

**FOSHAN ELECTRICAL AND LIGHTING CO., LTD.**  
**ANNUAL REPORT 2018**

**March 2019**

## Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Foshan Electrical and Lighting Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

He Yong, the Company’s legal representative, Liu Xingming, the Company’s General Manager, and Tang Qionglan, the Company’s Chief Financial Officer (CFO) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

All directors have attended in person the board session for reviewing this report except the following:

Name	Position	Reason for not attending the session in person	Name of the proxy
Huang Zhiyong	Director	On business	He Yong

The future plans and other forward-looking statements, as well as the cautionary statements mentioned in this Report shall NOT be considered as virtual promises of the Company to investors. And investors are kindly reminded to be well aware of possible risks.

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

The Company has described in detail in this Report the risk of market competition, the risk of rising labor costs, the risk of rising raw material prices, the risk of falling prices of inventories, the risk of exchange rate fluctuations and the risk of doubtful receivable accounts. Please refer to “Outlook of the Company’s Future Development” in “Part IV Operating Performance Discussion and Analysis” of this Report.

The Board has approved a final dividend plan for the Reporting Period: Based on the Company’s total shares of 1,399,346,154, a cash dividend of RMB1.56 (tax inclusive) per 10 shares is to be distributed to all the shareholders, with a bonus issue of 0 additional shares (tax inclusive) for every 10 existing shares from profit, and no bonus issue from capital reserves.

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## Definitions

Term	Definition
The “Company”, “FSL” or “we”	Foshan Electrical and Lighting Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
GRAM	Guangdong Rising Assets Management Co., Ltd.
Electronics Group	Guangdong Electronics Information Industry Group Ltd.
GD Rising Finance	Guangdong Rising Finance Holding Co., Ltd.
Shenzhen Rising Investment	Shenzhen Rising Investment Development Co., Ltd.
Hong Kong Rising Investment	Hong Kong Rising Investment Development Limited
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
General meeting	General meeting of Foshan Electrical and Lighting Co., Ltd.
Board of Directors	The board of directors of Foshan Electrical and Lighting Co., Ltd.
Supervisory Committee	The supervisory committee of Foshan Electrical and Lighting Co., Ltd.
Annual report auditor	Beijing Zhongzhengtiantong Certified Public Accountants LLP
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi

## Part II Corporate Information and Key Financial Information

### I Corporate Information

Stock name	FSL, FSL-B	Stock code	000541, 200541
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	佛山电器照明股份有限公司		
Abbr.	佛山照明		
Company name in English (if any)	FOSHAN ELECTRICAL AND LIGHTING CO.,LTD		
Abbr. (if any)	FSL		
Legal representative	He Yong		
Registered address	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China		
Zip code	528000		
Office address	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China		
Zip code	528000		
Company website	www.chinafsl.com		
Email address	gzfslgh@pub.foshan.gd.cn		

### II Contact Information

	Board Secretary	Securities Representative
Name	Lin Yihui	Huang Yufen
Address	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China
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### III Media for Information Disclosure and Place where this Report Is Lodged

Newspapers designated by the Company for information disclosure	China Securities Journal, Securities Times, Securities Daily, Ta Kung Pao (HK)
Website designated by CSRC for publication of this	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

Report	
Place where this Report is lodged	Board Secretary's Office, FSL Office Building, No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China

#### IV Change to Company Registered Information

Unified social credit code	91440000190352575W
Change to principal activity of the Company since going public (if any)	No change
Every change of controlling shareholder since incorporation (if any)	No change

#### V Other Information

The independent audit firm hired by the Company:

Name	Beijing Zhongzhengtiantong Certified Public Accountants LLP
Office address	13/F, Tower B, Jinyun Building, A43 Xizhimen Avenue North, Haidian District, Beijing
Accountants writing signatures	Tong Quanyong, Luo Dongri

The independent sponsor hired by the Company to exercise constant supervision over the Company in the

Reporting Period:

Applicable  Not applicable

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable  Not applicable

#### VI Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

	2018	2017	2018-over-2017 change (%)	2016
Operating revenue (RMB)	3,801,955,946.76	3,800,188,261.54	0.05%	3,366,454,968.60
Net profit attributable to the listed company's shareholders (RMB)	377,615,133.62	740,308,725.30	-48.99%	1,072,342,050.13
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	354,513,585.67	353,549,021.39	0.27%	351,237,317.17

Net cash generated from/used in operating activities (RMB)	617,987,487.05	215,821,192.79	186.34%	289,978,768.48
Basic earnings per share (RMB/share)	0.2699	0.5290	-48.98%	0.7663
Diluted earnings per share (RMB/share)	0.2699	0.5290	-48.98%	0.7663
Weighted average return on equity (%)	8.36%	15.14%	-6.78%	21.40%
	31 December 2018	31 December 2017	Change of 31 December 2018 over 31 December 2017 (%)	31 December 2016
Total assets (RMB)	5,588,166,699.30	5,675,811,824.29	-1.54%	6,100,169,400.30
Equity attributable to the listed company's shareholders (RMB)	4,319,259,418.46	4,779,115,459.39	-9.62%	4,990,466,577.12

## VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

### 1. Net Profit and Equity under CAS and IFRS

Applicable  Not applicable

No difference for the Reporting Period.

### 2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable  Not applicable

No difference for the Reporting Period.

## VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	1,123,376,512.26	941,402,777.73	820,735,540.10	916,441,116.67
Net profit attributable to the listed company's shareholders	96,552,712.99	132,724,742.83	94,389,387.69	53,948,290.11
Net profit attributable to the listed company's shareholders before exceptional items	96,033,861.87	131,994,374.84	94,550,677.32	31,934,671.64

Net cash generated from/used in operating activities	124,450,627.91	20,273,150.47	365,717,317.90	107,546,390.77
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Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes  No

## IX Exceptional Gains and Losses

Applicable  Not applicable

Unit: RMB

Item	2018	2017	2016	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-1,671,154.30	176,540,060.61	-5,776,457.37	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	30,005,231.23	1,185,148.00	1,669,377.53	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	-477,200.00	269,362,165.95	853,216,065.17	
Reversed portion of impairment allowance for accounts receivable which are tested individually for impairment			3,535,749.69	
Non-operating income and expense other than above	-594,356.14	1,640,395.69	-4,774,788.19	
Less: Income tax effects	4,222,066.76	61,971,050.60	127,331,306.57	
Non-controlling interests effects (net of tax)	-61,093.92	-2,984.26	-566,092.70	
Total	23,101,547.95	386,759,703.91	721,104,732.96	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable  Not applicable

No such cases for the Reporting Period.

## Part III Business Summary

### I Principal Activity of the Company in the Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

#### 1. The Company's Principal Activities or Products

We design, manufacture and market high-quality, green and energy-efficient lighting products and electrical products, as well as provide comprehensive lighting and electrical solutions. Our products mainly include electrical products such as LED light sources and luminaries, automotive LED luminaries, traditional light sources switches and socket. Currently, we have three major operating divisions, namely, lighting, electrical products and vehicle lighting. Upon years of development, we have won quite many honors, and our "FSL" and "Fenjiang" brands have been certified as "Famous China Brands".

#### 2. Main business models

##### (1) Procurement model

We mainly procure raw materials such as lamp beads, lamp holders, electronic components, aluminum substrate, plastic parts, metal materials, quartz tubes and fuel by way of bids invitation. A bids invitation supervisory committee consisting of personnel from several departments will be set up in the future. For every kind of our main raw materials, we usually have a few suppliers to choose from in procurement so that the procurement prices would be fair, the supply of raw materials in time and the good quality of the raw materials ensured.

##### (2) Production models

###### ① Production of the conventional products

Concerning the conventional products, we analyze sales of every month and predict future market demand so as to formulate a production plan for the coming month. And our workshops produce according to the plan to avoid extra stock and at the same time ensure that there is enough for sale.

###### ② Production according to orders

Different from the conventional lighting products which are of little variation in specifications, LED lighting products are at a fast pace of renewal and different customers often have different requirements regarding the products' appearances and performance indexes. Therefore, we have to organize individualized production for

some orders for LED lighting products, export orders in particular. For this kind of orders, we formulate our production plans based on them and then make procurement plans according to the production plans, which will help effectively control the stock and the procurement prices of raw materials, reduce capital occupation and improve our operating efficiency to the maximum.

### ③ Combination of independent production and outsourcing

With a high production capacity, we produce most of our products and parts on our own. Only a small portion of parts and low-tech products is outsourced to sub-manufacturers, who will produce in strict accordance with our requirements. We will also tag along their production processes and examine carefully the quality of the products finished. In this way, our supply of products is guaranteed.

### (3) Sales model

Domestically, we mainly adopt a commercial agent model. In terms of channels, we have wholesale, franchised store, illumination engineering & commercial lighting, industrial and mining outdoor channels, e-commerce & retail sales and automotive lighting channels.

For overseas markets, we primarily adopt OEM/ODM models and also sell under our own brands (through agents).

### 3. Main driving forces for growth

The Reporting Period saw unfavorable factors such as the slowing down domestic economy, the China-U.S. trade war and fierce competition. However, relying on its advantages in technology, brand, channel, and scale, the Company consistently pushed forward the technology upgrade of main products through continual R&D investment and technological innovation so as to improve the quality of its products. It also strengthened marketing and optimized the structure of its products to be sold. Additionally, it effectively controlled procurement cost and improved production efficiency by way of a higher level of automation in manufacturing. As a result, the Company's comprehensive competitiveness has increased further, and its operating revenue and net profit both recorded year-on-year growth.

### 4. Development stage and periodicity of the lighting industry as well as our position in the market

The recent years have witnessed the rapid rise of the LED lighting technology. Due to the sharp drop in their cost and their remarkable performance in energy saving & emission reduction, LED lighting products have been generally accepted by consumers, resulting in a higher and higher penetration rate as well as a fast-shrinking market for conventional lighting products. However, after years of fast development and renewal, growth in LED lighting has slowed down. Particularly the LED downstream with a low requirement for market access is suffering

from an obvious problem of structural overcapacity, leading to the disordered, cutthroat competition on the market. Under the double hits by a macro economic downturn and fierce competition, large enterprises will expand through mergers and acquisitions for stronger competitiveness, while some small and medium ones can only face the fate of being washed out of the market due to lack of competitiveness, which is bringing the entire industry into an integration phase. As a necessity for daily life, lighting products are mainly under the influence of the macro economy and the real estate sector but are little affected by seasons and regions.

Generally speaking, China's lighting industry is insufficiently centralized with no overwhelmingly superior enterprises despite an enlarging market share of competitive brands. Upon years of development, we have become a leading and quite competitive lighting enterprise with strong competitiveness in brand, production scale, channel, R&D, etc.

## II Significant Changes in Major Assets

### 1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Equity assets	No significant change during the Reporting Period
Fixed assets	No significant change during the Reporting Period
Intangible assets	No significant change during the Reporting Period
Construction in progress	The ending amount was up 37.96% from the beginning amount, primarily driven by more investments in plant construction in the expansion of the plants in Gaoming .
Available-for-sale financial assets	The ending amount was down 35.44% from the beginning amount, primarily driven by fair value of share decreases in the Current Period.

### 2. Major Assets Overseas

Applicable  Not applicable

## III Core Competitiveness Analysis

Is the Company subject to any disclosure requirements for special industries?

No.

Channel advantage

The Company has been sticking to the marketing strategy of deeply focusing and refining channels. Through years

of development and experience accumulation, the Company currently has five major sales channels for the domestic market, which contains the circulation and wholesales channel, the exclusive shop channel, the E-business retail channel, and the engineering commercial lighting channel, industrial and mining outdoor channels, forming a marketing network covering the whole country. And the Company primarily serves as an OEM partner for internationally famous lighting companies, and sells its own FSL-branded products on the overseas market. Relying on strong and perfect sales channels, products of the Company can rapidly enter the market, which has significantly improved the Company's market development capability and competitiveness.

#### Brand advantage

The Company keeps focusing on the positioning, core value, and features of FSL brand, and continually improved the brand recognition and reputation of FSL brand by product design, end sales, advertisement, special lighting exhibition, and so on. At present, FSL and Fen Jiang among the three brands of the Company are both famous trademarks in China. The FSL brand has become one of the most influential and popular brands in China, and the powerful brand influence has become the main driver for continuous sales growth of the Company.

#### Technology advantage

The Company has always been attaching importance to R&D of new products and technologies, increasing the input on independent innovation on technologies and products, and perfecting the improvement process for R&D and technique of all products. The Company absorbs and trains technical talents, set up innovative incentive mechanism and performance mechanism, and fully provides with supports in fund, talents, and mechanisms.

#### Scale advantage

As one of the enterprises to first step into the industry of producing and selling lighting products, the Company possesses the manufacture culture of refining production and the large-scale manufacturing capability by years of experience accumulation. The Company has production bases in Foshan, Nanjing and Xinxiang. The large-scale and centralized production brings obvious economic benefits to the Company, which not only shows in manufacture cost of products, but also shows in aspects such as raw material procurement and product pricing.

## Part IV Operating Performance Discussion and Analysis

### I Overview

#### (I) Summary

2018 saw changes in China's economy with mounting pressure on foreign trade. Domestically, economic growth was under great pressure with a growth slowdown in consumption demand. Internationally, pressure built up on export as a result of the tightening monetary policies of developed economies, decreasing liquidity across the globe and rising China-U.S. trade frictions. In face of these economic changes and the fierce competition industrywide, the Company's management continued to focus on the strategic objectives of "Cutting-Edge Technologies, Internationally-Famous Brands and Large-Scale Production" the Board had put forward, strengthening innovation, optimizing the product mix and improving manufacturing and management. As a result, the Company delivered a good operating performance for the Reporting Period. For this period, the Company recorded operating revenue of RMB3.802 billion, up 0.05% compared to last year, and a net profit attributable to the listed company's shareholders of RMB378 million, representing a year-on-year drop of 48.99%. The drop in net profit was primarily attributable to a considerable decrease in investment income in 2018.

#### (II) Major Work in 2018

##### 1. Strengthened market expansion and enhanced market competitiveness

(1) In respect of domestic sale, promote reforms in the sale channel mode and enhance channel competitiveness

In terms of circulation channel, the Company promoted reforms in the channel business mode, drove the switch of distributors from merchants to service providers, flattened channel management, helped distributors in the change from an operation center to a service center, with the service center performing the functions such as the optimization of partial market environment, customer development and refinement of after-sales service, got closer to the consumers' terminal and strengthened the terminal control abilities over channels.

In respect of engineering lighting, the Company grasped the opportunity of the rapid increase in the demand of concentrated purchase by real estate companies and of concentrated invitation to tenders and procurement by big groups, proactively built the new product layout in household lighting and commercial lighting for civil purposes, had it operated by a professional team, and further strengthened its cooperation with real estate companies, property management companies and brand chain groups, with great achievements made. As at the end of 2018,

the Company had successfully entered contracts with 20 real estate companies including Evergrande Real Estate, Zhongliang Real Estate, Times Property, Aoyuan Group, Heineng Group, PKU Resources, KWG, Guangwu Real Estate and China South City, and was successfully listed into the brand bank of Country Garden. In addition, the Company had successfully entered contracts with a number of property management companies including Evergrande Property, Country Garden Property, Sunac Property, Great Wall Property, Gemdale Property, Hailiang Property and Zhongnan Property, and had won the bidding for the projects of Ping An Group, Sinopec, Aima Technology Group, etc.. The successful cooperation with so many real estate companies, property management companies and corporate groups reflects the Company's capacity and competence in household and commercial lighting solutions as well as represents the customers' recognition of its products, brand and services. In respect of franchised stores, the Company accelerated the pace of expanding blank markets and upgraded stores to further enhance its terminal image. It encouraged scenario-based sales, improved the consumers' shopping experience in franchised stores, and enhanced its terminal marketing level and brand recognition by carrying out various forms of terminal promotion activities.

In respect of e-commerce, the Company kept increasing product categories on e-commerce and promoted the integration of online and offline channels through the synergy of product and price policies. With the platform promotion activities, it highlighted product differentiation, optimized the product sale structure, focused on the promotion of intelligent products, and became one of the official cooperative brands of Tmall Genie, laying a foundation for the subsequent development of the Company's products on the e-commerce platform.

(2) In terms of export sales, first, the Company adjusted the product structure. Through sustained guidance and efforts, the Company's main export products changed gradually from such light source products as bulbs and tubes to such lamps as downlights, ceiling lamps and flood lights, with breakthroughs made in intelligent products. Thus, the Company achieved "soft landing" in the transformation of its product structure. Second, the Company developed the potential of key customers to a great depth and worked well on the management and maintenance of key customers at multiple levels and from multiple perspectives, resulting in a big increase in the order amount from key customers. Third, the Company proactively developed new customers and kept increasing the flexible sources for export. During the Reporting Period, there were 148 new customers for export, who contributed an operating revenue of over RMB44 million.

## **2. Increased R&D investment and accelerated the layout in the new field of intelligent products**

Facing the upgrading of consumers' demands and the reform in industrial development, the Company increased

R&D investment and accelerated the R&D layout in the new fields of intelligent lighting, intelligent electrical products and intelligent vehicle lights. In 2018, the Company diversified and upgraded the intelligent product lines, refined product categories, developed intelligent products supporting the mainstream protocols including wifi/Bluetooth/Zigbee for different channels and different application scenarios, proactively carried out cooperation with domestic and foreign mainstream platforms, connected with the intelligent speakers and apps of foreign platforms such as Amazon, Echo, Google Assistant and Homekit and domestic platforms such as Alibaba, Tencent, Evergrande Real Estate and Lenovo Siot, completed the development of the intelligent control system “FSL e-Home” and realized the transformation from intelligent single products to intelligent solutions. In 2018, the Company achieved sales revenue of RMB14.18 million from intelligent products. The Company successfully secured the 110 Command Center of Foshan, the Outdoor Intelligent Project of China-Latin America Economic and Trade Cooperation Park, the Intelligent Firefighting Project of Shanwei Special Cooperation Zone, the Outdoor Intelligent Project of Rising Wanbo City and the E-Era Kindergarten Intelligent Classrooms of Nanshan, Shenzhen.

### **3. Upgraded manufacturing capacity and increased production efficiency**

With the deep implementation of “Made in China 2025”, the Company keeps investing substantially on the upgrading of technical and production lines and enhance the level of automatic and informationized manufacturing. While the intelligent production lines for the main products such as bulbs, tubes, downlights, ceiling lamps, panel lights, vehicle lights and switches have been put into operation, the Company is promoting the project of integrating production, warehousing and logistics. In 2017, the Company won the title of “Foshan Pilot Demonstration Enterprise for Made in China 2025”; in 2018, the Company’s “Pilot Demonstration Project of Intelligent Manufacturing Production Line of LED Lighting Products” was named as “2018 Guangdong Province Intelligent Manufacturing Pilot Demonstration Project”; in addition, the Company won the honor of the second-batch “China Green Factory” granted by the Ministry of Industry and Information Technology. The application of the intelligent production line has substantially enhanced the Company’s manufacturing capacity, reduced labor costs, improved product quality and reduced the risk of product quality.

### **4. Made breakthroughs in the development of electrical product business and opened the market of new channel business**

2018 is the second complete operation year of FSL Zhida, a holding subsidiary of the Company. With a sustained focus on combing products, FSL Zhida extended to sockets and integrated series and increased the sales outlets to

enhance the coverage of its sales network. In terms of conventional channels, FSL Zhida owned 7,626 terminal outlets. In terms of engineering and KA channels, over nearly two years' market development, in 2018, FSL Zhida successfully signed contracts with the real estate companies including Vanke Kezhu, Huasheng Real Estate, Power China Real Estate, China Railway Real Estate, China South City Real Estate and Huayao Real Estate and entered into the contracts for the projects including Beijing's Sub-Center, Shougang, Beijing Sweet City and Xi'an Xianyang Culture and Sports Functional Areas. In 2018, FSL Zhida made important breakthroughs in the business of engineering concentrated purchase, laying a solid foundation for it to release power in the engineering and KA channels and expand the sales scale.

#### **5. The rapid development of LED vehicle lighting injected new power for the Company's subsequent development**

During the Reporting Period, the Company kept increasing the investment in respect of LED vehicle lighting, recruited high-calibre technical professionals, introduced two new automatic production lines, diversified the product series and enhanced the production capacity. In the Reporting Period, the Company developed 11 specifications of headlamps, undertook 18 new LED module projects, and managed to enter the procurement system of SAIC, JMC Ford and Geely while maintaining the previous customer base. The new customers and new projects have enhanced the brand recognition of the Company's LED vehicle lighting in the market, laying a solid foundation for the Company's subsequent development. In 2018, the Company's sales revenue from LED vehicle lighting increased by more than 100% from the previous year, injecting new power for its subsequent development.

#### **6. Strengthened brand promotion for brand upgrading**

In 2018, the Company carried out comprehensive upgrading on its brand strategies, created a new "Professional, Healthy, Fashionable and Intelligent" brand image, and promoted the transition of "Foshan Lighting" from an industrial brand to a popular brand. The Company's upgrading of brand strategies was based on communication characteristics, orientation of development and integration of communication, with an all-round and multiple-channel communication of a professional, healthy, fashionable and intelligent lifestyle to users. In respect of conventional media, the Company placed a mass of advertisements on CCTV-2, CCTV-7, CCTV-10, Guangzhou Baiyun International Airport and the trains on Beijing-Guangzhou High-Speed Railway in 2018, which marked the Company's full entrance into an era of high-speed brand development. In terms of the internet and mobile internet, by cooperating with such new media as WeChat, Toutiao, Weibo and mobile apps, the

Company enhanced brand recognition and reputation among young people through the big data flow, formed comprehensive and diverse promotion positions, substantially increased the brand recognition and influence of “Foshan Lighting” and established a high-end popular brand image. In terms of the demonstration of terminal image, the Company upgraded the image of franchised stores, increased users’ favorability of experience and accommodated younger consumers’ interactive experience in the stores. Through the measures with concerted efforts, the Company has further enhanced its brand influence and gradually established its middle- and high-end brand image.

### **7. Refined the talent development mechanism and the performance appraisal system and reinforced the establishment of corporate culture**

During the Reporting Period, the Company focused on promoting the building of a talent echelon, reinforced the introduction and development of high-calibre technical and management talents and carried out customized and professional training through the integration of internal and external trainers to establish a professional and efficient talent team. The Company launched the “Elite Lightning Program”, refined the performance appraisal mechanism oriented by performance, promoted the refinement of KPI performance management and endeavored to build the remuneration incentive system “centering around customers and based on players”. The Company nurtured a positive and vigorous corporate culture and enhanced corporate cohesion and centripetal force; enriched staff’s leisure life and created staff-caring channels; carried out the Party-mass related work centering around production and operation and strengthened the organization building of the Party to create a favorable environment for the sound development of the Company.

## **II Core Business Analysis**

### **1. Overview**

See “I Overview” above.

### **2. Revenue and Cost Analysis**

#### **(1) Breakdown of Operating Revenue**

Unit: RMB

	2018		2017		Change (%)
	Operating revenue	As % of total	Operating revenue	As % of total	

		operating revenue (%)		operating revenue (%)	
Total	3,801,955,946.76	100%	3,800,188,261.54	100%	0.05%
By operating division					
Lighting products and luminaries	3,801,955,946.76	100.00%	3,800,188,261.54	100.00%	0.05%
By product category					
LED lighting products	2,776,060,566.71	73.02%	2,629,174,231.52	69.19%	5.59%
Traditional lighting products	905,695,616.42	23.82%	1,015,201,248.68	26.71%	-10.79%
Electrical products	96,493,768.09	2.54%	128,591,276.67	3.38%	-24.96%
Other	23,705,995.54	0.62%	27,221,504.67	0.72%	-12.91%
By operating segment					
Domestic	2,158,770,050.28	56.78%	2,311,103,467.42	60.82%	-6.59%
Overseas	1,643,185,896.48	43.22%	1,489,084,794.12	39.18%	10.35%

## (2) Operating Division, Product Category or Operating Segment Contributing over 10% of Operating Revenue or Operating Profit

√ Applicable □ Not applicable

Is the Company subject to any disclosure requirements for special industries?

No.

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Lighting products and luminaries	3,801,955,946.76	2,922,833,510.40	23.12%	0.05%	-0.59%	0.49%
By product category						
LED lighting products	2,776,060,566.71	2,171,839,325.91	21.77%	5.59%	3.99%	1.20%
Traditional lighting products	905,695,616.42	667,945,297.12	26.25%	-10.79%	-10.41%	-0.31%
Electrical products	96,493,768.09	64,298,149.13	33.37%	-24.96%	-28.12%	2.93%

Other	23,705,995.54	18,750,738.24	20.90%	-12.91%	13.69%	-18.51%
By operating segment						
Domestic	2,158,770,050.28	1,579,012,868.21	26.86%	-6.59%	-6.98%	0.30%
Overseas	1,643,185,896.48	1,343,820,642.19	18.22%	10.35%	8.14%	1.67%

Core business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

Applicable  Not applicable

### (3) Whether Revenue from Physical Sales Is Higher than Service Revenue

Yes  No

Operating division	Item	Unit	2018	2017	Change (%)
Lighting products and luminaries	Unit sales	Piece	767,969,866	868,749,877	-11.60%
	Output	Piece	771,535,024	852,675,184	-9.52%
	Inventory	Piece	121,276,383	117,711,225	3.03%

Note: In 2018, the Company purchased 30,419,100 pieces of finished goods from outside.

Any over 30% YoY movements in the data above and why:

Applicable  Not applicable

### (4) Execution Progress of Major Signed Sales Contracts in the Reporting Period

Applicable  Not applicable

### (5) Breakdown of Cost of Sales

By operating division and product category

Unit: RMB

Operating division	Item	2018		2017		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Lighting products and luminaries		2,922,833,510.40	100.00%	2,940,069,129.71	100.00%	-0.59%
Lighting products and luminaries	Raw materials	2,199,097,763.69	75.24%	2,139,903,308.07	72.78%	2.77%
Lighting products and luminaries	Labor cost	419,756,197.29	14.36%	500,797,273.73	17.03%	-16.18%
Lighting products	Depreciation and	285,228,811.19	9.76%	282,876,388.57	9.62%	0.83%

and luminaries	other					
Lighting products and luminaries	Other	18,750,738.24	0.64%	16,492,159.34	0.56%	13.69%

Unit: RMB

Product category	Item	2018		2017		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
LED lighting products	Raw materials	1,754,239,718.12	60.02%	1,658,258,780.94	56.40%	5.79%
LED lighting products	Labor cost	265,927,179.88	9.10%	320,338,525.94	10.90%	-16.99%
LED lighting products	Depreciation and other	151,672,427.91	5.19%	109,969,762.25	3.74%	37.92%
LED lighting products	Subtotal	2,171,839,325.91	74.31%	2,088,567,069.13	71.04%	3.99%
Traditional lighting products	Raw materials	388,968,905.47	13.31%	412,293,959.50	14.02%	-5.66%
Traditional lighting products	Labor cost	149,172,301.24	5.10%	167,854,073.03	5.71%	-11.13%
Traditional lighting products	Depreciation and other	129,804,090.42	4.44%	165,405,251.49	5.63%	-21.52%
Traditional lighting products	Subtotal	667,945,297.12	22.85%	745,553,284.02	25.36%	-10.41%
Electrical products	Raw materials	55,889,140.10	1.91%	69,350,567.63	2.36%	-19.41%
Electrical products	Labor cost	4,656,716.17	0.16%	12,604,674.76	0.43%	-63.06%
Electrical products	Depreciation and other	3,752,292.86	0.13%	7,501,374.83	0.26%	-49.98%
Electrical products	Subtotal	64,298,149.13	2.20%	89,456,617.22	3.04%	-28.12%
Other products and services	Other	18,750,738.24	0.64%	16,492,159.34	0.56%	13.69%
Total		2,922,833,510.40	100.00%	2,940,069,129.71	100.00%	-0.59%

**(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period**

Yes  No

**(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period**

Applicable  Not applicable

**(8) Major Customers and Suppliers**

Major customers:

Total sales to top five customers (RMB)	701,920,329.61
Total sales to top five customers as % of total sales of the Reporting Period (%)	18.46%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer A	447,863,946.12	11.78%
2	Customer B	123,020,918.98	3.24%
3	Customer C	50,701,481.65	1.33%
4	Customer D	40,462,607.27	1.06%
5	Customer E	39,871,375.59	1.05%
Total	--	701,920,329.61	18.46%

Other information about major customers:

Applicable  Not applicable

None of the top five customers is a related party of the Company.

Major suppliers:

Total purchases from top five suppliers (RMB)	315,842,520.23
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	13.43%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	4.05%

## Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	95,223,746.49	4.05%
2	Supplier B	67,569,061.90	2.87%
3	Supplier C	52,200,323.08	2.22%
4	Supplier D	50,963,619.43	2.17%
5	Supplier E	49,885,769.33	2.12%
Total	--	315,842,520.23	13.43%

## Other information about major suppliers:

Applicable  Not applicable

Among the top five suppliers, the 1st supplier is a related party of the Company while the other 4 are not.

### 3. Expense

Unit: RMB

	2018	2017	Change (%)	Reason for any significant change
Selling expense	237,485,389.89	213,812,639.74	11.07%	
Administrative expense	173,871,085.61	179,002,806.58	-2.87%	
Finance costs	-26,115,179.16	10,972,282.52	-338.01%	The significant drop was mainly attributable to higher exchange gains driven by the depreciation of RMB and growth in exports
R&D expense	52,726,585.28	34,578,167.96	52.49%	More investments in R&D in the Current Period, including significantly higher labor cost

### 4. R&D Expense

Applicable  Not applicable

The Company always took science and technology as the first priority, paid attention to technology R&D, constantly researched and developed new products and technologies meeting market demands, promoted the optimization and upgrade of product structure, improved the technology content of products, and improved the core competitiveness of the Company. Meanwhile, the Company strengthened the research on technique and technology of products, so as to cut down product cost and improve quality. Where the R&D funds go to: One is forward-looking technologies and products independently developed by the Company through separate R&D

projects as product and technology reserve for market expansion in the future. For this kind of R&D projects, the Company usually launches the project and sets up a dedicated research team. The other is new products developed according to customers' technological requirements. For this kind of R&D projects, the Company formulates an initial design plan and starts trial productions after the plan has been approved by the customer, with the bench-scale and pilot-scale production expenses included into the R&D expense.

According to the Measures for the Administration of the Accreditation of High-Tech Enterprises, R&D expense includes the R&D expense recorded in cost of sales and the R&D expense capitalized as per the relevant accounting standards. In 2018, the Company's R&D expense amounted to RMB139.5949 million, accounting for 3.67% of the operating revenue. The revenue generated from the sale of products through the bench-scale and pilot-scale production was recorded in the core business revenue, while RMB83.6775 million and RMB52.7266 million of the costs and expenses incurred were recorded in the cost of sales of core businesses and the R&D expense respectively.

Unit: RMB'0,000

Year	Operating revenue	R&D expense	R&D expense as % of operating revenue	Costs recorded in cost of sales	Expense recorded in R&D expense
2018	380,195.59	13,959.49	3.67%	8,367.75	5,272.66
2017	380,018.83	12,798.29	3.37%	9,289.82	3,457.82

## Details about R&amp;D expense:

	2018	2017	Change (%)
Number of R&D personnel	673	540	24.63%
R&D personnel as % of total employees	7.29%	5.86%	1.43%
R&D expense (RMB)	139,594,894.62	127,982,819.10	9.07%
R&D expense as % of operating revenue	3.67%	3.37%	0.30%
Capitalized R&D expense (RMB)	0.00	0.00	0.00%
Capitalized R&D expense as % of total R&D expense	0.00%	0.00%	0.00%

Reasons for any significant YoY change in the percentage of R&D expense in operating revenue:

Applicable  Not applicable

Reason for any sharp variation in the percentage of capitalized R&D expense and rationale:

Applicable  Not applicable

## 5. Cash Flows

Unit: RMB

Item	2018	2017	Change (%)
Subtotal of cash generated from operating activities	3,844,002,001.24	3,792,544,040.88	1.36%
Subtotal of cash used in operating activities	3,226,014,514.19	3,576,722,848.09	-9.81%
Net cash generated from/used in operating activities	617,987,487.05	215,821,192.79	186.34%
Subtotal of cash generated from investing activities	271,716,187.40	366,096,873.47	-25.78%
Subtotal of cash used in investing activities	248,587,186.18	946,893,845.08	-73.75%
Net cash generated from/used in investing activities	23,129,001.22	-580,796,971.61	103.98%
Subtotal of cash used in financing activities	418,531,713.57	539,956,095.34	-22.49%
Net cash generated from/used in financing activities	-418,531,713.57	-539,956,095.34	22.49%
Net increase in cash and cash equivalents	225,101,547.42	-909,099,433.58	124.76%

Explanation of why any of the data above varies significantly:

√ Applicable □ Not applicable

1. Net cash generated from operating activities increased 186.34% year-on-year, primarily because bank acceptance bills were adopted more often in the settlements with suppliers and some suppliers allowed longer payment days in the Current Period.
2. Net cash generated from investing activities increased 103.98% year-on-year, primarily driven by a smaller margin between the purchase amount and the withdrawn amount of bank's low-risk principal-protected wealth management products and structured deposits.
3. Net cash used in financing activities increased 22.49% year-on-year, primarily driven by a smaller amount of cash dividend payout.
4. Net increase in cash and cash equivalents increased 124.76% year-on-year, primarily driven by more net cash generated from operating and investing activities.

Explanation of why net cash generated from/used in operating activities varies significantly from net profit for the Reporting Period:

√ Applicable □ Not applicable

For the Reporting Period, net cash generated from operating activities stood at RMB617,987,487.05 while net profit stood at RMB379,150,336.15, representing a difference of RMB238,837,150.90, primarily because bank acceptance bills were adopted more often in the settlements with suppliers and some suppliers allowed longer payment days in the Current Period.

### III Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As % of total profit	Main source/Reason	Exceptional or recurrent
Investment income	53,329,524.74	11.82%	Gains on banks' low-risk wealth management products and dividends from holding available-for-sale financial assets	Exceptional
Gain/loss on changes in fair value	-477,200.00	-0.11%	Changes in the fair value of derivative financial instruments	Exceptional
Asset impairments	37,673,120.95	8.35%	Allowances for doubtful accounts and inventory valuation allowances	Exceptional
Non-operating income	3,808,610.50	0.84%	Government subsidies and other income received	Exceptional
Non-operating expense	3,827,826.27	0.85%	Losses on the disposal of non-current assets and inventory	Exceptional

### IV Analysis of Assets and Liabilities

#### 1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2018		31 December 2017		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capital	896,646,719.87	16.05%	570,184,208.96	10.05%	6.00%	Recovery of mature investments in bank's wealth management products at the period-end

Accounts receivable	834,420,596.05	14.93%	756,291,432.56	13.32%	1.61%	
Inventory	767,319,599.00	13.73%	746,466,889.87	13.15%	0.58%	
Long-term equity investments	182,458,559.69	3.27%	179,414,105.14	3.16%	0.11%	
Fixed assets	512,106,912.39	9.16%	483,520,866.64	8.52%	0.64%	
Construction in progress	224,624,447.16	4.02%	162,814,991.68	2.87%	1.15%	More investments in plant construction in the expansion of the plants in Gaoming
Available-for-sale financial assets	897,716,590.20	16.06%	1,390,581,536.60	24.50%	-8.44%	Decrease in the fair value of share in the Current Period

## 2. Assets and Liabilities at Fair Value

Applicable  Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Ending amount
Financial assets							
1. Available-for-sale financial assets	1,086,953,227.20		350,203,393.34				594,088,280.80
Subtotal of financial assets	1,086,953,227.20		350,203,393.34				594,088,280.80
Total of the above	1,086,953,227.20		350,203,393.34				594,088,280.80
Financial liabilities		-477,200.00					-477,200.00

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes  No

## 3. Restricted Asset Rights as at the Period-End

Item	Ending carrying value	Reason for restriction
Monetary capital	101,360,963.49	Security deposits for notes and forward forex

		settlement
Notes receivable	44,969,669.60	In pledge for notes pool
Total	146,330,633.09	

## V Investments Made

### 1. Total Investment Amount

Applicable  Not applicable

Total investment amount of Reporting Period (RMB)	Total investment amount of same period of last year (RMB)	Change (%)
0.00	143,604,335.25	-100.00%

### 2. Major Equity Investments Made in the Reporting Period

Applicable  Not applicable

### 3. Major Non-Equity Investments Ongoing in the Reporting Period

Applicable  Not applicable

### 4. Financial Investments

#### (1) Securities Investments

Applicable  Not applicable

Unit: RMB

Security type	Security code	Security name	Initial investment cost	Measurement method	Beginning carrying value	Gain/Loss on fair-value changes in Reporting Period	Accumulated fair-value changes charged to equity	Purchased in Reporting Period	Sold in Reporting Period	Gain/loss in Reporting Period	Ending carrying value	Accounting title	Funding source
Domestically/Overseas listed stock	002074	Guoxuan High-tech	160,000,000.00	Fair value method	1,011,838,873.50		305,230,151.36			4,545,547.50	525,465,291.00	Available-for-sale financial asset	The Company's own money
Domestically/Overseas listed stock	601818	China Everbright Bank	30,828,816.00	Fair value method	75,114,353.70		44,973,241.98			3,356,962.47	68,622,989.80	Available-for-sale financial asset	The Company's own money

												l asset	
Domestic ally/Overs eas listed stock	N/A	Xiamen Bank	292,574 ,133.00	Cost method	292,574 ,133.00					10,971, 417.60	292,574 ,133.00	Availabl e-for-sal e financia l asset	The Compan y's own money
Domestic ally/Overs eas listed stock	N/A	Foshan branch of Guangd ong Develop ment Bank	500,000 .00	Cost method	500,000 .00						500,000 .00	Availabl e-for-sal e financia l asset	The Compan y's own money
Total			483,902 ,949.00	--	1,380,0 27,360. 20	0.00	350,203 ,393.34	0.00	0.00	18,873, 927.57	887,162 ,413.80	--	--
Disclosure date of announcement on Board's consent for securities investments													
Disclosure date of announcement on general meeting's consent for securities investments (if any)													

## (2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Operating party	Relation ship with the Compan y	Related- party transacti on or not	Type of derivativ e	Initial investm ent amount	Beginni ng date	Ending date	Beginni ng investm ent	Purchas ed in Reportin g Period	Sold in Reportin g Period	Impairm ent allowan ce (if any)	Ending investm ent	Ending investm ent as % of the Compan y's ending net assets	Actua l gain/l oss in Repor ting Period
Foshan branch of	Not related	Not	Forward forex	US\$12 million	19 May 2018	30 Novemb		US\$12 million			0	0.00	-US \$0.12

Bank of China			settlement portfolio			er 2018							65million
Foshan branch of Industrial and Commercial Bank of China	Not related	Not	Forward forex settlement portfolio	US\$12 million	19 June 2018	21 December 2018		US\$12 million			0	0.00	-US\$0.082 million
Foshan branch of China Construction Bank	Not related	Not	Forward forex settlement portfolio	US\$12 million	12 July 2018	14 January 2019		US\$12 million			US\$2 million	0.32%	US\$0.0402 million
Foshan branch of the Agricultural Bank of China	Not related	Not	Forward forex settlement portfolio	US\$12 million	2 August 2018	1 February 2019		US\$12 million			US\$4 million	0.63%	US\$0.0506 million
Total				US\$48 million	--	--	0	US\$48 million	0	0	US\$6 million	0.95%	-US\$0.1177million
Funding source	All from the Company's own money												
Legal matters involved (if applicable)	N/A												
Disclosure date of board announcement approving derivative investment (if any)	23 May 2018												
Disclosure date of general meeting announcement approving derivative investment (if any)													
Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	Risk Analysis of Forward Exchange Settlement Business: 1. Risk of exchange rate fluctuations. In the case of large fluctuations in the exchange rate, the quoted price of the bank's forward exchange rate may be lower than the Company's quoted exchange rate to the customer, which will make the Company unable to lock the quoted exchange rate to the customer or the bank's forward exchange rate may deviate from the exchange rate at the time of the Company's actual receipt and payment, and causes exchange losses. 2. Risk of customer default. The customer's accounts receivable may be overdue, and the payment for goods cannot be recovered within the predictable payback period, which will result in the loss of the Company due to the delayed forward settlement. 3. Risk of payback prediction.												

	<p>The marketing department shall made corresponding payback prediction based on customer orders and expected orders. However, during the actual implementation process, customers may adjust their orders and predictions, which will result in the Company’s incorrect payback prediction and cause the risk of delayed delivery of forward exchange settlement.</p> <p>Adopted Risk Control Measures: 1. The Company will strengthen the research and analysis of the exchange rate. When the exchange rate fluctuates greatly, it will adjust the business strategy in a timely manner to stabilize the export business and avoid exchange losses to the utmost. 2. The Management System for Forward Settlement and Sales of Foreign Exchanges reviewed and approved by the board of directors of the Company stipulates that all forward foreign exchange settlement businesses of the Company shall be based on the normal production and operation, and relied on specific business operations to avoid and prevent various exchange rate risks. However, speculative transaction and interest arbitrage are not allowed. At the same time, the system clearly defines the operating principles, approval authority, responsible department and responsible person, internal operation procedures, information isolation measures, internal risk reporting system, risk management procedures, and information disclosure related to the forward settlement business as well. In fact, the system is conducive to strengthen the management of the Company’s forward foreign exchange settlement business and prevent investment risks. 3. In order to prevent any delay in the forward exchange settlement, the Company will strengthen the management of accounts receivable, actively collect receivables, and avoid any overdue receivables. In the meantime, the Company plans to increase the export purchases and purchase corresponding credit insurance so as to reduce the risk of default and customer default. 4. The Company’s forward foreign exchange settlement transactions must be based on the Company’s foreign exchange earnings prediction. Besides, the Company shall strictly control the scale of its forward foreign exchange settlement business, and manage all risks that the Company may face within a controllable range. 5. The internal audit department of the Company shall check the actual signing and execution situation of all trading contracts on a regular or irregular basis.</p>
<p>Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)</p>	<p>At present, the Company has invested various derivatives including Forward Exchange Settlement 3+3 Portfolio. This product portfolio is superior to other ordinary forward settlement products during the same period. The first three sessions of vesting conditions of this portfolio are: the spot exchange rate at maturity is lower than the agreed front-end exchange rate, and the exchange settlement shall be carried out based on the agreed front-end exchange rate; if the spot exchange rate at maturity is higher than the agreed front-end exchange rate, the Company can choose not to settle the exchange or choose to settle the exchange based on the spot exchange rate at maturity. The back-end three sessions of vesting conditions are: the spot exchange rate at maturity is lower than the agreed back-end exchange rate, and the Company can choose not to settle the exchange or choose to settle the exchange based on the spot exchange rate at maturity; if the spot exchange rate at maturity is higher than the agreed back-end exchange rate, the exchange settlement shall be carried out based on the agreed back-end exchange rate. At present, in terms of Forward Exchange Settlement 3+3 Portfolio purchased by the Company, the spot exchange rates at maturity are all higher than the agreed front-end exchange rates, and the Company chooses not to exercise the right. Therefore, the product’s fair value has not changed.</p>

Major changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	N/A
Opinion of independent directors on derivative investments and risk control	The independent directors of the Company are of the opinion that during the Reporting Period, the Company carried out forward forex settlement in strict compliance with the Company Law, the Regulations of the People's Bank of China on Foreign Exchange Settlement, Sale and Payment and the Company's Management Rules for Forward Foreign Exchange Settlement and Sale, among others, as well as within the Board's authorization. Such trading is primarily aimed to prevent exchange rate fluctuations from impacting the Company's export business and operating earnings, with no speculative trading involved. It is a necessity, and the risk is well under control.

## 5. Use of Funds Raised

Applicable  Not applicable

No such cases in the Reporting Period

## VI Sale of Major Assets and Equity Interests

### 1. Sale of Major Assets

Applicable  Not applicable

No such cases in the Reporting Period.

### 2. Sale of Major Equity Interests

Applicable  Not applicable

## VII Major Subsidiaries

Applicable  Not applicable

Major fully/majority-owned subsidiaries and those minority-owned subsidiaries with an over 10% effect on the Company's net profit:

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Foshan Chansheng Electronic	Subsidiary	Manufacturing	1,000,000.00	48,923,226.57	45,298,982.80	102,187,989.52	13,068,073.26	9,744,036.00

Ballast Co., Ltd.								
FSL Chanchang Optoelectronics Co., Ltd.	Subsidiary	Manufacturing	72,782,944.00	141,982,328.30	125,255,634.70	95,280,365.62	19,164,730.92	14,364,562.14
Foshan Taimei Times Lamps Co., Ltd.	Subsidiary	Manufacturing	500,000.00	54,912,585.20	27,026,882.62	138,186,413.51	7,515,116.79	5,050,703.26
FSL New Light Source Technology Co., Ltd.	Subsidiary	Manufacturing	50,000,000.00	57,729,274.46	56,058,689.55	20,020,667.40	1,497,672.89	1,235,759.18
FSL (Xinxiang) Lighting Co., Ltd.	Subsidiary	Manufacturing	35,418,439.76	52,896,766.17	48,751,618.31	51,580,756.41	2,182,243.91	1,636,065.39
Guangdong Fozhao Financial Leasing Co., Ltd.	Subsidiary	Finance	200,000,000.00	330,297.12	330,297.12		3,908,283.77	2,930,212.85
FSL Lighting Equipment Co., Ltd.	Subsidiary	Manufacturing	15,000,000.00	65,051,460.21	55,487,198.20	75,811,490.58	5,812,537.61	4,472,322.74
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	Subsidiary	Manufacturing	41,683,200.00	60,013,457.75	55,147,783.93	40,918,403.01	10,579,629.40	5,625,270.23
FSL Zhida Electric Technology Co., Ltd.	Subsidiary	Manufacturing	50,000,000.00	84,433,347.12	43,554,690.08	96,231,697.26	70,738.86	40,799.09
FSL Lighting GmbH	Subsidiary	Manufacturing	195,812.50	739,617.83	-57,262.69	1,131,359.82	-251,764.94	-251,764.94

Subsidiaries obtained or disposed in the Reporting Period:

Applicable  Not applicable

Information about major majority- and minority-owned subsidiaries:

—Foshan Chansheng Electronic Ballast Co., Ltd. was invested and established by the Company and Mr. Ma Henglai and had set up and obtained license for business corporation on 26 August 2003. The Company holds 75% equities of the said company; therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

On 24 December 2013, the Company and Mr. Ma Henglai signed the equity transfer agreement. The Company purchased 25% equity of Foshan Chansheng Electronic Ballast Co., Ltd. held by Mr. Ma Henglai. After the purchasing, the Company held 100% equity of Foshan Chansheng Electronic Ballast Co., Ltd.

—FSL Chanchang Optoelectronics Co., Ltd. (renamed on 19 June 2018 from “Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd.”), which is a Sino-foreign joint venture invested and established by the Company and Prosperity Lamps and Components Ltd, had obtained license for business corporation on 23 August 2005 through approval by Foreign Trade and Economic Cooperation Bureau of Gaoming District, Foshan with document “MWJMY Zi [2005] No. 79”. The Company holds 70% equities of the said company; therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

On 23 August 2016, the Company and Prosperity Lamps and Components Ltd signed the equity transfer agreement. The Company purchased 30% equity of Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd. held by Prosperity Lamps and Components Ltd. After the purchasing, the Company held 100% equity of Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd.

—Foshan Taimei Times Lamps Co., Ltd., which is a Sino-foreign joint venture invested and established by the Company and Reback North America Investment Limited, had obtained license for Business Corporation on 5 December 2005 through approval by Foreign Trade and Economic Cooperation Bureau of Gaoming District, Foshan with document “MWJMY Zi [2005] No. 97”. The Company holds 70% equities of the said company; therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

—FSL New Light Source Technology Co., Ltd. (its predecessor was “Foshan Lighting Lamps and Lanterns Co., Ltd.” and it changed its name to “FSL New Light Source Technology Co., Ltd.” on 17 December 2014), which is invested and established by the Company together with Foshan Haozhiyuan Trading Co., Ltd., Shanghai Liangqi Electric Co., Ltd, Changzhou Sanfeng Electrical & Lighting Co., Ltd., Henan Xingchen Electrical & Lighting Co., Ltd., Foshan Hongbang Electrical & Lighting Co., Ltd., Hebei Jinfen Trading Co., Ltd., obtaining its license for Business Corporation on 27 September 2009. The Company holds 60% equities of this company. Therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

On 25 September 2009 and 19 November 2010, the equity transfer agreement was signed between the Company and the minority shareholders, in which the minority shareholders respectively transferred their equities of Foshan Lighting Lamps and Lanterns Co., Ltd. to the Company. After transfer, the Company holds 100% equities of Foshan Lighting Lamps and Lanterns Co., Ltd.

—FSL (Xinxiang) Lighting Co., Ltd. is a limited liability company which is invested and established by the Company, obtaining its license for Business Corporation on 17 April 2009. The Company holds 100% equities of the said company, therefore the said subsidiary was included into the scope of the consolidated financial statements since date of foundation. On 27 August 2013, the 3rd Session of the 7th Board of Directors reviewed and approved to invest another RMB 2 million (land in an industrial park in Xinxiang, Henan Province and monetary funds) in FSL (Xinxiang) Lighting, increasing the registered capital of FSL (Xinxiang) Lighting to RMB 35,418,439.76.

—Guangdong Fozhao Financial Leasing Co., Ltd., a limited-liability company incorporated by the Company with a registered capital of RMB200 million, obtained the business license on 30 May 2011, which is 100% owned by

the Company. It was included in the consolidated financial statements since the day of its incorporation. Later on, as approved at the 26th Meeting of the 8th Board of Directors on 7 September 2018, the Board has agreed to de-register the subsidiary. Up to the date of the independent auditor's report, the de-registration formalities are still underway.

—FSL Lighting Equipment Co., Ltd. is a limited liability company invested and established by the Company with the registered capital of RMB 15 million, which had obtained its license for Business Corporation on 8 May 2013. And the Company holds 100% equities of this company. Therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

—In accordance with the equity transfer agreement signed between the Company and Prosperity Lamps and Components Ltd. on 27 August 2008, Prosperity Lamps and Components Ltd. transferred 100% equities of Nanjing Fozhao Lighting Components Manufacturing Co., Ltd. (formerly known as “Prosperity (Nanjing) Lighting Components Co., Ltd.”, and changed name to “Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.” on 15 November 2010.) to the Company. Therefore, Nanjing Fozhao Lighting Components Manufacturing Co., Ltd. became a wholly-owned subsidiary of the Company. The said subsidiary was included into the scope of the consolidated financial statements since the merger date.

—FSL Zhida Electric Technology Co., Ltd. (FSL Zhida) was incorporated by the Company, Foshan Zhibida Enterprise Management Co., Ltd. and Dongguan Baida Semiconductor Material Co., Ltd. on a joint investment basis. FSL Zhida obtained its business license on 21 October 2016. Holding a stake of 51% in it, the Company has included FSL Zhida in its consolidated financial statements since the date of FSL Zhida's incorporation.

—FSL Lighting GmbH is a Limited Liability company invested and set up in German with registered capital Euro25,000. It got the business license on 30 November 2017 whose 100% stock equity is held by the Company, and it is included into the scope of consolidated financial statement from the date of establishment.

## VIII Structured Bodies Controlled by the Company

Applicable  Not applicable

## IX Prospects

### (I) Development trends of the industry

#### 1. Industry competition

In recent years, costs have kept decreasing and the effects of energy conservation and emission reduction have been prominent due to the rapid development of the LED lighting technology. In addition, LED has been applied in increasingly widespread scenarios with the continuous technical breakthroughs. As a result, LED lighting has maintained a fast and stable development trend in recent years. Over years' rapid development, although the overall sales of the LED industry is still increasing, the growth speed has slowed down substantially compared to the previous years. In the LED lower-stream application area, due to the relatively lower threshold, the problem of excess structured capacity is quite obvious in the LED lighting industry, which has resulted in chaotic and vicious competition in the market, mainly manifested as serious product homogenization, ambiguous product standards and fierce price competition at the finished product end. At present, market concentration of LED downstream applications is still not high, and the competition among brands and companies is still fierce. At the same time, the great pressure from continuous rise of raw material prices, transportation costs and manpower costs hinders the rapid development and profitability of enterprises. The industry is facing reshuffling. Enterprises lacking technology, brands and channels can't survive in the "LED winter" and quite from the market, while large

enterprises or companies with core competitiveness can seize the opportunity of deep adjustment and re-division of global industrial structure, and continue to extend the industrial chain to consolidate their leading positions by the use of funds, technology, brands, channels and other advantages. Superior resources are further concentrated in leading enterprises in the industry. The stronger becomes stronger. The market share of a strong brand with leading reputation will be effectively increased on the basis of maintaining stable consumption.

## 2. Development trend of the industry

### (1) The increasingly enhanced industrial concentration will promote industrial integration and upgrading

The number of enterprises has been getting increasingly bigger compared with the conventional lighting era since LED entered the lower-stream application field of conventional lighting. At the same time, since it entered the LED era, such characteristics as diversified customer demands, product types and markets have been becoming more evident, resulting in a low degree of industrial concentration in the lower-stream application of LED. However, with the joint purchasing of large real estate developers for the refined decoration of residences, the group purchase of commercial chain brands and the unified invitation of tenders from urban administration departments in landscape lighting, the purchase of those big customers is getting concentrated. Under such a background, the lighting application end has shown a marked trend of industrial concentration. The operating revenue of large enterprises with technology, brand and channel advantages occupies an increasingly bigger proportion of the entire industry, whereas the SMEs among the low-end enterprises are gradually being marginalized until withdrawing from the LED industry. Meanwhile, as the automation of LED lighting products deepens, the market reshuffle will speed up. Amid the changes of the supply chain, a new framework of standardization, huge scale, brand concentration and product standards will be formed and the degree of industrial concentration will be enhanced, which will in turn enhance the industrial integration and upgrading and lead the industry towards healthy and sustainable development on a long-term basis.

### (2) Intelligent lighting is growing better and intelligent lighting and healthy lighting are integrating with each other

While the lighting industry focused more on the form and function control technology in the discussion and research of intelligent lighting a few years ago, many enterprises have shifted their focus to the research of demands and applications of intelligent lighting in recent years. With the continuous development of intelligent technology, continuous launch of innovative functions and continuous popularization of the concept of intelligent household, the intelligent lighting market is growing rapidly. According to the statistics of GGII, in 2017, China's intelligent lighting market entered a stage of high-speed development with a market scale reaching nearly RMB26.4 billion and a growth rate of 80%. GGII predicts that in 2018, China's LED intelligent lighting market scale will increase by 46.6% from the previous year and reach RMB38.7 billion. In the next few years, China's LED intelligent lighting market will maintain high-speed growth and in 2020, the market scale may reach RMB83 billion. With the development of lighting technology and people's sustained pursuit of a healthy lifestyle, intelligent lighting will develop from functional and aesthetic designs to the orientation of arts and humanism. In the future, intelligent lighting will integrate with healthy lighting, which will lead to the development of efficient, comfort, healthy and intelligent products with more scientific content, better accommodating human behaviors, vision, physiology and psychology, and with the focus on humans.

### (3) Intelligent lighting will change from single products to integrated solutions

Intelligent lighting is based on automatic control, IoT information technology, sensors and application technology and application of new efficient electric lighting source and aims to achieve energy conservation, easy operation, the enhancement of environmental comfort and efficient and reasonable lighting configuration. Intelligent lighting comprises diverse types and forms of lamps and lighting sources, which are coordinated and configured in such

synergistic effects as to accommodate the application scenarios, while it is difficult to achieve intelligent lighting configuration in the designs based on single products. To serve customers' demands for integrated solutions and develop products with higher added values, an increasing number of enterprises are changing from single intelligent products towards integrated solutions. In addition to emphasizing customized services and providing design concepts, integrated solutions highlight the awareness of service and enable consumers to experience a healthy and quality life brought by intelligence in a more convenient, easier and more comfortable manner.

## **(II) The Future Development Strategies of the Company**

The Company will continue to stick to the road of professional development, center around the three key businesses of "lighting, electrical products and vehicle lighting", vigorously implement the strategic goal of "highly sophisticated technology, international brand and market and large-scale production", and fully enhance its operation quality and sustainable development capabilities through the integration of inbound development and outbound expansion and of development speed and development quality.

### **(III) Work Plan for 2019**

#### **1. Vigorously expand the market and drive the sales growth**

In terms of the lighting segment and domestic market, the Company will keep strengthening the channel building, increase the number of service providers and enhance its abilities of controlling terminals; it will accelerate the establishment of franchised stores, diversify the application scenarios of lighting products and extend the operation of household products; it will continue to speed up the channel development of engineering and commercial lighting, develop professional engineering customers and extend to the before market. In respect of the overseas market, the Company will create new growth points for household lamps and intelligent lighting and explore new marketing channels that are suitable for its development by virtue of its advantaged conventional projects.

In terms of the electrical products, the Company will continue to build a comprehensive sales network and drive the transformation of distributors towards service providers through the channels of circulation and franchised stores; it will promote the products such as intelligent switches and intelligent sockets through the channel of household product stores; it will energetically expand the channels of engineering and KA through a focus on products, personnel and services, thus laying a solid foundation for the development of emerging channels.

In respect of vehicle lighting, the Company will optimize the product structure with a focus on LED vehicle lighting products, including LED headlamps, LED modules and LED auxiliary lamps. It will proactively promote LED project cooperation by deepening its relationship with the existing customers. It will vigorously develop new customers, actively explore the OEM channel and expedite the business layout.

#### **2. Reinforce innovation through research and development and accelerate the adjustment in product structure**

In 2019, the Company will continue to increase investment on research and development, keep a close track on the application of industrial new technologies as well as the development trend of the industrial market area, continue to promote the switch of products from lighting source to lamps, shift its focus from functions towards both functions and aesthetics, and transform towards single products to system solutions; it will reinforce the development of new products, speed up the layout of the fields including intelligent lighting, healthy lighting and intelligent electrical products, upgrade the intelligent control technology and connect with more influential cloud platforms; it will standardize the management of R&D process, achieve large-scale and standardized production to lay a good foundation for the automatic production, and shorten the development cycle of new products to equip itself with technology and product reserve advantages.

#### **3. Upgrade manufacturing capacity, enhance product quality, refine after-sales services and achieve closed-loop management**

The Company will continue to invest on the upgrading of technologies, and on the basis of the existing automation level, continue to develop the space for automatic and informationized manufacturing, optimize production procedures, promote the integration of its automatic production line and informationized system and further enhance its level of production intelligence and automation.

In respect of product quality, the Company will continue to refine the supply chain management, develop core suppliers with good quality; work well on product process design; enhance the management of product manufacturing, strengthen personnel training; strictly control product quality testing, further refine the inspection standards and methods and promote the product reliability project throughout the entire chain.

In terms of after-sales services, the technology department and the after-sales department will jointly form a team for prompt responses, follow-ups and processing of customers' complaints on non-performing products, which will carry out differentiated after-sales technical support for different channels.

#### 4. Promote the adjustment in professional structure and support corporate growth

The further expansion of the corporate scale and the changes in market environment and industrial development have put higher demands on human resource management including recruitment, staff development and the incentive mechanism. The Company will strengthen its selection and recruitment of management professionals, technical professionals, marketing professionals and capital operation professionals, introduce a young team with vigorous thinking and boldness for innovation, promote the adjustment in professional structure, refine the human resource management system, including the human resource management policies of recruitment, training, remuneration management and performance management, and intensify the building of a comprehensive corporate professional mechanism for favorable competition to attract and retain professionals. It will strengthen the cultivation and development of young professionals with big potentials, include them into the Company's key back-up professional bank, initiate the building of a key professional echelon and support the corporate growth.

### **(IV) Potential Risks**

#### 1. Risk of market competition

From the perspective of macro economy, China's economy is facing great pressure of economic downturn. The persistent tight policies on the control of real estate, the sustained US-China trade wars and the turbulence in exchange rate and financial market contribute to the decreased market demands and the industry is facing the risk of inadequate growth impetus. From the perspective of industry, the lighting industry has been a market with global competition and thus, domestic lighting enterprises have to face the competition from some home appliance and electronic enterprises and LED upper- and middle-stream chip packaging enterprises which extend to the lighting application field, in addition to the competition from international famous branded lighting enterprises. If the Company cannot adapt to the future competition framework, it may be exposed to the risk of losses in market share.

#### 2. The risk of rising labor costs and raw material price fluctuations

Due to the influence of domestic labor supply and demand as well as employment policies, labor costs keep increasing, especially in the Pearl River Delta region with more developed economy. In addition, raw materials of the Company account for a high proportion of operation costs. As some raw material prices are associated with uncontrollable factors such as global market conditions and national macroeconomic policies, there is a risk of price fluctuation of raw materials.

#### 3. The risk of inventory loss from falling price

As of the end of the reporting period, the inventory amount is high, and the inventory mainly includes raw materials, semi-finished products and finished products. Due to the large number of product types and models, the inventory amount of the Company is relatively high. Moreover, as the sales revenue of the Company increases

year by year, the raw materials and inventories that are stored to meet production and sales will increase simultaneously. It will lead to a higher inventory maintained in the Company. In case that prices or demand changes occur in the raw material or product sales market in the future, the Company may experience a risk of inventory depreciation.

#### 4. The risk of exchange rate fluctuations

The RMB exchange rate in China is based on market supply and demand, with reference to a basket of currencies for regulation and a managed floating exchange rate system. Exchange rate fluctuations will happen with the fluctuations of global economy, simmering tension of some regions and the monetary policies of various countries. Export business accounts for 43.22% of the Company business, and the scale has been increasing year by year. If the exchange rate fluctuates significantly, business performance of the Company will be affected.

#### 5. The risk of bad debts on accounts receivable

With the expansion of sales scale of the Company, the amount of accounts receivable has increased. The main debit customers of the Company are all long-term customers with good business reputations. Major adverse changes in the financial status of major debtors may result in the risk of bad debts on accounts receivable.

## X Communications with the Investment Community such as Researches, Inquiries and Interviews

### 1. During the Reporting Period

Applicable  Not applicable

Date	Way of communication	Type of communication party	Index to main information communicated
4 January 2018	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
18 January 2018	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
14 May 2018	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
25 May 2018	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
11 December 2018	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
Times of visit			5
Number of visiting institutions			10
Number of visiting individuals			39
Number of other visitors			0
Tip-offs or leakages of substantial supposedly-confidential information during communications		None	

## Part V Significant Events

### I Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

How the profit distribution policy, especially the cash dividend policy, for ordinary shareholders was formulated, executed or revised in the Reporting Period:

Applicable  Not applicable

According to the CSRC Notice on Further Implementing Matters Related to Cash Dividend Distribution of Listed Companies (Zheng-Jian-Fa [2012] No. 37) and the Guangdong CSRC Notice on Further Implementing Regulations Related to Dividend Distribution of Listed Companies (Guang-Dong-Zheng-Jian [2012] No. 91), in order to further standardize the dividend mechanism, promote a scientific, sustained and stable dividend mechanism and protect legal rights and interests of investors, in 2012, the Company convened a general meeting to revise the dividend-related contents in its Articles of Association and specify the dividend conditions, the lowest dividend ratio, the decision-making procedure, etc.. Meanwhile, it formulated the Management Rules for Profit Distribution and the Return for Shareholder Plan for the Coming Three Years (2018-2020), specifying the arrangements and forms of dividends, the cash dividend planning and the distribution intervals, which further improved the decision-making and supervision procedures for dividend distribution. According to the Company's Articles of Association, the profit distributed in cash shall not be less than 30% of the distributable profit achieved in the year.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	Yes

The profit distributions to ordinary shareholders, either in the form of cash or stock, in the past three years

(including the Reporting Period) are summarized as follows:

For 2016, based on the total 1,272,132,868 shares of the Company as at 31 December 2016, a cash dividend of RMB4.20 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) will be distributed to the A-share and B-share holders for every 10 shares they hold, with the total distributed cash dividends reaching RMB534,295,804.56.

For 2017, based on the total 1,272,132,868 shares of the Company as at 31 December 2017, a cash dividend of RMB3.29 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) will be distributed to the A-share and B-share holders for every 10 shares they hold, with the total distributed cash dividends reaching RMB 418,531,713.57. Meanwhile, converting capital reserve into 1 share to all shareholders for every 10 shares.

For 2018, based on the total 1,399,346,154 shares of the Company as at 31 December 2018, a cash dividend of RMB1.56 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) will be distributed to the A-share and B-share holders for every 10 shares they hold, with the total distributed cash dividends reaching RMB 218,298,000.02.

Cash dividend for ordinary shareholders in the past three years (including the Reporting Period):

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (such as share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (D)	D as % of B (%)
2018	218,298,000.02	377,615,133.62	57.81%	0.00	0.00%	218,298,000.02	57.81%
2017	418,531,713.57	740,308,725.30	56.53%	0.00	0.00%	418,531,713.57	56.53%
2016	534,295,804.56	1,072,342,050.13	49.83%	0.00	0.00%	534,295,804.56	49.83%

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for the ordinary shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to the ordinary shareholders are positive.

Applicable  Not applicable

## II Final Dividend Plan for the Reporting Period

Applicable  Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	1.56

Additional shares to be converted from capital reserve for every 10 shares (share)	0
Total shares as the basis for the profit distribution proposal (share)	1,399,346,154
Cash dividends (RMB) (tax inclusive)	218,298,000.02
Cash dividends in other forms (such as share repurchase) (RMB)	0.00
Total cash dividends (including those in other forms) (RMB)	218,298,000.02
Distributable profit (RMB)	1,482,164,706.92
Total cash dividends (including those in other forms) as % of total profit distribution	100%
Cash dividend policy	
Where the Company is at a mature stage of development and has plans for considerable spending, in profit distribution, cash dividends shall reach at least 40% in the total profit to be distributed.	
Details about the proposal for profit distribution and converting capital reserve into share capital	
As audited by Beijing Zhongzheng Tiantong Certified Public Accountants LLP, the after-tax net profits of RMB365,031,838.42 of the Company as the parent for 2018, plus the beginning retained profits of RMB1,572,167,765.91, minus the distributed profits of RMB418,531,713.57 for 2017 and the statutory surplus reserve of RMB 36,503,183.84 for 2018. The ending profits distributable to shareholders of were RMB1,482,164,706.92 for 2018. The Board of Directors has proposed to allocate profits for 2018 as follows: Based on the total 1,399,346,154 shares of the Company as at 31 December 2018, a cash dividend of RMB1.56 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) will be distributed to the A-share and B-share holders for every 10 shares they hold, with the total cash dividends to be distributed reaching RMB 218,298,000.02. The retained profits of RMB 1,263,866,706.90 will be carried forward into the next year. The profit allocation preplan can be effective upon review and approval of the Shareholders' General Meeting of the Company.	

### III Fulfillment of Commitments

#### 1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

√Applicable □ Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in share reform						
Commitments made in acquisition documents or shareholding	Controlling shareholder	About avoidance of horizontal competition	Electronics Group and its acting-in-concert parties Shenzhen Rising	4 December 2017	24 months	Ongoing

alteration documents			Investment and Hong Kong Rising Investment have made a commitment that they shall eliminate the horizontal competition between Foshan NationStar Optoelectronics Co., Ltd. and the Company through business integration or other ways or arrangements before 4 December 2019.			
	Controlling shareholder	About avoidance of horizontal competition	Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made more commitments as follows to avoid horizontal competition with the Company: 1. They shall conduct supervision and restraint on the production and operation activities of themselves and their relevant enterprises so that besides the enterprise above that is in horizontal competition with the Company for now, if the products or business of them or their relevant enterprises become the same with or similar to those of the Company or its subsidiaries in the future, they shall take the following measures: (1) If the Company thinks necessary, they and their relevant enterprises shall reduce and wholly transfer	4 December 2015	Long-standing	Ongoing

			<p>their relevant assets and business; and (2) If the Company thinks necessary, it is given the priority to acquire first, by proper means, the relevant assets and business of them and their relevant enterprises. 2. All the commitments made by them to eliminate or avoid horizontal competition with the Company are also applicable to their directly or indirectly controlled subsidiaries. They are obliged to urge and make sure that other subsidiaries execute what's prescribed in the relevant document and faithfully honor all the relevant commitments. 3. If they or their directly or indirectly controlled subsidiaries break the aforesaid commitments and thus cause a loss for the Company, they shall compensate the Company on a rational basis.</p>			
	Controlling shareholder	About reduction and regulation of related-party transactions	<p>Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that during their direct or indirect holding of the Company's shares, they shall 1. strictly abide by the regulatory documents of the CSRC and the SZSE, the Company's</p>	4 December 2015	Long-standing	Ongoing

			<p>Articles of Association, etc. and not harm the interests of the Company or other shareholders of the Company in their production and operation activities by taking advantage of their position as the controlling shareholder and actual controller; 2. make sure that they or their other controlled subsidiaries, branch offices, jointly-run or associated companies (the “Relevant Enterprises” for short) will try their best to avoid or reduce related-party transactions with the Company or the Company’s subsidiaries; 3. strictly follow the market principle of justness, fairness and equal value exchange for necessary and unavoidable related-party transactions between them and their Relevant Enterprises and the Company, and withdraw from voting when a related-party transaction with them or their Relevant Enterprises is being voted on at a general meeting or a board meeting, and execute the relevant approval procedure and information disclosure duties pursuant to the applicable laws,</p>		
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			regulations and regulatory documents. Where the aforesaid commitments are broken and a loss is thus caused for the Company, its subsidiaries or the Company's other shareholders, they shall be obliged to compensate.			
	Controlling shareholder	About independence	In order to ensure the independence of the Company in business, personnel, asset, organization and finance, Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made the following commitments: 1. They will ensure the independence of the Company in business: (1) They promise that the Company will have the assets, personnel, qualifications and capabilities for it to operate independently as well as the ability of independent, sustainable operation in the market. (2) They promise not to intervene in the Company's business activities other than the execution of their rights as the Company's shareholders. (3) They promise that they and their related parties will not be engaged in business that is	4 December 2015	Long-standing	Ongoing

			<p>substantially in competition with the Company's business. And (4) They promise that they and their related parties will try their best to reduce related-party transactions between them and the Company; for necessary and unavoidable related-party transactions, they promise to operate fairly following the market-oriented principle and at fair prices, and execute the transaction procedure and the duty of information disclosure pursuant to the applicable laws, regulations and regulatory documents. 2. They will ensure the independence of the Company in personnel: (1) They promise that the Company's GM, deputy GMs, CFO, Company Secretary and other senior management personnel will work only for and receive remuneration from the Company, not holding any positions in them or their other controlled subsidiaries other than director and supervisor. (2) They promise the Company's absolute independence from their related parties in labor, human resource and salary management. And (3) They promise to follow</p>		
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			<p>the legal procedure in their recommendation of directors, supervisors and senior management personnel to the Company and not to hire or dismiss employees beyond the Company's Board of Directors and General Meeting. 3. They will ensure the independence and completeness of the Company in asset: (1) They promise that the Company will have a production system, a auxiliary production system and supporting facilities for its operation; legally have the ownership or use rights of the land, plants, machines, trademarks, patents and non-patented technology in relation to its production and operation; and have independent systems for the procurement of raw materials and the sale of its products. (2) They promise that the Company will have independent and complete assets all under the Company's control and independently owned and operated by the Company. And (3) They promise that they and their other controlled subsidiaries will not illegally occupy the Company's funds and assets in any way, or use</p>		
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			<p>the Company's assets to provide guarantees for the debts of themselves or their other controlled subsidiaries with. 4. They will ensure the independence of the Company in organization: (1) They promise that the Company has a sound corporate governance structure as a joint-stock company with an independent and complete organization structure. And (2) They promise that the operational and management organs within the Company will independently execute their functions according to laws, regulations and the Company's Articles of Association. And 5. They will ensure the independence of the Company in finance: (1) They promise that the Company will have an independent financial department and financial accounting system with normative, independent financial accounting rules. (2) They promise that the Company will have independent bank accounts and not share bank accounts with its related parties. (3) They promise that the Company's financial personnel do not hold concurrent positions in its</p>		
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			related parties. (4) They promise that the Company will independently pay its tax according to law. And (5) They promise that the Company can make financial decisions independently and that they will not illegally intervene in the Company's use of its funds.			
Commitments made in time of asset restructuring						
Commitments made in time of IPO or refinancing						
Equity incentive commitments						
Other commitments made to minority interests	The Company	About cash dividends	The profits distributed by the Company in cash every year shall not be less than 30% of the distributable profits it has achieved in the year.	27 May 2009	Long-standing	Ongoing
Executed on time or not	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step	N/A					

**2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.**

Applicable  Not applicable

#### **IV Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes**

Applicable  Not applicable

No such cases in the Reporting Period.

## V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

Applicable  Not applicable

## VI YoY Changes to Accounting Policies, Estimates and Methods

Applicable  Not applicable

In order to execute the following notice regarding accounting policy changes, the Proposal on Accounting Policy Changes was approved at the 29<sup>th</sup> Meeting of the Company's 8<sup>th</sup> Board of Directors.

On 15 June 2018, the Ministry of Finance issued the Notice on Revising and Issuing the Format of the 2018 Annual Financial Statements for General Enterprises (CK (2018) No.15).

Therefore, the Company changed its accounting policies accordingly, which had no significant influence on its financial position, operating results and cash flows of 2018.

The accounting policy changes are detailed as follows:

Changes in accounting policy	Approval procedure	Remark
(1) "Notes receivable" and "accounts receivable" in the balance sheet are presented together as "notes and accounts receivable"; "notes payable" and "accounts payable" as "notes and accounts payable"; "interest receivable" and "dividends receivable" in "other receivables"; "interest payable" and "dividends payable" in "other payables"; "disposal of fixed assets" in "fixed assets"; "engineering materials" in "construction in progress"; and "specific payables" in "long-term payables". Comparative data are restated accordingly.	Approved at the 29 <sup>th</sup> Meeting of the Company's 8 <sup>th</sup> Board of Directors	Notes and accounts receivable: Ending: RMB941,927,209.55 Beginning: RMB824,659,624.97  Notes and accounts payable: Ending: RMB985,280,820.92 Beginning: RMB539,303,554.54  Other receivables: Ending: RMB5,152,364.04 Beginning: RMB12,428,451.86
(2) "R&D expense" is added to the income statement, and R&D expense originally recorded in "administrative expense" is reclassified as a separate item of "R&D expense". "Including: Interest expense" and "interest income" are added under "finance costs" in the income statement. Comparative data are restated accordingly.		Administrative expense: 2018: RMB-52,726,585.28 2017: RMB-34,578,167.96  R&D expense: 2018: RMB52,726,585.28 2017: RMB34,578,167.96

## VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

Applicable  Not applicable

No such cases in the Reporting Period.

## VIII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable  Not applicable

No such cases in the Reporting Period.

## IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Beijing Zhongzheng Tiantong Certified Public Accountants LLP
The Company's payment to the domestic independent auditor (RMB'0,000)	130
How many consecutive years the domestic independent auditor has provided audit service for the Company	3
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Tong Quanyong, Luo Dongri
How many consecutive years the certified public accountants from the domestic independent auditor have provided audit service for the Company	3
Name of the foreign independent auditor (if any)	Naught
The Company's payment to the foreign independent auditor (RMB'0,000) (if any)	0
How many consecutive years the foreign independent auditor has provided audit service for the Company (if any)	Naught
Names of the certified public accountants from the foreign independent auditor writing signatures on the auditor's report (if any)	Naught
How many consecutive years the certified public accountants from the foreign independent auditor have provided audit service for the Company (if any)	Naught

Indicate by tick mark whether the independent auditor was changed for the Reporting Period.

Yes  No

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls:

Applicable  Not applicable

In the Reporting Period, the Company engaged Beijing Zhongzheng Tiantong Certified Public Accountants LLP as its internal control auditor with the total audit fees of RMB 0.48 million.

### **X Possibility of Listing Suspension or Termination after Disclosure of this Report**

Applicable  Not applicable

### **XI Insolvency and Reorganization**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XII Major Legal Matters**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XIII Punishments and Rectifications**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XIV Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller**

Applicable  Not applicable

In the Reporting Period, the Company and its controlling shareholder and actual controller were not involved in any unsatisfied court judgments, large-amount overdue liabilities or the like.

### **XV Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XVI Major Related-Party Transactions**

#### **1. Continuing Related-Party Transactions**

Applicable  Not applicable

Related party	Relationship with the Company	Type of transaction	Specific transaction	Pricing principle	Transaction price	Total value (RMB'0,000)	As % of total value of all same-type transactions	Approved transaction line (RMB'0,000)	Over the approved line or not	Method of settlement	Obtainable market price for same-type transactions	Disclosure date	Index to disclosed information
Foshan NationStar Optoelectronics Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	9,522.37	9,522.37	4.05%	20,000	Not	Remittance	9,522.37	30 March 2018	www.cninfo.com.cn
Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	852.06	852.06	0.36%	1,100	Not	Remittance	852.06	30 March 2018	www.cninfo.com.cn
Prosperity Electrical (China) Co., Ltd.	Enterprise controlled by related natural person	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	72.99	72.99	0.03%			Remittance	72.99		N/A
Prosperity Lamps & Components Limited	Shareholder that holds over 5% shares	Purchasing products and receiving	Purchase of materials	Market price	606.61	606.61	0.26%	600	Yes	Remittance	606.61	30 March 2018	www.cninfo.com.cn

	of the Company	g labor service from related party											
Hangzhou Times Lighting and Electrical Co., Ltd.	Enterprise controlled by related natural person	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	67.33	67.33	0.03%	200	Not	Remittance	67.33	30 March 2018	www.cninfo.com.cn
Siteco Prosperity Lighting (Langfang) Co., Ltd.	Enterprise where related natural person holds the post of Director	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	25.10	25.1	0.01%			Remittance	25.10		N/A
Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of equipment	Market price	65.32	65.32	1.30%	100	Not	Remittance	65.32	30 March 2018	www.cninfo.com.cn
Guangdong HuaSheng data solid-state storage Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service from	Purchase of equipment	Market price	160.00	160	3.18%			Remittance	160.00		N/A

		related party											
Guangdong Electronic Technology Research Institute	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of equipment	Market price	152.99	152.99	3.04%	300	Not	Remittance	152.99	30 March 2018	www.cninfo.com.cn
Prosperity Lamps & Components Limited	Shareholder that holds over 5% shares of the Company	Selling products and providing labor service to related party	Selling products	Market price	3,500.70	3,500.70	0.92%	3,600	Not	Remittance	3,500.70	30 March 2018	www.cninfo.com.cn
Prosperity Electrical (China) Co., Ltd.	Enterprise controlled by related natural person	Selling products and providing labor service to related party	Selling products	Market price	21.55	21.55	0.01%	50	Not	Remittance	21.55	30 March 2018	www.cninfo.com.cn
Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	Enterprise controlled by related natural person	Selling products and providing labor service to related party	Selling products	Market price	0.00	0.00	0.00%	30	Not	Remittance	0.00	30 March 2018	www.cninfo.com.cn
Hangzhou Times Lighting and	Enterprise controlled by	Selling products and providing	Selling products	Market price	7.38	7.38	0.00%			Remittance	7.38		N/A

Electrical Co., Ltd.	related natural person	g labor service to related party											
Guangdong HuaSheng data solid-state storage Co., Ltd	Under same actual controller	Selling products and providing labor service to related party	Selling products	Market price	237.35	237.35	0.06%			Remittance	237.35		N/A
Guangzhou Diansheng Property Management Co., Ltd	Under same actual controller	Selling products and providing labor service to related party	Selling products	Market price	0.11	0.11	0.00%			Remittance	0.11		N/A
Guangdong Rising Optoelectronic Technology Co., Ltd.	Under same actual controller	Selling products and providing labor service to related party	Selling products	Market price	0.25	0.25	0.00%			Remittance	0.25		N/A
Total				--	--	15,292.11	--	25,980	--	--	--	--	--
Large-amount sales return in detail				N/A									
Give the actual situation in the Reporting Period (if any) where an estimate had been made for the total value of continuing related-party transactions by type to occur in the Reporting Period				In March 2018, the Company estimated the total value of its continuing transactions with related parties Foshan NationStar Optoelectronics Co., Ltd., Guangdong Fenghua Advanced Technology Holding Co., Ltd., Prosperity Lamps & Components Limited, Prosperity Electrical (China) Co., Ltd., Prosperity (Hangzhou) Lighting and Electrical Co., Ltd. and Hangzhou Times Lighting and Electrical Co., Ltd. Concerning the purchases from its related parties, the actual amount in 2018 so far was RMB115.24777 million, accounting for 51.68% of the estimate in 2018. As for the sales to its related parties, the actual amount in									

	2018 so far was RMB37.6734 million, accounting for 102.37% of the estimate in 2018.
Reason for any significant difference between the transaction price and the market reference price (if applicable)	N/A

## 2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests

Applicable  Not applicable

No such cases in the Reporting Period.

## 3. Related Transactions Regarding Joint Investments in Third Parties

Applicable  Not applicable

No such cases in the Reporting Period.

## 4. Credits and Liabilities with Related Parties

Applicable  Not applicable

No such cases in the Reporting Period.

## 5. Other Major Related-Party Transactions

Applicable  Not applicable

1. On 28 June 2017, the Company held the 15<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors, and the Proposal on Renewing the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. was examined and approved at the meeting. On the same day, the Company signed the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. (hereinafter referred to as "Rising Finance"), and Rising Finance would provide deposit and settlement services for the Company for a term of one year. During the term of validity of the Agreement, the daily deposit balance of the Company in Rising Finance Company shall not exceed RMB150 million. During the Reporting Period, the daily deposit balance of the Company in Rising Finance Company was RMB149 million.

2. On 26 June 2018, the Company held the 23<sup>rd</sup> Meeting of the 8<sup>th</sup> Board of Directors, and the Proposal on Signing the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. was examined and approved at the meeting. On the same day, the Company signed the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. (hereinafter referred to as "Rising Finance"), and Rising Finance would provide deposit and settlement services for the Company for a term of one year. During the term of validity of the Agreement, the daily deposit balance of the Company in Rising Finance Company shall not exceed RMB150 million. During the Reporting Period, the daily deposit balance of the Company in Rising Finance Company was RMB149million.

Index to the current announcements about the said related-party transactions disclosed:

Title of announcement	Disclosure date	Disclosure website
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Announcement on Renewing Financial Service Agreement with Guangdong Rising Finance Co., Ltd.	29 June 2017	www.cninfo.com.cn
Announcement on Signing Financial Service Agreement with Guangdong Rising Finance Co., Ltd.	27 June 2018	www.cninfo.com.cn

## XVII Major Contracts and Execution thereof

### 1. Entrustment, Contracting and Leases

#### (1) Entrustment

Applicable  Not applicable

No such cases in the Reporting Period.

#### (2) Contracting

Applicable  Not applicable

No such cases in the Reporting Period.

#### (3) Leases

Applicable  Not applicable

No such cases in the Reporting Period.

### 2. Major guarantees

Applicable  Not applicable

No such cases in the Reporting Period.

### 3. Cash Entrusted to Other Entities for Management

#### (1) Cash Entrusted for Wealth Management

Applicable  Not applicable

Overviews of cash entrusted for wealth management during the Reporting Period

Unit: RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount
Bank financial products	Self-owned funds	50,000	24,000	0
Structural deposits	Self-owned funds	67,000	60,000	0

Total	117,000	84,000	0
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Particulars of cash entrusted for wealth management with single significant amount or low security, bad liquidity, and no capital preservation

√ Applicable □ Not applicable

Unit: RMB'0,000

Trustee	Type of trustee	Type of wealth management product	Principal	Source of principal	Beginning date	Ending date	Use of principal	Determination of yield	Annualized yield rate for reference	Expected yield (if any)	Actual gain/loss in Reporting Period	Receipt/payment of such gain/loss	Allowance for impairment (if any)	Prescribed procedure executed or not	Plan for more transaction or not	Index to transaction summary and other information (if any)
China Guangfa Bank, Guangzhou development area sub-branch	Bank	Principal-protected with floating yield	3,000	The Company's own idle funds	28 September 2018	7 January 2019	Investment	Repayment of principal with yield	4.10%	34.04	31.68	To be received		Yes	Yes	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
China Guangfa Bank, Guangzhou development area sub-branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	12 October 2018	11 January 2019	Investment	Repayment of principal with yield	4.10%	51.11	44.93	To be received		Yes	Yes	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Huaxia	Bank	Principal-prot	3,000	The Comp	19 Octob	21 Januar	Investment	Repayment	4.10%	31.68	24.7	To be receiv		Yes	Yes	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

Bank, Foshan branch		ected with floatin g yield		any's own idle funds	er 2018	y 2019		of princi pal with yield				ed			<a href="#">.com.cn</a>
PingAn Bank, Foshan Jiangwan sub-br anch	Bank	Princip al-prot ected with floatin g yield	3,000	The Comp any's own idle funds	17 Octob er 2018	15 Januar y 2019	Invest ment	Repay ment of princi pal with yield	3.95%	29.22	24.35	To be receiv ed	Yes	Yes	<a href="#">www.cninfo.com.cn</a>
China Guang fa Bank, Guang zhou develo pment area sub-br anch	Bank	Princip al-prot ected with floatin g yield	5,000	The Comp any's own idle funds	23 Octob er 2018	21 Januar y 2019	Invest ment	Repay ment of princi pal with yield	4.10%	50.55	38.75	To be receiv ed	Yes	Yes	<a href="#">www.cninfo.com.cn</a>
PingAn Bank, Foshan Jiangwan sub-br anch	Bank	Princip al-prot ected with floatin g yield	3,000	The Comp any's own idle funds	8 Nove mber 2018	18 Februa ry 2019	Invest ment	Repay ment of princi pal with yield	4.10%	34.37	18.2	To be receiv ed	Yes	Yes	<a href="#">www.cninfo.com.cn</a>
China Guang fa Bank, Guang zhou develo pment area	Bank	Princip al-prot ected with floatin g yield	2,000	The Comp any's own idle funds	9 Nove mber 2018	13 Februa ry 2019	Invest ment	Repay ment of princi pal with yield	4.10%	21.57	11.91	To be receiv ed	Yes	Yes	<a href="#">www.cninfo.com.cn</a>

sub-br anch																
Total		24,000	--	--	--	--	--	--	252.54	194.52	--		--	--	--	

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment of cash entrusted for wealth management

Applicable  Not applicable

## (2) Entrusted Loans

Applicable  Not applicable

No such cases in the Reporting Period.

## 4. Other Major Contracts

Applicable  Not applicable

No such cases in the Reporting Period.

## XVIII Corporate Social Responsibility (CSR)

### 1. Measures Taken to Fulfill CSR Commitment

We have always attached importance to the accomplishment of our social value. With “provide returns for shareholders, provide a platform for employees, create value for customers and create prosperity for the society” as our mission, we take on the social responsibilities to protect the interests of our creditors, employees, customers, suppliers and community. We have been utilizing resources in a scientific, rational way, effectively protecting the natural environment and safeguarding social safety so as to promote common, harmonious and sustainable development of the Company and the society.

#### 1. Protection of the rights and interests of our shareholders and creditors

We continuously improve our corporate governance structure, regulate our operation and enhance our management on information disclosure and investor relations. We treat all our investors fairly and justly, ensure their rights to know about, participate in and vote on the significant events of the Company, and safeguard the legal rights and interests of all our shareholders, especially our minority shareholders.

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

Considering employees the most valuable resource for our survival and development, we constantly improve our employment system, improve the compensation packages for our employees and attach importance to talent cultivation so as to provide opportunities and space for the sustainable development of our employees as well as realize the common development of the employees and the Company. We also pay attention to the health of our employees, attach importance to production safety and labor protection, and improve the working and living conditions for our employees so as to formulate harmonious and stable labor relations.

#### 3. Protection of the rights and interests of our customers and consumers

We have been upholding the “Customer First” principle in our provision of quality products and services to customers. We operate honestly and disallow any unfair trade practice against commercial ethics, market rules and the fair competition principle. We also improve our product quality and after-sales services and try to build a

win-win relationship with our customers.

#### 4. Protection of the rights and interests of our suppliers

We respect and protect the legal rights and interests of our suppliers, carefully protect their secret and proprietary information, encourage and push them to continuously improve the quality of their products and services through creating an environment for open and fair competition among them so as to realize mutual benefits and mutual development of the suppliers and the Company.

#### 5. Environmental protection and sustainable development

As an active response to the government's call for building an environment-friendly and resource-saving society, we take on our responsibility of environmental protection and strictly abide by the government's laws and regulations in environmental protection. In the Reporting Period, we enhanced the R&D, promotion and sale of environment-friendly and high-efficient products. We have passed the ISO14001 environmental management system certification, passed the province's voluntary clean production examination and won the title of "Clean Production Enterprise in Guangdong Province". At the same time, the identification of Green Factory of the Company has been examined and approved by the Ministry of National Industry and Information Technology. The Company becomes the demonstration unit of the second batch of the National Green Factory

#### 6. Public relations and welfare

We attach importance to the realization of our social value and see creating a prosperous society as a commitment that we should take on, trying to boost the local economy through our own development. We have been granted by the local government the title of "Foshan Over-100-Million Tax Payer" for many years due to our contributions in boosting the harmonious development of the Company and the community.

## 2. Measures Taken for Targeted Poverty Alleviation

The Company didn't take any targeted measures to help people lift themselves out of poverty during the Reporting Period, no subsequent plan temporarily too.

## 3. Issues Related to Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is identified as a major polluter by the environmental protection authorities.

No

In strict accordance with the government's requirements, the Company has been conscientiously carrying out environment-related work, including establishing and improving various related systems, and continuously increasing related expenditure. These environment improvement efforts have helped build a good image of the Company in relation to environmental protection. Meanwhile, the Company's environmental protecting facilities have been running stably, with the discharge of waste gas and water in compliance with the relevant standards. No pollution incidents have occurred.

In addition to the environmental protection authorities' quarterly examination and supervision, the Company has also entrusted, on a yearly basis, an independent institution to exam the Company's waste gas treatment systems, as well as waste water and noise discharges, so as to minimize environment risk. All the examinations and tests have been documented and released to the employees on the environmental protection and safety bulletin boards at every workshop. Employees at all levels, with a strong awareness of environment protection, have been cooperating closely with each other to implement the policy of "Save Energy, Reduce Consumption, Lower Pollution and Increase Efficiency". In all, the Company's environment risk is controllable and its environment

management keeps improving.

### **XIX Other Significant Events**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XX Significant Events of Subsidiaries**

Applicable  Not applicable

The Company convened the 26<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors on 7 September 2018, which reviewed and approved the Proposal on Cancellation of Wholly-owned Subsidiary Guangdong FSL Finance Lease Co., Ltd. As of the end of the Reporting Period, the Company was in the process of liquidating and cancelling the Guangdong FSL Finance Lease Co., Ltd.

## Part VI Share Changes and Shareholder Information

### I. Share Changes

#### 1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	12,582,003	0.99%			1,258,200	128,451	1,386,651	13,968,654	1.00%
1.3 Shares held by other domestic investors	4,465,974	0.35%			446,597	128,451	575,048	5,041,022	0.36%
Among which: Shares held by domestic legal persons	3,860,675	0.30%			386,067	-9,661	376,406	4,237,081	0.30%
Shares held by domestic natural persons	605,299	0.05%			60,530	138,112	198,642	803,941	0.06%
1.4 Shares held by foreign investors	8,116,029	0.64%			811,603	0	811,603	8,927,632	0.64%
Shares held by foreign natural persons	8,116,029	0.64%			811,063	0	811,603	8,927,632	0.64%
2. Unrestricted shares	1,259,550,865	99.01%			125,955,086	-128,451	125,826,635	1,385,377,500	99.00%
2.1 RMB-denominated ordinary shares	974,879,546	76.63%			97,487,954	-128,451	97,359,503	1,072,239,049	76.62%
2.2 Domestically listed foreign shares	284,671,319	22.38%			28,467,132	0	28,467,132	313,138,451	22.38%
3. Total shares	1,272,132,868	100.00%			127,213,286	0	127,213,286	1,399,346,154	100.00%

Reasons for share changes:

√ Applicable □ Not applicable

1. According to the Resolution of the 2017 Annual General Meeting, the Company completed a bonus issue of one

additional share for every 10 existing shares from capital reserves on 16 May 2018, representing an increment of 127,213,286 shares to the Company's total shares.

2. 9,661 restricted shares held by domestic legal persons became domestic natural persons' holdings during the Reporting Period.

3. During the Reporting Period, some directors and supervisors, as well as all the senior management increased their shareholdings in the Company, representing an increase of 128,451 restricted shares.

Approval of share changes:

Applicable  Not applicable

According to the 2017 Profit Distribution Plan, which was reviewed and approved at the 2017 Annual General Meeting on 26 April 2018, based on the Company's total shares of 1,272,132,868 at the end of 2017, a cash dividend of RMB3.29 (tax inclusive, dividends for B-shareholders to be paid in the Hong Kong dollars) per 10 shares would be distributed to the A- and B-shareholders, with a bonus issue of one additional share for every 10 existing shares from capital reserves, representing an increment of 127,213,286 shares to the Company's total shares.

Transfer of share ownership:

Applicable  Not applicable

Progress on any share repurchases:

Applicable  Not applicable

Progress on reducing the repurchased shares by means of centralized bidding:

Applicable  Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable  Not applicable

The Company has completed the bonus issue of one additional share for every 10 existing shares from capital reserves in the Reporting Period, with its total shares increasing from 1,272,132,868 to 1,399,346,154. This change's effects on the basic earnings per share, diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively, are as follows:

Item	2017		2018
	Based on former total	Based on new total shares	Based on new total shares

	shares		
Basic earnings per share (RMB/share)	0.5819	0.5290	0.2699
Diluted earnings per share (RMB/share)	0.5819	0.5290	0.2699
Net assets per share (RMB/share)	3.76	3.42	3.09

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable  Not applicable

## 2. Changes in Restricted Shares

Applicable  Not applicable

Unit: share

Shareholder	Beginning restricted shares	Released in Reporting Period	Increase in Reporting Period	Ending restricted shares	Reason for restriction/release from restriction	Date of release
Liu Xingming	380,523	0	63,627	444,150	Lock-up of senior management's shares	Uncertain
Tang Qionglan	12,150	0	17,880	30,030	Lock-up of senior management's shares	Uncertain
Wei Bin	35,602	0	20,142	55,744	Lock-up of senior management's shares	Uncertain
Jiao Zhigang	40,458	0	16,091	56,549	Lock-up of senior management's shares	Uncertain
Chen Yu	20,370	0	14,329	34,699	Lock-up of senior management's shares	Uncertain
Zhang Yong	25,995	0	15,552	41,547	Lock-up of senior management's shares	Uncertain
Zhang Xuequan	20,033	0	18,256	38,289	Lock-up of senior management's shares	Uncertain
Xu Xiaoping	7,575	0	11,152	18,727	Lock-up of senior	Uncertain

					management's shares	
Ye Zhenghong	39,321	0	9,625	48,946	Lock-up of senior management's shares	Uncertain
Total	582,027	0	186,654	768,681	--	--

## II. Issuance and Listing of Securities

### 1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Applicable  Not applicable

### 2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable  Not applicable

On 26 April 2018, the Company held the 2017 Annual General Meeting, where the 2017 Final Dividend Plan was reviewed and approved. The Company's 2017 Final Dividend Plan was: Based on the Company's total shares of 1,272,132,868 at the end of 2017, a cash dividend of RMB3.29 (tax inclusive, dividends for B-shareholders to be paid in the Hong Kong dollars) per 10 shares would be distributed to the A- and B-shareholders, with a bonus issue of one additional share for every 10 existing shares from capital reserves, representing an increment of 127,213,286 shares to the Company's total shares; the Company's total share capital changed from 1,272,132,868 to 1,399,346,154. The change in the Company's total share capital did not result in any change in its shareholder structure and asset-liability structure.

### 3. Existing Staff-Held Shares

Applicable  Not applicable

## III Shareholders and Actual Controller

### 1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders	91,021	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	89,842	Number of preferred shareholders with resumed voting rights (if any) (see note 8)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this	0
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							Report (if any) (see note 8)	
5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/d ecrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge or frozen	
							Status	Shares
Hong Kong Wah Shing Holding Company Limited	Foreign legal person	13.47%	188,496,430			188,496,430	In pledge	92,363,251
Prosperity Lamps & Components Limited	Foreign legal person	10.50%	146,934,857			146,934,857		
Shenzhen Rising Investment Development Co., Ltd.	State-owned legal person	5.12%	71,696,136			71,696,136	In pledge	28,300,000
Guangdong Electronics Information Industry Group Ltd.	State-owned legal person	4.74%	66,393,501			66,393,501	In pledge	32,532,815
Central Huijin Asset Management Co., Ltd.	State-owned legal person	2.42%	33,878,900			33,878,900		
Essence International Securities (Hong Kong) Co., Ltd.	Foreign legal person	2.10%	29,332,186	1,472,277		29,332,186		
Hong Kong Rising Investment Development Co., Ltd.	Foreign legal person	1.82%	25,482,252			25,482,252		
DBS Vickers(Hong Kong) Ltd A/C Clients	Foreign legal person	1.58%	22,102,137	-3,908,193		22,102,137		
China Merchants Securities (Hong Kong) Co., Ltd	Foreign legal person	0.88%	12,333,836	293,939		12,333,836		
Zhuang Jianyi	Foreign	0.85%	11,903,509		8,927,632	2,975,877		

	natural person						
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)	Naught						
Related or acting-in-concert parties among the shareholders above	Among the top 10 shareholders, Hong Kong Wah Shing Holding Company Limited, Shenzhen Rising Investment Development Co., Ltd., Guangdong Electronics Information Industry Group Ltd. and Hong Kong Rising Investment Development Co., Ltd. are acting-in-concert parties; and Prosperity Lamps & Components Limited and Zhuang Jianyi are acting-in-concert parties. Apart from that, it is unknown whether there is among the top 10 shareholders any other related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.						
Top 10 unrestricted shareholders							
Name of shareholder	Unrestricted shares at the Period-end	Type of shares					
		Type	Shares				
Hong Kong Wah Shing Holding Company Limited	188,496,430	RMB-denominated ordinary stock	188,496,430				
Prosperity Lamps & Components Limited	146,934,857	RMB-denominated ordinary stock	146,934,857				
Shenzhen Rising Investment Development Co., Ltd.	71,696,136	RMB-denominated ordinary stock	71,696,136				
Guangdong Electronics Information Industry Group Ltd.	66,393,501	RMB-denominated ordinary stock	66,393,501				
Central Huijin Asset Management Co., Ltd.	33,878,900	RMB-denominated ordinary stock	33,878,900				
Essence International Securities (Hong Kong) Co., Ltd.	29,332,186	Domestically listed foreign stock	29,332,186				
Hong Kong Rising Investment Development Co., Ltd.	25,482,252	Domestically listed foreign stock	25,482,252				
DBS Vickers (Hong Kong) Ltd A/C Clients	22,102,137	Domestically listed foreign stock	22,102,137				
China Merchants Securities (Hong Kong) Co., Ltd	12,333,836	Domestically listed foreign stock	12,333,836				

		stock	
Shenzhen Xingsen Asset Management Co., Ltd—Phase II Private Fund of Xingsen	7,839,176	RMB-denominated ordinary stock	7,839,176
Related or acting-in-concert parties among the top ten unrestricted public shareholders and between the top ten unrestricted public shareholders and the top ten shareholders	Among the top 10 unrestricted ordinary shareholders, Hong Kong Wah Shing Holding Company Limited, Shenzhen Rising Investment Development Co., Ltd., Guangdong Electronics Information Industry Group Ltd. and Hong Kong Rising Investment Development Co., Ltd. are acting-in-concert parties; Apart from that, it is unknown whether there is among the top 10 shareholders any other related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.		

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea  No

No such cases in the Reporting Period.

## 2. Controlling Shareholder

Nature of the controlling shareholder: Controlled by a local state-owned legal person

Type of the controlling shareholder: legal person

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
Guangdong Electronics Information Industry Group Ltd.	He Yong	19 October 2000	91440000725458764N	Development, production and sale of electronics, IT products and electrical appliances, operation of electronic information networks and computers, electronic computer technology service, and equipment and venue rental service; sale of electronic computers and fittings, electronic components, electron devices, and electrical machinery and equipment; wholesale of coal; energy performance contracting service, development and consulting service of energy-saving technology, and manufacture and installation of energy-saving equipment; parking lot operation

				(188 Yueken Road, Tianhe District, Guangzhou, Guangdong Province, P.R.China); import and export of goods; and training of professional and technical personnel.
Shenzhen Rising Investment Development Co., Ltd.	Wu Xiaohui	27 August 2003	91440300754255560K	Equity and venture capital investment (approval shall be obtained for each specific investment project); industrial investment (approval shall be obtained for each specific investment project); trustee service for asset management (not including securities, insurance, funds, financial service, human resources consulting service and other restricted business); and investment information consulting service, economic information consulting service, investment management planning, corporate identity design (excluding restricted business).
Guangdong Rising Finance Holding Co., Ltd.	Che Zuobin	14 November 2014	91440400315213166P	Investment and asset management
Hong Kong Rising Investment Development Limited	Deng Qian	11 July 2001	764105	Investment and asset management
Shareholdings of controlling shareholder in other listed companies at home or abroad in reporting period	<p>At the end of the Reporting Period,</p> <p>1、Guangdong Electronics Information Industry Group Ltd. held 79,753,050 shares in Foshan NationStar Optoelectronics Co., Ltd., representing 12.90% of the total shares of Foshan NationStar Optoelectronics Co., Ltd..</p> <p>2、Shenzhen Rising Investment Development Co., Ltd. held 4,192,734 shares in Guangdong Fenghua Advanced Technology Holding Co., Ltd., accounting for 0.47% of total shares of Guangdong Fenghua Advanced Technology Holding Co., Ltd.; and held 139,715,902 shares in Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd., representing 3.91% of total shares of Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd. Shenzhen Rising Investment Development Co., Ltd. held 1,302,027 shares in Dongjiang Environmental Co. Ltd, accounting for 0.15% of total shares of Dongjiang Environmental Co., Ltd; and held 9,024,363 shares in Central China Securities Co., Ltd, accounting for 0.23% of the total shares of Central China Securities Co., Ltd.</p> <p>3. Guangdong Rising Finance Holding Co., Ltd. held 7,551,648 shares in Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd, accounting for 0.21% of Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd 's total shares; and held 16,260,400 shares in Dongjiang Environmental Co. Ltd, accounting for 1.83% of total</p>			

	shares of Dongjiang Environmental Co. Ltd, and held 5,791,924 in Foshan NationStar Optoelectronics Co., Ltd, accounting for 0.94% of the total shares of Foshan NationStar Optoelectronics Co., Ltd.
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Change of the controlling shareholder in the Reporting Period:

Applicable  Not applicable

No such cases in the Reporting Period.

### 3. Actual Controller and Its Acting-in-Concert Parties

Nature of the actual controller: Local institution for state-owned assets management

Type of the actual controller: legal person

Name of actual controller	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
Guangdong Rising Assets Management Co., Ltd.	Xu Guang	23 December 1999	91440000719283849E	Asset management and operation, equity management and operation, investment operation, and management and re-investment of investment earnings; other business authorized by the state-owned assets administration of the Guangdong Province; contractor service for overseas projects and domestic projects calling for international bids, contractor service for survey, consulting, design and supervision of the aforesaid overseas projects, export of equipment and materials for the aforesaid overseas projects, and dispatch of contract workers for the aforesaid overseas projects; property rental service; and exploitation, sale and deep processing of rare earth (operated by the branches with the relevant licenses).
Shareholdings of the actual controller in other listed companies at home or abroad in	At the end of the Reporting Period, Guangdong Rising Assets Management Co., Ltd. directly or indirectly held the following stakes in other listed companies at home or abroad: 1. a 42.87% stake of 129,372,517 shares in Rising Nonferrous (stock code: 600259);			

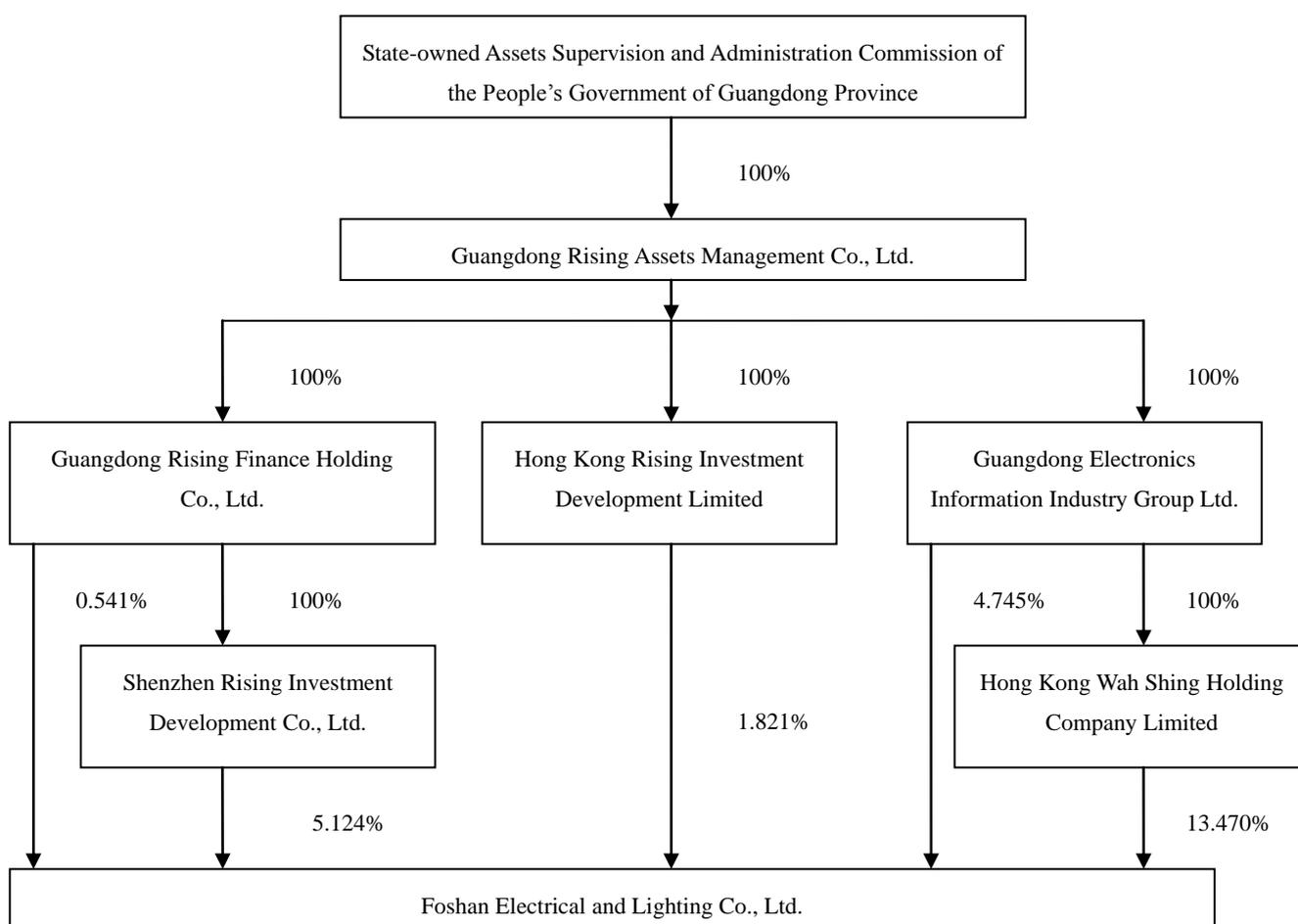
this Reporting Period	2. a 32.49% stake of 1,159,811,571 shares in Zhongjin Lingnan Nonfemet (stock code: 000060); 3. a 20.50% stake of 183,495,085 shares in Fenghua Advanced (stock code: 000636); 4. a 21.32% stake of 131,804,995 shares in NationStar Optoelectronics (stock code: 002449); 5. a 21.03% stake of 186,526,928 A shares and H shares in Dongjiang Environment (stock code: 002672); 6. a 6.94% stake of 5,614,082,653 shares in China Telecom (stock code: 00728. HK). 7. a 0.23% stake of 9,024,363 shares in Central China Securities (stock code: 601375);
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Change of the actual controller during the Reporting Period:

Applicable  Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

Applicable  Not applicable

**4. Other 10% or Greater Corporate Shareholders**√ Applicable  Not applicable

Name of corporate shareholder	Legal representative / company principal	Date of establishment	Registered capital	Business scope
Prosperity Lamps & Components Limited	Zhuang Jianyi	28 April 1978	HKD2 million	Import and export of electronics, electric lighting products, lamps, electric lighting equipment, etc., and design, installation and after-sales service of lighting solutions

**5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers** Applicable √ Not applicable

## **Part VII Preferred Shares**

Applicable  Not applicable

No preferred shares in the Reporting Period.

## Part VIII Directors, Supervisors, Senior Management and Staff

### I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
He Yong	Board Chairman	Incumbent	Male	58	25 December 2015	25 December 2018	0	0	0	0	0
Zhuang Jianyi	Vice Board Chairman	Incumbent	Male	67	25 December 2015	25 December 2018	10,821,372	0	0	1,082,137	11,903,509
Cheng Ke	Director	Incumbent	Male	44	25 December 2015	25 December 2018	10,500	0	0	1,050	11,550
Qi Siyin	Director	Incumbent	Male	38	25 December 2015	25 December 2018	0	0	0	0	0
Huang Zhiyong	Director	Incumbent	Male	49	25 December 2015	25 December 2018	0	0	0	0	0
Liu Xingming	Director & GM	Incumbent	Male	56	25 December 2015	25 December 2018	507,364	31,000	0	53,836	592,200
Zhang Nan	Independent Director	Incumbent	Female	69	25 December 2015	25 December 2018	0	0	0	0	0
Lu Rui	Independent Director	Incumbent	Male	43	25 December 2015	25 December 2018	0	0	0	0	0
Lyu Wei	Independent Director	Incumbent	Male	54	25 December 2015	25 December 2018	0	0	0	0	0
Li Jinkun	Chairman of the Supervisor	Incumbent	Male	54	24 July 2018	25 December 2018	0	0	0	0	0

	y Committee										
Zhuang Junjie	Supervisor	Incumbent	Male	33	25 December 2015	25 December 2018	0	0	0	0	0
Ye Zhenghong	Supervisor	Incumbent	Male	45	25 December 2015	25 December 2018	52,428	6,900	0	5,933	65,261
Lin Qing	Supervisor	Incumbent	Male	49	20 September 2016	25 December 2018	20,530	0	0	2,053	22,583
Liang Yueyi	Supervisor	Incumbent	Female	44	20 September 2016	25 December 2018	0	0	0	0	0
Lin Yihui	Board Secretary	Incumbent	Male	64	26 January 2016	25 December 2018	29,600	19,300	0	4,890	53,790
Tang Qionglan	CFO	Incumbent	Female	48	26 January 2016	25 December 2018	16,200	20,200	0	3,640	40,040
Wei Bin	Vice GM	Incumbent	Male	49	26 January 2016	25 December 2018	47,469	20,100	0	6,757	74,326
Jiao Zhigang	Vice GM	Incumbent	Male	46	26 January 2016	25 December 2018	53,944	14,600	0	6,855	75,399
Chen Yu	Vice GM	Incumbent	Male	46	26 January 2016	25 December 2018	27,160	14,900	0	4,206	46,266
Zhang Yong	Vice GM	Incumbent	Male	44	26 January 2016	25 December 2018	34,660	15,700	0	5,036	55,396
Zhang Xuequan	Vice GM	Incumbent	Male	41	26 January 2016	25 December 2018	26,711	19,700	0	4,641	51,052
Xu Xiaoping	Vice GM	Incumbent	Male	48	26 January 2016	25 December 2018	10,100	12,600	0	2,270	24,970
Liang Yuefei	Chairman of the Supervisor	Former	Female	43	25 December	8 June 2018	0	0	0	0	0

	y Committee				2015						
Total	--	--	--	--	--	--	11,658,038	175,000	0	1,183,304	13,016,342

Note: The management used an equity incentive fund to purchase shares of the Company's stock at the end of the year.

## II Change of Directors, Supervisors and Senior Management

√Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Li Jinkun	Chairman of the Supervisory Committee	Appointed	24 July 2018	Elected as the Chairman of the Supervisory Committee in the 8 <sup>th</sup> Supervisory Committee
Liang Yuefei	Chairman of the Supervisory Committee	Left	8 June 2018	Job turnover

## III Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

### 1. Working Experience of the Directors

**Mr. He Yong:** Han nationality, born in September 1960, a member of the Communist Party of China. He graduated from Open University of Hong Kong with a MBA. He once acted as the Vice-minister of the Operating and Management Department of Guangdong Rising Assets Management Co., Ltd., the Chairman of the Reform and Stableness Office, the Minister of the Operating and Management Department, the Supervisor of Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd., the GM of Guangdong Electronics Information Industry Group Ltd. and Deputy Secretary. Now he serves as the Chairman of the Board of Directors of Guangdong Electronics Information Industry Group Ltd., the Party Secretary and the Chairman of Foshan NationStar Optoelectronics Co., Ltd., the Chairman of Foshan Sigma Venture Capital Co., Ltd. And he has been the Board Chairman of the Company since December 2015.

**Mr. Zhuang Jianyi:** born in 1951, with a bachelor's degree and MBA. He now acts as the Chairman of Hong Kong Youchang Lighting Equipment, and has been engaged in the electric light source equipment production as well as the trading business for about 40 years. From 1995 to 2010, he acted as the Directors, the Vice Chairman and the Chairman of the Company. And he was elected as a vice chairman of the 8<sup>th</sup> Board of the Company in December 2015.

**Mr. Cheng Ke:** Han nationality, born in February 1974, a member of the Communist Party of China and an auditor with the bachelor's degree. He once acted as the Attendant of the Audit Division of Guangzhou Dongshan Corporate Authority of Guangzhou Military Logistics Department, the Assistant Supervisor, the Supervisor, the Senior Executive and the Vice-Minister of the Financing Plan Department of Guangdong Rising Assets Management Co., Ltd., Vice GM of Hubei Ashennan Expressway Development Co., Ltd., Hubei Gdrising Han-E Expressway Co., Ltd. and Hubei Han-Cai Expressway Co., Ltd. and now acts as the Minister of the Financing Plan Department of Guangdong Rising Assets Management Co., Ltd. and the Director of Guangdong Rising

Finance Co., Ltd, Foshan NationStar Optoelectronics Co., Ltd, and Hong Kong Rising Investment Development Limited. And he was elected as a director of the 8<sup>th</sup> Board of the Company in December 2015.

**Mr. Qi Siyin:** Chinese nationality, with no right of permanent residence abroad. Born in May 1980, a member of the Communist Party of China, postgraduate degree, dual master's degrees. He ever worked in Guangdong Provincial Expressway Development Co., Ltd., former investor relations management clerk, investor relations management director, information disclosure director and securities affairs representative of the Securities Department. He has been working in Guangdong Rising Assets Management Co., Ltd. as Senior Director of Capital Operation Department, Deputy Secretary of the Communist Youth League, Deputy Director and Director; as Director and Deputy General Manager of Hong Kong Rising Investment Co., Ltd since 2007. Currently, he works as the Office Director of Board of Directors in Guangdong Rising Assets Management Co., Ltd, the director of Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd, Guangdong Fenghua Advanced Technology Holding Co., Ltd, Foshan NationStar Optoelectronics Co., Ltd, Guangdong Nanyue Bank Co., Ltd, and E Fund Management Co., Ltd. In October 2016, he elected as the director of the 8<sup>th</sup> Board of Directors of the Company.

**Mr. Huang Zhiyong:** Han nationality, born in August 1969, a member of the Communist Party of China and an engineer. He graduated from Xidian University with a bachelor's degree of Electronic Devices Structures. He once acted as the Vice GM of Shenzhen Primatronix (Nanho) Electronics Ltd., the Minister of Enterprise Development Department and the GM Assistant of Guangdong Electronics Information Industry Group Ltd. He now acts as the Vice GM and a member of Communist Party of China of Guangdong Electronics Information Industry Group Ltd. and the Chairman of Shenzhen Yuebao Electronic Technology Co., Ltd. And he was elected as a director of the 8<sup>th</sup> Board of the Company in December 2015.

**Mr. Liu Xingming:** Born in June 1962, a member of the Communist Party of China and an engineer with a bachelor's degree. He joined the Company in 1983, and acted as Vice GM from 1997 to 2005; acted as GM of the Company from December 2005 to November 2008; acted as Vice GM of the Company in December 2008; elected as the Director of the Company from 1995 to Dec. 2015; acted as Vice Director of the Board from April 2011 to December 2015; from April 2012 up to now, he acted as the GM and Vice Director of the Board; after 1995, he was elected as the Director of the Company; and he was elected as a director of the Company in April 2016. In July 2015, he was elected as the Party Secretary of the Company.

**Ms. Zhang Nan (Independent Director):** Han nationality, born in February 1949, a member of the Communist Party of China and a senior economist. She graduated from Chinese Academy of Social Sciences with a master degree of economic law. She once acted as the Vice-Minister of Beijing Electronic Instruments Industry System Office, Deputy Director of Audit and Regulations Bureau, the Director, the Deputy Director and the Chief of the research laboratory of SETC, the Regulations Bureau and the Economic cadre training center as well as the bureau-level Supervisor of the large enterprises of the Board of Supervisors of the State-owned Assets Supervision and Administration Commission and retired in March 2009. She used to be an Independent Director of CSCL and Guangdong Rising Nonferrous Metals Co., Ltd. And she was elected as an independent director of the 8<sup>th</sup> Board of the Company in December 2015.

**Mr. Lu Rui (Independent Director):** Chinese Han Nationality, no permanent residency abroad, born in January 1975. He is now a professor of Finance, doctoral tutor, the Head of the Accounting and Capital Operation Research Center of the Lingnan College of Sun Yat-Sen University. He graduated in 2003 from the Management Accounting of Sun Yat-Sen University with a master's degree of Management; and in 2006, he graduated from the Management Accounting of Sun Yat-Sen University with a doctor's degree of Management. He acted as the Teaching Assistant and the Lecturer of the Financial Accounting Department of Guangzhou Finance & Trade Management Institute during the period from July 1996 to August 2003; the Lecturer and associate professor of the Finance and Taxation Department of Lingnan College of Sun Yat-Sen University during the period from July

2006 to October 2012; and the associate professor of Finance of the Lingnan College of Sun Yat-Sen University during the period from November 2012 to June 2016. And he has been a profession of Finance and doctoral tutor at the Lingnan College of Sun Yat-Sen University since July 2016. His other academic and social posts mainly include: the member of Expert Committee of China Association for Public Companies, a national leading accounting professional recognized by the Ministry of Finance, the member of All-China Financial Youth Federation, the member of the senior member of Accounting Society of China, the member of Accounting Society of America; the Independent Director of Xilong Scientific Co., Ltd., Guangzhou Goaland Energy Conservation Tech Co., Ltd., and Bank of Guangzhou; the Director of Guangzhou Zijing Education Co., Ltd. And he was elected as an independent director of the 8<sup>th</sup> Board of the Company in December 2015.

**Mr. Lyu Wei (Independent Director):** Chinese Nationality, born in December 1964. He is a doctoral candidate in economic administration at Fudan University and a doctor's degree holder in economics. He was a teaching assistant, a lecturer, a departmental chief, an associate profession and then a professor at Fudan University during the period from August 1989 to March 2003. And he has been working in Shanghai Jiao Tong University since April 2003. He was a professor and doctoral tutor of the Department of Business Administration of the Antai Management School of Shanghai Jiao Tong University during the period from April 2003 to March 2006, and he has been the head of the SJTU-USC Cultural Creativity Industries School from October 2014 to May 2015; and has been a professor and doctoral tutor of the Department of Business Administration of the Antai Economics and Management School of Shanghai Jiao Tong University since April 2006. an independent director of Shanghai Shibe Hi-tech Co., Ltd. since September 2012; and an independent director of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. since May 2015. And he was elected as an independent director of the 8<sup>th</sup> Board of the Company in December 2015.

## 2. Working Experience of the Supervisors

**Mr. Li Jinkun:** Han nationality, born in August 1964, is a accountant with college degree. He once was the cashier, accountant, and deputy chief of human resource office in Guangzhou Branch of China Nonferrous Metals Industry Corporation; Financial manager in Guangzhou Nonfemet Industrial Development Co., Ltd and Guangzhou Jintao Economic Development Co., Ltd; Deputy Director of Financial Audit Dept., Director of Accounting Dept, and Director of Financial Audit Dept. in Guangdong Rising Nonferrous Metals Group Co., Ltd; the group leader in the first working group of Supervisory Committee, and deputy director of Discipline Inspection Audit Dept. in Guangdong Rising Assets Management Co., Ltd; now he hold the posts of leader of working group of Supervisory Committee accredited from working Dept. of Audit Supervisory Committee of Guangdong Rising Assets Management Co., Ltd, and Chairman of the Supervisory Committee of Foshan NationStar Optoelectronics Co., Ltd. And he was elected as the Chairman of the Supervisory Committee of the 8<sup>th</sup> Supervisory Committee of the Company in July 2018.

**Mr. Zhuang Junjie:** Born in September 1985, a Hong Kong permanent resident. He graduated with a bachelor's degree and once acted as the Consultant Manager of Accenture Software and now acts as the Director of Hong Kong Youchang Lighting Equipment Co., Ltd. And he was elected as a supervisor of the 8<sup>th</sup> Supervisory Board of the Company in December 2015.

**Mr. Ye Zhenghong:** Born in June 1973, a member of the Communist Party of China with a college degree. He joined the Company from July 1995; worked in the Machine Repair Shop from July 1995 to June 1997; worked in the Mechanical Power Department from July 1997 to January 2001; acted as Equipment Management Director in T8 Fluorescent Lamp Factory from February 2001 to January 2005; acted as Director of Machine Repair Workshop from May 2005 to January 2007; acted as Chief Officer of Machinery Dynamic Department from May 2006 to December 2007; and acted as factory director of T8 Fluorescent Lamp Factory from January 2008 to November 2013; and acted as factory director of LED of T8 from December 2013 up to now; the Chairman of the

5<sup>th</sup> Board of Supervisors and the Employee Supervisor of the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> Board of Supervisors.

**Mr. Lin Qing:** born in September 1969, member of the Communist Party of China, undergraduate degree, electric light source engineer; has been working in the company since August 1991; worked as mercury lamp workshop technician and workshop director from June 1996 to February 2002; as the workshop director and factory director of the fluorescent lamp factory from March 2002 to September 2009; as the director of Technology Department since October 2009; in July 2015, elected as a discipline committee member of the company's CPC committee. And he was elected as a Employee Supervisor of the Company in September 2016.

**Ms. Liang Yueyi:** born in June 1974, member of the Communist Party of China, college degree; has been working in the company since August 1995; worked as the Secretary to the President from August 1995 to September 2002; as clerk of the Import & Export Trade Department from October 2002 to December 2006; as the Deputy Manager of the Import & Export Trade Department since January 2007; a member of the company's CPC committee since July 2015; as a female member of the company's labor union since April 2016. And she was elected as a Employee Supervisor of the Company in September 2016..

### 3. Working experience of the Senior Management Staff

**Mr. Liu Xingming:** Born in Jun. 1962, a member of the Communist Party of China and an engineer with a bachelor's degree. He joined the Company in 1983, and acted as Vice GM from 1997 to 2005; acted as GM of the Company from December 2005 to November 2008; acted as Vice GM of the Company in December 2008; elected as the Director of the Company from 1995 to December 2015; acted as Vice Chairman of the Board from April 2011 to December 2015; from April 2012 up to now, he acted as the GM of the Company; and he was elected as a director of the Company in April 2016. In July 2015, he was elected as the Party Secretary of the Company.

**Mr. Lin Yihui:** Born in November 1954, a member of the Communist Party of China with a master's degree in Economics. He was in active service in force from December 1970 to 1986 and acted as posts of command, battalion and group; works in Foshan International Trust and Investment Company from 1986 to September 2000 and acted as Section Chief and Vice GM and was in charge of the securities business of the Company as well as host the works such as the underwritten offering and listing recommendation of the shares of various companies over years; acted as the 1<sup>st</sup> and 2<sup>nd</sup> Directors of the Company; worked as Board Secretary of the Company from October 2000 to April 2010; acted as Party Secretary of the Company from May. 2010 to July 2015. He has acted as the Secretary of the Company since May 2013.

**Ms. Tang Qionglan:** born in March 1970, member of the Communist Party of China, bachelor degree, China Certified Public Accountant, worked as an accountant in Foshan Certified Public Accountants, served as audit manager of BDO China Shu Lun Pan Certified Public Accountants LLP Foshan Branch; as Deputy Manager of the Finance Department, Manager, Chief Financial Officer, Deputy General Manager and Chief Financial Officer of Foshan NationStar Optoelectronics Co., Ltd. from October 2008 to January 2016. In January 2016, he elected as the Chief Financial Officer of the Company.

**Mr. Wei Bin:** Born in May 1969, a member of the Communist Party of China and an engineer with a bachelor's degree. He joined in the Company in 1991, and responsible for the product development of the graduate school of the Company from March 1992 to December 1996, acted as Workshop Manager of Energy Saving Lamp Workshop from January 1997 to December 2004, acted as Workshop Manager of HID Workshop from January to December 2005, acted as Workshop Manager of T5 Workshop from 2006 to November 2008, acted as the Department Director of the Technology Department from November 2008 to 2009 and acted as Vice GM of the Company from September 2009.

**Mr. Jiao Zhigang:** Born in May 1972, a member of the Communist Party of China with a bachelor's degree. He graduated from South China University of Technology in July 1994, and at the same year he entered Foshan Electrical and Lighting Co., Ltd. He acted as Warehouse Director of the Company from August 1995 to September

2013, acted as Department Director of Human Resources Department from May 2010 to September 2013; selected as Employee Supervisor from March 2007 to September 2013, and as Chairman of the Supervisory of the Company from May 2010 to September 2013. He acted as Vice GM of the Company in September 2013.

**Mr. Chen Yu:** Born in December 1972, a member of the Communist Party of China, college graduate and engineer. He entered Foshan Electrical and Lighting Co., Ltd. in July 1994. And acted as workshop manager of parabolic reflector, coating film, energy saving lamp, factory director of the branch factory of Gaoming and workshop manager of general bulbs from January 1997 to December 2012, acted as Director of Production Department, OEM Department and Mechanical Dynamics Department from January to August 2013, acted as Director of Production Department and OEM Department from September 2013 to May 2014 as well as acted as Vice GM of the Company from May 2014.

**Mr. Xu Xiaoping:** born in July 1970, member of the Communist Party of China, postgraduate degree, engineer. Worked as Deputy General Manager and General Manager of Guangdong Fenghua Advanced Technology Holding Co., Ltd. Xin'gu Branch from September 2000 to December 2013, also as the General Manager of Guangdong Fenghua Semiconductor Technology Co., Ltd. from January 2011 to December 2013, and Deputy Director of Headquarters Operations Center from January 2013 to February 2015; as the General Manager of Guangdong Fenghua Advanced Technology Holding Co., Ltd. Lihua Branch from March 2015 to January 2016; won the first prize of scientific and technological progress of Zhaoqing in 2008; won the title of the "Ninth Batch of Top Talents of Zhaoqing" in 2010; served as Deputy General Manager of the company in January 2016.

**Mr. Zhang Yong:** Born in June 1974, a member of the Communist Party of China and a mechanical engineer with a college degree. From July 1997, he joined in the Foshan Electrical and Lighting Co., Ltd. and successively acted as Deputy Director and Director of Lamp Filament Appliance Workshop from October 1999 to June 2008; acted as Factory Director of Gaoming Fluorescent Lamp Factory and Factory Director of Gaoming Branch Factory from July 2008 to December 2008; respectively acted as Department Director of Product Department, OEM Department, Mechanical Dynamics Department and Infrastructure Department from January 2009 to December 2012; acted as General Manager Assistant from March 2013 to August 2016. He was a supervisor and the Chairman of the Board of Supervisors of the Company from September 2013 to August 2016; has been the chairman of the Labor Union of the Company since September 2013; was elected as the Deputy Party Secretary in July 2015; and has been a vice GM of the Company since August 2016.

**Mr. Zhang Xuequan:** Born in December 1977, a member of the Communist Party of China with a bachelor's degree. He joined the Company in October 1996. He worked in the former Iodine-tungsten Lamp Workshop from October to December 1996; worked in the Technology Department and then the Quality Control Department from January 1997 to August 2002; acted as the Workshop Manager of Lamp Workshop from September 2002 to May 2008; acted as the Department Director of the Business Management Department of the Company from June 2008 to August 2016. He has concurrently acted as the Office Director since February 2016. He has been the Party Branch Secretary for the Administrative Office of the Company from July 2010 to June 2017, and a member of the party committee of the Company since July 2015. He was a supervisor of the Company from May 2013 to August 2016 and has been a vice GM of the Company since August 2016.

Offices held concurrently in shareholding entities:

Applicable Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
He Yong	Guangdong Electronics Information Industry Group Ltd.	Chairman, Party Secretary			Yes

Zhuang Jianyi	Prosperity Lamps & Components Limited	Chairman			Yes
Huang Zhiyong	Guangdong Electronics Information Industry Group Ltd.	Vice GM			Yes
Zhuang Junjie	Prosperity Lamps & Components Limited	Director			Yes

Offices held concurrently in other entities:

Applicable Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Cheng Ke	Guangdong Rising Assets Management Co., Ltd.	Planning and Finance Manager			Yes
Qi Siyin	Guangdong Rising Assets Management Co., Ltd.	Capital Operation Manager			Yes
Li Jinkun	Guangdong Rising Assets Management Co., Ltd	leader of working group of Supervisory Committee accredited from working Dept. of Audit Supervisory Committee			Yes
Lu Rui	Lingnan (University) College of Sun Yat-Sen University	Professor and doctoral tutor			Yes
Lyu Wei	Antai Economics and Management School of SJTU	Professor and doctoral tutor			Yes

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

Applicable  Not applicable

#### IV Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

Decision-making procedure for the remuneration of directors, supervisors and senior management	The Remuneration & Appraisal Committee under the Board of Directors decides the remuneration of directors, supervisors and senior management in accordance with the Plan for Implementing the Equity Incentive Mechanism for Middle-and Top-Rank Management Personnel, Compensation Plan for Executive Officers, and the Salary System reviewed and approved on the 2001 Annual Shareholders' General Meeting, and the particulars on completing current main financial indexes & operating goals, as well as the fulfillment of job
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	responsibilities by them.
Basis for determining the remuneration of directors, supervisors and senior management	The remuneration of directors (excluding independent directors), supervisors and senior management who withdraw remuneration in the Company are all decided in accordance with the Company's Plan for Implementing the Equity Incentive Mechanism for Middle-and-Top-Rank Management Personnel, Compensation Plan for Executive Officers, and the Salary System and the relevant appraisal indexes. The allowance of independent directors should be granted according to the standard reviewed and approved by 2015 Annual Shareholders' General Meeting.
Actual payment of the remuneration of directors, supervisors and senior management	The total remuneration (before tax) actually paid to the directors, supervisors and senior management staff for 2018 were RMB11.5204 million.

## Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
He Yong	Board Chairman	Male	58	Incumbent		Yes
Zhuang Jianyi	Vice Board Chairman	Male	67	Incumbent		Yes
Cheng Ke	Director	Male	44	Incumbent		Yes
Qi Siyin	Director	Male	38	Incumbent		Yes
Huang Zhiyong	Director	Male	49	Incumbent		Yes
Liu Xingming	Director & GM	Male	56	Incumbent	177.54	No
Zhang Nan	Independent Director	Female	69	Incumbent		No
Lu Rui	Independent Director	Male	43	Incumbent	14.4	No
Lyu Wei	Independent Director	Male	54	Incumbent	14.4	No
Li Jinkun	Chairman of the Supervisory Committee	Male	54	Incumbent		Yes
Zhuang Junjie	Supervisor	Male	33	Incumbent		Yes
Ye Zhenghong	Supervisor	Male	45	Incumbent	54.87	No
Lin Qing	Supervisor	Male	49	Incumbent	36.34	No
Liang Yueyi	Supervisor	Female	44	Incumbent	62.95	No
Lin Yihui	Board Secretary	Male	64	Incumbent	105.2	No

Tang Qionglan	CFO	Female	48	Incumbent	110.34	No
Wei Bin	Vice GM	Male	49	Incumbent	105.54	No
Jiao Zhigang	Vice GM	Male	46	Incumbent	96.54	No
Chen Yu	Vice GM	Male	46	Incumbent	95.3	No
Zhang Yong	Vice GM	Male	44	Incumbent	98.54	No
Zhang Xuequan	Vice GM	Male	41	Incumbent	98.54	No
Xu Xiaoping	Vice GM	Male	48	Incumbent	81.54	No
Liang Yuefei	Chairman of the Supervisory Committee	Female	43	Former		Yes
Total	-	-	-	-	1,152.04	-

Equity incentives for directors, supervisors and senior management in the Reporting Period:

Applicable  Not applicable

## V Employees

### 1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company	5,090
Number of in-service employees of main subsidiaries	4,144
Total number of in-service employees	9,234
Total number of employees with remuneration in this Reporting Period	9,234
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0
<b>Functions</b>	
Function	Number of employees
Production	7,519
Sales	827
Technical	673
Financial	50
Administrative	165
Total	9,234
<b>Educational backgrounds</b>	
Educational background	Number of employees
College and above	1,697

Technical secondary school and high school	1,560
Below high school	5,977
Total	9,234

## 2. Employee Remuneration Policy

The general principal of the employee's remuneration policy is: as for the external part, the Company should maintain the market competitiveness of the talents by possessing of the attraction and as for the internal part, should possess of the impartiality and consistency. The salary level of the external labor market and the social average salary level as well as the wage guiding issued by the governmental department are the important reference basis for the confirm of the salary standard of the Company; to confirm different pay grade according to different positions and the position characteristics and to furthest incentive the enthusiasm of the employees; to abide with the principal of giving priority to efficiency and give consideration of the fairness and to object to the equalitarianism when distributing the remunerations, to pay with generous compensation for those excellent employees who creates great value, to appropriately incline to the key talents and the market supply shortage talents; the lowest salary of the Company should not be lower than the local lowest salary standard.

## 3. Employee Training Plans

The Company has been setting great store on the training and development work of the employees, and combined with the actual situation, annual plan, the position nature and the responsibilities as well as the development demands, the Company built up a serious of training plan through the methods of having classes by internal lecturers and external engaged professors, which with multiple levels, channels, fields and ways to strengthen the employee training work, including the new employee orientation training, the on-the-job personnel professional training, the frontline staff skills training, skills training for sales personnel, and skills training for managerial personnel, etc., to constantly improve the overall quality of the current employees for realizing the win-win situation and mutual progress.

## 4. Labor Outsourcing

Applicable  Not applicable

## Part IX Corporate Governance

### I General Information of Corporate Bonds

During the Reporting Period, in strict accordance with relevant requirements of Company Law, Securities Law, Code of Corporate Governance of Listed Companies and Rules of Stock Listing of Shenzhen Stock Exchange as well as other relevant laws, rules and regulations, the Company continuously perfected the corporate governance structure and set up an effective corporate governance system. At present, the Company has set up governance structure of responsible Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and managers, who performed right of decision-making, execution and supervision respectively according to their duties; besides, the Company set up special committees of the Board of Directors and system for independent directors. The Company strengthened information disclosure of principal shareholders and persons acting-in-concert, forbidden shareholders of the Company to misapply their rights. The Company separated from the principal shareholder in personnel, assets, business, financial affairs and organizational, and was absolutely independent. The Company timely revised and perfected various systems in accordance with the latest issued laws & rules and relevant regulations of CSRC and Shenzhen Stock Exchange. And the corporate governance is basically in line with the requirements of relevant laws, regulations and regulatory documents.

Indicate by tick market whether there is any material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies.

Yes  No

No such cases in the Reporting Period.

### II The Company's Independence from Its Controlling Shareholder in Business, Personnel, Asset, Organization and Financial Affairs

The Company is completely separated from its controlling shareholder in aspects such as business, personnel, assets, institutions and finance and possesses independent and complete business and self-dependent operating ability.

1. As for the business, the Company is independent of the controlling shareholders and the subordinate enterprises and owns the independent business departments and management system as well as possesses of impendent and entire business and self-dependent operating ability.
2. As for the personnel, the Company formulates the independent management system such as the labor, personnel and the salary, possesses the independent personnel department and the operating management team. The Senior Executives of the Company are serving at the Company in full time and receiving the salary from the Company.
3. As for the assets, the assets of the Company are independent and entire with clear ownership, and possesses the independent production system, BOP system and the supporting facilities, as well as possesses the legal ownership of the land, factories, equipments related to the production and operating and the assets such as the trademark, patent and the non-patent technology, and possesses the entire control and govern power of all the assets of the Company without any behavior such as any controlling shareholder occupies the assets of the Company.
4. As for the institutions, the Company set up the independent and entire organizations and institutions, and the construction as well as the operating of the corporate governance institutions is executed strictly executed according to the Articles of Association, and the production and operating as well as the offices are entirely independent from the controlling shareholders with any situation of working under one roof with the controlling

shareholders.◦

5. As for the finance, the Company set up the independent finance department and builds up the independent and normative accounting and financial control system according to the requirements of the ASBE, set up the independent bank account and pays the taxes legally and independently and the Company could make the financial decisions independently without any situation of the shareholding intervenes the capital usage.

### III Horizontal Competition

√ Applicable □ Not applicable

Type of issue	Name of controlling shareholder	Nature of controlling shareholder	Cause for issue	Solution	Solution's progress and follow-up plan
Horizontal competition	Guangdong Electronics Information Industry Group Ltd., Shenzhen Rising Investment Development Co., Ltd., Hong Kong Rising Investment Development Limited	Local State-owned Assets Supervision and Administration Commission	Some enterprises controlled by the controlling shareholders engage in the same or similar business with the Company, which incurs horizontal competition.	Controlling shareholders have made a commitment: (I). Eliminating the horizontal competition between Foshan NationStar Optoelectronics Co., Ltd. and the Company through business integration or other ways or arrangements before 4 December 2019. (II) Commitment of other arrangements for avoiding horizontal competition. As for avoiding the horizontal competition with Foshan Electrical and Lighting, the further commitments on the relevant arrangements made by the Electronics Group, Shenzhen Guangdong Rising Investment and Hong Kong Guangdong Rising Investment as follows: 1. the commitment maker will execute the supervision and restriction on the production and the operating activities of the company and the relevant enterprises except for the above enterprises currently involved with the horizontal competition with Foshan Electrical and	Ongoing

				<p>Lighting and if there is same or similar situation occurs horizontal competition with Foshan Electrical and Lighting from the future promises and the relevant enterprises on the products or business, the commitment maker following measures to solve the problem: (1) when commits to adopt the Foshan Electrical and Lighting considers it is necessary, the Company and the relevant enterprises would decrease the shareholding until entirely completes the transfer of the held relevant assets and business; (2) when Foshan Electrical and Lighting considers it is necessary, should take preference to purchase the relevant assets and business held by the commitment maker and the relevant enterprises through appropriate methods; 2.each commitment made by the commitment maker on eliminating or avoiding the horizontal competition is also adapted to the subordinate enterprises directly or indirectly controlled by the commitment maker and the Company owns the obligation to urge and ensure the other subordinate enterprises to carry out each events and arrangement stated on the document and to strictly abide to the whole</p>	
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				commitments. 3. If the commitment maker or the subordinate enterprises directly or indirectly controlled by the company violated the above commitments that led to the losses of Foshan Electrical and Lighting, the commitment maker should pay for the reasonable compensation.”	
Related-party transactions	Guangdong Electronics Information Industry Group Ltd., Shenzhen Rising Investment Development Co., Ltd., Hong Kong Rising Investment Development Limited	Local SASAC	Related-party transactions existed between some enterprises controlled by the controlling shareholders and the Company	The controlling shareholders committed: 1. guaranteed to strictly abide by the each regulation from the CSRC, the normative laws documents of SZSE and the Articles of Association of Foshan Electrical and Lighting. Among the production and operating activities since then, the promisee would not take advantage of the position of the controlling shareholders and the actual controller to carry out any behavior that harm the benefits of Foshan Electrical and Lighting and other shareholders; 2. the promisee and the other subsidiaries, the branch companies, the joint ventures or associated companies (hereinafter referred to as the “relevant enterprises”) will try their best to avoid and reduce the related transactions with Foshan Electrical and Lighting and its subsidiaries; 3. as for the related transactions which	Ongoing

				<p>are indeed necessary and could not be avoided between the promisee, the relevant enterprises and Foshan Electrical and Lighting, will strictly abide by the market principles of fairness, justice with valuable consideration. When the Annual General Meeting or the Board of Directors is executing the voting on the related transactions which involved with the promisee and the relevant enterprises, should execute the obligation of avoiding the voting and at the same time execute the transactions vetting process as well as the information disclosure obligations according to the relevant laws and regulations and the normative documents. If violated the above commitments and caused the losses to Foshan Electrical and Lighting as well as the subsidiaries and other shareholders, the promisee should assume compensation liability.</p>	
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#### IV Annual and Special General Meetings Convened during the Reporting Period

##### 1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The 2017 Annual General Meeting	Annual General Meeting	38.37%	26 April 2018	27 April 2018	Announcement on Resolutions of 2017 Annual General Meeting

					(No. 2018-009) disclosed on www.cninfo.com.cn
The 1 <sup>st</sup> Extraordinary General Meeting of 2018	Extraordinary General Meeting	38.43%	24 July 2018	25 July 2018	Announcement on Resolutions of the 1 <sup>st</sup> Extraordinary General Meeting of 2018 (No. 2018-025) disclosed on www.cninfo.com.cn

## 2. Special General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable  Not applicable

## V Performance of Duty by Independent Directors in the Reporting Period

### 1. Attendance of Independent Directors at Board Meetings and General Meetings

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Zhang Nan	8	2	6	0	0	No	1
Lu Rui	8	1	7	0	0	No	0
Lyu Wei	8	0	7	1	0	No	0

### 2. Objections Raised by Independent Directors on Matters of the Company

Indicate by tick mark whether any independent directors raised any objections on any matter of the Company.

Yes  No

No such cases in the Reporting Period.

### 3. Other Information about the Performance of Duty by Independent Directors

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

Yes  No

Suggestions from independent directors adopted or not adopted by the Company:

During the Reporting Period, in accordance with the requirements of Company Law, Code of Governance of

Listed Companies, Guidance on the Establishment of the Independent Directors System of the Listed Companies, Articles of Association and relevant systems, the independent directors of the Company attended the board sessions held during the Reporting Period, carefully reviewed the proposals proposed on the sessions, paid attention to the operation of the Company, performed the duties sincerely and diligently, and issued independent opinion on purchase of financial products, related-party transactions, profit distribution, etc., as well as proposed precious advices on perfection of systems and decision of routine operation of the Company, so as to play an active role in protecting the legal right of the Company and its shareholders.

## **VI Performance of Duty by Specialized Committees under the Board in the Reporting Period**

### **(I) Work Accomplished by the Audit Committee**

According to the related provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange, as well as the Rules of Implementation for the Audit Committee of the Board, the Audit Committee diligently performed the following work duties:

On 15 March 2018, the Audit Committee convened to discuss and approve the following topics:

- (1) 2017 financial audit and internal control audit report of the Company;
- (2) The proposal for renewing the engagement of accounting firm;

Considering that Beijing Zhongzheng Tiantong Certified Public Accountants (LLP) is professional and experienced in financial audit of listed companies, and performed its duties diligently in the Company's financial audit work and internal control audit work in 2017, playing the role of the auditing agency well. Moreover, after a year of auditing, it is familiar with the Company's business development and financial status. Therefore, the Audit Committee proposed to continue to employ Beijing Zhongzheng Tiantong Certified Public Accountants (special ordinary partnership) as the annual financial auditing agency and internal control auditing agency of the Company in 2018.

- (3) 2017 annual work report and 2018 work plan of the Audit Department.

### **(II) The work of the Remuneration and Assessment Committee**

On 15 March 2018, the Remuneration and Assessment Committee of the Board of Directors convened a meeting to assess of the remuneration of the senior management of the Company based on the major financial indicators and business objectives of the Company in 2017, the scope of work and major responsibilities of the senior management of the Company and the indicators of assessment system related to the senior management's job performance. It was considered that the remuneration of the senior management personnel of the Company in 2017 was determined based on the principle of "Remuneration Plan for Senior Management" and the relevant regulations of "Remuneration System" of the Company. The implementation of the Company's accrued incentive fund was in line with the "Establishment of Equity Incentive System for Middle and Senior Management" which was reviewed and approved at the general meeting of shareholders. The incentives implemented by the Company for middle and senior management personnel, business and technology elites was legal and reasonable, and it was conducive to improve the integration of interests of the management and the Company as well as shareholders.

## **VII Performance of Duty by the Supervisory Committee**

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

Yes  No

The Supervisory Committee raised no objections in the Reporting Period.

## VIII Appraisal of and Incentive for Senior Management

The senior management of the Company is appointed by the Board of Directors, evaluated by the Remuneration and Appraisal Committee of the Board of Directors according to their work abilities, duty performance and fulfillment of the operating performance management, and paid according to Establishing Equity Incentive System for Middle and Senior Management and Remuneration System of the company considered and passed at the Annual Shareholders' General Meeting of the Company in 2001, the Remuneration Plan for Executive Officers considered and approved by the Board and salary system of the Company.

## IX Internal Control

### 1. Material Internal Control Weaknesses Identified for the Reporting Period

Yes  No

### 2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	29 March 2019	
Index to the disclosed internal control self-evaluation report	See <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> for the Internal Control Self-Evaluation Report 2018	
Evaluated entities' combined assets as % of consolidated total assets		100.00%
Evaluated entities' combined operating revenue as % of consolidated operating revenue		100.00%
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	Defect with one of the following characteristics should be recognized as a serious defect: 1. the defect involved with the malpractices of the Directors, the Supervisors and the Senior Executives; 2. the controlled environment is invalid; 3. the CPA discovered any significant misstatement from the current financial report while the internal control could not discover the mistake during the operating process; 4. the supervision from the Corporate Audit Committee and the internal audit institution on the internal control. If there met with one of the situation of the	Defect with one of the following characteristics should be recognized as a serious defect: 1. being punished for seriously violating the national laws, the administrative laws and regulations and the normative documents; 2. the Company suffers a serious economic loss due to any serious errors made in decision-making caused by serious lack of decision-making procedures on significant events or unfair decision-making; 3. the Company's reputation has been unreparably damaged by any conduct in violation of laws and

	<p>following, should be recognized as an important defect: 1. the recognized important defect is not solved during the reasonable period; 2. corrects the published financial report; 3. the function of the internal audit of the Company is invalid; 4. the control of whether execute the selection and the application of the accounting policies according to the Generally Accepted Accounting Principles is invalid.</p>	<p>regulations which produces a far-reaching negative impact and draws the public's attention widely; 4. the major business involved with the production and operating of the Company lack of the system control or the system control is invalid; 5. the results of the internal control assessment turn out to include any serious defects and such defects fail to be rectified effectively within 12 months. Defects with the following characteristics should be recognized as important defects: 1. owing to partly lack of the decision-making process on significant events and the undemocratic decision-making process which caused the decision-making mistake that led the Company face with certain economic losses; 2. the negative influences owing to the unlawful acts and the irregularities h involve with wide range and cause public concern among the partial regions which bring certain harms to the reputation of the Company; 3. the system of the major business involved with the production and operating of the Company is incomplete or partially invalid; 4. the results of the internal control assessment turn out to include any serious defects and such defects fail to be rectified effectively within 6 months.</p>
<p>Quantitative standard</p>	<p>Based on the data of the 2018 consolidated statements, the quantitative criterion of confirming the important degree of the misstatement (including the false negatives) from of the consolidated statements of the listed companies is as follows: serious defect: misstatement<math>\geq</math>1.0% of the total assets amount; important defects: 0.5% of the total assets amount <math>\leq</math>misstatement<math>&lt;</math>1.0% of the total assets amount; common defects: misstatement <math>&lt;</math> 0.5% of the total assets amount.</p>	<p>According to the quantitative criterion of the internal control defects of the financial report, the quantitative criterion of the internal control defects assessment of the non-financial report confirmed by the Company is as follows: serious defect: misstatement<math>\geq</math>1.0% of the total assets amount; important defects: 0.5% of the total assets amount <math>\leq</math>misstatement<math>&lt;</math>1.0% of the total assets amount; common defects: misstatement<math>&lt;</math>0.5% of the total assets amount.</p>
<p>Number of material weaknesses in internal control over financial reporting</p>	<p>0</p>	

Number of material weaknesses in internal control not related to financial reporting	0
Number of serious weaknesses in internal control over financial reporting	0
Number of serious weaknesses in internal control not related to financial reporting	0

## X Independent Auditor's Report on Internal Control

Applicable  Not applicable

Opinion paragraph in the independent auditor's report on internal control	
Beijing Zhongzheng Tiantong Certified Public Accountants LLP considered that: Foshan Electrical and Lighting Co., Ltd. maintained effective internal control of the financial report in all significant aspects on 31 December 2018 according to the Basic Standards for Internal Control and relevant regulations.	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	29 March 2019
Index to such report disclosed	See <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> for the Auditor's Report on Internal Control
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate by tick mark whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

Yes  No

Indicate by tick mark whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

Yes  No

## **Part X Corporate Bonds**

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No.

## Part XI Financial Statements

### I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of signing this report	27 March 2019
Name of the independent auditor	Beijing Zhongzheng Tiantong Certified Public Accountants LLP
No. of independent auditor's report	ZZTT (2019) Auditor's Report No. 0701004
Names of certified public accountants	Tong Quanyong, Luo Dongri

Text of the Independent Auditor's Report

## Independent Auditor's Report

ZZTT (2019) Auditor's Report No. 0701004

**To the Shareholders of Foshan Electrical and Lighting Co., Ltd.**

### I Opinion

We have audited the financial statements of Foshan Electrical and Lighting Co., Ltd. (the "Company"), which comprise the consolidated balance sheets and balance sheet of the company as the parent as of 31 December 2018, the consolidated income statement and income statement of the company as the parent, consolidated cash flow statement and cash flow statement of the company as the parent and consolidated statement of changes in owners' equity and statement of changes in owners' equity of the company as the parent for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at 31 December 2018, and the consolidated and the company as the parent operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

### II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with

the said Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **III Key Audit Matters**

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

#### **(I) Recognition of Revenue**

##### **1. Event description**

The Company is mainly engaged in the research and development, production and sales of lighting products. As stated in the notes “III. Significant Accounting Policies and Accounting Estimation (XXII)” and “V. Notes on the Key Items in the Consolidated Financial Statements (II)” to the consolidated financial statements, the Company takes the transfer of major risks and remunerations in respect of commodity ownership to the buyers as the recognition time of revenue. In addition, it has formulated specific policies for the recognition of revenue for different types of business with revenue. In 2018, it achieved an operating revenue of RMB3,801,955,946.76. As operating revenue is one of the key performance indicators of The Company and there are hereditary risks of the revenue being manipulated to achieve the objective or expected level, we identify the recognition of revenue as a key audit event.

##### **2. Audit response**

With regard to FSL’s revenue recognition, we mainly implemented the following procedures:

- (1) We have learned about and tested the effectiveness of the design and implementation of key internal control in respect of the recognition of revenue to ensure the effectiveness of internal control.
- (2) We obtained sales contracts and sales order ledgers and selected some contracts to check the key terms, such as delivery and acceptance, payment and settlement, replacement and returns policies, etc.;
- (3) obtained credit limits for trade customers and approval records for the credit limits to check whether there had been any credit sale business without approval;
- (4) checked the business registration information of the trade customers, obtained and checked the list of related parties through the National Enterprise Credit Information Publicity System to identify whether the Company was related to any of its trade customers.
- (5) We selected the Company’s revenue and trading samples and verified invoices, shipping documents and customs declaration documents for export;
- (6) obtained the records of returns and replacement to check whether there had been any significant abnormal returns or replacement.
- (7) By reference to the audit procedures for other revenue, we identified the authenticity and completeness of the revenue for the current period, such as the inspection of periodic letters of reconciliation and records of post-period payment returns; and verified the balance of accounts receivable with the trade customers through letters of confirmation.

#### **(II) Provision for Falling Prices in Inventory**

##### **1. Event description**

As stated in the notes “III. Significant Accounting Policies and Accounting Estimation (XI)” and “V. Notes on the Key Items in the Consolidated Financial Statements (V)” to the consolidated financial statements, on the balance sheet date, the Company adopted the measurement method of inventories according to the lower of inventory cost and net realizable value, and on 31 December 2018, the inventory value of the Company was RMB767,319,599.00. In view of the big inventory value of the Company and as the recognition of the net realizable value of inventories involves the estimation and judgment of the management, we identify the withdrawal of provision for falling prices in inventory as a key audit event.

## 2. Audit response

With regard to FSL’s inventory valuation allowances, we mainly implemented the following procedures:

(1) We have learned about and tested the effectiveness of the design and implementation of key internal control in respect of the withdrawal of provision for falling prices in inventory to ensure the effectiveness of internal control.

(2) We obtained the policies on the withdrawal of provision for falling prices in inventory to analyze and evaluate their reasonableness.

(3) We obtained the statement on the withdrawal of provision for falling prices in inventory to check and determine whether the data source of the net realizable value of inventories was reasonable and recalculate whether the withdrawal amount of provision for falling prices in inventory was accurate.

(4) By reference to the counting of inventories, we observed the inventory storage place and conditions to identify any dead, damaged or defective inventories.

(5) We obtained the product profitability analysis table and sales price adjustment documents to analyze and calculate the unit sale price and changes in gross profits in respect of key products and conduct a general analysis on the reasonableness of the proportion and amount of the withdrawal of provision for falling prices in inventory.

## IV Other Information

The Company’s management is responsible for the other information. The other information comprises all of the information included in the Company’s 2018 Annual Report other than 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 Management and Those Charged with Governance for Financial Statements

The Company’s management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of 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 the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **VI Auditor's Responsibilities for Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CAS 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 CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should express modified 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 the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the

direction, supervision and performance of the Company 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 noteworthy 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.

**Beijing Zhongzheng Tiantong Certified  
Public Accountants LLP**

**Beijing ·China**

**Chinese CPA:  
(Engagement Partner)**

**Tong Quanyong**

**Chinese CPA:**

**Luo Dongri**

**27 March 2019**

## II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

### 1. Consolidated Balance Sheet

Prepared by Foshan Electrical and Lighting Co., Ltd.

Unit: RMB

Item	31 December 2018	31 December 2017
Current assets:		
Monetary capital	896,646,719.87	570,184,208.96
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes and accounts receivable	941,927,209.55	824,659,624.97
Including: Notes receivable	107,506,613.50	68,368,192.41
Accounts receivable	834,420,596.05	756,291,432.56
Prepayments	13,811,905.18	33,095,313.35
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	21,745,690.53	33,643,667.01
Including: Interest receivable	5,152,364.04	12,428,451.86
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	767,319,599.00	746,466,889.87
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	864,093,663.30	1,006,062,102.56
Total current assets	3,505,544,787.43	3,214,111,806.72
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	897,716,590.20	1,390,581,536.60
Held-to-maturity investments		

Long-term receivables		
Long-term equity investments	182,458,559.69	179,414,105.14
Investment property		
Fixed assets	512,106,912.39	483,520,866.64
Construction in progress	224,624,447.16	162,814,991.68
Productive living assets		
Oil and gas assets		
Intangible assets	172,725,277.21	155,544,720.36
R&D expense		
Goodwill		
Long-term prepaid expense	6,852,985.35	9,088,933.56
Deferred income tax assets	37,831,704.45	37,675,828.79
Other non-current assets	48,305,435.42	43,059,034.80
Total non-current assets	2,082,621,911.87	2,461,700,017.57
Total assets	5,588,166,699.30	5,675,811,824.29
Current liabilities:		
Short-term borrowings		
Borrowings from central bank		
Customer deposits and interbank deposits		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss	477,200.00	
Derivative financial liabilities		
Notes and accounts payable	985,280,820.92	539,303,554.54
Advances from customers	43,850,788.04	48,706,778.49
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	96,088,621.59	81,948,630.59
Taxes payable	25,354,466.37	27,350,670.40
Other payables	43,115,011.68	40,548,489.03
Including: Interest payable		
Dividends payable		
Reinsurance payables		

Insurance contract reserve		
Payables for acting trading of securities		
Payables for underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,194,166,908.60	737,858,123.05
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	155,000.31	11,858,330.49
Deferred income tax liabilities	52,530,509.00	126,460,250.96
Other non-current liabilities		
Total non-current liabilities	52,685,509.31	138,318,581.45
Total liabilities	1,246,852,417.91	876,176,704.50
Owners' equity:		
Share capital	1,399,346,154.00	1,272,132,868.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	158,608,173.07	285,821,459.07
Less: Treasury stock		
Other comprehensive income	297,667,872.80	716,607,333.78
Specific reserve		
Surplus reserves	809,456,186.20	772,953,002.36
General reserve		
Retained earnings	1,654,181,032.39	1,731,600,796.18
Total equity attributable to owners of the Company as the parent	4,319,259,418.46	4,779,115,459.39

Non-controlling interests	22,054,862.93	20,519,660.40
Total owners' equity	4,341,314,281.39	4,799,635,119.79
Total liabilities and owners' equity	5,588,166,699.30	5,675,811,824.29

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

## 2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2018	31 December 2017
Current assets:		
Monetary capital	848,949,693.91	502,169,100.40
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes and accounts receivable	900,843,331.26	814,698,352.02
Including: Notes receivable	104,945,398.61	67,268,192.41
Accounts receivable	795,897,932.65	747,430,159.61
Prepayments	25,444,445.34	70,580,941.09
Other receivables	43,538,848.72	51,918,913.09
Including: Interest receivable	5,152,364.04	9,744,035.20
Dividends receivable		
Inventories	692,681,479.03	670,527,529.71
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	856,504,839.81	777,495,203.31
Total current assets	3,367,962,638.07	2,887,390,039.62
Non-current assets:		
Available-for-sale financial assets	897,716,590.20	1,390,581,536.60
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	466,251,661.95	663,207,207.40
Investment property		
Fixed assets	427,947,613.74	404,667,257.11
Construction in progress	222,570,503.14	161,024,975.28
Productive living assets		
Oil and gas assets		

Intangible assets	129,452,067.42	112,251,734.86
R&D expense		
Goodwill		
Long-term prepaid expense	5,106,268.25	8,209,699.77
Deferred income tax assets	35,908,741.15	32,985,075.62
Other non-current assets	46,852,235.42	42,661,573.80
Total non-current assets	2,231,805,681.27	2,815,589,060.44
Total assets	5,599,768,319.34	5,702,979,100.06
Current liabilities:		
Short-term borrowings		
Financial liabilities at fair value through profit or loss	477,200.00	
Derivative financial liabilities		
Notes and accounts payable	1,134,173,851.66	719,912,246.75
Advances from customers	41,912,301.85	47,306,971.94
Payroll payable	84,220,746.16	60,345,714.81
Taxes payable	17,528,644.83	13,294,037.24
Other payables	114,073,355.23	96,824,757.90
Including: Interest payable		
Dividends payable		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,392,386,099.73	937,683,728.64
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income		11,548,330.26
Deferred income tax liabilities	52,530,509.00	126,460,250.96

Other non-current liabilities		
Total non-current liabilities	52,530,509.00	138,008,581.22
Total liabilities	1,444,916,608.73	1,075,692,309.86
Owners' equity:		
Share capital	1,399,346,154.00	1,272,132,868.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	166,211,779.15	293,425,065.15
Less: Treasury stock		
Other comprehensive income	297,672,884.34	716,608,088.78
Specific reserve		
Surplus reserves	809,456,186.20	772,953,002.36
Retained earnings	1,482,164,706.92	1,572,167,765.91
Total owners' equity	4,154,851,710.61	4,627,286,790.20
Total liabilities and owners' equity	5,599,768,319.34	5,702,979,100.06

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

### 3. Consolidated Income Statement

Unit: RMB

Item	2018	2017
1. Revenue	3,801,955,946.76	3,800,188,261.54
Including: Operating revenue	3,801,955,946.76	3,800,188,261.54
Interest income		
Premium income		
Handling charge and commission income		
2. Costs and expenses	3,434,851,843.15	3,451,947,340.47
Including: Cost of sales	2,922,833,510.40	2,940,069,129.71
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		

Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	36,377,330.18	38,737,499.83
Selling expense	237,485,389.89	213,812,639.74
Administrative expense	173,871,085.61	179,002,806.58
R&D expense	52,726,585.28	34,578,167.96
Finance costs	-26,115,179.16	10,972,282.52
Including: Interest expense	371,567.15	
Interest income	11,450,858.00	9,311,141.78
Asset impairment loss	37,673,120.95	34,774,814.13
Add: Other income	31,210,613.26	6,876,386.18
Investment income (“-” for loss)	53,329,524.74	522,604,626.66
Including: Share of profit or loss of joint ventures and associates	6,165,040.30	2,222,185.57
Gain on changes in fair value (“-” for loss)	-477,200.00	
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)	-78,039.44	-10,790.68
3. Operating profit (“-” for loss)	451,089,002.17	877,711,143.23
Add: Non-operating income	3,808,610.50	3,420,866.46
Less: Non-operating expense	3,827,826.27	8,329,138.20
4. Profit before tax (“-” for loss)	451,069,786.40	872,802,871.49
Less: Income tax expense	71,919,450.25	126,982,552.23
5. Net profit (“-” for net loss)	379,150,336.15	745,820,319.26
5.1 Net profit from continuing operations (“-” for net loss)	379,150,336.15	745,820,319.26
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	377,615,133.62	740,308,725.30
Net profit attributable to non-controlling interests	1,535,202.53	5,511,593.96

6. Other comprehensive income, net of tax	-418,939,460.98	-417,364,038.47
Attributable to owners of the Company as the parent	-418,939,460.98	-417,364,038.47
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-418,939,460.98	-417,364,038.47
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		-21,831,908.42
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-418,935,204.44	-395,531,375.05
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	-4,256.54	-755.00
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	-39,789,124.83	328,456,280.79
Attributable to owners of the Company as the parent	-41,324,327.36	322,944,686.83
Attributable to non-controlling interests	1,535,202.53	5,511,593.96
8. Earnings per share		
8.1 Basic earnings per share	0.2699	0.5290

8.2 Diluted earnings per share	0.2699	0.5290
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Where business combinations under common control occurred in the current period, the net profit achieved by the acquirees before the combinations was RMB0.00, with the amount for last year being RMB0.00.

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

#### 4. Income Statement of the Company as the Parent

Unit: RMB

Item	2018	2017
1. Operating revenue	3,702,821,298.76	3,708,507,664.85
Less: Cost of sales	2,937,650,787.51	2,969,826,402.98
Taxes and surcharges	27,577,025.83	26,665,351.14
Selling expense	209,377,549.84	194,724,192.62
Administrative expense	157,272,662.59	156,867,996.54
R&D expense	51,004,161.82	30,347,513.45
Finance costs	-25,129,599.00	11,678,797.13
Including: Interest expense	371,567.15	
Interest income	10,435,158.99	8,575,017.55
Asset impairment loss	37,157,044.60	31,993,956.76
Add: Other income	28,953,872.06	5,041,565.24
Investment income (“-” for loss)	81,803,713.29	514,832,777.29
Including: Share of profit or loss of joint ventures and associates	6,165,040.30	2,222,185.57
Gain on changes in fair value (“-” for loss)	-477,200.00	
Asset disposal income (“-” for loss)		
2. Operating profit (“-” for loss)	418,192,050.92	806,277,796.76
Add: Non-operating income	3,361,305.10	3,066,550.72
Less: Non-operating expense	3,284,428.73	3,305,063.89
3. Profit before tax (“-” for loss)	418,268,927.29	806,039,283.59
Less: Income tax expense	53,237,088.87	109,455,530.30
4. Net profit (“-” for net loss)	365,031,838.42	696,583,753.29
4.1 Net profit from continuing operations (“-” for net loss)	365,031,838.42	696,583,753.29
4.2 Net profit from discontinued operations (“-” for net loss)		

5. Other comprehensive income, net of tax	-418,935,204.44	-417,363,283.47
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-418,935,204.44	-417,363,283.47
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		-21,831,908.42
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-418,935,204.44	-395,531,375.05
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	-53,903,366.02	279,220,469.82
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	2018	2017
1. Cash flows from operating activities:		

Proceeds from sale of commodities and rendering of services	3,605,503,899.24	3,619,290,013.43
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates	143,119,777.70	112,779,670.77
Cash generated from other operating activities	95,378,324.30	60,474,356.68
Subtotal of cash generated from operating activities	3,844,002,001.24	3,792,544,040.88
Payments for commodities and services	2,142,755,608.20	2,448,023,788.20
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	645,756,586.20	687,278,446.70
Taxes paid	222,679,823.50	213,491,815.63
Cash used in other operating activities	214,822,496.29	227,928,797.56

Subtotal of cash used in operating activities	3,226,014,514.19	3,576,722,848.09
Net cash generated from/used in operating activities	617,987,487.05	215,821,192.79
2. Cash flows from investing activities:		
Proceeds from disinvestment	220,000,000.00	167,044,960.00
Investment income	51,208,590.20	197,311,986.47
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	507,597.20	1,739,927.00
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	271,716,187.40	366,096,873.47
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	168,587,186.18	223,289,509.83
Payments for investments	80,000,000.00	723,604,335.25
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	248,587,186.18	946,893,845.08
Net cash generated from/used in investing activities	23,129,001.22	-580,796,971.61
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Increase in borrowings obtained		
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayment of borrowings		
Payments for interest and dividends	418,531,713.57	539,956,095.34

Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	418,531,713.57	539,956,095.34
Net cash generated from/used in financing activities	-418,531,713.57	-539,956,095.34
4. Effect of foreign exchange rate changes on cash and cash equivalents	2,516,772.72	-4,167,559.42
5. Net increase in cash and cash equivalents	225,101,547.42	-909,099,433.58
Add: Cash and cash equivalents, beginning of the period	570,184,208.96	1,479,283,642.54
6. Cash and cash equivalents, end of the period	795,285,756.38	570,184,208.96

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

## 6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2018	2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	3,483,708,617.22	3,498,984,831.17
Tax rebates	143,095,603.13	112,779,670.77
Cash generated from other operating activities	83,179,427.33	54,666,997.92
Subtotal of cash generated from operating activities	3,709,983,647.68	3,666,431,499.86
Payments for commodities and services	2,348,474,172.05	2,825,997,236.90
Cash paid to and for employees	408,213,944.72	303,882,045.65
Taxes paid	136,626,264.27	103,612,962.70
Cash used in other operating activities	191,822,944.12	237,297,152.74
Subtotal of cash used in operating activities	3,085,137,325.16	3,470,789,397.99
Net cash generated from/used in operating activities	624,846,322.52	195,642,101.87
2. Cash flows from investing activities:		
Proceeds from disinvestment	200,000,000.00	167,044,960.00

Investment income	76,706,836.19	205,798,152.73
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		1,693,927.00
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	276,706,836.19	374,537,039.73
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	160,084,524.03	206,165,249.35
Payments for investments	80,000,000.00	558,800,147.75
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	240,084,524.03	764,965,397.10
Net cash generated from/used in investing activities	36,622,312.16	-390,428,357.37
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained		
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayment of borrowings		
Payments for interest and dividends	418,531,713.57	534,295,804.56
Cash used in other financing activities		
Sub-total of cash used in financing activities	418,531,713.57	534,295,804.56
Net cash generated from/used in financing activities	-418,531,713.57	-534,295,804.56
4. Effect of foreign exchange rate changes on cash and cash equivalents	2,482,708.91	-4,166,804.42
5. Net increase in cash and cash	245,419,630.02	-733,248,864.48

equivalents		
Add: Cash and cash equivalents, beginning of the period	502,169,100.40	1,235,417,964.88
6. Cash and cash equivalents, end of the period	747,588,730.42	502,169,100.40

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

## 7. Consolidated Statements of Changes in Owners' Equity

2018

Unit: RMB

Item	2018												
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
		Preferred shares	Perpetual bonds	Other									
1. Balances as at the end of the prior year	1,272,132,868.00				285,821,459.07		716,607,333.78		772,953,002.36		1,731,600,796.18	20,519,660.40	4,799,635,119.79
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business combinations under common control													
Other adjustments													
2. Balances as at the beginning of the year	1,272,132,868.00				285,821,459.07		716,607,333.78		772,953,002.36		1,731,600,796.18	20,519,660.40	4,799,635,119.79
3. Increase/decrease in the period ("-" for decrease)	127,213,286.00				-127,213,286.00		-418,939,460.98		36,503,183.84		-77,419,763.79	1,535,202.53	-458,320,838.40
3.1 Total							-418,939,460.98				377,615	1,535,202.53	-39,789,

comprehensive income							9,460.98				,133.62	02.53	124.83
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other													
3.3 Profit distribution									36,503,183.84		-455,034,897.41		-418,531,713.57
3.3.1 Appropriation to surplus reserves									36,503,183.84		-36,503,183.84		
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-418,531,713.57		-418,531,713.57
3.3.4 Other													
3.4 Transfers within owners' equity	127,213,286.00					-127,213,286.00							
3.4.1 Increase in capital (or share capital) from capital reserves	127,213,286.00					-127,213,286.00							
3.4.2 Increase in capital (or share capital) from surplus reserves													

3.4.3 Loss offset by surplus reserves													
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings													
3.4.5 Other													
3.5 Specific reserve													
3.5.1 Increase in the period													
3.5.2 Used in the period													
3.6 Other													
4. Balances as at the end of the period	1,399,346,154.00				158,608,173.07		297,667,872.80		809,456,186.20		1,654,181,032.39	22,054,862.93	4,341,314,281.39

2017

Unit: RMB

Item	2017												Non-controlling interests	Total owners' equity
	Equity attributable to owners of the Company as the parent													
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings			
	Preferred shares	Perpetual bonds	Other											
1. Balances as at the end of the prior year	1,272,132,868.00				285,821,459.07		1,133,971,372.25		733,924,951.81		1,564,615,925.99	15,008,066.44	5,005,474,643.56	
Add: Adjustments for changed accounting policies														
Adjustments for corrections of previous errors														
Adjustments for														

business combinations under common control													
Other adjustments													
2. Balances as at the beginning of the year	1,272,132,868.00				285,821,459.07		1,133,971,372.25		733,924,951.81		1,564,615,925.99	15,008,066.44	5,005,474,643.56
3. Increase/decrease in the period (“-” for decrease)							-417,364,038.47		39,028,050.55		166,984,870.19	5,511,593.96	-205,839,523.77
3.1 Total comprehensive income							-417,364,038.47				740,308,725.30	5,511,593.96	328,456,280.79
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other													
3.3 Profit distribution									39,028,050.55		-573,323,855.11		-534,295,804.56
3.3.1 Appropriation to surplus reserves									39,028,050.55		-39,028,050.55		
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to											-534,295,804.5		-534,295,804.5

owners (or shareholders)											6	6	
3.3.4 Other													
3.4 Transfers within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Loss offset by surplus reserves													
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings													
3.4.5 Other													
3.5 Specific reserve													
3.5.1 Increase in the period													
3.5.2 Used in the period													
3.6 Other													
4. Balances as at the end of the period	1,272,132,868.00				285,821,459.07		716,607,333.78		772,953,002.36		1,731,600,796.18	20,519,660.40	4,799,635,119.79

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

## 8. Statements of Changes in Owners' Equity of the Company as the Parent

2018

Unit: RMB

Item	2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury	Other comprehensive	Specific reserve	Surplus reserves	Retained	Total owners'
		Preferred	Perpetual	Other							

		ed shares	al bonds			stock	nsive income			earnings	equity
1. Balances as at the end of the prior year	1,272,132,868.00				293,425,065.15		716,608,088.78		772,953,002.36	1,572,167,765.91	4,627,286,790.20
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as at the beginning of the year	1,272,132,868.00				293,425,065.15		716,608,088.78		772,953,002.36	1,572,167,765.91	4,627,286,790.20
3. Increase/decrease in the period ("-" for decrease)	127,213,286.00				-127,213,286.00		-418,935,204.44		36,503,183.84	-90,003,058.99	-472,435,079.59
3.1 Total comprehensive income							-418,935,204.44			365,031,838.42	-53,903,366.02
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit distribution									36,503,183.84	-455,034,897.41	-418,531,713.57

3.3.1 Appropriation to surplus reserves									36,503,18 3.84	-36,503, 183.84		
3.3.2 Appropriation to owners (or shareholders)										-418,53 1,713.5 7	-418,531, 713.57	
3.3.3 Other												
3.4 Transfers within owners' equity	127,213, 286.00										-127,213, 286.00	
3.4.1 Increase in capital (or share capital) from capital reserves	127,213, 286.00										-127,213, 286.00	
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.4 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	1,399,34 6,154.00					166,211,7 79.15		297,672,8 84.34		809,456,1 86.20	1,482,1 64,706. 92	4,154,851 ,710.61

2017

Unit: RMB

Item	2017									
	Share	Other equity instruments	Capital	Less:	Other	Specific	Surplus	Retaine	Total	

	capital	Preferred shares	Perpetual bonds	Other	reserves	Treasury stock	comprehensive income	reserve	reserves	deducted earnings	owners' equity
1. Balances as at the end of the prior year	1,272,132,868.00				293,425,065.15		1,133,971,372.25		733,924,951.81	1,448,907,867.73	4,882,362,124.94
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as at the beginning of the year	1,272,132,868.00				293,425,065.15		1,133,971,372.25		733,924,951.81	1,448,907,867.73	4,882,362,124.94
3. Increase/decrease in the period (“-” for decrease)							-417,363,283.47		39,028,050.55	123,259,898.18	-255,075,334.74
3.1 Total comprehensive income							-417,363,283.47			696,583,753.29	279,220,469.82
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit distribution									39,028,050.55	-573,323,855.1	-534,295,804.56

											1
3.3.1 Appropriation to surplus reserves									39,028,050.55	-39,028,050.55	
3.3.2 Appropriation to owners (or shareholders)										-534,295,804.56	-534,295,804.56
3.3.3 Other											
3.4 Transfers within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Loss offset by surplus reserves											
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Increase in the period											
3.5.2 Used in the period											
3.6 Other											
4. Balances as at the end of the period	1,272,132,868.00				293,425,065.15		716,608,088.78		772,953,002.36	1,572,167,765.91	4,627,286,790.20

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

### III Company profile

Foshan Electrical and Lighting Co., Ltd. (hereinafter referred to as “the Company”), a joint-stock limited company jointly founded by Foshan Electrical and Lighting Company, Nanhai Wuzhuang Color Glazed Brick Field, and Foshan Poyang Printing Industrial Co. on 20 October 1992 by raising funds under the approval of YGS (1992) No. 63 Document issued by the Joint Examination Group for Experimental Enterprises in Stock System of Guangdong Province and the Economic System Reform Commission of Guangdong Province, is an enterprise with its shares held by both the corporate and the natural persons. As approved by China Securities Regulatory Commission with Document (1993) No. 33, the Company publicly issued 19.3 million shares of social public shares (A shares) to the public in October 1993, and was listed in Shenzhen Stock Exchange for trade on 23 November 1993. The Company was approved to issue 50,000,000 B shares on 23 July 1995. And, as approved to change into a foreign-invested stock limited company on 26 August 1996 by (1996) WJMZEHZ No. 466 Document issued by the Ministry of Foreign Trade and Economic Cooperation of the People’s Republic of China. On 11 December 2000, as approved by China Securities Regulatory Commission with ZJGS Zi [2000] No. 175 Document, the Company additionally issued 55,000,000 A shares. At approved by the Shareholders’ General Meeting 2006, 2007, 2008, 2014 and 2017 the Company implemented the plan of capitalization of capital reserve, after the transfer, the registered capital of the Company has increased to RMB1,399,346,154.00.

Credibility code of the Company: 91440000190352575W.

Legal representative: Mr. He Yong

Address: No. 64, Fenjiang North Road, Foshan, Guangdong Province

Main business of the company and its subsidiaries (hereinafter referred to as “the Company”): lighting products and electro technical products.

The business term of the Company is long-term, which was calculated from the date of issuance of License of Business Corporation.

The Financial Report was approved and authorized for issue by the Board of Directors on 27 March 2019.

The consolidation scope of the financial statement during the Reporting Period including the Company and the 10 subordinate subsidiaries such as FSL Chanchang Optoelectronics Co., Ltd. ( referred to as “Chanchang Company”), Foshan Chansheng Electronic Ballast Co., Ltd. ( referred to as “Chansheng Company”), Foshan Taimei Times Lamps and Lanterns Co., Ltd. ( referred to as “Taimei Company”), Nanjing Fozhao Lighting Components Co., Ltd. ( referred to as “Nanjing Fozhao”), FSL (Xinxiang) Lighting Co., Ltd. ( referred to as “Xinxiang Company”), Foshan Electrical and Lighting New Light Source Technology Co., Ltd. ( referred to as “New Light Source Company”), Foshan Lighting Lamps & Components Co., Ltd. ( referred to as “Lamps & Components Company”) and FSL Zhida Electric Technology Co., Ltd ( referred to as “Zhida Electric Technology”), and FSL LIGHTING GmbH (referred to as “FSL LIGHTING”) and Guangdong Fozhao Financial Leasing Co., Ltd. ( referred to as “Leasing Company”).

For details, see relevant contents in Note VIII “Changes in the consolidation scope”, and Note IX “Equities in other entities”

### IV Basis for Preparation of Financial Statements

#### 1. Preparation Basis

The financial statements of the Company are based on the continuing operation, and are confirmed and measured according to the actual transactions and events, the Accounting Standards for Business Enterprises - Basic Standards, other various specific accounting standards, the application guide, the interpretation of accounting standards for business enterprises (hereinafter referred to as the Accounting Standards for Business Enterprises). And based on the following important accounting policies, and accounting estimations, they are prepared

according to the relevant regulations of Rules for the Information Disclosure of Companies Publicly Issuing Securities No. 15 - General Provisions on Financial Reporting of China Securities Regulatory Commission (Revised in 2014). Except the Cash Flow Statement prepared under the principle of cash basis, the rest of financial statement of the Company are prepared under the principle of accrual basis.

The Company didn't find anything like being suspicious of the ability of continuing operation within 12 months from the end of the Reporting Period with all available information.

## **2. Continuation**

The Company has no matters affecting the continuing operation of the Company and is expected to have the ability to continue to operate in the next 12 months. The financial statements of the Company are prepared on the basis of continuing operation.

## **V Important Accounting Policies and Estimations**

Is the Company subject to any disclosure requirements for special industries?

No.

Reminders of the specific accounting policies and accounting estimations:

The Company confirmed the specific accounting policies and estimations according to production and operation features, mainly reflecting in the method of provision for accounts receivables bad debt (Note 11. Account Receivables), pricing method of inventory (Note 12. Inventory), depreciation of fixed assets and amortization of intangible assets (Note 16. Fixed Assets and Note 21. Intangible Assets), and recognized time point of income (Note 28. Income), etc.

### **1. Statement of Compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company are in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company's and the consolidated financial positions, business results and cash flows, as well as other relevant information.

### **2. Fiscal Year**

A fiscal year starts on January 1<sup>st</sup> and ends on December 31<sup>st</sup> according to the Gregorian calendar.

### **3. Operating Cycle**

An operating cycle for the Company is 12 months, which is also the classification criterion for the liquidity of its assets and liabilities.

### **4. Recording Currency**

Renminbi is the recording currency for the statements of the Company, and the financial statements are listed and presented by Renminbi.

### **5. Accounting Treatment Methods for Business Combinations under the Same Control or not under the Same Control**

#### **1. Business Combinations under the Same Control**

For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value among final controller's consolidated financial statement of the owner's equity of the merged

enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value among final controller's consolidated financial statement of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

## 2. Business Combinations not under the Same Control

The Company measured the paid assets as the consideration of business combination and liabilities happened or undertaken by fair value. The difference between fair value and its book value shall be included into the current losses and gains. The Company distributed combined cost on the purchasing date.

The difference of the combination cost greater than the fair value of the identifiable net assets of the acquiree acquired is recognized as goodwill; the difference of the combination cost less than the fair value of the identifiable net assets of the acquiree acquired is included into current losses and gains.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if the economic benefits brought by them are likely to flow into the Company and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values; intangible asset whose fair value can be measured reliably shall be separately recognized as an intangible asset and shall measured in light of its fair value; As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations is likely to result in any out-flow of economic benefits from the Company, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values; As for the contingent liabilities of the acquiree, if their fair values can be measured reliably, they shall separately recognized as liabilities and shall be measured in light of their fair values.

## 6. Methods for Preparing Consolidated Financial Statements

### 1. Principle of Determining the Scope of Consolidation

The scope of consolidation of the consolidated financial statements of the Company is determined on the basis of control. Control means that the investors has the right to invest in the investee and enjoy a variable return through the participation of the relevant activities of the investee, and has the ability to use the power over the investee to affect the amount of its return. The Company includes the subsidiaries with actual right of control (including separate entity controlled by the Parent Company) into consolidated financial statements.

### 2. Principles, Procedures and Methods for the Preparation of Consolidated Statements

#### (1) Principles, Procedures and Methods for the Preparation of Consolidated Statements

All subsidiaries included into the scope of consolidated financial statements adopted same accounting policies and fiscal year with the Company. If the accounting policies and fiscal year of the subsidiaries are different to the Company's, necessary adjustment should be made in accordance with the Company's accounting policies and fiscal year when consolidated financial statements are prepared.

The consolidated financial statements are based on the financial statements of the Parent Company and subsidiaries included into the consolidated scope. The consolidated financial statements are prepared by the

Company who makes adjustment to long-term equity investment to subsidiaries by equity method according to other relevant materials after the offset of the share held by the Parent Company in the equity capital investment of the Parent Company and owner's equity of subsidiaries and the significant transactions and intrabrand within the Company.

For the balance formed because the current loss shared by the minority shareholders of the subsidiary is more than the share enjoyed by the minority shareholders of the subsidiary in the initial shareholders' equity, if the Articles of Corporation or Agreement didn't stipulate that minority shareholders should be responsible for it, then the balance need to offset the shareholders' equity of the Company; if the Articles of Corporation or Agreement stipulated that minority shareholders should be responsible for it, then the balance need to offset the minority shareholders' equity.

#### (2) Treatment Method of Increasing or Disposing Subsidiaries during the Reporting Period

During the Reporting Period, if the subsidiaries were added due to Business combinations under the same control, then initial book balance of consolidated balance sheet need to be adjusted; the income, expenses, and profits of subsidiaries from the combination's period-begin to the end of the reporting period need to be included into consolidated income statement; the cash flow of subsidiaries from the combination's period-begin to the end of the reporting period need to be included into consolidated cash flow statement. if the subsidiaries were added due to Business combinations not under the same control, then initial book balance of consolidated balance sheet doesn't need to be adjusted; the income, expenses, and profits of subsidiaries from the purchasing date to the end of the reporting period need to be included into consolidated income statement; the cash flow of subsidiaries from purchasing date to the end of the reporting period need to be included into consolidated cash flow statement.

During the Reporting Period, if the Company disposed the subsidiaries, then the income, expenses, and profits of subsidiaries from period-begin to the disposal date need to be included into consolidated income statement; the cash flow of subsidiaries from period-begin to the disposal date need to be included into consolidated cash flow statement.

## 7. Classification of Joint Arrangements and Accounting Treatment of Joint Operations

A joint arrangement refers to an arrangement jointly controlled by two participants or above and be divided into joint operations and joint ventures.

When the Company is the joint venture party of the joint operations, should recognize the following items related to the interests share of the joint operations:

- (1) Recognize the assets individually held and the assets jointly held by recognizing according to the holding share;
- (2) Recognize the liabilities undertook individually and the liabilities jointly held by recognizing according to the holding share;
- (3) Recognize the revenues occurred from selling the output share of the joint operations enjoy by the Company;
- (4) Recognize the revenues occurred from selling the assets of the joint operations according to the holding share;
- (5) Recognize the expenses individually occurred and the expenses occurred from the joint operations according to the holding share of the Company.

When the Company is the joint operation party of the joint ventures, should recognize the investment of the joint ventures as the long-term equity investment and be measured according g to the said methods of the notes of the long-term equity investment of the financial statement.

## 8. Recognition Standard for Cash and Cash Equivalents

In the Group's understanding, cash and cash equivalents include cash on hand, any deposit that can be used for cover, and short-term (usually due within 3 months since the day of purchase) and high circulating investments, which are easily convertible into known amount of cash and whose risks in change of value are minimal.

## 9. Foreign Currency and Accounting Method for Foreign Currency

### 1. Foreign Currency Business

Foreign currency shall be recognized by employing systematic and reasonable methods, and shall be translated into the amount in the functional currency at the exchange rate which is approximate to the spot exchange rate of the transaction date. On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period except that the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of qualified assets shall be capitalized. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date.

### 2. Translation of Foreign Currency Financial Statements

The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "undistributed profits", other items shall be translated at the spot exchange rate at the time when they are incurred. The revenues and the expenses items of the income statement should be translated according to the spot rate on the exchange date.

The difference of the foreign currency financial statements occurred from the above translation should be listed under the "other comprehensive income" item of the owners' equity of the consolidated financial statement. As for the foreign currency items which actually form into the net investment of the foreign operation, the exchange difference occurred from the exchange rate changes should be listed under the "other comprehensive income" of the owners' equity among the consolidated financial statement when compile the consolidated financial statement. When disposing the foreign operation, as for the discounted difference of the foreign financial statement related to the foreign operation should be transferred in the current gains and losses according to the proportion. The foreign cash flow adopts the spot exchange rate on the occurring date of the cash flow. And the influenced amount of the exchange rate changes should be individually listed among the cash flow statement.

## 10. Financial Instruments

### 1. Classification, Recognition and Measurement of Financial Assets

Financial assets shall be classified into the following four categories when they are initially recognized: financial assets measured at fair value and of which variations are recorded in the profits and losses for the current period, loans and the account receivables, financial assets available for sale and the investments which will be held to their maturity.

(1) Financial assets measured at fair value and of which variations are recorded in the profits and losses for the current period refer to financial assets held by the Company for the purpose of selling in the near future, including transactional financial assets, or financial assets designated by the management in the initial recognition to be

measured at fair value with variations recorded in the gains and losses for the current period. Financial assets measured at fair value and of which variations are recorded in the profits and losses for the current period are subsequently measured at their fair values. Interest or cash dividends arising from such assets during the holding period are recognized as investment gains. Gains or losses arising from fair value changes are recorded in the gains and losses for the current period at the end of the Reporting Period. When such assets are disposed, the difference between their fair values and initially recognized amounts is recognized as investment gains and the gains and losses arising from fair value changes are adjusted accordingly.

(2) Loan and accounts receivable: the non-derivative financial assets for which there is no quoted price in the active market and of which the recoverable amount is fixed or determinable shall be classified as loan and accounts receivable. The Company shall make subsequent measurement on its loan and accounts receivable on the basis of the post-amortization costs by adopting the actual interest rate, from which gains and losses, when loan and accounts receivable are terminated from recognizing, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

(3) Available-for-sale Financial Assets: the non-derivative financial assets which are designated as available-for-sale financial assets when they are initially recognized as well as the non-derivative financial assets other than loans and accounts receivables, investments held until their maturity; and transaction financial assets. The Company shall make subsequent measurement on available-for-sale financial assets at fair value and recognize the interests or the cash bonus acquired the holding period as the investment income, as well as directly include the profits or losses formed by the changes of the fair value into the owners' equity at the period-end, until the said financial assets shall be transferred out when they are terminated from recognizing or are impaired, which shall be recorded into the profits and losses of current period.

(4) Held-to-maturity Investments: non-derivative financial asset with a fixed date of maturity, a fixed or determinable recoverable amount and which the Company's management holds for a definite purpose or the Company's management is able to hold until its maturity. The Company shall make subsequent measurement on its Held-to-maturity Investments on the basis of the post-amortization costs by adopting the actual interest rate, from which gains and losses, when loan and accounts receivable are terminated from recognizing, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

## 2. Classification, Recognition and Measurement of Financial Liabilities

Financial liabilities shall be classified into the following two categories when they are initially recognized: the transactional financial liabilities; and other financial liabilities. The financial liabilities initially recognized by the Company shall be measured at their fair values. For the transactional financial liabilities, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

(1) As for the financial liabilities measured by fair value and its changes be included in the current gains and losses, which including trading financial liabilities and the financial liabilities be appointed to be measured by fair value with the changes be included in the current gains and losses when being initially recognized, should be executed subsequent measurement according to the fair value with the profits or losses formed by the changes of the fair value be included in the current gains and losses.

(2) Other financial liabilities: The Company shall make subsequent measurement on its other financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate, from which gains and losses, when other financial liabilities are terminated from recognizing or amortized, shall be recorded into the profits and losses of the current period.

## 3. Recognition and Measurement of Financial Asset Transfers

As for the Company transferred nearly all of the risks and rewards related to the ownership of a financial asset to

the transferee, should derecognize the financial assets; as for maintained nearly all of the risks and rewards related to the ownership of a financial asset, should continue to recognize the transferred financial assets and recognize the received counter price as a financial liability. Where the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset (that is to say, it is not under a circumstance as mentioned in Article 7 of these Standards), it shall deal with it according to the circumstances as follows, respectively: (1) If it gives up its control over the financial asset, it shall stop recognizing the financial asset; (2) If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following two items shall be included into the profits and losses of the current period: (1) The book value of the portion whose recognition has been stopped; (2) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has been stopped.

#### 4. De-recognition Conditions of Financial Liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability. If executed practical modification on the whole or part of the contract regulations of the existing financial liabilities, should terminate to recognize the existing financial liabilities or certain part of it and at the same time recognize the revised financial liabilities as a new financial liabilities.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

If the Company re-purchase part of the financial liabilities, should distribute the whole book value of the financial liabilities according to the comparatively fair value between the continued reorganization part and the terminated reorganization part on the re-purchase date. And the difference between the book value distributed to the terminated recognition part and the counter price of the paid part (including the rolled out non-cash assets or the new financial liabilities undertook) should be included in the current gains and losses.

#### 5. Recognition Method of the Fair Value of the Financial Assets and the Financial Liabilities

As for the financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the Company concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market

transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

#### 6. Impairment Test of Financial Assets (excluding the accounts receivable) and Withdrawal Method of Impairment Provision

The Company inspects the book value of the financial assets on the balance sheet date to judge whether there are evidences indicate that the financial assets had occurred impairment owing to the occurrence of one or multiple events.

As for the measurement for impairment of financial assets measured on the basis of the post-amortization costs, where there is any objective evidence proving that a financial asset measured on the basis of post-amortization costs is impaired, should be recognized by the carrying amount of the difference between the said financial asset which shall be written down to the current value of the predicted future cash flow (excluding the loss of future credits not yet occurred) and the amount of the as written down which shall be recognized as loss of the impairment of the asset. When calculating the current value of the estimated future cash flow, should adopt the original effective interests' rate of the financial assets as the discount rate. The book value of the assets should be written down to the estimated recoverable amount through impairment provision items with the written down amount be included in the current gains and losses. As for the financial assets with individual significant amount, should adopt the individual assessment for ensure whether there are objective evidences indicate the impairment provision and as for the other assets with insignificant amount, should be inspected by individual or group assessment for ensure whether there are objective evidences indicate the impairment provision.

As for the financial assets measured by cost, if there are evidences indicate the impairment of the financial instruments without market price which had not measured by fair value because the fair value could not be reliable measured, the amount of the impairment losses should be measured by the difference between the book value of the financial assets and the current value of the estimated future cash flow acquired from the discounting measurement of the current market return rate of the similar financial assets.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out and recorded into the profits and losses of the current period.

#### 7. Recognition Method of Fair Value

Fair value refers to the price that market participants got from the sale of an asset or the price paid for the transfer of a liability among the orderly transactions happened on the measurement date. For a financial instrument with active market, its fair value shall be determined by the quotes in the active market. For a financial instrument with no active market, its fair value shall be determined by adopting value appraisal techniques. When the value is appraised, by adopting the value appraisal techniques applying to the current situations with the support of enough available data and other information, the Company chooses the same input value with features of assets and liabilities considered by market participants in the transactions of relevant assets and liabilities, and gives priority in use of observable input value as far as possible. Unobservable input value shall be used when the relevant observable input value cannot be obtained or the obtainment is not practical.

## 11. Notes Receivable and Accounts Receivable

### (1) Accounts Receivable with Significant Single Amount for which the Bad Debt Provision is Made Individually

Definition or amount criteria for an account receivable with a significant single amount	Top five accounts receivable with the largest balances or accounts accounting for over 10% of the total balance of receivables.
Making separate bad-debt provisions for accounts receivable with a significant single amount	For an account receivable with a significant single amount, the impairment test shall be carried out on it separately. If there is any objective evidence of impairment, the impairment loss is recognized and the bad-debt provision is made according to the difference between the present value of the account receivable's future cash flows and its carrying amount.

### (2) Accounts Receivable which the Bad Debt Provision is withdrawn by Credit Risk Characteristics

Group name	Withdrawal method of bad debt provision
Common transaction group	Aging analysis method
Internal transaction group	Other methods

In the groups, those adopting aging analysis method to withdraw bad debt provision:

Applicable  Not applicable

Aging	Withdrawal proportion of account receivables	Withdrawal proportion of other receivables
Within 1 year (including 1 year)	3.00%	3.00%
1 to 2 years	10.00%	10.00%
2 to 3 years	30.00%	30.00%
3 to 4 years	50.00%	50.00%
4 to 5 years	80.00%	80.00%
Over 5 years	100.00%	100.00%

In the groups, those adopting balance percentage method to withdraw bad debt provision

Applicable  Not applicable

In the groups, those adopting other methods to withdraw bad debt provision:

Applicable  Not applicable

### (3) Accounts Receivable with an Insignificant Single Amount but for which the Bad Debt Provision is Made Independently

Reason of individually withdrawing bad debt provision	There are definite evidences indicate the obvious difference of the return ability
Withdrawal method for bad debt provision	Withdraw the bad debt provision according to the difference of

	which the future cash flow lower than the book value.
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## 12. Inventories

Is the Company subject to any disclosure requirements for special industries?

No.

### 1. Classification of Inventory

Inventory refers to finished products, goods in process, and materials consumed in the production process or the provision of labor services held by the Company for sale in daily activities, mainly including raw materials, goods in process, materials in transit, finished products, commodities, turnover materials, and commissioned processing materials. Turnover materials include low-value consumables and packaging.

### 2. Pricing Method of Inventory Sent Out

The inventory is valued at actual cost when acquired, and inventory costs include procurement costs, processing costs and other costs. The weighted average method is used when receiving or sending out inventory.

### 3. Basis for Determining the Net Realizable Value of Inventory and the Method of Withdrawal for Inventory Impairment

Net realizable value refers to the estimated selling price of the inventory minus the estimated cost to be incurred at the time of completion, the estimated selling expenses and the relevant taxes and fees in daily activities. In determining the net realizable value of inventory, the conclusive evidence obtained is used as the basis and the purpose of holding the inventory and the impact of the events after the balance sheet date should be taken into account.

For finished products, the materials used for sale and other goods used for direct sale, the net realizable value is determined by the estimated selling price of the inventory minus the estimated selling expenses and related taxes in the process of normal production and operation.

For materials inventory needs to be processed, the net realizable value is determined by the estimated selling price of the finished products minus the estimated cost to be incurred, the estimated sales costs and the relevant taxes and fees in the process of normal production and operation.

### 4. Inventory System

The inventory system of the Company is perpetual inventory.

### 5. Amortization Method of Turnover Materials

Low-value consumables are amortized in one-off method.

The packaging is amortized in one-off method.

## 13. Assets Held for Sale

### 1. Assets Held for Sale

When a company relies mainly on selling (including the exchanges of non-monetary assets with commercial substance) instead of continuing to use a non-current asset or disposal group to recover its book value, the non-current asset or disposal group is classified as asset held for sale. The non-current assets mentioned above do not include investment properties that are subsequently measured by the fair value model, biological assets measured by fair value less net selling costs, assets formed from employee remuneration, financial assets, deferred income tax assets and rights generated from insurance contracts.

Disposal group refers to a group of assets that are disposed of together as a whole through sale or other means in a

transaction, and the liabilities directly related to these assets transferred in the transaction. In certain circumstances, the disposal group includes goodwill obtained in business combination.

The Company recognizes non-current assets or disposal groups that meet both of the following conditions as held for sale: ① Assets or disposal groups can be sold immediately under current conditions based on the practice of selling such assets or disposal groups in similar transactions; ② Sales are highly likely to occur, that is, the Company has already made a resolution on a sale plan and obtained a certain purchase commitment, and the sale is expected to will be completed within one year, and the sale has been approved if relevant regulations require relevant authority or regulatory authority of the Company to approve it.

Non-current assets or disposal groups specifically obtained by the Company for resale will be classified by the Company as a held-for-sale category on the acquisition date when they meet the stipulated conditions of “expected to be sold within one year” on the acquisition date, and may well satisfy the category of held-for-sale within a short time (which is usually 3 months).

If one of the following circumstances cannot be controlled by the Company and the transaction between non-related parties fails to be completed within one year, and there is sufficient evidence that the Company still promises to sell the non-current assets or disposal groups, the Company should continue to classify the non-current assets or disposal groups as held-for-sale: ①The purchaser or other party unexpectedly sets conditions that lead to extension of the sale. The Company has already acted on these conditions in a timely manner and it is expected to be able to successfully deal with the conditions that led to the extension of the sale within one year after the conditions were set. ②Due to unusual circumstances, the non-current assets or disposal groups held for sale failed to be sold within one year. In the first year, the Company has taken necessary measures for these new conditions and the assets or disposal groups meet the conditions of held-for-sale again.

If the Company loses control of a subsidiary due to the sale of investments to its subsidiaries, whether or not the Company retains part of the equity investment after the sale, when the proposed sale of the investment to the subsidiary meets the conditions of held- for-sale, the investment to the subsidiary will be classified as held-for-sale in the individual financial statement of the parent company, and all the assets and liabilities of the subsidiary will be classified as held-for-sale in the consolidated financial statement.

When the company initially measures or re-measures non-current assets or disposal groups held for sale on the balance sheet date, if the book value is higher than the fair value minus the net amount of the sale costs, the book value will be written down to the net amount of fair value minus the sale costs, and the amount written down will be recognized as impairment loss of assets and included in the current profit and loss, and provision for impairment of held-for-sale assets will be made. For the confirmed amount of impairment loss of assets of the disposal groups held for sale, the book value of goodwill of the disposal groups will be offset first, and then the book value of various non-current assets in the disposal groups will be offset according to the proportions.

If the net amount that the fair value of the non-current assets or disposal groups held for sale on the follow-up balance sheet date minus the sale costs increases, the previous written-down amount will be restored, and reversed to the asset impairment loss confirmed after the assets being classified as held-for-sale. The reversed amount will be included in the current profit or loss. The book value of goodwill that has been deducted cannot be reversed.

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale will be confirmed as before.

When a non-current asset or disposal group ceases be classified as held-for-sale or a non-current asset is removed out from the held-for-sale disposal group due to failure in meeting the classification conditions for the category of held-for-sale, it will be measured by one of the followings whichever is lower:

① The book value before being classified as held for sale will be adjusted according to the depreciation,

amortization or impairment that would have been recognized under the assumption that it was not classified as held for sale;

② The recoverable amount.

## 2. Termination of Operation

Termination of operation refers to a separately identifiable constituent part that satisfies one of the following conditions that has been disposed of by the Company or is classified as held-for-sale:

- (1) This constituent part represents an independent main business or a separate main business area.
- (2) This constituent part is part of an associated plan that is intended to be disposed of in an independent main business or a separate major business area.
- (3) This constituent part is a subsidiary that is specifically acquired for resale.

## 3. Presentation

In the balance sheet, the Company distinguishes the non-current assets held for sale or the assets in the disposal group held for sale separately from other assets, and distinguish the liabilities in the disposal group held for sale separately from other liabilities. The non-current assets held for sale or the assets in the disposal group held for sale are not be offset against the liabilities in the disposal group held for sale. They are presented as current assets and current liabilities respectively.

The Company lists profit and loss from continuing operations and profit and loss from operating profits in the income statement. For the termination of operations for the current period, the Company restates the information originally presented as profit or loss of continuing operation in the current financial statements to profit or loss of termination of the comparable accounting period. If the termination of operation no longer meets the conditions of held-for-sale, the Company restates the information originally presented as a profit and loss of termination in the current financial statements to profit or loss of continuing operation of the comparable accounting period.

## 14. Long-term Equity Investments

Long-term equity investment refers to the Company's long-term equity investment with control, joint control or significant influence on the investee. The long-term equity investment of the Company which has no control, joint control or significant influence on the investee is accounted for as financial assets available-for-sale or financial assets at fair value and changes recognized in profit or loss for the current period. For details of accounting policies, please refer to 10. Financial instruments in Notes V.

Joint control refers to the control that is common to an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be agreed upon by the participant who has shared the control. Significant influence refers to the Company has the power to participate in decision-making on the financial and operating policies of the investee, but can't control or jointly control the formulation of these policies with other parties.

### 1. Investment Cost Recognition for Long-term Equity Investments

- (1) For the merger of enterprises under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment, and the direct relevant expenses occurred for the merger of enterprises shall be included into the profits and losses of the current period.
- (2) For the merger of enterprises not under the same control, The combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquiree, and all relevant direct costs incurred to the acquirer for the

business combination. Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the Company shall record the said amount into the combination costs.

(3) The cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

(4) The cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

(5) The cost of a long-term investment obtained by the exchange of non-monetary assets (having commercial nature) shall be recognized base on taking the fair value and relevant payable taxes as the cost of the assets received.

(6) The cost of a long-term equity investment obtained by recombination of liabilities shall be recognized at the fair value.

## 2. Subsequent Measurement of Long-term Equity Investment and Recognized Method of Profit/Loss

The long-term equity investment with joint control (except for the common operator) or significant influence on the investee is accounted by equity method. In addition, the Company's financial statements use cost method to calculate long-term equity investments that can control the investee.

### (1) Long-term Equity Investment Accounted by Cost Method

When the cost method is used for accounting, the long-term equity investment is priced at the initial investment cost, and the cost of the long-term equity investment is adjusted according to additional investment or recovered investment. Except the price actually paid when acquired investment or cash dividends or profits that have been declared but not yet paid included in the consideration, current investment income is recognized by the cash dividends or profits declared by the investee.

### (2) Long-term Equity Investment Accounted by Equity Method

When the equity method is used for accounting, if the initial investment cost of the long-term equity investment is greater than the fair value of the investee's identifiable net assets, the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the fair value of the investee's identifiable net assets, the difference shall be recorded into the current profits and losses, and the cost of the long-term equity investment shall be adjusted at the same time.

When the equity method is used for accounting, the investment income and other comprehensive income shall be recognized separately according to the net profit or loss and other comprehensive income realized by the investee, and the book value of the long-term equity investment shall be adjusted at the same time. The part entitled shall be calculated according to the profits or cash dividends declared by the investee, and the book value of the long-term equity investment shall be reduced accordingly. For other changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee, the book value of the long-term equity investment shall be adjusted and included in the capital reserve. When the share of the net profit or loss of the investee is recognized, the net profit of the investee shall be adjusted and recognized according to the fair value of the identifiable assets of the investee when the investment is made. If the accounting policies and accounting periods adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company and the investment income and other comprehensive income shall be recognized accordingly. For the transactions between the Company and associates and joint ventures, if the assets made or sold don't constitute business, the unrealized gains and losses of the internal transactions are offset by the proportion attributable to the Company, and the investment gains and losses are recognized accordingly. However, the loss of unrealized internal transactions

incurred by the Company and the investee attributable to the impairment loss of the transferred assets shall not be offset. If the assets made to associates or joint ventures constitute business, and the investor makes long-term equity investment but does not obtain the control, the fair value of the investment shall be taken as the initial investment cost of the new long-term equity investment, and the difference between initial investment and the book value of the investment is fully recognized in profit or loss for the current period. If the assets sold by the Company to joint ventures or associates constitute business, the difference between the consideration and the book value of the business shall be fully credited to the current profits and losses. If the assets purchased by Company from joint ventures or associates constitute business, conduct accounting treatment in accordance with the provisions of Accounting Standard for Business Enterprises No. 20 - Business combination, and the profits or losses related to the transaction shall be recognized in full.

When the net loss incurred by the investee is recognized, the book value of the long-term equity investment and other long-term equity that substantially constitute the net investment in the investee shall be written down to zero. In addition, if the Company has an obligation to bear additional losses to the investee, the estimated liabilities are recognized in accordance with the obligations assumed and included in the current investment losses. If the investee has realized net profit in later period, the Company will resume the recognition of the income share after the income share has made up the unrecognized loss share.

### (3) Acquisition of Minority Interests

In the preparation of the consolidated financial statements, capital reserve shall be adjusted according to the difference between the long-term equity investment increased due to the purchase of minority interests and the share of the net assets held by the subsidiary from the date of purchase (or the date of combination) calculated according to the proportion of the new shareholding ratio, and retained earnings shall be adjusted if the capital reserve is insufficient to offset.

### (4) Disposal of Long-term Equity Investment

In the consolidated financial statements, the parent company partially disposes of the long-term equity investment in the subsidiary without the loss of control, and the difference between the disposal price and the net assets of the subsidiary corresponding to the disposal of the long-term equity investment is included in the shareholders' equity. If the disposal of long-term equity investment in subsidiaries results in the loss of control over the subsidiaries, handle in accordance with the relevant accounting policies described in 6 (2) . "Principles, Procedures and Methods for the Preparation of Consolidated Statements" in Notes V .

In other cases, the difference between the book value and the actual acquisition price shall be recorded into the current profits and losses for the disposal of the long-term equity investment.

For long-term equity investment accounted by the equity method and residual equity after disposal still accounted by the equity method, other comprehensive income originally included in the shareholders' equity shall be treated in the same basis of the investee directly disposing related assets or liabilities by corresponding proportion. The owner's equity recognized by the change of the owner's equity of the investee other than the net profit or loss, other comprehensive income and profit distribution is carried forward proportionally into the current profits and losses.

For long-term equity investment accounted by the cost method and residual equity after disposal still accounted by the cost method, other comprehensive income accounted by equity method or recognized by financial instrument and accounted and recognized by measurement criteria before the acquisition of the control over the investee is treated in the same basis of the investee directly disposing related assets or liabilities, and carried forward proportionately into the current profits and losses. Other changes of owner's equity in net assets of the investee accounted and recognized by the equity method other than the net profit or loss, other comprehensive income and

profit distribution are carried forward proportionally into the current profits and losses.

### 3. Impairment Provisions for Long-term Equity Investments

For the relevant testing method and provision making method, see 22. Impairment of Long-term Assets in Notes V herein.

## 15. Investment Property

Measurement mode of investment property

Not applicable

## 16. Fixed Assets

### (1) Recognition Conditions

Fixed assets of the Company refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one accounting year and unit price is higher. No fixed assets may be recognized unless it simultaneously meets the conditions as follows:

① The economic benefits pertinent to the fixed asset are likely to flow into the Company; and ② The cost of the fixed asset can be measured reliably.

### (2) Depreciation Method

Category of fixed assets	Method	Useful life	Expected net salvage value	Annual depreciation
Housing and building	Average method of useful life	3—30 years	5%	31.67%-3.17%
Machinery equipments	Average method of useful life	2—10 years	5%	47.50%-9.50%
Transportation vehicle	Average method of useful life	5—10 years	5%	19.00%-9.50%
Electronic equipment	Average method of useful life	2—8 years	5%	47.50%-11.88%

### (3) Recognition Basis, Pricing and Depreciation Method of Fixed Assets by Finance Lease

## 17. Construction in Progress

Is the Company required to observe the disclosure requirements for special industries

No

### 1. Pricing of Construction in Progress

The constructions are accounted according to the actual costs incurred. The constructions shall be carried forward into fixed assets at the actual cost when reach intended usable condition. The borrowing expenses eligible for capitalization incurred before the delivery of the construction are included in the construction cost; after the delivery,

the relevant interest expense shall be recorded into the current profits and losses.

## 2. Standard and Time of Construction in Progress Carrying Forward into Fixed Assets

The Company's construction in progress is carried forward into fixed assets when the construction completes and reaches intended usable condition. The criteria for determining the intended usable condition shall meet one of the following:

- (1) The physical construction (including installation) of fixed assets has been completed or substantially completed;
- (2) Has been produced or run for trial, and the results indicate that the assets can run normally or can produce stable products stably, or the results of the trial operation show that it can operate normally;
- (3) The amount of the expenditure on the fixed assets constructed is little or almost no longer occurring;
- (4) The fixed assets purchased have reached the design or contract requirements, or basically in line with the design or contract requirements.

## 3. Provision for Impairment of Construction in Progress

Please refer to Note 22: Long-term Asset Impairment under Note V for the impairment test method and provision for impairment of construction in progress.

## 18. Borrowing Costs

The borrowing costs refer to interest and other related costs incurred by the Company as a result of borrowings, including interest on borrowings, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. The borrowing costs incurred by the Company directly attributable to the acquisition, construction or production of assets eligible for capitalization are capitalized and included in the cost of the relevant assets. Other borrowing costs are recognized as expenses according to the amount at the time of occurrence, and are included in the current profits and losses.

### 1. Principle of capitalization of borrowing costs

Borrowing costs can be capitalized when all the following conditions are met: Asset expenditure has already occurred; borrowing costs have already occurred; construction or production activities necessary to bring the assets to the intended useable or sellable status have already begun.

### 2. Capitalization period of borrowing costs

Capitalization period refers to the period from the capitalization of borrowing costs starting to the end of capitalization, excluding the period when capitalization is suspended.

If assets that meet the conditions of capitalization are interrupted abnormally in the course of construction or production, and the interruption time exceeds 3 consecutive months, the capitalization of borrowing costs shall be suspended. The borrowing costs incurred during the interruption are recognized as expenses and included in current profits and losses until the acquisition or construction of the assets is resumed. The capitalization of the borrowing costs continues if the interruption is a procedure necessary for the purchase or production of assets eligible for capitalization to meet the intended useable or sellable status.

The borrowing costs shall cease to be capitalized when the purchased or produced assets that meet the conditions of capitalization meet the intended useable or sellable status. The borrowing costs incurred after the assets eligible for capitalization meet the intended useable or sellable status can be included in the current profits and losses when incurred.

### 3. Calculation method of capitalized amount of borrowing costs

During the period of capitalization, the capitalization amount of interests (including amortization of discounts or premiums) for each accounting period is determined in accordance with the following provisions:

(1) For special borrowings for the acquisition or construction of assets eligible for capitalization, the interest expenses actually incurred in the current period of borrowings shall be recognized after deducting the interest income obtained by depositing the unused borrowing funds into the bank or investment income obtained from temporary investment.

(2) Where the general borrowing is occupied for the acquisition or construction of assets eligible for capitalization, the Company multiplies the weighted average of the asset expenditure of the accumulated asset expenditure exceeding the special borrowing by the capitalization rate of the general borrowing to calculate the amount of interest that should be capitalized for general borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

## **19. Living Assets**

Not applicable

## **20. Oil and Gas Assets**

Not applicable

## **21. Intangible Assets**

### **(1) Pricing Method, Useful Life and Impairment Test**

#### **1. Recognition Criteria of Intangible Assets**

Intangible assets are identifiable non-monetary assets that are owned or controlled by the Company without physical form. The intangible assets are recognized when all the following conditions are met: (1) Conform to the definition of intangible assets; (2) Expected future economic benefits related to the assets are likely to flow into the Company; (3) The costs of the assets can be measured reliably.

#### **2. Initial Measurement of Intangible Assets**

Intangible assets are initially measured at cost. Actual costs are determined by the following principles:

(1) The cost of the acquisition of intangible assets, including the purchase price, relevant taxes and other expenses directly attributable to the intended use of the asset. The payment of purchase price of intangible assets exceeding normal credit terms is deferred, and the cost of intangible assets having financing nature in essence shall be recognized based on the present value of the purchase price. The difference between the actual payment price and the present value of the purchase price shall be recorded into the current profits and losses in the credit period except that can be capitalized in accordance with the Accounting Standard for Business Enterprises No. 17 - Borrowing Cost.

(2) The cost of investing in intangible assets shall be recognized according to the value agreed upon in the investment contract or agreement, except that the value of the contract or agreement is unfair.

#### **3. Subsequent Measurement of Intangible Assets**

The Company shall determine the useful life when it obtains intangible assets. The useful life of intangible assets is limited, and the years of the useful life or output that constitutes the useful life or similar measurement units shall be estimated. The intangible assets are regarded as intangible assets with uncertain useful life if the term that brings economic benefits to the Company is unforeseeable

Intangible assets with limited useful life shall be amortized by straight line method from the time when the

intangible assets are available until can't be recognized as intangible assets; intangible assets with uncertain useful life shall not be amortized. The Company reviews the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year, and reviews the estimated useful life of intangible assets with uncertain useful life in each accounting period. For intangible assets that evidence shows the useful life is limited, the useful life shall be estimated and the intangible assets shall be amortized in the estimated useful life.

#### 4. Recognition Criteria and Withdrawal Method of Intangible Asset Impairment Provision

The impairment test method and withdrawal method for impairment provision of intangible assets are detailed in Note 22: Long-term asset impairment under Note V.

### **(2) Accounting Policy for Internal Research and Development Expenditures**

The expenditures in internal research and development projects of the Company are classified into expenditures in research stage and expenditures in development stage. The expenditures in research stage are included in the current profits and losses when incurred. The expenditures in development stage are recognized as intangible assets when meeting the following conditions:

- (1) The completion of the intangible assets makes it technically feasible for using or selling;
- (2) Having the intention to complete and use or sell the intangible assets;
- (3) The way in which an intangible asset generates economic benefits, including the proof that the products produced with the intangible asset have market or the proof of its usefulness if the intangible asset has market and will be used internally;
- (4) Having sufficient technical, financial resources and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets;
- (5) Expenditure attributable to the development stage of intangible assets can be measured reliably.

The cost of self-developed intangible assets includes the total expenditure incurred since meeting intangible assets recognition criterion until reaching intended use. Expenditures that have been expensed in previous periods are no longer adjusted.

Non-monetary assets exchange, debt restructuring, government subsidies and the cost of intangible assets acquired by business combination are recognized according to relevant provisions of Accounting Standard for Business Enterprises No. 7 - Non-monetary assets exchange, Accounting Standard for Business Enterprises No. 12 - Debt restructuring, Accounting Standards for Business Enterprises No. 16 - Government subsidies, Accounting Standard for Business Enterprises No. 20 - Business combination respectively.

## **22. Impairment of Long-term Assets**

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with limited useful life, investment real estate measured in cost mode and long-term equity investments in subsidiaries, joint ventures and associates, the Company determines whether there is indication of impairment at balance sheet date. If there is indication of impairment, then estimate the amount of its recoverable value and test the impairment. Goodwill, intangible assets with uncertain useful life and intangible assets that have not yet reached useable state shall be tested for impairment every year, whether or not there is any indication of impairment.

If the impairment test results indicate that the recoverable amount of the asset is lower than its book value, the impairment provision shall be made at the difference and included in the impairment loss. The recoverable amount is the higher of the fair value of the asset minus the disposal cost and the present value of the expected future cash flow of the asset. The fair value of the asset is recognized according to the price of the sales agreement

in the fair trade; if there is no sales agreement but there is an active market, the fair value is recognized according to the buyer's bid of the asset; if there is no sales agreement or active market, the fair value of asset shall be estimated based on the best information that can be obtained. Disposal costs include legal costs related to disposal of assets, related taxes, handling charges, and direct costs incurred to enable the asset reaching sellable status. The present value of the expected future cash flows of the assets is recognized by the amount discounted at appropriate discount rate according to the expected future cash flows arising from the continuing use of the asset and the final disposal. The provision for impairment of assets is calculated and recognized on the basis of individual assets. If it is difficult to estimate the recoverable amount of individual assets, the recoverable amount of the asset group shall be recognized by the asset group to which the asset belongs. The asset group is the smallest portfolio of assets that can generate cash inflows independently.

The book value of the goodwill presented separately in the financial statements shall be apportioned to the asset group or portfolio of asset groups that is expected to benefit from the synergies of the business combination when the impairment test is conducted. The corresponding impairment loss is recognized if the test results indicate that the recoverable amount of the asset group or portfolio of asset groups containing the apportioned goodwill is lower than its book value. The amount of the impairment loss shall offset the book value of the goodwill apportioned to the asset group or portfolio of asset groups, and offset the book value of other assets in proportion according to the proportion of the book value of other assets except the goodwill in the asset group or portfolio of asset groups.

Once the impairment loss of the above asset is recognized, the portion that the value is restored will not be written back in subsequent periods.

### **23. Long-term Prepaid Expense**

Long-term prepaid expense refers to general expenses with the apportioned period over one year (one year excluded) that have occurred but attributable to the current and future periods. Long-term deferred expense shall be amortized averagely within benefit period. In case of no benefit in the future accounting period, the amortized value of such project that fails to be amortized shall be transferred into the profits and losses of the current period.

### **24. Payroll**

#### **(1) Accounting Treatment of Short-term Compensation**

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

#### **(2) Accounting Treatment of the Welfare after Demission**

Welfare after demission mainly includes defined contribution plans and defined benefit plans. Of which defined contribution plans mainly include basic endowment insurance, unemployment insurance, annuity funds, etc., and

the corresponding payable and deposit amount should be included into the relevant assets cost or the current gains and losses when happen.

### **(3) Accounting Treatment of the Demission Welfare**

If an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and should recognize the payroll liabilities occurred from the demission welfare base on the earlier date between the time when the Group could not one-sided withdraw the demission welfare which offered by the plan or layoff proposal owning to relieve the labor relationship and the date the Group recognizes the cost related to the reorganization of the payment of the demission welfare and at the same time includes which into the current gains and losses. But if the demission welfare is estimated that could not totally pay after the end of the annual report within 12 months, should be disposed according to other long-term payroll payment.

### **(4) Accounting Treatment of the Welfare of Other Long-term Staffs**

The inside employee retirement plan is treated by adopting the same principle with the above dismiss ion welfare. The group would recorded the salary and the social security insurance fees paid and so on from the employee's service terminative date to normal retirement date into current profits and losses (dismiss ion welfare) under the condition that they meet the recognition conditions of estimated liabilities.

The other long-term welfare that the Group offers to the staffs, if met with the setting drawing plan, should be accounting disposed according to the setting drawing plan, while the rest should be disposed according to the setting revenue plan.

## **25. Provisions**

### **1. Recognition of Provisions**

The obligation such as external guaranty, pending litigation or arbitration, product quality assurance, layoff plan, loss contract, restructuring and disposal of fixed assets, pertinent to a contingencies shall be recognized as an provisions when the following conditions are satisfied simultaneously: ① That obligation is a current obligation of the enterprise; ② It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and ③ The amount of the obligation can be measured in a reliable way

### **2. Measurement of Provisions**

The provisions shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range. In other cases, the best estimate shall be conducted in accordance with the following situations, respectively: ① If the Contingencies concern a single item, it shall be determined in the light of the most likely outcome. ② If the Contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities. ③ When all or some of the expenses necessary for the liquidation of an provisions of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The Company shall check the book value of the

provisions on the balance sheet date. The amount of compensation is not exceeding the book value of the recognized provisions.

## 26. Share-based Payment

Not applicable

## 27. Other Financial Instruments such as Preferred Shares and Perpetual Bonds

Not applicable

## 28. Revenue

Is the Company subject to any disclosure requirements for special industries?

No

### 1. Sale of Goods

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: ① The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company; ② The Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; ③ The revenue amount could be reliably measured; and ④ The relevant economic benefits may flow into the Company, and the relevant cost which had occurred or will occur could be reliably measured.

Specific principles for recognition of the “domestic sale and export” incomes of the Company:

(1) Method for recognition of the domestic sale income: According to the buyer’s requirements, the Company delivers to the buyer the products that have been considered qualified upon examination. The amount of the income has been determined and the sales invoice has been issued. The payment for the delivered products has been received in full or is expectedly recoverable.

(2) Method for recognition of the export income: The Company produces the products according to the contract signed with the buyer. After the products have been examined as qualified, the Company completes the customs clearing procedure for export. The shipping company loads the products for shipping. The amount of the income has been determined and the export sales invoice has been issued. The payment for the delivered products has been received in full or is expectedly recoverable.

### 2. Provision of Labor Services

In the case that the results of the labor service transaction can be reliably estimated, the income from the provision of labor services shall be recognized at the balance sheet date by the percentage of completion method according to the progress of the labor transaction.

The result of the provision of labor services can be reliably estimated refers that all the following conditions are met:

① The amount of income can be measured reliably; ② The relevant economic benefits are likely to inflow to the enterprise; ③ The progress of the transaction can be reliably determined; ④ The cost incurred and to be incurred in the transaction can be measured reliably.

If the result of the provision of labor services can’t be reliably estimated, the income from the provision of labor services shall be recognized according to the cost of labor services that have incurred and are expected to be compensated, and the cost of labor services that have incurred is recognized as the current expenses. If the cost of

labor services already incurred isn't expected to be compensated, the income will not be recognized.

If the contract or agreement between the Company and other enterprises includes the sale of goods and the provision of labor services, and the sale of goods and the provision of labor services can be distinguished and measured separately, the sale of goods and the provision of labor services shall be dealt with separately; if the sale of goods and the provision of labor services can't be distinguished or can't be measured separately, the contract will be treated as sale of goods.

### 3. Income from Transferring the Right to Use Assets

The operating income is calculated and recognized according to the time and method stipulated by relevant contracts and agreements.

### 4. Interest Income

Recognized when all the following conditions are met: ① The amount of income can be measured reliably; ② Economic benefits related to the transaction can inflow.

## 29. Government Subsidies

### 1. Category of Government Subsidies

Government subsidies refer to the monetary assets and non-monetary assets obtained by the Company from the government, which mainly include government subsidies related to assets and government subsidies related to income.

### 2. Distinction Standard of Government Subsidies Related to Assets with Government Subsidies Related to Income

The government subsidies related to assets refer to the government subsidies obtained for acquisition, construction or otherwise formation of long-term assets. The government subsidies related to income refer to the government subsidies except the government subsidies related to assets.

The specific standard of classifying the government subsidies as subsidies related to assets: government subsidies for acquisition, construction or otherwise formation of long-term assets.

The specific criteria that the Company classifies government subsidies as income related is: other government subsidies other than asset-related government subsidies.

If the government documents do not specify the subsidy object, the bases that the Company classified the government subsidies as assets-related subsidies or income-related subsidies were as follows: (1) If the specific items for which the subsidy is targeted are stipulated in government documents, divide according to the relative proportion of the amount of expenditure that forms assets and the amount of expenditure included in the cost in the budget for that particular project, and the proportion shall be reviewed at each balance sheet date and changed as necessary; (2) if the government documents only have a general statement of the purpose and do not specify a specific project, the subsidy is recognized as government subsidy related to income.

### 3. Measurement of Government Subsidies

If a government subsidy is a monetary asset, it shall be measured according to the amount received or receivable.

If a government subsidy is a non-monetary asset, it shall be measured at its fair value, and shall be measured at a nominal amount (RMB1) when the fair value cannot be obtained reliably.

For confirmed government subsidies that need to be returned, if there is relevant deferred income, the book balance of related deferred income shall be written off and the excess shall be charged to profit or loss for the Current Period; for other circumstances, it shall be directly charged to profit or loss for the Current.

### 4. Accounting Treatment for Government Subsidies

The Company adopts the gross method to confirm government subsidies. The government subsidies related to

assets are recognized as deferred income, and are charged to the current profit or loss in a reasonable and systematic manner within the useful lives of the relevant assets (subsidies related to the daily activities of the Company are included in other income; while subsidies unrelated to the daily activities of the Company are included in non-operating income). Government subsidies measured at nominal amounts are directly charged to profit or loss for the Current Period. Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the balance of related undistributed deferred income shall be transferred to the profit or loss of the asset disposal in the Current Period.

Government subsidies related to income shall be treated as follows:

(1) government subsidies used to compensate the relevant costs, expenses or losses of the Company in the subsequent period shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant costs, expenses or losses (subsidies related to the daily activities of the Company are included in other income; while subsidies unrelated to the daily activities of the Company are included in non-operating income);

(2) government subsidies used to compensate the relevant costs, expenses or losses incurred by the Company shall be directly included in the current profits and losses (subsidies related to the daily activities of the Company are included in other income; while subsidies unrelated to the daily activities of the Company are included in non-operating income).

For government subsidies that include both assets-related and income-related parts, they should be distinguished separately for accounting treatment; for government subsidies that are difficult to be distinguished, they should be classified as income-related.

### **30. Deferred Income Tax Assets/Deferred Income Tax Liabilities**

The income tax of the Company includes the current income tax and deferred income tax. Both are recorded into the current gains and losses as income tax expenses or revenue, except in the following circumstances:

(1) The income tax generated from the business combination shall be adjusted into goodwill;

(2) The income tax related to the transaction or event directly included in shareholders' equity shall be recorded into shareholders' equity.

At the balance sheet date, the Company recognizes the deferred income tax assets or deferred income tax liabilities in accordance with the balance sheet liability method for the temporary difference between the book value of assets or liabilities and its tax base.

The Company recognizes all taxable temporary differences as deferred income tax liabilities unless taxable temporary differences arise in the following transactions:

(1) The initial recognition of goodwill or the initial recognition of the assets or liabilities arising from a transaction with the following characteristics: the transaction is not a business combination and neither the accounting profit nor the taxable income is incurred at the time of the transaction;

(2) The time of write-back of taxable temporary differences related to the investments in subsidiaries, associates and joint ventures can be controlled and the temporary differences are likely to not be written back in the foreseeable future.

The Company recognizes the deferred income tax assets arising from deductible temporary differences, subject to the amount of taxable income obtained to offset the deductible temporary differences, unless the deductible temporary differences arise in the following transactions:

(1) The transaction is not a business combination, and the transaction does not affect the accounting profit or the

amount of taxable income;

(2) The deductible temporary differences related to the investments in subsidiaries, associates and joint ventures are not met simultaneously: Temporary differences are likely to be written back in the foreseeable future and are likely to be used to offset the taxable income of deductible temporary differences in the future.

At the balance sheet date, the Company measures the deferred income tax assets and deferred income tax liabilities at the applicable tax rate of the period expected to recover the asset or pay off the liabilities according to tax law, and reflects the income tax effect of expected assets recovery or liabilities payoff method at the balance sheet date.

At the balance sheet date, the Company reviews the book value of the deferred income tax assets. If it is likely that sufficient taxable income will not be available to offset the benefit of the deferred income tax assets in the future period, the book value of the deferred income tax assets will be written down. If it is probable that sufficient taxable income will be available, the amount of write-down will be written back.

### **31. Lease**

#### **(1) Accounting Treatment of Operating Lease**

(1) The lease fee paid by the Company for rented assets shall be apportioned using the straight-line method over the entire lease term without deducting the rent-free period and shall be included in the current period expenses. The initial direct costs related to the lease transaction paid by the Company are included in current expenses.

When the lessor of the asset assumes the lease-related expenses that should be borne by the Company, the Company should deduct the part of the expenses from the total rental amount, and the deducted rental expenses are apportioned during the lease term and included in the current expenses.

(2) The rental fees received by the company for leasing assets are apportioned on a straight-line basis over the entire lease term without deducting the rent-free period and are recognized as lease income. The initial direct expenses related to lease transactions paid by the company are included in the current expenses; if the amount is larger, they are capitalized and are recorded in the current period in stages on the same basis as the recognition of lease income during the entire lease period.

When the company assumes the lease-related expenses that should be borne by the lessee, the company deducts the expenses from the total amount of rental income and allocates the deducted rental expenses during the lease period.

#### **(2) Accounting Treatments of Financial Lease**

(1) Financing leased assets: on the lease starting date, the Company recorded the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognized the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treated the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The company adopted the effective interest method to amortize the unrecognized financing expenses during the asset lease period and included it into financial expenses.

(2) Assets leased by finance: On the lease beginning date, the Company recognized the financial lease receivables, and the difference between the sum of unguaranteed residual values and its present value as unrealized financing

income. It is recognized as lease income during any lease period in the future. The initial direct costs incurred by the Company in relation to the lease transaction, were included in the initial measurement of the financial lease receivable and the amount of revenue recognized during the lease period shall be reduced.

### 32. Other Significant Accounting Policies and Estimates

Not applicable

### 33. Changes in Main Accounting Policies and Estimates

#### (1) Change of Accounting Policies

Applicable  Not applicable

Changes in accounting policy	Approval procedure	Remark
(1) "Notes receivable" and "accounts receivable" in the balance sheet are presented together as "notes and accounts receivable"; "notes payable" and "accounts payable" as "notes and accounts payable"; "interest receivable" and "dividends receivable" in "other receivables"; "interest payable" and "dividends payable" in "other payables"; "disposal of fixed assets" in "fixed assets"; "engineering materials" in "construction in progress"; and "specific payables" in "long-term payables". Comparative data are restated accordingly.	Approved at the 29 <sup>th</sup> Meeting of the Company's 8 <sup>th</sup> Board of Directors	Notes and accounts receivable: Ending: RMB941,927,209.55 Beginning: RMB824,659,624.97  Notes and accounts payable: Ending: RMB985,280,820.92 Beginning: RMB539,303,554.54  Other receivables: Ending: RMB5,152,364.04 Beginning: RMB12,428,451.86
(2) "R&D expense" is added to the income statement, and R&D expense originally recorded in "administrative expense" is reclassified as a separate item of "R&D expense". "Including: Interest expense" and "interest income" are added under "finance costs" in the income statement. Comparative data are restated accordingly.	Approved at the 29 <sup>th</sup> Meeting of the Company's 8 <sup>th</sup> Board of Directors	Administrative expense: 2018: RMB-52,726,585.28 2017: RMB-34,578,167.96  R&D expense: 2018: RMB52,726,585.28 2017: RMB34,578,167.96

#### (2) Significant Changes in Accounting Estimates

Applicable  Not applicable

### 34. Other

None

## VI. Taxes

### 1. Main Taxes and Tax Rates

Category of taxes	Tax basis	Tax rate
VAT	Sales volume from goods selling or taxable service	3%, 6%, 10%, 11%, 16%, 17%
Urban maintenance and construction tax	Turnover tax payable	7%, 5%
Enterprise income tax	Taxable income	15%, 25%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Taxpayer	Income tax rate
Foshan Electrical and Lighting Co., Ltd.	15%
FSL Chanchang Optoelectronics Co., Ltd.	25%
Foshan Chansheng Electronic Ballast Co., Ltd.	25%
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	25%
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	25%
Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	25%
FSL New Light Source Technology Co., Ltd.	25%
Guangdong Fozhao Financial Leasing Co., Ltd.	25%
Foshan Lighting Lamps and Lanterns Co., Ltd.	25%
FSL Zhida Electric Technology Co., Ltd.	25%
FSL Lighting GMBH	15%

### 2. Tax Preference

The Company passed the re-examination for High-tech Enterprises in 2017, as well as won the “Certificate of High-tech Enterprise” after approval by Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Bureau of State Taxation and Guangdong Provincial Bureau of Local Taxation. In accordance with relevant provisions in Corporate Income Tax Law of the People's Republic of China and the Administration Measures for Identification of High-tech Enterprises promulgated in 2007, the Company paid the corporate income tax based on a tax rate of 15% within three years since 1 January 2017.

### 3. Other

Paid according to the relevant regulation of the tax law.

## VII. Notes to Main Items of Consolidated Financial Statements

### 1. Monetary Capital

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	34,937.47	52,031.79
Bank deposits	784,166,295.87	565,323,109.99
Other monetary capital	112,445,486.53	4,809,067.18
Total	896,646,719.87	570,184,208.96
Of which: total amount deposited overseas	739,617.83	183,066.93

Other notes

Note: Other monetary capital includes cash deposit for notes, cash deposit for future foreign exchange settlement, investment fund deposited in securities companies and e-commerce balance, of which, the cash deposit for notes and cash deposit for future foreign exchange settlement are restricted assets. For details, please refer to Note VII Notes to Items of Consolidated Financial Statements (70. Assets with Restricted Ownership and Right to Use).

The monetary capita at the period-end was RMB326,462,510.91 with increase of 57.26% compared with that of period-begin which mainly recovery of mature investments in bank's wealth management products at the period-end.

### 2. Financial Assets at Fair Value through Profit or Loss

Applicable  Not applicable

### 3. Derivative Financial Assets

Applicable  Not applicable

### 4. Notes Receivable and Accounts Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable	107,506,613.50	68,368,192.41

Accounts receivable	834,420,596.05	756,291,432.56
Total	941,927,209.55	824,659,624.97

**(1) Notes Receivable**

## 1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	107,506,613.50	68,368,192.41
Total	107,506,613.50	68,368,192.41

## 2) Notes Receivable Pledged by the Company at the Period-end

Unit: RMB

Item	Amount
Bank acceptance bill	44,969,669.60
Total	44,969,669.60

## 3) Notes Receivable which Had Endorsed by the Company or had Discounted and had not Due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	75,703,189.28	
Total	75,703,189.28	

## 4) Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement

None

**(2)Accounts Receivable**

## 1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	

Accounts receivable with significant single amount for which bad debt provision separately accrued	14,220,827.14	1.61%	7,110,413.57	50.00%	7,110,413.57	10,061,641.64	1.25%	10,061,641.64	100.00%	
Accounts receivable withdrawal of bad debt provision by credit risks characteristics	860,060,668.85	97.35%	32,750,486.37	3.81%	827,310,182.48	795,800,674.49	98.75%	39,509,241.93	4.96%	756,291,432.56
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	9,156,396.52	1.04%	9,156,396.52	100.00%						
Total	883,437,892.51	100.00%	49,017,296.46	5.55%	834,420,596.05	805,862,316.13	100.00%	49,570,883.57	6.15%	756,291,432.56

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end:

Applicable  Not applicable

Unit: RMB

Accounts receivable (by unit)	Ending balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer A	14,220,827.14	7,110,413.57	50.00%	Involved in the lawsuit, the Company won the lawsuit in the first instance, and the other side has appealed.
Total	14,220,827.14	7,110,413.57	--	--

Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

Applicable  Not applicable

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	831,204,746.58	24,936,142.37	3.00%

Subtotal of within 1 year	831,204,746.58	24,936,142.37	3.00%
1 to 2 years	17,716,793.21	1,771,679.33	10.00%
2 to 3 years	5,010,688.56	1,503,206.57	30.00%
3 to 4 years	2,945,211.17	1,472,605.59	50.00%
4 to 5 years	581,884.11	465,507.29	80.00%
Over 5 years	2,601,345.22	2,601,345.22	100.00%
Total	860,060,668.85	32,750,486.37	3.81%

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

Applicable  Not applicable

#### 2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB9,516,619.50; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

#### 3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
No.1	9,311,484.62
No.2	553,475.94
No.3	204,814.63
Other retails accounts	431.42
Total	10,070,206.61

Major write-offs of accounts receivable:

Unit: RMB

Receivable from	Nature of account receivable	Amount written off	Reason for write-off	Procedure executed	Incurred by a related-party transaction or not
Suzhou Mont Lighting Co., Ltd.	Loan	9,311,484.62	The debtor, a former subsidiary of the Company, has been ruled by court to bankruptcy.	The Company has completed the approval procedure.	Yes
Total	--	9,311,484.62	--	--	--

#### 4) Top 5 of the Ending Balance of the Accounts Receivable Collected according to the Arrears Party

Unit: RMB

Name of units	Relationship with the Company	Carrying amount	Amount of bad debt provision withdrawn	Proportion to total accounts receivable
No.1	Non-related party	158,294,196.16	4,748,825.88	17.92%
No.2	Non-related party	23,039,477.30	691,184.32	2.61%
No.3	Non-related party	19,527,368.40	585,821.05	2.21%
No.4	Non-related party	17,070,367.25	664,347.76	1.93%
No.5	Non-related party	14,220,827.14	7,110,413.57	1.61%
Total		232,152,236.25	13,800,592.58	26.28%

## 5) Derecognition of Accounts Receivable due to the Transfer of Financial Assets

None

## 6) The Amount of the Assets and Liabilities Formed due to the Transfer and the Continued Involvement of Accounts Receivable

None

**5. Prepayments****(1) Listed by Aging**

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	8,074,848.21	58.46%	25,971,834.21	78.48%
1 to 2 years	3,525,963.03	25.53%	2,782,505.53	8.41%
2 to 3 years	721,403.24	5.22%	3,250,778.25	9.82%
Over 3 years	1,489,690.70	10.79%	1,090,195.36	3.29%
Total	13,811,905.18	--	33,095,313.35	--

**(2) Top 5 of the Ending Balance of the Prepayments Collected according to the Prepayment Target**

Unit: RMB

Name of units	Relationship with the Company	Ending balance	Proportion to total prepayments	Time of prepayments
No.1	Non-related party	1,618,754.08	11.72%	Year 2018
No.2	Non-related party	1,463,911.36	10.60%	Year 2017
No.3	Non-related party	988,800.00	7.16%	Year 2018
No.4	Non-related party	698,071.26	5.05%	Year 2017-Year 2018
No.5	Non-related party	646,892.77	4.68%	Year 2018
Total		5,416,429.47	39.21%	

**6. Other Receivables**

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable	5,152,364.04	12,428,451.86
Other receivables	16,593,326.49	21,215,215.15
Total	21,745,690.53	33,643,667.01

**(1) Interest Receivable**

## 1) Category of Interest Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Deposits on a regular basis	56,317.78	1,726,993.91
Bank financial products	1,944,150.72	4,745,863.01
Structural deposits	3,151,895.54	5,955,594.94
Total	5,152,364.04	12,428,451.86

## 2) Significant Overdue Interest

None

**(2) Dividends Receivable**

None

**(3) Other Receivables**

## 1) Other Receivables Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other receivables withdrawn bad debt provision according to credit risks characteristics	17,924,698.09	100.00%	1,331,371.60	7.43%	16,593,326.49	24,013,060.03	98.79%	2,797,844.88	11.65%	21,215,215.15

Other receivables with insignificant single amount for which bad debt provision separately accrued						295,120.00	1.21%	295,120.00	100.00%	
Total	17,924,698.09	100.00%	1,331,371.60	7.43%	16,593,326.49	24,308,180.03	100.00%	3,092,964.88	12.72%	21,215,215.15

Other receivables with significant single amount for which bad debt provision separately accrued at the period-end:

Applicable  Not applicable

Among these groups, other receivables adopting aging analysis method to withdraw bad debt provision:

Applicable  Not applicable

Unit: RMB

Aging	Ending balance		
	Other receivables	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	14,246,040.33	427,381.20	3.00%
Subtotal within 1 year	14,246,040.33	427,381.20	3.00%
1 to 2 years	2,151,046.55	215,104.65	10.00%
2 to 3 years	1,039,336.77	311,801.03	30.00%
3 to 4 years	177,279.44	88,639.72	50.00%
4 to 5 years	112,750.00	90,200.00	80.00%
Over 5 years	198,245.00	198,245.00	100.00%
Total	17,924,698.09	1,331,371.60	7.43%

Among these groups, other receivables adopting balance percentage method to withdraw bad debt provision:

Applicable  Not applicable

Among these groups, other receivables adopting other methods to withdraw bad debt provision:

Applicable  Not applicable

## 2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB2,387,659.65; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

## 3) Particulars of the Actual Verification of Other Receivables during the Reporting Period

Unit: RMB

Item	Amount
No.1	3,854,132.93

No.2	295,120.00
Total	4,149,252.93

## 4) Other Receivables Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
VAT export tax refunds	6,252,642.96	5,712,812.04
Borrowings and petty cash for employees	3,451,053.16	4,343,208.32
Performance bond	2,905,450.00	4,377,639.20
Rent, water & electricity fees	765,582.10	1,293,281.97
Advance money for street light construction		3,777,672.16
Other intercourse accounts	4,549,969.87	4,803,566.34
Total	17,924,698.09	24,308,180.03

## 5) Top 5 of the Ending Balance of the Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of other receivables%	Ending balance of bad debt provision
No.1	Export rebates	6,252,642.96	Within 1 year	34.88%	187,579.29
No.2	Social insurance	1,759,840.87	Within 1 year	9.82%	52,795.23
No.3	Other	1,266,485.77	Within 3 years	7.07%	166,641.67
No.4	Petty cash for employees	895,505.78	Within 2 years	5.00%	36,197.98
No.5	Other	651,344.52	Within 3 years	3.63%	91,198.95
Total	--	10,825,819.90	--	60.40%	534,413.12

## 6) Accounts Receivable Involving Government Subsidies

None

## 7) Derecognition of Other Receivables due to the Transfer of Financial Assets

None

## 8) The Amount of the Assets and Liabilities Formed due to the Transfer and the Continued Involvement of Other Receivables

None

## 7. Inventories

Whether the Company need satisfy relevant disclosure requirements governing the real estate industry

No

### (1) Category of Inventories

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	126,493,040.39	1,912,404.69	124,580,635.70	104,733,828.43	2,513,798.75	102,220,029.68
Goods in process	34,923,287.33		34,923,287.33	39,662,967.77		39,662,967.77
Inventory goods	495,768,205.24	25,743,927.08	470,024,278.16	466,813,177.48	10,984,333.96	455,828,843.52
Semi-finished goods	135,536,163.37	787,982.05	134,748,181.32	146,868,534.26	972,725.26	145,895,809.00
Low priced and easily worn articles	3,043,216.49		3,043,216.49	2,859,239.90		2,859,239.90
Total	795,763,912.82	28,444,313.82	767,319,599.00	760,937,747.84	14,470,857.97	746,466,889.87

Whether the Company need satisfy relevant disclosure requirements stated in SZSE Industrial Information Disclosure Guidance No.4---Listed Company Specialized in Seed Industry and Planting Businesses or not?

No

Whether the Company need satisfy relevant disclosure requirements stated in SZSE Industrial Information Disclosure Guidance No.11-Listed Company Specialized in Jewelry-related Business or not?

No

### (2) Falling Price Reserves of Inventories

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	2,513,798.75	2,657,012.25		3,258,406.31		1,912,404.69
Inventory goods	10,984,333.96	22,344,261.44		7,584,668.32		25,743,927.08
Semi-finished goods	972,725.26	767,568.11		952,311.32		787,982.05
Total	14,470,857.97	25,768,841.80		11,795,385.95		28,444,313.82

Reason for withdrawal and reversal of falling price reserves of inventories

Item	Basis for provision for falling price of inventory	Reasons for the reverse or write-off of falling price reserves of inventory of Reporting Period	Remark
Raw materials	According to the lower of inventory cost and net realizable value	Raw materials sales or scrapping	
Inventory goods	According to the lower of inventory cost and net realizable value	Products sales or scrapping	

### (3) Notes to the Ending Balance of Inventories Including Capitalized Borrowing Expense

None

### (4) Completed but Unsettled Assets Generated from Construction Contracts at the Period-end

None

### 8. Held-for-sale Assets

None

### 9. Current Portion of Non-current Assets

None

### 10. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible input tax of VAT	21,691,700.53	25,823,261.05
Advance payment of enterprise income tax	2,401,962.77	238,841.51
Bank financial products (Note)	240,000,000.00	470,000,000.00
Structural deposits (Note)	600,000,000.00	510,000,000.00
Total	864,093,663.30	1,006,062,102.56

Other notes:

Note: the bank principal-guaranteed financial products with maturity date more than three months but investment cycle shorter than a year and structural deposit products which cannot be terminated in advance.

**11. Available-for-sale Financial Assets****(1) List of Available-for-sale Financial Assets**

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Available-for-sale equity instruments:	903,566,590.20	5,850,000.00	897,716,590.20	1,396,431,536.60	5,850,000.00	1,390,581,536.60
Measured at fair value	594,088,280.80		594,088,280.80	1,086,953,227.20		1,086,953,227.20
Measured at cost	309,478,309.40	5,850,000.00	303,628,309.40	309,478,309.40	5,850,000.00	303,628,309.40
Total	903,566,590.20	5,850,000.00	897,716,590.20	1,396,431,536.60	5,850,000.00	1,390,581,536.60

**(2) Available-for-sale Financial Assets Measured by Fair Value at the Period-end**

Unit: RMB

Category	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
Cost of the equity instruments/amortized cost of the debt instruments	243,884,887.46			243,884,887.46
Fair value	594,088,280.80			594,088,280.80
Changed amount of the fair value that be accumulatively recorded in other comprehensive income	350,203,393.34			350,203,393.34

**(3) Available-for-sale Financial Assets Measured by Cost at the Period-end**

Unit: RMB

Investee	Carrying amount				Depreciation reserves				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Period-beginning	Increase	Decrease	Period-end	Period-beginning	Increase	Decrease	Period-end		
Shenzhen	5,850,000.			5,850,000.	5,850,000.			5,850,000.	Less than	

Zhonghao (Group) Ltd.	00			00	00			00	5.00%	
Chengdu Hongbo Industrial Co., Ltd.	6,000,000.00			6,000,000.00					6.94%	
Xiamen Bank	292,574,133.00			292,574,133.00					4.62%	10,971,417.60
Guangdong Development Bank Co., Ltd.	500,000.00			500,000.00					Less than 5.00%	
Foshan Focheng Road Development Company Limited	4,554,176.40			4,554,176.40					7.66%	
<b>Total</b>	<b>309,478,309.40</b>			<b>309,478,309.40</b>	<b>5,850,000.00</b>			<b>5,850,000.00</b>	<b>--</b>	<b>10,971,417.60</b>

#### (4) Changes in Depreciation of Available-for-sale Financial Assets during the Reporting Period

Unit: RMB

Category	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
Withdrawn impairment balance at the period-begin	5,850,000.00			5,850,000.00
Withdrawn impairment balance at the period-end	5,850,000.00			5,850,000.00

#### (5) Notes to the Available-for-sale Equity Instrument with Serious Fall or Non-transient Fall in Ending Fair Value but without Provisions for Impairment

None

**12. Held-to-maturity Investments**

None

**13. Long-term Receivables**

None

**14. Long-term Equity Investments**

Unit: RMB

Investees	Beginning balance	Increase/decrease								Ending balance	Ending balance of depreciation reserves
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of depreciation reserves	Other		
I. Joint ventures											
II. Associated enterprises											
Shenzhen Primatronix (Nanho) Electronics Ltd.	179,414,105.14			6,165,040.30			3,120,585.75			182,458,559.69	
Subtotal	179,414,105.14			6,165,040.30			3,120,585.75			182,458,559.69	
Total	179,414,105.14			6,165,040.30			3,120,585.75			182,458,559.69	

**15. Investment Property**

None

**16. Fixed Assets**

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	512,106,912.39	483,520,866.64
Total	512,106,912.39	483,520,866.64

**(1) List of Fixed Assets**

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Total
I. Original carrying value					
1. Beginning balance	682,933,149.57	689,839,173.35	23,667,381.11	24,917,745.28	1,421,357,449.31
2. Increased amount of the period	27,959,491.72	73,825,943.82	188,720.90	2,988,866.69	104,963,023.13
(1) Purchase	1,487,887.17	44,474,378.82	188,720.90	863,057.21	47,014,044.10
(2) Transfer from construction in progress	26,471,604.55	29,351,565.00		2,125,809.48	57,948,979.03
(3) Enterprise combination increase					
3. Decreased amount of the period		42,105,364.77	1,272,096.75	43,476.96	43,420,938.48
(1) Disposal or Scrap		35,084,631.93	1,272,096.75	43,476.96	36,400,205.64
(2) Equipment transformation		7,020,732.84			7,020,732.84
4. Ending balance	710,892,641.29	721,559,752.40	22,584,005.26	27,863,135.01	1,482,899,533.96
II. Accumulative depreciation					
1. Beginning balance	409,156,400.86	491,616,205.03	16,048,566.76	18,722,379.66	935,543,552.31
2. Increased amount of the period	23,193,911.05	42,398,806.71	1,286,326.83	3,307,588.25	70,186,632.84
(1) Withdrawal	23,193,911.05	42,398,806.71	1,286,326.83	3,307,588.25	70,186,632.84
3. Decreased amount of the period		36,345,112.80	818,664.96	64,636.57	37,228,414.33
(1) Disposal or Scrap		32,203,602.84	818,664.96	64,636.57	33,086,904.37
(2) Equipment		4,141,509.96			4,141,509.96

transformation					
4. Ending balance	432,350,311.91	497,669,898.94	16,516,228.63	21,965,331.34	968,501,770.82
III. Depreciation reserves					
1. Beginning balance		2,292,602.33		428.03	2,293,030.36
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		2,179.61			2,179.61
(1) Disposal or Scrap		2,179.61			2,179.61
4. Ending balance		2,290,422.72		428.03	2,290,850.75
IV. Carrying value					
1. Ending carrying value	278,542,329.38	221,599,430.74	6,067,776.63	5,897,375.64	512,106,912.39
2. Beginning carrying value	273,776,748.71	195,930,365.99	7,618,814.35	6,194,937.59	483,520,866.64

## (2) List of Temporarily Idle Fixed Assets

Unit: RMB

Item	Original carrying value	Accumulative depreciation	Depreciation reserves	Carrying value	Note
T5, T8, energy-saving lamp production line	7,940,325.52	5,945,024.07	1,943,741.93	51,559.52	
Total	7,940,325.52	5,945,024.07	1,943,741.93	51,559.52	

## (3) Fixed Assets Leased in by Financing Lease

None

## (4) Fixed Assets Leased out by Operation Lease

None

**(5) Fixed Assets Failed to Accomplish Certification of Property**

None

**(6) Proceeds from Disposal of Fixed Assets**

None

**17. Construction in Progress**

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	224,624,447.16	162,814,991.68
Total	224,624,447.16	162,814,991.68

**(1) List of Construction in Progress**

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Construction in progress	224,624,447.16		224,624,447.16	162,814,991.68		162,814,991.68
Total	224,624,447.16		224,624,447.16	162,814,991.68		162,814,991.68

**(2) Changes in Significant Construction in Progress during the Reporting Period**

Unit: RMB

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Fuwan intelligent workshop	52,040,000.00	25,715,029.09	15,868,080.86			41,583,109.95	81.29%	95.00%				Other

p H												
Fuwan standard workshop K3	26,200,000.00	14,115,345.92	7,826,941.93			21,942,287.85	89.18%	95.00%				Other
Fuwan standard workshop K2	26,200,000.00	13,281,620.60	8,420,810.33			21,702,430.93	85.71%	95.00%				Other
Fuwan standard workshop K1	23,775,000.00	12,652,955.32	6,588,497.04			19,241,452.36	82.79%	90.00%				Other
Fuwan standard workshop J3	23,775,000.00	12,491,825.29	6,523,250.53			19,015,075.82	81.84%	90.00%				Other
Fuwan standard workshop J1	22,310,000.00	11,760,018.73	6,823,826.56			18,583,845.29	85.93%	95.00%				Other
Fuwan standard workshop J2	22,310,000.00	11,621,457.94	6,746,211.94			18,367,669.88	84.96%	95.00%				Other
Gaoming R&D workshop 11, 12, 13, 14 and 18	40,000,000.00	897,437.10	11,717,660.44			12,615,097.54	31.54%	40.00%				Other
Automatic system of intelligent production workshop (workshop H)	21,920,000.00	8,479,333.21	3,125,128.20			11,604,461.41	54.78%	70.00%				Other

Family housing of Gao Ming, Building 8#	10,100,000.00	5,827,528.35	1,865,894.75			7,693,423.10	76.75%	95.00%			Other
Fuwan standard workshop E	27,000,000.00	24,045,444.08	2,321,557.10	26,367,001.18			100.00%	100.00%			Other
Total	295,630,000.00	140,887,995.63	77,827,859.68	26,367,001.18		192,348,854.13	--	--			--

### (3) List of the Withdrawal of the Depreciation Reserves for Construction in Progress

None

### (4) Engineering Materials

None

## 18. Productive Living Assets

None

## 19. Oil and Gas Assets

Applicable  Not applicable

## 20. Intangible Assets

### (1) List of Intangible Assets

Unit: RMB

Item	Land use right	Patent right	Non-patent technologies	Software	Total
I. Original carrying value					
1. Beginning balance	211,719,938.60	200,000.00		2,773,651.87	214,693,590.47
2. Increased amount of the period	22,021,785.00				22,021,785.00

(1) Purchase	22,021,785.00				22,021,785.00
(2) Internal R&D					
(3) Business combination increase					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	233,741,723.60	200,000.00		2,773,651.87	236,715,375.47
II. Accumulated amortization					
1. Beginning balance	57,449,354.58	200,000.00		1,499,515.53	59,148,870.11
2. Increased amount of the period	4,454,752.01			386,476.14	4,841,228.15
(1) Withdrawal	4,454,752.01			386,476.14	4,841,228.15
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	61,904,106.59	200,000.00		1,885,991.67	63,990,098.26
III. Depreciation reserves					
1. Beginning balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	171,837,617.01			887,660.20	172,725,277.21
2. Beginning carrying value	154,270,584.02			1,274,136.34	155,544,720.36

The proportion of intangible assets formed from the internal R&D of the Company at the Period-end to the ending balance of intangible assets was 0.00%.

**(2) Land Use Right with Certificate of Title Uncompleted**

Other notes:

The Company purchased a piece of land located to the north of Zhaoming Road and the east of Hengchang 2 Road, Hecheng Street, Gaoming District, Foshan City during the Reporting Period. As of 31 December 2018, the land use permit is in progress. The management believes there is no substantial legal obstacle to applying for the land use permit.

**21. R&D Expense**

None

**22. Goodwill**

None

**23. Long-term Prepaid Expense**

Unit: RMB

Item	Beginning balance	Increased amount	Amortization amount of the period	Other decreased amount	Ending balance
Maintenance and decoration expenses	9,088,933.56	2,798,276.62	5,883,169.76		6,004,040.42
Other		1,000,367.63	151,422.70		848,944.93
Total	9,088,933.56	3,798,644.25	6,034,592.46		6,852,985.35

**24. Deferred Income Tax Assets/Deferred Income Tax Liabilities****(1) Deferred Income Tax Assets that Had not Been Set-off**

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	86,933,832.63	13,391,933.49	99,556,953.91	15,311,430.81
Unrealized profit of internal transactions	1,187,129.74	178,069.46	1,795,625.87	269,343.88
Deductible losses			10,594,861.17	2,648,715.29
Depreciation of fixed assets	75,022,616.39	11,594,644.46	67,261,836.57	10,420,465.38
Payroll payable	83,969,846.94	12,595,477.04	60,172,489.55	9,025,873.43

Changes in fair value of trading financial liabilities	477,200.00	71,580.00		
<b>Total</b>	<b>247,590,625.70</b>	<b>37,831,704.45</b>	<b>239,381,767.07</b>	<b>37,675,828.79</b>

**(2) Deferred Income Tax Liabilities Had not Been Off-set**

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of available-for-sale financial assets	350,203,393.34	52,530,509.00	843,068,339.74	126,460,250.96
<b>Total</b>	<b>350,203,393.34</b>	<b>52,530,509.00</b>	<b>843,068,339.74</b>	<b>126,460,250.96</b>

**(3) Deferred Income Tax Assets or Liabilities Listed by Net Amount after Off-set**

Unit: RMB

Item	Mutual set-off amount of deferred income tax assets and liabilities at the period-end	Amount of deferred income tax assets or liabilities after off-set at the period-end	Mutual set-off amount of deferred income tax assets and liabilities at the period-begin	Amount of deferred income tax assets or liabilities after off-set at the period-begin
Deferred income tax assets		37,831,704.45		37,675,828.79
Deferred income tax liabilities		52,530,509.00		126,460,250.96

**(4) List of Unrecognized Deferred Income Tax Assets**

None

**(5) Deductible Losses of Unrecognized Deferred Income Tax Assets will Due in the Following Years**

Other notes:

The deferred income tax liabilities of the period-end were RMB-73,929,741.96 with decrease of 58.46% compared with that of period-begin which is mainly due to the decrease of fair value of shares in Guoxuan High-tech Co., Ltd. and China Everbright Bank held by the Company during the Reporting Period.

**25. Other Non-current Assets**

Unit: RMB

Item	Ending balance	Beginning balance
Land purchase and the ownership implicit of relevant items	41,755,700.00	41,755,700.00
Prepayments for business facilities	6,549,735.42	1,303,334.80
	48,305,435.42	43,059,034.80

## 26. Short-term Borrowings

None

## 27. Financial Liabilities at Fair Value through Profit or Loss

Unit: RMB

Item	Ending balance	Beginning balance
Specified as financial liabilities at fair value through profit or loss	477,200.00	
Total	477,200.00	

Other notes:

The forward foreign exchange settlement business conducted by the Company during the Reporting Period shall be recognized as trading financial assets or liabilities and measured at fair value.

## 28. Derivative Financial Liabilities

Applicable  Not applicable

## 29. Notes Payable and Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Notes payable	452,683,676.97	
Accounts payable	532,597,143.95	539,303,554.54
Total	985,280,820.92	539,303,554.54

### (1) Notes Payable Listed by Category

Unit: RMB

Category	Ending balance	Beginning balance
Bank's acceptance bill	452,683,676.97	
Total	452,683,676.97	

The total amount of the due but not paid notes payable at the end of the period was of RMB0.00.

## (2) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Accounts payable	532,597,143.95	539,303,554.54
Total	532,597,143.95	539,303,554.54

## (3) Significant Accounts Payable Aging over One Year

None

## 30. Advances from Customers

### (1) List of Advances from Customers

Unit: RMB

Item	Ending balance	Beginning balance
Advances from customers	43,850,788.04	48,706,778.49
Total	43,850,788.04	48,706,778.49

### (2) Significant Advances from Customers Aging over One Year

None

### (3) Settled but Uncompleted Projects Formed by Construction Contracts at the Period-end

None

## 31. Payroll Payable

### (1) List of Payroll Payable

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	81,948,630.59	619,018,718.63	604,878,727.63	96,088,621.59
II. Post-employment benefit-defined contribution plans		40,877,858.57	40,877,858.57	
Total	81,948,630.59	659,896,577.20	645,756,586.20	96,088,621.59

**(2) List of Short-term Salary**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	81,567,715.47	564,262,272.36	550,104,501.31	95,725,486.52
2. Employee welfare		14,815,720.73	14,815,720.73	
3. Social insurance		25,745,167.25	25,745,167.25	
Of which: Medical insurance premiums		21,976,720.39	21,976,720.39	
Work-related injury insurance		1,608,468.08	1,608,468.08	
Maternity insurance		2,159,978.78	2,159,978.78	
4. Housing fund		9,837,672.00	9,837,672.00	
5. Labor union budget and employee education budget	380,915.12	4,357,886.29	4,375,666.34	363,135.07
Total	81,948,630.59	619,018,718.63	604,878,727.63	96,088,621.59

**(3) List of Defined Contribution Plans**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits		39,465,323.37	39,465,323.37	
2. Unemployment insurance		1,412,535.20	1,412,535.20	
Total		40,877,858.57	40,877,858.57	

Other notes:

The Company participates in the scheme of pension insurance and unemployment insurance established by government agencies as required. According to the scheme, fees are paid to it on a monthly basis and at the rate of stipulated by government agencies. In addition to the above monthly deposit fees, the Company no longer assumes further payment obligations. Corresponding expenses are recorded into the current profits or losses or the cost of related assets when incurred.

**32. Taxes Payable**

Unit: RMB

Item	Ending balance	Beginning balance

VAT	3,147,064.81	10,282,705.33
Corporate income tax	14,907,122.79	9,181,098.01
Personal income tax	704,101.03	1,591,053.45
Urban maintenance and construction tax	761,673.03	830,070.63
Education Surcharge	544,052.17	596,707.51
Property tax	2,374,748.34	893,895.36
Land use tax	2,750,413.52	3,831,261.26
Other	165,290.68	143,878.85
Total	25,354,466.37	27,350,670.40

### 33. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Other payables	43,115,011.68	40,548,489.03
Total	43,115,011.68	40,548,489.03

#### (1) Interest Payable

None

#### (2) Dividends Payable

None

#### (3) Other Payables

##### 1) Other Payables Listed by Nature

Unit: RMB

Item	Ending balance	Beginning balance
Performance bond	27,413,254.10	22,458,290.53
Expense related to sales	3,568,835.91	10,528,263.61
Compensation for lawsuit	1,762,533.43	1,762,533.43
Other	10,370,388.24	5,799,401.46
Total	43,115,011.68	40,548,489.03

##### 2) Significant Other Payables Aging over One Year

None

**34. Held-for-sale Liabilities**

None

**35. Current Portion of Non-current Liabilities**

None

**36. Other Current Liabilities**

None

**37. Long-term Borrowings**

None

**38. Bonds Payable**

None

**39. Long-term Payables**

None

**40. Long-term Payroll Payable**

None

**41. Provisions**

None

**42. Deferred Income**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government subsidies	11,858,330.49		11,703,330.18	155,000.31	Government subsidies related to assets/income
Total	11,858,330.49		11,703,330.18	155,000.31	--

Item involving government subsidies:

Unit: RMB

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Amount offset cost in the Reporting Period	Other changes	Ending balance	Related to assets/related income
LED production technical transformation project	9,852,274.95					9,852,274.95		Related to assets
Construction of Electro-optical Institute of Foshan Electrical and Lighting Co., Ltd.	1,000,000.00			1,000,000.00				Related to income
Production line of 50 million energy-saving fluorescent lamp	310,000.23		154,999.92				155,000.31	Related to assets
Standard optical components testing laboratory capacity construction	272,669.78		272,669.78					Related to assets
Overseas protection plan of intellectual property of FSL	250,000.00			250,000.00				Related to income
Standard research on cool LED light with	173,385.53		173,385.53					Related to income

wide angle								
Total	11,858,330.49		601,055.23	1,250,000.00		9,852,274.95	155,000.31	

Other notes:

The deferred income of period-end was RMB-11,703,330.18 with decrease of 98.69% compared with that of period-begin which is mainly generated from the return of government subsidy of RMB10 million for “project of LED survival transformation” during the Reporting Period.

### 43. Other Non-current Liabilities

None

### 44. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Bonus issue from profit	Other	Subtotal	
The sum of shares	1,272,132,868.00			127,213,286.00		127,213,286.00	1,399,346,154.00

### 45. Other Equity Instruments

None

### 46. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	278,575,487.53		127,213,286.00	151,362,201.53
Other capital reserves	7,245,971.54			7,245,971.54
Total	285,821,459.07		127,213,286.00	158,608,173.07

Other notes, including changes and reason of change:

The capital reserves of period-end was RMB-127,213,286.00 with decrease of 44.51% compared with that of period-begin, which was generated from bonus issue from profit.

### 47. Treasury Shares

None

**48. Other Comprehensive Income**

Unit: RMB

Item	Beginning balance	Reporting Period					Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
II. Other comprehensive income that may subsequently be reclassified to profit or loss	716,607,333.78	-492,869,202.94		-73,929,741.96	-418,939,460.98		297,667,872.80
Gain/Loss on changes in fair value of available-for-sale financial assets	716,608,088.78	-492,864,946.40		-73,929,741.96	-418,935,204.44		297,672,884.34
Differences arising from translation of foreign currency-denominated financial statements	-755.00	-4,256.54			-4,256.54		-5,011.54
Total of other comprehensive income	716,607,333.78	-492,869,202.94		-73,929,741.96	-418,939,460.98		297,667,872.80

Other notes, including the adjustment of the effective gain/loss on cash flow hedges to the initial recognized amount:

Other comprehensive income of period-end was RMB-418,939,460.98 with decrease of 58.46% compared with that of period-begin which was due to the sharply drop of stock price of Guoxuan High-tech Co., Ltd. and China Everbright Bank held by the Company at the period-end.

**49. Specific Reserve**

None

**50. Surplus Reserves**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	636,066,434.00	36,503,183.84		672,569,617.84

Discretionary surplus reserves	136,886,568.36			136,886,568.36
Total	772,953,002.36	36,503,183.84		809,456,186.20

Notes, including changes and reason of change:

In line with regulations stipulated in the articles of association, the statutory surplus reserves withdrawn in the Reporting Period was RMB36,503,183.84.

## 51. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	1,731,600,796.18	1,564,615,925.99
Beginning balance of retained earnings after adjustments	1,731,600,796.18	1,564,615,925.99
Add: Net profit attributable to owners of the Company as the parent	377,615,133.62	740,308,725.30
Less: withdrawal of statutory surplus reserves	36,503,183.84	39,028,050.55
Dividend of ordinary shares payable	418,531,713.57	534,295,804.56
Ending retained earnings	1,654,181,032.39	1,731,600,796.18

List of adjustment of beginning retained earnings:

- (1) RMB0.00 beginning retained earnings was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- (2) RMB0.00 beginning retained earnings was affected by changes in accounting policies.
- (3) RMB0.00 beginning retained earnings was affected by correction of significant accounting errors.
- (4) RMB0.00 beginning retained earnings was affected by changes in combination scope arising from same control.
- (5) RMB0.00 beginning retained earnings was affected totally by other adjustments.

## 52. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same Period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	3,778,249,951.22	2,904,082,772.16	3,772,966,756.87	2,923,576,970.37
Other operations	23,705,995.54	18,750,738.24	27,221,504.67	16,492,159.34
Total	3,801,955,946.76	2,922,833,510.40	3,800,188,261.54	2,940,069,129.71

**53. Taxes and Surtaxes**

Unit: RMB

Item	Reporting Period	Same Period of last year
Urban maintenance and construction tax	12,673,452.76	14,766,125.68
Education Surcharge	5,459,067.96	6,337,699.24
Property tax	7,538,403.90	6,267,294.19
Land use tax	5,285,219.55	5,100,498.29
Vehicle and vessel use tax	16,218.98	29,458.08
Stamp Duty	1,719,791.33	1,929,366.41
Local education surcharge	3,639,365.84	4,225,132.71
Environmental protection tax	45,809.86	
Deed tax		81,919.14
Embankment-protection fees		6.09
Total	36,377,330.18	38,737,499.83

**54. Selling Expense**

Unit: RMB

Item	Reporting Period	Same Period of last year
Freight	75,271,832.22	74,064,096.99
Employee's remuneration	61,175,236.43	62,624,316.66
Business propagandize fees and advertizing fees	37,609,042.39	20,934,592.67
Sales promotion fees	19,875,800.05	23,519,202.35
Business travel charges	12,650,960.49	15,564,432.98
Dealer meeting expense	3,640,647.76	1,931,896.64
Other	27,261,870.55	15,174,101.45
Total	237,485,389.89	213,812,639.74

**55. Administrative Expense**

Unit: RMB

Item	Reporting Period	Same Period of last year
Employee's remuneration	106,255,136.92	111,542,556.07
Depreciation charge	15,362,970.68	18,031,548.68

Office expenses	13,142,511.18	10,438,740.91
Rent of land and management charge	5,352,109.19	6,413,922.13
Amortization of intangible assets	4,841,228.15	4,785,674.77
Other	28,917,129.49	27,790,364.02
<b>Total</b>	<b>173,871,085.61</b>	<b>179,002,806.58</b>

## 56. R&D Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Employee's remuneration	34,627,641.09	15,740,158.41
Expense on equipment debugging	6,569,264.14	709,307.47
Fees for certification testing	4,743,946.71	7,142,203.62
Material consumption	2,732,468.55	1,662,221.96
Charges related to patents	1,119,733.39	1,888,674.96
Depreciation and long-term prepayments	413,561.08	373,325.97
Other	2,519,970.32	7,062,275.57
<b>Total</b>	<b>52,726,585.28</b>	<b>34,578,167.96</b>

Other notes:

1、 The R&D expense of the Reporting Period was RMB18,148,417.32 with increase of 52.49% compared with that of last year which was due to the increase in spending on R&D during the Reporting Period and huge increase in labor costs compared with that of last year.

2、 In the Company's R&D activities, the expense on bench-scale and pilot-scale production is recorded in R&D expense, the revenue generated from the sale of products through bench-scale and pilot-scale production is recorded in core business revenue, and the costs incurred are recorded in the cost of sales of core businesses.

## 57. Finance Costs

Unit: RMB

Item	Reporting Period	Same Period of last year
Interest expense	371,567.15	
Less: Interest income	11,450,858.00	9,311,141.78
Foreign exchange gains or losses	-16,834,523.05	17,501,423.01
Other	1,798,634.74	2,782,001.29
<b>Total</b>	<b>-26,115,179.16</b>	<b>10,972,282.52</b>

Other notes:

The finance costs of the Reporting Period decreased largely compared with that of last year, which was mainly due to the increase of

foreign exchange gains caused by devaluation of RMB and increase of export business.

## 58. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same Period of last year
I. Bad debt loss	11,904,279.15	13,102,038.01
II. Loss on inventory valuation	25,768,841.80	21,672,776.12
Total	37,673,120.95	34,774,814.13

## 59. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Rewards for Competition among Hundreds of Enterprises	23,710,397.00	
Supporting fund for import and export	2,282,553.00	3,249,240.00
Subsidy for stabilizing posts	1,091,084.26	2,397,812.18
Other	4,126,579.00	1,229,334.00
Total	31,210,613.26	6,876,386.18

## 60. Investment Income

Unit: RMB

Item	Reporting Period	Same Period of last year
Long-term equity investment income accounted by equity method	6,165,040.30	2,222,185.57
Investment income from disposal of long-term equity investment		184,379,575.52
Investment income from holding of available for sale financial assets	18,873,927.57	30,320,839.59
Investment income from disposal of available for sale financial assets		270,998,081.52
Income received from financial products and structural deposits	29,098,956.87	35,305,395.44
Other	-808,400.00	-621,450.98
Total	53,329,524.74	522,604,626.66

The investment income of the Reporting Period was RMB-469,275,101.92 with decrease of 89.80% compared with that of last year, which was mainly caused by selling of 8,770,400 shares of Guoxuan High-tech Co., Ltd. in

last year but no shares sold during the Reporting Period.

### 61. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Financial liabilities at fair value through profit or loss	-477,200.00	
Total	-477,200.00	

### 62. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Fixed asset disposal income	-78,039.44	-10,790.68
Total	-78,039.44	-10,790.68

### 63. Non-operating Income

Unit: RMB

Item	Reporting Period	Same Period of last year	Amount recorded in the current non-recurring profit or loss
Government subsidy	2,168,255.23	1,185,148.00	2,168,255.23
Total income from scrapping of non-current assets	138,567.76		138,567.76
Of which: gains from scrapping of fixed assets	138,567.76		138,567.76
Other	1,501,787.51	2,235,718.46	1,501,787.51
Total	3,808,610.50	3,420,866.46	3,808,610.50

Government subsidies recorded into current profit or loss:

Unit: RMB

Item	Distribution entity	Distribution reason	Nature	Whether influence the profits or losses of the year or not	Special subsidy or not	Reporting Period	Same period of last year	Related to assets/related income
Standard optical components		Subsidy				272,669.78	150,155.29	Related to assets

testing laboratory capacity construction and product quality guarantee project								
Standard research on cool LED light with wide angle		Subsidy				173,385.53	16,614.47	Related to income
Production line of 50 million energy-saving fluorescent lamp		Subsidy				154,999.92	154,999.92	Related to assets
Technological research on new type of low-cost LED light source module with silicon substrate		Subsidy					244,668.32	Related to income
Other miscellaneous government subsidies		Rewards				1,567,200.00	618,710.00	Related to income
Total						2,168,255.23	1,185,148.00	

#### 64. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same Period of last year	Amount recorded in the current non-recurring profit or loss
Donation	60,000.00	32,804.26	60,000.00
Total losses on scrapping of non-current assets	1,731,682.62	7,733,815.43	1,731,682.62

Of which: losses on scrapping of fixed assets	1,731,682.62	7,733,815.43	1,731,682.62
Losses on inventories	1,932,550.28	244,168.20	1,932,550.28
Penalty	36,499.25	7,291.00	36,499.25
Delaying payment		90,335.04	
Other	67,094.12	220,724.27	67,094.12
<b>Total</b>	<b>3,827,826.27</b>	<b>8,329,138.20</b>	<b>3,827,826.27</b>

## 65. Income Tax Expense

### (1) List of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Current income tax expense	72,075,325.91	121,110,462.58
Deferred income tax expense	-155,875.66	5,872,089.65
<b>Total</b>	<b>71,919,450.25</b>	<b>126,982,552.23</b>

### (2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Profit before taxation	451,069,786.40
Current income tax expense accounted at statutory/applicable tax rate	67,660,467.96
Influence of applying different tax rates by subsidiaries	6,257,356.04
Influence of income tax before adjustment	-64,950.11
Influence of non-deductable costs, expenses and losses	2,248,151.29
Influence of R&D expense deduction	-3,171,601.61
Influence of allowance of making up the prior year deficiency	2,648,715.29
Regarded as sales	97,156.57
Investment income and final dividend	-3,755,845.18
<b>Income tax expense</b>	<b>71,919,450.25</b>

## 66. Other Comprehensive Income

Refer to Note 48 for details.

**67. Cash Flow Statement****(1) Cash Generated from Other Operating Activities**

Unit: RMB

Item	Reporting Period	Same Period of last year
Government subsidies received	29,539,856.03	9,306,996.18
Cash deposit received	9,433,019.86	19,450,230.83
Deposit interest	13,324,810.23	8,516,240.36
Income from waste	15,994,366.63	12,641,813.45
Income from insurance compensation	7,953,870.72	239,342.12
Property and rental income	4,314,891.32	3,707,566.34
Other	14,817,509.51	6,612,167.40
<b>Total</b>	<b>95,378,324.30</b>	<b>60,474,356.68</b>

**(2) Cash Used in Other Operating Activities**

Unit: RMB

Item	Reporting Period	Same Period of last year
Administrative expense paid in cash	61,534,145.31	67,473,691.23
Selling expense paid in cash	132,808,161.86	136,881,035.89
Finance costs paid in cash	1,267,358.28	769,269.44
Returned government subsidies	10,000,000.00	
Returned cash deposit	8,876,805.00	22,562,340.00
Other	336,025.84	242,461.00
<b>Total</b>	<b>214,822,496.29</b>	<b>227,928,797.56</b>

**(3) Cash Generated from Other Investing Activities**

None

**(4) Cash Used in Other Investing Activities**

None

**(5) Cash Generated from Other Financing Activities**

None

**(6) Cash Used in Other Financing Activities**

None

**68. Supplemental Information for Cash Flow Statement****(1) Supplemental Information for Cash Flow Statement**

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	379,150,336.15	745,820,319.26
Add: Provision for impairment of assets	37,673,120.95	34,774,814.13
Depreciation of fixed assets, oil-gas assets, and productive living assets	70,186,632.84	72,933,789.06
Amortization of intangible assets	4,841,228.15	4,785,674.77
Amortization of long-term prepaid expenses	6,034,592.46	5,269,431.90
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	78,039.44	10,790.68
Losses from scrap of fixed assets (gains: negative)	1,593,114.86	7,733,815.43
Losses from changes in fair value (gains: negative)	477,200.00	
Investment loss (gains: negative)	-53,329,524.74	-522,604,626.66
Decrease in deferred income tax assets (increase: negative)	-155,875.66	5,872,089.65
Decrease in inventory (gains: negative)	-46,621,550.93	-14,458,060.80
Decrease in accounts receivable generated from operating activities (gains: negative)	-80,985,456.28	-178,458,100.12
Increase in accounts payable used in operating activities (decrease: negative)	299,045,629.81	54,141,255.49
Net cash generated from/used in operating activities	617,987,487.05	215,821,192.79
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Net increase/decrease of cash and cash	--	--

equivalent:		
Ending balance of cash	795,285,756.38	570,184,208.96
Less: beginning balance of cash	570,184,208.96	1,479,283,642.54
Net increase in cash and cash equivalents	225,101,547.42	-909,099,433.58

## (2) Net Cash Paid For Acquisition of Subsidiaries

None

## (3) Net Cash Receive from Disposal of the Subsidiaries

None

## (4) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	795,285,756.38	570,184,208.96
Including: Cash on hand	34,937.47	52,031.79
Bank deposit on demand	783,346,295.87	565,323,109.99
Other monetary capital on demand	11,904,523.04	4,809,067.18
III. Ending balance of cash and cash equivalents	795,285,756.38	570,184,208.96

## 69. Notes to Items of the Statements of Changes in Owners' Equity

Notes to the name of "Other" of ending balance of the same period of last year adjusted and the amount adjusted:

Not applicable

## 70. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary capital	101,360,963.49	Security deposit of notes and security deposit of future foreign exchange settlement
Notes receivable	44,969,669.60	Pledged for notes pool
Total	146,330,633.09	--

**71. Foreign Currency Monetary Items****(1) Foreign Currency Monetary Items**

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capital	--	--	105,391,777.95
Of which: USD	15,335,737.06	6.8632	105,252,230.59
EUR	17,782.85	7.8473	139,547.36
HKD			
Accounts receivable	--	--	337,468,638.97
Of which: USD	49,170,742.36	6.8632	337,468,638.97
EUR			
HKD			
Long-term borrowings	--	--	
Of which: USD			
EUR			
HKD			
Prepayments			587,496.65
Of which: USD	85,600.98	6.8632	587,496.65
Accounts payable			1,654,299.59
Of which: USD	140,871.20	6.8632	966,827.22
EUR	87,606.23	7.8473	687,472.37
Advances from customers			18,414,572.52
Of which: USD	2,624,162.70	6.8632	18,010,153.44
EUR	51,536.08	7.8473	404,419.08
Other payables			480,904.42
Of which: USD	70,070.00	6.8632	480,904.42

**(2) Notes to Overseas Entities Including: for Significant Overseas Entities, Main Operating Place, Recording Currency and Selection Basis Shall Be Disclosed; if there Are Changes in Recording Currency, Relevant Reasons Shall Be Disclosed.**

Applicable  Not applicable

**72. Arbitrage**

None

**73. Government Subsidy****(1) Basic Information on Government Subsidy**

Unit: RMB

Type	Amount	Presented in	Charged to current profit or loss
Rewards for Competition among Hundreds of Enterprises	23,710,397.00	Other income	23,710,397.00
Supporting fund for import and export	2,282,553.00	Other income	2,282,553.00
Subsidy for stabilizing posts	1,091,084.26	Other income	1,091,084.26
Other	4,126,579.00	Other income	4,126,579.00
Standard optical components testing laboratory capacity construction and product quality guarantee project	272,669.78	Non-operating income	272,669.78
Standard research on cool LED light with wide angle	173,385.53	Non-operating income	173,385.53
Production line of 50 million energy-saving fluorescent lamp	154,999.92	Non-operating income	154,999.92
Other miscellaneous government subsidies	1,567,200.00	Non-operating income	1,567,200.00
Total	33,378,868.49		33,378,868.49

**(2) Return of Government Subsidy**

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Reason
LED survival technological reform program	10,000,000.00	As per the Notice of the Guangdong Provincial Development and Reform Commission on the Solutions for Historical Problems Regarding Projects Invested in the Central Government's Budget in 2015 and before (YFGJCH [2018] No. 1944), the Company returned the full amount of RMB10 million within the Central

		Government's budget to the municipal bureau of finance as required.
Total	10,000,000.00	

#### 74. Other

None

### VIII. Changes of Consolidation Scope

#### 1. Business Combination Not under the Same Control

##### (1) Business Combination Not under the Same Control during the Reporting Period

None

##### (2) Combination Cost and Goodwill

None

##### (3) The Identifiable Assets and Liabilities of Acquiree on Purchase Date

None

##### (4) Gains or losses from Re-measurement of Equity Held before the Purchase Date at Fair Value

Whether there is a transaction that through multiple transaction step by step to realize business combination and gaining the control during the Reporting Period

Yes  No

##### (5) Notes to Reasonable Consideration or Fair Value of Identifiable Assets and Liabilities of the Acquiree that Cannot Be Determined on the Acquisition Date or during the Period-end of the Merger

None

##### (6) Other Notes

None

**2. Business Combination under the Same Control****(1) Business Combination under the Same Control during the Reporting Period**

None

**(2) Combination Cost**

None

**(3) The Carrying Value of Assets and Liabilities of the Combined Party on the Combination Date**

None

**3. Counter Purchase**

None

**4. Disposal of Subsidiary**

Whether there is a single disposal of the investment to the subsidiary and lost control?

 Yes  No

Whether there are several disposals of the investment to the subsidiary and lost controls?

 Yes  No**5. Changes in Combination Scope for Other Reasons**

None

**6. Other**

None

**IX. Equity in Other Entities****1. Equity in Subsidiary****(1) Subsidiaries**

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Foshan Chansheng Electronic Ballast	Foshan	Foshan	Production and sales	100.00%		Newly established

Co., Ltd.						
Foshan Lighting Lamps & Components Co., Ltd.	Foshan	Foshan	Production and sales	100.00%		Newly established
Guangdong Fozhao New Light Sources Technology Co., Ltd.	Foshan	Foshan	Production and sales	100.00%		Newly established
FSL Chanchang Optoelectronics Co., Ltd.	Foshan	Foshan	Production and sales	100.00%		Newly established
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	Foshan	Foshan	Production and sales	70.00%		Newly established
Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	Xinxiang	Xinxiang	Production and sales	100.00%		Newly established
Guangdong Fozhao Financial Leasing Co., Ltd.	Foshan	Foshan	Finance lease	100.00%		Newly established
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	Nanjing	Nanjing	Production and sales	100.00%		Acquired
FSL Zhida Electric Technology Co., Ltd.	Foshan	Foshan	Production and sales	51.00%		Newly established
FSL LIGHTING GmbH	Germany	Germany	Production and sales	100.00%		Newly established

## (2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
------	--	--	--	--

Foshan Taimei Times Lamps and Lanterns Co., Ltd.	30.00%	1,515,210.98	8,108,064.79
FSL Zhida Electric Technology Co., Ltd.	49.00%	19,991.55	13,946,798.14

**(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary**

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	35,881,053.56	19,031,531.64	54,912,585.20	27,885,702.58		27,885,702.58	74,373,986.81	15,493,351.95	89,867,338.76	67,891,159.40		67,891,159.40
FSL Zhida Electric Technology Co., Ltd.	74,044,533.25	10,388,813.87	84,433,347.12	40,878,657.04		40,878,657.04	89,763,066.89	10,457,849.42	100,220,916.31	56,707,025.32		56,707,025.32
Total	109,925,586.81	29,420,345.51	139,345,932.32	68,764,359.62		68,764,359.62	164,137,053.70	25,951,201.37	190,088,255.07	124,598,184.72		124,598,184.72

Unit: RMB

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	138,186,413.51	5,050,703.26	5,050,703.26	3,857,467.68	153,043,784.51	5,218,058.76	5,218,058.76	25,367,729.62
FSL Zhida	96,231,697.2	40,799.09	40,799.09	1,465,964.60	129,462,815.	8,053,421.08	8,053,421.08	-7,105,760.94

Electric Technology Co., Ltd.	6				58			
Total	234,418,110.77	5,091,502.35	5,091,502.35	5,323,432.28	282,506,600.09	13,271,479.84	13,271,479.84	18,261,968.68

#### (4) Significant Restrictions on Using the Assets and Liquidating the Liabilities of the Company

None

#### (5) Financial Support or Other Supports Provided to Structural Entities Incorporated into the Scope of Consolidated Financial Statements

None

### 2. The Transaction of the Company with Its Owner's Equity Share Changed but Still Controlling the Subsidiary

None

### 3. Equity in Joint Ventures or Associated Enterprises

#### (1) Significant Joint Ventures or Associated Enterprises

None

#### (2) Main Financial Information of Significant Joint Ventures

None

#### (3) Main Financial Information of Significant Associated Enterprise

None

#### (4) Summary Financial Information of Insignificant Joint Ventures or Associated Enterprises

Unit: RMB

	Ending balance/Reporting Period	Beginning balance/The same period of last year
Joint venture:	--	--
Total carrying value of investment		
The total of following items according to the shareholding proportions	--	--

Associated enterprise:	--	--
Total carrying value of investment	182,458,559.69	179,414,105.14
The total of following items according to the shareholding proportions	--	--
--Net profit	6,165,040.30	2,222,185.57
--Total comprehensive income	6,165,040.30	2,222,185.57

**(5) Note to the Significant Restrictions on the Ability of Joint Ventures or Associated Enterprises to Transfer Funds to the Company**

None

**(6) The Excess Loss of Joint Ventures or Associated Enterprises**

None

**(7) The Unrecognized Commitment Related to Investment to Joint Ventures**

None

**(8) Contingent Liabilities Related to Investment to Joint Ventures or Associated Enterprises**

None

**4. Significant Common Operation**

None

**5. Equity in the Structured Entity Excluded in the Scope of Consolidated Financial Statements**

None

**6. Other**

None

**X. The Risk Related to Financial Instruments**

The financial instruments of the Company included: monetary funds, accounts receivable, notes receivable, accounts payable, etc. The details of each financial instrument see relevant items of note VII.

The main risks of the Company due to financial instruments were credit risk, liquidity risk and market risk. The operating management of the Company was responsible for the risk management target and the recognition of the policies.

**(I) Credit risk**

Credit risk was one party of the contract failed to fulfill the obligations and causes loss of financial assets of the other party. The credit risk the Company faced was selling on credit which leads to customer credit risk.

The Company will evaluate credit risk of new customer, and set credit limit, once the balance of account receivable over credit limit, require the customer to pay or producing and delivering goods shall be approved by the management of the Company.

The Company through monthly aging analysis of account receivable and monitoring the collection situation of the customer ensured the overall credit risk of the Company was in control scope. Once appear abnormal situation, the Company should conduct necessary measures to requesting the payment timely.

**(II) Liquidity Risk**

Liquidity risk is referred to their risk of incurring capital shortage when performing settlement obligation in the way of cash payment or other financial assets. The policies of the Company are to ensure that there was sufficient cash to pay the due liabilities. The liquidity risk is centralized controlled by the Financial Department of the Company. The financial department through supervising the balance of the cash and securities can be convert to cash at any time and the rolling prediction of cash flow in future 12 months to ensure the Company have sufficient cash to pay the liabilities under the case of all reasonable prediction, Each financial liability of the Company was estimated due within 1 year.

**(III) Market risk**

Market risk was referred to risk of the fair value or future cash flow of financial instrument changed due to the change of market price, including: exchange rate risk, interest rate risk and other price risk.

## 1. Exchange rate risk

Exchange rate risk was referred to risk of possible losses due to changes of exchange rate. The exchange rate risk undertaken by the Company was mainly generated from USD and EUR. On December 31, 2018, all assets and liabilities of the Company were balances in RMB except that the balances of assets and liabilities presented in the Note VII (71) Foreign Currency Monetary Items were in USD and EUR. The exchange rate risk generated from those balance of assets and liabilities in foreign currency might influence the running performance of the Company to some extent.

The Company made efforts to avoid exchange rate risk through forward exchange settlement, improving operation management and promoting the international competitiveness of the Company, etc.

## 2. Interest rate risk

Interest rate risk is refers to fluctuation risk of the fair value or future cash flow of financial instrument change due to the change of market price. There was no bank loan in the Company, thus no RMB benchmark interest rate changes

## 3. Other price risk

Naught

**XI. The Disclosure of Fair Value****1. Ending Fair Value of Assets and Liabilities at Fair Value**

Unit: RMB

Item	Ending fair value			
	Fair value measurement	Fair value measurement	Fair value measurement	Total

	items at level 1	items at level 2	items at level 3	
I. Consistent fair value measurement	--	--	--	--
(II) Available-for-sale financial assets	594,088,280.80			594,088,280.80
(2) equity instrument investment	594,088,280.80			594,088,280.80
The total amount of assets consistently measured at fair value	594,088,280.80			594,088,280.80
(VI) Specified as financial liabilities at fair value through profit or loss	477,200.00			477,200.00
The total amount of liabilities consistently measured at fair value	477,200.00			477,200.00
II. Inconsistent fair value measurement	--	--	--	--

## 2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

In line with the market price of shares on the balance sheet date and forward foreign exchange option exchange rate.

## 3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

None

## 4. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

None

## 5. Sensitiveness Analysis on Unobservable Parameters and Adjustment Information between Beginning and Ending Carrying Value of Consistent Fair Value Measurement Items at Level 3

None

## 6. Explain the Reason for Conversion and the Governing Policy when the Conversion Happens if Conversion Happens among Consistent Fair Value Measurement Items at Different Levels

None

## 7. Changes in the Valuation Technique in the Current Period and the Reason for Such Changes

None

## 8. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

None

## 9. Other

None

## XII. Related Party and Related-party Transactions

### 1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company	Proportion of voting rights owned by the Company as the parent against the Company
Hong Kong Wah Shing Holding Company Limited	Hong Kong	Investment	HKD110,000	13.47%	13.47%
Shenzhen Rising Investment Development Co., Ltd.	Shenzhen	Investment	RMB135.409614 million	5.12%	5.12%
Guangdong Electronics Information Industry Group Ltd.	Guangzhou	Sales & Production	RMB462 million	4.74%	4.74%
Rising Investment Development Co., Ltd.	Hong Kong	Investment	RMB200 million and HKD1 million	1.82%	1.82%
Guangdong Rising Finance Holding Co., Ltd.	Zhuhai	Investment	RMB1393 million	0.54%	0.54%

Total				25.70%	25.70%
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Notes: information on the Company as the parent

(1) The largest shareholder of the Company, Hong Kong Wah Shing Holding Co., Ltd., was the wholly-owned subsidiary of Electronics Group, and Electronics Group, Shenzhen Rising Investment Development Co., Ltd. ( Hereinafter referred to as " Shenzhen Rising " ), Guangdong Rising Finance Holding Co., Ltd. ( Hereinafter referred to as GD Rising Finance) and Rising Investment Development Co., Ltd. ( Hereinafter referred to as " Rising Investment" ) were the wholly-owned subsidiaries of Guangdong Rising Assets Management Co., Ltd. (Hereinafter referred to as "Rising Company"). In line with the relevant stipulation of Corporation Law and Rules on Listed Companies Acquisition, Electronics Group, Shenzhen Rising and Rising Investment were persons acting in concert, and the Rising Company was the actual controller of the Company. As of 30 June 2018, the aforesaid persons acting in concert holding total A, B share of the Company 359,632,344 shares, 25.70 % of total share equity of the Company. Guangdong Rising Assets Management Co., Ltd. became the actual controller of the Company.

(2) The increase in the Current Period was the aggregate increase in the shareholdings of the acting-in-concert parties above in a bonus issue from capital reserves.

The final controller of the Company was Guangdong Rising Assets Management Co., Ltd.

## 2. Subsidiaries of the Company

Refer to Note IX. Equity in Other Entities-1. Equity in Subsidiaries for details.

## 3. Information on the Joint Ventures and Associated Enterprises of the Company

Refer to Note IX Equity in Other Entities-3. Equity in Joint Ventures or Associated Enterprises for details of significant joint ventures or associated enterprises of the Company.

## 4. Information on Other Related Parties

Name	Relationship with the Company
PROSPERITY LAMPS & COMPONENTS LTD	Shareholder owning over 5% shares
Foshan NationStar Optoelectronics Co. Ltd.	Under same actual controller
Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Under same actual controller
Guangdong Rising Optoelectronics Co., Ltd.	Under same actual controller
Guangdong HuaSheng data solid-state storage Co., Ltd	Under same actual controller
Guangdong Rising Finance Limited	Under same actual controller
Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	Under same actual controller
Henan Rising Technology Investment Co., Ltd.	Under same actual controller
Guangdong Electronic Technology Research Institute	Under same actual controller
Guangzhou Diansheng Property Management Co., Ltd.	Under same actual controller
Hangzhou Times Lighting and Electrical Co., Ltd.	Company controlled by related natural person
Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	Company controlled by related natural person

Prosperity Electrical (China) Co., Ltd.	Company controlled by related natural person
Siteco Prosperity Lighting (Langfang) Co., Ltd.	Company controlled by related natural person
OSRAM (China) Lighting Co., Ltd.	Company controlled by related natural person with significant influence

## 5. List of Related-party Transactions

### (1) Information on Acquisition of Goods and Reception of Labor Service

Information on acquisition of goods and reception of labor service

Unit: RMB

Related party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Foshan Nation Star Optoelectronics Co., Ltd.	Purchase of materials	95,223,746.49	200,000,000.00	No	94,588,261.29
Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Purchase of materials	8,520,579.75	11,000,000.00	No	6,837,866.01
Prosperity Lamps and Components Ltd.	Purchase of materials	6,066,082.69	6,000,000.00	Yes	1,706,039.87
Prosperity Electrical (China) Co., Ltd.	Purchase of materials	729,882.89			25,737.57
Hangzhou Times Lighting and Electrical Co., Ltd.	Purchase of materials	673,304.64	2,000,000.00	No	1,612,955.60
Siteco Prosperity Lighting (Langfang) Co., Ltd.	Purchase of materials	251,021.56			
Guangdong HYB New Energy Co., Ltd.	Purchase of materials				933,432.24
Guangdong HuaSheng data solid-state storage Co., Ltd	Purchase of equipment	1,600,000.00			400,000.00
Guangdong Electronic	Purchase of equipment	1,529,914.53	3,000,000.00	No	

Technology Research Institute					
Guangdong Zhongke Hongwei Semiconductor Equipment Co.,Ltd.	Purchase of equipment	653,196.58	1,000,000.00	No	466,871.80
Total		115,247,729.13	223,000,000.00		106,571,164.38

## Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting Period	Same period of last year
Prosperity Lamps and Components Ltd.	Sale of products	35,007,006.69	29,179,107.33
Guangdong HuaSheng data solid-state storage Co., Ltd	Sale of products	2,373,517.23	
Prosperity Electrical (China) Co., Ltd.	Sale of products	215,459.99	278,880.67
Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	Sale of products	0.00	64,502.57
Guangdong Rising Optoelectronics Co., Ltd.	Sale of products	2,456.90	2,811.97
Guangzhou Diansheng Property Management Co., Ltd.	Sale of products	1,118.97	
Foshan Nation Star Optoelectronics Co., Ltd.	Sale of products		5,541.88
Hangzhou Times Lighting and Electrical Co., Ltd.	Sale of products	73,790.53	
Total		37,673,350.31	29,530,844.42

## Information of sales/purchase of goods and provision/reception of labor service

The pricing for related-party transactions observes the principle of market subject to the market price when the transaction happens and relevant accounts shall be paid on time based on actual transaction.

**(2) Information on Related-party Trusteeship/Contract**

None

**(3) Information on Related-party Lease**

The Company was lessor:

None

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	The lease fee confirmed in the Reporting Period	The lease fee confirmed in the same period of last year
Guangdong Electronics Information Industry Group Ltd.	Vehicles	16,666.67	11,111.12

#### (4) Information on Related-party Guarantee

None

#### (5) Information on Inter-bank Lending of Capital of Related Parties

None

#### (6) Information on Assets Transfer and Debt Restructuring by Related Party

None

#### (7) Information on Remuneration for Key Management Personnel

Unit: RMB

Item	Reporting period	Same period of last year
Chairman of the Board		
General Manager	1,775,401.52	1,731,686.00
Chairman of the Supervisory Committee		
Secretary of the Board	1,052,000.00	1,019,078.00
Chief Financial Officer	1,103,401.52	1,068,386.00
Other	7,589,589.28	7,477,422.00
	11,520,392.32	11,296,572.00

#### (8) Other Related-party Transactions

None

**6. Accounts Receivable and Payable of Related Party****(1) Accounts Receivable**

Unit: RMB

Item	Related party	Ending balance		Beginning balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Interest receivable	Guangdong Rising Finance Co., Ltd.	49,800.02		1,622,133.34	
Accounts receivable	Prosperity Lamps and Components Ltd.	3,676,377.29	110,291.32	4,487,199.01	134,615.97
Accounts receivable	Guangdong Rising Data Solid State Disk Co., Ltd.	2,753,280.00	82,598.40		
Accounts receivable	OSRAM (China) Lighting Co., Ltd.	117,554.16	35,266.25	117,554.16	11,755.42
Accounts receivable	Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	86,367.27	69,093.82	86,367.27	43,183.64
Other receivables	Guangdong Electronics Information Industry Group Ltd.	19,500.00	585.00	5,000.00	500.00
Other receivables	Henan Rising High-tech Investment Co., Ltd.			117,000.00	117,000.00
Prepayments	MTM Semiconductor Equipment Co., Ltd.	28,368.00		141,840.00	
Prepayments	Prosperity Electrical (China) Co., Ltd.	7,521.37		7,521.37	
Total		6,738,768.11	297,834.79	6,584,615.15	307,055.03

**(2) Accounts Payable**

Unit: RMB

Item	Related party	Ending carrying amount	Beginning carrying amount
Accounts payable	Foshan Nation Star	17,964,138.25	27,606,272.62

	Optoelectronics Co., Ltd.		
Accounts payable	Guangdong Fenghua Advanced Technology Holding Co., Ltd.	1,489,703.61	1,806,876.22
Accounts payable	Prosperity Lamps and Components Ltd.	554,680.06	529,296.77
Accounts payable	Siteco Prosperity Lighting (Langfang) Co., Ltd.	251,021.56	
Accounts payable	Hangzhou Times Lighting and Electrical Co., Ltd.	229,109.60	467,927.45
Accounts payable	Prosperity Electrical (China) Co., Ltd.	160,759.70	204,381.06
Other Payables	Prosperity Lamps and Components Ltd.	480,904.43	438,666.14
Other Payables	Guangdong Electronic Technology Research Institute	179,000.00	
Other Payables	Prosperity Electrical (China) Co., Ltd.	100,000.00	100,000.00
Other Payables	MTM Semiconductor Equipment Co., Ltd.	38,600.00	102,484.00
Other Payables	Guangdong Electronics Information Industry Group Ltd.	11,111.12	11,111.12
Advances from customers	Prosperity Electrical (China) Co., Ltd.	38,646.66	45,694.74
Total		21,497,674.99	31,312,710.12

## 7. Commitments of Related Party

(1)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About avoidance of horizontal competition

Contents: Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that the elimination of the horizontal competition between Foshan NationStar Optoelectronics Co., Ltd. and the Company through business integration or other ways or arrangements shall be completed before December 4, 2019.

Date of commitment making: 4 December 2017

Term of commitment: 24 months

Fulfillment: In execution

(2)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About avoidance of horizontal competition

Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made more commitments as follows to avoid horizontal competition with the Company: 1. They shall conduct supervision and restraint on the production and operation activities of themselves and their relevant enterprises so that besides the enterprise above that is in horizontal competition with the Company for now, if the products or business of them or their relevant enterprises become the same with or similar to those of the Company or its subsidiaries in the future, they shall take the following measures: (1) If the Company thinks necessary, they and their relevant enterprises shall reduce and wholly transfer their relevant assets and business; and (2) If the Company thinks necessary, it is given the priority to acquire first, by proper means, the relevant assets and business of them and their relevant enterprises. 2. All the commitments made by them to eliminate or avoid horizontal competition with the Company are also applicable to their directly or indirectly controlled subsidiaries. They are obliged to urge and make sure that other subsidiaries execute what's prescribed in the relevant document and faithfully honor all the relevant commitments. 3. If they or their directly or indirectly controlled subsidiaries break the aforesaid commitments and thus cause a loss for the Company, they shall compensate the Company on a rational basis.

Date of commitment making: 4 December 2015

Term of commitment: Long-standing

Fulfillment: In execution

(3)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About reduction and regulation of related-party transactions

Content: Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that during their direct or indirect holding of the Company's shares, they shall 1. Strictly abide by the regulatory documents of the CSRC and the SZSE, the Company's Articles of Association, etc. and not harm the interests of the Company or other shareholders of the Company in their production and operation activities by taking advantage of their position as the controlling shareholder and actual controller; 2. make sure that they or their other controlled subsidiaries, branch offices, jointly-run or associated companies (the "Relevant Enterprises" for short) will try their best to avoid or reduce related-party transactions with the Company or the Company's subsidiaries; 3. strictly follow the market principle of justness, fairness and equal value exchange for necessary and unavoidable related-party transactions between them and their Relevant Enterprises and the Company, and withdraw from voting when a related-party transaction with them or their Relevant Enterprises is being voted on at a general meeting or a board meeting, and execute the relevant approval procedure and information disclosure duties pursuant to the applicable laws, regulations and regulatory documents. Where the aforesaid commitments are broken and a loss is thus caused for the Company, its subsidiaries or the Company's other shareholders, they shall be obliged to compensate.

Date of commitment making: 4 December 2015

Term of commitment: Long-standing

Fulfillment: In execution

(4)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About independence

In order to ensure the independence of the Company in business, personnel, asset, organization and finance, Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made the following commitments: 1. They will ensure the independence of the Company in business: (1) They promise that the Company will have the assets, personnel, qualifications and capabilities for it to operate independently as well as the ability of independent, sustainable operation in the market. (2) They promise not to intervene in the Company's business activities other than the execution of their rights as the Company's shareholders. (3) They promise that they and their related parties will not be engaged in business that is substantially in competition with the Company's business. And (4) They promise that they and their related parties will try their best to reduce related-party transactions between them and the Company; for necessary and unavoidable related-party transactions, they promise to operate fairly following the market-oriented principle and at fair prices, and execute the transaction procedure and the duty of information disclosure pursuant to the applicable laws, regulations and regulatory documents. 2. They will ensure the independence of the Company in personnel: (1) They promise that the Company's GM, deputy GMs, CFO, Company Secretary and other senior management personnel will work only for and receive remuneration from the Company, not holding any positions in them or their other controlled subsidiaries other than director and supervisor. (2) They promise the Company's absolute independence from their related parties in labor, human resource and salary management. And (3) They promise to follow the legal procedure in their recommendation of directors, supervisors and senior management personnel to the Company and not to hire or dismiss employees beyond the Company's Board of Directors and General Meeting. 3. They will ensure the independence and completeness of the Company in asset: (1) They promise that the Company will have a production system, an auxiliary production system and supporting facilities for its operation; legally have the ownership or use rights of the land, plants, machines, trademarks, patents and non-patented technology in relation to its production and operation; and have independent systems for the procurement of raw materials and the sale of its products. (2) They promise that the Company will have independent and complete assets all under the Company's control and independently owned and operated by the Company. And (3) They promise that they and their other controlled subsidiaries will not illegally occupy the Company's funds and assets in any way, or use the Company's assets to provide guarantees for the debts of themselves or their other controlled subsidiaries with. 4. They will ensure the independence of the Company in organization: (1) They promise that the Company has a sound corporate governance structure as a joint-stock company with an independent and complete organization structure. (2) They promise that the operational and management organs within the Company will independently execute their functions according to laws, regulations and the Company's Articles of Association. 5. They will ensure the independence of the Company in finance: (1) They promise that the Company will have an independent financial department and financial accounting system with normative, independent financial accounting rules. (2) They promise that the Company will have independent bank accounts and not share bank accounts with its related parties. (3) They promise that the Company's financial personnel do not hold concurrent positions in its related parties. (4) They promise that the Company will independently pay its tax according to law. And (5) They promise that the Company can make financial decisions independently and that they will not illegally intervene in the Company's use of its funds.

Date of commitment making: 4 December 2015

Term of commitment: Long-standing

Fulfillment: In execution

**8. Other**

None

**XIII. Stock Payment****1. The Overall Situation of Stock Payment**

Applicable  Not applicable

**2. The Stock Payment Settled in Equity**

Applicable  Not applicable

**3. The Stock Payment Settled in Cash**

Applicable  Not applicable

**4. Modification and Termination of the Stock Payment**

None

**5. Other**

None

**XIV. Commitments and Contingency****1. Significant Commitments**

Significant commitments on the balance sheet date

Significant commitments on the balance sheet date

As of December 31, 2018, the Company had the following commitments:

Commitment: Commitment made to small and medium shareholders of the company

Type of commitment: Commitment about cash dividends

Contents: The annual profits distributed in cash by the Company shall be not less than 30% of the distributable profits of the year.

Date of commitment making: 27 May 2009

Term of commitment: Long-standing

Fulfillment: In execution

## 2. Contingency

### (1) Significant Contingency on Balance Sheet Date

1. According to the Supreme People's Court of the People's Republic of China (2017) Supreme People's Court No. 3437 to No. 3466, No. 3499 and No. 3480 Civil Ruling, the Plaintiff of the Securities False Statement Liability Disputes (Retrial Application 32) The 32 people were not satisfied with the Guangdong Provincial Higher People's Court (2016) Guangdong People's Court Decision No. 407-436 and No. 1841-1852 and applied to the Supreme People's Court for a retrial. The Supreme People's Court ruled that it should be tried. As of 31 December 2018, six of the above-mentioned cases had concluded. And as of the date of the audit report, 26 cases hadn't yet been brought to trial with the amount involved of RMB1,296,807.96.

2. As Dongguan FSL Lindun Energy-saving Technology Co., Ltd. (hereinafter referred to as "Dongguan Lindun") defaulted on the payment of the Company, the Company filed a lawsuit with Dongguan First People's Court on 22 March 2016 (case No.: (2016) GD1971 MCZ No. 6481), and demanded a verdict that Dongguan Lindun should pay overdue payment RMB9,559,837.55 and liquidated damages RMB955,983.76 (total: RMB10,515,821.31). Dongguan Lindun filed Civil Counterclaim with Dongguan First People's Court on 28 April 2016 against the Company on the grounds of quality problems in the goods provided by the Company, and requested the Court to order the Company to indemnify a loss of RMB11,727,003.10 and pay liquidated damages RMB1,552,159.76 (total: RMB13,279,162.86). As of the date of the audit report, the above-mentioned case was at the reception stage and hadn't yet been brought to trial.

3. The lawsuit with Beijing Zhengshi

As Beijing Zhongao Zhengshi Lighting Appliance Co., Ltd. and its subordinate dealers (hereinafter referred to as "Beijing Zhengshi") defaulted on the Company's payment for goods, the Company filed a lawsuit with the Foshan Chancheng District People's Court in September 2017 (Case No.: (2017) Yue 0604 MC No. 13425), demanding an immediately settlement of the payment and overdue liquidated damages of the loan interest rate at the same period from 31 July 2017 from No. 1 defendant, Beijing Zhengshi, as well as jointly and severally liability for the above debt from No. 2 defendant Jiang Zhenghao. On 10 May 2018, in People's Court of Chancheng District, Foshan City (2017) Yue 0604 MC No. 13425 Civil Ruling, Beijing Zhengshi was adjudged to pay the payment for goods of RMB14,220,827.14 and liquidated damages for the Company and Jiang Zhenghao undertook the jointly and severally liability. Beijing Zhengshi and Jiang Zhenghao were not satisfied with the judgment and applied to the Foshan Intermediate People's Court on 24 May 2018 and asked for the revocation of the first instance judgment and rejection of all claims of the Company. As of the date of the audit report, the above-mentioned case was at the reception stage and hadn't yet been brought to trial.

### (2) In Despite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements

There was no significant contingency in the Company.

## 3. Other

None

## XV. Events after Balance Sheet Date

### 1. Significant Non-adjusted Events

None

### 2. Profit Distribution

Unit: RMB

Profits or dividends to be distributed	218,298,000.02
Profits or dividends announced to be distributed after the approval	218,298,000.02

### 3. Sales Return

None

### 4. Notes to Other Events after Balance Sheet Date

In accordance with the profit allocation and capitalization of capital reserves for 2018 approved by the Board of Directors on 27 March 2019, based on the total 1,399,346,154 shares as at the end of 2018, the Company intends to distribute a cash dividend of RMB1.56 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) for every 10 shares held by A-share and B-share holders., with the total distributed cash dividends reaching RMB218,298,000.02. Apart from the aforesaid cash dividend, the Company would not offer bonus issue from capital reserves and bonus issue from profit in this profit distribution.

The proposal is still to be submitted to the 2018 Annual General Meeting for review.

Apart from the aforesaid matters, the Company has no other matters after the balance sheet date of which disclosure is required.

## XVI. Other Significant Events

### 1. The Accounting Errors Correction in Previous Period

None

### 2. Debt Restructuring

None

### 3. Assets Replacement

None

**4. Pension Plan**

None

**5. Discontinued Operations**

None

**6. Segment Information**

None

**7. Other Significant Transactions and Events with Influence on Investors' Decision-making**

None

**8. Other****(I) About Equity Incentive Fund**

On 16 May 2002, the resolution of The 2001 Annual General Meeting of the Company passed the proposal of establishing equity incentive system for middle and senior executives, which stipulated that the assessment target shall be annual return on net assets of 6%. When the annual return on net assets reached 6%, withdraw equity incentive funds by 5% of the net profit, the accruing proportion of incentive funds and the increase ratio of return on net assets should increase simultaneously. The scheme was implemented from the fiscal year 2001. The accrued equity incentive fund of the Company was RMB26.18 million for the present year.

**XVII. Notes of Main Items in the Financial Statements of the Company as the Parent****1. Notes Receivable and Accounts Receivable**

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable	104,945,398.61	67,268,192.41
Accounts receivable	795,897,932.65	747,430,159.61
Total	900,843,331.26	814,698,352.02

**(1) Notes Receivable**

1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
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Bank acceptance bill	104,945,398.61	67,268,192.41
Total	104,945,398.61	67,268,192.41

## 2) Notes Receivable Pledged by the Company at the Period-end

Unit: RMB

Item	Amount
Bank acceptance bill	44,969,669.60
Total	44,969,669.60

## 3) Notes Receivable Endorsed by the Company or Discounted and not due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Derecognized Amount at the period-end	Non-derecognized amount at the period-end
Bank acceptance bill	73,221,830.13	
Total	73,221,830.13	

## 4) Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement

None

**(2) Accounts Receivable**

## 1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	14,220,827.14	1.69%	7,110,413.57	50.00%	7,110,413.57	10,061,641.64	1.26%	10,061,641.64	100.00%	
Accounts receivable withdrawn bad debt provision according	819,146,635.09	97.22%	30,359,116.01	3.71%	788,787,519.08	785,497,260.78	98.74%	38,067,101.17	4.85%	747,430,159.61

to credit risks characteristics										
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	9,156,396.52	1.09%	9,156,396.52	100.00%						
Total	842,523,858.75	100.00%	46,625,926.10	5.53%	795,897,932.65	795,558,902.42	100.00%	48,128,742.81	6.05%	747,430,159.61

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end:

Applicable  Not applicable

Unit: RMB

Accounts receivable (by unit)	Ending balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer A	14,220,827.14	7,110,413.57	50.00%	Involved in the lawsuit; the Company won in the first instance judgment and the other side had appealed
Total	14,220,827.14	7,110,413.57	--	--

Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

Applicable  Not applicable

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	781,423,131.44	23,442,693.92	3.00%
Subtotal of within 1 year	781,423,131.44	23,442,693.92	3.00%
1 to 2 years	15,539,369.62	1,553,936.97	10.00%
2 to 3 years	4,940,443.38	1,482,133.02	30.00%
3 to 4 years	2,405,984.34	1,202,992.17	50.00%
4 to 5 years	485,793.98	388,635.19	80.00%
Over 5 years	2,288,724.74	2,288,724.74	100.00%
Total	807,083,447.50	30,359,116.01	3.76%

In the groups, accounts receivable adopted balance percentage method to withdraw bad debt provision:

Applicable  Not applicable

In the groups, accounts receivable adopted other methods to withdraw bad debt provision:

Unit: RMB

Name of the group	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal reason
Internal business group	12,063,187.59		Intercourse fund among subsidiaries was not withdrawn
Total	12,063,187.59		

2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB8,567,357.52; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
No.1	9,311,484.62
No.2	553,475.94
No.3	204,814.63
Other driblet small amount	399.04
Total	10,070,174.23

Major write-offs of accounts receivable:

Unit: RMB

Receivable from	Nature of account receivable	Amount written off	Reason for write-off	Procedure executed	Incurred by a related-party transaction or not
Suzhou Mont Lighting Co., Ltd.	Loan	9,311,484.62	The debtor, a former subsidiary of the Company, has been ruled by court to bankruptcy.	The Company has completed the approval procedure.	Yes
Total	--	9,311,484.62	--	--	--

4) Top5 of the Ending Balance of the Accounts Receivable Collected according to Arrears Party

Unit: RMB

Name	Relationship with	Carrying amount	Amount of bad debt	Proportion to total accounts
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	the Company		provision withdrawn	receivable
No. 1	Non-related party	158,294,196.16	4,748,825.88	18.79%
No. 2	Non-related party	23,039,477.30	691,184.32	2.73%
No. 3	Non-related party	19,527,368.40	585,821.05	2.32%
No. 4	Non-related party	15,322,767.17	611,919.76	1.82%
No. 5	Non-related party	14,220,827.14	7,110,413.57	1.69%
Total		230,404,636.17	13,748,164.58	27.35%

## 5) Derecognition of Accounts Receivable due to the Transfer of Financial Assets

None

## 6) The Amount of the Assets and Liabilities Formed due to the Transfer and the Continued Involvement of Accounts Receivable

None

**2. Other Receivables**

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable	5,152,364.04	9,744,035.20
Other receivables	38,386,484.68	42,174,877.89
Total	43,538,848.72	51,918,913.09

**(1) Interest Receivable**

## 1) Category of Interest Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Fixed time deposit	56,317.78	1,726,993.91
Bank financial products	1,944,150.72	4,745,863.01
Structural deposit	3,151,895.54	3,271,178.28
Total	5,152,364.04	9,744,035.20

## 2) Significant Overdue Interest

None

**(2) Dividends Receivable**

None

**(3) Other Receivables**

## 1) Other Receivables Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other receivables withdrawn bad debt provision according to credit risks characteristics	39,688,102.60	100.00%	1,301,617.92	3.28%	38,386,484.68	44,939,194.60	99.35%	2,764,316.71	6.15%	42,174,877.89
Other receivables with insignificant single amount for which bad debt provision separately accrued						295,120.00	0.65%	295,120.00	100.00%	
<b>Total</b>	<b>39,688,102.60</b>	<b>100.00%</b>	<b>1,301,617.92</b>	<b>3.28%</b>	<b>38,386,484.68</b>	<b>45,234,314.60</b>	<b>100.00%</b>	<b>3,059,436.71</b>	<b>6.76%</b>	<b>42,174,877.89</b>

Other receivables with significant single amount for which bad debt provision separately accrued at the end of the period:

 Applicable  Not applicable

Among these groups, other receivables adopting aging analysis method to withdraw bad debt provision:

 Applicable  Not applicable

Unit: RMB

Aging	Ending balance		
	Other receivables	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	13,555,968.52	406,679.05	3.00%
Subtotal of within 1 year	13,555,968.52	406,679.05	3.00%
1 to 2 years	2,132,981.18	213,298.12	10.00%
2 to 3 years	1,039,336.77	311,801.03	30.00%
3 to 4 years	177,279.44	88,639.72	50.00%
4 to 5 years	112,750.00	90,200.00	80.00%
Over 5 years	191,000.00	191,000.00	100.00%

Total	17,209,315.91	1,301,617.92	7.56%
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Among these groups, other receivables adopting balance percentage method to withdraw bad debt provision

Applicable  Not applicable

Among these groups, other receivables adopting other methods to withdraw bad debt provision:

Applicable  Not applicable

Unit: RMB

Name of the group	Ending balance		
	Other receivables	Bad debt provision	Withdrawal reason
Internal business group	22,478,786.69		Intercourse fund among subsidiaries was not withdrawn
Total	22,478,786.69		

## 2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB2,391,434.14; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

## 3) Particulars of the Actual Verification of Other Receivables during the Reporting Period

Unit: RMB

Item	Amount
Customer A	3,854,132.93
Customer B	295,120.00
Total	4,149,252.93

## 4) Other Receivables Classified by Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Internal business group	22,478,786.69	21,987,838.89
VAT export tax refunds	6,252,642.96	5,712,812.04
Borrowings and petty cash for employees	3,294,170.26	4,142,205.92
Performance bond	2,905,450.00	4,377,639.20
Rental fees and Water & electricity fees	765,582.10	1,293,281.97
Advance money for street light construction		3,777,672.16
Other intercourse funds	3,991,470.59	3,942,864.42
Total	39,688,102.60	45,234,314.60

## 5) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables%	Ending balance of bad debt provision
No. 1	Internal business group	17,680,353.48	Within 2 years	44.55%	
No. 2	Export rebates	6,252,642.96	Within 1 year	15.75%	187,579.29
No. 3	Internal business group	4,560,386.02	Within 1 year	11.49%	
No. 4	Social insurance	1,297,341.40	Within 1 year	3.27%	38,920.24
No. 5	Other	1,266,485.77	Within 3 years	3.19%	166,641.67
Total	--	31,057,209.63	--	78.25%	393,141.20

## 6) Accounts Receivable Involving Government Subsidies

None

## 7) Derecognition of Other Receivables due to the Transfer of Financial Assets

None

## 8) The Amount of the Assets and Liabilities Formed due to the Transfer and the Continued Involvement of Other Receivables

None

**3. Long-term Equity Investment**

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	283,793,102.26		283,793,102.26	508,153,102.26	24,360,000.00	483,793,102.26
Investment to joint ventures and associated enterprises	182,458,559.69		182,458,559.69	179,414,105.14		179,414,105.14
Total	466,251,661.95		466,251,661.95	687,567,207.40		663,207,207.40

**(1) Investment to Subsidiaries**

Unit: RMB

Investee	Beginning	Increase	Decrease	Ending balance	Depreciation	Ending balance of
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	balance				reserve withdrawn	depreciation reserve
Foshan Chansheng Electronic Ballast Co., Ltd.	2,744,500.00			2,744,500.00		
FSL Chanchang Optoelectronics Co., Ltd.	82,507,350.00			82,507,350.00		
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	350,000.00			350,000.00		
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	72,000,000.00			72,000,000.00		
Guangdong Fozhao New Light Sources Technology Co., Ltd.	50,077,000.00			50,077,000.00		
Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	35,418,439.76			35,418,439.76		
Guangdong Fozhao Financial Leasing Co., Ltd.	200,000,000.00		200,000,000.00			
Foshan Lighting Lamps & Components Co., Ltd.	15,000,000.00			15,000,000.00		
FSL Zhida Electric Technology Co., Ltd.	25,500,000.00			25,500,000.00		
Suzhou Mont Lighting Co., Ltd.	24,360,000.00		24,360,000.00			
FSL Lighting GmbH	195,812.50			195,812.50		
<b>Total</b>	<b>508,153,102.26</b>		<b>224,360,000.00</b>	<b>283,793,102.26</b>		

**(2) Investment to Joint Ventures and Associated Enterprises**

Unit: RMB

Investee	Beginning balance	Increase/decrease								Ending balance	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Shenzhen Primatronix (Nanho) Electronics Ltd.	179,414,105.14			6,165,040.30			3,120,585.75			182,458,559.69	
Subtotal	179,414,105.14			6,165,040.30			3,120,585.75			182,458,559.69	
Total	179,414,105.14			6,165,040.30			3,120,585.75			182,458,559.69	

**(3) Other Notes**

None

**4. Operating Revenue and Cost of Sales**

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main business	3,606,985,537.23	2,858,585,674.76	3,618,724,668.08	2,906,238,292.02
Other business	95,835,761.53	79,065,112.75	89,782,996.77	63,588,110.96
Total	3,702,821,298.76	2,937,650,787.51	3,708,507,664.85	2,969,826,402.98

**5. Investment Income**

Unit: RMB

Item	Reporting Period	Same period of last year
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Long-term equity investment income accounted by equity method	6,165,040.30	2,222,185.57
Investment income from disposal of long-term equity investment	31,946,218.59	184,379,575.52
Investment income from holding of available-for-sale financial assets	18,873,927.57	30,320,839.59
Investment income from disposal of available for sale financial assets		270,998,081.52
Investment income from financial products and structural deposits	25,626,926.83	27,533,546.07
Other	-808,400.00	-621,450.98
Total	81,803,713.29	514,832,777.29

## 6. Other

None

## XVIII. Supplementary Materials

### 1. Items and Amounts of Non-recurring Profit or Loss

Applicable  Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses on the disposal of non-current assets	-1,671,154.30	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	30,005,231.23	
Gain/loss from change of fair value of trading assets and liabilities, and investment gains from disposal of trading financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	-477,200.00	
Other non-operating income and expenses other than the above	-594,356.14	
Less: Income tax effects	4,222,066.76	

Non-controlling interests effects	-61,093.92	
Total	23,101,547.95	--

Explain the reasons if the Company classifies an item as an non-recurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

Applicable  Not applicable

## 2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	8.36%	0.2699	0.2699
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	7.85%	0.2533	0.2533

## 3. Differences between Accounting Data under Domestic and Overseas Accounting Standards

### (1) Differences of Net Profit and Net Assets Disclosed in Financial Reports Prepared under International and Chinese Accounting Standards

Applicable  Not applicable

### (2) Differences of Net profit and Net assets Disclosed in Financial Reports Prepared under Overseas and Chinese Accounting Standards

Applicable  Not applicable

### (3) Explain Reasons for the Differences between Accounting Data under Domestic and Overseas Accounting Standards; for any Adjustment Made to the Difference Existing in the Data Audited by the Foreign Auditing Agent, Such Foreign Auditing Agent's Name Shall Be Clearly Stated

None

## 4. Other

None

## **Part XII Documents Available for Reference**

Investors and interested parties can get access to the following materials in the Board Secretary's Office in the Company's office building:

1. The financial statements signed and sealed by the Company's legal representative, General Manager and Chief Financial Officer;
2. The original copy of the Independent Auditor's Report signed and sealed by the certified public accountants and stamped by the CPA firm.
3. All the originals of the Company's announcements and documents that were disclosed to the public during the Reporting Period on the media designated by the CSRC for information disclosure.

The Board of Directors

Foshan Electrical and Lighting Co., Ltd.

27 March 2019