea Appliances (000527) and Midea Group (000333), and board secretary at Yinghe Technology (300457). She joined Appotronics in May 2017, and has been working as the Board Secretary since May 2020.
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. from 2008 to 2020, 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 Formoive 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	100,000	0	17.425	30,000	30,000	70,000	18.55
WU Bin	Deputy General Manager	100,000	0	17.425	30,000	30,000	70,000	18.55
HU Fei	Deputy General Manager & CTO	100,000	0	17.425	30,000	30,000	70,000	18.55
LI Lu	Deputy General Manager	100,000	0	17.425	30,000	30,000	70,000	18.55
ZHAO Ruijin	Financial Director	50,000	0	17.425	15,000	15,000	35,000	18.55
YAN Li	Board Secretary	50,000	100,000	17.425	15,000	15,000	135,000	18.55
YU Xin	Key technical staff	50,000	0	17.425	15,000	15,000	35,000	18.55
WANG Lin	Key technical staff	50,000	0	17.425	15,000	15,000	35,000	18.55
GUO Zuqiang	Key technical staff	40,000	0	17.425	12,000	12,000	28,000	18.55
WU Xiliang	Key technical staff	30,000	0	17.425	9,000	9,000	21,000	18.55
Total	/	670,000	100,000	/	201,000	201,000	569,000	/

## 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	Beginning date of	Expiry date of
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		shareholder	term of office	term of office
LI Yi	Shenzhen Appotronics Holdings Limited	Executive Director & General Manager	January 2014	/
LI Yi	Shenzhen Appotronics Deye Investment Partnership (LP)	Representative of Managing Partner	October 2016	/
LI Yi	Shenzhen Appotronics Hongye Investment Partnership (LP)	Representative of Managing Partner	December 2015	/
LI Yi	Shenzhen Jinleijing Investment Limited Partnership (LP)	Representative of Managing Partner	October 2016	/
LI Yi	Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP)	Representative of Managing Partner	June 2016	/
LI Yi	Shenzhen Appotronics Chengye Consulting Partnership (LP)	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	Beijing Panmao Consulting Co., Ltd.	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	Shenzhen Appotronics Deye Consulting Partnership (LP)	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	General Manager & Executive	January 2017	

	Management Enterprise (LP)	Director		
LI Yi	Shenzhen Qingda Yifeng Investment Consulting Partnership (LP)	Managing Partner	October 2016	
LI Yi	Shenzhen Lighting Institute	Director & Sponsor	November 2016	October 2019
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	
LI Yi	WeCast Technology Corp.	Executive Director	August 2020	
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 &	July 2008	

		Chairman		
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	November 2020
YAN Yan	Beijing Blue Focus Brand Management Co. Ltd.	Independent director	March 2014	May 2020
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	August 2020
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	August 2020

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	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	November 2020
YAN Yan	Shanghai Welltech Automation Co., Ltd.	Director	June 2019	October 2020
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	July 2020
WU Bin	Shaanxi Xifeng 15-Year and 6-Year Liquor Marketing Co., Ltd.	Director	2013	
WU Bin	Hangzhou BroadLink Electronic Technology Co., Ltd.	Director	2018	
WU Bin	Pine Medical Limited	Director	2019	
WU Bin	Hong Kong Excellence Limited	Director	2019	
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	
TANG Guliang	Jointown Pharmaceutical Group Co., Ltd.	Independent director	November 2020	
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	August 2020
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	August 2020
ZHANG Wei	360 Security Technology Inc.	Vice President	February 2019	
ZHANG Wei	360 Technology Group Co., Ltd.	Director	January 2021	
ZHANG Wei	Tianjin 360 Technology Development Co., Ltd.	Director	February 2021	
ZHANG Wei	Hangzhou Qifei Huachuang Technology Co., Ltd.	Director	January 2021	
ZHANG Wei	Shanghai Jiehu Network Technology Co., Ltd.	Executive Director & Manager & Legal Representative	January 2021	
ZHANG Wei	Shanghai 360 Changfeng Technology Co., Ltd.	Director & Legal Representative	November 2020	
ZHANG Wei	Shenzhen Zhuoying Technology Co., Ltd.	Director	June 2020	
ZHANG Wei	Lida Lianma (Zhuhai) Equity Investment Management Co.,	Director	July 2020	

	Ltd.			
ZHANG Wei	Dongguan Vanke City Development Co., Ltd.	Supervisor	October 2015	
ZHANG Wei	Yangshuo Banyan Tree Hotel Co., Ltd.	Director	September 2018	
ZHANG Wei	Zhenro Services Group Co., Ltd.	Director	June 2020	
GAO Lijing	Netac Technology Co., Ltd.	Supervisor	January 2008	July 2020
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 salaries and bonuses, where the salaries are paid on a monthly basis according to the ranks and duties of the senior officers, and the 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,	1,463.12

supervisors and senior officers as of the end of the reporting period	
Total remunerations paid to key technical staff as of the end of the reporting period	729.91

Note: Dr. LI Yi, Chairman of the Company, and Dr. HU Fei, Deputy General Manager of the Company, are key technical staff of the Company, and the remunerations actually paid to key technical staff at the end of the reporting period contain their remunerations.

#### 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	Personal career development
XIAO Yangjian	Board Secretary & Deputy General Manager	Left the Company	Personal reason

#### 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	858	
Number of active employees of major subsidiaries	312	
Total number of active employees	1,170	
Number of retired employees for whom the parent company and major subsidiaries need to pay certain expenses	2	
<b>Profession</b>		
Category	Current period	Previous period
Production staff	492	473
Sales staff	138	166
R&D staff	369	387
Financial staff	35	33
Management staff and administrative staff	136	187
Total	1,170	1,246
<b>Education</b>		
Level of education	Current period	Previous period
Doctor	24	29
Master	158	154
Undergraduate	458	486
College or below	530	577
Total	1,170	1,246

**(II) Compensation policy**√ Applicable  N/A

In order to ensure the market competitiveness externally and fairness internally of our remunerations, on the principle of performance-based distribution to create and share corporate value and improve the effectiveness of employee incentives, 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' overall compensation is 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.

**(III) Training programs**√ Applicable  N/A

We gradually improved the talent development system, including the “Star Light Program” for the development of college graduates, the “Sharp Light Program” for the development of grassroots managers, and the “Polar Light Program” for the development of middle managers. The continuous talent input and intensive culture inheritance in the training at both the primary and middle level effectively support the stable development of the Company.

In 2020, the pandemic stimulated online learning and sharing internally. By applying the online learning platform, combining various training forms, and integrating theory with practice in training, we further enhance the three-level training and management system to integrate training programs at the Company level, universal capability training at the central level, and field-specific capability training at the department level, which received the employee satisfaction of 9 out of 10 scores. We organized 608 training sessions for a total of 16,500 training hours this year, which effectively meet the demands for employee personal capability development and organization capability improvement. In 2020, we intensified the efforts of improving the lecturer system - nearly 300 internal lecturers presented training sessions for their departments or for other departments. The system of internal lecturers provides a stage for backbone employees to share their knowledge and experience, and helps to cultivate the team atmosphere of sharing with and learning from each other.

In 2021, we will further improve the training system - with the core objective of improving the organization performance and product development intended for solving problems, we will empower key personnels with capabilities to solve actual problems and develop various professional knowledge/skill courses for backbone elites in various fields. With project-based capability development and professional skill-based course learning, we will build a complete ecology chain of internal talent provision within 2 years. With backbone talents trained internally combined with elites attracted externally, we can build a hierarchical system consisting of outstanding talents with a reasonable structure to promote the sustainable rapid development of the Company.

#### (IV) Outsourced workers

√ Applicable □ N/A

Total man-hours of outsourced workers	35,299 hours
Total remunerations paid to outsourced workers	RMB 784,381.85

#### 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 fully 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.

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

Applicable  N/A

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
Annual general meeting of shareholders in 2019	May 22, 2020	www.sse.com.cn	May 23, 2020
1 <sup>st</sup> extraordinary general	August 7, 2020	www.sse.com.cn	August 8, 2020

meeting of shareholders in 2020			
2 <sup>nd</sup> extraordinary general meeting of shareholders in 2020	September 3, 2020	www.sse.com.cn	September 4, 2020
3 <sup>rd</sup> extraordinary general meeting of shareholders in 2020	November 13, 2020	www.sse.com.cn	November 14, 2020

Explanation about the general meetings of shareholders

√ Applicable □ N/A

All proposals submitted to the general meeting have been reviewed and passed.

### III. Performance of duties by the directors

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

Director Name	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 2020	Meetings attended in person	Meetings attended through communication equipment	Meetings attended by proxy	Absence times	Whether the director has been absent from two consecutive meetings	General meetings of shareholders attended
LI Yi	No	8	2	6	0	0	No	4
YAN Yan	No	8	0	8	0	0	No	4
WU Bin	No	8	1	7	0	0	No	4
BO Lianming	No	8	2	6	0	0	No	4
NING Xiangdong	Yes	8	0	8	0	0	No	4
TANG Guliang	Yes	8	1	7	0	0	No	4
ZHANG Wei	Yes	8	1	7	0	0	No	4

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

□ Applicable √ N/A

Meetings of the Board of Directors held in 2020	8
Where: Face-to-face meetings	0
Meeting held through communication equipment	6
Meetings held both in the form of face-to-face meeting and through communication equipment	2



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

Applicable  N/A

**(III) Others**

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 three meetings; the Compensation and Performance Assessment Committee has held one meeting, 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

For details, refer to the *2020 Assessment Report on Internal Controls of Appotronics Corporation Limited* disclosed on [www.SSE.com.cn](http://www.SSE.com.cn) on April 24, 2021.

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

For details, refer to the *Audit Report on Internal Controls of Appotronics Corporation Limited* disclosed on [www.SSE.com.cn](http://www.SSE.com.cn) on April 24, 2021.

Whether an auditor's report on internal controls has been disclosed: Yes

Opinions in the audit report on internal controls: Standard unqualified opinion

**X. Others**

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 (hereinafter referred to as “Appotronics”), which comprise the consolidated and the Parent Company's balance sheets as at December 31, 2020, 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, 2020, 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 Auditing Standards for Certified Public Accounts of China. Our responsibilities under those standards are further described in the “Auditors' Responsibilities for Audit of Financial Statements” section of our report. We are independent of Appotronics Corporation 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 items

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.38, VII.61, and XVI.6 of Section XI.

Appotronics Corporation is mainly engaged in research, development, production, sales and leasing of laser display core devices and complete equipment. In 2020, the operating income of Appotronics Corporation amounted to RMB 1,948,884,176.83, of which sales and other incomes were RMB 1,777,151,562.17, representing 91.19% of the total operating income, and lease incomes were RMB 171,732,614.66, representing 8.81% of the total operating income.

The specific methods for revenue recognition in the current period are as follows:

(1) Revenue from sales of goods

Revenue from sales of goods denotes contractual obligations to be performed at a time point. Our sales include sales to the domestic market and sales to foreign markets.

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 according to the amount of the consideration expected to be received by the Company on the basis of transferring goods to the customer, and recognizes liabilities to write off the revenue according to the expected amount to be refunded due to the return of goods; 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. If the Company shares profits from sales of product to downstream end customers, the Company recognizes the revenue at the goods price agreed between the parties upon the delivery of goods to the customer and reconciliation, and recognizes shared revenue according to the share profit reconciliation statement when the profits from sales of goods 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) Other incomes

Other revenues of the Company denote contractual obligations to be performed at a time point/during a specific period of time. 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 patent license services provided by the Company, the Company recognizes the revenue when the patent license is delivered; 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.

(3) Lease incomes

The Company recognizes rents in profit or loss for the current period over the whole lease term on a straight line basis. Contingent rents are recognized in profit or loss in the period in which they are incurred.

As the operating income is one of Appotronics Corporation 's KPIs, there may be an inherent risk that the management of Appotronics Corporation (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) Examine major sales contracts and lease contracts, understand the major provisions or conditions thereof, and evaluate whether revenue recognition methods are appropriate;

(3) 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;

(4) 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;

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

(6) 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;

(7) 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;

(8) 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, 2020, the carrying amount of inventories of Appotronics amounted to RMB 449,109,297.76, and provisions for decline in value of inventories amounted to RMB 30,297,156.96, hence the book value of inventories amounted to RMB 418,812,140.80.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. In view of the purpose of holding inventories, the management determines the estimated selling price of inventories based on historical or actual 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 governance with respect to 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. Responsibilities of Certified Public Accountants with respect to 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 solely to you. 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.

(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. Meanwhile, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on Appotronics Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by audit standards to draw users' attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequate, we are supposed to express an unqualified 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 Corporation 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 Corporation 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)  
Chinese Certified Public Accountant:  
(Partner in Charge)

Hangzhou City, China

Chinese Certified Public Accountant:

April 22, 2021

## II. Financial statements

## Consolidated Balance Sheet

December 31, 2020

Prepared by: Appotronics Corporation Limited

In RMB

Item	Note	December 31, 2020	December 31, 2019
<b>Current Assets:</b>			
Cash and bank balances	1	1,037,760,573.27	875,858,784.58
Balances with clearing agencies			
Placements with banks and other financial institutions			
Held-for-trading financial assets	2	114,000,000.00	540,000,000.00
Derivative financial assets			
Notes receivable	3	3,726,328.91	4,042,559.63
Accounts receivable	4	341,660,832.43	176,035,155.24
Receivables financing	5	11,959,000.00	1,980,500.00
Prepayments	6	47,447,601.43	35,070,999.13
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables	7	12,534,062.15	9,618,750.08
Where: Interest receivable			
Dividend receivable			
Financial assets purchased under resale agreements			
Inventories	8	418,812,140.80	299,966,170.35
Contract assets	9	3,744,655.50	
Assets held for sale			
Non-current assets due within one year			
Other current assets	10	13,002,195.46	44,405,513.30
Total current assets		2,004,647,389.95	1,986,978,432.31
<b>Non-current Assets:</b>			
Loans and advances			
Debt investments			
Other debt investments			
Long-term accounts receivable	11	13,196,087.78	
Long-term equity investment	12	262,744,772.48	139,534,371.94
Investment in other equity instruments	13	11,975,419.38	11,975,419.38
Other non-current financial assets			
Investment property			
Fixed assets	14	447,571,328.91	471,204,340.95
Construction in progress	15	51,576,850.72	20,132,004.07
Productive biological assets			
Oil and gas assets			
Use right assets			
Intangible assets	16	320,488,235.60	332,331,324.07

Development expenditure			
Goodwill			
Long-term prepaid expenses	17	11,572,346.79	16,908,070.34
Deferred tax assets	18	96,132,114.02	109,023,941.85
Other non-current assets	19	6,299,781.06	11,420,185.94
Total non-current assets		1,221,556,936.74	1,112,529,658.54
Total assets		3,226,204,326.69	3,099,508,090.85
<b>Current Liabilities:</b>			
Short-term borrowings	20	88,778,852.86	76,765,319.05
Loans from the central bank			
Taking from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	21	116,822,674.67	37,335,841.79
Accounts payable	22	226,494,815.90	176,624,445.46
Advance from customers	23	153,258,189.88	184,444,643.33
Contract liabilities	24	31,518,312.59	
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	25	46,105,566.15	50,586,932.71
Taxes payable	26	19,871,846.94	42,924,647.79
Other payables	27	59,848,053.83	14,364,076.43
Where: Interest payable			
Dividend payable			
Fees and commissions payable			
Amounts payable under reinsurance contracts			
Liabilities held for sale			
Non-current liabilities due within one year	28	181,417,412.46	64,968,795.02
Other current liabilities	29	3,045,831.07	
Total current liabilities		927,161,556.35	648,014,701.58
<b>Non-current Liabilities:</b>			
Insurance contract reserves			
Long-term borrowings	30	64,845,281.53	279,615,107.27
Bonds payable			
Where: Preferred shares			
Perpetual bonds			
Leasing liabilities			
Long-term payables	31	3,262,450.00	3,488,100.00
Long-term employee benefits payable			
Estimated liabilities	32	28,799,354.65	27,072,676.49
Deferred income	33	16,723,257.15	17,108,361.69

Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		113,630,343.33	327,284,245.45
Total liabilities		1,040,791,899.68	975,298,947.03
<b>Owners' Equity (Shareholders' Equity):</b>			
Paid-in capital (or share capital)	34	452,756,901.00	451,554,411.00
Other equity instruments			
Where: Preferred shares			
Perpetual bonds			
Capital reserve	35	1,249,020,991.15	1,207,942,318.37
Less: Treasury shares			
Other comprehensive income	36	-3,214,291.93	3,287,063.85
Special reserve			
Surplus reserve	37	35,242,179.57	22,800,224.13
General risk reserve			
Undistributed profit	38	357,793,891.96	288,975,820.29
Total owners' (or shareholders') equity attributable to owners of the parent company		2,091,599,671.75	1,974,559,837.64
Minority interests		93,812,755.26	149,649,306.18
Total owners' (or shareholders') equity		2,185,412,427.01	2,124,209,143.82
Total liabilities and owners' (or shareholders') equity		3,226,204,326.69	3,099,508,090.85

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

**Balance Sheet of the Parent Company**

December 31, 2020

Prepared by: Appotronics Corporation Limited

In RMB

Item	Note	December 31, 2020	December 31, 2019
<b>Current Assets:</b>			
Cash and bank balances		709,932,686.71	570,479,390.49
Held-for-trading financial assets		114,000,000.00	540,000,000.00
Derivative financial assets			
Notes receivable		2,314,628.91	3,542,559.63
Accounts receivable	1	567,539,506.79	299,315,776.44
Receivables financing		100,000.00	442,500.00
Prepayments		11,001,439.23	6,410,257.48
Other receivables	2	71,654,117.57	67,227,575.21
Where: Interest receivable			
Dividend receivable			
Inventories		169,022,971.44	135,617,379.22
Contract assets		3,720,160.50	
Assets held for sale			
Non-current assets due within one year			
Other current assets		1,297,388.01	12,280,164.39
Total current assets		1,650,582,899.16	1,635,315,602.86
<b>Non-current Assets:</b>			
Debt investments			
Other debt investments			
Long-term accounts receivable		13,196,087.78	
Long-term equity investment	3	421,648,284.99	257,795,276.13
Investment in other equity instruments		7,075,419.38	7,075,419.38
Other non-current financial assets			
Investment property			
Fixed assets		57,409,189.33	60,391,512.92
Construction in progress		37,982,329.74	1,385,496.59
Productive biological assets			
Oil and gas assets			
Use right assets			
Intangible assets		319,438,893.42	330,796,423.87
Development expenditure			
Goodwill			
Long-term prepaid expenses		9,562,162.36	12,771,126.83
Deferred tax assets		6,680,188.67	9,545,438.20
Other non-current assets		5,411,561.28	6,744,453.85
Total non-current assets		878,404,116.95	686,505,147.77
Total assets		2,528,987,016.11	2,321,820,750.63
<b>Current Liabilities:</b>			
Short-term borrowings		11,410,560.27	10,217,738.36
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		32,313,678.21	37,335,841.79

Accounts payable		210,885,240.65	162,596,838.45
Advance from customers		2,688,210.54	11,116,659.11
Contract liabilities		20,609,190.34	
Employee benefits payable		28,514,763.09	26,985,668.92
Taxes payable		5,830,858.89	1,534,242.70
Other payables		23,058,804.83	42,599,703.36
Where: Interest payable			
Dividend payable			
Liabilities held for sale			
Non-current liabilities due within one year		1,001,024.66	
Other current liabilities		1,918,391.60	
Total current liabilities		338,230,723.08	292,386,692.69
<b>Non-current Liabilities:</b>			
Long-term borrowings		29,029,715.07	
Bonds payable			
Where: Preferred shares			
Perpetual bonds			
Leasing liabilities			
Long-term payables		3,262,450.00	3,488,100.00
Long-term employee benefits payable			
Estimated liabilities		16,345,891.60	14,631,273.00
Deferred income		14,450,411.10	15,724,174.30
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		63,088,467.77	33,843,547.30
Total liabilities		401,319,190.85	326,230,239.99
<b>Owners' Equity (Shareholders' Equity):</b>			
Paid-in capital (or share capital)		452,756,901.00	451,554,411.00
Other equity instruments			
Where: Preferred shares			
Perpetual bonds			
Capital reserve		1,351,261,718.84	1,310,939,867.82
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		33,964,638.84	21,522,683.40
Undistributed profit		289,684,566.58	211,573,548.42
Total owners' (or shareholders') equity		2,127,667,825.26	1,995,590,510.64
Total liabilities and owners' (or shareholders') equity		2,528,987,016.11	2,321,820,750.63

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



## Consolidated Income Statement

January to December 2020

In RMB

Item	Note	2020	2019
I. Total operating income	1	1,948,884,176.83	1,979,148,918.89
Where: Operating income	1	1,948,884,176.83	1,979,148,918.89
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		1,882,807,642.88	1,726,836,417.68
Where: Operating costs	1	1,393,075,043.93	1,183,650,635.25
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 additions	2	6,718,744.79	7,610,151.14
Selling expenses	3	133,588,234.60	151,760,111.00
Administrative expenses	4	135,757,276.26	152,626,530.61
R&D expenses	5	204,443,369.10	201,697,766.26
Financial expenses	6	9,224,974.20	29,491,223.42
Where: Interest expense		20,066,451.02	33,120,484.94
Interest income		10,322,478.28	4,079,231.03
Add: Other income	7	45,255,000.90	34,124,614.12
Investment income (loss is indicated by "-")	8	17,945,571.02	9,549,063.05
Where: Income from investments in associates and joint ventures		-679,282.94	-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	-9,121,278.95	-3,771,572.38
Impairment losses of assets (loss is indicated by "-")	10	-11,590,694.43	-12,623,251.67
Gains from disposal of assets (loss is indicated by "-")	11	281,040.26	41,420.84
III. Operating profit (loss is indicated by "-")		108,846,172.75	279,632,775.17
Add: Non-operating income	12	4,638,435.10	3,926,066.73
Less: Non-operating expense	13	2,063,172.96	4,200,197.56
IV. Total profits (total losses are indicated by "-")		111,421,434.89	279,358,644.34
Less: Income tax expenses	14	24,764,236.32	54,982,221.63
V. Net profits (net losses are indicated by "-")		86,657,198.57	224,376,422.71

“-”)			
(I) Categorized by the continuity of operation			
1. Net profits from continuing operations (net losses are indicated by "-")		86,657,198.57	224,376,422.71
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 "-")		113,847,873.06	186,457,276.71
2. Profits or losses attributable to minority shareholders (net losses are indicated by "-")		-27,190,674.49	37,919,146.00
VI. Other comprehensive income, net of tax	15	-6,496,909.69	2,311,885.81
(I) Other comprehensive income that can be attributable to owners of the Parent Company, net of tax		-6,501,355.78	2,242,360.85
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		-6,501,355.78	2,242,360.85
(1) Other comprehensive income that will be reclassified to profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Amount of financial assets reclassified to other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Reserve for cash flow hedges			
(6) Exchange differences on translation of financial statements denominated in foreign currencies		-6,501,355.78	2,242,360.85
(7) Others			
(II) Other comprehensive income that can be attributable to minority shareholders, net of tax		4,446.09	69,524.96
VII. Total comprehensive income		80,160,288.88	226,688,308.52
(I) Total comprehensive income that can be attributable to owners of the Parent Company		107,346,517.28	188,699,637.56

(II) Total comprehensive income that can be attributable to minority shareholders		-27,186,228.40	37,988,670.96
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.25	0.45
(II) Diluted earnings per share (RMB/share)		0.25	0.45

In the event of business combinations involving enterprises under common control, the net profits realized prior to the combination by the party being absorbed is: RMB 0, and the net profits realized in the last period by the party being absorbed is: RMB 0.

Legal representative: BO Lianming

Chief Accountant: ZHAO Ruijin

Person in Charge of the Accounting Body: LIU Jie

**Income Statement of the Parent Company**

January to December 2020

In RMB

Item	Note	2020	2019
I. Operating income	1	1,064,149,969.51	1,070,365,243.34
Less: Operating costs	1	720,452,860.84	728,135,468.64
Taxes and additions		4,809,443.68	4,961,497.25
Selling expenses		68,169,938.33	82,052,362.77
Administrative expenses		94,065,391.84	104,579,027.77
R&D expenses		104,873,635.92	113,795,005.25
Financial expenses		-16,982,053.25	-5,955,117.03
Where: Interest expense		432,518.40	4,340,274.90
Interest income		16,041,306.76	10,208,837.58
Add: Other income		34,560,094.28	13,016,565.69
Investment income (loss is indicated by "-")	2	18,624,853.96	55,488,448.65
Where: 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 "-")		-627,070.09	-1,682,540.09
Impairment losses of assets (loss is indicated by "-")		-7,565,039.37	-11,985,107.53
Gains from disposal of assets (loss is indicated by "-")		1,318.53	
II. Operating profit (loss is indicated by "-")		133,754,909.46	97,634,365.41
Add: Non-operating income		4,409,022.52	3,686,726.20
Less: Non-operating expense		1,228,453.52	2,291,107.75
III. Total profits (total losses are indicated by "-")		136,935,478.46	99,029,983.86
Less: Income tax expenses		12,515,924.03	-2,015,128.17
IV. Net profits (net losses are indicated by "-")		124,419,554.43	101,045,112.03
(I) Net profits from continuing operations (net losses are indicated by "-")		124,419,554.43	101,045,112.03
(II) Net profits from discontinued operations (net losses are indicated by "-")			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified subsequently to profit or loss			
1. Changes from remeasurement of defined benefit plans			
2. Other comprehensive income			

that cannot be reclassified to profit or loss under the equity method			
3. Changes in fair value of investments in other equity instruments			
4. Changes in fair value of enterprises' own credit risks			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that will be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Reserve for cash flow hedges			
6. Exchange differences on translation of financial statements denominated in foreign currencies			
7. Others			
VI. Total comprehensive income		124,419,554.43	101,045,112.03
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

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

**Consolidated Cash Flow Statement**  
January to December 2020

In RMB

Item	Note	2020	2019
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		1,974,492,309.02	2,141,322,935.57
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		6,524,647.54	9,567,790.75
Other cash receipts relating to operating activities	1	140,364,333.47	78,562,934.95
Subtotal of cash inflows from operating activities		2,121,381,290.03	2,229,453,661.27
Cash payments for goods purchased and services received		1,450,758,815.22	1,318,597,298.92
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		294,069,230.11	285,393,667.92
Payments of various types of taxes		79,174,713.78	125,550,662.05
Other cash payments relating to operating activities	2	244,988,100.50	256,911,128.67
Subtotal of cash outflows from		2,068,990,859.61	1,986,452,757.56

operating activities			
Net cash flow from operating activities		52,390,430.42	243,000,903.71
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		2,704,000,000.00	1,312,700,000.00
Cash receipts from investment income		18,624,853.96	9,552,990.98
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,365,554.96	257,846.73
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Subtotal of cash inflows from investing activities		2,723,990,408.92	1,322,510,837.71
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		66,273,509.36	243,918,747.78
Cash payments to acquire investments		2,436,196,580.78	1,851,450,000.00
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units		15,614,062.32	
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		2,518,084,152.46	2,095,368,747.78
Net cash flows from investment activities		205,906,256.46	-772,857,910.07
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		20,953,388.25	1,094,215,094.34
Where: Cash receipts from capital contributions from minority shareholders of subsidiaries			
Cash receipts from borrowings		205,991,111.29	405,787,875.56
Other cash receipts relating to financing activities	3	19,320,000.00	
Subtotal of cash inflows from financing activities		246,264,499.54	1,500,002,969.90
Cash repayments of borrowings		290,953,213.70	541,704,799.90
Cash payments for distribution of dividends or profits or settlement of interest expenses		54,437,838.70	34,285,290.48
Where: Payments for distribution of dividends or profits to minority shareholders of subsidiaries			
Other cash payments relating to financing activities	4		39,396,048.75
Subtotal of cash outflows from financing activities		345,391,052.40	615,386,139.13
Net cash flows from financing activities		-99,126,552.86	884,616,830.77

<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		-5,434,532.44	2,521,113.05
<b>V. Net Increase in Cash and Cash Equivalents</b>		153,735,601.58	357,280,937.46
Add: Opening balance of cash and cash equivalents		829,789,487.86	472,508,550.40
<b>VI. Closing Balance of Cash and Cash Equivalents</b>		983,525,089.44	829,789,487.86

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



**Cash Flow Statement of the Parent Company**  
January to December 2020

In RMB

Item	Note	2020	2019
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		919,034,315.48	1,084,739,304.57
Receipts of tax refunds		3,108,523.77	4,102,468.55
Other cash receipts relating to operating activities		125,185,112.12	76,574,005.12
Subtotal of cash inflows from operating activities		1,047,327,951.37	1,165,415,778.24
Cash payments for goods purchased and services received		776,294,426.96	722,868,487.80
Cash payments to and on behalf of employees		175,144,803.35	180,775,409.02
Payments of various types of taxes		28,453,770.47	46,036,572.76
Other cash payments relating to operating activities		120,311,024.70	180,658,173.58
Subtotal of cash outflows from operating activities		1,100,204,025.48	1,130,338,643.16
Net cash flow from operating activities		-52,876,074.11	35,077,135.08
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		2,704,000,000.00	1,313,635,457.67
Cash receipts from investment income		18,624,853.97	55,552,990.98
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		844,985.38	117,985.66
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities		71,725,375.54	124,900,000.00
Subtotal of cash inflows from investing activities		2,795,195,214.89	1,494,206,434.31
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		40,725,074.65	227,902,344.94
Cash payments to acquire investments		2,464,734,756.73	1,886,364,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities		75,345,631.45	166,020,000.00
Subtotal of cash outflows from investing activities		2,580,805,462.83	2,280,286,344.94
Net cash flows from investment activities		214,389,752.06	-786,079,910.63
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		20,953,388.25	1,094,215,094.34
Cash receipts from borrowings		82,259,570.15	132,000,000.00
Other cash receipts relating to financing activities			114,000,000.00
Subtotal of cash inflows from financing activities		103,212,958.40	1,340,215,094.34
Cash repayments of borrowings		50,000,000.00	246,440,000.00
Cash payments for distribution of dividends		34,374,706.92	5,416,064.64

or profits or settlement of interest expenses			
Other cash payments relating to financing activities		39,403,824.29	110,396,048.75
Subtotal of cash outflows from financing activities		123,778,531.21	362,252,113.39
Net cash flows from financing activities		-20,565,572.81	977,962,980.95
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		1,031,900.06	2,638,810.20
<b>V. Net Increase in Cash and Cash Equivalents</b>		141,980,005.20	229,599,015.60
Add: Opening balance of cash and cash equivalents		524,648,100.62	295,049,085.02
<b>VI. Closing Balance of Cash and Cash Equivalents</b>		666,628,105.82	524,648,100.62

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

**Consolidated Statement of Changes in Owners' Equity**  
January to December 2020

Item	2020														
	Equity attributable to owners of the Parent Company												Minority interests	Total owner's equity	
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasur y shares	Other comprehens ive income	Special reserve	Surplus reserve	General risk reserve	Undistribut ed profit	Other s			Subtotal
Preferre d shares		Perpetu al bonds	Others												
I. Closing balance of last 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
Add: Changes in accounting policies											1,278,734.88		1,278,734.88	-646,507.57	632,227.31
Corrections of prior period errors															
Business combination involving enterprises under common control															
Others															
II. Opening balance of the current year	451,554,411.00				1,207,942,318.37		3,287,063.85		22,800,224.13		290,254,555.17		1,975,838,572.52	149,002,798.61	2,124,841,371.13
III. Changes	1,202,490.00				41,078,672.78		-6,501,355.78		12,441,955.44		67,539,336.79		115,761,099.23	-55,190,043.35	60,571,055.88

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for the year (decrease is indicated by “-”)															
(I) Total comprehensive income							-6,501,355.78				113,847,873.06		107,346,517.28	-27,186,228.40	80,160,288.88
(II) Owners' contributions and reduction in capital	1,202,490.00				41,078,672.78								42,281,162.78	-28,003,814.95	14,277,347.83
1. Ordinary shares contributed by owners	1,202,490.00				19,750,898.25								20,953,388.25		20,953,388.25
2. Capital contribution from holders of other equity instruments															
3. Share-based payment recognized in owners' equity					18,783,763.38								18,783,763.38	1,787,189.38	20,570,952.76
4. Others					2,544,011.15								2,544,011.15	-29,791,004.33	-27,246,993.18
(III) Profit distribution									12,441,955.44		-46,308,536.27		-33,866,580.83		-33,866,580.83
1. Transfer to surplus									12,441,955.44		-12,441,955.44				

reserve															
2. Transfer to general reserve															
3. Distributions to owners (or shareholders)											-33,866,580.83		-33,866,580.83		-33,866,580.83
4. 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															

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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	452,756,901.00				1,249,020,991.15		-3,214,291.93		35,242,179.57		357,793,891.96		2,091,599,671.75	93,812,755.26	2,185,412,427.01

In RMB

Item	2019													Minority interests	Total owner 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	Undistributed profit	Others	Subtotal		
Preferred shares		Perpetual bonds	Others												
I. Closing balance of last 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															

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Business combination involving enterprises 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	826,899,026.00
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	1,297,310,117.00
(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	8,151,010.82
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. Transfer to general reserve															
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																
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	2,124,209,143.00	

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



**Statement of Changes in Owners' Equity of the Parent Company**  
January to December 2020

In RMB

Item	2020										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owner's equity
		Preferred shares	Perpetual bonds	Others							
I. Closing balance of last year	451,554,411.00				1,310,939,867.82				21,522,683.40	211,573,548.42	1,995,590,510.64
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening 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
III. Changes for the year (decrease is indicated by "-")	1,202,490.00				40,321,851.02				12,441,955.44	78,111,018.16	132,077,314.62
(I) Total comprehensive income										124,419,554.43	124,419,554.43
(II) Owners' contributions and reduction in capital	1,202,490.00				40,321,851.02						41,524,341.02
1. Ordinary shares contributed by owners	1,202,490.00				19,750,898.25						20,953,388.25
2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognized in owners' equity					20,570,952.77						20,570,952.77
4. Others											
(III) Profit distribution									12,441,955.44	-46,308,536.27	-33,866,580.83
1. Transfer to surplus reserve									12,441,955.44	-12,441,955.44	
2. Distributions to owners (or shareholders)										-33,866,580.83	-33,866,580.83
3. Others											
(IV) Transfers within owners' equity											
1. Capitalization of capital reserve											

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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											
(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	452,756,901.00				1,351,261,718.84				33,964,638.84	289,684,566.58	2,127,667,825.26

Item	2019										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owner's equity
		Preferred shares	Perpetual bonds	Others							
I. Closing balance of last 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

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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

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

### III. Company profile

#### 1. Profile

Applicable  N/A

Appotronics Corporation Limited (hereinafter referred to as “Company” or “the Company”), formally named as Shenzhen Appotronics Optoelectronics Technology Inc. (hereinafter referred to as “Appotronics Inc.”), 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 entirety. 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 City, Guangdong Province. The Company holds the business license bearing the credibility code 91440300795413991N. The Company’s registered capital is RMB 452,756,901.00 divided into 452,756,901 shares (RMB 1 Yuan per share), including 169,456,766 outstanding shares subject to sale restrictions and 283,300,135 outstanding shares not subject to sale 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 whole machines, and can provide customers with technical research and development services and customized products. Its products mainly include laser business and education projectors, smart mini projectors, laser TV, laser large venue projector and laser digital cinema projector.

This financial statements have been approved by the Company’s 31<sup>st</sup> session of the first board of directors on April 22, 2021 for public disclosure.

#### 2. Scope of consolidated financial statements

Applicable  N/A

The Company has included 21 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., Formoive (Beijing) Technology Co., Ltd., CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd., Shenzhen Appotronics Laser Display Technology Co., Ltd., Shenzhen Appotronics Laser Technology Co., Ltd., Qingda Appotronics (Xiamen) Technology Co., Ltd., Shenzhen Appotronics Home Line Technology Co., Ltd., Appotronics Hong Kong Limited, Appotronics USA, Inc., Fabulus Technology Hong Kong Limited, JoveAI Limited, JoveAI Innovation, Inc., FORMOVIE TECHNOLOGY INC, WEMAX LLC, Shenzhen Appotronics Display Device Co., Ltd., JoveAI Asia Company Limited, Tianjin Bonian Film Partnership (LP) 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 note: 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 method for business combinations involving enterprises 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 Company made adjustment to capital reserves according to the differences between the shares in the owners' equity of the combined party on the consolidated financial statements of the ultimate controlling party and the book value of paid combination considerations or the face value of issued shares; In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

## 2. Accounting method for business combinations not involving enterprises 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 (generally due within 3 months from the acquisition date), 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 "undistributed 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 defined in *Accounting Standards for Business Enterprises No.14 - Revenue*.

(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 debt 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 provisions of the *Accounting Standards for Business Enterprises No.14 - Revenue*.

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, contract assets, 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 and contract assets that are formed from transactions under the *Accounting Standards for Business Enterprises No.14 - Revenue* and 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 lease receivable, accounts receivable and contract assets that are formed from transactions under the *Accounting Standards for Business Enterprises No. 14 - Revenue* and contain significant financing component, 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	
Long-term receivables - grouping by aging	Aging	

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

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 - grouping by aging	Aging	By reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions, prepare a comparison table of the aging of accounts receivable and rate of lifetime expected credit loss, and calculate the expected credit

		losses.
Contract assets - group of receivables from related parties in the scope of consolidation	Receivables from related parties in the scope of consolidation	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.
Contract assets - group of aging	Aging	By reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions, prepare a comparison table of the aging of contract assets and rate of lifetime expected credit loss, and calculate the expected credit losses.

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

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

#### 6. Offsetting of financial assets and financial liabilities

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

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

#### 11. Notes receivable

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

√ Applicable □ N/A

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

## **13. Receivables financing**

Applicable  N/A

The Company's accounting policies on receivables financing are disclosed in V. 10 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 V. 10 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 realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. For inventories directly used for sale, the net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. For inventories required for processing, the net realizable value is determined as the estimated selling price of finished goods in the ordinary course of business less the estimated costs of completion, and the estimated costs necessary to make the sale and relevant taxes. As at the balance sheet date, if in the same item of inventories, some are agreed with contractual prices while the others are not, the net realizable value for such inventories is determined separately, and compared with the costs of the two parts of inventories distinctively, as to determine the provisions or reversal of provisions for decline in value of inventories separately.

### **4. Inventory count system**

The perpetual inventory system is maintained for stock system.

### **5. Amortization method for low cost and short-lived consumable items and packaging materials**

#### **(1) Low cost and short-lived consumable items**

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

(2) Packaging materials

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

## **16. Contract assets**

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

Applicable  N/A

The Company presents contract assets or contract liabilities in the balance sheet according to the relationship between the performance of contractual obligations and payment by customers. Contract assets and contract liabilities under a same contract are presented at the net amount after offsetting each other.

Rights owned by the Company for unconditionally collecting the consideration from customers (that is, depending only on the time) are presented as receivables, and rights for collecting the consideration for goods that have been transferred to customers (depending on other factors than the time) are presented as contract assets.

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

Applicable  N/A

The method for recognition of expected credit losses of contract assets and relevant accounting treatments are disclosed in V. 10 of Section XI in details.

## **17. Held-for-sale assets**

Applicable  N/A

## **18. Debt investments**

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

Applicable  N/A

## **19. Other debt investments**

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

Applicable  N/A

## **20. Long-term receivables**

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

Applicable  N/A

The method for recognition of expected credit losses of long-term receivables and relevant accounting treatments are disclosed in V10 of Section XI in details.

## **21. Long-term equity investments**

Applicable  N/A

### **1. Judgments on joint control and significant influence**

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



## 2. Determination of investment cost

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

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

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

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

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

2) In the consolidated financial statements, it is required to judge whether such transactions constitute "a package deal". If such transactions constitute "a package deal", the Company accounts for such transactions as one transaction to acquire control. If such transactions do not constitute "a package deal", the Company re-measures the fair value of the equity held in the acquiree prior to the date of acquisition, and records the difference between the fair value and the carrying amount as investment income for the current period; if the equity held in the acquiree prior to the date of acquisition involves

other comprehensive income under equity method, such other comprehensive income is transferred to the income of the period in which the date of acquisition falls, except for other comprehensive income arising from re-measurement of changes in net liabilities or net assets of defined benefit plans.

(3) In the event of no business combination: 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 current 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 current period in which the control is lost.

## 22. Investment properties

N/A

## 23. Fixed assets

### (1). Criteria for recognition

Applicable  N/A

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

### (2). Method of depreciation

Applicable  N/A

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

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

Applicable  N/A

## 24. Construction in progress

Applicable  N/A

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

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

**25. Borrowing costs**

Applicable  N/A

**26. Biological assets**

Applicable  N/A

**27. Oil and gas assets**

Applicable  N/A

**28. Use right assets**

Applicable  N/A

**29. Intangible assets**

**(1). Measurement, service life and impairment test**

Applicable  N/A

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

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. The specific years are as follows:

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

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

Applicable  N/A

**30. Impairment of long-term assets**

Applicable  N/A

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

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

### **31. Long-term prepaid expenses**

√ Applicable  N/A

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

### **32. Contract liabilities**

#### **(1). Recognition method for contract liabilities**

√ Applicable  N/A

The Company presents contract assets or contract liabilities in the balance sheet according to the relationship between the performance of contractual obligations and payment by customers. Contract assets and contract liabilities under a same contract are presented at the net amount after offsetting each other.

The obligations of the Company for transferring goods to customers corresponding to considerations that have been received or receivable are presented as contract liabilities.

### **33. 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 defined benefit plan obligation and the current service cost;

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

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

### **(3). Accounting treatment of termination benefits**

Applicable  N/A

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

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

Applicable  N/A

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

## **34. Leasing liabilities**

Applicable  N/A

## **35. Provisions**

Applicable  N/A

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

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

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

### **36. Share-based payments**

√ Applicable □ N/A

#### 1. Categories of share-based payments

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

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

#### (1) Equity-settled share-based payments

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

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

#### (2) Cash-settled share-based payments

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

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

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

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

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

**37. Preferred shares, perpetual bonds and other financial instruments**

Applicable  N/A

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

Applicable  N/A

**1. Principles for revenue recognition**

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

An obligation meeting one of the following conditions is one to be performed within a period of time, and the remaining are obligations to be performed at a specific time point: (1) the customer receives and consumes the economic benefits from the performance of the Company when the Company performs its obligations; (2) the customer can control the goods in progress during the performance of the Company; or (3) the goods generated during the performance process of the Company have irreplaceable uses, and the Company is entitled to payment for the portion completed during the entire contract term.

The Company recognizes revenue according to the performance progress during the period of time for obligations to be performed during a period of time. If the performance progress cannot be



determined reasonably, and the Company is expected to be paid based on the costs incurred, the Company recognizes revenue according to the amount of costs incurred until the performance progress can be determined reasonably. For obligations to be performed at a specific time point, the Company recognizes revenue when the customer receives the control over the relevant goods or services. The following will be considered when determining whether the customer has obtained the control over the goods: (1) the Company has the present rights of receiving payments for such goods, that is, the customer has the present obligation of making payment for the goods; (2) the Company has transferred the legal title in the goods to the customer, that is, the customer has acquired the legal title in the goods; (3) the Company has transferred the physical goods to the customer, that is, the customer is in possession of the physical goods; (4) the Company has transferred major risks and rewards of the legal title in the goods to the customer, that is, the customer has acquired the major risks and rewards of the legal title in the goods; (5) the customer has accepted the goods; and (6) there are other signs indicating that the customer has acquired the control over the goods.

## 2. Principles of revenue measurement

(1) The Company measures the revenue according to the transaction price allocated to individual performance obligations. The transaction price refers to the amount of the consideration expected to be received by the Company on the basis of transferring goods or providing services to the customer, excluding amounts collected on behalf of a third party and amounts expected to be refunded to the customer.

(2) If a contract contains a variable consideration, the Company determines the best estimate of the variable consideration according to the expected value or the most likely amount; however, the transaction price containing the variable consideration does not exceed the amount for which no material reversal of recognized revenue is highly probable when relevant uncertainty is eliminated.

(3) If a contract contains a major financing portion, the Company determines the transaction price as the amount payable in cash when the customer obtains the control over the goods or services. The difference between the transaction price and contract consideration is amortized using the effective interest method during the term of the contract. If the Company expects that the interval between the acquisition of the goods or services by the customer and the payment of prices by the customer will not exceed one year from the commencement date of the contract, no significant financing factor is considered.

(4) If a contract contains two or more performance obligations, at the beginning date of the contract, the Company allocates the transaction price to individual performance obligations according to the relative proportion of the individual sale prices of the goods promised under such individual performance obligations.

## 3. Specific methods for revenue recognition

### (1) Revenue from sales of goods

Revenue from sales of goods denotes contractual obligations to be performed at a time point. Our sales include sales to the domestic market and sales to foreign markets.

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 according to the amount of the consideration expected to be received by the Company on the basis of transferring goods to the customer, and recognizes liabilities to write off the revenue according to the expected amount to be refunded due to the return of goods; 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. If the Company shares profits from sales of product to downstream end customers, the Company recognizes the revenue at the goods price agreed between the parties upon the delivery of goods to the customer and reconciliation, and recognizes shared revenue according to the share profit reconciliation statement when the profits from sales of goods 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) Other incomes

Other revenues denote contractual obligations to be performed at a time point/during a specific period of time. 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 patent license services provided by the Company, the Company recognizes the revenue when the patent license is delivered; for technology development services provided by the Company, the Company recognizes the revenue when it has completed the services or when the agreed time point of service acceptance is reached.

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

Applicable  N/A

**39. Contract costs**

Applicable  N/A

**40. Government grants**

Applicable  N/A

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

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

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

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

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

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

## 5. Accounting treatment of policy preferential loans and interest subsidies

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

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

## 41. Deferred tax assets and deferred tax liabilities

√ Applicable □ N/A

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

deferred tax liability according to the tax rate applicable to the period in which the asset or liability is expected to be recovered or settled.

2. Deferred 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 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: (1) business combination; or (2) transaction or event directly recognized in owners' equity.

## **42. Leases**

### **(1). Accounting treatment of operating leases**

√ Applicable □ N/A

If the Company is a lessee, the rents paid by the Company are included in the costs of the relevant assets or in profit or loss for the current period over the whole lease term on a straight line basis. The initial direct cost incurred by the Company is directly recognized in profit or loss for the current period. Contingent rents are recognized in profit or loss in the period in which they are incurred.

If the Company is a lessor, the rents received by the Company are recognized in profit or loss for the current period over the whole lease term on a straight line basis. The initial direct cost incurred by the Company is directly recognized in profit or loss for the current period. However, if such initial direct cost is of a large amount, the initial direct cost is capitalized and recognized in profit or loss by installments. Contingent rents are recognized in profit or loss in the period in which they are incurred.

### **(2). Accounting treatment of finance leases**

√ Applicable □ N/A

If the Company is a lessee, the lower of the fair value of the leased asset at the inception of the lease and the present value of the minimum lease payments is recorded as the carrying amount of the rented assets, with the minimum lease payments as the carrying amount of long-term payables and the difference charged to unrecognized financing fees at the commencement date of the lease term. The initial direct cost incurred by the Company is directly recognized in the value of the rented assets. In each period of the lease term, the financing fees for the period is recognized by using the effective interest method.

If the Company is a lessor, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as the carrying amount of the finance lease receivable and the unguaranteed residual value is recorded at the same time at the commencement date of the lease term;

the difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned financing income. In each period of the lease term, the financing income for the period is recognized by using the effective interest method.

**(3). Method for determination and accounting treatments of lease under new lease standards**

Applicable  N/A

**43. Other significant accounting policies and accounting estimates**

Applicable  N/A

**44. Changes in significant accounting policies and accounting estimates**

**(1). Changes in significant accounting policies**

Applicable  N/A

Changes in accounting policies and associated reasons	Approval procedures	Remarks (name and amount of line items in financial statements that have been materially affected)
Implement the <i>Accounting Standards for Business Enterprises No. 14 - Revenue</i> amended and released by the Ministry of Finance	Approved by the management	Refer to the table below for details
Implement the <i>Interpretation of the Accounting Standards for Business Enterprises No. 13</i>	Approved by the management	None

Other information

(1) Changes in accounting policies caused by changes in the *Accounting Standards for Business Enterprises*

1) The Company has implemented the *Accounting Standards for Business Enterprises No. 14 - Revenue* (hereinafter referred to as the New Revenue Standard) revised by the Ministry of Finance since January 1, 2020. As required by transition provisions to adopt the New Revenue Standard, information in the comparative period cannot be adjusted, but the opening balances of retained earnings in the report or other relevant amounts in the financial statements shall be adjusted retrospectively for any cumulative impact of the new standards at the first implementation date.

The New Revenue Standard mainly causes the following influences to the Company's financial statements as at January 1, 2020:

Item	Balance sheet		
	December 31, 2019	Adjustment influence of the New Revenue Standard	January 1, 2020
Accounts receivable	176,035,155.24	15,587,556.77	191,622,712.01
Inventories	299,966,170.35	-16,355,310.22	283,610,860.13

Contract assets		3,740,605.96	3,740,605.96
Other current assets	44,405,513.30	-2,340,625.20	42,064,888.10
Advance from customers	184,444,643.33	-16,910,443.03	167,534,200.30
Contract liabilities		15,777,305.81	15,777,305.81
Other current liabilities		1,133,137.22	1,133,137.22
Undistributed profit	288,975,820.29	1,278,734.88	290,254,555.17
Total equity attributable to owners of the parent company	1,974,559,837.64	1,278,734.88	1,975,838,572.52
Minority interests	149,649,306.18	-646,507.57	149,002,798.61

2) The Company has implemented the *Interpretation of the Accounting Standards for Business Enterprises No. 13* released in 2019 by the Ministry of Finance since January 1, 2020. This change in the accounting policy is handled by using the prospective application method.

**(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 the first implementation of the New Revenue Standard and new lease standard since 2020**

Applicable  N/A

Consolidated Balance Sheet

In RMB

Item	December 31, 2019	January 1, 2020	Adjusted amount
<b>Current Assets:</b>			
Cash and bank balances	875,858,784.58	875,858,784.58	
Balances with clearing agencies			
Placements with banks and other financial institutions			
Held-for-trading financial assets	540,000,000.00	540,000,000.00	
Derivative financial assets			
Notes receivable	4,042,559.63	4,042,559.63	
Accounts receivable	176,035,155.24	191,622,712.01	15,587,556.77
Receivables financing	1,980,500.00	1,980,500.00	
Prepayments	35,070,999.13	35,070,999.13	
Premiums receivable			
Amounts receivable under			

reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables	9,618,750.08	9,618,750.08	
Where: Interest receivable			
Dividend receivable			
Financial assets purchased under resale agreements			
Inventories	299,966,170.35	283,610,860.13	-16,355,310.22
Contract assets		3,740,605.96	3,740,605.96
Assets held for sale			
Non-current assets due within one year			
Other current assets	44,405,513.30	42,064,888.10	-2,340,625.20
Total current assets	1,986,978,432.31	1,987,610,659.62	632,227.31
<b>Non-current Assets:</b>			
Loans and advances			
Debt investments			
Other debt investments			
Long-term accounts receivable			
Long-term equity investment	139,534,371.94	139,534,371.94	
Investment in other equity instruments	11,975,419.38	11,975,419.38	
Other non-current financial assets			
Investment property			
Fixed assets	471,204,340.95	471,204,340.95	
Construction in progress	20,132,004.07	20,132,004.07	
Productive biological assets			
Oil and gas assets			
Use right assets			
Intangible assets	332,331,324.07	332,331,324.07	
Development expenditure			
Goodwill			
Long-term prepaid expenses	16,908,070.34	16,908,070.34	
Deferred tax assets	109,023,941.85	109,023,941.85	
Other non-current assets	11,420,185.94	11,420,185.94	
Total non-current assets	1,112,529,658.54	1,112,529,658.54	
Total assets	3,099,508,090.85	3,100,140,318.16	632,227.31
<b>Current Liabilities:</b>			
Short-term borrowings	76,765,319.05	76,765,319.05	
Loans from the central bank			
Taking from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	37,335,841.79	37,335,841.79	
Accounts payable	176,624,445.46	176,624,445.46	
Advance from customers	184,444,643.33	167,534,200.30	-16,910,443.03
Contract liabilities		15,777,305.81	15,777,305.81
Financial assets sold under repurchase agreements			
Customer deposits and deposits from banks and other financial			

institutions			
Funds from securities trading agency			
Funds from underwriting securities agency			
Employee benefits payable	50,586,932.71	50,586,932.71	
Taxes payable	42,924,647.79	42,924,647.79	
Other payables	14,364,076.43	14,364,076.43	
Where: Interest payable			
Dividend payable			
Fees and commissions payable			
Amounts payable under reinsurance contracts			
Liabilities held for sale			
Non-current liabilities due within one year	64,968,795.02	64,968,795.02	
Other current liabilities		1,133,137.22	1,133,137.22
Total current liabilities	648,014,701.58	648,014,701.58	
<b>Non-current Liabilities:</b>			
Insurance contract reserves			
Long-term borrowings	279,615,107.27	279,615,107.27	
Bonds payable			
Where: Preferred shares			
Perpetual bonds			
Leasing liabilities			
Long-term payables	3,488,100.00	3,488,100.00	
Long-term employee benefits payable			
Estimated liabilities	27,072,676.49	27,072,676.49	
Deferred income	17,108,361.69	17,108,361.69	
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities	327,284,245.45	327,284,245.45	
Total liabilities	975,298,947.03	975,298,947.03	
<b>Owners' Equity (Shareholders' Equity):</b>			
Paid-in capital (or share capital)	451,554,411.00	451,554,411.00	
Other equity instruments			
Where: Preferred shares			
Perpetual bonds			
Capital reserve	1,207,942,318.37	1,207,942,318.37	
Less: Treasury shares			
Other comprehensive income	3,287,063.85	3,287,063.85	
Special reserve			
Surplus reserve	22,800,224.13	22,800,224.13	
General risk reserve			
Undistributed profit	288,975,820.29	290,254,555.17	1,278,734.88
Total owners' (or shareholders') equity attributable to owners of the parent company	1,974,559,837.64	1,975,838,572.52	1,278,734.88
Minority interests	149,649,306.18	149,002,798.61	-646,507.57
Total owners' (or shareholders') equity	2,124,209,143.82	2,124,841,371.13	632,227.31
Total liabilities and owners' (or shareholders') equity	3,099,508,090.85	3,100,140,318.16	632,227.31



Description of adjustments on each line item:

√ Applicable □ N/A

In accordance with the *Accounting Standards for Business Enterprises No. 14 - Revenue* (Cai Kuai [2017] No. 2) issued by the Ministry of Finance on July 5, 2017, for enterprises listed in domestic and oversea stock exchange concurrently and enterprises listed overseas with the financial statements prepared under international financial reporting standards or accounting standards for business enterprises, the New Revenue Standard shall be implemented from January 1, 2018; and for other enterprises listed in domestically, the New Revenue Standard shall be implemented from January 1, 2020. As a domestic listed company, the Company adopted the New Revenue Standard as at January 1, 2020, and made adjustment on the opening balance of relevant item recognized in the financial statements, but the data in comparable period can be unadjusted: (1) the goods payments received in advance originally qualified for conditions of “receipts in advance” were charged to the line item of “contract liability”; (2) the rights of the Company for collecting the considerations for goods that have been transferred to customers, which rights depend on factors other than the lapse of time, were presented as “contract assets”; and (3) in the goods sales mode of “profit sharing”, the revenue that has been received by the customer but has not been recognized at the beginning of the period was recognized according to the New Revenue Standard.

Balance Sheet of the Parent Company

In RMB

Item	December 31, 2019	January 1, 2020	Adjusted amount
<b>Current Assets:</b>			
Cash and bank balances	570,479,390.49	570,479,390.49	
Held-for-trading financial assets	540,000,000.00	540,000,000.00	
Derivative financial assets			
Notes receivable	3,542,559.63	3,542,559.63	
Accounts receivable	299,315,776.44	295,616,359.63	-3,699,416.81
Receivables financing	442,500.00	442,500.00	
Prepayments	6,410,257.48	6,410,257.48	
Other receivables	67,227,575.21	67,227,575.21	
Where: Interest receivable			
Dividend receivable			
Inventories	135,617,379.22	135,617,379.22	
Contract assets		3,699,416.81	3,699,416.81
Assets held for sale			
Non-current assets due within one year			
Other current assets	12,280,164.39	12,280,164.39	
Total current assets	1,635,315,602.86	1,635,315,602.86	
<b>Non-current Assets:</b>			
Debt investments			
Other debt investments			
Long-term accounts receivable			
Long-term equity investment	257,795,276.13	257,795,276.13	
Investment in other equity instruments	7,075,419.38	7,075,419.38	
Other non-current financial			

assets			
Investment property			
Fixed assets	60,391,512.92	60,391,512.92	
Construction in progress	1,385,496.59	1,385,496.59	
Productive biological assets			
Oil and gas assets			
Use right assets			
Intangible assets	330,796,423.87	330,796,423.87	
Development expenditure			
Goodwill			
Long-term prepaid expenses	12,771,126.83	12,771,126.83	
Deferred tax assets	9,545,438.20	9,545,438.20	
Other non-current assets	6,744,453.85	6,744,453.85	
Total non-current assets	686,505,147.77	686,505,147.77	
Total assets	2,321,820,750.63	2,321,820,750.63	
<b>Current Liabilities:</b>			
Short-term borrowings	10,217,738.36	10,217,738.36	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	37,335,841.79	37,335,841.79	
Accounts payable	162,596,838.45	162,596,838.45	
Advance from customers	11,116,659.11	4,387,326.61	-6,729,332.50
Contract liabilities		6,485,831.14	6,485,831.14
Employee benefits payable	26,985,668.92	26,985,668.92	
Taxes payable	1,534,242.70	1,534,242.70	
Other payables	42,599,703.36	42,599,703.36	
Where: Interest payable			
Dividend payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		243,501.36	243,501.36
Total current liabilities	292,386,692.69	292,386,692.69	
<b>Non-current Liabilities:</b>			
Long-term borrowings			
Bonds payable			
Where: Preferred shares			
Perpetual bonds			
Leasing liabilities			
Long-term payables	3,488,100.00	3,488,100.00	
Long-term employee benefits payable			
Estimated liabilities	14,631,273.00	14,631,273.00	
Deferred income	15,724,174.30	15,724,174.30	
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities	33,843,547.30	33,843,547.30	
Total liabilities	326,230,239.99	326,230,239.99	
<b>Owners' Equity (Shareholders' Equity):</b>			
Paid-in capital (or share capital)	451,554,411.00	451,554,411.00	
Other equity instruments			
Where: Preferred shares			
Perpetual bonds			

Capital reserve	1,310,939,867.82	1,310,939,867.82	
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	21,522,683.40	21,522,683.40	
Undistributed profit	211,573,548.42	211,573,548.42	
Total owners' (or shareholders') equity	1,995,590,510.64	1,995,590,510.64	
Total liabilities and owners' (or shareholders') equity	2,321,820,750.63	2,321,820,750.63	

Description of adjustments on each line item:

Applicable  N/A

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

**(4). Description of retrospective adjustments on comparable data in previous periods upon the first adoption of the New Revenue Standard and new lease standard from 2020**

Applicable  N/A

**45. Others**

Applicable  N/A

**VI. Taxes**

**1. Major categories of taxes and tax rates**

Description of major categories of taxes and tax rates

Applicable  N/A

Category of tax	Basis of tax computation	Tax rate
Value-added tax (VAT)	VAT payable is the difference of the output tax calculated based on the incomes from selling goods and taxable services in accordance with the Tax Law, less the input tax allowed to be reduced in the period	3%, 6%, 9%, 13%
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
Formoive (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 HongKong 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
WEMAXLLC	21.00
Shenzhen Appotronics Display Device Co., Ltd.	20.00
Appotronics Technology (Changzhou) Co., Ltd.	20.00
Appotronics Timewaying (Beijing) Technology Co., Ltd.	20.00
Qingda Appotronics (Xiamen) Technology Co., Ltd.	20.00
Shenzhen Appotronics Home Line Technology Co., Ltd.	20.00
Shenzhen Appotronics Laser Technology Co., Ltd.	20.00
Shenzhen Appotronics Xiaoming Technology Co., Ltd.	20.00
JoveAI Asia Company Limited	20.00
Tianjin Bonian Film Partnership (LP)	Tax exemption
Other taxpayers except above	25.00

Note:

1. Appotronics 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 16.50% 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. JoveAI Asia Company Limited, as domiciled in Vietnam, applies the enterprise income tax rate of 20%.

7. WEMAX LLC, as domiciled in the United States, applies the federal enterprise income tax rate of 21%.

## 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, Formoive (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. 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, 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%. 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 following companies are qualified for enjoying such tax incentives: Beijing Orient Appotronics Technology Co., Ltd., Shenzhen Appotronics Display Device Co., Ltd., Appotronics Technology (Changzhou) Co., Ltd., Appotronics Timewaying (Beijing) Technology Co., Ltd., Qingda Appotronics (Xiamen) Technology Co., Ltd., Shenzhen Appotronics Home Line Technology Co., Ltd., Shenzhen Appotronics Laser Technology Co., Ltd., and Shenzhen City Appotronics Xiaoming Technology Co., Ltd.

### 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	5,858.56	3,348.57
Bank deposits	1,020,747,657.62	857,708,997.58
Other monetary funds	17,007,057.09	18,146,438.43
Total	1,037,760,573.27	875,858,784.58
Where: Total oversea deposits	78,611,378.23	132,334,643.95

#### Other information

In other monetary funds, an amount of RMB 14,057,949.58, as security deposits, is subject to restriction in use; in bank deposits, an amount of RMB 40,000,000.00, as 3-year term deposits, is subject to restriction in use, including the the deposit interests of RMB 177,534.25 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	114,000,000.00	540,000,000.00
Where:		
Structural deposits	114,000,000.00	540,000,000.00
Total	114,000,000.00	540,000,000.00

#### Other information:

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	950,000.00	3,891,456.00
Commercial acceptances	2,776,328.91	151,103.63
Total	3,726,328.91	4,042,559.63

**(2). Notes receivable pledged by the Company at the end of the period**

□ Applicable √ N/A

**(3). Notes receivable which are undue as at the balance sheet date but endorsed or discounted by the Company at the end of the period**

□ Applicable √ N/A

**(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	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made by group	3,872,451.48	100.00	146,122.57	3.77	3,726,328.91	4,050,512.45	100.00	7,952.82	0.20	4,042,559.63
Where:										
Bank acceptance bills	950,000.00	24.53			950,000.00	3,891,456.00	96.07			3,891,456.00
Commercial acceptance bills	2,922,451.48	75.47	146,122.57	5.00	2,776,328.91	159,056.45	3.93	7,952.82	5.00	151,103.63
Total	3,872,451.48	/	146,122.57	/	3,726,328.91	4,050,512.45	/	7,952.82	/	4,042,559.63

Provision for bad debts made individually:

Applicable  N/A

Provision for bad debts made by group:

Applicable  N/A

Item by group: Commercial acceptance bills and bank acceptance bills

In RMB

Name	Closing balance		
	Notes receivable	Bad debt provision	Proportion of provision (%)
Commercial acceptance bills	2,922,451.48	146,122.57	5.00
Bank acceptance bills	950,000.00		
Total	3,872,451.48	146,122.57	3.77

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

Applicable  N/A

If a provision for bad debts of accounts receivable is made in accordance with the general model of ECL, please disclose relevant information subject to the disclosure of the bad debt provision for other receivables:

Applicable  N/A

#### (6). Provision for bad debts

Applicable  N/A

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	138,169.75			146,122.57
Total	7,952.82	138,169.75			146,122.57

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

Applicable  N/A

Other information:

None

#### (7). Notes receivable actually canceled in the current period

Applicable  N/A

Other information

Applicable  N/A

### 5. Accounts receivable

#### (1). Disclosure by aging

Applicable  N/A

In RMB

Aging	Closing balance of carrying amount
Within 1 year	
Where: Subitems within 1 year	
Subtotal of items within 1 year	356,184,003.08
1 to 2 years	3,172,319.46



2 to 3 years	1,813,579.86
Over 3 years	176,358.49
<b>Total</b>	<b>361,346,260.89</b>

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

√ Applicable □ N/A

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		B v
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made by group	361,346,260.89	100.00	19,685,428.46	5.45	341,660,832.43	203,746,783.87	100.00	12,124,071.86	5.95	191.6
Where:										
Accounts receivable for which the provision for bad debts is made by aging group	361,346,260.89	100.00	19,685,428.46	5.45	341,660,832.43	203,746,783.87	100.00	12,124,071.86	5.95	191.6
<b>Total</b>	361,346,260.89	/	19,685,428.46	/	341,660,832.43	203,746,783.87	/	12,124,071.86	/	191.6

Provision for bad debts made individually:

□ Applicable √ N/A

Provision for bad debts made by group:

√ Applicable □ N/A

Item by group: Amounts for which provisions for bad debts are made by aging group

Name	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year	356,184,003.08	17,809,200.17	5.00
1-2 years	3,172,319.46	793,079.87	25.00
2-3 years	1,813,579.86	906,789.93	50.00
Over 3 years	176,358.49	176,358.49	100.00
<b>Total</b>	<b>361,346,260.89</b>	<b>19,685,428.46</b>	<b>5.45</b>

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

√ Applicable □ N/A

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2019) can refer to V.44 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	12,124,071.86	7,932,055.78		370,699.18		19,685,428.46
Total	12,124,071.86	7,932,055.78		370,699.18		19,685,428.46

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	370,699.18

Accounts receivable actually canceled in the current period are RMB 370,699.18.

In which significant amounts canceled are described as below:

Applicable  N/A

Description of accounts receivable cancellation:

Applicable  N/A

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

Applicable  N/A

Entity	Carrying amount	Proportion to the balance of accounts receivable (%)	Bad debt provision
Xiaomi Communications Technologies Co., Ltd. and its affiliates	248,915,862.75	68.89	12,445,793.14
Beijing Jingdong Century Trading Co., Ltd.	28,421,997.22	7.87	1,421,099.86
Shenzhen Sunvalley Technology Development Co., Ltd.	22,790,393.35	6.31	1,139,519.67
CFEC and its affiliates	6,125,422.64	1.70	306,402.16
BARCO	5,797,205.70	1.60	289,860.29
Subtotal	312,050,881.66	86.37	15,602,675.12

The total of top five closing balances of accounts receivable is RMB 312,050,881.66, representing 86.37% of the total closing balance of accounts receivable; the total provision for bad debts is RMB 15,602,675.12.

**(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 information:

Applicable  N/A

**6. Receivables financing**

Applicable  N/A

In RMB		
Item	Closing balance	Opening balance
Bank acceptance bills receivable	11,959,000.00	1,980,500.00
Total	11,959,000.00	1,980,500.00

Changes in amount and fair value of receivables financing:

Applicable  N/A

If a provision for bad debts of accounts receivable is made in accordance with the general model of ECL, please disclose relevant information subject to the disclosure of the bad debt provision for other receivables:

Applicable  N/A

Other information:

Applicable  N/A

1) Receivables financing for which provision for impairment is made by group

Item	Closing balance		
	Carrying amount	Provision for impairment	Percentage of provision (%)
Group of bank acceptance bills	11,959,000.00		
Subtotal	11,959,000.00		

2) Receivables financing which is undue as at the balance sheet date but endorsed or discounted 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
Group of bank acceptance bills	1,014,000.00	
Subtotal	1,014,000.00	

The acceptors of bank acceptance bills are commercial banks. Because commercial banks always have high credit ratings, it is less probable that bank acceptance bills will not get paid upon maturity; therefore, the Company has derecognized endorsed or discounted bank acceptance bills. However, if such notes are unable to be paid at maturity, the Company will still be jointly and severally liable to the note holders 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	Percentage (%)	Amount	Percentage (%)
Within 1 year	43,761,018.81	92.23	34,948,314.45	99.65
1 to 2 years	3,686,582.62	7.77	122,684.68	0.35
Total	47,447,601.43	100.00	35,070,999.13	100.00

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

Entity	Closing balance	Reason for not settled
CFEC and its affiliates	2,341,035.38	Not mature
Subtotal	2,341,035.38	

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

√ Applicable □ N/A

Entity	Carrying amount	Proportion to the balance of prepayments (%)
CVTE and its affiliates	22,408,429.84	47.23
Soraa Laser Diode, Inc	5,872,410.00	12.38
CFEC and its affiliates	3,107,696.59	6.55
GDC and its affiliates	2,883,384.53	6.08
Shenzhen Colorwin Optical Technology Co., Ltd.	1,263,328.23	2.66
Subtotal	35,535,249.19	74.90

Other information

□ Applicable √ N/A

**8. Other receivables****Presented by items**

√ Applicable □ N/A

In RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	12,534,062.15	9,618,750.08
Total	12,534,062.15	9,618,750.08

Other information:

□ 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 information:

Applicable  N/A

**Dividends receivable****(4). Dividends receivable**

Applicable  N/A

**(5). Dividends receivable with significant amounts aged more than 1 year**

Applicable  N/A

**(6). Provision for bad debts**

Applicable  N/A

Other information:

Applicable  N/A

**Other receivables****(7). Disclosure by aging**

Applicable  N/A

In RMB

Aging	Closing balance of carrying amount
Within 1 year	
Where: Subitems within 1 year	
Subtotal of items within 1 year	6,425,814.44
1 to 2 years	5,229,091.10
2 to 3 years	551,775.00
Over 3 years	967,062.60
Total	13,173,743.14

**(8). 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	8,832,850.67	8,772,420.22
Withholding	380,123.97	1,275,175.63
Temporary receivables	383,488.89	10,289.71
Compensation receivable	3,577,279.61	
Total	13,173,743.14	10,057,885.56

**(9). 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, 2020	439,035.48		100.00	439,135.48
Balance as at January 1, 2020 in the current period				
--transferred to Stage II				
--transferred to Stage III	-6,300.00		6,300.00	
--reversed to Stage II				
--reversed to Stage I	100.00		-100.00	
Provision	206,845.51			206,845.51
Reversal				
Write-off				
Cancellation			6,300.00	6,300.00
Other changes				
Balance as at December 31, 2020	639,680.99			639,680.99

Description of significant changes in the balance of other receivables with changed provisions for losses in the current period:

Applicable  N/A

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

Applicable  N/A

#### (10). Provision for bad debts

Applicable  N/A

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	439,135.48	206,745.51	100.00	6,300.00		639,680.99
Total	439,135.48	206,745.51	100.00	6,300.00		639,680.99

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

Applicable  N/A

#### (11). Other receivables actually canceled in the current period

Applicable  N/A

In RMB

Item	Cancellation amount
Other receivables actually canceled	6,300.00

In which significant amounts canceled are described as below:

Applicable  N/A

Description of other receivables cancellation:

Applicable  N/A

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

Applicable  N/A

In RMB

Entity	Nature of other receivables	Closing balance	Aging	Proportion to the balance of other receivables (%)	Closing balance of bad debt provision
Creator Community (Guangzhou) Co., Ltd.	Compensation receivable	3,577,279.61	Within 1 year	27.15	178,863.98
Shenzhen Meisheng Industry Co., Ltd.	Deposits/margins/petty cash	3,574,618.00	2-3 years	27.13	178,730.89
Shenzhen Science and Technology Assessment Management Center	Deposits/margins/petty cash	1,310,675.20	Within 1 year, 1-3 years, over 3 years	9.95	65,533.76
Hong Kong Science & Technology Parks Corporation	Deposits/margins/petty cash	1,022,956.60	1-2 years	7.77	51,147.86
Beijing Dongsheng Bozhan Technology Development Co., Ltd.	Deposits/margins/petty cash	652,594.38	Within 1 year	4.95	32,629.72
Total	/	10,138,123.79	/	76.95	506,906.21

**(13). Accounts receivable involving government grants**

Applicable  N/A

**(14). Other receivables derecognized due to transfer of financial assets**

Applicable  N/A

**(15). Assets and liabilities arising from transfer of other receivables and continued involvement**

Applicable  N/A

Other information:

Applicable  N/A

**9. Inventories****(1). Categories of inventories**

√ Applicable □ N/A

In RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for decline in value of inventories/impairment of contract performance cost	Book value	Carrying amount	Provision for decline in value of inventories/impairment of contract performance cost	Book value
Raw materials	243,262,463.77	12,343,116.67	230,919,347.10	169,021,593.23	18,901,716.15	150,119,877.08
Work in progress	23,130,163.72	533,475.37	22,596,688.35	12,337,519.02	686,431.07	11,651,087.95
Goods on hand	152,306,656.10	17,204,698.44	135,101,957.66	95,889,640.29	20,855,142.36	75,034,497.93
Goods upon delivery	15,345,357.08		15,345,357.08	40,421,349.51		40,421,349.51
Materials for consigned processing	15,064,657.09	215,866.48	14,848,790.61	6,405,637.99	21,590.33	6,384,047.66
Total	449,109,297.76	30,297,156.96	418,812,140.80	324,075,740.04	40,464,879.91	283,610,860.13

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2019) can refer to V.44 of Section XI for details.

**(2). 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	Others	Reversal or write-off	Others	
Raw materials	18,901,716.15	1,311,601.56		7,870,201.04		12,343,116.67
Work in progress	686,431.07	549,183.59		702,139.29		533,475.37
Goods on hand	20,855,142.36	8,112,748.17		11,763,192.09		17,204,698.44
Materials for consigned processing	21,590.33	200,516.97		6,240.82		215,866.48
Total	40,464,879.91	10,174,050.29		20,341,773.24		30,297,156.96

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

Item	Specific basis for determining the net realizable value	Reason for writing off the provisions for decline in value of inventories in the current period



Raw materials	The net realizable value of raw materials is determined as the historical average selling price or actual average 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.	The Company has consumed/sold the inventories for which a provision for decline in value has been made at the beginning of the current period.
Work in progress	The net realizable value of work in progress is determined as the historical average selling price or actual average 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.	The Company has consumed the inventories for which a provision for decline in value has been made at the beginning of the current period.
Goods on hand	For inventories directly used for sale, the net realizable value is determined as the historical average selling price or actual average selling price less the estimated costs necessary to make the sale and relevant taxes.	The Company has consumed/sold the inventories for which a provision for decline in value has been made at the beginning of the current period.

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

Applicable  N/A

**(4). Description of amortization of contract performance cost during the period**

Applicable  N/A

Other information

Applicable  N/A

**10. Contract assets**

**(1). Description of contract assets**

Applicable  N/A

In RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Warranty security receivable	492,467.50	181,635.38	310,832.12	150,233.80	7,511.69	142,722.11
Goods payment	4,842,771.16	1,408,947.78	3,433,823.38	3,787,246.16	189,362.31	3,597,883.85
Total	5,335,238.66	1,590,583.16	3,744,655.50	3,937,479.96	196,874.00	3,740,605.96

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2019) can refer to V.44 of Section XI for details.

**Amount and reasons of major changes in the book value during the reporting period**

Applicable  N/A

**(2). Description of provision for impairment made on contract assets during the period**

Applicable  N/A

In RMB

Item	Provision	Reversal	Write-off/cancellation	Reason
------	-----------	----------	------------------------	--------

			in the period	
Provision made by group	1,393,709.16			
Total	1,393,709.16			/

If a provision for bad debts of accounts receivable is made in accordance with the general model of ECL, please disclose relevant information subject to the disclosure of the bad debt provision for other receivables:

Applicable  N/A

Other information:

Applicable  N/A

Contract assets for which provision for impairment is made by aging group

Aging	Closing balance		
	Carrying amount	Bad debt provision	Percentage of provision (%)
Within 1 year	163,132.50	8,156.63	5.00
1-2 years	4,014,506.16	1,003,626.53	25.00
2-3 years	1,157,600.00	578,800.00	50.00
Subtotal	5,335,238.66	1,590,583.16	29.81

#### 11. Held-for-sale assets

Applicable  N/A

#### 12. 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 information

None

#### 13. Other current assets

Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Cost of returned goods receivable	1,381,990.01	
Input VAT to be deducted	11,338,961.82	37,976,562.19
Prepaid enterprise income tax	281,243.63	4,088,325.91
Total	13,002,195.46	42,064,888.10

Other information

[Note]: The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2019) can refer to V.44 of Section XI for details.

#### 14. Debt investments

##### (1). Description of debt investments

Applicable  N/A

**(2). Debt investments with significant amounts at the end of the period**

Applicable  N/A

**(3). Description of provision for impairment**

Applicable  N/A

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 information

Applicable  N/A

**15. Other debt investments****(1). Description of other debt investments**

Applicable  N/A

**(2). Other debt investments with significant amounts at the end of the period**

Applicable  N/A

**(3). Description of provision for impairment**

Applicable  N/A

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 information:

Applicable  N/A

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

Applicable  N/A

Item	Closing balance			Opening balance			Range of discount rate
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value	
Goods sold on installment payment	15,000,000.00	750,000.00	14,250,000.00				
Less: Financing income not realized	1,053,912.22		1,053,912.22				
Total	13,946,087.78	750,000.00	13,196,087.78				/

In RMB

**(2). Provision for bad debts**

Applicable  N/A

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, 2020				
Balance as at January 1, 2020 in the current period				

In RMB

--transferred to Stage II				
--transferred to Stage III				
--reversed to Stage II				
--reversed to Stage I				
Provision	750,000.00			750,000.00
Reversal				
Write-off				
Cancellation				
Other changes				
Balance as at December 31, 2020	750,000.00			750,000.00

Description of significant changes in the balance of long-term 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

**(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 information

Applicable  N/A

**17. 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		
<b>I. Joint venture</b>											
Subtotal											
<b>II. Associates</b>											
Cinionic Limited	139,534,371.94			-1,301,454.86	2,313,729.34				-9,140,221.78	131,406,424.64	
GDC Technology Limited (BVI)		118,196,580.78		809,247.05	12,332,520.01					131,338,347.84	
Subtotal	139,534,371.94	118,196,580.78		-492,207.81	14,646,249.35				-9,140,221.78	262,744,772.48	
Total	139,534,371.94	118,196,580.78		-492,207.81	14,646,249.35				-9,140,221.78	262,744,772.48	

Other information  
None

**18. 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

**(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 information:

√ 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.

**19. Other non-current financial assets**

□ Applicable √ N/A

Other information:

 Applicable  N/A**20. Investment properties**

Measurement mode of investment properties

N/A

**21. Fixed assets****Presented by items** Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Fixed assets	447,571,328.91	471,204,340.95
Disposal of fixed assets		
Total	447,571,328.91	471,204,340.95

Other information:

 Applicable  N/A**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	82,619,598.35	1,020,400.05	31,265,315.39	525,597,112.41	640,502,426.20
2. Increase	29,428,206.55		9,038,415.39	47,985,469.41	86,452,091.35
(1) Purchase	28,891,627.63		8,898,200.65		37,789,828.28
(2) Transfer from construction in progress				47,985,469.41	47,985,469.41
(3) Transfer from inventories	536,578.92		140,214.74		676,793.66
3. Decrease	8,153,090.95		2,985,169.50	10,288,683.02	21,426,943.47
(1) Disposal or retirement	4,074,815.63		2,830,201.69	1,728,450.18	8,633,467.50
(2) Transfer to inventories	4,078,275.32		154,967.81	8,560,232.84	12,793,475.97
4. Closing balance	103,894,713.95	1,020,400.05	37,318,561.28	563,293,898.80	705,527,574.08

II. Accumulated depreciation					
1. Opening balance	29,391,420.36	292,223.86	12,083,558.96	127,530,882.07	169,298,085.25
2. Increase	17,784,983.00	155,448.37	6,892,606.16	74,396,648.69	99,229,686.22
(1) Provision	17,784,983.00	155,448.37	6,892,606.16	74,396,648.69	99,229,686.22
3. Decrease	5,647,833.21		1,866,778.03	3,056,915.06	10,571,526.30
(1) Disposal or retirement	3,425,829.91		1,734,910.89	545,039.96	5,705,780.76
(2) Transfer to inventories	2,222,003.30		131,867.14	2,511,875.10	4,865,745.54
4. Closing balance	41,528,570.15	447,672.23	17,109,387.09	198,870,615.70	257,956,245.17
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	62,366,143.80	572,727.82	20,209,174.19	364,423,283.10	447,571,328.91
2. Opening balance	53,228,177.99	728,176.19	19,181,756.43	398,066,230.34	471,204,340.95

**(2). Temporarily idle fixed assets**

□ Applicable√ N/A

**(3). Fixed assets acquired 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
Operating leased equipment	364,423,283.10
Total	364,423,283.10



**(5). Fixed assets of which certificates of title have not been obtained**

Applicable  N/A

Other information:

Applicable  N/A

**Disposal of fixed assets**

Applicable  N/A

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

Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Construction in progress	51,576,850.72	20,132,004.07
Materials for construction		
Total	51,576,850.72	20,132,004.07

Other information:

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	37,982,329.74		37,982,329.74	1,385,496.59		1,385,496.59
Light sources to be leased	13,594,520.98		13,594,520.98	18,746,507.48		18,746,507.48
Total	51,576,850.72		51,576,850.72	20,132,004.07		20,132,004.07

**(2). Changes in significant constructions in progress for the current period**

Applicable  N/A

In RMB

Item	Budget amount	Opening balance	Increase	Amount transferred to fixed assets	Other decreases	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Where: Capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Headquarter buildings	534,635,200.00	1,385,496.59	36,596,833.15			37,982,329.74	7.10	7.10				Self-funded capital
Light sources to be leased		18,746,507.48	42,833,482.91	47,985,469.41		13,594,520.98						Self-funded capital
Total	534,635,200.00	20,132,004.07	79,430,316.06	47,985,469.41		51,576,850.72	/	/			/	/

**(3). Provision for impairment losses for construction in progress in the current period**

Applicable  N/A

Other information

Applicable  N/A

**Materials for construction**

**(4). Description of materials for construction**

Applicable  N/A

**23. Productive biological assets**

**(1). Productive biological assets measured at cost**

Applicable  N/A

**(2). Productive biological assets measured at fair value**

Applicable  N/A

Other information

Applicable  N/A

**24. Oil and gas assets**

Applicable  N/A

**25. Use right assets**

Applicable  N/A

**26. Intangible assets****(1). Description of intangible assets**

Applicable  N/A

In RMB

Item	Land use rights	Patents	Software	Total
I. Cost				
1. Opening balance	330,630,000.00	23,247,800.00	10,196,548.78	364,074,348.78
2. Increase			3,799,807.03	3,799,807.03
(1) Purchase			3,799,807.03	3,799,807.03
3. Decrease				
(1) Disposal				
4. Closing balance	330,630,000.00	23,247,800.00	13,996,355.81	367,874,155.81
II. Accumulated amortization				
1. Opening balance	16,531,500.06	12,535,490.06	2,676,034.59	31,743,024.71
2. Increase	11,021,000.04	2,324,780.04	2,297,115.42	15,642,895.50
(1) Provision	11,021,000.04	2,324,780.04	2,297,115.42	15,642,895.50
3. Decrease				
(1) Disposal				
4. Closing balance	27,552,500.10	14,860,270.10	4,973,150.01	47,385,920.21
III. Provision for impairment				
1. Opening balance				
2. Increase				
(1) Provision				
3. Decrease				
(1) Disposal				

4. Closing balance				
IV. Book value				
1. Closing balance	303,077,499.90	8,387,529.90	9,023,205.80	320,488,235.60
2. Opening balance	314,098,499.94	10,712,309.94	7,520,514.19	332,331,324.07

The proportion of intangible assets generated by the Company's internal research and development to the balance of intangible assets at the end of the period is 0.

**(2). Land use rights of which certificates of title have not been obtained**

Applicable  N/A

Other information:

Applicable  N/A

**27. Development expenditure**

Applicable  N/A

**28. Goodwill**

**(1). Original book value of goodwill**

Applicable  N/A

**(2). Impairment provision of goodwill**

Applicable  N/A

**(3). Relevant information of groups of assets or combinations of groups of assets where the goodwill is recognized**

Applicable  N/A

**(4). Specify test procedure, key parameters of impairment of goodwill (such as increase rate at the projection period, increase rate at the steady period, profit rate, discount rate, and projection period upon the estimates of the presented value of future cash flow) as well as recognition method for impairment loss**

Applicable  N/A

**(5). Impacts on test of goodwill impairment**

Applicable  N/A

Other information

Applicable  N/A

**29. Long-term prepaid expenses**

Applicable  N/A

In RMB

Item	Opening balance	Increase	Amortization	Other decreases	Closing balance
Renovation costs	16,908,070.34	943,824.91	6,831,616.68		11,020,278.57
Leased software		844,339.62	292,271.40		552,068.22
Total	16,908,070.34	1,788,164.53	7,123,888.08		11,572,346.79

Other information:

None

**30. Deferred tax assets and 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 assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	28,773,276.08	4,625,714.28	35,664,470.56	5,836,098.21
Unrealized profits for insider transactions	343,108,987.56	85,451,876.99	382,370,535.17	95,185,982.07
Deductible losses	3,339,193.87	834,798.46		
Estimated liabilities	24,854,195.43	4,578,959.70	25,267,517.71	4,667,623.73
Deferred income	15,797,285.68	2,504,280.31	16,475,547.96	2,546,469.56
Share-based payment expenses	639,138.44	101,038.96	4,987,200.41	787,768.28
Total	416,512,077.06	98,096,668.70	464,765,271.81	109,023,941.85

**(2). Deferred tax liabilities that are not offset**

√ Applicable □ N/A

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation from valuation of assets from business combination not involving enterprises				

under common control				
Changes in fair value of other debt investments				
Changes in fair value of investments in other equity instruments				
Long-term accounts receivable	13,097,031.17	1,964,554.68		
Total	13,097,031.17	1,964,554.68		

**(3). Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset**

√ Applicable □ N/A

In RMB

Item	Closing set-off amounts of deferred tax assets and liabilities	Closing balance of deferred tax assets or liabilities after set-off	Opening set-off amount of deferred tax assets and liabilities	Opening balance of deferred tax assets or liabilities after set-off
Deferred tax assets	1,964,554.68	96,132,114.02		109,023,941.85
Deferred tax liabilities				

**(4). Details of unrecognized deferred tax assets**

√ Applicable □ N/A

In RMB

Item	Closing balance	Opening balance
Deductible temporary differences	47,569,632.05	32,593,450.49
Deductible losses	275,961,696.98	155,147,494.11
Total	323,531,329.03	187,740,944.60

**(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
2021	9,487,530.31	9,487,530.31	
2022	11,900,329.00	11,900,329.00	
2023	47,115,450.59	47,115,450.59	
2024	86,745,720.01	86,644,184.21	
2025	120,712,667.07		
Total	275,961,696.98	155,147,494.11	/

Other information:

 Applicable  N/A**31. Other non-current assets** Applicable  N/A

In RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Prepayment for purchase of long-term assets	6,299,781.06		6,299,781.06	11,420,185.94		11,420,185.94
Total	6,299,781.06		6,299,781.06	11,420,185.94		11,420,185.94

Other information:

None

**32. Short-term borrowings****(1). Categories of short-term borrowings** Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Pledge borrowings		
Mortgage borrowings		
Guaranteed loans	77,223,937.39	50,000,000.00
Credit loans	11,299,169.33	
Credit and pledge borrowings		10,000,000.00
Guaranteed loans and loans against collateral		16,337,875.56
Interest payable	255,746.14	427,443.49
Total	88,778,852.86	76,765,319.05

Description for categories of short-term borrowings:

None

**(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 information

Applicable  N/A

### 33. Held-for-trading financial liabilities

Applicable  N/A

### 34. Derivative financial liabilities

Applicable  N/A

### 35. Notes payable

**Presented by notes payable**

Applicable  N/A

In RMB

Category	Closing balance	Opening balance
Commercial acceptance bills		
Bank acceptance bills	116,822,674.67	37,335,841.79
Total	116,822,674.67	37,335,841.79

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

### 36. Accounts payable

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

Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Amounts payable for purchase	226,494,815.90	176,624,445.46
Total	226,494,815.90	176,624,445.46

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

Applicable  N/A

Other information

Applicable  N/A

### 37. Receipts in advance

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

Applicable  N/A

In RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------



Advance payments of recharge fees and others	153,258,189.88	167,534,200.30
Total	153,258,189.88	167,534,200.30

**(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.	29,654,090.00	Lease payments received in advance
Total	29,654,090.00	

## Other information

√ Applicable □ N/A

The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2019) can refer to V.44 of Section XI for details.

**38. Contract liabilities****(1). Description of contract liabilities**

√ Applicable □ N/A

In RMB

Item	Closing balance	Opening balance
Goods payment	31,518,312.59	15,777,305.81
Total	31,518,312.59	15,777,305.81

**(2). Amount and reasons of major changes in the book value during the reporting period**

□ Applicable √ N/A

Other information:

√ Applicable □ N/A

The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2019) can refer to V.44 of Section XI for details.

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

√ Applicable □ N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term benefits	50,334,348.08	281,970,084.14	286,272,801.05	46,031,631.17
II. Post-employment	240,147.90	1,199,173.75	1,365,386.67	73,934.98

benefits-defined contribution plan				
III. Termination benefits	12,436.73	6,038,236.08	6,050,672.81	
IV. Other benefits due within one year				
Total	50,586,932.71	289,207,493.97	293,688,860.53	46,105,566.15

**(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	50,091,330.65	254,103,055.46	258,237,950.81	45,956,435.30
II. Staff welfare		5,629,232.83	5,629,232.83	
III. Social security contributions	60,144.93	8,164,533.26	8,170,691.67	53,986.52
Where: Medical insurance	46,782.99	7,934,349.77	7,927,949.68	53,183.08
Work injury insurance	4,733.59	18,477.01	22,424.14	786.46
Maternity insurance	8,628.35	211,706.48	220,317.85	16.98
IV. Housing funds	2,113.00	13,279,496.28	13,280,620.28	989.00
V. Union running costs and employee education costs	180,759.50	793,766.31	954,305.46	20,220.35
VI. Short-term paid leaves				
VII. Short-term profit sharing plan				
Total	50,334,348.08	281,970,084.14	286,272,801.05	46,031,631.17

**(3). Presented by defined contribution plan**

√ Applicable □ N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pensions	232,248.74	1,274,384.40	1,432,746.16	73,886.98

2. Unemployment insurance	7,899.16	-75,210.65	-67,359.49	48.00
3. Enterprise annuity contribution				
Total	240,147.90	1,199,173.75	1,365,386.67	73,934.98

Other information:

Applicable  N/A

#### 40. Taxes payable

Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Value-added tax (VAT)	12,205,136.88	776,108.18
Enterprise income tax	5,477,611.87	39,874,754.97
Individual income tax	1,067,512.87	1,447,882.44
City maintenance and construction tax	478,213.88	364,569.72
Stamp duty	294,612.70	200,925.53
Education surcharges	204,948.80	156,244.17
Local education surcharges	136,632.54	104,162.78
Annual franchise right tax	7,177.40	
Total	19,871,846.94	42,924,647.79

Other information:

None

#### 41. Other payables

Presented by items

Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		
Other payables	59,848,053.83	14,364,076.43
Total	59,848,053.83	14,364,076.43

Other information:

Applicable  N/A

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

Applicable  N/A

**Dividends payable****(2). 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	110,389.10	145,265.79
Deposits/margins	6,600,475.05	2,626,034.93
Withdrawals in advance	22,153,008.25	11,539,286.03
Amount of equity transfer payable	11,548,387.32	
Borrowings	19,343,613.33	
Temporary receipts payable	92,180.78	53,489.68
Total	59,848,053.83	14,364,076.43

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

Applicable  N/A

Other information:

Applicable  N/A

**42. Liabilities held for sale**

Applicable  N/A

**43. Non-current liabilities due within one year**

Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	181,057,099.90	64,841,740.00
Interest payable	360,312.56	127,055.02
Total	181,417,412.46	64,968,795.02

Other information:

None

**44. Other current liabilities**

Description of other current liabilities

√ Applicable □ N/A

In RMB

Item	Closing balance	Opening balance
Taxes to be written off	3,045,831.07	1,133,137.22
Total	3,045,831.07	1,133,137.22

Changes in short-term bonds payable:

□ Applicable √ N/A

Other information:

√ Applicable □ N/A

The difference between the opening balance of the year and the closing balance of the prior year (as of December 31, 2019) can refer to V.44 of Section XI for details.

**45. Long-term borrowings****(1). Categories of long-term borrowings**

√ Applicable □ N/A

In RMB

Item	Closing balance	Opening balance
Guaranteed loans	29,000,000.00	
Credit loans	2,043,500.81	
Guaranteed loans and loans against collateral	33,693,828.00	279,060,423.10
Interest payable	107,952.72	554,684.17
Total	64,845,281.53	279,615,107.27

Description for categories of long-term borrowings:

None

Other description, including interest range:

□ Applicable √ N/A

**46. Bonds payable****(1). Bonds payable**

□ Applicable √ N/A

**(2). Changes in bonds payable: (excluding other financial instruments such as preference shares, perpetual bonds and others classified as financial liabilities)**

□ Applicable √ N/A

**(3). Description of converting terms and period of convertible corporate bonds**

□ Applicable √ N/A

**(4). Description of other financial instruments classified as financial liabilities**

Basic information of other financial instruments including outstanding preferred shares and perpetual bonds at the end of the period

Applicable  N/A

Changes in financial instruments including outstanding preferred shares and perpetual bonds at the end of the period

Applicable  N/A

Other financial instruments classified as financial liabilities:

Applicable  N/A

Other information:

Applicable  N/A

**47. Leasing liabilities**

Applicable  N/A

**48. Long-term payables**

**Presented by items**

Applicable  N/A

In RMB

Item	Closing balance	Opening balance
Long-term payables	3,262,450.00	3,488,100.00
Special payables		
Total	3,262,450.00	3,488,100.00

Other information:

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	3,488,100.00	3,262,450.00

Other information:

None

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

Applicable  N/A

**49. Long-term employee benefits payable**

Applicable  N/A

**(1). Long-term employee benefits payable**

Applicable  N/A

**(2). Changes in defined benefit plan**

Present value of the obligations under the defined benefit plan:

Applicable  N/A

Assets under the plan:

Applicable  N/A

Net liabilities (net assets) under the defined benefit plan

Applicable  N/A

Description of the impact of the content of the defined benefit plan and associated risks on the future cash flow, time, and uncertainty of the Company:

Applicable  N/A

Description of major actuarial assumptions and sensitivity analysis result for the defined benefit plan

Applicable  N/A

Other information:

Applicable  N/A

**50. Provisions**

Applicable  N/A

In RMB

Item	Opening balance	Closing balance	Reason
Product quality warranty	27,072,676.49	27,240,470.53	Expenses for “three guarantees” services
Amounts payable for goods returned		1,558,884.12	
Total	27,072,676.49	28,799,354.65	/

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

None

**51. Deferred income**

Description of deferred income

Applicable  N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government grants	17,108,361.69	15,736,600.00	16,121,704.54	16,723,257.15	
Total	17,108,361.69	15,736,600.00	16,121,704.54	16,723,257.15	/

Items relating to government grants:

√ Applicable □ N/A

In RMB

Liabilities	Opening balance	Increased government grants for the current period	Amount recognized in non-operating income for the current period	Amount recognized in other income for the current period	Other changes	Closing balance	Related to assets/income
8K Ultra High Definition Laser Display Technology Engineering Research Center	2,000,000.00			300,812.65		1,699,187.35	Related to assets
High Performance Resin and Composite Materials Preparation Technique for Additive Manufacturing	18,125.06			18,125.06			Related to income
Key Enterprise Laboratory for Laser Display in	4,820,417.31			4,820,417.31			Related to income



Guangdong Province							
Ultra-high Brightness Laser Light Source Engineering Technology Research Center	2,142,818.87	2,250,000.00		2,708,945.61		1,683,873.26	Related to income
Trichromatic Laser Display Complete Equipment Production Demonstration Line	7,694,753.43	9,901,800.00		4,256,356.89		13,340,196.54	Related to income
Key Technology of Trichromatic Laser Display Complete Equipment Industrialization	432,247.02	2,210,000.00		2,642,247.02			Related to income
2019 Special Funds for the Development of Cultural Industry in Shunyi District		1,374,800.00		1,374,800.00			Related to income
Total	17,108,361.69	15,736,600.00		16,121,704.54		16,723,257.15	

Other information:

√ Applicable □ N/A

[Note]: Government grants included in the current profit or loss are disclosed in VII.84 of Section XI in details.

**52. Other non-current liabilities**

□ Applicable√ N/A

**53. Share capital**

√ Applicable□ N/A

In RMB

	Opening balance	Changes (+, -)					Closing balance
		Issue new shares	Bonus shares	Capitalization of capital reserve	Others	Subtotal	
Total shares	451,554,411.00				1,202,490.00	1,202,490.00	452,756,901.00

## Other information:

On October 13, 2020, the Company held the 27<sup>th</sup> meeting of the first Board of Directors and the 14<sup>th</sup> meeting of the first Board of Supervisors, at which the *Proposal on Adjusting the Grant Price of Restricted Shares under the 2019 Restricted Share Incentive Plan* and the *Proposal on Granting Reserved Restricted Shares to Grantees of Share Incentives under the 2019 Restricted Share Incentive Plan* were reviewed and passed, approving to adjust the grant price of restricted shares from RMB 17.5 per share to RMB 17.425 per share. On October 29, 2020, the Company held the 28<sup>th</sup> meeting of the first Board of Directors and the 15<sup>th</sup> meeting of the first Board of Supervisors, at which the *Proposal on Invalidating Partial Granted but Not Vested 2019 Restricted Shares* and the *Proposal on Vesting Criteria for the First Vesting Period in the Initial Grant under 2019 Restricted Share Incentive Plan* were reviewed and passed. On November 11, 2020, the Company received the additional investment of RMB 20,953,388.25 in total paid by 147 qualified grantees of share incentives, including RMB 1,202,490.00 recognized as share capital and RMB 19,750,898.25 recognized as capital premium (share premium). BDO China Shu Lun Pan Certified Public Accountants LLP audited this capital increase and issued a Capital Verification Report (Xin Kuai Shi Bao Zi [2020] No. ZL10495).

**54. Other equity instruments****(1). Basic information of other financial instruments including outstanding preferred shares and perpetual bonds at the end of the period**

Applicable  N/A

**(2). Changes in financial instruments including outstanding preferred shares and perpetual bonds at the end of the period**

Applicable  N/A

Changes of other equity instruments in the current period, reasons for such change and basis for related accounting treatments:

Applicable  N/A

Other information:

Applicable  N/A

**55. Capital reserve**

Applicable  N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (Share premium)	1,200,466,394.58	40,736,025.50		1,241,202,420.08
Other capital reserve	7,475,923.79	18,783,763.38	18,441,116.10	7,818,571.07
Total	1,207,942,318.37	59,519,788.88	18,441,116.10	1,249,020,991.15

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

1) On November 11, 2020, the Company received the additional investment of RMB 20,953,388.25 in total paid for restricted shares, including RMB 1,202,490.00 recognized as share capital and RMB 19,750,898.25 recognized as capital premium (share premium). In addition, because the first vesting period meets the vesting criteria for the initial grant under the restricted share incentive plan, RMB 18,441,116.10 was transferred from capital reserve (other capital reserve) to capital premium (share premium).

2) On December 23, 2020, the Company acquired minority interests by paying the consideration of RMB 27,226,384.00 for the shares, and acquired shares in the fair value of the identifiable net assets in the amount of RMB 29,770,395.15, while the difference RMB 2,544,011.15 was recognized as capital premium (share premium).

3) On October 14, 2019, the Company held the 18<sup>th</sup> meeting of the first Board of Directors and the 8<sup>th</sup> meeting of the first Board of Supervisors, at which resolutions on matters related to the 2019

Restricted Share Incentive Plan were reviewed and passed; 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 grantees of share incentives who met the grant conditions at a grant price of RMB 17.5 per share on the grant date of October 14, 2019. On October 13, 2020, the Company held the 27<sup>th</sup> meeting of the first Board of Directors and the 14<sup>th</sup> meeting of the first Board of Supervisors, at which the *Proposal on Adjusting the Grant Price of Restricted Shares under the 2019 Restricted Share Incentive Plan* and the *Proposal on Granting Reserved Restricted Shares to Grantees of Share Incentives under the 2019 Restricted Share Incentive Plan* were reviewed and passed, approving to adjust the grant price of restricted shares from RMB 17.5 per share to RMB 17.425 per share. On October 14, 2020, the Company held the 27<sup>th</sup> meeting of the first Board of Directors and the 14<sup>th</sup> meeting of the first Board of Supervisors, at which the proposal on granted reserved restricted shares to grantees of share incentives under the 2019 restricted share incentive plan was reviewed and passed; as the Company's implementation of this incentive plan was approved in the general meeting of shareholders, it was determined that 1.1 million shares of restricted shares were granted to 38 grantees of share incentives who met the grant conditions at a grant price of RMB 17.425 per share on the grant date of October 13, 2020. The total expense of equity-settled share-based payments amounted to RMB 20,570,952.76, in which RMB 18,783,763.38 was recognized in the capital reserve (other capital reserve) and RMB 1,787,189.38 was charged to the amount attributable to minority interests.

## 56. Treasury shares

Applicable  N/A

## 57. Other comprehensive income

Applicable  N/A

In RMB

Item	Opening balance	Amount recognized in the current period						Closing balance
		Amount incurred for current period	Less: Amount previously included in other comprehensive	Less: Amount previously included in other comprehensive	Less: Income tax expenses	Attributable to owners of the parent company after tax	Attributable to minority shareholders after tax	

		before tax	income and transferred to profit or loss for the period	income and transferred to retained earnings for the period				
I. Other comprehen sive income that cannot be reclassified subsequentl y to profit or loss								
II. Other comprehen sive income that will be reclassified to profit or loss	3,287,063 .85	-6,496,909 .69				-6,501,355.7 8	4,446.09	-3,214,291 .93
Where: Exchange differences on translation of financial statements denominate d in foreign currencies	3,287,063 .85	-6,496,909 .69				-6,501,355.7 8	4,446.09	-3,214,291 .93
Total other comprehen sive income	3,287,063 .85	-6,496,909.6 9				-6,501,355.7 8	4,446.09	-3,214,291 .93

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

None

**58. Special reserve**

□ Applicable√ N/A

**59. Surplus reserve**

√ Applicable□ N/A

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	21,522,683.40	12,441,955.44		33,964,638.84
Surplus reserve recovered through business combination involving entities under common control	1,277,540.73			1,277,540.73
Total	22,800,224.13	12,441,955.44		35,242,179.57

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

The Company made provisions for statutory surplus reserves at 10% of the net profits realized by the parent company in the period.

**60. Undistributed profits**

√ Applicable□ N/A

In RMB

Item	Current period	Prior period
Undistributed profits at the end of prior period before adjustment	288,975,820.29	112,623,054.78
Total adjusted undistributed profits at the beginning of the period (Add: +; Less: -)	1,278,734.88	
Undistributed profits at the beginning of the period after adjustment	290,254,555.17	112,623,054.78
Add: Net profit attributable to owners of the parent company for the period	113,847,873.06	186,457,276.71
Less: Appropriation to statutory surplus reserve	12,441,955.44	10,104,511.20
Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Declaration of dividends on ordinary shares		
Conversion of ordinary shares' dividends into share capital		

Distributed dividend	33,866,580.83	
Undistributed profits at the end of the period	357,793,891.96	288,975,820.29

On May 22, 2020, at the 2019 annual general meeting of shareholders, the *Proposal on Preliminary Plan on Profit Distribution for 2019* was reviewed and passed, approving to make profit distribution on the basis of the total shares on the record date of interest distribution - the Company proposed to distribute to all shareholders a cash dividend of RMB 0.75 (tax inclusive) for every 10 shares. The total cash dividend to be paid is RMB 33,866,580.83.

For the total adjusted undistributed profits at the beginning of the period, refer to the description in V.44 of Section XI.

Details of adjustments to undistributed 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, undistributed profits at the beginning of the period were affected by RMB 1,278,734.88.

2. Undistributed profits at the beginning of the period were affected by RMB 0 due to changes in accounting policies.

3. Undistributed profits at the beginning of the period were affected by RMB 0 due to the correction of significant accounting errors.

4. Undistributed profits at the beginning of the period were affected by RMB 0 due to changes in the scope of consolidation resulting from business combination involving entities under common control.

5. Undistributed profits at the beginning of the period were affected by RMB 0 in total due to other adjustments.

## 61. Operating income and operating costs

### (1). Description of operating income and operating costs

Applicable  N/A

In RMB

Item	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Main business	1,948,884,176.83	1,393,075,043.93	1,979,148,918.89	1,183,650,635.25
Total	1,948,884,176.83	1,393,075,043.93	1,979,148,918.89	1,183,650,635.25

### (2). Description of incomes from contracts

Applicable  N/A

Description of incomes from contracts:

Applicable  N/A

### (3). Description of performance obligations

Applicable  N/A

### (4). Description of allocation to remaining performance obligations

Applicable  N/A

Other information:

Breakdown of revenue by category

Item	Subtotal
Principal operation place	
Domestic	1,683,887,300.96
Overseas	93,264,261.21
Subtotal	1,777,151,562.17
By product	
Laser optical engine	202,707,478.10
Complete laser projector	1,465,195,649.90
Others	109,248,434.17
Subtotal	1,777,151,562.17
Revenue recognition time	
Goods (transferred at a time point)	1,744,123,232.35
Services (provided during a specific period of time)	33,028,329.82
Subtotal	1,777,151,562.17

Note: The revenue breakdown information presented in the table above is the revenue amount excluding rents and other amounts not subject to the New Revenue Standard.

## 62. Taxes and levies

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
City maintenance and construction tax	2,867,426.89	3,070,823.26
Education surcharges	1,245,187.55	1,336,864.61
Local education surcharges	830,125.05	879,366.01
Others	1,776,005.30	2,323,097.26
Total	6,718,744.79	7,610,151.14

Other information:

None



**63. Selling expenses**

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Employee benefits	57,290,923.11	52,472,593.05
Marketing fees	39,666,919.06	36,724,064.18
Service fees	10,032,772.59	7,249,578.52
After-sale repair expenses	6,175,382.08	17,690,062.80
Advertising and business promotion expenses	4,839,376.53	6,865,906.71
Travel expenses	2,561,838.29	6,806,740.43
Business entertainment expenses	1,671,853.12	3,015,283.66
Other expenses	11,349,169.82	20,935,881.65
Total	133,588,234.60	151,760,111.00

Other information:

None

**64. Administrative expenses**

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Employee benefits	59,421,774.51	70,126,183.15
Rent expense	7,449,392.71	15,153,597.68
Travel expenses	471,610.48	3,940,279.50
Service fees	31,845,756.88	27,332,463.20
Depreciation and amortization expenses	9,094,503.87	14,945,520.79
Share-based payment expenses	20,581,939.14	8,146,719.12
Other expenses	6,892,298.67	12,981,767.17
Total	135,757,276.26	152,626,530.61

Other information:

None

**65. R&D expenses**

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Employee benefits	120,904,809.23	118,054,037.18
Material consumption expenses	21,280,414.59	30,630,477.60
Rent expense	8,983,285.74	9,706,785.26
Service fees	8,549,326.63	10,229,627.72
Depreciation and amortization expenses	13,073,784.95	8,883,535.17

Testing expenses	5,234,158.17	4,161,556.69
Patent fees	6,808,589.82	11,169,391.10
Other expenses	19,608,999.97	8,862,355.54
Total	204,443,369.10	201,697,766.26

Other information:

None

## 66. Financial expenses

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Interest expenses	20,066,451.02	33,120,484.94
Less: Interest income	-10,322,478.28	-4,079,231.03
Exchange profit or loss	-2,227,674.26	-799,344.64
Bank service charges	1,708,675.72	1,249,314.15
Total	9,224,974.20	29,491,223.42

Other information:

None

## 67. Other income

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Government grants related to assets	300,812.65	8,000,000.00
Government grants related to income	41,782,494.35	22,467,052.33
Refund of transaction fees for withholding individual income taxes	323,003.17	
Additional deduction of input VAT	2,848,690.73	3,657,561.79
Total	45,255,000.90	34,124,614.12

Other information:

Government grants recognized in other income in the current period are disclosed in VII.84 of Section XI in details.

## 68. Investment income

√ Applicable □ N/A

In RMB

Item	Amount for the current	Amount for the prior period
------	------------------------	-----------------------------

	period	
Long-term equity investment accounted for using the equity method	-679,282.94	-3,927.93
Investment income from disposal of held-for-trading financial assets	18,624,853.96	9,552,990.98
Total	17,945,571.02	9,549,063.05

Other information:

None

#### 69. Gains from net exposure hedges

Applicable  N/A

#### 70. Gains from changes in fair values

Applicable  N/A

#### 71. Losses of credit impairment

Applicable  N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Bad debt losses	-9,121,278.95	-3,771,572.38
Total	-9,121,278.95	-3,771,572.38

Other information:

None

#### 72. Impairment losses of assets

Applicable  N/A

In RMB

Item	Amount for the current period	Amount for the prior period
I. Decline in value of inventories	-10,196,985.27	-12,623,251.67
II. Impairment losses of contract assets	-1,393,709.16	
Total	-11,590,694.43	-12,623,251.67

Other information:

None

#### 73. Gains from disposal of assets

Applicable  N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Gains from disposal of fixed assets	281,040.26	41,420.84
Total	281,040.26	41,420.84

Other information:

None

**74. Non-operating income**

Description of non-operating income

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Total gains from disposal of non-current assets			
Where: 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	1,539,340.28		1,539,340.28
Amounts not required for payment	275,714.05	1,876,501.15	275,714.05
Indemnity	2,793,056.81	2,005,696.00	2,793,056.81
Others	30,323.96	43,869.58	30,323.96
Total	4,638,435.10	3,926,066.73	4,638,435.10

Government grants included in profit or loss for the period

√ Applicable □ N/A

In RMB

Grant project	Amount for the current period	Amount for the prior period	Related to assets/income
Grant from Hong Kong government for	139,340.28		Related to income

the semiconductor R&D project of Hong Kong University of Science and Technology			
Enterprise Listing Financing Incentive Program of Shenzhen Nanshan District Industry and Information Technology Bureau	1,400,000.00		Related to income

Other information:

Applicable  N/A

#### 75. Non-operating expenses

Applicable  N/A

In RMB

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Total losses from disposal of non-current assets			
Where: Losses from disposal of fixed assets			
Losses from disposal of intangible assets			
Losses from debt restructuring			
Losses from exchange of non-monetary assets			
Losses from damage and retirement of non-current assets	1,393,161.39	3,255,908.90	1,393,161.39
Penalties and overdue fines	76,700.50	212,581.48	76,700.50
External donations	593,309.76	715,387.87	593,309.76
Others	1.31	16,319.31	1.31
Total	2,063,172.96	4,200,197.56	2,063,172.96

Other information:

None

## 76. Income tax expense

(1). Statement of income tax expense

Applicable  N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Income tax expense in the current period	11,910,373.50	64,508,782.78
Deferred income tax expenses	12,853,862.82	-9,526,561.15
Total	24,764,236.32	54,982,221.63

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

Applicable  N/A

In RMB

Item	Amount for the current period
Total profit	111,421,434.89
Income tax expense calculated based on statutory/applicable tax rate	16,713,215.24
Effect of different tax rates of subsidiaries operating in other jurisdictions	563,787.37
Effect of income tax for the period before adjustment	-178,204.59
Effect of non-taxable income	-659,450.33
Effect of non-deductible cost, expense and loss	3,210,951.55
Effect of utilizing deductible loss not recognized for deferred tax assets for prior period	-29,537.27
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	25,161,016.39
Change in the balance of opening deferred tax assets caused by tax rate adjustment	88,229.77
Effect of additional deduction of R&D expenses	-20,105,771.81
Income tax expenses	24,764,236.32

Other information:

Applicable  N/A

## 77. Other comprehensive income

Applicable  N/A

Other comprehensive income net of tax is disclosed in VII.57 of Section XI in details.

**78. Items in cash flow statement****(1). Other cash receipts relating to operating activities**

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Government grants	40,365,718.97	28,765,309.74
Non-operating income	1,127,368.51	3,841,224.18
Interest income	10,382,950.88	2,049,565.58
Other monetary funds-margins	51,523,088.26	37,531,542.28
Receivables and payables	6,965,206.85	6,375,293.17
Bank deposits-frozen funds due to litigation	30,000,000.00	
Total	140,364,333.47	78,562,934.95

Description of other cash receipts relating to operating activities:

None

**(2). Other cash payments relating to operating activities**

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Selling expenses paid in cash	77,288,028.15	75,178,450.72
Administrative and R&D expenses paid in cash	103,583,598.35	101,950,001.38
Financial expenses paid in cash	1,708,675.72	1,249,314.15
Non-operating expenses	670,011.57	944,288.66
Other monetary funds-margins	49,749,747.97	41,702,174.11
Bank deposits-frozen funds due to litigation		30,000,000.00
Receivables and payables	11,988,038.74	5,886,899.65
Total	244,988,100.50	256,911,128.67

Description of other cash payments relating to operating activities:

None

**(3). Other cash receipts relating to investing activities**

□ Applicable √ N/A

**(4). Other cash payments relating to investing activities**

□ Applicable √ N/A

**(5). Other cash receipts relating to financing activities**

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Shareholder borrowings	19,320,000.00	
Total	19,320,000.00	

Description of other cash receipts relating to financing activities:

None

(6). Other cash payments relating to financing activities

√ Applicable □ N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Issue expenses		39,396,048.75
Total		39,396,048.75

Description of other cash payments relating to financing activities:

None

**79. Supplementary information to the cash flow statement**

(1). Supplementary information to the cash flow statement

√ Applicable □ N/A

In RMB

Supplemental information	Amount for the current period	Amount for the prior period
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	86,657,198.57	224,376,422.71
Add: Provision for impairment of assets	11,590,694.43	12,623,251.67
Losses of credit impairment	9,121,278.95	3,771,572.38
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	99,229,686.22	80,539,152.68
Amortization of use right assets		
Amortization of intangible assets	7,377,145.47	14,703,595.57
Amortization of long-term prepaid expenses	7,123,888.08	4,870,707.84
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “—”)	-281,040.26	-41,420.84
Losses on retirement of fixed assets (gains are indicated by “—”)	1,393,161.39	3,255,908.90
Losses on changes in fair values		



(gains are indicated by “—”)		
Financial expenses (income is indicated by “—”)	17,838,776.76	33,561,732.74
Investment losses (income is indicated by “—”)	-17,945,571.02	-9,549,063.05
Decrease in deferred tax assets (increase is indicated by “-”)	12,853,862.82	-9,530,966.11
Increase in deferred tax liabilities (decrease is indicated by “-”)		
Decrease in inventories (increase is indicated by “—”)	-172,605,815.49	-101,935,742.75
Decrease in receivables from operating activities (increase is indicated by “—”)	-128,184,406.23	-73,469,932.05
Increase in payables from operating activities (decrease is indicated by “—”)	96,596,705.75	51,678,964.90
Others	21,624,864.98	8,146,719.12
Net cash flow from operating activities	52,390,430.42	243,000,903.71
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	983,525,089.44	829,789,487.86
Less: Opening balance of cash	829,789,487.86	472,508,550.40
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	153,735,601.58	357,280,937.46

(2). Net cash paid to acquire subsidiaries for the period

√ Applicable □ N/A

In RMB

	Amount
Cash or cash equivalents paid in the period for business combination occurring in the period	15,677,996.68
Where: Tianjin Bonian Film Partnership (LP)	15,677,996.68
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	63,934.36
Where: Tianjin Bonian Film Partnership (LP)	63,934.36
Net cash paid for acquiring subsidiaries	15,614,062.32

Other information:

None

(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

In RMB

Item	Closing balance	Opening balance
I. Cash	983,525,089.44	829,789,487.86
Where: Cash on hand	5,858.56	3,348.57
Bank deposits that can be paid at any time	980,570,123.37	827,470,990.73
Other monetary funds that can be paid at any time	2,949,107.51	2,315,148.56
Deposits in the central bank that can be used for payments		
Deposits made with other banks		
Placements with banks		
II. Cash equivalents		
Where: Investments in debt securities due within three months		
III. Closing balance of cash and cash equivalents	983,525,089.44	829,789,487.86
Where: Restricted cash and cash equivalents of the parent company or subsidiaries within the Group		

Other information:

Applicable  N/A

**80. Notes to items in the statement of changes in owners' equity**

Describe matters such as the names and the adjusted amounts of the items included in “others” in respect of adjustments to the closing balances of the prior year:

Applicable  N/A

**81. Assets with limited ownership or use right**

Applicable  N/A

In RMB

Item	Closing balance of carrying amount	Reason
Other monetary funds	14,057,949.58	Margins
Bank deposits	40,000,000.00	Term deposits
Land use rights	303,077,499.90	Mortgage collateral
Total	357,135,449.48	/

Other information:

None

**82. 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 balance
Cash and bank balances	-	-	84,403,281.41
Where: USD	12,801,308.81	6.5249	83,527,259.85
GBP	365.96	8.8903	3,253.49
HKD	626,935.22	0.84164	527,653.76
VND	1,215,191,249.88	0.000284	345,114.31
Accounts receivable			7,071,872.19
Where: USD	1,083,828.44	6.5249	7,071,872.19
Short-term borrowings			11,410,560.27
Where: USD	1,748,771.67	6.5249	11,410,560.27
Accounts payable			46,949,935.01
Where: USD	7,195,502.61	6.5249	46,949,935.01
Long-term borrowings			2,057,124.15
Where: USD	315,272.90	6.5249	2,057,124.15

Other information:

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

Item	Major overseas operation place	Functional currency	Basis of choice
Appotronics Hong Kong Limited	Hong Kong	USD	Common currency
Appotronics USA, Inc.	USA	USD	Common currency
Fabulus Technology Hong Kong Limited	Hong Kong	USD	Common currency
JoveAI Limited	Cayman Islands	USD	Common currency
JoveAI Innovation, Inc.	USA	USD	Common currency
FORMOVIE TECHNOLOGY INC	USA	USD	Common currency
JoveAI Asia Company Limited	Vietnam	VND	Local currency
WEMAX LLC	USA	USD	Common currency

### 83. Hedge

□ Applicable √ N/A

### 84. Government grants

#### (1). Basic information of government grants

√ Applicable □ N/A

In RMB

Category	Amount	Item presented	Amount recognized in current profit or loss
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Government grants related to assets		Deferred income	300,812.65
Government grants related to income and used for compensation of the Company's relevant costs or losses in subsequent periods	15,736,600.00	Other income	15,820,891.89
Government grants related to income and used for compensation of the Company's relevant costs or losses that have been incurred	26,261,602.46	Other income	26,261,602.46
Government grants related to income and used for compensation of the Company's relevant costs or losses that have been incurred	1,539,340.28	Non-operating income	1,539,340.28
Interest subsidies	544,300.00	Financial expenses	544,300.00

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

1) Government grants related to assets

Item	Opening deferred income	Increase	Amortization	Closing deferred income	Amortization item presented	Description
8K Ultra High Definition Laser Display Technology Engineering Research Center	2,000,000.00		300,812.65	1,699,187.35	Other income	<i>Project Contract of 8K Ultra High Definition Laser Display Technology Engineering Research Center (XMHT20190101023), Development and Reform Commission of Shenzhen Municipality</i>
Subtotal	2,000,000.00		300,812.65	1,699,187.35		

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

Item	Opening deferred income	Increase	Carrying forward	Closing deferred income	Carrying forward item presented	Description
High Performance Resin and Composite Materials Preparation Technique for Additive Manufacturing	18,125.06		18,125.06		Other income	<i>Research and Development Cooperation Contract (2016YFB1100802), Institute of Chemistry, Chinese Academy of Sciences</i>
Key Enterprise Laboratory for Laser Display in Guangdong Province	4,820,417.31		4,820,417.31		Other income	<i>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), Department of Science and Technology of Guangdong Province; Notice of Shenzhen Science, Technology and Innovation Commission on the Issuance of Grants to Provincial Key Laboratory in 2018 and 2019 (Shen Ke Ji Chuang Xin [2019] No. 333), Science, Technology and Innovation Commission of Shenzhen Municipality</i>

Ultra-high Brightness Laser Light Source Engineering Technology Research Center	2,142,818.87	2,250,000.00	2,708,945.61	1,683,873.26	Other income	<i>Project Contract for Shenzhen Municipality Science and Technology Plan (Shen Ke Ji Chuang Xin [2019] No. 33), Science, Technology and Innovation Commission of Shenzhen Municipality</i>
Trichromatic Laser Display Complete Equipment Production Demonstration Line	7,694,753.43	9,901,800.00	4,256,356.89	13,340,196.54	Other income	<i>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), High Technology Research and Development Center, Ministry of Science and Technology</i>
Key Technology of Trichromatic Laser Display Complete Equipment Industrialization	432,247.02	2,210,000.00	2,642,247.02		Other income	<i>Task Statements for Research and Development Program in Key Fields of Guangdong Province (2019B010926001), Finance Bureau of Shenzhen Municipality</i>
2019 Special Funds for the Development of		1,374,800.00	1,374,800.00		Other income	<i>Announcement of Shunyi Publicity Department on</i>

Cultural Industry in Shunyi District						<i>Candidate Projects for 2019 Special Funds for the Development of Cultural Industry in Shunyi District, Shunyi Publicity Department</i>
Subtotal	15,108,361.69	15,736,600.00	15,820,891.89	15,024,069.80		

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

Item	Amount	Item presented	Description
Maternity Grants from Shenzhen Social Security Bureau	432,674.41	Other income	<i>Provisions of Guangdong for Maternity Insurance of Employees, Shenzhen Social Insurance Fund Administration</i>
2019 Talent Housing Rent Allowance of the Housing and Construction Bureau of Nanshan District, Shenzhen	896,885.00	Other income	<i>Supplementary Announcement on 2020 Talent Housing Rent Allowance of the Housing and Construction Bureau of Nanshan District, Shenzhen Nanshan District Industry and Information Technology Bureau</i>
Level 3 Grants for High-value Patent Portfolio from Shenzhen Administration for Market Regulation	271,428.60	Other income	<i>2020 Special Funds for Building the Service System of Intellectual Property Operation in Shenzhen (Batch 1) &amp; Candidate Objects of Grants for Intellectual Property-Pledged Financing with Special Funds under Intellectual Property Authority Delegated by Guangdong Province to Cities and Counties, Shenzhen Administration for Market Regulation</i>
Refund of unemployment insurance by Shenzhen Social Insurance Fund Administration	2,710,583.94	Other income	<i>Announcement on the Refund of Unemployment Insurance to Participating Enterprises in Shenzhen (Batch 3), Shenzhen Social Insurance Fund Administration</i>
Refund of unemployment insurance by Beijing Social Insurance Fund Administration	104,409.09	Other income	<i>Announcement on the Refund of Unemployment Insurance to Participating Enterprises in Beijing</i>
Grants to the Second Batch of Patent Application from	3,689,840.00	Other income	<i>Notice of Shenzhen Administration for Market Regulation on Claiming the Grants to</i>



Shenzhen Administration for Market Regulation in 2018			<i>the Second Batch of Patent Application in 2018, Shenzhen Administration for Market Regulation</i>
2019 Special Funds for Intellectual Property Rights of Shenzhen Administration for Market Regulation	500,000.00	Other income	<i>Notice of Shenzhen Administration for Market Regulation on the Disclosure of 2019 Project List (Batch 2) Proposed to be Funded by the Intellectual Property Special Funds under the Approval System and the Assessment System, Shenzhen Administration for Market Regulation</i>
Plan of Rewards and Supports for Intellectual Property Operation of Shenzhen Nanshan District Science, Technology and Innovation Bureau	100,000.00	Other income	<i>Notice on 2020 Nanshan District Independent Innovation Industry Development Special Fund - Science, Technology and Innovation Sub-Fund (Batch 1) (Shen Nan Ke [2020] No. 35), Shenzhen Nanshan District Science, Technology and Innovation Bureau</i>
2019 Special Funds for Promoting High-quality Economy Development of Shenzhen Administration for Market Regulation (Batch 3)	300,000.00	Other income	<i>2019 Allocation Plan of Special Funds for Promoting High-quality Economy Development of Guangdong Administration for Market Regulation (Batch 3), Shenzhen Administration for Market Regulation</i>
Patent Support Plan of Shenzhen Nanshan District Finance Bureau	3,532,500.00	Other income	<i>Disclosure of the Second Batch of Entities that Nanshan District Independent Innovation Industry Development Special Fund proposes to support in 2020, Shenzhen Nanshan District Finance Bureau</i>
Patent Support Plan of Shenzhen Nanshan District Finance Bureau	2,431,500.00	Other income	<i>Nanshan District Independent Innovation Industry Development Special Fund - Science, Technology and Innovation Sub-Fund - Patent Support Plan Application (2020), Shenzhen Nanshan District Finance Bureau</i>
Grant for Domestic Market Expansion by Enterprises from Service Bureau for Small and Medium-sized Enterprises of Shenzhen	95,430.00	Other income	<i>Notice of the Service Bureau for Small and Medium-sized Enterprises of Shenzhen on Paying Grants for Domestic Market Expansion under the Innovative Development Cultivation and Support Plan by Private and Small and Medium-sized Enterprises of Shenzhen in 2020, Service Bureau for Small and Medium-sized Enterprises of Shenzhen</i>
2019 Scheme for Grants to Enterprise Research and Development of the High-technology	2,043,000.00	Other income	<i>Notice of Shenzhen Science, Technology and Innovation Commission on Disclosure of the First Batch of Enterprises proposed to be funded under 2019 Enterprise Research and</i>

Department, Science, Technology and Innovation Commission of Shenzhen Municipality			<i>Development Subsidy Scheme, Science, Technology and Innovation Commission of Shenzhen Municipality</i>
Plan of Shenzhen Nanshan District Science, Technology and Innovation Bureau on Support to National High-tech Enterprises	100,000.00	Other income	<i>Disclosure of the Third Batch of Entities that Nanshan District Independent Innovation Industry Development Special Fund proposes to support in 2020, Shenzhen Nanshan District Science, Technology and Innovation Bureau</i>
Special Funds for Protected Fields of Shenzhen Administration for Market Regulation	500,000.00	Other income	<i>Announcement of Shenzhen Administration for Market Regulation on 2019 Candidate Entities and Projects for the Intellectual Property Special Funds for Protected Fields, Shenzhen Administration for Market Regulation</i>
Plan of Shenzhen Nanshan District Science, Technology and Innovation Bureau on Rewards to National High-tech Enterprises	50,000.00	Other income	<i>Notice on Application for the Rewards to National High-tech Enterprises in Nanshan District, Shenzhen 2019, Shenzhen Nanshan District Science, Technology and Innovation Bureau</i>
Enterprise Listing Financing Incentive Program of Shenzhen Nanshan District Industry and Information Technology Bureau	1,400,000.00	Non-operating income	<i>Disclosure of the Fourth Batch of Entities that Nanshan District Independent Innovation Industry Development Special Fund Proposes to Support in 2020, Shenzhen Nanshan District Industry and Information Technology Bureau</i>
20 <sup>th</sup> Patent Award (Excellence Award) of Shenzhen Administration for Market Regulation	500,000.00	Other income	<i>Announcement of Shenzhen Administration for Market Regulation on Candidate Entities for Supporting Rewards of Intellectual Property (20<sup>th</sup> China Patent Award, 2018 Shenzhen Patent Award), Shenzhen Administration for Market Regulation</i>
2018 Shenzhen Patent Award of Shenzhen Administration for Market Regulation	200,000.00	Other income	<i>Announcement of Shenzhen Administration for Market Regulation on Candidate Entities for Supporting Rewards of Intellectual Property (20<sup>th</sup> China Patent Award, 2018 Shenzhen Patent Award), Shenzhen Administration for Market Regulation</i>
Level 1 Grants for High-value Patent Portfolio from Shenzhen Administration for Market Regulation	108,571.40	Other income	<i>Announcement of Shenzhen Administration for Market Regulation on 2020 Special Funds for Building the Service System of Intellectual Property Operation in Shenzhen (Batch 1) &amp; Candidate Objects of Grants for Intellectual</i>

			<i>Property-Pledged Financing with Special Funds under Intellectual Property Authority Delegated by Guangdong Province to Cities and Counties (Shen Shi Jian Tong Gao (2020) No. 76), Shenzhen Administration for Market Regulation</i>
2018 12 <sup>th</sup> Settlement for the Second Batch of Overseas Trademarks by Shenzhen Administration for Market Regulation 571-2178	17,000.00	Other income	<i>Notice of Shenzhen Administration for Market Regulation on Claiming the Grants to the Second Batch of Overseas Trademarks in 2018, Shenzhen Administration for Market Regulation</i>
2018 10 <sup>th</sup> Settlement for the Second Batch of Computer Software Copyright by Shenzhen Administration for Market Regulation 133-1046	1,800.00	Other income	<i>Notice of Shenzhen Administration for Market Regulation on Claiming the Grants to the Second Batch of Computer Software Copyright in 2018, Shenzhen Administration for Market Regulation</i>
Plan of Supports for Science and Technology Rewards of Shenzhen Nanshan District Science, Technology and Innovation Bureau	200,000.00	Other income	<i>Project Application under the Plan of Supports for Science and Technology Rewards (2020), Shenzhen Nanshan District Science, Technology and Innovation Bureau</i>
Plan of Supports for Science and Technology Rewards of Shenzhen Nanshan District Science, Technology and Innovation Bureau	600,000.00	Other income	<i>Notice on 2020 Nanshan District Independent Innovation Industry Development Special Fund - Science, Technology and Innovation Sub-Fund (Batch 1) (Shen Nan Ke [2020] No. 35), Shenzhen Administration for Market Regulation</i>
Grants for Daily Expenditures of Post-doctor Stations in Shenzhen from Shenzhen Human Resources and Social Security Bureau	300,000.00	Other income	<i>Announcement on Candidate Entities for Grants for Daily Management Expenditures of Post-doctor Stations in Shenzhen (Batch 1 for 2020), Shenzhen Human Resources and Social Security Bureau</i>
SONG Jiali 2019 Central Special Funds for Foreign Trade (Supporting Foreign Trade SMEs to Expand Markets) Batch 1	495,163.00	Other income	<i>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 Special Funds for Foreign Trade in 2019, Commerce Bureau of Shenzhen</i>
Employment Assurance Scheme of Hong Kong Government	188,133.62	Other income	<i>List of Enterprises for Grants of Employment Assurance, Hong Kong Government</i>
Refunds of value-added taxes	3,416,123.77	Other income	
Grants for maintaining job	437,377.63	Other income	

position			
2020 Support Funds for Elite Talents of Airport Economy under the “Wutong Program”	300,000.00	Other income	<i>Application Form for Qualification of Elite Talents of Shunyi Airport Economy, Organization Department of CPC Shunyi Committee, Beijing</i>
2019 Shunyi District Cultural and Creativity Fund Awards	1,488,000.00	Other income	<i>Several Opinions of Shunyi District on Promoting the Development of the Cultural and Creative Industry (Shun Zhen Fa 2013] No. 13), Shunyi People's Government, Beijing Measures for Administration of Special Funds for the Development of Cultural and Creative Industries in Shunyi District (Revised) (Shun Yi Fa [2016] No. 6), Publicity Department of CPC Shunyi Committee, Beijing</i>
Science and Technology Support Funds of Shunyi Science and Technology Association	100,000.00	Other income	<i>Several Measures of Shunyi District on Intensifying Efforts to Fight COVID-19 and Support Enterprises to “Control COVID-19 and Stabilize Growth” (Shun Zhen Ban Fa [2020] No. 3), General Office of Shunyi People’s Government, Beijing Implementation Measures of Shunyi District on Accelerating Science and Technology Innovation and Promoting the Transformation of Science and Technology Achievements (Shun Zheng Fa [2019] No. 9), Shunyi People’s Government, Beijing</i>
Patent Promotion and Protection Funds of Shunyi	9,000.00	Other income	<i>Implementation Measures of Shunyi District on Patent Promotion and Protection (Shun Zheng Fa [2019] No. 10), Shunyi People’s Government, Beijing</i>
Investment and Loan Award	142,182.00	Other income	<i>Administration Measures of Beijing on Implementing Link of “Investment and Loan Award” in the Cultural and Creative Industry to Promote Integration between Culture and Finance (for Trial Implementation), Jing Wen Ling Ban Wen [2017] No. 3, Beijing Cultural Reform and Development Leadership Panel</i>
Government refunds for donation to Hong Kong government for the semiconductor R&D project of Hong Kong University of	139,340.28	Non-operating income	

Science and Technology			
Subtotal	27,800,942.74		

## 4) Interest subsidies

Item	Opening deferred income	Increase	Carrying forward	Closing deferred income	Carrying forward item presented	Description
Interest subsidy for short-term liquid loans of listed enterprises		139,900.00	139,900.00		Financial expenses	<i>Disclosure of the Third Batch of Entities that Nanshan District Independent Innovation Industry Development Special Fund Proposes to Support in 2020</i> , Office of Nanshan Leadership Panel for Special Funds
Interest subsidy for loans of micro-, small-, and medium-sized enterprises during COVID-19		200,000.00	200,000.00		Financial expenses	<i>Notice of Shenzhen Service Bureau for Small and Medium-sized Enterprises of Shenzhen on the Fifth Grants for Interest Subsidy for Loans of Micro-, Small-, and Medium-sized Enterprises during COVID-19</i> (Shen Zhong Xiao Qi Zi [2020] No. 91), Service Bureau for Small and Medium-sized Enterprises of Shenzhen
Interest subsidy for loans during COVID-19		204,400.00	204,400.00		Financial expenses	
Subtotal		544,300.00	544,300.00			

Government grants included in profit or loss for the period amounted to RMB 44,166,947.28.

**(2). Refund of government grants**

√ Applicable □ N/A

In RMB

Item	Amount	Reason
Subsidies for high-tech qualifications	300,000.00	No longer qualified for the grants due to changes in business registration

Other information:

None

**85. Others** Applicable  N/A**VIII. Changes in scope of consolidation**

1. Business combination not involving enterprises under common control

 Applicable  N/A**(1). Business combinations not involving enterprises under common control in the current period** Applicable  N/A

							In RMB	
Name of acquiree	Time point of obtaining equity	Cost of equity acquisition	Ratio of acquired equity interests (%)	Method of obtaining equity	Acquisition date	Basis for determining the acquisition date	Incomes of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period
Tianjin Bonian Film Partnership (LP)	December 23, 2020	27,226,384.00	100	Acquisition	December 23, 2020	Share Transfer Agreement		

Other information:

None

**(2). Combination costs and goodwill** Applicable  N/A

		In RMB
Combination costs	Tianjin Bonian Film Partnership (LP)	
-- Cash	27,226,384.00	
-- Fair value of non-cash assets		
-- Fair value of debts issued or undertaken		
-- Fair value of equity securities issued		
-- Fair value of contingent consideration		
-- Fair value at the acquisition date of the equity interests held prior to the acquisition date		
--Others		

Total combination costs	27,226,384.00
Less: Acquired shares in the fair value of the identifiable net assets	29,770,395.15
Differences between amounts of goodwill/combination costs and the acquired shares in the fair value of the identifiable net assets	-2,544,011.15

Description of the method for determining the fair value of combination costs, and the contingent considerations and changes thereof:

N/A.

Other information:

During the reporting period, the Company acquired Tianjin Bonian Film Partnership (LP) through business combination not involving enterprises under common control. In essence, this transaction is acquiring the minority interests held by the subsidiary CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. The difference above is recognized in capital reserve - share premium.

(3). Identifiable assets and liabilities of the acquiree at the acquisition date

√ Applicable □ N/A

In RMB

	Tianjin Bonian Film Partnership (LP)	
	Fair value at the acquisition date	Carrying amount at the acquisition date
Assets:	29,854,938.69	8,310,934.36
Cash and bank balances	63,934.36	63,934.36
Long-term equity investments	29,791,004.33	8,247,000.00
Liabilities:	84,543.54	84,543.54
Other payables	84,543.54	84,543.54
Net assets	29,770,395.15	8,226,390.82
Acquired net assets	29,770,395.15	8,226,390.82

Method for determining the fair value of identifiable assets and liabilities:

Long-term equity investments are determined according to the net assets and shareholding ratio of the investee, and other assets and liabilities are determined according to the carrying amounts.

Contingent liabilities of the acquiree that are taken in the business combination:

None

Other information:

None

**(4).** Gains or losses from the equity interests held prior to the acquisition date that are remeasured at fair value

Whether there are transactions for the purpose of implementing business combination via multiple transactions and obtaining the control during the reporting period

Applicable  N/A

**(5).** Description about the failure in reasonably determining the combination considerations or the fair values of the identifiable assets and liabilities of the acquiree at the acquisition date or at the end of the combination period

Applicable  N/A

**(6).** Other information

Applicable  N/A

2. Business combination involving enterprises under common control

Applicable  N/A

**(7).** Business combinations involving enterprises under common control in the current period

Applicable  N/A

**(8).** Combination costs

Applicable  N/A

**(9).** Carrying amounts of assets and liabilities of the combined party at the combination date

Applicable  N/A

Other information:

None

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 information:

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, subsidiary liquidation, etc.) and the relevant information:

Applicable  N/A

Company	Method of obtaining equity	Time point of obtaining equity	Capital contribution	Proportion of contribution
Shenzhen Appotronics Display Device Co., Ltd.	Newly established	February 13, 2020	3,000,000.00	100%
WEMAX LLC	Newly established	March 17 2020	2,050,770.00	100%
JoveAI Asia Company Limited	Newly established	April 24, 2020	USD 100,000	64.29%

## 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	90.00		Establishment
Shenzhen Appotronics Software Technology Co., Ltd.	Shenzhen	Shenzhen	Technology development and sales of computer software and hardware	100.00		Establishment
Beijing Orient Appotronics Technology Co., Ltd.	Beijing	Beijing	Technology promotion; computer systems, application software services	59.00		Establishment
Shenzhen Appotronics Xiaoming Technology Co., Ltd.	Shenzhen	Shenzhen	Development, consultation and transfer of laser display technology	100.00		Establishment
Formoive (Beijing) Technology Co., Ltd.	Beijing	Beijing	Technology and software development	55.00		Establishment
Shenzhen Appotronics Laser Display Technology Co., Ltd.	Shenzhen	Shenzhen	R&D and sales of laser display products	100.00		Business combination involving enterprises under common control
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	Beijing	Beijing	Research and development, production, technical services, sales and lease of laser cinema projection equipment	24.84	38.36	Business combination involving enterprises under common control
Qingda Appotronics (Xiamen) Technology Co., Ltd.	Shenzhen	Xiamen	Information technology consulting services	51.00		Establishment
Shenzhen Appotronics Laser	Shenzhen	Shenzhen	Software development for	100.00		Establishment

Technology Co., Ltd.			semiconductor optoelectronic devices			
Shenzhen Appotronics Home Line Technology Co., Ltd.	Shenzhen	Shenzhen	Software development related to semiconductor optoelectronic products	100.00		Establishment
Appotronics Hong Kong Limited	Hong Kong	Hong Kong	Production, research, and development of semiconductor optoelectronic products, sales and consulting, investment and video content value-added services	100.00		Establishment
Appotronics USA, Inc.	USA	USA	R&D, manufacture and sales of semiconductor optoelectronic products		100.00	Business combination involving enterprises under common control
Fabulus Technology Hong Kong Limited	Hong Kong	Hong Kong	R&D, manufacture and sales of screens		100.00	Establishment
JoveAI Limited	Cayman Islands	Cayman Islands	No specific business conducted		64.29	Establishment
JoveAI Innovation, Inc.	USA	USA	R&D of laser display software system		64.29	Establishment
Appotronics Technology (Changzhou) Co., Ltd.	Changzhou	Changzhou	Technical research and development of projection equipment, screen and electronic computer	100.00		Establishment
FORMOVIE TECHNOLOGY INC	USA	USA	No specific business conducted		55.00	Establishment
JoveAI Asia Company Limited	Vietnam	Vietnam	Technical research and development of projection equipment, screen and electronic computer		64.29	Establishment
Tianjin Bonian	Tianjin	Tianjin	No specific	99.00	1.00	Business

Film Partnership (LP)			business conducted			combination not involving enterprises under common control
Shenzhen Appotronics Display Device Co., Ltd.	Shenzhen	Shenzhen	Technical development, sales, and technical services for display products; import and export business	100.00		Establishment
WEMAX LLC	USA	USA	Sales of laser equipment		100.00	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 rights 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 information:

None

(2). Significant non-wholly subsidiaries

Applicable  N/A

In RMB

Subsidiaries	Shareholding ratio 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
Formoive (Beijing) Technology Co., Ltd.	45.00%	-22,385,152.39		-35,120,901.11
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	36.80%	1,009,034.92		139,317,448.20

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 information:

Applicable  N/A

## (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
Formoive (Beijing) Technology Co., Ltd.	602,500,647.92	16,903,557.91	619,404,205.83	692,687,626.41	4,763,026.34	697,450,652.75	253,973,931.39	7,968,567.46	261,942,498.85	288,180,191.85	2,437,972.51	290,618,164.36
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	218,942,342.82	712,358,020.45	931,300,363.27	509,106,720.26	43,613,620.72	552,720,340.98	255,777,103.29	789,861,645.43	1,045,638,748.72	383,085,231.40	289,141,441.68	672,226,673.08

Subsidiaries	Amount for the current period				Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Formoive (Beijing) Technology Co., Ltd.	1,006,770,096.44	-49,744,783.09	-49,744,783.09	81,046,874.46	700,577,662.64	-47,481,133.43	-47,481,133.43	-99,566,333.52
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	288,699,197.97	3,358,107.97	3,358,107.97	85,283,246.66	593,020,861.03	144,802,587.21	144,802,587.21	173,475,022.15

Other information:

None

(4). Significant limitations on use of the group assets and pay-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 information:

Applicable  N/A

2. Changes of shares of owners' equity in subsidiaries but continue to remain control over transactions of subsidiaries

Applicable  N/A

(1). Description of changes in the share in the owner's equity of subsidiaries

Applicable  N/A

Subsidiaries	Date of change	Shareholding ratio prior to change	Shareholding ratio after change
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	December 23, 2020	55.20%	63.20%

(2). Impact of the transaction on minority interests and owners' interests attributable to owners of the parent company

Applicable  N/A

In RMB

Item	CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.
Acquisition cost/disposal consideration	27,226,384.00
-- Cash	27,226,384.00
-- Fair value of non-cash assets	
Total acquisition cost/disposal consideration	27,226,384.00
Less: Share in net assets of subsidiaries calculated based on the acquired/disposed shareholding ratio	29,770,395.15
Difference	-2,544,011.15
Where: Adjustment to capital reserves	-2,544,011.15
Adjustment to surplus reserves	
Adjustment to undistributed profits	

Other information

Applicable  N/A

3. Equity in joint ventures or associates

Applicable  N/A

(1). Important joint ventures or associates

Applicable  N/A

In RMB

Associates or joint ventures	Principal operation place	Registration place	Business nature	Proportion of shareholding (%)		Accounting treatment method for investments in joint ventures or associates
				Direct	Indirect	
GDC Technology	Asia and	British	R&D,		36.00	Accounting for

Limited (BVI)	North America	Virgin Islands	production, and sales of digital cinema servers and cinema management system			under equity method
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Description of the difference between the proportion of shareholding and the proportion of voting rights in joint ventures or associates:

None

Basis that the company owns less than 20% voting rights but may exercise major impact, or that the company owns 20% or over voting rights but does not has major impact:

None

**(2).** Major financial information of significant joint ventures

Applicable  N/A

**(3).** Major financial information of significant associates

Applicable  N/A

In RMB

Item	Closing balance/Amount for the current period	Opening balance/Amount for the prior period
Company	GDC [Note 1]	
Current assets	553,504,350.37	
Non-current assets	72,596,748.61	
Total assets	626,101,098.98	
Current liabilities	379,295,268.80	
Non-current liabilities	41,349,472.31	
Total liabilities	420,644,741.11	
Minority interests		
Interests attributable to shareholders of the parent company	205,456,357.87	
Share of net assets calculated by ownership percentage	73,964,288.83	
Adjustment	62,044,191.37	
--Goodwill	62,560,946.33	
--Unrealized profits for insider transactions	-516,754.96	
--Others		
Carrying amount of investment of associates	131,338,347.84	
Fair values of equity investments in associates having publicly quoted prices		
Operating income	251,049,184.00	
Net profit	6,256,577.59	



Net profit of discontinued operations		
Other comprehensive income	26,383,768.27	
Total comprehensive income	32,640,345.86	
Dividends received from associates in the current year		

## Other information

Note 1: During the reporting period, the equity investment in GDC Technology Limited (BVI) was made on April 9, 2020. The data disclosed in the table above is the audited data of GDC Technology Limited (BVI) for 2020.

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

Applicable  N/A

In RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the prior period
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	131,406,424.64	139,534,371.94
Total amounts calculated based on shareholding proportions		
--Net profit	-1,179,972.05	4,011,243.08
--Other comprehensive income	-5,001,459.87	-754,946.96
--Total comprehensive income	-6,181,431.92	3,256,296.12

## Other information

## Main information about associates:

Associates	Principal operation place	Registration place	Business nature	Proportion of shareholding (%)		Accounting treatment method for investments in joint ventures or associates
				Direct	Indirect	
Cinionic Limited	Europe and USA	Hong Kong	Sales of cinema projectors		20.00	Accounting for under equity method

## (5). Description 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 minimum 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 criterion 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 criterion 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 quantitative 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, 2020, the Company is exposed to certain concentration of credit risks, as the Company's accounts receivable from top 5 customers have accounted for 86.37% of the total balance of accounts receivable (December 31, 2019: 70.21%). 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				
	Carrying amount	Undiscounted contract amount	Within 1 year	1-2 years	Over 2 years
Bank borrowings	335,041,546.85	347,893,031.23	281,565,349.76	66,327,681.47	
Notes payable	116,822,674.67	116,822,674.67	116,822,674.67		
Accounts payable	226,494,815.90	226,494,815.90	226,494,815.90		
Other payables	59,848,053.83	59,848,053.83	59,848,053.83		
Long-term payables	3,262,450.00	3,572,382.75		3,572,382.75	
Subtotal	741,469,541.25	754,630,958.38	684,730,894.16	69,900,064.22	

(Continued to above table)

Item	Opening balance				
	Carrying amount	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	176,624,445.46	176,624,445.46	176,624,445.46		

Item	Opening balance				
	Carrying amount	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
payable					
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		
Subtotal	653,161,685.02	676,088,448.08	390,878,120.83	285,210,327.25	

### (III) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and currency risk.

#### 1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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, 2020, the principal of the Company's floating-rate interest-bearing bank borrowings amounted to RMB 334,317,535.43 (December 31, 2019: RMB 420,240,038.66). 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 is disclosed in VII.82 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
<b>I. Continuous fair value measurement</b>				
(I) Held-for-trading financial assets				
1. Financial assets at fair value through profit or loss				
(1) Investment in debt instrument				
(2) Investment in equity instrument				
(3) Derivative financial assets				
(4) Structural deposits			114,000,000.00	114,000,000.00
2. Designated as financial assets at fair value through profit or loss				
(1) Investment in debt instrument				
(2) Investment in equity instrument				
3. Receivables financing			11,959,000.00	11,959,000.00
(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. Productive biological assets				
<b>Total assets continuously measured at fair value</b>			137,934,419.38	137,934,419.38
(VI) Held-for-trading financial liabilities				
1. Financial liabilities at fair value through profit or loss				
Where: Held-for-trading bonds issued				
Derivative financial liabilities				
Others				

2. Designated as financial liabilities at fair value through profit or loss				
<b>Total liabilities continuously measured at fair value</b>				
<b>II. Non-continuous fair value measurement</b>				
(I) Held-for-sale assets				
<b>Total assets that are not continuously measured at fair value</b>				
<b>Total liabilities that are not continuously measured at fair value</b>				

2. Basis for determining the market price of continuous and non-continuous level 1 fair value measurement items

Applicable  N/A

3. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 2 fair value measurement items

Applicable  N/A

4. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 3 fair value measurement items

Applicable  N/A

No public market is available for financial assets at fair value through profit or loss, receivables financing, and investment in other equity instruments, hence the fair value of the foregoing are measured at cost.

5. Reconciliation between opening and closing carrying amounts and sensitivity analysis of unobservable parameters for continuous level 3 fair value measurement items

Applicable  N/A

6. Where transfers among levels occurred in the period, transfer reasons and policies for determining transfer time point for continuous fair value measurement items

Applicable  N/A

7. Changes in valuation techniques in the period and reasons for changes

Applicable  N/A

8. Fair value of financial assets and financial liabilities not measured at fair value

Applicable  N/A

9. Others

Applicable  N/A

## **XII. Related-party relationships and transactions**

1. Parent of the Company

Applicable  N/A

In RMB 0'000

Parent company	Registration place	Business nature	Registered capital	Proportion of the Company's shares held by the parent company (%)	Proportion of the Company's voting right held by the parent company (%)
Shenzhen Appotronics Holdings Limited	Shenzhen	R&D and sales of semiconductor products	RMB 10 million	17.62	17.62

Description of the parent company of the Company

None

The ultimate controlling party of the Company is LI Yi.

Other information:

None

2. Subsidiaries of the Company

Refer to the Notes for details about the subsidiaries of the Company

Applicable  N/A

Refer to the description in IX.1 of Section XI for details about the subsidiaries of the Company

3. Associates and joint ventures of the Company

Information of the significant joint ventures or associates of the Company is disclosed in IX.3 of Section XI.

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

Associates or joint ventures	Relationship with the Company
Cinionic Limited	Participating company
GDC Technology Limited (BVI)	Participating company

Other information

Applicable  N/A

Refer to the description in IX.3 of Section XI for details about the associates of the Company

4. Other related parties of the Company

Applicable  N/A

Other related party	Relationship between other related party and the Company
Shenzhen Beviv Technology Co., Ltd.	Holding more than 5% of shares in the company
Shenzhen YLX Technology Development Co., Ltd.	Controlled by the same de facto controller
CFEC 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 information

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	Subject matter	Amount for the current period	Amount for the prior period
CFEC and its affiliates	Power supply, water cooling and services	27,172,641.25	75,594,510.73
Xiaomi Communications Technologies Co., Ltd. and its affiliates	Electronic components and services	205,885,065.38	135,947,996.69
Beijing Donview Education Technology Co., Ltd. and its affiliates	Service	36,371.68	70,302.92
GDC Technology Limited(BVI) and its affiliates	Electronic components	8,703,704.00	
Subtotal		241,797,782.31	211,612,810.34

Sales of goods/rendering of services

√ Applicable □ N/A

In RMB			
Related party	Subject matter	Amount for the current period	Amount for the prior period
Shenzhen Beviz Technology Co., Ltd.	Service	4,508.85	
GDC Technology Limited(BVI) and its affiliates	Light generator engine and software	3,740,484.98	
CFEC and its affiliates	Laser cinema projector light source and lease service	92,512,007.78	141,777,980.65
Xiaomi Communications Technologies Co., Ltd. and its affiliates	Laser TV, smart mini projector	650,541,969.04	456,486,039.21
Beijing Donview Education Technology Co., Ltd. and its affiliates	Laser business education projector	26,233,035.11	74,848,453.68
Cinionic Limited	Laser light source	35,706,691.15	125,395,135.96
Subtotal		808,738,696.91	798,507,609.50

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

Lessor	Type of leased assets	Lease fees recognized in the current period	Lease fees recognized in the prior period
CFEC and its affiliates	Property lease	1,794,184.41	2,070,494.22

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

Description of guarantees with related parties

Applicable  N/A

**(5). Borrowings/loans with related parties**

Applicable  N/A

In RMB

Related party	Borrowing amount	Start date	Expiry date	Description
<b>Borrowing</b>				
CFEC and its affiliates	19,320,000.00	2020.07.06	2021.7.5	Annual interest rate of 4.00%

**(6). Assets transfer/debt restructuring with related parties**

Applicable  N/A

In RMB

Related party	Subject matter	Amount for the current period	Amount for the prior period
Shenzhen YLX Technology Development Co., Ltd.	Transfer of fixed assets	740,617.73	

**(7). Compensation for key management personnel**

Applicable  N/A

In RMB 0'000

Item	Amount for the current period	Amount for the prior period
Compensation for key management personnel	1,463.12	1,673.11

**(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	CFEC and its affiliates	6,125,422.64	306,402.16	17,494,326.54	874,716.33
Accounts receivable	Beijing Donview Education Technology Co., Ltd. and its affiliates	3,017.00	150.85	8,829,840.85	442,339.31
Accounts receivable	Xiaomi Communications Technologies Co., Ltd. and its affiliates	248,915,862.75	12,445,793.14	45,679,955.49	2,283,997.77
Accounts receivable	Cinionic Limited	452,175.57	22,608.78	24,298,258.08	1,214,912.90
Accounts receivable	GDC Technology Limited (BVI) and its affiliates	2,283,483.24	114,174.16		
Subtotal		257,779,961.20	12,889,129.09	96,302,380.96	4,815,966.31
Prepayments	CFEC and its affiliates	3,107,696.59		3,350,592.41	
Prepayments	GDC Technology Limited (BVI) and its affiliates	2,883,384.53			
Subtotal		5,991,081.12		3,350,592.41	
Other receivables	CFEC and its affiliates	296,435.00	14,821.75	290,866.00	14,543.30
Other receivables	Xiaomi Communications Technologies Co., Ltd. and its affiliates	100,000.00	5,000.00	100,000.00	5,000.00
Subtotal		396,435.00	19,821.75	390,866.00	19,543.30

## (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	CFEC and its affiliates		11,595,819.93
Subtotal			11,595,819.93
Advance from customers	CFEC and its affiliates	14,032,071.28	15,893,424.21
Subtotal		14,032,071.28	15,893,424.21
Contract liabilities	CFEC and its affiliates	1,384,955.75	
Contract liabilities	GDC Technology Limited (BVI) and its affiliates	15,108.32	
Subtotal		1,400,064.07	
Other payables	CFEC and its affiliates	19,343,613.33	

Other payables	Xiaomi Communications Technologies Co., Ltd. and its affiliates	101,668.48	
Subtotal		19,445,281.81	

## 7. Related party commitments

Applicable  N/A

## 8. Other information

Applicable  N/A

**XIII. Share-based payments**

## 1. Summary of share-based payment

Applicable  N/A

Unit: Share, in RMB

Total number of the Company's equity instruments granted during the period	1,100,000.00
Total number of the Company's equity instruments executed during the period	1,202,490.00
Total number of the Company's equity instruments lapsed during the period	2,112,970.00
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 17.425/share; remaining period: 22 months Grant date: October 13, 2020; grant price: RMB 17.425/share; remaining period: 22 months
Range of exercise prices and remaining contractual life of the Company's other equity instruments outstanding at the end of the period	None

## Other information

The Company granted 1.1 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	26,259,687.17
Total expenses recognized arising from equity-settled share-based payments	20,581,939.14

## Other information

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:

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	2019.8.1-2021.12.31	5,617,179.71
2	23/F, United Headquarter Building, High-Tech Zone, No. 63 Xuefu Road, Nanshan District, Shenzhen	2,047.93	Research and development, office administration	2020.2.1-2025.1.31	1,954,275.31
3	Yaochuan Industrial Zone, Tangwei Community, Fuhai Street, Bao'an District, Shenzhen	23,765.57	Plant	2018.12.1-2022.11.30	12,659,623.09
4	Room101, 1/F, Building 22E, Phase III of Hong Kong Science and Technology Park	1,138.25	Office administration	2019.3.20-2022.3.19	2,845,286.01

2. Contingencies

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

Applicable  N/A

Pending litigation

1. Civil litigation and arbitration where the Company acted as the plaintiff

As of December 31, 2020, there are 27 civil litigation cases where the Company acted as a plaintiff, specifically including:

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
19-cv-00466-RGD-LRL	Correcting the inventor of the patent	Appotronics Corporation Limited	Delta Electronics, Inc.	Patent No. 9,024,241		Accepted but not tried
(2019) Yue 03 Min Chu No. 4309	Ownership	Appotronics Corporation Limited	Delta Electronics, Inc.	ZL201610387831.8		Accepted but not tried

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2019) Yue 03 Min Chu No. 2942	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Electronics (Shanghai) Co., Ltd.;	ZL200880107739.5	Loss compensation of RMB 8.00 million	In trial of the first instance
(2019) Yue 03 Min Chu No. 2945	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 2: Delta Video Display System (Wujiang) Limited;		Loss compensation of RMB 8.00 million	
(2019) Yue 03 Min Chu No. 2947	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 3: Shenzhen Super Network Technology Co., Ltd.		Loss compensation of RMB 4.00 million	
(2019) Yue 03 Min Chu No. 2949	Infringement on patent for invention	Appotronics Corporation Limited			Loss compensation of RMB 4.00 million	
(2019) Yue 03 Min Chu No. 2950	Infringement on patent for invention	Appotronics Corporation Limited			Loss compensation of RMB 4.00 million	
(2019) Yue 03 Min Chu No. 2943	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Electronics (Shanghai) Co., Ltd.;	ZL200810065225.X	Loss compensation of RMB 8.00 million	In trial of the first instance
(2019) Yue 03 Min Chu No. 2944	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 2: Delta Video Display System (Wujiang) Limited;		Loss compensation of RMB 8.00 million	
(2019) Yue 03 Min Chu No. 2946	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 3: Shenzhen Super Network Technology Co., Ltd.		Loss compensation of RMB 4.00 million	
(2019) Yue 03 Min Chu No. 2948	Infringement on patent for invention	Appotronics Corporation Limited			Loss compensation of RMB 4.00 million	
(2019) Yue 03 Min Chu No. 2951	Infringement on patent for invention	Appotronics Corporation Limited			Loss compensation of RMB 4.00 million	
(2020) Yue 73 Min Chu No. 1335	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Video Display System (Wujiang) Limited	ZL200880107739.5	Loss compensation of RMB 3.00 million + litigation costs RMB 0.50 million	In trial of the first instance
(2020) Yue 73 Min Chu No. 1336	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 2: WANG Yuhai Defendant 3: Hunan Dehao Cultural and		Loss compensation of RMB 6.50 million + litigation costs RMB 0.50 million	

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2020) Yue 73 Min Chu No. 1337	Infringement on patent for invention	Appotronics Corporation Limited	Creative Co., Ltd. Defendant 4: Delta Electronics Business Management (Shanghai) Co., Ltd.		Loss compensation of RMB 2.50 million + litigation costs RMB 0.50 million	
(2020) Yue 73 Min Chu No. 1338	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 5: Guangdong Jianye Display Information Technology Co., Ltd.		Loss compensation of RMB 2.00 million + litigation costs RMB 0.50 million	
(2020) Yue 73 Min Chu No. 1340	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 6: Guangzhou Jianye Network Technology Co., Ltd.		Loss compensation of RMB 6.00 million + litigation costs RMB 0.50 million	
(2020) Yue 73 Min Chu No. 1341	Infringement on patent for invention	Appotronics Corporation Limited			Loss compensation of RMB 14.00 million + litigation costs RMB 0.50 million	
(2020) Yue 73 Min Chu No. 1361	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Electronics Business Management (Shanghai) Co., Ltd.		Loss compensation of RMB 0.75 million + litigation costs RMB 0.50 million	

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2020) Yue 73 Min Chu No. 1339	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 2: WANG Yuhai Defendant 3: Hunan Dehao Cultural and Creative Co., Ltd. Defendant 4: Guangdong Jianye Display Information Technology Co., Ltd. Defendant 5: Guangzhou Jianye Network Technology Co., Ltd.	ZL200810065225. X	Loss compensation of RMB 0.75 million + litigation costs RMB 0.50 million	In trial of the first instance



Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2020) Yue 73 Min Chu No. 1353	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Video Display System (Wujiang) Limited Defendant 2: WANG Yuhai Defendant 3: Hunan Dehao Cultural and Creative Co., Ltd. Defendant 4: Delta Electronics Business Management (Shanghai) Co., Ltd. Defendant 5: Guangdong Jianye Display Information Technology Co., Ltd. Defendant 6: Guangzhou Jianye Network Technology Co., Ltd.		Loss compensation of RMB 14.00 million + litigation costs RMB 0.50 million	

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2020) Yue 73 Min Chu No. 1355	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Video Display System (Wujiang) Limited Defendant 2: WANG Yuhai Defendant 3: Hunan Dehao Cultural and Creative Co., Ltd. Defendant 4: Digital Protection (Beijing) Electronics Technology Co., Ltd. Defendant 5: Guangdong Jianye Display Information Technology Co., Ltd. Defendant 6: Guangzhou Jianye Network Technology Co., Ltd.		Loss compensation of RMB 6.00 million + litigation costs RMB 0.50 million	

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2020) Yue 73 Min Chu No. 1356	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Video Display System (Wujiang) Limited Defendant 2: WANG Yuhai Defendant 3: Hunan Dehao Cultural and Creative Co., Ltd. Defendant 4: Delta Electronics Business Management (Shanghai) Co., Ltd. Defendant 5: Guangdong Jianye Display Information Technology Co., Ltd. Defendant 6: Guangzhou Jianye Network Technology Co., Ltd.		Loss compensation of RMB 6.50 million + litigation costs RMB 0.50 million	

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2020) Yue 73 Min Chu No. 1357	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Video Display System (Wujiang) Limited Defendant 2: WANG Yuhai Defendant 3: Hunan Dehao Cultural and Creative Co., Ltd. Defendant 4: Digital Protection (Beijing) Electronics Technology Co., Ltd. Defendant 5: Guangdong Jianye Display Information Technology Co., Ltd. Defendant 6: Guangzhou Jianye Network Technology Co., Ltd.		Loss compensation of RMB 2.50 million + litigation costs RMB 0.50 million	
(2020) Yue 73 Min Chu No. 1358	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Video Display System (Wujiang) Limited		Loss compensation of RMB 2.00 million + litigation costs RMB 0.50 million	

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2020) Yue 73 Min Chu No. 1359	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 2: WANG Yuhai Defendant 3: Hunan Dehao Cultural and Creative Co., Ltd. Defendant 4: Delta Electronics Business Management (Shanghai) Co., Ltd. Defendant 5: Guangdong Jianye Display Information Technology Co., Ltd. Defendant 6: Guangzhou Jianye Network Technology Co., Ltd.		Loss compensation of RMB 3.00 million + litigation costs RMB 0.50 million	

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2020) Yue 73 Min Chu No. 1360	Infringement on patent for invention	Appotronics Corporation Limited	Defendant 1: Delta Video Display System (Wujiang) Limited Defendant 2: WANG Yuhai Defendant 3: Hunan Dehao Cultural and Creative Co., Ltd. Defendant 4: Digital Protection (Beijing) Electronics Technology Co., Ltd. Defendant 5: Guangdong Jianye Display Information Technology Co., Ltd. Defendant 6: Guangzhou Jianye Network Technology Co., Ltd.		Loss compensation of RMB 3.00 million + litigation costs RMB 0.50 million	

## 2. Civil litigation and arbitration where the Company acted as the defendant

As of December 31, 2020, there are 7 civil litigations where the Company was a defendant, specifically including:

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2019) Yue 73 Zhi Min Chu No. 662	Infringement of patent rights of inventions	Delta Electronics, Inc.	Appotronics Corporation Limited;	ZL201610387831.8	Loss compensation of RMB 16.00 million + litigation costs RMB 145,343	Stayed
(2019) Yue 73 Zhi Min Chu No. 663			Futian SPN Projector & Video System Firm of	ZL201310017478.0	Loss compensation of RMB 16.00 million + litigation costs RMB 145,343	

Case No.	Cause of action	Plaintiff	Defendant	Patents involved	Amount involved	Progress
(2019) Yue 73 Zhi Min Chu No. 664			Shenzhen	ZL20310625063.1	Loss compensation of RMB 16.00 million + litigation costs RMB 145,343	Trial of the first instance completed
(2019) Jing 73 Min Chu No.1275			Formoive (Beijing) Technology Co., Ltd.; Appotronics Corporation Limited	ZL201610387831.8	Loss compensation of RMB 15.00 million + litigation costs RMB 1.01 million	In trial of the first instance
(2019) Jing 73 Min Chu No. 1276				ZL201410249663.7	Loss compensation of RMB 15.00 million + litigation costs RMB 1.01 million	In trial of the first instance
(2019) Jing 73 Min Chu No. 1277				ZL201310017478.0	Loss compensation of RMB 15.00 million + litigation costs RMB 1.01 million	Trial of the first instance completed
(2019) Jing 73 Min Chu No. 1278				ZL201010624724.5	Loss compensation of RMB 15.00 million + litigation costs RMB 1.01 million	In trial of the first instance

(2). Description shall also be provided even if the Company has no significant contingencies to be disclosed:

Applicable  N/A

3. Others

Applicable  N/A

#### XV. Events after the balance sheet date

1. Material non-adjusting event

Applicable  N/A

In RMB 0'000

Item	Content	Effects on the financial position and operating results	Reasons for not being able to estimate such effects
Significant external investments	Acquisition of and investment in WeCast		The specific amount depends on the operating results of WeCast
Others	Mortgage borrowings		Cause no impact on the profit or loss; increase the assets and liabilities at the same time; the borrowing amount is to be determined
Others	Restricted share incentives		Increase expenses and capital reserve; the specific amount depends on factors such as the specific grant date

## (I) External investment

On March 26, 2021, the Company held the 30<sup>th</sup> meeting of the first Board of Directors and the 17<sup>th</sup> meeting of the first Board of Supervisors, at which the *Proposal on Capital Increase by Formoive in a Wholly-owned Subsidiary and Acquisition of 51% Equity Interests in WeCast Technology Corp. and the Related-party Transaction* was reviewed and approved, under which the Company would subscribe to 51% equity interests in WeCast Technology Corp. As of the date of approval for issue of the financial statements, the Company has not completed the acquisition.

## (II) Mortgage borrowings

On August 25, 2020, the Company held the 25<sup>th</sup> meeting of the first Board of Directors, at which the *Proposal on Mortgage Loans with Land Use Rights* was reviewed and passed, approving the Company to request the fixed assets loans of RMB 700 million for 10 years from the bank syndicate led by China Construction Bank Co., Ltd. Shenzhen Branch with the land use rights of the Company as the mortgage by signing relevant loan mortgage contract. The loans are intended merely for the construction of the head office of the Company. The Company has completed the mortgage registration and handover formalities for the land use rights by January 20, 2021.

## (III) Share incentive

On March 26, 2021, the Company held the 30<sup>th</sup> meeting of the first Board of Directors and the 17<sup>th</sup> meeting of the first Board of Supervisors, at which the *Proposal on the "2021 Restricted Share Incentive Plan (Draft)" and Summary Thereof* was reviewed and passed, under which the Company intends to grant 18.5000 million restricted shares, including 17.1000 million shares in the initial grant and 1.4000 million shares reserved. There are 224 grantees of share incentives in the initial grant at the grant prices of RMB 17.50 per share, RMB 18.50 per share, and RMB 21.00 per share depending on circumstances of the grantees of share incentives.

## 2. Profit distribution

Applicable  N/A

	In RMB 0'000
Proposed distributions of profits or dividends	2,490.16
Profits or dividends declared for distribution upon discussion and approval	2,490.16

The Company's 2020 preliminary plan for profit distribution is disclosed as below: the Company proposed to distribute to all shareholders a cash dividend of RMB 0.55 (including tax) for every 10 shares on the basis of the total share capital as at the date of share registration for 2020 annual dividend distribution, according to which the total cash dividends expected to be distributable would be RMB 24.9016 million; the Company would neither capitalize its capital reserve nor grant bonus shares. The amount for cash dividends in the aforesaid 2020 profit distribution plan is temporarily calculated based on the Company's current total share capital of 452,756,901 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 2020 annual dividend distribution. The Company's 2020 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

**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 information**

**(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 information**

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	Amount for the current period		Amount for the prior period	
	Principal activity income	Principal activity cost	Principal activity income	Principal activity cost

Item	Amount for the current period		Amount for the prior period	
1. Sales	174,412.33	128,143.43	155,344.15	102,544.69
2. Lease service	17,173.26	10,775.31	39,799.12	13,526.03
3. Other business	3,302.83	388.76	2,771.62	2,294.34
Subtotal	194,888.42	139,307.50	197,914.89	118,365.06

Categorized by regions:

In RMB 0'000

Item	Amount for the current period		Amount for the prior period	
	Principal activity	Principal activity	Principal activity	Principal activity
	income	cost	income	cost
Domestic	185,561.99	135,605.70	178,039.72	111,260.78
Overseas	9,326.43	3,701.80	19,875.17	7,104.28
Subtotal	194,888.42	139,307.50	197,914.89	118,365.06

**7. Other significant transactions and matters having an impact on the decisions of investors** Applicable  N/A**8. Others** Applicable  N/A**Performance commitment**

In the 20<sup>th</sup> meeting 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 reviewed and passed, 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). On April 9, 2020, the Company paid the total consideration of approximately USD 18.11 million by its own funds. During the reporting period, the Company holds 36% equity interests in GDC, namely, 93,071,822 shares of GDC.

According to the Share Transfer Agreement, GDC made the the following performance covenants: the audited net profit after deduction of non-recurring profit or loss in 2020 shall be no less than USD 9.35 million; if it fails to achieve the performance objective above, GDC Cayman, the original shareholder of GDC, shall make compensation or submit a response within 15 working days from the submission date of GDC's annual auditor's report within the limit of USD 5.60 million or 46,535,911 ordinary shares of GDC.

According to the 2020 auditor's report of GDC issued by Deloitte, GDC achieved the net profit of USD 0.9268 million in 2020, and failed to achieve the performance covenant for the year 2020, hence triggering the performance compensation provisions.

By now, we have officially required GDC to make performance compensation in accordance with the provisions. As of the disclosure date of this report, we have reached no consensus with the original shareholder of GDC on this matter.

**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	

Where: Subitems within 1 year	
Subtotal of items within 1 year	450,871,451.43
1 to 2 years	117,087,528.49
2 to 3 years	1,490,775.02
Total	569,449,754.94

## (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	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made by group	569,449,754.94	100.00	1,910,248.15	0.34	567,539,506.79	300,789,821.26	100.00	1,474,044.82	0.49	299,315,776.44
Where:										
Group of aging	37,102,820.20	6.52	1,910,248.15	5.15	35,192,572.05	21,151,263.98	7.03	1,474,044.82	6.97	19,677,219.16
Total	569,449,754.94	/	1,910,248.15	/	567,539,506.79	300,789,821.26	/	1,474,044.82	/	299,315,776.44

Provision for bad debts made individually:

□ Applicable √ N/A

Provision for bad debts made by group:

√ Applicable □ N/A

Item by group: Group of aging

In RMB

Name	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Group of aging	37,102,820.20	1,910,248.15	5.15
Group of receivables from related parties in the scope of consolidation	532,346,934.74		
Total	569,449,754.94	1,910,248.15	0.34

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

√ Applicable □ N/A

Recognition criterion to make the bad debt provision by group and explanation can refer to V.10 of Section 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	1,474,044.82	436,203.33				1,910,248.15
Total	1,474,044.82	436,203.33				1,910,248.15

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 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

Entity	Carrying amount	Proportion to the balance of accounts receivable (%)	Bad debt provision
Formoive (Beijing) Technology Co., Ltd.	393,022,783.43	69.02	
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	71,721,879.64	12.59	
Appotronics Hong Kong Limited	47,383,360.55	8.32	
Shenzhen Sunvalley Technology Development Co., Ltd.	22,790,393.35	4.00	1,139,519.67
Appotronics Technology (Changzhou) Co., Ltd.	14,732,081.15	2.59	
Subtotal	549,650,498.12	96.52	1,139,519.67

**(6). Accounts receivable derecognized due to transfer of financial assets**

□ Applicable √ N/A

**(7). Assets and liabilities arising from transfer of accounts receivables and continued involvement**

□ Applicable √ N/A

Other information:

□ Applicable √ N/A

**2. Other receivables**

Presented by items

√ Applicable □ N/A

In RMB		
Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	71,654,117.57	67,227,575.21
Total	71,654,117.57	67,227,575.21

Other information:

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 information:

Applicable  N/A

(4). Dividend receivable

Applicable  N/A

(5). Dividends receivable with significant amounts aged more than 1 year

Applicable  N/A

(6). Provision for bad debts

Applicable  N/A

Other information:

Applicable  N/A

Other receivables

(1). Disclosure by aging

Applicable  N/A

In RMB	
Aging	Closing balance of carrying amount
Within 1 year	
Where: Subitems within 1 year	
Subtotal of items within 1 year	53,288,168.30
1 to 2 years	17,561,278.00
2 to 3 years	519,433.80
Over 3 years	778,397.60
Total	72,147,277.70

(2). Categories by the nature of other receivables

Applicable  N/A

In RMB		
Nature of receivables	Closing balance of carrying amount	Opening balance of carrying amount
Deposits/margins/petty cash	5,911,673.21	6,343,792.67
Withholding		650,484.24
Receivables from related parties in the scope of consolidation	62,284,074.96	60,540,712.71
Compensation receivable	3,577,279.61	
Temporary receivables	374,249.92	10,289.71
Total	72,147,277.70	67,545,279.33

## (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, 2020	317,704.12			317,704.12
Balance as at January 1, 2020 in the current period				
--transferred to Stage II				
--transferred to Stage III	-6,300.00		6,300.00	
--reversed to Stage II				
--reversed to Stage I				
Provision	181,756.01			181,756.01
Reversal				
Write-off				
Cancellation			6,300.00	
Other changes				
Balance as at January 12, 2020	493,160.13			493,160.13

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	317,704.12	181,756.01		6,300.00		493,160.13
Total	317,704.12	181,756.01		6,300.00		493,160.13

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

□ Applicable √ N/A

## (5). Other receivable actually canceled in the current period

□ Applicable √ N/A

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

√ Applicable □ N/A

In RMB

Entity	Nature of other receivables	Closing balance	Aging	Proportion to the balance of other receivables (%)	Bad debt provision closing balance
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	Receivables from related parties in the scope of consolidation	33,220,686.40	Within 1 year	46.05	
Formoive (Beijing) Technology Co., Ltd.	Receivables from related parties in the scope of consolidation	14,532,924.37	Within 1 year	20.14	
Shenzhen Appotronics Laser Display Technology Co., Ltd.	Receivables from related parties in the scope of consolidation	14,169,500.00	Within 3 years	19.64	
Creator Community (Guangzhou) Co., Ltd.	Compensation receivable	3,577,279.61	Within 1 year	4.96	178,863.98
Shenzhen Meisheng Industry Co., Ltd.	Deposits/margins/petty cash	3,574,618.00	2-3 years	4.95	178,730.89
Total	/	69,075,008.38	/	95.74	357,594.87

(7). Accounts receivable involving government grants

 Applicable  N/A

(8). Other receivable 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 information:

 Applicable  N/A

3. Long-term equity investment

 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	467,533,569.26	45,885,284.27	421,648,284.99	303,680,560.40	45,885,284.27	257,795,276.13

Investments in associates and joint ventures						
<b>Total</b>	467,533,569.26	45,885,284.27	421,648,284.99	303,680,560.40	45,885,284.27	257,795,276.13

## (10). Investments in subsidiaries

√ Applicable □ N/A

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment	In RMB
						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.	516,813.05	1,131,149.17		1,647,962.22		
Beijing Orient Appotronics Technology Co., Ltd.	5,900,000.00			5,900,000.00		
Formoive (Beijing) Technology Co., Ltd.	28,203,950.93	1,810,685.16		30,014,636.09		6,057,491.48
Shenzhen Appotronics Laser Display Technology Co., Ltd.	18,966,857.26			18,966,857.26		
Shenzhen Appotronics Display Device Co., Ltd.		3,000,000.00		3,000,000.00		
CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.	30,767,063.78	1,809,838.68		32,576,902.46		
Qingda Appotronics (Xiamen) Technology Co., Ltd.	5,100,000.00			5,100,000.00		827,792.79
Shenzhen Appotronics Xiaoming Technology Co., Ltd.	12,000,000.00			12,000,000.00		12,000,000.00
Appotronics Hong Kong Limited	173,225,875.38	128,442,808.14		301,668,683.52		
Appotronics Technology (Changzhou) Co., Ltd.	2,000,000.00			2,000,000.00		



Tianjin Bonian Film Partnership (LP)		26,954,120.20		26,954,120.20	
WEMAX LLC		24,349.32		24,349.32	
Appotronics USA, Inc.		60,873.29		60,873.29	
JoveAI Innovation, Inc		619,184.90		619,184.90	
Total	303,680,560.40	163,853,008.86		467,533,569.26	45,885,284.27

(11). Investments in associates and joint ventures

Applicable  N/A

Other information:

None

4. Operating income and operating costs

(12). Description of operating income and operating costs

Applicable  N/A

In RMB

Item	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Main business	1,064,149,969.51	720,452,860.84	1,070,365,243.34	728,135,468.64
Total	1,064,149,969.51	720,452,860.84	1,070,365,243.34	728,135,468.64

(13). Description of incomes from contracts

Applicable  N/A

(14). Description of performance obligations

Applicable  N/A

(15). Description of allocation to remaining performance obligations

Applicable  N/A

Other information:

None

5. Investment income

Applicable  N/A

In RMB

Item	Amount for the current period	Amount for the prior period
Gains from long-term equity investment accounted for using the cost method		46,000,000.00
Long-term equity investment accounted for using the equity method		
Investment income from disposal of long-term equity investments		-64,542.33
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	18,624,853.96	9,552,990.98
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	18,624,853.96	55,488,448.65

Other information:

None

#### 6. Others

Applicable  N/A

R&D expenses

Item	Amount for the current period	Amount for the prior period
Employee benefits	57,851,800.94	55,729,731.59
Material consumption expenses	15,548,543.88	17,246,073.81
Depreciation and amortization fees	10,287,002.71	7,573,085.07
Rent expense	7,114,015.29	8,730,216.56
Patent fees	6,796,002.87	9,382,940.04
Other expenses	7,276,270.23	15,132,958.18
Total	104,873,635.92	113,795,005.25

### XVIII Supplementary information

#### 1. Breakdown of non-recurring profit or loss for the current period

Applicable  N/A

In RMB

Item	Amount	Description
Gain or loss on disposal of non-current assets	-1,112,121.13	
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)	40,750,823.51	
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	18,624,853.96	
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	23,593,500.83	
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		
Reversal of impairment loss on accounts receivable and contract assets tested for impairment individually		
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	2,429,083.25	
Other gains or losses meeting the definition of non-recurring profit or loss	323,003.17	
Effect of income taxes	-9,068,330.19	
Effect of minority interests	-1,982,929.14	
Total	73,557,884.26	

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	5.62	0.25	0.25
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	1.99	0.09	0.09

### 2. Calculation process of weighted average return on net assets

Item	No.	Current period	
Net profit attributable to ordinary shareholders of the Company	A	113,847,873.06	
Non-recurring profit or loss	B	73,557,884.26	
Net profits after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	C=A-B	40,289,988.80	
Opening balance of net assets attributable to ordinary shareholders of the Company	D	1,975,838,572.51	
Net assets increased due to issue of new shares or debt-to-equity swap that are attributable to ordinary shareholders of the Company	E	20,953,388.25	
Accumulated months from the month following the addition of net assets to the end of the reporting period	F	2	
Net assets reduced by repurchases or cash dividends that are attributable to ordinary shareholders of the Company	G	33,866,580.83	
Accumulated months from the month following the reduction of net assets to the end of the reporting period	H	6	
Others	Effect of share-based payments on net assets	I1	18,783,763.38
	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	-6,501,355.78
	Accumulated months from the month following the addition or reduction of net assets to the end of the reporting period	J2	6
	Impact of acquisition of minority interests on net assets	I3	2,544,011.15
	Accumulated months from the month following the addition or reduction of net assets to the end of the reporting period	J3	0
Months of reporting period	K	12	
Weighted average net assets	$L = D + A/2 + E \times F/K - G \times H/K \pm I \times J/K$	2,025,462,653.80	
Weighted average return on net assets	M=A/L	5.62%	

Weighted average return on net assets after deduction of non-recurring profit or loss	N=C/L	1.99%
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### 3. Calculation process of basic and diluted earnings per share

#### (1) Calculation process of basic earnings per share

Item	No.	Current period
Net profit attributable to ordinary shareholders of the Company	A	113,847,873.06
Non-recurring profit or loss	B	73,557,884.26
Net profits after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	C=A-B	40,289,988.80
Total shares at the beginning of the period	D	451,554,411.00
Shares increased due to issue of new shares or debt-to-equity swap	F	1,202,490.00
Accumulated months from the month following the addition of shares to the end of the reporting period	G	2
Months of reporting period	K	12
Weighted average number of outstanding ordinary shares	$L=D+F \times G / K$	451,754,826.00
Basic earnings per share	M=A/L	0.25
Basic earnings per share after deduction of non-recurring profit or loss	N=C/L	0.09

#### (2) Calculation process of diluted earnings per share

Item	No.	Current period
Net profit attributable to ordinary shareholders of the Company	A	113,847,873.06
Effect of diluted potential ordinary shares on net profit	B	
Net profits after dilution attributable to ordinary shareholders of the Company	C=A-B	113,847,873.06
Non-recurring profit or loss	D	73,557,884.26
Net profits after dilution and deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	E=C-D	40,289,988.80
Weighted average number of outstanding ordinary shares	F	451,754,826.00
Weighted average number of ordinary shares added to warrants, share options, and convertible bonds, etc.	G	454,025.28
Weighted average number of outstanding ordinary shares after dilution	H=F+G	452,208,851.28
Diluted earnings per share	M=C/H	0.25
Diluted earnings per share after deduction of non-recurring profit or loss	N=E/H	0.09

### 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. 2020 Financial and Accounting Statements 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 Auditor's Report 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: LI Yi

Approval for submission by the Board of Directors: April 22, 2021

### Revision information

Applicable  N/A