

FOSHAN ELECTRICAL AND LIGHTING CO., LTD.
ANNUAL REPORT 2019

April 2020

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 the Company’s directors have attended the Board meeting for the review of this Report and its summary.

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.

The Company has described in detail in this Report the risk of uncertainty in macro-economy, 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 the section headed “Potential Risks” in Item IX of Part IV of this Report.

The Board has approved a final dividend plan as follows: based on the total share capital of 1,399,346,154 shares, a cash dividend of RMB1.85 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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

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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	Zhongzheng Tiantong Certified Public Accountants LLP
RMB, RMB’0,000, RMB’00,000,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi, expressed in hundreds of millions 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 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	gzfsligh@pub.foshan.gd.cn		

II Contact Information

	Board Secretary	Securities Representative
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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 Report	http://www.cninfo.com.cn

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
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IV Change to Company Registered Information

Unified social credit code	91440000190352575W
Change to principal activity of the Company since going public (if any)	Unchanged
Every change of controlling shareholder since incorporation (if any)	Unchanged

V Other Information

The independent audit firm hired by the Company:

Name	Zhongzheng Tiantong 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

	2019	2018	2019-over-2018 change (%)	2017
Operating revenue (RMB)	3,337,576,747.66	3,801,955,946.76	-12.21%	3,800,188,261.54
Net profit attributable to the listed company's shareholders (RMB)	301,182,906.24	377,615,133.62	-20.24%	740,308,725.30
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	283,753,154.31	354,513,585.67	-19.96%	353,549,021.39

Net cash generated from/used in operating activities (RMB)	508,084,757.46	617,987,487.05	-17.78%	215,821,192.79
Basic earnings per share (RMB/share)	0.2152	0.2699	-20.27%	0.5290
Diluted earnings per share (RMB/share)	0.2152	0.2699	-20.27%	0.5290
Weighted average return on equity (%)	6.37%	8.36%	-1.99%	15.14%
	31 December 2019	31 December 2018	Change of 31 December 2019 over 31 December 2018 (%)	31 December 2017
Total assets (RMB)	6,175,200,008.24	5,588,166,699.30	10.50%	5,675,811,824.29
Equity attributable to the listed company's shareholders (RMB)	4,880,736,800.07	4,319,259,418.46	13.00%	4,779,115,459.39

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	889,232,750.52	797,951,910.34	755,281,612.77	895,110,474.03
Net profit attributable to the listed company's shareholders	86,659,035.18	80,616,690.57	63,440,260.60	70,466,919.89
Net profit attributable to the listed company's shareholders before exceptional gains and losses	74,681,526.84	79,836,460.82	64,734,076.20	64,501,090.45

Net cash generated from/used in operating activities	29,966,955.13	160,714,878.35	145,265,388.22	172,137,535.76
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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	2019	2018	2017	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-413,275.62	-1,671,154.30	176,540,060.61	
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)	6,485,365.31	30,005,231.23	1,185,148.00	
Gain or loss on fair-value changes in held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other investments in debt obligations (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	15,574,400.00	-477,200.00	269,362,165.95	
Non-operating income and expense other than the above	-2,543,083.02	-594,356.14	1,640,395.69	
Less: Income tax effects	2,635,263.29	4,222,066.76	61,971,050.60	
Non-controlling interests effects (net of tax)	-961,608.55	-61,093.92	-2,984.26	
Total	17,429,751.93	23,101,547.95	386,759,703.91	--

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

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 complete 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

Despite the impact of negative factors such as domestic economic downturn and US-China trade war during the Reporting Period, with the evolution of the industrial competition model, consumers are getting increasingly concerned with product quality and brand. As a result, companies with weak competitiveness will be gradually elbowed out of the market while large enterprises or enterprises with core competitiveness will have more market opportunities. By virtue of its advantages in technology, brand, channel and scale, the Company has continued to promote the technical upgrading of main products, improve product quality, beef up market expansion and optimize and upgrade the product sales structure through sustained spending on R&D and technical innovation. Meanwhile, it has gained an advantageous position in the process of enhancing market concentration by increasing the level of production automation, effectively controlling purchase costs and ramping up production efficiency.

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 down 47.01% from the beginning amount, primarily driven by the transfer of certain plants in Gaoming District, Foshan City to fixed assets.

2. Major Assets Overseas

Applicable Not applicable

III Core Competitiveness Analysis

The core competitiveness of the Company mainly reflects on four aspects listed below:

Channel advantage

The Company has been sticking to the market strategy of deeply cultivating and refining channels. Over years of development and experience, the Company has been equipped with five major sales channels in domestic market (wholesale, franchised store, e-commerce & retail sales, illumination engineering & commercial lighting and

industrial and mining outdoor channels), forming a marketing network covering the whole country; in foreign market, the Company has made active steps to develop international market business, sold products to more than 100 countries and regions in North America, Europe, Southeast Asia, Africa and Oceania, and kept improving overseas sales channel. By virtue of its powerful and comprehensive sales channels, the Company has enabled its products to enter market rapidly, substantially enhancing its market development abilities and competitiveness.

Brand advantage

The Company has accumulated more than 60 years' experience in the lighting industry and enjoyed continuously increasing influence and brand value for its "FSL". In recent years, with the enhancement of its development positioning, product design and user experience, the Company has initiated the strategy of brand upgrading and carried out promotion by centering around the new "Professional, Healthy, Fashionable and Intelligent". In addition, it has driven the transition of "FSL" from an industrial brand to a popular brand to maintain the brand vitality and competitiveness. Among the Company's brands, both "FSL" and "Fenjiang" are China Famous Trademarks. The brand "FSL" has become one of the most influential and popular industrial brands in China, and the powerful brand influence has played a key role in driving the sustained growth of the Company's sales.

Technical R&D advantage

The Company has been valuing the R&D of new products and the development of innovation and R&D teams. It has further increased spending on technology and independent product innovation. The Company is equipped with its own electric light source institute, National CNAS Lighting Laboratory and Guangdong Engineering Technology Development Center. It has won the title of "Provincial IP Advantaged Enterprise" and obtained 404 domestic patents and 26 foreign patents. In terms of the development of the R&D team, the Company has formulated a comprehensive R&D personnel management policy and appraisal system, intensified the introduction of high calibre talents, and reinforced cooperation with colleges and universities in industry-university-research projects, which has created a smooth path for the development of R&D professionals and provided strong support for it to maintain a technology-leading position and to further carry out product innovation.

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

2019 saw intense pressure on the lighting industry as a whole. In terms of the macro economic situation, China's economy slowed down in growth, with a tightening real estate policy, a slower growth in consumer demand and greater hardship for the real economy; overseas, developed economies were in lack of impetus for growth, emerging economies saw a weakening momentum in growth, and the deteriorating China-U.S. trade friction created a negative impact and mounting pressure on exporters in China. From the industry perspective, on one hand, LED lighting has developed at a fast pace, the penetration rate of LED lighting products has continued to increase, and the growth of market demand has slowed down in recent years; on the other hand, lighting companies are under pressure on both revenue and profit amid fierce competition caused by new production capacity, as well as rising labor and logistics costs and other rigid costs. In face of an unfavorable external environment, the Company continued to focus on the strategic objective of "Cutting-edge Technology, International Brand and Market and Large-scale Production", deepen technological reform and refine the product mix towards high- and mid-end products. Meanwhile, refinement was also carried out in the organizational and distribution channel structures so that the Company could better adapt to market competition. For the Reporting Period, the Company achieved operating revenue of RMB3337.5767 million, a year-on-year decrease of 12.21%; and a net profit attributable to the listed company's shareholders of RMB301.1829 million, a year-on-year decrease of 20.24%.

(II) Major Work in 2019

1. Greater Innovation Efforts Led to Substantial Growth in Intelligent Products

In 2019, the Company continued to improve its R&D system and policy, introduce high-calibre R&D professionals, increase R&D spending, accelerate the advancement of innovation, drive the shift from light sources to lamps, from mid-end to mid- to high-end products and from single lighting products to lighting system solutions in a bid to enhance the additional value of products.

The Company made active steps to establish industry-education-research and interdisciplinary collaboration with the upper and middle streams of industrial chains, colleges and technology platform companies as part of its

continuous efforts to drive the introduction, promotion and application of new technologies and new processes. In terms of intelligent lighting, the Company signed strategic cooperation agreements with Alibaba Cloud and Tuya; the FSLxTmall Genie A.I. Voice Bedside Lamp, developed jointly with Tmall Genie, won the global top design award “German iF Design Award 2020” in February 2020; the Company connected with more influential mainstream cloud platforms both at home and abroad, including Huawei, Tencent, Alibaba and Jingdong, and Amazon, Google, WIZ and key accounts platforms; it conducted collaborative research with technology companies in lighting Bluetooth modules. In terms of healthy lighting, the Company cooperated with upper-stream companies for the R&D of healthy lighting products. In terms of industrial design, the Company’s application for recognition of “provincial industrial design center” passed expert view and publicity, with discussions going on with key colleges on cooperation in industrial design. Through various measures, the Company continued to enhance its innovation level, enrich and refine intelligent products and upgrade intelligent control technology.

During the Reporting Period, the Company applied for 131 different new patents (including 12 patents, 63 utility models, 52 design patents and 4 international PCTs) and was granted 106 new patents (including 9 patents, 60 utility models, 35 design patents and 2 foreign patents). In 2019, the Company generated a sales revenue of RMB44,031,000 from intelligent products, a YOY increase of 210%. Won the contracts for a number of intelligent projects, including Digital Industrial Headquarters Business Complex in Wanbo CBD of Guangzhou, Guangzhou Vocational School of Tourism and Business, the Administration Committee of the Development Zone of Binhai New District of Tianjin and Changlong-Xihuan Tunnel of Zhuhai.

2. Improvement in the Marketing System towards Stronger Market Competitiveness

(1) Lighting

In 2019, the Company implemented the BU system reform. It set up the R&D center and three sales BUs, adjusted the BU organizational structure and talent structure and teased out BU process and authorization to enable faster market response. At the same time, it improved the remuneration and incentive system of business units to mobilize the enthusiasm of employees across all levels.

The Domestic Sales BU continued to advance the marketing model reform, drove distributors to shift from “shopkeepers” to “itinerant traders”, promoted the expansion of sales channels to rural areas and advanced flat management to improve the end market service capacity. It actively planned and promoted the sales in the three economically developed regions, including the Pearl River Delta, the Yangtze River Delta and the Beijing-Tianjin-Hebei Region, expanded the sales network on a hierarchical basis by centering around the three

economic belts, propelled the high-end development of products and further optimized the product mix. It deepened and refined the sales network in different fields with focus on centralized purchases of properties, renovations of education systems, municipal projects and rail transit projects. All the efforts led to a YOY increase of 33.75% in the sales revenue from projects and industrial and mining channels in the year.

The E-commerce BU won the contracts for the centralized purchases of Tmall Genie intelligent lamps and Baidu intelligent lamps, signed a cooperation memorandum with Tmall Genie IOT for collaborative development of intelligent products for IOT scenarios, such as smart households, worked with Huawei's IOT team to connect with Huawei's HILINK ecosystem for lighting products, and established strategic cooperation with Suning for B2B key accounts, laying a solid foundation for the future development of e-commerce. In 2019, the E-commerce BU witnessed a YOY increase of 29.60% in sales revenue.

By analyzing the characteristics of customers at an in-depth level, the Export BU strengthened its marketing work in "technology + customer service" for key accounts, continued to enhance customer satisfaction and deepened cooperation with key accounts, as part of its response to U.S.-China trade frictions. It vigorously promoted lamps and intelligent products and optimized the product sales structure. It toiled to develop new high-quality customers and expand the market space. It worked on e-commerce channels to lay a good foundation for overseas online business. By making use of the "Belt and Road" opportunity, the BU energetically promoted the overseas sales of FSL, which has successfully gained access to the European market, other than Southeast Asia, South Asia, West Asia and South Africa.

(2) Electrical Products

The Company reinforced its network of end outlets, increased the market coverage of electrical products, assisted distributors to enhance their market service capacity, and further improved the development and maintenance work of outlets. It reformed the operation model of KA (engineering) channel and focused on customers with centralized purchases of properties and brand chain corporation customers. In 2019, the Company secured the contracts for six cooperation projects of centralized purchase of properties and three cooperation projects with home decoration companies, and won the bids for 11 projects, effectively enhancing FSL's industrial visibility and brand influence for electrical products. The Company expanded the intelligent household field by developing and promoting intelligent switches, intelligent sockets, intelligent locks and other intelligent products as part of its effort to extend from the general public market to the mid- to high-end market.

(3) Vehicle Lighting Products

The Company closely followed the development trend of LED vehicle lighting technology, continued to increase

spending on the R&D of LED vehicle lighting, strengthened the R&D of new products, diversified the categories of LED vehicle lighting products and focused on developing LED module projects. Through vigorous market expansion, the Company undertook 12 new LED module projects in 2019 in a bid to continuously increase the market share of its products. Meanwhile, the Company set up a back-end market promotion team to carry out end promotion activities in different places across the country and enhance the product visibility on end market. In 2019, the Company saw a YOY increase of 82% in the sales revenue from LED vehicle lighting products.

3. Deepening intelligent manufacturing by enhancing the integration of automation and information technology

The Company's production automation has improved substantially over recent years' continuous development in production automation. On the basis of that, the Company continued to center around the goal of "Automation, Flexibility and Large Scale", optimized automation for some production lines based on the actual production conditions, and tried to push the standard and modular process from front end to back end, in an effort to enhance the flexibility and compatibility of production automation. It also enhanced communication and cooperation with capable equipment suppliers to jointly develop intelligent manufacturing equipment. At the same time, the Company accelerated the level of information building. On the basis of the existing SAP system, OA system, HR system and MES system, it established the SRM (supply chain) system, WMS (warehouse) system and PDM (R&D) system, set up its own e-commerce platform, and promoted the integration of its automated production lines and information systems, aiming to achieve inter-connectivity and integration and open up its business data chains in different segments, including R&D, purchase, manufacturing, warehousing and sales. Thus, it will help the Company's management to quickly understand production conditions, expedite the adjustment of its production according to market demands and enhance its overall response speed and management abilities, providing customers with better delivery experience and achieving the goal of win-win results between the Company and its customers.

4. Stronger Delicacy Management towards Lower Cost and Higher Efficiency

In 2019, the Company promoted cost reduction and efficiency enhancement by improving production processes and controlling the quality of raw materials and products. It took a number of measures, including strengthening delicacy management of production, driving the improvement of production processes, exerting the control of key expenses and optimizing plant appraisal indicators, to improve production efficiency and cut production and operating costs. The Company intensified the control of purchase process, and through the SRM (supply chain)

system, improved the supply chain management system to guarantee materials supply. It kept close watch on the market prices of materials, reasonably arranged material purchase plans and further exerted the control over material costs. It strictly controlled product quality, and to deal with the changes brought by new products and new processes, strengthened the training on product quality standard systems, further reinforced the quality monitoring on the whole process ranging from raw material purchase to production and quality inspection, and implanted quality awareness into each step of production to strengthen product competitiveness.

5. Strengthening brand promotion for brand upgrading

In 2019, the Company continued to strengthen brand promotion. Pursuing a whole new brand image of “Professional, Healthy, Fashionable and Intelligent”, it carried out multi-dimensional brand promotion activities through multiple channels, and promoted the transition of the “FSL” brand from being industry-wide well-known to being generally well-known. In respect of conventional media, the Company placed in 2019 hard advertisements on China Central Television (CCTV), Guangzhou Baiyun International Airport, Shanghai Hongqiao International Airport, Shanghai Pudong International Airport and Beijing-Guangzhou high-speed trains, which has brought the brand promotion of the Company to a new level and rapidly boosted the brand presence. In terms of mobile new media, the Company also enhanced advertising on high-traffic platforms such as WeChat, Weibo and Tik Tok, with a view to boosting brand recognition among young consumers. Such a multi-dimensional and diverse ad matrix would greatly boost the recognition and influence of the “FSL” brand and help build a high-end popular brand image. As for image presentation at the retail end, the Company upgraded the image of its exclusive shops and improved user experience to attract the younger consumers to the shops. Through multiple measures, the brand presence of the Company has been further strengthened.

II Core Business Analysis

1. Overview

See “I Overview” above.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2019	2018	Change (%)

	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	3,337,576,747.66	100%	3,801,955,946.76	100%	-12.21%
By operating division					
Lighting products and luminaries	3,337,576,747.66	100.00%	3,801,955,946.76	100.00%	-12.21%
By product category					
LED lighting products	2,530,826,166.63	75.83%	2,776,060,566.71	73.02%	-8.83%
Traditional lighting products	685,726,922.53	20.55%	905,695,616.42	23.82%	-24.29%
Electrical products	80,498,200.00	2.41%	96,493,768.09	2.54%	-16.58%
Other	40,525,458.50	1.21%	23,705,995.54	0.62%	70.95%
By operating segment					
Domestic	1,983,289,202.28	59.42%	2,158,770,050.28	56.78%	-8.13%
Overseas	1,354,287,545.38	40.58%	1,643,185,896.48	43.22%	-17.58%

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

√ Applicable □ Not applicable

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	3,337,576,747.66	2,560,513,052.56	23.28%	-12.21%	-12.40%	0.16%
By product category						
LED lighting products	2,530,826,166.63	1,975,925,436.56	21.93%	-8.83%	-9.02%	0.16%
Traditional lighting products	685,726,922.53	497,438,329.77	27.46%	-24.29%	-25.53%	1.21%
Electrical products	80,498,200.00	52,233,400.00	35.11%	-16.58%	-18.76%	1.75%
Other	40,525,458.50	34,915,886.23	13.84%	70.95%	86.21%	-7.06%
By operating segment						

Domestic	1,983,289,202.28	1,484,503,844.14	25.15%	-8.13%	-5.99%	-1.71%
Overseas	1,354,287,545.38	1,076,009,208.42	20.55%	-17.58%	-19.93%	2.33%

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	2019	2018	Change (%)
Lighting products and luminaries	Unit sales	Piece	626,090,881	767,969,866	-18.47%
	Output	Piece	606,160,734	771,535,024	-21.43%
	Inventory	Piece	101,346,236	121,276,383	-16.43%

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	2019		2018		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Lighting products and luminaries		2,560,513,052.56	100.00%	2,922,833,510.40	100.00%	-12.40%
Lighting products and luminaries	Raw materials	1,939,695,600.35	75.76%	2,199,097,763.69	75.24%	-11.80%
Lighting products and luminaries	Labor cost	340,520,251.28	13.30%	419,756,197.29	14.36%	-18.88%
Lighting products and luminaries	Depreciation and other	245,381,314.70	9.58%	285,228,811.19	9.76%	-13.97%
Lighting products and luminaries	Other	34,915,886.23	1.36%	18,750,738.24	0.64%	86.21%

Unit: RMB

Product category	Item	2019	2018	Change (%)
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		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
LED lighting products	Raw materials	1,571,660,353.88	61.38%	1,754,239,718.12	60.02%	-10.41%
LED lighting products	Labor cost	237,779,502.49	9.29%	265,927,179.88	9.10%	-10.58%
LED lighting products	Depreciation and other	166,485,580.19	6.50%	151,672,427.91	5.19%	9.77%
LED lighting products	Subtotal	1,975,925,436.56	77.17%	2,171,839,325.91	74.31%	-9.02%
Traditional lighting products	Raw materials	323,991,639.55	12.65%	388,968,905.47	13.31%	-16.71%
Traditional lighting products	Labor cost	98,224,247.66	3.84%	149,172,301.24	5.10%	-34.15%
Traditional lighting products	Depreciation and other	75,222,442.56	2.94%	129,804,090.42	4.44%	-42.05%
Traditional lighting products	Subtotal	497,438,329.77	19.43%	667,945,297.12	22.85%	-25.53%
Electrical products	Raw materials	44,043,606.92	1.72%	55,889,140.10	1.91%	-21.19%
Electrical products	Labor cost	4,516,501.13	0.18%	4,656,716.17	0.16%	-3.01%
Electrical products	Depreciation and other	3,673,291.95	0.14%	3,752,292.86	0.13%	-2.11%
Electrical products	Subtotal	52,233,400.00	2.04%	64,298,149.13	2.20%	-18.76%
Other products and services	Other	34,915,886.23	1.36%	18,750,738.24	0.64%	86.21%
Total		2,560,513,052.56	100.00%	2,922,833,510.40	100.00%	-12.40%

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

Yes No

The Company convened the 26th Meeting of the 8th Board of Directors on 7 September 2018, which reviewed and approved the Proposal on the De-Registration of Wholly-owned Subsidiary Guangdong Fozhao Finance Lease Co., Ltd. (hereinafter referred to as “Fozhao Lease”). Upon the receipt of the Notice on Approval of

De-Registration from the Foshan Administration for Market Regulation in 2019, the de-registration procedure of Fozhao Lease has been completed and Fozhao Lease has been excluded from the scope of the Company's consolidated financial statements.

(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)	578,233,699.96
Total sales to top five customers as % of total sales of the Reporting Period (%)	17.32%
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	323,032,103.83	9.68%
2	Customer B	93,927,668.88	2.81%
3	Customer C	63,499,323.20	1.90%
4	Customer D	52,872,150.14	1.58%
5	Customer E	44,902,453.91	1.35%
Total	--	578,233,699.96	17.32%

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)	189,615,811.39
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	9.73%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	2.42%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	53,916,135.38	2.77%
2	Supplier B	47,177,854.15	2.42%
3	Supplier C	30,521,718.60	1.57%
4	Supplier D	30,276,114.91	1.55%
5	Supplier E	27,723,988.35	1.42%
Total	--	189,615,811.39	9.73%

Other information about major suppliers:

Applicable Not applicable

Among the top five suppliers, the 2nd supplier is a related party of the Company while the other 4 are not.

3. Expense

Unit: RMB

	2019	2018	Change (%)	Reason for any significant change
Selling expense	241,414,766.43	237,485,389.89	1.65%	
Administrative expense	145,080,623.05	173,871,085.61	-16.56%	
Finance costs	-27,725,342.20	-26,115,179.16	-6.17%	
R&D expense	79,444,261.80	52,726,585.28	50.67%	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 2019, the Company's R&D expense amounted to RMB139.0544 million, accounting for 4.17% 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 RMB55.4257 million and RMB79.4443 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
2019 年	333,757.67	13,905.44	4.17%	5,542.57	7,944.43
2018 年	380,195.59	13,959.49	3.67%	8,367.75	5,272.66

Details about R&D expense:

	2019	2018	Change (%)
Number of R&D personnel	632	673	-6.09%
R&D personnel as % of total employees	8.38%	7.29%	1.09%
R&D expense (RMB)	139,054,379.24	139,594,894.62	-0.39%
R&D expense as % of operating revenue	4.17%	3.67%	0.50%
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	2019	2018	Change (%)
Subtotal of cash generated from operating activities	3,716,893,712.44	3,844,002,001.24	-3.31%
Subtotal of cash used in operating activities	3,208,808,954.98	3,226,014,514.19	-0.53%
Net cash generated from/used in operating activities	508,084,757.46	617,987,487.05	-17.78%
Subtotal of cash generated from investing activities	70,764,256.00	271,716,187.40	-73.96%
Subtotal of cash used in investing activities	108,476,166.05	248,587,186.18	-56.36%
Net cash generated from/used in investing activities	-37,711,910.05	23,129,001.22	-263.05%
Subtotal of cash generated from financing activities	2,350,000.00		
Subtotal of cash used in financing activities	218,298,000.02	418,531,713.57	-47.84%
Net cash generated from/used in financing activities	-215,948,000.02	-418,531,713.57	48.40%
Net increase in cash and cash equivalents	254,547,798.64	225,101,547.42	13.08%

Explanation of why any of the data above varies significantly:

Applicable Not applicable

1. Net cash generated from operating activities decreased 17.78% year-on-year, primarily driven by a decrease in proceeds from sale of commodities and rendering of services.
2. Net cash generated from investing activities decreased 263.05% year-on-year, primarily driven by a greater gap 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 48.40% year-on-year, primarily driven by a smaller amount of cash dividend payout.
4. Net increase in cash and cash equivalents increased 13.08% year-on-year, primarily driven by more net cash generated from financing 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 RMB508,084,757.46 while net profit stood at RMB303,452,471.39, representing a difference of RMB204,632,286.07. Mainly due to the reinforcement of the settlement and loans with bank's acceptance bills and the extension of loan repayment term in the Reporting Period.

III Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As % of total profit	Main source/Reason	Recurrent or not
Return on investment	60,878,425.30	17.29%	Gains on banks' low-risk wealth management products and dividends from holding investments in other equity instruments	Not
Gain/loss on changes in fair value	2,024,400.00	0.57%	Changes in the fair value of derivative financial instruments	Not
Asset impairments	-16,675,215.52	-4.74%	Inventory valuation allowances	Not
Non-operating income	3,072,145.61	0.87%	Government subsidies and other income received	Not
Non-operating expense	5,517,243.94	1.57%	Inventory loss	Not
Other income	11,202,255.25	3.18%	Government subsidies that arose in the ordinary course of business of the Company	Not
Credit impairment loss	-3,693,729.47	-1.05%	Allowances for doubtful accounts	Not

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2019		1 January 2019		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	1,125,456,662.64	18.23%	896,703,037.65	15.13%	3.10%	
Accounts receivable	712,175,266.51	11.53%	834,420,596.05	14.07%	-2.54%	

Inventory	637,336,584.06	10.32%	767,319,599.00	12.94%	-2.62%	
Long-term equity investments	181,093,725.43	2.93%	182,458,559.69	3.08%	-0.15%	
Fixed assets	629,832,098.35	10.20%	512,106,912.39	8.64%	1.56%	
Construction in progress	119,030,610.16	1.93%	224,624,447.16	3.79%	-1.86%	
Investments in other equity instruments	1,454,740,241.46	23.56%	1,232,130,339.01	20.78%	2.78%	

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	Other changes	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	6,000,000.00	13,550,000.00				19,550,000.00		
2. Derivative financial assets		1,547,200.00						1,547,200.00
4. Investments in other equity instruments	1,232,130,339.01		222,609,902.45					1,454,740,241.46
Subtotal of financial assets	1,238,130,339.01	15,097,200.00	222,609,902.45			19,550,000.00		1,456,287,441.46

Total of the above	1,238,130,339.01	15,097,200.00	222,609,902.45			19,550,000.00		1,456,287,441.46
Financial liabilities	-477,200.00	477,200.00						0.00

Notes: For details about bank's wealth management products, see "XVII Significant Contracts and Execution" in "Part V Significant Events".

Details about other changes:

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

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary assets	68,958,729.27	Security deposits for notes and forward forex settlement
Notes receivable	67,035,696.27	In pledge for notes pool
Total	135,994,425.54	

V Investments Made

1. Total Investment Amount

Applicable Not applicable

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	525,465,291.00	135,911,870.25	441,142,021.61			4,545,547.50	661,377,161.25	Investments in other equity instruments	Self-funded
Domestically/Overseas listed stock	601818	China Everbright Bank	30,828,816.00	Fair value method	68,622,989.80	13,168,195.34	58,141,437.32			2,986,027.39	81,791,185.14	Investments in other equity instruments	Self-funded
Domestically/Overseas listed stock	N/A	Xiamen Bank	292,574,133.00	Fair value method	632,987,881.81	73,529,836.86	413,943,585.67			10,971,417.60	706,517,718.67	Investments in other equity instruments	Self-funded
Domestically/Overseas listed stock	N/A	Foshan branch of Guangdong Development Bank	500,000.00	Fair value method	500,000.00					7,962.31	500,000.00	Investments in other equity instruments	Self-funded
Total			483,902,949.00	--	1,227,576,162.61	222,609,902.45	913,227,044.60	0.00	0.00	18,510,954.80	1,450,186,065.06	--	--
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)	
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(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: US\$'0,000

Operating party	Relationship with the Company	Related-party transaction or not	Type of derivative	Initial investment amount	Beginning date	Ending date	Beginning investment	Purchased in Reporting Period	Sold in Reporting Period	Impairment allowance (if any)	Ending investment	Ending investment as % of the Company's ending net assets	Actual gain/loss in Reporting Period
Foshan branch of China Construction Bank	Not related	Not	Forward forex settlement portfolio	1,200	12 July 2018	14 January 2019	200		200				-1.78
Foshan branch of the Agricultural Bank of China	Not related	Not	Forward forex settlement portfolio	1,200	2 August 2018	1 February 2019	400		400				-0.12
Foshan branch of Guangzhou Rural Commercial Bank	Not related	Not	General forward forex settlement	600	22 March 2019	12 June 2019		600	600				1.88
Foshan branch of Guangzhou Rural Commercial Bank	Not related	Not	General forward forex settlement	600	24 April 2019	31 October 2019		600	600				0.48

Foshan branch of China Construction Bank	Not related	Not	General forward forex settlement	500	9 May 2019	15 October 2019		500	500				4.81
Foshan branch of the Agricultural Bank of China	Not related	Not	General forward forex settlement	500	9 May 2019	14 October 2020		500	500				4.99
Foshan branch of Bank of China	Not related	Not	General forward forex settlement	800	4 November 2019	7 January 2020		800	400		400	0.57%	-0.94
Foshan branch of the Agricultural Bank of China	Not related	Not	General forward forex settlement	1,200	4 December 2019	1 April 2020		1,200			1,200	1.71%	
Total				6,600	--	--	600	4,200	3,200		1,600	2.28%	9.32
Funding source				All self-funded									
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.)				<p>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. The marketing department shall made corresponding payback prediction based on customer</p>									

	<p>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>
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>1. The Company invests in 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. 2. The Company invests in general forward forex settlement products, where settlement is carried out according to the currency, amount and exchange</p>

	rate as stipulated in the forward forex settlement contract. The fair value of the products may change.
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

Counterparty	Asset sold	Sales date	Transaction price (RMB', 0,000)	Net profits of the Company generated from the asset for the period from the period-begin to the sales	Influence of the sale on the Company (note 3)	Proportion of net profits of the Company generated from the sale of the asset to the total net profits of the	Pricing basis for the sale of asset	Related-party transaction or not	Relationship with the counterparty (applicable related-party transaction case)	The owners of the asset involved has been transferred in full or not	The credits and liabilities involved have been transferred in full or not	Implemented on schedule or not, if not, explanations and measures taken by the Company shall be	Disclosure date	Disclosure index

				date (RMB' 0,000)		Compa ny						given		
Xiamen Tungste n Corpor ation, Ltd.	6.94% of equity of Chengd u Hongbo Industri al Co., Ltd.	7 March 2019	1,955	1,326.7 5	The sale will have no influen ce on the Compa ny's busines s continu ity and stability of the manage ment.	4.37%	Based on the evaluati on result	No	N/A	Yes	Yes	Yes	8 March 2019	Announ cement on Transfe r of Equity of Chengd u Hongbo Industri al Co., Ltd. (Annou ncemen t No.: 2019-0 05) disclose d on cninfo. com.cn.

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
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Foshan Chansheng Electronic Ballast Co., Ltd.	Subsidiary	Manufacturing	1,000,000.00	46,395,846.08	45,997,919.72	12,008,176.40	885,028.64	698,936.92
FSL Chanchang Optoelectronics Co., Ltd.	Subsidiary	Manufacturing	72,782,944.00	158,523,694.06	127,314,519.31	95,513,556.45	2,767,058.20	2,058,884.61
Foshan Taimei Times Lamps Co., Ltd.	Subsidiary	Manufacturing	500,000.00	58,772,995.14	30,709,717.93	129,622,438.26	4,549,331.64	3,682,835.31
FSL New Light Source Technology Co., Ltd.	Subsidiary	Manufacturing	50,000,000.00	58,528,894.33	57,029,125.16	16,839,394.80	1,082,659.31	970,435.61
FSL (Xinxiang) Lighting Co., Ltd.	Subsidiary	Manufacturing	35,418,439.76	56,884,630.43	50,371,213.42	42,886,072.02	2,142,741.18	1,619,595.11
FSL Lighting Equipment Co., Ltd.	Subsidiary	Manufacturing	15,000,000.00	64,028,453.24	55,910,458.39	68,746,113.18	613,079.53	423,260.19
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	Subsidiary	Manufacturing	41,683,200.00	76,880,243.15	61,182,460.04	29,744,601.57	8,078,062.01	6,034,676.11
FSL Zhida Electric Technology Co., Ltd.	Subsidiary	Manufacturing	50,000,000.00	88,774,594.30	48,281,658.56	88,828,868.23	5,394,223.07	2,376,968.48
FSL Lighting GmbH	Subsidiary	Manufacturing	195,812.50	1,258,116.12	-33,096.48	2,248,901.40	24,625.30	24,625.30

Subsidiaries obtained or disposed in the Reporting Period:

√ Applicable □ Not applicable

Subsidiary	How subsidiary was obtained or disposed in the Reporting Period	Effects on overall operations and operating performance
Guangdong Fozhao Financing Lease Co., Ltd.	Cancelling	No influence

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 Meeting of the 7th Board of Directors reviewed and approved to invest another RMB2 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 RMB35,418,439.76.

—Foshan Lighting Lamps and Lanterns Co., Ltd. is a limited liability company invested and established by the Company with the registered capital of RMB15 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, despite the increasing market concentration on leading enterprises in LED lighting application, there is still a great number of companies in the industry, with very fierce competition among different brands. At the same time, the ever-growing raw material prices and transportation and human resource costs are putting the companies under great pressure for rapid development and profitability. From a long-term view, as LED lighting industry enters the stage of integration and continuous reshuffle, the companies with advantages in brand, channel, R&D and fund will use their advantaged position to keep extending their industrial chain and enhancing their advantages amid the intense competition of industrial upgrading. As a result, market resources will be further gathered in industrial leading companies. Meanwhile, the market recession will drive the companies to accelerate technological innovation, proactively develop the new blue ocean market, continuously work on such market segments as intelligent lighting and healthy lighting and expand the market space.

2. Industrial Development Trend

(1) Faster Industrial Transformation and Upgrading and Deeper Interdisciplinary Cooperation-based Development

With continuous advancement of market competition and industrial reshuffle, many SMEs lacking core competitiveness are withdrawing from LED lighting market. As a result, industrial advantaged resources are gathering in leading enterprises with faster M&As and a gradual shift from industrial M&A to interdisciplinary integration. Enterprises are continuing to update their service models and transforming from product manufacturers to product and service system integrated providers, with faster corporate transformation and upgrading. At the same time, with faster development of digitization, intelligence and IoT, LED lighting is undergoing the development trend of technology crossover and industrial interdisciplinary integration. In particular as intelligent lighting technology is maturing, LED lighting companies will conduct in-depth cooperation with the companies in cloud computing, IoT, sensor and artificial intelligence in the field of intelligent household, bringing huge new revolutions to LED lighting industry.

(2) The Rapid Development of Intelligent Lighting Leads the Trend of the Times

As an important part of intelligent household, intelligent lighting market will enter a stage of rapid development with technological development, product maturity, manufacturers' proactive promotion and the popularization of intelligent lighting related concepts. According to OFweek statistics, the global intelligent lighting market size was US\$16.6 billion in 2018. With more prominent energy conservation problems, declining LED component prices and the engagement of emerging advanced technologies, such as IoT and connection devices, driven by the building of smart cities, the compound growth rate of the intelligent lighting market is expected to exceed 25% in the next few years, reaching more than US\$40 billion by 2022. Currently, global LED lighting giants are giving more focus to intelligent lighting, leading to ever-growing development speed of intelligent lighting. Domestic leading LED companies are stepping into the development and application of intelligent lighting one after another through interdisciplinary cooperation with big platform enterprises, such as Alibaba, Tencent, Huawei and Xiaomi, which continuously pushes the development of intelligent household technology and services, including intelligent lighting. With faster speed and refinement in 5G, such ecosystems as "intelligent households", "smart cities" and "smart factories" will be implemented and applied on a large scale with continuous expansion and improvement of the application scenarios of intelligent lighting. Intelligent lighting is expected to maintain a momentum of stable high-speed development.

(3) Innovation Becomes the Key to Development as the Industry Enters the Maturity Stage

Over more than ten years of development, LED industry has undergone continuous changes in industrial market structure, competition framework and market consumption demand. Till now, under the double factors of internal

and external environment, growth of the overall industrial market size is slowing down, as technologies on different segments of the industrial chain are maturing with a trend of market concentration, marking that the industry is gradually entering the maturity stage. According to OFweek statistics, the overall market size of China's LED industry reached RMB755.5 billion in 2018 (including upper, middle and lower streams), representing a YOY increase of 15.1%, while that number from 2014 to 2017 was 35%, 26.2%, 22.5% and 25.5% respectively from 2014 to 2017. The growth in 2018 is evidently slower than the years before. By purely relying on price and size, LED industrial companies will not be able to maintain their competitive edge or expand market shares. Some competent companies will resort to innovation-driven means to promote new applications and new products to seize market. Hence, LED industry will witness more emerging applications and technologies in the future. The large-scale and commercial application of new technologies will bring LED industry to a new stage of development.

(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 “Cutting-Edge Technologies, Internationally-Famous Brands and Large-Scale Production”, drive the shift from light sources to lamps, from mid-end to mid- to high-end products, from single lighting products to lighting system solutions and from following innovation through independent R&D to leading innovation focusing on customer demands, and fully improve the operation quality and sustainable development capacity by increasing the efficiency of human resources, fund and resources.

(III) Work Plan for 2020

1. R&D, Innovation and Technology Leading

By centering around the industrial trends represented by intelligent products, segmented markets and high-end quality, the Company will increase spending on the R&D of new technologies, new products and new processes, speed up the R&D process that drives the mid- to high-end development of products, refine the intelligent product and segmented market product systems, accelerate the development of “LED+” series products and continue to upgrade the intelligent control technology. It will reinforce the analysis of the industrial development trend, make full use of the resources of colleges and research institutions, conduct research on cutting-edge technology, establish industry-education-research project cooperation and sustain its product competitiveness and sustainable development. It will further strengthen the staffing of the R&D team, reinforce the building of the R&D system, improve the overall technological innovation level and lead the high-end process through technology.

2. Strengthening Delicacy Management of Channels and Expanding Brand Influence

(1) Refining Market Control for Win-Win Results with Customers

The Company will further refine market control over sales prices and regions, impose severe punishment on vicious competition on end market, mobilize the enthusiasm of distributors and maintain the win-win results with them.

(2) Opening Up Sales Linearly through Information Services

The Company will continue to promote the flat management of sales BUs and improve its information services to strengthen connections with end customers and open up sales linearly.

(3) Promoting Sales in the Three Economically Developed Regions and Establishing a Multi-Hierarchical Sales System

The Company will proactively plan and drive sales in the three economically developed regions, including the Pearl River Delta, the Yangtze River Delta and the Beijing-Tianjin-Hebei Region, accelerate the planning for high-end products and establish a multi-hierarchical sales system according to different regional characteristics.

(4) Developing Market Segments and Expanding Market Coverage

The Company will make active steps to develop market segments, look for competent project distributors, vigorously develop large projects, focus on the fields of real estate, education, municipal works, rail transit, intelligent firefighting and 5G smart road lamps, establish a product mix based on market demands and provide users with highly efficient and professional lighting product solutions.

(5) Continuing to Develop International Market and Enhance the Overseas Influence of FSL

The Company will continue to work on the maintenance and development of key accounts and enhance the advantage of strategically cooperating with core customers. It will vigorously develop new customers and continue to promote FSL in European market. It will promote online business in overseas market with an attempt to combine online and offline business. The Company will use the “Belt and Road” opportunity to extend the development measure of “going global”; it will strengthen brand promotion overseas to enhance the influence of FSL.

3. Optimizing the HR Management System and Improving the Healthy Talent Competition Mechanism

The Company will establish two-way professional development channels, form the talent competition model of “promoting competent employees and abandoning non-performers”, effectively carry out motivation and promotion, continue to enhance the openness and rationality of the employment system and create a favorable human resource environment with stable technology, loyalty and effectiveness.

The Company will work on the talent mechanism adjustment and the remuneration and incentive mechanism reform, focus on introducing and developing technical, marketing and management talents and optimize the talent structure. It will strengthen the cultivation and development of young talents with great potentials, include them in the talent reserve and build a team of key talents to support corporate sustainable development. The Company will establish and improve the performance appraisal system and the HR management system and build a fair and incentive remuneration system to inspire and unleash the innovation impetus of talents at the maximum level and ensure its ability to introduce, retain and motivate talents.

(IV) Potential Risks

1. Risk of Macro Economic Uncertainties

Domestic and foreign countries are facing a number of unstable factors affecting economic development, including trade frictions, global public health emergencies, international financial market turbulence and intense geopolitical situations, all of which may result in global economic slowdown. Developed economies, despite their relatively higher level of economic aggregate, are still facing various problems. For emerging markets and developing countries, under the forecast of slowing global economic development and industrial production, they need more economic growth drivers. The economic uncertainties will affect market demands, with impact on the Company's performance ultimately.

2. Risk of Market Competition

Lighting industry is an industry with global competition. It is particularly so for domestic companies in the lower-stream application area of lighting, which face the competition from home appliance and electronic enterprises and LED upper- and middle-stream chip packaging enterprises that extend to the lighting application field, in addition to the competition from international famous branded lighting companies. Furthermore, as the imbalance in industrial supply and demand is rising, the Company will face a market environment with fiercer competition. The Company may be exposed to the risk of losses in market share if it fails to maintain its competitive edge in technology, service and price.

3. 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.

4. 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.

5. 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.

6. The risk of bad debts on accounts receivable

As of the end of the reporting period, the accounts receivable is high. 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
21 February 2019	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
19 March 2019	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
5 June 2019	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn

3 September 2019	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
Times of visit		4	
Number of visiting institutions		15	
Number of visiting individuals		38	
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 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.

For 2019, based on the total 1,399,346,154 shares of the Company as at 31 December 2019, a cash dividend of RMB1.85 (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 RMB258,879,038.49.

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 (%)
2019	258,879,038.49	301,182,906.24	85.95%	0.00	0.00%	258,879,038.49	85.95%
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%

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)	1.85
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)	258,879,038.49
Cash dividends in other forms (such as share repurchase) (RMB)	0.00
Total cash dividends (including those in other forms) (RMB)	258,879,038.49
Distributable profit (RMB)	1,523,507,818.11
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 Zhongzheng Tiantong Certified Public Accountants LLP, the after-tax net profits of RMB286,744,570.37 of the Company as the parent for 2019, plus the beginning retained profits of RMB1,482,164,706.92, minus the distributed profits of RMB218,298,000.02 for 2018 and the statutory surplus reserve of RMB 27,103,459.16 for 2019. The ending profits distributable to shareholders of were RMB1,523,507,818.11 for 2019. The Board of Directors has proposed to allocate profits for 2019 as follows: Based on the total 1,399,346,154 shares of the Company as at 31 December 2019, a cash dividend of RMB1.85 (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 RMB258,879,038.49. The retained profits of RMB1,264,628,779.62 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 acquisition documents or shareholding alteration documents	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 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 June 2020.	3 December 2019	Six months	Ongoing
	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 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.	4 December 2015	Long-standing	Ongoing

			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.			
	Controlling shareholder	About reduction and regulation of related-party transactions	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	4 December 2015	Long-standing	Ongoing

			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.			
	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 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	4 December 2015	Long-standing	Ongoing

			<p>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, 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</p>		
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		<p>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. 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 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</p>			
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			financial decisions independently and that they will not illegally intervene in the Company's use of its funds.			
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

Changes in accounting policy	Approval procedure	Remark
In accordance with the Notice on Revising and Printing the Format of 2019 General Enterprises Financial Statement (CK [2019] No. 6), the Notice on Revising and Printing the Format of Consolidated Financial Statements (2019) (CK [2019] No. 16) issued by the Ministry of Finance, the Company adjusted the formats of financial	Approved by the 35 th Meeting of the 8 th Board of Directors	

statements accordingly.		See the Note 44 Changes in Main Accounting Policies and Estimates in Part XII (V) of the Report for details
The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24-Hedging and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments in 2017. The Company starts to implement the above standards since 1 January 2019 and adjusted the financial statements accordingly on 1 January 2019 in accordance with the above standards governing connection regulation.	Approved by the 30 th Meeting of the 8 th Board of Directors	
The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No.7-Exchange of Non-monetary Assets on 9 May 2019 which is carried out since 10 June 2019. No retroactive adjustment was needed for exchanges of non-monetary assets before 1 January 2019 and adjustment made in accordance with the revised standards is required for the exchanges of non-monetary assets occurring during the period from 1 January 2019 to the execution date.	Approved by the 35 th Meeting of the 8 th Board of Directors	
The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No.12-Debt Restructuring on 16 May 2019 which is carried out since 17 June 2019. No retroactive adjustment was needed for the debt restructuring before 1 January 2019 and adjustment made in accordance with the revised standards is required for the debt restructuring occurring during the period of 1 January 2019 to the execution date.		

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

The Company held the 26th Meeting of the 8th Board of Directors on 7 September 2018, on which the Proposal on De-Registration of the Wholly-Owned Subsidiary of Guangdong FSL Financing Lease Co., Ltd. (hereinafter referred to as the “FSL Lease Company”) was reviewed and approved. The Company received the Notice on Approval of De-Registration issued by the Foshan Market Supervision and Administration Bureau in 2019. The de-registration procedure of FSL Lease Company has been completed. After the completion of de-registration, FSL Lease Company will no longer be included into the consolidation scope of financial statements of the Company.

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	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	4
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	4
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 RMB480,000.

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 (RMB'0,000)	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 (RMB'0,000)	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	4,717.79	4,717.79	2.42%	21,000	Not	Remittance	4,717.79	29 March 2019	www.cninfo.com.cn
Prosperity Lamps & Components Limited	Shareholder that holds over 5% shares of the Company	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	387.47	387.47	0.20%	1,200	Not	Remittance	387.47	29 March 2019	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	271.98	271.98	0.14%	1,000	Not	Remittance	271.98	29 March 2019	www.cninfo.com.cn
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	67.48	67.48	0.03%	100	Not	Remittance	67.48	29 March 2019	www.cninfo.com.cn
Guangdong Zhongke	Under same actual	Purchasing products	Purchase of equipment	Market price	41.05	41.05	2.08%	100	Not	Remittance	41.05	29 March 2019	www.cninfo.com.cn

Hongwei Semiconductor Equipment Co., Ltd	controller	and receiving labor service from related party	nt										
Guangdong Electronic Technology Research Institute	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of equipment	Market price	4.66	4.66	0.24%	300	Not	Remittance	4.66	29 March 2019	www.cninfo.com.cn
Shaoguan Green Resource Recycling Development Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service from related party	receiving labor service	Market price	9.33	9.33	7.96%			Remittance	9.33		N/A
Zhuhai Doumen District Yongxingsheng Environmental Industrial Wastes Recycling Comprehensive Treatment Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service from related party	receiving labor service	Market price	5.47	5.47	4.66%			Remittance	5.47		N/A
Prosperity	Shareholder	Selling	Selling	Market		2,032.3	0.61%	4,200	Not	Remittance		29	www.c

Lamps & Components Limited	Holder that holds over 5% shares of the Company	products and providing labor service to related party		price	2,032.38	8				nce	2,032.38	March 2019	info.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	7.88	7.88	0.00%	200	Not	Remittance	7.88	29 March 2019	www.cinfo.com.cn
Guangzhou Diansheng Property Management Co., Ltd	Under same actual controller	Selling products and providing labor service to related party	Selling products	Market price	0.08	0.08	0.00%			Remittance	0.08		N/A
Total				--	--	7,545.57	--	28,100	--	--	--	--	--
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 2019, 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., and Hangzhou Times Lighting and Electrical Co., Ltd. Concerning the purchases from its related parties, the actual amount in 2019 so far was RMB55.0523 million, accounting for 23.23% of the estimate in 2019. As for the sales to its related parties, the actual amount in 2019 so far was RMB20.4034 million, accounting for 46.37% of the estimate in 2019.									
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 26 June 2018, the Company held the 23rd Meeting of the 8th 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 RMB149 million.

2. On 21 June 2019, the Company held the 31st Meeting of the 8th 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 RMB149 million.

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

Title of announcement	Disclosure date	Disclosure website
Announcement on Signing Financial Service Agreement with Guangdong Rising Finance Co., Ltd.	27 June 2018	www.cninfo.com.cn
Announcement on Signing Financial Service Agreement with Guangdong Rising Finance Co., Ltd.	22 June 2019	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
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Bank financial products	Self-owned funds	46,500	46,500	0
Structural deposits	Self-owned funds	60,000	43,000	0
Total		106,500	89,500	0

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 Bohai Bank Shenzhen Chegongmiao sub-branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	9 August 2019	10 February 2020	Investment	Repayment of principal with yield	3.85%	97.57	75.95	To be received		Yes	Yes	www.cninfo.com.cn
China Guangfa Bank, Guangzhou development area sub-branch	Bank	Principal-protected with floating yield	8,000	The Company's own idle funds	15 October 2019	13 January 2020	Investment	Repayment of principal with yield	3.85%	75.95	64.98	To be received		Yes	Yes	www.cninfo.com.cn

Huaxia Bank, Foshan branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	23 October 2019	23 January 2020	Investment	Repayment of principal with yield	3.90%	49.15	36.86	To be received	Yes	Yes	www.cninfo.com.cn
China Minsheng Bank Foshan sub-branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	25 October 2019	3 February 2020	Investment	Repayment of principal with yield	4.00%	55.34	36.16	To be received	Yes	Yes	www.cninfo.com.cn
Huaxia Bank, Foshan branch	Bank	Principal-protected with floating yield	3,000	The Company's own idle funds	13 November 2019	14 February 2020	Investment	Repayment of principal with yield	3.78%	28.89	15.22	To be received	Yes	Yes	www.cninfo.com.cn
China Guangfa Bank, Guangzhou development area sub-branch	Bank	Principal-protected with floating yield	2,000	The Company's own idle funds	19 November 2019	17 February 2020	Investment	Repayment of principal with yield	3.85%	18.99	9.07	To be received	Yes	Yes	www.cninfo.com.cn
China Guangfa Bank, Guangzhou development area sub-br	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	26 November 2019	24 February 2020	Investment	Repayment of principal with yield	3.85%	47.47	18.46	To be received	Yes	Yes	www.cninfo.com.cn

anch																
PingAn Bank, Foshan Jiangwan sub-branch	Bank	Principal-protected with floating yield	3,500	The Company's own idle funds	29 November 2019	2 March 2020	Investment	Repayment of principal with yield	3.80%	34.25	12.02	To be received		Yes	Yes	www.cninfo.com.cn
China Guangfa Bank, Foshan Chengnan sub-branch	Bank	Principal-protected with floating yield	4,000	The Company's own idle funds	5 December 2019	4 March 2020	Investment	Repayment of principal with yield	3.75%	36.99	10.68	To be received		Yes	Yes	www.cninfo.com.cn
Bank of Hangzhou Shenzhen sub-branch	Bank	Principal-protected with floating yield	3,000	The Company's own idle funds	12 December 2019	12 March 2020	Investment	Repayment of principal with yield	3.85%	28.8	6.01	To be received		Yes	Yes	www.cninfo.com.cn
Bank of Shanghai Shenzhen Qianhai sub-branch	Bank	Principal-protected with floating yield	3,000	The Company's own idle funds	26 December 2019	26 March 2020	Investment	Repayment of principal with yield	3.80%	28.42	1.56	To be received		Yes	Yes	www.cninfo.com.cn
China CITIC Bank, Business	Bank	Principal-protected with floating	5,000	The Company's own idle	29 September 2019	06 January 2020	Investment	Repayment of principal	3.90%	52.89	49.68	To be received		Yes	Yes	www.cninfo.com.cn

Department of Guangzhou branch		g yield		funds				with yield								
Industrial Bank Guangzhou Baiyun Sub-branch	Bank	Principal-protected with floating yield	12,000	The Company's own idle funds	01 November 2019	30 January 2020	Investment	Repayment of principal with yield	3.77%	111.55	74.37	To be received		Yes	Yes	www.cninfo.com.cn
China Everbright Bank Guangzhou Sub-branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	05 December 2019	05 March 2020	Investment	Repayment of principal with yield	3.85%	48.13	13.9	To be received		Yes	Yes	www.cninfo.com.cn
China Minsheng Bank Foshan sub-branch	Bank	Principal-protected with floating yield	16,000	The Company's own idle funds	11 December 2019	11 March 2020	Investment	Repayment of principal with yield	3.80%	151.58	34.98	To be received		Yes	Yes	www.cninfo.com.cn
China Minsheng Bank Foshan sub-branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	27 December 2019	27 March 2020	Investment	Repayment of principal with yield	3.70%	46.12	2.03	To be received		Yes	Yes	www.cninfo.com.cn
Total			89,500	--	--	--	--	--	--	912.09	461.93	--		--	--	--

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

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	13,968,654	1.00%				-315,603	-315,603	13,653,051	0.98%
1.2 Shares held by state-owned legal persons						1	1	1	0.00%
1.3 Shares held by other domestic investors	5,041,022	0.36%				-315,604	-315,604	4,725,418	0.34%
Among which: Shares held by domestic legal persons	4,237,081	0.30%				-483,109	-483,109	3,753,972	0.27%
Shares held by domestic natural persons	803,941	0.06%				167,505	167,505	971,446	0.07%
1.4 Shares held by foreign investors	8,927,632	0.64%						8,927,632	0.64%
Shares held by foreign natural persons	8,927,632	0.64%						8,927,632	0.64%
2. Unrestricted shares	1,385,377,500	99.00%				315,603	315,603	1,385,693,103	99.02%
2.1 RMB-denominated ordinary shares	1,072,239,049	76.62%				315,603	315,603	1,072,554,652	76.65%
2.2 Domestically listed foreign shares	313,138,451	22.38%						313,138,451	22.38%
3. Total shares	1,399,346,154	100.00%						1,399,346,154	100.00%

Reasons for share changes:

Applicable Not applicable

1. 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 167,505 restricted shares.

2. 483,108 restricted shares held by domestic legal persons became domestic natural persons' holdings during the Reporting Period and were freed from the lock-in period and changed into unrestricted shares.

To sum up the point 1 and point 2 above, 315,603 restricted shares were decreased during the Reporting Period.

Approval of share changes:

Applicable Not applicable

During the Reporting Period, 483,108 restricted shares were changed into unrestricted shares, which has been agreed by Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

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

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	Increase in Reporting Period	Released in Reporting Period	Ending restricted shares	Reason for restriction/release from restriction	Date of release

Liu Xin gming	444,150	39,705	0	483,855	Lock-up of senior management's shares	Uncertain
Tang Qion glan	30,030	26,925	0	56,955	Lock-up of senior management's shares	Uncertain
Wei Bin	55,744	23,175	0	78,919	Lock-up of senior management's shares	Uncertain
Jiao Zhigan g	56,549	11,250	0	67,799	Lock-up of senior management's shares	Uncertain
Chen Yu	34,699	14,850	0	49,549	Lock-up of senior management's shares	Uncertain
Zhang Yong g	41,547	16,650	0	58,197	Lock-up of senior management's shares	Uncertain
Zhang Xuequan	38,289	16,500	0	54,789	Lock-up of senior management's shares	Uncertain
Xu Xiaoping	18,727	9,225	0	27,952	Lock-up of senior management's shares	Uncertain
Ye Zhenghong	48,946	9,225	0	58,171	Lock-up of senior management's shares	Uncertain
Li Keli	483,108	0	483,108	0	Restricted shares before the initial issue	31 December 2019
Total	1,251,789	167,505	483,108	936,186	--	--

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

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease 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	35,800,000
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	2.22%	31,008,913	1,676,727		31,008,913		
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	1.57%	22,002,137	-100,000		22,002,137		
China Merchants Securities (Hong Kong) Co., Ltd	Foreign legal person	0.87%	12,160,236	-173,600		12,160,236		
Zhuang Jianyi	Foreign natural person	0.85%	11,903,509		8,927,632	2,975,877		
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.	31,008,913	Domestically listed foreign stock	31,008,913
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	22,002,137	Domestically listed foreign stock	22,002,137
China Merchants Securities (Hong Kong) Co., Ltd	12,160,236	Domestically listed foreign stock	12,160,236
Zhao Xiyi	7,868,765	RMB-denominated ordinary stock	7,868,765
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.

Yes 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.	Liu Zumian	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 shares in domestic and overseas listed companies as follows:</p> <p>(1) held 139,715,902 shares in Zhongjin Lingnan (000060), accounting for 3.91% of total shares of Zhongjin Lingnan</p> <p>(2) held 4,192,734 shares in Fenghua Advanced Technology (000636), accounting for 0.47% of total shares of Fenghua Advanced Technology</p> <p>(3) held 1,302,027 shares in Dongjiang Environmental (002672), accounting for 0.15% of total shares of Dongjiang Environmental</p> <p>(4) held 1,303,363 shares in Central China Securities (601375), accounting for 0.03% of total shares of Central China Securities</p> <p>3. Guangdong Rising Finance Holding Co., Ltd. held shares in domestic and overseas listed companies as follows:</p> <p>(1) held 21,733,582 shares in Dongjiang Environmental (002672), accounting for 2.47% of total shares of Dongjiang Environmental</p> <p>(2) held 7,551,648 shares in Zhongjin Lingnan (000060), accounting for 0.21% of total shares of Zhongjin Lingnan</p> <p>(3) held 5,791,924 shares in NationStar Optoelectronics (002449), accounting for 0.94% of total shares of NationStar Optoelectronics</p>			

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

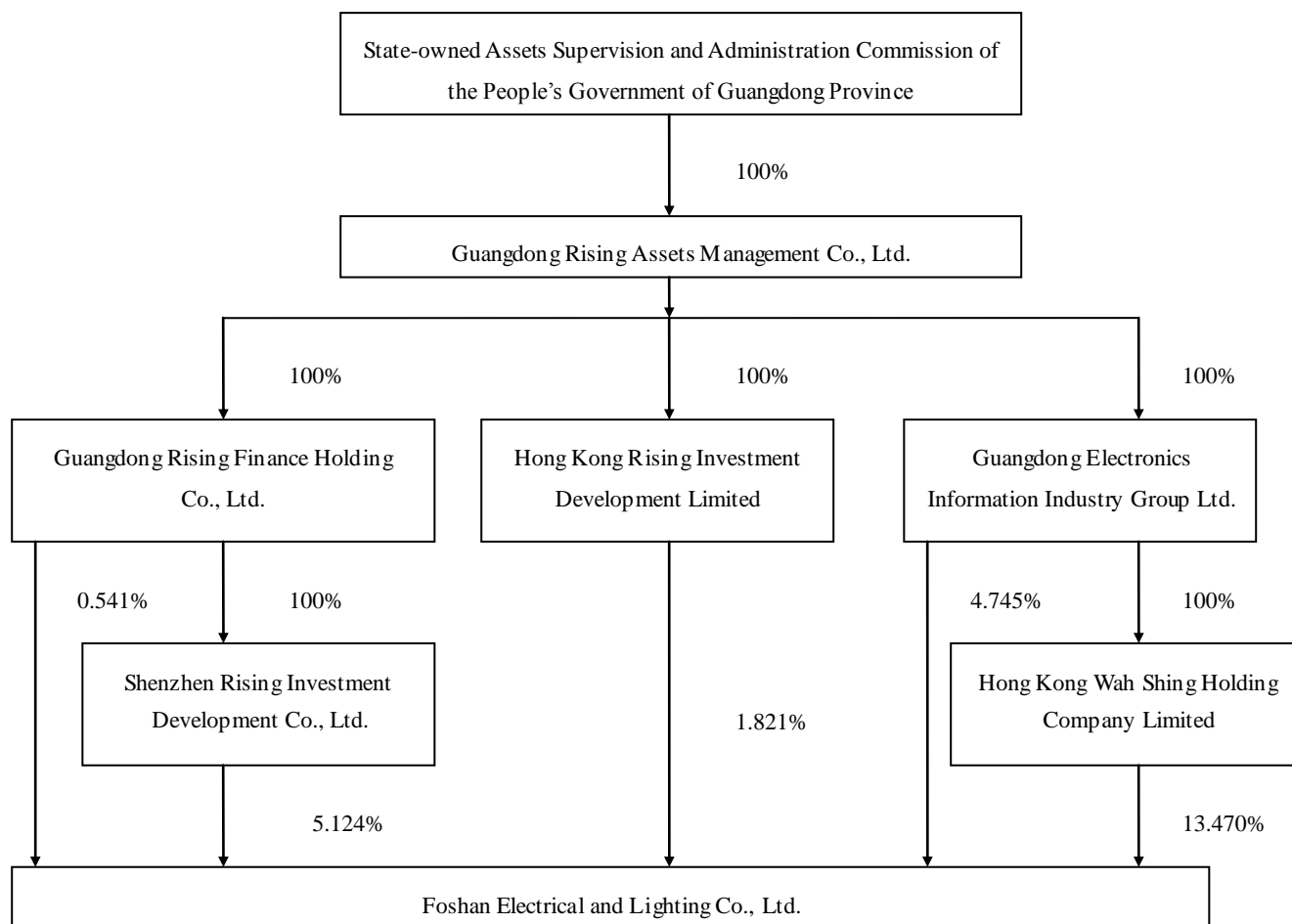
Guangdong Rising Assets Management Co., Ltd.	Liu Weidong	23 December 1999	91440000719283849E	Asset management and operation, equity management and operation, investment operation, and management and re-investment of investment earnings; other business authorized by the state-owned assets administration 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 this Reporting Period	<p>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:</p> <ol style="list-style-type: none"> 1. a 42.87% stake of 129,372,517 shares in Rising Nonferrous (stock code: 600259); 2. a 32.49% stake of 1,159,811,571 shares in Zhongjin Lingnan Nonfemet (stock code: 000060); 3. a 20.49% 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 21.84% 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). 			

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 Convertible Corporate Bonds

Applicable Not applicable

No convertible corporate bonds in the Reporting Period.

Part IX 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	59	25 December 2015	25 December 2018	0	0	0	0	0
Zhuang Jianyi	Vice Board Chairman	Incumbent	Male	68	25 December 2015	25 December 2018	11,903,509	0	0	0	11,903,509
Cheng Ke	Director	Incumbent	Male	45	25 December 2015	25 December 2018	11,550	0	0	0	11,550
Qi Siyin	Director	Incumbent	Male	39	25 December 2015	25 December 2018	0	0	0	0	0
Huang Zhiyong	Director	Incumbent	Male	50	25 December 2015	25 December 2018	0	0	0	0	0
Liu Xingming	Director & GM	Incumbent	Male	57	25 December 2015	25 December 2018	592,200	52,940	0	0	645,140
Zhang Nan	Independent Director	Incumbent	Female	70	25 December 2015	25 December 2018	0	0	0	0	0
Lu Rui	Independent Director	Incumbent	Male	44	25 December 2015	25 December 2018	0	0	0	0	0
Lyu Wei	Independent Director	Incumbent	Male	55	25 December 2015	25 December 2018	0	0	0	0	0

Li Huashan	Chairman of the Supervisory Committee	Incumbent	Male	56	25 April 2019	30 June 2020	0	0	0	0	0
Zhuang Junjie	Supervisor	Incumbent	Male	34	25 December 2015	25 December 2018	0	0	0	0	0
Ye Zhenghong	Supervisor	Incumbent	Male	46	25 December 2015	25 December 2018	65,261	12,300	0	0	77,561
Lin Qing	Supervisor	Incumbent	Male	50	20 September 2016	25 December 2018	22,583	0	0	0	22,583
Liang Yueyi	Supervisor	Incumbent	Female	45	20 September 2016	25 December 2018	0	0	0	0	0
Zhang Xuequan	Vice GM	Incumbent	Male	42	23 August 2016	25 December 2018	51,052	22,000	0	0	73,052
Tang Qionglan	CFO	Incumbent	Female	49	26 January 2016	25 December 2018	40,040	35,900	0	0	75,940
Wei Bin	Vice GM	Incumbent	Male	50	26 January 2016	25 December 2018	74,326	30,900	0	0	105,226
Jiao Zhigang	Vice GM	Incumbent	Male	47	26 January 2016	25 December 2018	75,399	15,000	0	0	90,399
Chen Yu	Vice GM	Incumbent	Male	47	26 January 2016	25 December 2018	46,266	19,800	0	0	66,066
Zhang Yong	Vice GM	Incumbent	Male	45	23 August 2016	25 December 2018	55,396	22,200	0	0	77,596
Xu Xiaoping	Vice GM	Incumbent	Male	49	26 January 2016	25 December 2018	24,970	12,300	0	0	37,270

Li Jinkun	Chairman of the Supervisory Committee	Former	Male	55	24 July 2018	25 April 2019	0	0	0	0	0
Lin Yihui	Secretary of the Board	Former	Male	65	26 January 2016	29 June 2019	53,790	0	0	0	53,790
Total	--	--	--	--	--	--	13,016,342	223,340	0	0	13,239,682

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	Left	11 April 2019	Job turnover
Lin Yihui	Secretary of the Board	Dismiss	29 June 2019	Resign for personal reason

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 Stability 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 Yuchang 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 8th 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, the Vice-Minister and the 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 Vice-Minister of the Audit 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 8th 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 8th 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 (Nanhu) 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 and Party branch secretary of Guangdong HuaSheng data solid-state storage Co., Ltd. And he was elected as a director of the 8th 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 8th 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 Guangzhou Goaland Energy Conservation Tech Co., Ltd., Shenzhen Kingsion Technology Co, Ltd. Huabang Construction Investment Group and Bank of Guangzhou; the Director of Guangzhou Zijing Education Co., Ltd. And he was elected as an independent director of the 8th 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. Now he is a professor and doctoral tutor of the Department of Business Administration of the Antai Economics and Management School of Shanghai Jiao Tong University, the executive director of the Academic Council of China Marketing Association, the editorial board member of Korean Journal of Marketing, and an independent director of Shanghai Shine-Link International Logistics Co., Ltd., Luolai Lifestyle Technology Co.,Ltd., Shandong Wohua Pharmaceutical Co.,Ltd., Shanghai Lujiazu Finance & Trade Zone Development Co., Ltd. and China Yongda Automobile Services Co., Ltd. And he was elected as an independent director of the 8th Board of the Company in December 2015.

2. Working Experience of the Supervisors

Mr. Li Huashan: Male, a member of the Communist Party of China, Chinese Han Nationality, born in September 1963, an engineer graduated from Air Force Telecommunications Engineering Academy with a bachelor degree. He once acted as the wireless engineer and the director in the Communication Repair Institute of Air Force Unit 86336, the staff officer of Air Command Communication Agency of Guangzhou Military Area, assistant to office director, head of Administration and Security Division, vice minister of Administration and Security Department, and vice minister of Operation Department in Guangdong Rising Assets Management Co., Ltd., director, deputy Party secretary, secretary of Committee for Discipline Inspection in Guangdong Zhongren Group Co., Ltd., director, deputy Party secretary, secretary of Committee for Discipline Inspection, vice GM in Guangdong Rising Investment Group Co., Ltd., Party secretary, deputy chairman of the board in Guangdong Huihua Group Co., Ltd., director, deputy Party secretary, secretary of Committee for Discipline Inspection, chairman of the labor union in Guangdong Rising Real Estate Group Co., Ltd. He was elected as the member of the Party Committee, secretary of Committee for Discipline Inspection of the Company in December of 2018 and the chairman of the Supervisory Committee of the Company in April of 2019.

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 Yuchang Lighting Equipment Co., Ltd. And he was elected as a supervisor of the 8th 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 February 2016; and acted as Chief Officer of Production Department from March 2016 to March 2019; and acted as the director of E-Commerce Business Department and vice GM of FSL Zhida Electric Technology Co., Ltd. from April 2019 to February 2020; and acted as the director of E-Commerce Business Department and GM of FSL Zhida Electric Technology Co., Ltd. since March 2020; the Chairman of the 5th Supervisory Committee and the Employee Supervisor of the 6th, 7th and 8th Supervisory Committee.

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. 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; Act as the Deputy General Manager of

the Company since March 2020.

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 and an engineer with a bachelor's degree. 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. 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. 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.

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 of the Board			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.	Vice-Minister of the Audit Department			Yes
Qi Siyin	Guangdong Rising Assets Management Co., Ltd.	Director of Board Office			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 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 2019 were RMB9.2987 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	59	Incumbent		Yes
Zhuang Jianyi	Vice Board Chairman	Male	68	Incumbent		Yes
Cheng Ke	Director	Male	45	Incumbent		Yes
Qi Siyin	Director	Male	39	Incumbent		Yes
Huang Zhiyong	Director	Male	50	Incumbent		Yes
Liu Xingming	Director & GM	Male	57	Incumbent	141.56	No
Zhang Nan	Independent Director	Female	70	Incumbent		No
Lu Rui	Independent Director	Male	44	Incumbent	14.4	No
Lyu Wei	Independent Director	Male	55	Incumbent	14.4	No
Li Huashan	Chairman of the Supervisory Committee	Male	56	Incumbent	77.7	No
Zhuang Junjie	Supervisor	Male	34	Incumbent		Yes
Ye Zhenghong	Supervisor	Male	46	Incumbent	58.31	No

Lin Qing	Supervisor	Male	50	Incumbent	37.56	No
Liang Yueyi	Supervisor	Female	45	Incumbent	48.02	No
Zhang Xuequan	Vice GM	Male	42	Incumbent	71.56	No
Tang Qionglan	CFO	Female	49	Incumbent	81.56	No
Wei Bin	Vice GM	Male	50	Incumbent	78.56	No
Jiao Zhigang	Vice GM	Male	47	Incumbent	78.56	No
Chen Yu	Vice GM	Male	47	Incumbent	71.56	No
Zhang Yong	Vice GM	Male	45	Incumbent	71.56	No
Xu Xiaoping	Vice GM	Male	49	Incumbent	59.56	No
Li Jinkun	Chairman of the Supervisory Committee	Male	55	Former		Yes
Lin Yihui	Board Secretary	Male	65	Former	25	No
Total					929.87	

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	5,349
Number of in-service employees of main subsidiaries	2,192
Total number of in-service employees	7,541
Total number of employees with remuneration in this Reporting Period	7,541
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0
Functions	
Function	Number of employees
Production	5,825
Sales	795
Technical	694
Financial	47
Administrative	180
Total	7,541

Educational backgrounds	
Educational background	Number of employees
Bachelor and above	639
College	1,069
Technical secondary school and high school	1,214
Below high school	4,619
Total	7,541

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 complete training plan and required all departments to work out annual training plan. The training plan will be implemented through the methods of having classes by internal lecturers and external engaged professors as well as going out. In addition, a training system with multiple levels, channels, fields and ways will be built. The main training work includes the new employee orientation training, the on-the-job personnel professional training, the frontline staff skills training, skills training for sales personnel, skills training for managerial personnel, skills training for professional technical 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 X Corporate Governance

I General Information of Corporate Governance

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 mark 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 June 2020. (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 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	Ongoing

				<p>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 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.”</p>	
Related-party transactions	Guangdong Electronics Information Industry Group Ltd., Shenzhen Rising Investment	Local SASAC	Related-party transactions existed between some enterprises controlled by the controlling	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	Ongoing

	<p>Development Co., Ltd., Hong Kong Rising Investment Development Limited</p>		<p>shareholders and the Company</p>	<p>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 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 2018 Annual General Meeting	Annual General Meeting	37.83%	25 April 2019	26 April 2019	Announcement on Resolutions of the 2018 Annual General Meeting (No. 2019-021) disclosed on www.cninfo.com.cn
The 1 st Extraordinary General Meeting of 2019	Extraordinary General Meeting	39.28%	3 December 2019	4 December 2019	Announcement on Resolutions of the 1 st Extraordinary General Meeting of 2019 (No. 2019-032) 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	7	1	6	0	0	No	0
Lu Rui	7	1	6	0	0	No	0
Lyu Wei	7	1	6	0	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:

1. On 14 March 2019, the Audit Committee convened to discuss and approve the following topics:

(1) 2018 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 2018, 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 2019.

(3) 2018 annual work report and 2019 work plan of the Audit Department.

2. On 23 May 2019, the Audit Committee held a meeting, on which the Proposal on Appointment of Liang Yuefei and Su Mingqing Respectively as the Minister and Vice Minister of the Audit Department was reviewed and approved.

The Audit Committee believed that Liang Yuefei and Su Mingqing possessed rich work experience in finance and audit affairs and the appointment of Liang Yuefei and Su Mingqing respectively as the Minister and Vice Minister of the Audit Department helps to improve the audit work quality of the Company and further increase the internal audit work level of the Company.

(II) The work of the Remuneration and Assessment Committee

On 14 March 2019, 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 2018, 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 2018 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	10 April 2020
Index to the disclosed internal control self-evaluation report	See www.cninfo.com.cn for the Internal Control Self-Evaluation Report 2019
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	<p>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 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>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 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</p>

		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.
Quantitative standard	Based on the data of the 2019 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 $\geq 1.0\%$ of the total assets amount; important defects: 0.5% of the total assets amount \leq misstatement $< 1.0\%$ of the total assets amount; common defects: misstatement $< 0.5\%$ of the total assets amount.	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 $\geq 1.0\%$ of the total assets amount; important defects: 0.5% of the total assets amount \leq misstatement $< 1.0\%$ of the total assets amount; common defects: misstatement $< 0.5\%$ of the total assets amount.
Number of material weaknesses in internal control over financial reporting		0
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	
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 according to the Basic Standards for Internal Control and relevant regulations.	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	10 April 2020
Index to such report disclosed	See www.cninfo.com.cn 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
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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 XI 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 XII Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of signing this report	8 April 2020
Name of the independent auditor	Zhongzheng Tiantong Certified Public Accountants LLP
No. of independent auditor's report	ZZTT (2020) Auditor's Report No. 0700001
Names of certified public accountants	Tong Quanyong, Luo Dongri

Text of the Independent Auditor's Report

Independent Auditor's Report

ZZTT (2020) Auditor's Report No. 0700001

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 2019, 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 2019, 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

As stated in the notes “III. Significant Accounting Policies and Accounting Estimation (XXIV)” and “V. Notes on the Key Items in the Consolidated Financial Statements (IV)” 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 2019, it achieved an operating revenue of RMB3,337,576,747.66, which decreased RMB464,379,199.10 compared to that of last year with a reduction rate of 12.21%. 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) Understand and test the design and implementation of key internal control related to revenue recognition to verify the effectiveness of internal control. (2) Seek confirmation from customers for the balance of accounts receivable. (3) Perform sampling inspection of contract related shipment and acceptance, payment and settlement, product placement and return policies and other important contractual terms and conditions. (4) Examine the credit limit for customers and the approval record to identify whether there is any unapproved sale on credit. (5) Search the business registration record of customers through open information platforms, obtain and examine the list of related parties to check whether FSL is related to any of the customers. (6) Select FSL’s revenue and trading samples and verify the invoices, shipment documents and customs declaration documents for export. (7) Obtain the record of product replacement and return and check whether there is any major abnormal replacement or return. (8) By comparing with industrial peers and considering the changes in FSL’s customers, product mix, price management and other related factors, assess the reasonableness of the changes in FSL’s operating revenue. (9) Verify the authenticity and completeness of the current revenue through other revenue audit procedures, such as checking the payment collection after the period and examining FSL’s statement of account with customers.

(II) Measurement of fair value of investment in other equity instruments

1. Event description

As stated in the notes “III. Significant Accounting Policies and Accounting Estimation (IX) and (XXXI)” and “V. Notes on the Key Items in the Consolidated Financial Statements (X)” to the consolidated financial statements, the Company starts to implement the revised Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments enacted by the Ministry of Finance in 2017 since 1 January 2019, and measured the equity investments at fair value and the changes thereof would be recorded into other comprehensive income. As of 31 December 2019, the Company’s investment in other equity instruments was RMB1,454,740,241.46, accounting for 23.56% of total assets of the consolidated financial statement. Because amount of investment in other equity instruments is large, and the measurement of fair value involves estimations and judgment of management layer, we should confirm the measurement of fair value of investment in other equity instruments as the key auditing item.

2. Audit response

With regard to FSL’s fair value of investment in other equity instruments, we mainly implemented the following

procedures: (1) Obtain the management's basis for classifying equity instruments and verify its reasonableness; (2) Review the investment agreements, understand related investment clauses and identify clauses related to the valuation of financial instruments; (3) Search and confirm the open active market price of public equity investment projects on the day of closing fair value measurement to verify the accuracy of the fair value measurement; (4) Confirm the investment cost of non-public equity projects to assess the reasonableness of the unobservable inputs and observable inputs adopted by the management in measuring the fair value of the financial instruments classified as Level 3; (5) Evaluate whether the disclosure related to the fair value assessment of the financial instruments measured at fair value and classified as Level III in the financial statements meets the requirements of accounting standards.

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 2019 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

8 April 2020

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.

31 December 2019

Unit: RMB

Item	31 December 2019	31 December 2018
Current assets:		
Monetary assets	1,125,456,662.64	896,646,719.87
Settlement reserve		
Interbank loans granted		
Held-for-trading financial assets	901,166,682.64	
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	109,444,480.94	107,506,613.50
Accounts receivable	712,175,266.51	834,420,596.05
Accounts receivable financing		
Prepayments	7,851,390.78	13,811,905.18
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	22,307,344.76	21,745,690.53
Including: Interest receivable		5,152,364.04
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	637,336,584.06	767,319,599.00
Contractual assets		
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	52,502,863.59	864,093,663.30
Total current assets	3,568,241,275.92	3,505,544,787.43

Non-current assets:		
Loans and advances to customers		
Investments in debt obligations		
Available-for-sale financial assets		897,716,590.20
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	181,093,725.43	182,458,559.69
Investments in other equity instruments	1,454,740,241.46	
Other non-current financial assets		
Investment property		
Fixed assets	629,832,098.35	512,106,912.39
Construction in progress	119,030,610.16	224,624,447.16
Productive living assets		
Oil and gas assets		
Use rights assets		
Intangible assets	167,826,499.74	172,725,277.21
R&D expense		
Goodwill		
Long-term prepaid expense	7,727,394.74	6,852,985.35
Deferred income tax assets	36,847,064.36	37,831,704.45
Other non-current assets	9,861,098.08	48,305,435.42
Total non-current assets	2,606,958,732.32	2,082,621,911.87
Total assets	6,175,200,008.24	5,588,166,699.30
Current liabilities:		
Short-term borrowings		
Borrowings from the central bank		
Interbank loans obtained		
Held-for-trading financial liabilities		
Financial liabilities at fair value through profit or loss		477,200.00
Derivative financial liabilities		
Notes payable	374,665,327.74	452,683,676.97
Accounts payable	559,016,692.70	532,597,143.95

Advances from customers	50,449,357.17	43,850,788.04
Contractual liabilities		
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Payroll payable	83,156,852.86	96,088,621.59
Taxes payable	17,211,068.21	25,354,466.37
Other payables	46,073,344.71	43,115,011.68
Including: Interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance payables		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,130,572,643.39	1,194,166,908.60
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income		155,000.31
Deferred income tax liabilities	137,216,136.70	52,530,509.00
Other non-current liabilities		

Total non-current liabilities	137,216,136.70	52,685,509.31
Total liabilities	1,267,788,780.09	1,246,852,417.91
Owners' equity:		
Share capital	1,399,346,154.00	1,399,346,154.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	158,608,173.07	158,608,173.07
Less: Treasury stock		
Other comprehensive income	776,260,348.19	297,667,872.80
Specific reserve		
Surplus reserves	836,559,645.36	809,456,186.20
General reserve		
Retained earnings	1,709,962,479.45	1,654,181,032.39
Total equity attributable to owners of the Company as the parent	4,880,736,800.07	4,319,259,418.46
Non-controlling interests	26,674,428.08	22,054,862.93
Total owners' equity	4,907,411,228.15	4,341,314,281.39
Total liabilities and owners' equity	6,175,200,008.24	5,588,166,699.30

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 2019	31 December 2018
Current assets:		
Monetary assets	1,059,001,233.28	848,949,693.91
Held-for-trading financial assets	901,166,682.64	
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	107,567,164.99	104,945,398.61
Accounts receivable	666,106,832.53	795,897,932.65
Accounts receivable financing		
Prepayments	6,614,791.10	25,444,445.34

Other receivables	37,934,614.96	43,538,848.72
Including: Interest receivable		5,152,364.04
Dividends receivable		
Inventories	553,557,529.00	692,681,479.03
Contractual assets		
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	43,118,385.01	856,504,839.81
Total current assets	3,375,067,233.51	3,367,962,638.07
Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets		897,716,590.20
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	464,886,827.69	466,251,661.95
Investments in other equity instruments	1,454,740,241.46	
Other non-current financial assets		
Investment property		
Fixed assets	573,844,707.66	427,947,613.74
Construction in progress	116,240,559.37	222,570,503.14
Productive living assets		
Oil and gas assets		
Use rights assets		
Intangible assets	125,673,065.66	129,452,067.42
R&D expense		
Goodwill		
Long-term prepaid expense	4,891,398.93	5,106,268.25
Deferred income tax assets	34,205,213.27	35,908,741.15
Other non-current assets	8,440,448.08	46,852,235.42
Total non-current assets	2,782,922,462.12	2,231,805,681.27
Total assets	6,157,989,695.63	5,599,768,319.34
Current liabilities:		

Short-term borrowings		
Held-for-trading financial liabilities		
Financial liabilities at fair value through profit or loss		477,200.00
Derivative financial liabilities		
Notes payable	376,265,327.74	452,683,676.97
Accounts payable	689,846,497.35	681,490,174.69
Advances from customers	46,758,714.00	41,912,301.85
Contractual liabilities		
Payroll payable	68,658,329.30	84,220,746.16
Taxes payable	12,374,430.19	17,528,644.83
Other payables	125,001,875.83	114,073,355.23
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	1,318,905,174.41	1,392,386,099.73
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income		
Deferred income tax liabilities	137,216,136.70	52,530,509.00
Other non-current liabilities		
Total non-current liabilities	137,216,136.70	52,530,509.00
Total liabilities	1,456,121,311.11	1,444,916,608.73
Owners' equity:		

Share capital	1,399,346,154.00	1,399,346,154.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	166,211,779.15	166,211,779.15
Less: Treasury stock		
Other comprehensive income	776,242,987.90	297,672,884.34
Specific reserve		
Surplus reserves	836,559,645.36	809,456,186.20
Retained earnings	1,523,507,818.11	1,482,164,706.92
Total owners' equity	4,701,868,384.52	4,154,851,710.61
Total liabilities and owners' equity	6,157,989,695.63	5,599,768,319.34

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

3. Consolidated Income Statement

Unit: RMB

Item	2019	2018
1. Revenue	3,337,576,747.66	3,801,955,946.76
Including: Operating revenue	3,337,576,747.66	3,801,955,946.76
Interest income		
Premium income		
Handling charge and commission income		
2. Costs and expenses	3,036,750,150.30	3,397,178,722.20
Including: Cost of sales	2,560,513,052.56	2,922,833,510.40
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	38,022,788.66	36,377,330.18
Selling expense	241,414,766.43	237,485,389.89
Administrative expense	145,080,623.05	173,871,085.61
R&D expense	79,444,261.80	52,726,585.28
Finance costs	-27,725,342.20	-26,115,179.16
Including: Interest expense		371,567.15
Interest income	24,418,569.09	11,450,858.00
Add: Other income	11,202,255.25	31,210,613.26
Return on investment (“-” for loss)	60,878,425.30	53,329,524.74
Including: Share of profit or loss of joint ventures and associates	1,755,751.49	6,165,040.30
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Foreign exchange gain (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	2,024,400.00	-477,200.00
Credit impairment loss (“-” for loss)	-3,693,729.47	
Asset impairment loss (“-” for loss)	-16,675,215.52	-37,673,120.95
Asset disposal income (“-” for loss)		-78,039.44
3. Operating profit (“-” for loss)	354,562,732.92	451,089,002.17
Add: Non-operating income	3,072,145.61	3,808,610.50
Less: Non-operating expense	5,517,243.94	3,827,826.27
4. Profit before tax (“-” for loss)	352,117,634.59	451,069,786.40
Less: Income tax expense	48,665,163.20	71,919,450.25
5. Net profit (“-” for net loss)	303,452,471.39	379,150,336.15
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	303,452,471.39	379,150,336.15
5.1.2 Net profit from discontinued operations (“-” for net loss)		

5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	301,182,906.24	377,615,133.62
5.2.1 Net profit attributable to non-controlling interests	2,269,565.15	1,535,202.53
6. Other comprehensive income, net of tax	189,240,788.90	-418,939,460.98
Attributable to owners of the Company as the parent	189,240,788.90	-418,939,460.98
6.1 Items that will not be reclassified to profit or loss	189,218,417.07	
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments	189,218,417.07	
6.1.4 Changes in the fair value of the company's credit risks		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss	22,371.83	-418,939,460.98
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		-418,935,204.44
6.2.4 Other comprehensive income arising from the reclassification of financial assets		
6.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.6 Allowance for credit impairments in investments in other debt obligations		

6.2.7 Reserve for cash flow hedges		
6.2.8 Differences arising from the translation of foreign currency-denominated financial statements	22,371.83	-4,256.54
6.2.9 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	492,693,260.29	-39,789,124.83
Attributable to owners of the Company as the parent	490,423,695.14	-41,324,327.36
Attributable to non-controlling interests	2,269,565.15	1,535,202.53
8. Earnings per share		
8.1 Basic earnings per share	0.2152	0.2699
8.2 Diluted earnings per share	0.2152	0.2699

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	2019	2018
1. Operating revenue	3,235,948,439.05	3,702,821,298.76
Less: Cost of sales	2,538,328,460.62	2,937,650,787.51
Taxes and surcharges	32,695,622.91	27,577,025.83
Selling expense	222,786,236.44	209,377,549.84
Administrative expense	124,637,990.70	157,272,662.59
R&D expense	69,817,196.60	51,004,161.82
Finance costs	-27,260,802.84	-25,129,599.00
Including: Interest expense		371,567.15
Interest income	23,903,504.29	10,435,158.99
Add: Other income	10,837,075.25	28,953,872.06
Return on investment ("-" for loss)	61,208,653.50	81,803,713.29

Including: Share of profit or loss of joint ventures and associates	1,755,751.49	6,165,040.30
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	2,024,400.00	-477,200.00
Credit impairment loss (“-” for loss)	-2,467,565.77	
Asset impairment loss (“-” for loss)	-16,240,391.22	-37,157,044.60
Asset disposal income (“-” for loss)		
2. Operating profit (“-” for loss)	330,305,906.38	418,192,050.92
Add: Non-operating income	2,522,638.65	3,361,305.10
Less: Non-operating expense	3,039,777.74	3,284,428.73
3. Profit before tax (“-” for loss)	329,788,767.29	418,268,927.29
Less: Income tax expense	43,044,196.92	53,237,088.87
4. Net profit (“-” for net loss)	286,744,570.37	365,031,838.42
4.1 Net profit from continuing operations (“-” for net loss)	286,744,570.37	365,031,838.42
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	189,218,417.07	-418,935,204.44
5.1 Items that will not be reclassified to profit or loss	189,218,417.07	
5.1.1 Changes caused by remeasurements on defined benefit pension schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments	189,218,417.07	
5.1.4 Changes in the fair value of the company’s credit risks		
5.1.5 Other		

5.2 Items that will be reclassified to profit or loss		-418,935,204.44
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		-418,935,204.44
5.2.4 Other comprehensive income arising from the reclassification of financial assets		
5.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.6 Allowance for credit impairments in investments in other debt obligations		
5.2.7 Reserve for cash flow hedges		
5.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.9 Other		
6. Total comprehensive income	475,962,987.44	-53,903,366.02
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	2019	2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	3,512,742,623.39	3,605,503,899.24
Net increase in customer deposits and interbank deposits		

Net increase in borrowings from the 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		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		
Tax rebates	83,431,462.66	143,119,777.70
Cash generated from other operating activities	120,719,626.39	95,378,324.30
Subtotal of cash generated from operating activities	3,716,893,712.44	3,844,002,001.24
Payments for commodities and services	2,167,028,031.70	2,142,755,608.20
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	618,899,328.71	645,756,586.20
Taxes paid	192,588,156.19	222,679,823.50
Cash used in other operating activities	230,293,438.38	214,822,496.29
Subtotal of cash used in operating activities	3,208,808,954.98	3,226,014,514.19
Net cash generated from/used in operating activities	508,084,757.46	617,987,487.05
2. Cash flows from investing activities:		

Proceeds from disinvestment	19,550,000.00	220,000,000.00
Return on investment	51,173,422.00	51,208,590.20
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	40,834.00	507,597.20
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	70,764,256.00	271,716,187.40
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	53,476,166.05	168,587,186.18
Payments for investments	55,000,000.00	80,000,000.00
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	108,476,166.05	248,587,186.18
Net cash generated from/used in investing activities	-37,711,910.05	23,129,001.22
3. Cash flows from financing activities:		
Capital contributions received	2,350,000.00	
Including: Capital contributions by non-controlling interests to subsidiaries	2,350,000.00	
Borrowings obtained		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	2,350,000.00	
Repayments of borrowings		
Payments for interest and dividends	218,298,000.02	418,531,713.57
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	218,298,000.02	418,531,713.57
Net cash generated from/used in financing activities	-215,948,000.02	-418,531,713.57

4. Effect of foreign exchange rate changes on cash and cash equivalents	122,951.25	2,516,772.72
5. Net increase in cash and cash equivalents	254,547,798.64	225,101,547.42
Add: Cash and cash equivalents, beginning of the period	795,285,756.38	570,184,208.96
6. Cash and cash equivalents, end of the period	1,049,833,555.02	795,285,756.38

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	2019	2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	3,381,315,269.05	3,483,708,617.22
Tax rebates	83,431,462.66	143,095,603.13
Cash generated from other operating activities	103,736,924.38	83,179,427.33
Subtotal of cash generated from operating activities	3,568,483,656.09	3,709,983,647.68
Payments for commodities and services	2,259,948,774.41	2,348,474,172.05
Cash paid to and for employees	465,547,076.42	408,213,944.72
Taxes paid	146,779,499.56	136,626,264.27
Cash used in other operating activities	207,660,819.69	191,822,944.12
Subtotal of cash used in operating activities	3,079,936,170.08	3,085,137,325.16
Net cash generated from/used in operating activities	488,547,486.01	624,846,322.52
2. Cash flows from investing activities:		
Proceeds from disinvestment	19,550,000.00	200,000,000.00
Return on investment	51,503,650.20	76,706,836.19
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	40,330.00	
Net proceeds from the disposal of subsidiaries and other business units		

Cash generated from other investing activities		
Subtotal of cash generated from investing activities	71,093,980.20	276,706,836.19
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	50,654,548.37	160,084,524.03
Payments for investments	55,000,000.00	80,000,000.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	105,654,548.37	240,084,524.03
Net cash generated from/used in investing activities	-34,560,568.17	36,622,312.16
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings obtained		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayments of borrowings		
Payments for interest and dividends	218,298,000.02	418,531,713.57
Cash used in other financing activities		
Subtotal of cash used in financing activities	218,298,000.02	418,531,713.57
Net cash generated from/used in financing activities	-218,298,000.02	-418,531,713.57
4. Effect of foreign exchange rate changes on cash and cash equivalents	100,477.42	2,482,708.91
5. Net increase in cash and cash equivalents	235,789,395.24	245,419,630.02
Add: Cash and cash equivalents, beginning of the period	747,588,730.42	502,169,100.40
6. Cash and cash equivalents, end of the period	983,378,125.66	747,588,730.42

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

7. Consolidated Statements of Changes in Owners' Equity

2019

Unit: RMB

Item	2019														
	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	Other			Subtotal
	Preferred shares	Perpetual bonds	Other												
1. Balances as at the end of the prior year	1,399,346,154.00				158,608,173.07		297,667,872.80		809,456,186.20		1,654,181,032.39		4,319,259,418.46	22,054,862.93	4,341,314,281.39
Add: Adjustments for changed accounting policies							289,351,686.49						289,351,686.49		289,351,686.49
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	1,399,346,154.00				158,608,173.07		587,019,559.29		809,456,186.20		1,654,181,032.39		4,608,611,104.95	22,054,862.93	4,630,665,967.88
3. Increase/decrease in the period ("-" for decrease)							189,240,788.90		27,103,459.16		55,781,447.06		272,125,695.12	4,619,565.15	276,745,260.27

3.1 Total comprehensive income							189,240,788.90					301,182,906.24					490,423,695.14	2,269,565.15	492,693,260.29
3.2 Capital increased and reduced by owners																		2,350,000.00	2,350,000.00
3.2.1 Ordinary shares increased by owners																		2,350,000.00	2,350,000.00
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								27,103,459.16					-245,401,459.18					-218,298,000.02	-218,298,000.02
3.3.1 Appropriation to surplus reserves								27,103,459.16					-27,103,459.16						
3.3.2 Appropriation to general reserve																			
3.3.3 Appropriation to owners (or shareholders)													-218,298,000.02					-218,298,000.02	-218,298,000.02
3.3.4 Other																			
3.4 Transfers within owners' equity																			

Item	2018															
	Equity attributable to owners of the Company as the parent												Non-co ntrollin g interest s	Total owners' equity		
	Share capita l	Other equity instruments			Capital reserve s	Less: Treasu ry stock	Other compr ehensi ve incom e	Specifi c reserve	Surplu s reserve s	Genera l reserve	Retain ed earnin gs	Other			Subtot al	
Prefe rred share s		Perp etual bond s	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		4,779,115,459.39	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		4,779,115,459.39	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		-459,856,040.93	1,535,202.53	-458,320,838.40
3.1 Total comprehensive income							-418,939,460.98					377,615,133.62		-41,324,327.36	1,535,202.53	-39,789,124.83

3.2 Capital increased and reduced by owners														
3.2.1 Ordinary shares increased by owners														
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			-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			-418,531,713.57
3.3.4 Other														
3.4 Transfers within owners' equity	127,26.00													-127,26.00

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		4,319,259,418.46	22,054,862.93	4,341,314,281.39
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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

2019

Unit: RMB

Item	2019											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferr ed shares	Perpet ual bonds	Other								
1. Balances as at the end of the prior year	1,399,346,154.00				166,211,779.15		297,672,884.34		809,456,186.20	1,482,164,706.92		4,154,851,710.61
Add: Adjustments for changed accounting policies							289,351,686.49					289,351,686.49
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	1,399,346,154.00				166,211,779.15		587,024,570.83		809,456,186.20	1,482,164,706.92		4,444,203,397.10
3. Increase/decrease in the period ("-" for decrease)							189,218,417.07		27,103,459.16	41,343,111.19		257,664,987.42
3.1 Total comprehensive income							189,218,417.07			286,744,570.37		475,962,987.44
3.2 Capital increased and												

reduced by owners													
3.2.1 Ordinary shares increased by owners													
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								27,103,459.16	-245,401,459.18				-218,298,000.02
3.3.1 Appropriation to surplus reserves								27,103,459.16	-27,103,459.16				
3.3.2 Appropriation to owners (or shareholders)									-218,298,000.02				-218,298,000.02
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												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 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				166,211,779.15		776,242,987.90		836,559,645.36	1,523,507,818.11		4,701,868,384.52

2018

Unit: RMB

Item	2018											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferr ed shares	Perpet ual bonds	Other								
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 owners												
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 owners (or shareholders)											-418,531, 713.57	-418,531,71 3.57
3.3.3 Other												
3.4 Transfers within owners' equity	127,21 3,286. 00											
3.4.1 Increase in capital (or share capital) from capital reserves	127,21 3,286. 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 comprehensive income transferred to retained earnings												
3.4.6 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	1,399,346.15				166,211,779.15		297,672,884.34		809,456,186.20	1,482,164,706.92		4,154,851,710.61

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

III Company profile

(I) Basic information

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 8 April 2020.

(II) Consolidation scope of financial statement

The consolidation scope of the financial statement during the Reporting Period including the Company and the 9 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”), a total of nine subsidiaries in all.

The consolidation scope of financial statement in the Reporting Period decreased one subsidiary Guangdong Fozhao Financial Leasing Co., Ltd. (referred to as “Leasing Company”) compared with that of last year.

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

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 12. Accounts Receivable), depreciation of fixed assets and amortization of intangible assets (Note 24. Fixed Assets and Note 30. Intangible Assets), and recognized time point of income (Note 39. Revenue), 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 1st and ends on December 31st 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 undertaken 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 enjoyed 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 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 Company'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

Financial instruments refer to the contracts that constitute a company's financial assets and the financial liabilities or equity instruments of other units.

1. Recognition and derecognition of financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

A financial asset (or part of a financial asset or part of a group of similar financial assets) that meets the following conditions should be derecognized, or in other words, be written off from its account and balance sheet:

- 1) The right to receive cash flow from the financial asset has expired;
- 2) The right to receive cash flow from the financial asset has been transferred, or the "transfer" agreement specifies the obligation to duly pay the full amount of cash flow received to a third party; and (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability that has been fulfilled, canceled or expired should be derecognized. If a financial liability is replaced with another financial liability by the same creditor on almost entirely different terms materially, or the terms for an existing liability have been almost fully revised materially, such replacement or revision should be treated as derecognition of the original liability and recognition of the new liability, and the difference should be included into current profits/losses.

A financial asset traded in a conventional manner should be recognized and derecognized by trade-date accounting. The trading of financial assets in a conventional manner means that financial assets are received or delivered by the deadline as specified in regulations or general practice according to contract provisions. Trade date refers to the date committed by the Company to buy or sell a financial asset.

2. Classification and measurement of financial assets

The Company classifies the financial assets when initially recognized into financial assets measured at amortized cost, financial assets measured by the fair value and the changes recorded in other comprehensive income and financial assets at fair value through profit or loss based on the business model for financial assets management and characteristics of contractual cash flow of financial assets. Financial assets initially recognized shall be measured at their fair values. For accounts receivable and notes receivable excluding major financing or without regard to financing over one year generated from sales of commodities or provision of labor services, the initial measurement shall be conducted based on the transaction price.

For financial assets at fair value through profit or loss, the transaction expenses thereof shall be directly included into the current profit or loss; for other financial assets, the transaction expenses thereof shall be included into the initially recognized amount.

The subsequent measurement of financial assets depends on the classification thereof:

(1) Debt instrument investments measured at amortized cost

Financial assets meeting the following conditions at the same time shall be classified as financial assets measured at amortized cost: the business mode of the Company to manage such financial assets targets at collecting the

contractual cash flow. The contract of such financial assets stipulates that the cash flow generated in the specific date is the payment of the interest based on the principal and outstanding principal amount. The interest income for this kind of financial assets shall be recognized by effective interest method, and the gains or losses generated from the derecognition, modification or impairment shall all be included into the current profit or loss. This kind of financial assets mainly consist of monetary capital, accounts receivable and notes receivable, other receivables, investments in debt obligations and long-term receivables. The Company presents the investments in debt obligations due within one year since the balance sheet date and long-term receivables as current portion of non-current assets and the original investments in debt obligations with maturity date within one year as other current assets.

(2) Investments in debt instruments measured at fair value and changes thereof recorded into other comprehensive income

Financial assets meeting the following conditions at the same time shall be classified as financial assets measured at fair value and changes thereof recorded into other comprehensive income: the business mode of the Company to manage such financial assets takes contract cash flow collected as target and selling as target. The contract of such financial assets stipulates that the cash flow generated in the specific date is the payment of the interest based on the principal and outstanding principal amount. The interest income for this kind of financial assets shall be recognized by effective interest method.

All changes in fair value should be included into other comprehensive income except for interest income, impairment losses and exchange differences, which should be recognized as current profits/losses. When a financial asset is derecognized, the cumulative gains or losses included into other comprehensive income previously should be transferred out and included into current profits/losses. Such financial assets should be presented as other credit investments. Other credit investments that will mature within one year from the date of balance sheet should be presented as non-current assets due within one year, and other credit investments with the original maturity date coming within one year should be presented as other current assets.

(3) Equity instrument investment measured at fair value with changes included into other comprehensive income

The Company irrevocably chooses to designate part of non-trading equity instrument investments as financial assets measured at fair value with changes included into other comprehensive income. Only related dividend income (excluding the dividend income confirmed to be recovered as part of investment costs) will be recognized into current profits/losses, while subsequent changes in fair value will be recognized into other comprehensive income without the withdrawal of impairment provisions required. When a financial asset is derecognized, the cumulative gains or losses included into other comprehensive income previously should be recognized into retained earnings. Such financial assets should be presented as other equity investments.

A financial asset that meets one of the following conditions is classified as a trading financial asset: The financial asset has been acquired in order to be sold or repurchased in the near future; the financial asset is part of an identifiable financial instrument portfolio under centralized management, and there is evidence proving that the company has recently adopted a short-term profit model; it is a derivative instrument, but derivative instruments that are designated as and are effective hedging instruments and those conforming with financial guarantee contracts are excluded.

(4) Financial assets at fair value through profit or loss

The Company classifies financial assets except for above-mentioned financial assets measured with amortized cost and financial assets measured with fair value whose change is included into other comprehensive income into financial assets at fair value through profit or loss. The subsequent measurement of such kind of financial assets shall be conducted by fair value method and all changes in fair value shall be recorded into the current profit or loss. Such financial assets shall be presented as trading financial assets, and those will due over one year since the

balance sheet date and expectedly held over one year shall be presented as other non-current financial assets.

3. Classification and measurement of financial liabilities

The Company's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities and derivative instruments designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on the classification thereof:

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities (including the derivative instruments belonging to financial liabilities) and financial liabilities designated at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss.

A financial liability that meets one of the following conditions is classified as a trading financial liability: The financial liability has been undertaken in order to be sold or repurchased in the near future; the financial liability is part of an identifiable financial instrument portfolio under centralized management, and there is evidence proving that the company has recently adopted a short-term profit model; it is a derivative instrument, but derivative instruments that are designated as and are effective hedging instruments and those conforming with financial guarantee contracts are excluded. Trading financial liabilities (including derivative instruments classified as financial liabilities) should be subsequently measured at fair value, and all changes in fair value should be recorded into current profits/losses, except for those related to hedging accounting.

(2) Other financial liabilities

For such kind of financial liabilities, the subsequent measurement shall be conducted by effective interest method based on the amortized cost.

4. Impairment of financial instruments

Based on expected credit losses, the Company carries out impairment treatment on financial assets measured at amortized cost and debt instrument investments measured at fair value with changes included into other comprehensive income, rental receivables, contract assets and financial assets and recognizes bad debt provision.

Credit losses refer to the difference between all contract cash flows discounted by the original actual interest rate receivable according to contracts and all cash flows expected to be received by the Company, which is the present value of all cash shortfalls. The financial assets purchased by or originating from the Company with credit impairment should be discounted by the actual interest rate of the financial assets after credit adjustment.

In respect of receivable accounts and contract assets that do not contain significant financing components, the Company uses the simplified measurement method to measure bad debt provision by the amount equivalent to the expected credit losses of the whole duration.

In respect of receivable accounts and contract assets that contain significant financing components, the Company opts to use the simplified measurement method to measure bad debt provision by the amount equivalent to the expected credit losses for the whole duration.

For other financial assets and financial guarantee contracts than the above using the simplified measurement method, the Company on the balance sheet date assesses whether their credit risks have increased substantially since the initial recognition. If the credit risks have not increased substantially since the initial recognition and are in the first stage, the Company will measure bad debt provision by the amount equivalent to the expected credit losses for the next 12 months and calculate interest income by the book balance and the actual interest rate; if the credit risks have increased obviously without credit impairment since the initial recognition and are in the second stage, the Company will measure bad debt provision by the amount equivalent to the expected credit losses for the

whole duration and calculate interest income by the book balance and the actual interest rate; if the credit risks have increased substantially with credit impairment since the initial recognition and are in the third stage, the Company will measure bad debt provision by the amount equivalent to the expected credit losses for the whole duration and calculate interest income by the amortized cost and the actual interest rate. For financial instruments with only low credit risks on the balance sheet date, the Company assumes that their credit risks have not increased substantially since the initial recognition.

The Company 1) assesses expected credit losses of financial assets with credit impairment based on individual items; 2) assesses expected credit losses of financial assets that are not derecognized but with changes in contract cash flows due to revision of or renegotiation on contracts by the Company and the counterparty, based on individual items; 3) assesses expected credit losses of other financial assets based on age combination.

The Company considers related past matters, current conditions, the reasonableness of the forecast on future economic conditions and well-founded information when assessing expected credit losses.

The Company's information of the judgment standards for remarkable increase in credit risks, definition of assets with incurred credit impairment and assumption of measurement on expected credit losses is disclosed in this Note 12 Accounts Receivable.

When no longer reasonably expects to recover all or partial contractual cash flow of financial assets, the Company directly writes down the carrying amount of the financial assets.

5. Financial instruments offset

a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet when the following conditions are met at the same time: When the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

6. Financial guarantee contract

A financial guarantee contract refers to a contract in which a specific debtor shall compensate the contract holder suffering the losses when the debtor is unable to repay the debt in due course according to the debt instrument terms. Financial guarantee contracts are measured at fair value at the initial recognition. After the initial recognition, all financial guarantee contracts should be subsequently measured by the higher amount between the amount of bad debt provision for expected credit losses recognized on the balance sheet date and the balance of the initially recognized amount deducting the cumulative amortization recognized according to the income recognition principle, except for the financial guarantee contracts designated as financial liabilities measured at fair value with changes recorded into current profits/losses.

7. Derivative financial instruments

The Company uses derivative financial instruments, which are initially measured at the fair value on the signature date of the derivative transaction contract and subsequently measured at their fair value. A derivative financial instrument with a positive fair value is recognized as an asset and that with a negative fair value is recognized as a liability.

Gains or losses from changes in the fair value of derivative instruments are directly recognized into current profits/losses.

8. Revision of financial assets

For the financial assets that are not derecognized but with changes in contract cash flows due to revision of or renegotiation on contracts by the Company and the counterparty, the Company recalculates the book balance of the financial assets according to the renegotiated or revised contract cash flows by the discounted value of the original actual interest rate (or the actual interest rate after credit adjustment). Relevant gains or losses are recorded into current profits/losses. Costs or expenses for the revision of financial assets are adjusted to the

revised book balance of financial assets and amortized in the remaining period of the revised financial assets.

9. Transfer of financial assets

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.

Where the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, 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 and recognize the assets and liabilities generated; (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.

11. Notes Receivable

Category	Accounting estimate policy
Bank's acceptance bill	The Company evaluates that the portfolio has relatively low credit risks, and generally no provision for impairment is made.

12. Accounts Receivable

The Company withdraws the impairment loss for accounts receivable excluding significant financing component with the simplified method.

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	Making separate bad-debt provisions for accounts receivable with a significant single amount
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 for 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:

Aging	Withdrawal proportion of accounts receivable
Within 1 year (including 1 year)	3%
1 to 2 years	10%

2 to 3 years	30%
3 to 4 years	50%
4 to 5 years	80%
Over 5 years	100%

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 thee return ability
Withdrawal method for bad debt provision	Recognizing the impairment loss and withdrawing the bad debt provision according to the difference between the present value of the account receivable's future cash flows and its carrying amount.

13. Accounts Receivable Financing

Not applicable

14. Other Receivables

Recognition method and accounting treatment for expected credit losses of other receivables

Refer to Note 12 Accounts Receivable for details about the recognition method and accounting treatment for expected credit losses of other receivables which is the same as that of accounts receivable since 1 January 2019.

15. Inventories

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.

16. Contractual Assets

Not applicable

17. Contractual Cost

Not applicable

18. 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 to 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.

19. Investments in Debt Obligations

Not applicable

20. Other Investments in Debt Obligations

Not applicable

21. Long-term Receivables

Not applicable

22. 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

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 Notes VI. "Principles, Procedures and Methods for the Preparation of Consolidated Statements".

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 Notes 31. Impairment of Long-term Assets.

23. Investment Property

Not applicable

24. 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

25. Construction in Progress

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

26. 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.

27. Living Assets

Not applicable

28. Oil and Gas Assets

Not applicable

29. Right-of-use Assets

Not applicable

30. 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 31: 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.

31. 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.

32. 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.

33. Contractual Liabilities

Not applicable

34. 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 owing 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.

35. Lease Liabilities

Not applicable

36. 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.

37. Share-based Payment

Not applicable

38. Other Financial Instruments such as Preferred Shares and Perpetual Bonds

Not applicable

39. Revenue

Has implemented the new standards governing revenue

Yes 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.

40. 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.

41. 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.

42. 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.

43. Other Significant Accounting Policies and Estimates

Not applicable

44. Changes in Main Accounting Policies and Estimates**(1) Change of Accounting Policies**

√ Applicable □ Not applicable

Changes in accounting policy	Approval procedure	Remark
In accordance with the Notice on Revising and Printing the Format of 2019 General Enterprises Financial Statement (CK [2019] No. 6), the Notice on Revising and Printing the Format of Consolidated Financial Statements (2019) (CK [2019] No. 16) issued by the Ministry of Finance, the Company adjusted the formats of financial statements accordingly.	Approved by the 35 th Meeting of the 8 th Board of Directors	See the 1-(1) of the Note 44 Changes in Main Accounting Policies and Estimates for details
The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24-Hedging and Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments in 2017. The Company starts to implement the above standards since 1 January 2019 and adjusted the financial statements accordingly on 1 January 2019 in accordance with the above standards governing connection regulation.	Approved by the 30 th Meeting of the 8 th Board of Directors	See the Note from 10 to 14 for details
The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 7-Exchange of Non-monetary Assets on 9 May 2019 which is carried out since 10 June 2019. No retroactive adjustment was needed for exchanges of non-monetary assets before 1 January 2019 and adjustment made in accordance with the revised standards is required for the exchanges of non-monetary assets occurring during the period from 1 January 2019 to the execution date.	Approved by the 35 th Meeting of the 8 th Board of Directors	
The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 12-Debt Restructuring on 16 May 2019 which s	Approved by the 35 th Meeting of the 8 th Board of Directors	

carried out since 17 June 2019. No retroactive adjustment was needed for the debt restructuring before 1 January 2019 and adjustment made in accordance with the revised standards is required for the debt restructuring occurring during the period of 1 January 2019 to the execution date.		
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Change of accounting policies caused by change of Accounting Standards for Business Enterprises

(1) The Company prepared 2019 Financial Statements in accordance with the Notice on Revising and Printing the Format of 2019 General Enterprises Financial Statements (CK [2019] No. 6), the Notice on Revising and Printing the Format of Consolidated Financial Statements (2019) (CK [2019] No. 16) issued by the Ministry of Finance and the requirements of the Accounting Standards for Business Enterprises. Retroactive adjustment was adopted for the changes in the accounting policy. The significantly affected items and amounts in 2018 Financial Statements are as follows:

Unit: RMB

Item and amount in original financial statement		Item and amount in new financial statement	
Item	Amount	Item	Amount
Notes receivable and accounts receivable	941,927,209.55	Notes receivable	107,506,613.50
		Accounts receivable	834,420,596.05
Notes payable and accounts payable	985,280,820.92	Notes payable	452,683,676.97
		Accounts payable	532,597,143.95

(2) The new standards governing financial instruments divide financial assets into three categories: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. The Company reclassified the financial assets with the business model for financial assets management and the contract cash flow characteristics thereof on the first execution date. The new accounting standards governing financial instruments replace the incurred loss method of the original standards governing financial instruments with expected credit loss method of the new standards governing financial instruments.

(2) Changes in Accounting Estimates

Applicable Not applicable

(3) Adjustments to the Financial Statements at the Beginning of the First Execution Year of any New Standards Governing Financial Instruments, Revenue or Leases since 2019

Applicable Not applicable

Consolidated balance sheet:

Unit: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			

Monetary assets	896,646,719.87	896,703,037.65	56,317.78
Settlement reserve			
Interbank loans granted			
Held-for-trading financial assets		851,096,046.26	851,096,046.26
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	107,506,613.50	107,506,613.50	
Accounts receivable	834,420,596.05	834,420,596.05	
Accounts receivable financing			
Prepayments	13,811,905.18	13,811,905.18	
Premiums receivable			
Reinsurance receivables			
Receivable reinsurance contract reserve			
Other receivables	21,745,690.53	16,593,326.49	-5,152,364.04
Including: Interest receivable	5,152,364.04		-5,152,364.04
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	767,319,599.00	767,319,599.00	
Contractual assets			
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets	864,093,663.30	24,093,663.30	-840,000,000.00
Total current assets	3,505,544,787.43	3,511,544,787.43	6,000,000.00
Non-current assets:			
Loans and advances to customers			
Investments in debt obligations			

Available-for-sale financial assets	897,716,590.20		-897,716,590.20
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	182,458,559.69	182,458,559.69	
Investments in other equity instruments		1,232,130,339.01	1,232,130,339.01
Other non-current financial assets			
Investment property			
Fixed assets	512,106,912.39	512,106,912.39	
Construction in progress	224,624,447.16	224,624,447.16	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	172,725,277.21	172,725,277.21	
R&D expense			
Goodwill			
Long-term prepaid expense	6,852,985.35	6,852,985.35	
Deferred income tax assets	37,831,704.45	37,831,704.45	
Other non-current assets	48,305,435.42	48,305,435.42	
Total non-current assets	2,082,621,911.87	2,417,035,660.68	334,413,748.81
Total assets	5,588,166,699.30	5,928,580,448.11	340,413,748.81
Current liabilities:			
Short-term borrowings			
Borrowings from central bank			
Interbank loans obtained			
Held-for-trading financial liabilities		477,200.00	477,200.00

Financial liabilities at fair value through profit or loss	477,200.00		-477,200.00
Derivative financial liabilities			
Notes payable	452,683,676.97	452,683,676.97	
Accounts payable	532,597,143.95	532,597,143.95	
Advances from customers	43,850,788.04	43,850,788.04	
Contractual liabilities			
Financial assets sold under repurchase agreements			
Customer deposits and interbank deposits			
Payables for acting trading of securities			
Payables for underwriting of securities			
Payroll payable	96,088,621.59	96,088,621.59	
Taxes payable	25,354,466.37	25,354,466.37	
Other payables	43,115,011.68	43,115,011.68	
Including: Interest payable			
Dividends payable			
Handling charges and commissions payable			
Reinsurance payables			
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	1,194,166,908.60	
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings			
Bonds payable			

Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term payroll payable			
Provisions			
Deferred income	155,000.31	155,000.31	
Deferred income tax liabilities	52,530,509.00	103,592,571.32	51,062,062.32
Other non-current liabilities			
Total non-current liabilities	52,685,509.31	103,747,571.63	51,062,062.32
Total liabilities	1,246,852,417.91	1,297,914,480.23	51,062,062.32
Owners' equity:			
Share capital	1,399,346,154.00	1,399,346,154.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	158,608,173.07	158,608,173.07	
Less: Treasury stock			
Other comprehensive income	297,667,872.80	587,019,559.29	289,351,686.49
Specific reserve			
Surplus reserves	809,456,186.20	809,456,186.20	
General reserve			
Retained earnings	1,654,181,032.39	1,654,181,032.39	
Total equity attributable to owners of the Company as the parent	4,319,259,418.46	4,608,611,104.95	289,351,686.49
Non-controlling interests	22,054,862.93	22,054,862.93	
Total owners' equity	4,341,314,281.39	4,630,665,967.88	289,351,686.49

Total liabilities and owners' equity	5,588,166,699.30	5,928,580,448.11	340,413,748.81
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Note for adjustment:

In 2017, Ministry of Finance respectively revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (CK[2017]No.7), the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (CK[2017]No.8), the Accounting Standards for Business Enterprises No. 24 – Hedging Accounting (CK[2017]No.9), and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (CK[2017]No.14). The Company starts to implement above new standards since 1 January 2019. In accordance with the link up provision, no adjustment was made to information of comparative period, and the Company retroactively adjusted the retained earnings of period-begin or other comprehensive income based on the difference between the original standards and the new standards on the first execution date. Those originally recorded into “available-for-sale financial assets” are now recorded into “trading financial assets” and “other investments in equity instruments”; those originally recorded into “financial liabilities at fair value through profit or loss” are now recorded into “trading financial liabilities”.

Balance sheet of the Company as the parent:

Unit: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			
Monetary assets	848,949,693.91	849,006,011.69	56,317.78
Held-for-trading financial assets		851,096,046.26	851,096,046.26
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	104,945,398.61	104,945,398.61	
Accounts receivable	795,897,932.65	795,897,932.65	
Accounts receivable financing			
Prepayments	25,444,445.34	25,444,445.34	
Other receivables	43,538,848.72	38,386,484.68	-5,152,364.04
Including: Interest receivable	5,152,364.04		-5,152,364.04
Dividends receivable			
Inventories	692,681,479.03	692,681,479.03	
Contractual assets			
Assets classified as held for sale			

Current portion of non-current assets			
Other current assets	856,504,839.81	16,504,839.81	-840,000,000.00
Total current assets	3,367,962,638.07	3,373,962,638.07	6,000,000.00
Non-current assets:			
Investments in debt obligations			
Available-for-sale financial assets	897,716,590.20		-897,716,590.20
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	466,251,661.95	466,251,661.95	
Investments in other equity instruments		1,232,130,339.01	1,232,130,339.01
Other non-current financial assets			
Investment property			
Fixed assets	427,947,613.74	427,947,613.74	
Construction in progress	222,570,503.14	222,570,503.14	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	129,452,067.42	129,452,067.42	
R&D expense			
Goodwill			
Long-term prepaid expense	5,106,268.25	5,106,268.25	
Deferred income tax assets	35,908,741.15	35,908,741.15	
Other non-current assets	46,852,235.42	46,852,235.42	
Total non-current assets	2,231,805,681.27	2,566,219,430.08	334,413,748.81
Total assets	5,599,768,319.34	5,940,182,068.15	340,413,748.81
Current liabilities:			

Short-term borrowings			
Held-for-trading financial liabilities		477,200.00	477,200.00
Financial liabilities at fair value through profit or loss	477,200.00		-477,200.00
Derivative financial liabilities			
Notes payable	452,683,676.97	452,683,676.97	
Accounts payable	681,490,174.69	681,490,174.69	
Advances from customers	41,912,301.85	41,912,301.85	
Contractual liabilities			
Payroll payable	84,220,746.16	84,220,746.16	
Taxes payable	17,528,644.83	17,528,644.83	
Other payables	114,073,355.23	114,073,355.23	
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	1,392,386,099.73	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term payroll payable			
Provisions			

Deferred income			
Deferred income tax liabilities	52,530,509.00	103,592,571.32	51,062,062.32
Other non-current liabilities			
Total non-current liabilities	52,530,509.00	103,592,571.32	51,062,062.32
Total liabilities	1,444,916,608.73	1,495,978,671.05	51,062,062.32
Owners' equity:			
Share capital	1,399,346,154.00	1,399,346,154.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	166,211,779.15	166,211,779.15	
Less: Treasury stock			
Other comprehensive income	297,672,884.34	587,024,570.83	289,351,686.49
Specific reserve			
Surplus reserves	809,456,186.20	809,456,186.20	
Retained earnings	1,482,164,706.92	1,482,164,706.92	
Total owners' equity	4,154,851,710.61	4,444,203,397.10	289,351,686.49
Total liabilities and owners' equity	5,599,768,319.34	5,940,182,068.15	340,413,748.81

Note for adjustment:

In 2017, Ministry of Finance respectively revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (CK[2017]No.7), the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (CK[2017]No.8), the Accounting Standards for Business Enterprises No. 24 – Hedging Accounting (CK[2017]No.9), and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (CK[2017]No.14). The Company starts to implement above new standards since 1 January 2019. In accordance with the link up provision, no adjustment was made to information of comparative period, and the Company retroactively adjusted the retained earnings of period-begin or other comprehensive income based on the difference between the original standards and the new standards on the first execution date. Those originally recorded into “available-for-sale financial assets” are now recorded into “trading financial assets” and “other investments in equity instruments”; those originally recorded into “financial liabilities at fair value through profit or loss” are now recorded into “trading financial liabilities”.

(4) Retroactive Adjustments to Comparative Data of Prior Years when Execution of any New Standards Governing Financial Instruments or Leases since 2019

√ Applicable □ Not applicable

The comparative statements of financial assets in classification and measurement before and after the execution of the new standards governing financial instruments on 1 January 2019

A. Consolidated financial statement

31 December 2018 (original standards governing financial instruments)			1 January 2019 (new standards governing financial instruments)		
Item	Measurement category	Carrying value	Item	Measurement category	Carrying value
Monetary assets	Amortized cost	896,646,719.87	Monetary assets	Amortized cost	896,646,719.87
Other receivables-interest receivable	Amortized cost	5,152,364.04	Monetary assets	Amortized cost	56,317.78
			Held-for-trading financial assets	At fair value through profit or loss	5,096,046.26
Other current assets-wealth management products and structural deposits	Amortized cost	840,000,000.00	Held-for-trading financial assets	At fair value through profit or loss	840,000,000.00
Available-for-sale financial assets	Cost method/measured at fair value	897,716,590.20	Investment in other equity instruments	Investment in held-not for-trading equity instruments designated to be measured at fair value through other comprehensive income	1,232,130,339.01
			Held-for-trading financial assets	At fair value through profit or loss	6,000,000.00
Financial liabilities at fair value through profit or loss	At fair value	477,200.00	Held-for-trading financial liabilities	At fair value through profit or loss	477,200.00

B. Financial statement of the Company as the parent

31 December 2018 (original standards governing financial instruments)			1 January 2019 (new standards governing financial instruments)		
Item	Measurement category	Carrying value	Item	Measurement category	Carrying value
Monetary assets	Amortized cost	848,949,693.91	Monetary assets	Amortized cost	848,949,693.91
Other	Amortized cost	5,152,364.04	Monetary assets	Amortized cost	56,317.78

receivables-interest receivable			Held-for-trading financial assets	At fair value through profit or loss	5,096,046.26
Other current assets-wealth management products and structural deposits	Amortized cost	840,000,000.00	Held-for-trading financial assets	At fair value through profit or loss	840,000,000.00
Available-for-sale financial assets	Cost method/measured at fair value	897,716,590.20	Investment in other equity instruments	Investment in held-not for-trading equity instruments designated to be measured at fair value through other comprehensive income	1,232,130,339.01
			Held-for-trading financial assets	At fair value through profit or loss	6,000,000.00
Financial liabilities at fair value through profit or loss	At fair value	477,200.00	Held-for-trading financial liabilities	At fair value through profit or loss	477,200.00

The reconciliation statement of the carrying values of the original financial assets and financial liabilities adjusted into those according to the new standards governing financial instruments on 1 January 2019

A. Consolidated financial statement

Item	Carrying value on 31 December 2018 (according to the original standards governing financial instruments)	Reclassified	Remeasured	Carrying value on 1 January 2019 (according to the new standards governing financial instruments)
Financial assets at amortized cost according to the new standards governing financial instruments				
Monetary assets	896,646,719.87			
Add: transfer of other receivables-interest receivable		56,317.78		
Monetary assets (listed according to the new standards governing financial instruments)				896,703,037.65
Other receivables-interest receivable	5,152,364.04			
Less: transferred to monetary assets		56,317.78		
Less: Transferred to held-for-trading financial assets		5,096,046.26		

Other receivables-interest receivable (listed according to the new standards governing financial instruments)				
Other current assets-wealth management products and structural deposits	840,000,000.00			
Less: transferred to held-for-trading financial assets		840,000,000.00		
Other current assets-wealth management products and structural deposits (listed according to the new standards governing financial instruments)				
Financial assets at fair value according to the new standards governing financial instruments				
Held-for-trading financial assets				
Add: transfer of other receivables-interest receivable		5,096,046.26		
Add: transfer of other current assets-wealth management products and structural deposits		840,000,000.00		
Add: transfer of available-for-sale financial assets		6,000,000.00		
Held-for-trading financial assets (listed according to the new standards governing financial instruments)				851,096,046.26
Available-for-sale financial assets	897,716,590.20			
Less: transferred to investment in other equity instruments		891,716,590.20	340,413,748.81	
Less: transferred to held-for-trading financial assets		6,000,000.00		
Investment in other equity instruments (listed according to the new standards governing financial instruments)				1,232,130,339.01
Financial liabilities at fair value according to the new standards governing financial instruments				
Financial liabilities at fair value through profit or loss	477,200.00			
Less: transferred to held-for-trading financial liabilities		477,200.00		

Held-for-trading financial liabilities (listed according to the new standards governing financial instruments)				477,200.00
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B. Financial statement of the Company as the parent

Item	Carrying value on 31 December 2018 (according to the original standards governing financial instruments)	Reclassified	Remeasured	Carrying value on 1 January 2019 (according to the new standards governing financial instruments)
Financial assets at amortized cost according to the new standards governing financial instruments				
Monetary assets	848,949,693.91			
Add: transfer of other receivables-interest receivable		56,317.78		
Monetary assets (listed according to the new standards governing financial instruments)				849,006,011.69
Other receivables-interest receivable	5,152,364.04			
Less: transferred to monetary assets		56,317.78		
Less: Transferred to held-for-trading financial assets		5,096,046.26		
Other receivables-interest receivable (listed according to the new standards governing financial instruments)				
Other current assets-wealth management products and structural deposits	840,000,000.00			
Less: transferred to held-for-trading financial assets		840,000,000.00		
Other current assets-wealth management products and structural deposits (listed according to the new standards governing financial instruments)				
Financial assets at fair value according to the new standards governing financial instruments				
Held-for-trading financial assets				
Add: transfer of other receivables-interest receivable		5,096,046.26		

Add: transfer of other current assets-wealth management products and structural deposits		840,000,000.00		
Add: transfer of available-for-sale financial assets		6,000,000.00		
Held-for-trading financial assets (listed according to the new standards governing financial instruments)				851,096,046.26
Available-for-sale financial assets	897,716,590.20			
Less: transferred to investment in other equity instruments		891,716,590.20	340,413,748.81	
Less: transferred to held-for-trading financial assets		6,000,000.00		
Investment in other equity instruments (listed according to the new standards governing financial instruments)				1,232,130,339.01
Financial liabilities at fair value according to the new standards governing financial instruments				
Financial liabilities at fair value through profit or loss	477,200.00			
Less: transferred to held-for-trading financial liabilities		477,200.00		
Held-for-trading financial liabilities (listed according to the new standards governing financial instruments)				477,200.00

The reconciliation statement of the original provision for impairment of financial assets adjusted into that according to the new standards governing financial instruments on 1 January 2019

A. Consolidated financial statement

Item	Carrying value on 31 December 2018 (according to the original standards governing financial instruments)	Reclassified	Remeasured	Carrying value on 1 January 2019 (according to the new standards governing financial instruments)
Financial assets at amortized cost				
Of which: provisions for impairment of notes receivable				
Provisions for impairment of accounts receivable	49,017,296.46			49,017,296.46

Provisions for impairment of other receivables	1,331,371.60			1,331,371.60
Provisions for impairment of available-for-sale financial assets	5,850,000.00	-5,850,000.00		

B. Financial statement of the Company as the parent

Item	Carrying value on 31 December 2018 (according to the original standards governing financial instruments)	Reclassified	Remeasured	Carrying value on 1 January 2019 (according to the new standards governing financial instruments)
Financial assets at amortized cost				
Of which: provisions for impairment of notes receivable				
Provisions for impairment of accounts receivable	46,625,926.10			46,625,926.10
Provisions for impairment of other receivables	1,301,617.92			1,301,617.92
Provisions for impairment of available-for-sale financial assets	5,850,000.00	-5,850,000.00		

45. Other

Naught

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%, 9%, 10%, 13%, 16%
Urban maintenance and construction tax	Turnover tax payable	7%, 5%
Enterprise income tax	Taxable income	15%, 20%, 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

Name	Income tax rate
Foshan Electrical and Lighting Co., Ltd.	15%

FSL Chanchang Optoelectronics Co., Ltd.	25%
Foshan Chansheng Electronic Ballast Co., Ltd.	20%
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%
Foshan Lighting Lamps and Lanterns Co., Ltd.	25%
FSL Zhida Electric Technology Co., Ltd.	15%
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.

FSL Zhida Electric Technology Co., Ltd. passed the examination for High-tech Enterprises in December 2019, and thus FSL Zhida Electric Technology Co., Ltd. paid the corporate income tax based on a tax rate of 15% within three years since 1 January 2019 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.

According to Notice of Implementation of Inclusive Tax Reduction Policy to Small and Micro Enterprises by Ministry of Finance and State Administration of Taxation (CS [2019] No. 13), Foshan Chansheng Electronic Ballast Co., Ltd. is applicable to the preferential tax policy for small low-profit enterprises in 2019: the portion of annual taxable income less than RMB1 million shall be included in the taxable income based on a tax rate of 25% and 20% of preferential tax rate paid for the corporate income tax; the portion of annual taxable income more than RMB1 million but less than RMB3 million shall be included in the taxable income based on a tax rate of 50% and 20% of preferential tax rate paid for the corporate income tax.

3. Other

Paid according to the relevant regulation of the tax law.

VII. Notes to Main Items of Consolidated Financial Statements

1. Monetary Assets

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	18,281.85	34,937.47
Bank deposits	1,048,694,037.32	784,166,295.87
Other monetary assets (Note 1)	70,079,965.12	112,445,486.53
Unexpired interest (Note 2)	6,664,378.35	56,317.78
Total	1,125,456,662.64	896,703,037.65
Of which: Total amount deposited overseas	1,232,977.34	739,617.83

Other notes

Note 1: Other monetary assets includes cash deposit for notes, cash deposit for future foreign exchange settlement, guarantee deposit, 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 (81. Assets with Restricted Ownership and Right to Use).

Note 2: The undue interest does not belong to cash and cash equivalents.

2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	899,619,482.64	845,096,046.26
Including:		
Wealth management products (note)	467,869,852.09	241,944,150.72
Structural deposits (note)	431,749,630.55	603,151,895.54
Financial assets designated to be measured at fair value through profit or loss	1,547,200.00	6,000,000.00
Total	901,166,682.64	851,096,046.26

Other notes:

They are the principal-guaranteed wealth management products of banks with maturity date over three months and investment cycle less than one year and the structural deposits cannot be terminated in advance.

3. Derivative Financial Assets

Not applicable

4. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	109,444,480.94	107,506,613.50
Total	109,444,480.94	107,506,613.50

Please refer to the relevant information of disclosure of bad debt provision of other receivables if adopting the general mode of expected credit loss to withdraw bad debt provision of notes receivable.

Applicable Not applicable

(2) Notes Receivable Withdrawn, Reversed or Collected during the Reporting Period

Naught

(3) Notes Receivable Pledged at the Period-end

Unit: RMB

Item	Amount pledged at the period-end
Bank acceptance bill	67,035,696.27
Total	67,035,696.27

(4) 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	56,863,345.47	
Total	56,863,345.47	

(5) Notes Transferred to Accounts Receivable because Drawer of the Notes Fails to Executed the Contract or Agreement

Naught

(6) The Actual Write-off Accounts Receivable

Naught

5. Accounts Receivable

(1) Accounts Receivable 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	
Accounts receivable withdrawn bad debt provision separately	23,377,223.66	3.06%	16,266,810.09	69.58%	7,110,413.57	23,377,223.66	2.65%	16,266,810.09	69.58%	7,110,413.57
Of which:										
Accounts receivable withdrawn bad debt provision by group	740,781,145.60	96.94%	35,716,292.66	4.82%	705,064,852.94	860,060,668.85	97.35%	32,750,486.37	3.81%	827,310,182.48
Of which:										
Total	764,158,369.26	100.00%	51,983,102.75	6.80%	712,175,266.51	883,437,892.51	100.00%	49,017,296.46	5.55%	834,420,596.05

Individual withdrawal of bad debt provision:

Unit: RMB

Name	Ending balance			
	Carrying amount	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.
Customer B	9,156,396.52	9,156,396.52	100.00%	Involved in the lawsuit with long aging. Expected irrecoverable
Total	23,377,223.66	16,266,810.09	--	--

Withdrawal of bad debt provision by group:

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Credit risk group	740,781,145.60	35,716,292.66	4.82%

Total	740,781,145.60	35,716,292.66	--
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Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	663,779,904.80
1 to 2 years	58,181,262.60
2 to 3 years	22,204,210.61
Over 3 years	19,992,991.25
3 to 4 years	5,365,572.32
4 to 5 years	2,306,889.59
Over 5 years	12,320,529.34
Total	764,158,369.26

(2) Accounts Receivable Withdrawn, Reversed or Collected during the Reporting Period

Information of withdrawal of bad debt provision:

Unit: RMB

Category	Beginning amount	Changes in the Reporting Period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	
Accounts receivable	49,017,296.46	3,076,684.86		110,878.57	51,983,102.75
Total	49,017,296.46	3,076,684.86		110,878.57	51,983,102.75

Of which bad debt provision recovered or reversed with significant amount during Reporting Period:

Naught

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

Unit: RMB

Item	Amount
No.1	110,652.83
Other retails accounts	225.74
Total	110,878.57

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

Unit: RMB

Name of units	Ending balance of accounts receivable	Proportion to total ending balance of accounts receivable (%)	Ending balance of bad debt provision
No. 1	105,391,428.29	13.79%	3,161,742.85
No. 2	37,026,996.74	4.85%	1,110,809.90

No. 3	20,353,852.72	2.66%	610,615.58
No. 4	19,217,070.82	2.51%	576,512.12
No. 5	17,862,770.80	2.34%	1,330,554.10
Total	199,852,119.37	26.15%	

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

Naught

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

Naught

6. Accounts Receivable Financing

Naught

7. Prepayment

(1) Listed by Aging

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	4,151,087.73	52.87%	8,074,848.21	58.46%
1 to 2 years	1,687,169.78	21.49%	3,525,963.03	25.53%
2 to 3 years	710,290.79	9.05%	721,403.24	5.22%
Over 3 years	1,302,842.48	16.59%	1,489,690.70	10.79%
Total	7,851,390.78	--	13,811,905.18	--

(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 (%)	Prepayment time
No. 1	Non-related party	1,020,929.09	13.00%	Y2019
No. 2	Non-related party	738,514.14	9.41%	Y2019
No. 3	Non-related party	601,013.10	7.65%	Y2017-2019
No. 4	Non-related party	332,473.41	4.23%	Y2019

No. 5	Non-related party	307,514.01	3.92%	Y2017-Y2019
Total		3,000,443.75	38.21%	

8. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	22,307,344.76	16,593,326.49
Total	22,307,344.76	16,593,326.49

(1) Interest Receivable

Naught

(2) Dividends Receivable

Naught

(3) Other Receivables

1) Other Receivables Classified by Account Nature

Unit: RMB

Nature	Ending carry in g amount	Beginning carrying amount
VAT export tax refunds	8,154,485.23	6,252,642.96
Performance bond	3,236,931.10	2,905,450.00
Staff borrow and deposit	5,991,107.91	3,451,053.16
Rent, water & electricity fees	1,686,102.59	765,582.10
Other	5,187,134.14	4,549,969.87
Total	24,255,760.97	17,924,698.09

2) Information of Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	427,381.20	903,990.40		1,331,371.60

Balance of 1 January 2019 in the Current Period	—	—	—	—
Withdrawal of the Current Period	166,368.30	450,676.31		617,044.61
Balance of 31 December 2019	593,749.50	1,354,666.71		1,948,416.21

Changes of carrying amount with significant amount changed of loss provision in the current period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	19,791,650.37
1 to 2 years	1,897,234.23
2 to 3 years	1,552,433.11
Over 3 years	1,014,443.26
3 to 4 years	565,642.96
4 to 5 years	162,042.14
Over 5 years	286,758.16
Total	24,255,760.97

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

Information of withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	
Other receivables	1,331,371.60	617,044.61			1,948,416.21
Total	1,331,371.60	617,044.61			1,948,416.21

Of which bad debt provision reversed or recovered with significant amount during Reporting Period:

Naught

4) Particulars of the Actual Verification of Other Receivables during the Reporting Period

Naught

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 total ending balance of other receivables (%)	Ending balance of bad debt provision
No. 1	Export rebates	8,154,485.23	Within 1 year	33.62%	244,634.56
No. 2	Social insurance	1,742,504.58	Within 1 year	7.18%	52,275.14
No. 3	Other	1,296,947.31	Within 4 years	5.35%	396,659.49
No. 4	Other	698,071.26	Within 3 years	2.88%	109,288.47
No. 5	Rent, water & electricity fees	691,931.41	Within 1 year	2.85%	20,757.94
Total	--	12,583,939.79	--	51.88%	823,615.60

6) Accounts Receivable Involving Government Subsidies

Naught

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

Naught

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

Naught

9. Inventory

Whether the Company has executed the new revenue standards

Yes No

(1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	124,826,657.81	2,426,340.03	122,400,317.78	126,493,040.39	1,912,404.69	124,580,635.70
Goods in process	32,861,535.80		32,861,535.80	34,923,287.33		34,923,287.33
Inventory goods	380,880,872.40	25,335,631.67	355,545,240.73	495,768,205.24	25,743,927.08	470,024,278.16
Semi-finished goods	125,058,072.72	1,658,579.31	123,399,493.41	135,536,163.37	787,982.05	134,748,181.32

Low priced and easily worn articles	3,129,996.34		3,129,996.34	3,043,216.49		3,043,216.49
Total	666,757,135.07	29,420,551.01	637,336,584.06	795,763,912.82	28,444,313.82	767,319,599.00

(2) Falling Price Reserves of Inventory

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Other	Reversal or write-off	Other	
Raw materials	1,912,404.69	2,179,459.99		1,665,524.65		2,426,340.03
Inventory goods	25,743,927.08	11,251,759.62		11,660,055.03		25,335,631.67
Semi-finished goods	787,982.05	1,414,915.85		544,318.59		1,658,579.31
Total	28,444,313.82	14,846,135.46		13,869,898.27		29,420,551.01

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

Naught

(4) Completed Unsettled Assets Formed from the Construction Contract at the Period-end

Naught

10. Contract Assets

Naught

11. Held-for-Sale Assets

Naught

12. Current Portion of Non-current Assets

Naught

13. Other Current Assets

Whether the Company has executed the new revenue standards

 Yes No

Unit: RMB

Item	Ending balance	Beginning balance
Deductible input tax of VAT	49,860,530.03	21,691,700.53
Advance payment of enterprise income tax	2,642,333.56	2,401,962.77
Total	52,502,863.59	24,093,663.30

14. Creditor's Rights Investment

Naught

15. Other Creditor's Rights Investment

Naught

16. Long-term Accounts Receivable

Naught

17. Long-term Equity Investment

Unit: RMB

Investees	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	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 impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Shenzhen Primatronix (Nanho) Electronics Ltd.	182,458,559.69			1,755,751.49			3,120,585.75			181,093,725.43	
Subtotal	182,458,559.69			1,755,751.49			3,120,585.75			181,093,725.43	
Total	182,458,559.69			1,755,751.49			3,120,585.75			181,093,725.43	

18. Other Equity Instrument Investment

Unit: RMB

Item	Ending balance	Beginning balance
Non-listed equity investment	711,571,895.07	638,042,058.21
Listed equity investment	743,168,346.39	594,088,280.80
Total	1,454,740,241.46	1,232,130,339.01

Disclosure of non-trading equity instrument investment by items

Unit: RMB

Item	Dividend income recognized	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for assigning to measure in fair value and the changes included in the current gains and losses	Reason for other comprehensive income transferred to retained earnings
Stock of Guoxuan High-tech	4,545,547.50	441,142,021.61			Not satisfied with the condition of trading equity instrument	
Stock of Everbright Bank	2,986,027.39	58,141,437.32			Not satisfied with the condition of trading equity instrument	
Xiamen Bank	10,971,417.60	413,943,585.67			Not satisfied with the condition of trading equity instrument	
Guangdong Development Bank Co.,Ltd	7,962.31				Not satisfied with the condition of trading equity instrument	
Foshan Focheng Road Development Company Limited					Not satisfied with the condition of trading equity instrument	
Shenzhen Zhonghao (Group) Ltd					Not satisfied with the condition of trading equity instrument	

Total	18,510,954.80	913,227,044.60				
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19. Other Non-current Financial Assets

Naught

20. Investment Property

Naught

21. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	629,832,098.35	512,106,912.39
Total	629,832,098.35	512,106,912.39

(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	710,892,641.29	721,559,752.40	22,584,005.26	27,863,135.01	1,482,899,533.96
2. Increased amount of the period	160,788,118.95	22,399,252.57	651,700.23	1,507,112.62	185,346,184.37
(1) Purchase		9,413,232.54	651,700.23	1,421,170.90	11,486,103.67
(2) Transfer from construction in progress	160,788,118.95	12,986,020.03		85,941.72	173,860,080.70
(3) Enterprise combination increase					
3. Decreased amount of the period		8,677,753.58	1,563,188.28	72,287.50	10,313,229.36
(1) Disposal or scrap		7,395,472.55	1,563,188.28	72,287.50	9,030,948.33

(2) Equipment transformation		1,282,281.03			1,282,281.03
4. Ending balance	871,680,760.24	735,281,251.39	21,672,517.21	29,297,960.13	1,657,932,488.97
II. Accumulative depreciation					
1. Beginning balance	432,350,311.91	497,669,898.94	16,516,228.63	21,965,331.34	968,501,770.82
2. Increased amount of the period	21,320,267.22	40,082,389.78	1,111,251.18	2,271,943.40	64,785,851.58
(1) Withdrawal	21,320,267.22	40,082,389.78	1,111,251.18	2,271,943.40	64,785,851.58
3. Decreased amount of the period		7,754,453.03	1,467,828.99	37,323.11	9,259,605.13
(1) Disposal or scrap		7,026,246.86	1,467,828.99	37,323.11	8,531,398.96
(2) Equipment transformation		728,206.17			728,206.17
4. Ending balance	453,670,579.13	529,997,835.69	16,159,650.82	24,199,951.63	1,024,028,017.27
III. Depreciation reserves					
1. Beginning balance		2,290,422.72		428.03	2,290,850.75
2. Increased amount of the period		1,829,080.06			1,829,080.06
(1) Withdrawal		1,829,080.06			1,829,080.06
3. Decreased amount of the period		47,557.46			47,557.46
(1) Disposal or scrap		47,557.46			47,557.46
4. Ending balance		4,071,945.32		428.03	4,072,373.35
IV. Carrying value					
1. Ending carrying value	418,010,181.11	201,211,470.38	5,512,866.39	5,097,580.47	629,832,098.35
2. Beginning carrying value	278,542,329.38	221,599,430.74	6,067,776.63	5,897,375.64	512,106,912.39

(2) List of Temporarily Idle Fixed Assets

Unit: RMB

Item	Original carrying value	Accumulated 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

Naught

(4) Fixed Assets Leased out by Operation Lease

Naught

(5) Fixed Assets Failed to Accomplish Certification of Property

Fuwan standard workshop J3 and K1, Gaoming Family Housing Building Eight and Fuwan Employee Dormitory Seven have been put into use and carried over fixed assets. As of 31 December 2019, relevant certificates of property were in procedure. The management layer is of the opinion that there is no substantial legal impediment in the procedure of certificates as well as no significant negative influence to the normal operation of the Company.

(6) Disposal of Fixed Assets

Naught

22. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	119,030,610.16	224,624,447.16
Total	119,030,610.16	224,624,447.16

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
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	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Construction in progress	119,030,610.16		119,030,610.16	224,624,447.16		224,624,447.16
Total	119,030,610.16		119,030,610.16	224,624,447.16		224,624,447.16

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

Unit: RMB

Item	Budget	Beginning balance	Increase amount	Transferred in fixed assets	Other decrease amount	Ending balance	Proportion of accumulative investment in constructions to budget	Job schedule	Accumulative 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 H	49,070,000.00	41,583,109.95	5,124,952.15			46,708,062.10	95.19%	95.00%				Other
Gaoming R&D workshop 11, 12, 13, 14 and 18	45,000,000.00	12,615,097.54	18,238,833.89			30,853,931.43	68.56%	85.00%				Other
Automatic system of intelligent production workshop (workshop H)	21,920,000.00	11,604,461.41			486,620.65	11,117,840.76	50.72%	90.00%				Other

Upgrading project in Local roads and greening of Gaoming	6,500,000.00		5,408,815.09			5,408,815.09	83.21%	95.00%				Other
Upgrading project of Standard C workshop external facade	4,200,000.00		3,502,568.80			3,502,568.80	83.39%	95.00%				Other
48 tons electric melting furnace (18025) Gaoming tank furnace	7,766,000.00	3,149,937.35	1,145,583.01			4,295,520.36	55.31%	80.00%				Other
Fuwan standard workshop K3	27,000,000.00	21,942,287.85	4,975,990.98	26,918,278.83		0.00	99.70%	100.00%				Other
Fuwan standard workshop K2	26,200,000.00	21,702,430.93	4,387,322.56	26,089,753.49		0.00	99.58%	100.00%				Other
Fuwan standard workshop K1	21,661,900.00	19,241,452.36	2,420,443.38	21,661,895.74		0.00	100.00%	100.00%				Other

Fuwan standard workshop J3	21,304,900.00	19,015,075.82	2,289,827.31	21,304,903.13		0.00	100.00%	100.00%				Other
Fuwan standard workshop J1	20,870,000.00	18,583,845.29	2,256,522.40	20,840,367.69		0.00	99.86%	100.00%				Other
Fuwan standard workshop J2	20,510,000.00	18,367,669.88	2,111,625.31	20,479,295.19		0.00	99.85%	100.00%				Other
Family housing of Gaoming Building Eight	10,860,000.00	7,693,423.10	2,120,287.87	9,813,710.97		0.00	90.37%	100.00%				Other
Employee Dormitory Seven of Fuwan	7,600,000.00	5,643,729.10	1,569,049.48	7,212,778.58		0.00	94.90%	100.00%				Other
Total	290,462,800.00	201,142,520.58	55,551,822.23	154,320,983.62	486,620.65	101,886,738.54	--	--				--

(3) List of the Withdrawal of the Depreciation Reserves for Construction in Progress

Naught

(4) Engineering Materials

Naught

23. Productive Living Assets

Naught

24. Oil and Gas Assets

Applicable Not applicable

25. Right-to-use Assets

Naught

26. Intangible Assets**(1) List of Intangible Assets**

Unit: RMB

Item	Land use right	Patent	Non-patent technology	Using right of software	Total
I. Original carrying value					
1. Beginning balance	233,741,723.60	200,000.00		2,773,651.87	236,715,375.47
2. Increased amount of the period					
(1) Purchase					
(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	61,904,106.59	200,000.00		1,885,991.67	63,990,098.26
2. Increased amount of the period	4,785,078.78			113,698.69	4,898,777.47
(1) Withdrawal	4,785,078.78			113,698.69	4,898,777.47
3. Decreased amount of the period					
(1) Disposal					

4. Ending balance	66,689,185.37	200,000.00		1,999,690.36	68,888,875.73
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	167,052,538.23			773,961.51	167,826,499.74
2. Beginning carrying value	171,837,617.01			887,660.20	172,725,277.21

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%.

(2) Land Use Right with Certificate of Title Uncompleted

Naught

27. R&D Expense

Naught

28. Goodwill

Naught

29. 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	6,004,040.42	5,644,088.02	5,730,726.96		5,917,401.48
Other	848,944.93	1,792,321.52	831,273.19		1,809,993.26
Total	6,852,985.35	7,436,409.54	6,562,000.15		7,727,394.74

30. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets that Had not Been Off-set

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	93,274,443.32	14,388,688.12	86,933,832.63	13,391,933.49
Unrealized profit of internal transactions	1,885,791.90	282,868.80	1,187,129.74	178,069.46
Depreciation of fixed assets	76,057,614.11	11,908,759.43	75,022,616.39	11,594,644.46
Payroll payable	68,444,986.72	10,266,748.01	83,969,846.94	12,595,477.04
Changes in fair value of trading financial liabilities			477,200.00	71,580.00
Total	239,662,836.05	36,847,064.36	247,590,625.70	37,831,704.45

(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 other equity instrument investment	913,227,044.60	136,984,056.70	690,617,142.15	103,592,571.32
Changes in fair value of trading financial assets	1,547,200.00	232,080.00		
Total	914,774,244.60	137,216,136.70	690,617,142.15	103,592,571.32

(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		36,847,064.36		37,831,704.45
Deferred income tax liabilities		137,216,136.70		103,592,571.32

(4) List of Unrecognized Deferred Income Tax Assets

Naught

(5) Deductible Losses of Unrecognized Deferred Income Tax Assets will Due in the Following Years

The deferred income tax liabilities increased by 32.46% with RMB33,623,565.38 at the period-end compared to the period-begin, mainly resulted from the rise in stocks of Guoxuan High-tech and Everbright Bank held by the Company and the fair value of Xiamen Bank.

31. Other Non-current Assets

Whether the Company has executed the new revenue standards

 Yes No

Unit: RMB

Item	Ending balance	Beginning balance
Land purchase and the ownership implicit of relevant items		41,755,700.00
Prepayments for business facilities	9,861,098.08	6,549,735.42
Total	9,861,098.08	48,305,435.42

Other notes:

Other non-current assets were RMB-38,444,337.34 at the end of the Reporting Period with a decrease of 79.59% compared to that at the beginning of the Reporting Period, which was mainly caused by withdrawal of land purchase and recognition of accounts thereof in the Reporting Period.

32. Short-term Borrowings

Naught

33. Trading Financial Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Of which:		
Specified as financial liabilities at fair value through profit or loss		477,200.00
Of which:		
Total		477,200.00

34. Derivative Financial Liabilities

Naught

35. Notes Payable

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	374,665,327.74	452,683,676.97
Total	374,665,327.74	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

36. Accounts Payable**(1) List of Accounts Payable**

Unit: RMB

Item	Ending balance	Beginning balance
Accounts payable	559,016,692.70	532,597,143.95
Total	559,016,692.70	532,597,143.95

(2) Significant Accounts Payable Aging over One Year

Naught

37. Advances from Customer

Whether the Company has executed the new revenue standards

Yes No

(1) List of Advances from Customers

Unit: RMB

Item	Ending balance	Beginning balance
Advances from customers	50,449,357.17	43,850,788.04
Total	50,449,357.17	43,850,788.04

(2) Significant Advances from Customers Aging over One Year

Naught

(3) Settled but Uncompleted Projects Formed by Construction Contracts at the Period-end

Naught

38. Contract Liabilities

Naught

39. Payroll Payable**(1) List of Payroll Payable**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	96,088,621.59	564,974,134.21	577,905,902.94	83,156,852.86
II. Post-employment benefit-defined contribution plans		40,993,425.77	40,993,425.77	
Total	96,088,621.59	605,967,559.98	618,899,328.71	83,156,852.86

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	95,725,486.52	509,039,057.39	521,920,577.79	82,843,966.12
2. Employee welfare		17,201,557.94	17,201,557.94	
3. Social insurance		24,109,320.87	24,109,320.87	

Of which: Medical insurance premiums		18,853,545.96	18,853,545.96	
Work-related injury insurance		979,186.35	979,186.35	
Maternity insurance		4,276,588.56	4,276,588.56	
4. Housing fund		10,650,851.50	10,650,851.50	
5. Labor union budget and employee education budget	363,135.07	3,973,346.51	4,023,594.84	312,886.74
Total	96,088,621.59	564,974,134.21	577,905,902.94	83,156,852.86

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits		39,783,886.46	39,783,886.46	
2. Unemployment insurance		1,209,539.31	1,209,539.31	
Total		40,993,425.77	40,993,425.77	

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.

40. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	2,848,860.13	3,147,064.81
Corporate income tax	12,419,827.14	14,907,122.79
Personal income tax	595,012.66	704,101.03
Urban maintenance and construction tax	385,734.01	761,673.03
Education surcharge	281,417.17	544,052.17
Property tax	264,468.41	2,374,748.34
Land use tax	187,752.00	2,750,413.52

Other	227,996.69	165,290.68
Total	17,211,068.21	25,354,466.37

41. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Other payables	46,073,344.71	43,115,011.68
Total	46,073,344.71	43,115,011.68

(1) Interest Payable

Naught

(2) Dividends Payable

Naught

(3) Other Payables

1) Other Payables Listed by Nature

Unit: RMB

Item	Ending balance	Beginning balance
Performance bond	29,641,485.45	27,413,254.10
Relevant expense of sales	3,323,583.65	3,568,835.91
Compensation for lawsuit	1,126,231.95	1,762,533.43
Other	11,982,043.66	10,370,388.24
Total	46,073,344.71	43,115,011.68

2) Significant Other Payables Aging over One Year

Naught

42. Held-for-sale Liabilities

Naught

43. Current Portion of Non-current Liabilities

Naught

44. Other Current Liabilities

Whether the Company has executed the new revenue standards

Yes No

Naught

45. Long-term Borrowings

Naught

46. Bonds Payable

Naught

47. Lease Liabilities

Naught

48. Long-term Payables

Naught

49. Long-term Payroll Payable

Naught

50. Provisions

Whether the Company has executed the new revenue standards

Yes No

Naught

51. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government subsidies	155,000.31		155,000.31	0.00	Government subsidies related to assets/income
Total	155,000.31		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 to income
Production line of 50 million energy-saving fluorescent lamp	155,000.31		155,000.31					Related to assets
Total	155,000.31		155,000.31					

52. Other Non-current Liabilities

Whether the Company has executed the new revenue standards

 Yes No

Naught

53. 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	1,399,346,154.00					0.00	1,399,346,154.00

54. Other Equity Instruments

Naught

55. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	151,362,201.53			151,362,201.53
Other capital reserves	7,245,971.54			7,245,971.54

Total	158,608,173.07			158,608,173.07
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56. Treasury Shares

Naught

57. 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 to profit or loss in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred to retained earnings 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	
I. Other comprehensive income that may not subsequently be reclassified to profit or loss	587,024,570.83	222,609,902.44			33,391,485.37	189,218,417.07		776,242,987.90
Changes in fair value of other equity instrument investment	587,024,570.83	222,609,902.44			33,391,485.37	189,218,417.07		776,242,987.90
II. Other comprehensive income that may subsequently be reclassified to profit or loss	-5,011.54	22,371.83				22,371.83		17,360.29
Differences arising from translation of foreign currency-denominated financial statements	-5,011.54	22,371.83				22,371.83		17,360.29
Total of other comprehensive income	587,019,559.29	222,632,274.27			33,391,485.37	189,240,788.90		776,260,348.19

58. Specific Reserve

Naught

59. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	672,569,617.84	27,103,459.16		699,673,077.00
Discretionary surplus reserves	136,886,568.36			136,886,568.36
Total	809,456,186.20	27,103,459.16		836,559,645.36

Notes, including changes and reason of change:

In line with regulations stipulated in the articles of association, no more statutory surplus reserves shall be withdrawn if the accumulated amount is more than 50% of registered capital of the Company. The statutory surplus reserves withdrawn in the Reporting Period was RMB27,103,459.16, of which the accumulated amount reached 50% of registered capital of the Company

60. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	1,654,181,032.39	1,731,600,796.18
Beginning balance of retained earnings after adjustments	1,654,181,032.39	1,731,600,796.18
Add: Net profit attributable to owners of the Company as the parent	301,182,906.24	377,615,133.62
Less: Statutory surplus reserves withdrawn	27,103,459.16	36,503,183.84
Dividend of ordinary shares payable	218,298,000.02	418,531,713.57
Ending retained earnings	1,709,962,479.45	1,654,181,032.39

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.

61. 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	3,297,051,289.16	2,525,597,166.33	3,778,249,951.22	2,904,082,772.16
Other operations	40,525,458.50	34,915,886.23	23,705,995.54	18,750,738.24
Total	3,337,576,747.66	2,560,513,052.56	3,801,955,946.76	2,922,833,510.40

Whether the Company has executed the new revenue standards

Yes No

62. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	13,718,448.61	12,673,452.76
Education surcharge	5,875,150.20	5,459,067.96
Property tax	7,253,138.07	7,538,403.90
Land use tax	5,170,993.34	5,285,219.55
Vehicle and vessel use tax	8,963.29	16,218.98
Stamp duty	1,936,005.71	1,719,791.33
Local education surcharge	3,916,753.75	3,639,365.84
Environmental protection tax	143,335.69	45,809.86
Total	38,022,788.66	36,377,330.18

63. Selling Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee's remuneration	59,514,723.34	61,175,236.43
Freight	72,159,943.87	75,271,832.22
Business propagandize fees and advertizing fees	44,063,012.20	37,609,042.39
Sales promotion fees	18,636,028.73	19,875,800.05
Business travel charges	14,446,070.14	12,650,960.49

Dealer meeting expense	3,071,651.46	3,640,647.76
Other	29,523,336.69	27,261,870.55
Total	241,414,766.43	237,485,389.89

64. Administrative Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee's remuneration	81,935,330.84	106,255,136.92
Depreciation charge	15,698,024.73	15,362,970.68
Office expenses	15,170,870.33	13,142,511.18
Rent of land and management charge	5,590,455.39	5,352,109.19
Amortization of intangible assets	4,898,777.47	4,841,228.15
Other	21,787,164.29	28,917,129.49
Total	145,080,623.05	173,871,085.61

65. R&D Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee's remuneration	56,240,623.29	34,627,641.09
Expense on equipment debugging	7,388,906.41	6,569,264.14
Fees for certification testing	6,986,168.45	4,743,946.71
Material consumption	5,534,108.08	2,732,468.55
Charges related to patents	607,081.96	1,119,733.39
Depreciation and long-term prepayments	663,707.88	413,561.08
Other	2,023,665.73	2,519,970.32
Total	79,444,261.80	52,726,585.28

Other notes:

1. 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 main operation revenue, and the costs incurred are recorded in the cost of sales of main operation.
2. The R&D expenditure included in amount of R&D expenses was RMB26,717,676.52 with increase of 50.67% compared with that of last year which was due to the increase in R&D investment during the Reporting Period and labor costs compared with that of last year.

66. Finance Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expense		371,567.15
Less: Interest income	24,418,569.09	11,450,858.00
Foreign exchange gains or losses	-4,684,048.90	-16,834,523.05
Other	1,377,275.79	1,798,634.74
Total	-27,725,342.20	-26,115,179.16

67. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Supporting fund for import and export	5,228,150.25	2,282,553.00
Rewards of “Competition among Hundreds of Enterprises”	700,000.00	23,710,397.00
Subsidy for stabilizing posts		1,091,084.26
Other	5,274,105.00	4,126,579.00
Total	11,202,255.25	31,210,613.26

68. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	1,755,751.49	6,165,040.30
Investment income from holding of trading financial assets	1,750,000.00	
Investment income from disposal of trading financial assets	13,550,000.00	
Investment income from holding of other equity instrument investment	18,510,954.80	
Investment income from holding of available-for-sale financial assets		18,873,927.57
Income received from financial products and structural deposits	29,554,019.01	29,098,956.87
Other	-4,242,300.00	-808,400.00

Total	60,878,425.30	53,329,524.74
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69. Net Gain on Exposure Hedges

Naught

70. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Trading financial assets	2,024,400.00	
Of which: Gain on changes in fair value of derivative financial instrument	2,024,400.00	
Financial liabilities at fair value through profit or loss		-477,200.00
Total	2,024,400.00	-477,200.00

71. Credit Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Bad debt loss of other receivables	-617,044.61	
Bad debt loss of accounts receivable	-3,076,684.86	
Total	-3,693,729.47	

72. Assets Impairment Loss

Whether the Company has executed the new revenue standards

Yes No

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss		-11,904,279.15
II. Loss on inventory valuation	-14,846,135.46	-25,768,841.80
VII. Impairment loss of fixed assets	-1,829,080.06	
Total	-16,675,215.52	-37,673,120.95

Other notes:

The assets impairment loss decreased 55.74% with RMB-20,997,905.43 compared with that of last year, mainly resulted from the less withdrawal of falling price loss of inventory in overstocked goods compared with that of last year, and bad debt loss be listed in the item of "credit impairment loss" according to the requirements of new standard governing financial instruments.

73. Assets Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Disposal income of fixed assets		-78,039.44
Total		-78,039.44

74. 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	511,260.31	2,168,255.23	511,260.31
Total income from disposal of non-current assets		138,567.76	
Of which: Income from disposal of fixed assets		138,567.76	
Other	2,560,885.30	1,501,787.51	2,560,885.30
Total	3,072,145.61	3,808,610.50	3,072,145.61

Government subsidies recorded in 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 to income
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Production line of 50 million energy-saving fluorescent lamp		Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	No	No	155,000.31	154,999.92	Related to assets
Standard optical components testing laboratory capacity construction and product quality guarantee project		Subsidy	Subsidy from R&D technical updating and transformation, etc.	No	No		272,669.78	Related to assets
Standard development of wide-angle stunning LED lights		Subsidy	Subsidy from R&D technical updating and transformation, etc.	No	No		173,385.53	Related to income
Other miscellaneous government subsidies		Reward	Subsidy from R&D technical updating and transformation, etc.	No	No	356,260.00	1,567,200.00	Related to income
Total						511,260.31	2,168,255.23	

75. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Donation	111,946.90	60,000.00	111,946.90
Total losses from disposal of non-current assets	413,275.62	1,731,682.62	413,275.62
Of which: Losses from disposal of fixed assets	413,275.62	1,731,682.62	413,275.62
Losses on inventories	2,618,995.48	1,932,550.28	2,618,995.48
Delaying payment	230,330.34		230,330.34
Penalty	7,095.00	36,499.25	7,095.00
Other	2,135,600.60	67,094.12	2,135,600.60
Total	5,517,243.94	3,827,826.27	5,517,243.94

76. Income Tax Expense**(1) List of Income Tax Expense**

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	47,448,443.11	72,075,325.91
Deferred income tax expense	1,216,720.09	-155,875.66
Total	48,665,163.20	71,919,450.25

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Profit before taxation	352,117,634.59
Current income tax expense accounted at statutory/applicable tax rate	52,817,645.19
Influence of applying different tax rates by subsidiaries	1,914,255.48
Influence of income tax before adjustment	-700,603.99
Influence of non-deductible costs, expenses and losses	2,539,670.71
Influence of deductible losses of unrecognized deferred income tax at the beginning of the Reporting Period	-663,395.15

Influence of R&D expense deduction	-4,384,025.91
Regarded as sales	444,122.81
Investment income and final dividend	-3,302,505.94
Income tax expense	48,665,163.20

Other notes

The income tax expense decreased 32.33% with RMB-23,254,287.05 in the Reporting Period compared with that of last year, mainly resulted from the decline of total sales performance in the Reporting Period.

77. Other Comprehensive Income

Refer to Note 57 for details.

78. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Land purchase and recognition of accounts thereof	41,755,700.00	
Government subsidies received	12,161,459.24	29,539,856.03
Cash margin received	14,050,387.86	9,433,019.86
Deposit interest	17,811,071.70	13,324,810.23
Income from waste	15,659,638.44	15,994,366.63
Income from insurance compensation	1,379,315.03	7,953,870.72
Property and rental income	8,290,054.43	4,314,891.32
Other	9,611,999.69	14,817,509.51
Total	120,719,626.39	95,378,324.30

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Administrative expense paid in cash	57,772,851.77	61,534,145.31
Selling expense paid in cash	152,608,630.02	132,808,161.86
Finance costs paid in cash	354,365.91	1,267,358.28
Returned government subsidies		10,000,000.00
Returned cash deposit	16,375,903.00	8,876,805.00

Other	3,181,687.68	336,025.84
Total	230,293,438.38	214,822,496.29

(3) Cash Generated from Other Investing Activities

Naught

(4) Cash Used in Other Investing Activities

Naught

(5) Cash Generated from Other Financing Activities

Naught

(6) Cash Used in Other Financing Activities

Naught

79. 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	303,452,471.39	379,150,336.15
Add: Provision for impairment of assets	20,368,944.99	37,673,120.95
Depreciation of fixed assets, oil-gas assets, and productive living assets	64,785,851.58	70,186,632.84
Amortization of intangible assets	4,898,777.47	4,841,228.15
Amortization of long-term prepaid expenses	6,562,000.15	6,034,592.46
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains: negative)		78,039.44
Losses from scrapping of fixed assets (gains: negative)	413,275.62	1,593,114.86
Losses from changes in fair value (gains: negative)	-2,024,400.00	477,200.00
Investment loss (gains: negative)	-60,878,425.30	-53,329,524.74

Decrease in deferred income tax assets (increase: negative)	984,640.09	-155,875.66
Increase in deferred income tax liabilities ("-" for decrease)	232,080.00	
Decrease in inventory ("-" for increase)	115,136,879.48	-46,621,550.93
Decrease in operating receivables ("-" for increase)	261,135,157.63	-80,985,456.28
Increase in operating payables ("-" for decrease)	-206,982,495.64	299,045,629.81
Net cash generated from/used in operating activities	508,084,757.46	617,987,487.05
2.Significant investing and financing activities without involvement of cash receipts and payments	--	--
3.Net increase/decrease of cash and cash equivalents:	--	--
Ending balance of cash	1,049,833,555.02	795,285,756.38
Less: Beginning balance of cash	795,285,756.38	570,184,208.96
Net increase in cash and cash equivalents	254,547,798.64	225,101,547.42

(2) Net Cash Paid For Acquisition of Subsidiaries

Naught

(3) Net Cash Received from Disposal of the Subsidiaries

Naught

(4) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,049,833,555.02	795,285,756.38
Including: Cash on hand	18,281.85	34,937.47
Bank deposit on demand	1,047,408,408.07	783,346,295.87
Other monetary assets on demand	2,406,865.10	11,904,523.04
III. Ending balance of cash and cash equivalents	1,049,833,555.02	795,285,756.38

80. 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

81. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary assets	68,958,729.27	Security deposit of notes and security deposit of future foreign exchange settlement
Notes receivable	67,035,696.27	Pledged for notes pool
Total	135,994,425.54	--

82. Foreign Currency Monetary Items**(1) Foreign Currency Monetary Items**

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary assets	--	--	2,181,879.99
Of which: USD	247,340.08	6.9762	1,725,493.87
EUR	58,395.00	7.8155	456,386.12
HKD			
Accounts receivable	--	--	282,214,714.63
Of which: USD	40,453,931.17	6.9762	282,214,714.63
EUR			
HKD			
Long-term borrowings	--	--	
Of which: USD			
EUR			
HKD			
Advances from customers			18,901,957.57
Of which: USD	2,666,516.87	6.9762	18,602,154.99

EUR	38,360.00	7.8155	299,802.58
Prepayments			1,070,987.55
Of which: USD	153,520.19	6.9762	1,070,987.55
Other payables			488,822.33
Of which: USD	70,070.00	6.9762	488,822.33

(2) Notes to Overseas Entities Including: for Significant Oversea 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

83. Arbitrage

Naught

84. 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”	700,000.00	Other income	700,000.00
Supporting fund for import and export	5,228,150.25	Other income	5,228,150.25
Other	5,274,105.00	Other income	5,274,105.00
Production line of 50 million energy-saving fluorescent lamp	155,000.31	Non-operating income	155,000.31
Other miscellaneous government subsidies	356,260.00	Non-operating income	356,260.00
Total	11,713,515.56		11,713,515.56

(2) Return of Government Subsidy

Applicable Not applicable

85. Other

Naught

VIII. Changes of Consolidation Scope

1. Business Combination Not under the Same Control

(1) Business Combination Not under the Same Control in the Reporting Period

Naught

(2) Combination Cost and Goodwill

Naught

(3) The Identifiable Assets and Liabilities of Acquiree on Purchase Date

Naught

(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

Naught

(6) Other Notes

Naught

2. Business Combination under the Same Control

Naught

3. Counter Purchase

Naught

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

On 7 September 2018, the Company held the 26th meeting of the 8th Board of Directors, in which examined and approved the Proposal on Cancelling the Wholly-owned Subsidiary Guangdong FSL Finance Leasing Co., Ltd. (hereinafter referred as “FSL Leasing Company”). The Company received the Notice on Approval of Cancellation and Registration issued by Market Supervision and Administration of Foshan in 2019 and has completed the registration cancellation of FSL Leasing Company. FSL Leasing Company will not be included in the consolidated financial statements of the Company after deregistering thereof.

6. Other

Naught

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 Co., Ltd.	Foshan	Foshan	Production and sales	100.00%		Newly established
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
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%	1,104,850.59		9,212,915.38
FSL Zhida Electric Technology Co., Ltd.	49.00%	1,164,714.56		17,461,512.70

(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.	40,797,259.87	17,975,735.27	58,772,995.14	28,063,277.21	28,063,277.21	35,881,053.56	19,031,531.64	54,912,585.20	27,885,702.58	27,885,702.58
FSL Zhida Electric Technolo gy Co., Ltd.	79,707,213.61	9,067,380.69	88,774,594.30	40,492,935.74	40,492,935.74	74,044,533.25	10,388,813.87	84,433,347.12	40,878,657.04	40,878,657.04

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.	129,622,438.26	3,682,835.31	3,682,835.31	4,489,707.08	138,186,413.51	5,050,703.26	5,050,703.26	3,857,467.68
FSL Zhida Electric Technology Co., Ltd.	88,828,868.23	2,376,968.48	2,376,968.48	11,912,536.03	96,231,697.26	40,799.09	40,799.09	1,465,964.60

(4) Significant Restrictions on Using the Assets and Liquidating the Liabilities of the Company

Naught

(5) Financial Support or Other Supports Provided to Structural Entities Incorporated into the Scope of Consolidated Financial Statements

Naught

2. The Transaction of the Company with Its Owner's Equity Share Changed but Still Controlling the Subsidiary

Naught

3. Equity in Joint Ventures or Associated Enterprises**(1) Significant Joint Ventures or Associated Enterprises**

Naught

(2) Main Financial Information of Significant Joint Ventures

Naught

(3) Main Financial Information of Significant Associated Enterprises

Naught

(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 ventures:	--	--
The total of following items according to the shareholding proportions	--	--
Associated enterprises:	--	--
Total carrying value of investment	181,093,725.43	182,458,559.69
The total of following items according to the shareholding proportions	--	--
--Net profit	1,755,751.49	6,165,040.30
--Total comprehensive income	1,755,751.49	6,165,040.30

(5) Note to the Significant Restrictions on the Ability of Joint Ventures or Associated Enterprises to Transfer Funds to the Company

Naught

(6) The Excess Loss of Joint Ventures or Associated Enterprises

Naught

(7) The Unrecognized Commitment Related to Investment to Joint Ventures

Naught

(8) Contingent Liabilities Related to Investment to Joint Ventures or Associated Enterprises

Naught

4. Significant Common Operation

Naught

5. Equity in the Structured Entity Excluded in the Scope of Consolidated Financial Statements

Naught

6. Other

Naught

X. The Risk Related to Financial Instruments

The financial instruments of the Company included: monetary funds, notes receivable, 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 31 December 2019, all assets and liabilities of the Company were balances in RMB except that the balances of assets and liabilities presented in the Note VII (82) 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 items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(I) Trading financial assets	1,547,200.00	899,619,482.64		901,166,682.64
1. Financial assets at fair value through profit or loss		899,619,482.64		899,619,482.64
2. Specified as financial assets at fair value through profit or loss	1,547,200.00			1,547,200.00
(III) Other equity instrument investment	743,168,346.39		711,571,895.07	1,454,740,241.46
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

Items measured at fair value level 2 include bank's wealth management products and structured deposits, which are measured at the contractual expected yield rate as a reasonable estimate of the fair value.

4. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

(1) Owing to the invested company, Xiamen Bank planned IPO and to list, significant changes have been occurred to the business environment, operation conditions and financial conditions compared to the initial investment. Refer to prospectus declaration and relative proportion between the recent issue price of similar listed banks and net assets, as well as regard the period-end portion of net assets in Xiamen Bank enjoyed by the Company as the reasonable estimation of fair value to measure.

(2) Owing to the business environment, operation conditions and financial conditions of the invested companies, China Guangfa Bank and Foshan Fochan Expressway Development Co., Ltd. haven't changed significantly, the Company takes investment costs as the reasonable estimation of fair value to measure.

(3) Owing to the business environment, operation conditions and financial conditions of the invested company, Shenzhen Zhonghao (Group) Co., Ltd. have deteriorated, the Company takes zero element as the reasonable estimation of fair value to measure.

5. Sensitiveness Analysis on Unobservable Parameters and Adjustment Information between Beginning and Ending Carrying Value of Consistent Fair Value Measurement Items at Level 3

Naught

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

Naught

7. Changes in the Valuation Technique in the Current Period and the Reason for Such Changes

Naught

8. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

Financial assets and liabilities not measured at fair value include: monetary assets, accounts receivable and accounts payable, etc. There is small difference between the carrying value of above financial assets and liabilities and fair value.

9. Other

Naught

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	RMB1,393 million	0.54%	0.54%
Total				25.70%	25.70%

Notes: Information on the Company as the parent

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 31 December 2019, the aforesaid persons acting in concert holding total A, B share of the Company 359,632,344.00 shares, 25.70 % of total share equity of the Company.

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
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 Wollsun Data Solid-state Storage Co., Ltd	Under same actual controller
Guangdong Rising Finance Limited	Under same actual controller
MTM Semiconductor Equipment 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
Shaoguan Green Resource Recycling Development Co., Ltd.	Under same actual controller
Zhuhai Doumen District Yongxingsheng Environmental Industrial Wastes Recycling Comprehensive Treatment Co., Ltd.	Under same actual controller
PROSPERITY LAMPS & COMPONENTS LTD	Shareholder owning over 5% shares
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 NationStar Optoelectronics Co., Ltd.	Purchase of materials	47,177,854.15	210,000,000.00	No	95,223,746.49
Prosperity Lamps and Components Ltd.	Purchase of materials	3,874,689.74	12,000,000.00	No	6,066,082.69

Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Purchase of materials	2,719,775.90	10,000,000.00	No	8,520,579.75
Prosperity Electrical (China) Co., Ltd.	Purchase of materials		4,500,000.00		729,882.89
Hangzhou Times Lighting and Electrical Co., Ltd.	Purchase of materials	674,827.48	1,000,000.00	No	673,304.64
Siteco Prosperity Lighting (Langfang) Co., Ltd.	Purchase of materials				251,021.56
Guangdong Vollsun Data Solid-state Storage Co., Ltd.	Purchase of equipment				1,600,000.00
MTM Semiconductor Equipment Co., Ltd.	Purchase of equipment	410,527.58	1,000,000.00	No	653,196.58
Guangdong Electronic Technology Research Institute	Purchase of equipment	46,551.72	3,000,000.00	No	1,529,914.53
Shaoguan Green Resource Recycling Development Co., Ltd.	receiving labor service	93,318.58			
Zhuhai Doumen District Yongxingsheng Environmental Industrial Wastes Recycling Comprehensive Treatment Co., Ltd.	receiving labor service	54,676.52			
Total		55,052,221.67	241,500,000.00		115,247,729.13

Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting Period	Same period of last year
PROSPERITY LAMPS & COMPONENTS LTD	Sale of products	20,323,829.52	35,007,006.69
Guangdong Vollsun Data Solid-state Storage Co., Ltd.	Sale of products		2,373,517.23
Prosperity Electrical (China) Co., Ltd.	Sale of products	78,769.53	215,459.99
Guangdong Rising Optoelectronics Co., Ltd.	Sale of products		2,456.90
Guangzhou Diansheng Property Management Co., Ltd.	Sale of products	846.90	1,118.97

Hangzhou Times Lighting and Electrical Co., Ltd.	Sale of products		73,790.53
Total		20,403,445.95	37,673,350.31

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

Naught

(3) Information on Related-party Lease

The Company was lessor:

Naught

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	5,699.21	16,666.67

(4) Information on Related-party Guarantee

Naught

(5) Information on Inter-bank Lending of Capital of Related Parties

Naught

(6) Information on Assets Transfer and Debt Restructuring by Related Party

Naught

(7) Information on Remuneration for Key Management Personnel

Unit: RMB

Item	Reporting period	Same period of last year
Chairman of the Board		
General Manager	1,415,554.04	1,775,401.52
Chairman of the Supervisory Committee	777,020.00	

Secretary of the Board	250,000.00	1,052,000.00
Chief Financial Officer	815,554.04	1,103,401.52
Other	6,040,140.36	7,589,589.28
Total	9,298,268.44	11,520,392.32

(8) Other Related-party Transactions

Naught

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
Monetary capital-Interest receivable	Guangdong Rising Finance Co., Ltd.	3,126,022.22		49,800.02	
Accounts receivable	PROSPERITY LAMPS & COMPONENTS LTD	3,158,126.65	94,743.80	3,676,377.29	110,291.32
Accounts receivable	Guangdong Vollsun Data Solid-state Storage Co., Ltd.	2,653,280.00	265,328.00	2,753,280.00	82,598.40
Accounts receivable	OSRAM (China) Lighting Co., Ltd.	117,554.16	58,777.08	117,554.16	35,266.25
Accounts receivable	Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	86,367.27	86,293.82	86,367.27	69,093.82
Other receivables	Guangdong Electronics Information Industry Group Ltd.			19,500.00	585.00
Prepayments	MTM Semiconductor Equipment Co., Ltd			28,368.00	

Prepayments	Foshan NationStar Optoelectronics Co., Ltd.	4,866.76			
Prepayments	Prosperity Electrical (China) Co., Ltd.	7,521.37		7,521.37	
	Total	9,153,738.43	505,142.70	6,738,768.11	297,834.79

(2) Accounts Payable

Unit: RMB

Item	Related party	Ending carrying amount	Beginning carrying amount
Accounts payable	Foshan NationStar Optoelectronics Co., Ltd.	13,443,520.14	17,964,138.25
Accounts payable	PROSPERITY LAMPS & COMPONENTS LTD		554,680.06
Accounts payable	Guangdong Fenghua Advanced Technology Holding Co., Ltd.	384,036.84	1,489,703.61
Accounts payable	Hangzhou Times Lighting and Electrical Co., Ltd.	219,439.95	229,109.60
Accounts payable	Siteco Prosperity Lighting (Langfang) Co., Ltd.		251,021.56
Accounts payable	Prosperity Electrical (China) Co., Ltd.	160,759.70	160,759.70
Other payables	PROSPERITY LAMPS & COMPONENTS LTD	488,822.33	480,904.43
Other payables	Guangdong Electronic Technology Research Institute	181,700.00	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
Other payables	Guangdong Electronics Information Industry Group Ltd.		11,111.12
Advances from customers	Prosperity Electrical (China) Co., Ltd.	52,619.26	38,646.66
Total		15,030,898.22	21,497,674.99

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 Nation Star Optoelectronics Co., Ltd. and the Company through business integration or other ways or arrangements shall be completed before 4 June 2020.

Date of commitment making: 3 December 2019

Term of commitment: 6 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

Naught

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

Naught

5. Other

Naught

XIV. Commitments and Contingency

1. Significant Commitments

Significant commitments on the balance sheet date

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. Securities false statement liability disputes

According to the Supreme People's Court of the People's 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 2019, thirty one of the above-mentioned cases had concluded. And as of the date of the audit report, one case hadn't yet been brought to trial with the amount involved of RMB107,549.00.

2. The lawsuit with Dongguan Lindun

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) Yue 1971 MC 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). On 9 October 2019, Dongguan First People's Court (2016) Yue 1971 MC No. 6481 Civil Ruling adjudicated: (1) Dongguan Lindun should pay the payment for goods of RMB9,559,837.55 and liquidated damages of RMB955,983.75 within 5 days from the effective date of the judgment; (2) the Company should pay the loss of RMB577,189.00 to Dongguan Lindun within 5 days from the effective date of the judgment; (3) other claims of the Company and Dongguan Lindun are rejected.

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.

4. The lawsuit with Shanghai Feilo

As Shanghai Feilo Investment Co., Ltd. (hereinafter referred to as “Shanghai Feilo”) defaulted on the Company’s payment for goods, the Company filed a lawsuit with the Shanghai Xuhui District People’s Court in 2019, and the claims are as follows: (1) demanding an immediately settlement of the overdue payment for shipped goods with RMB2,485,037.50 from the defendant; (2) demanding the defendant to take delivery of OEM goods and to pay off RMB5,923,158.80; (3) demanding the defendant to pay the interest of the principle of RMB8,408,196.30 of loan interest rate at the same period from the date of the filing of the suit to the actual settlement date of the payment; (4) demanding No.2 defendant, Shanghai Feilo Acoustics Co., Ltd. (solely-invested shareholder of Shanghai Feilo) to undertake the joint liability for satisfaction to above obligation. As of the date of the audit report, the case hasn’t been concluded.

5. The lawsuit with Shanghai Dinghui

Among the year of 2016 and 2017, goods of lamp bead from Shanghai Toplite Technology Co, Ltd. (hereinafter referred to as “Shanghai Toplite”) supplied to the Company existed quality problems, and the Company shall return the goods and not pay the payment. Therefore, Shanghai Toplite filed a lawsuit with the Foshan Chancheng District People’s Court, demanding the payment of RMB2,183,009.58 from the Company and to compute the interest of the loan interest rate floating 50% at the same period from 21 January 2018 to the actual settlement date of the payment. In 2019, the Company filed a counterclaim to Foshan Chancheng District People’s Court, demanding to return goods of lamp bead provided by Shanghai Toplite with RMB3,168,204.00 including tax price, as well as to compensate the economic loss of RMB2,916,735.00 to the Company (total amount of counterclaim: 6,084,759.00). As of the date of the audit report, the case hasn’t been concluded.

6. The lawsuit with Kaichuang Industrial

As Shenzhen Kaichuang Industrial Co., Ltd. (hereinafter referred to as “Kaichuang Industrial”) defaulted on the goods of payment of the Company and FSL Chanchang Optoelectronics Co., Ltd., Kaichuang Industrial rejected to pay off after repeated collections, which has constituted the breach. The Company filed a lawsuit with the Foshan Gaoming District People’s Court, demanding Kaichuang Industrial one-off payment with RMB2,123,952.16 and to compute the interest of the loan interest rate floating 50% at the same period from date of the filing of the suit to the actual settlement date of the payment. As of the date of the audit report, the case hasn’t been concluded.

7. Disputes on infringement of design patent rights sued by Guangdong Cobra Industrial Co., Ltd. to the Company Owing to the disputes on the design patent rights, Guangdong Cobra Industrial Co., Ltd. filed a lawsuit with the Guangzhou Intellectual Property Court to the Company (Case No.: (2019) Yue 73 MC No. 865, (2019) Yue 73 MC No. 866). As of the date of the audit report, the case hasn’t been concluded.

(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

Naught

XV. Events after Balance Sheet Date

1. Significant Non-adjusted Events

Naught

2. Profit Distribution

Unit: RMB

Profits or dividends planned to distribute	258,879,038.49
Reviewed and approved profits or dividends declared to distribute	258,879,038.49

3. Sales Return

Naught

4. Notes to Other Events after Balance Sheet Date

(I) Profit Distribution Plan

The profit distribution plan in 2019 of the Company is as follows: based on the total 1,399,346,154 shares as at the end of 2019, the Company intends to distribute a cash dividend of RMB1.85 (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 holder, with the total distributed cash dividends reaching RMB258,879,038.49. 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 2019 Annual General Meeting for review.

(II) Impact on the Epidemic situation of COVID-19 Epidemic

Owing to the outbreak of COVID-19 Epidemic, which has the temporary impact on the material purchase, product sale and reflow of corporate sales income of the Company to some extent, the ultimate impact depends on the prevention and control of the national epidemic situation, duration and the implementation of each regulatory policies. Now the Company has conducted a series of measures and resumed work and production gradually, reducing the adverse effects on the Company generated from the epidemic situation as much as possible.

XVI. Other Significant Events

1. The Accounting Errors Correction in Previous Period

Naught

2. Debt Restructuring

Naught

3. Assets Replacement

Naught

4. Pension Plan

Naught

5. Discontinued Operations

Naught

6. Segment Information

Naught

7. Other Significant Transactions and Events with Influence on Investors' Decision-making

Naught

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 RMB14 million for the present year.

XVII. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Notes Receivable

(1) Category of Notes Receivable

Unit: RMB

Item	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 for which bad debt provision separately accrued	23,377,223.66	3.27%	16,266,810.09	69.58%	7,110,413.57	23,377,223.66	2.78%	16,266,810.09	69.58%	7,110,413.57
Of which:										
Accounts receivable for which bad debt provision accrued by group	691,130,612.31	96.73%	32,134,193.35	4.65%	658,996,418.96	819,146,635.09	97.22%	30,359,116.01	3.71%	788,787,519.08
Of which:										
Total	714,507,835.97	100.00%	48,401,003.44	6.77%	666,106,832.53	842,523,858.75	100.00%	46,625,926.10	5.53%	795,897,932.65

Individual withdrawal of bad debt provision by single item:

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdrawal
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
Customer B	9,156,396.52	9,156,396.52	100.00%	Involved in the lawsuit with long aging; expected irrecoverable
Total	23,377,223.66	16,266,810.09	--	--

Withdrawal of bad debt provision by group:

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal reason
Credit risk	691,130,612.31	32,134,193.35	4.65%
Total	691,130,612.31	32,134,193.35	--

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	629,187,154.43

1 to 2 years	44,567,434.73
2 to 3 years	21,658,102.87
Over 3 years	19,095,143.94
3 to 4 years	5,365,572.32
4 to 5 years	1,817,662.76
Over 5 years	11,911,908.86
Total	714,507,835.97

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

Information of withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	
Accounts receivable	46,625,926.10	1,884,709.32		109,631.98	48,401,003.44
Total	46,625,926.10	1,884,709.32		109,631.98	48,401,003.44

Of which bad debt provision recovered or reversed with significant amount during the Reporting Period:

Naught

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

Unit: RMB

Item	Amount
No. 1	109,420.64
Other driblet small amount	211.34
Total	109,631.98

Of which verification of significant accounts receivable:

Naught

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

Unit: RMB

Name	Ending balance of accounts receivable	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
No. 1	105,391,428.29	14.75%	3,161,742.85
No. 2	37,026,996.74	5.18%	1,110,809.90
No. 3	20,353,852.72	2.85%	610,615.58
No. 4	19,217,070.82	2.69%	576,512.12

No. 5	16,557,721.50	2.32%	1,266,160.92
Total	198,547,070.07	27.79%	

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

Naught

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

Naught

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	37,934,614.96	38,386,484.68
Total	37,934,614.96	38,386,484.68

(1) Interest Receivable

Naught

(2) Dividends Receivable

Naught

(3) Other Receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Internal business group	17,624,135.10	22,478,786.69
VAT export tax refunds	8,154,485.23	6,252,642.96
Borrowings and petty cash for employees	5,436,926.32	3,294,170.26
Performance bond	3,231,331.10	2,905,450.00
Rental fees and water & electricity fees	1,476,056.29	765,582.10
Other intercourse	3,896,155.29	3,991,470.59
Total	39,819,089.33	39,688,102.60

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	406,679.05	894,938.87		1,301,617.92
Balance of 1 January 2019 in the Current Period	—	—	—	—
Withdrawal of the Current Period	125,930.97	456,925.48		582,856.45
Balance of 31 December 2019	532,610.02	1,351,864.35		1,884,474.37

Changes of carrying amount with significant amount changed of loss provision in the current period

Applicable not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	33,823,552.58
1 to 2 years	3,431,260.38
2 to 3 years	1,549,833.11
Over 3 years	1,014,443.26
3 to 4 years	565,642.96
4 to 5 years	162,042.14
Over 5 years	286,758.16
Total	39,819,089.33

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

Information of withdrawal of bad debt provision

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	
Other accounts receivable	1,301,617.92	582,856.45			1,884,474.37

Total	1,301,617.92	582,856.45			1,884,474.37
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Of which bad debt provision recovered or reversed with significant amount during the Reporting Period:

Naught

4) Particulars of the Actual Verification of Other Receivables during the Reporting Period

Naught

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 total ending balance of other receivables%	Ending balance of bad debt provision
No. 1	Internal business group	14,542,856.74	Within 2 years	36.52%	
No. 2	Export rebates	8,154,485.23	Within 1 year	20.48%	244,634.56
No. 3	Internal business group	2,950,161.82	Within 1 year	7.41%	
No. 4	Other	1,296,947.31	Within 4 years	3.26%	396,659.49
No. 5	Social insurance	1,037,048.12	Within 1 year	2.60%	31,111.44
Total	--	27,981,499.22	--	70.27%	672,405.49

6) Accounts Receivable Involving Government Subsidies

Naught

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

Naught

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

Naught

3. Long-term Equity Investment

Unit: RMB

Item	Ending balance	Beginning balance
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	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	283,793,102.26		283,793,102.26	283,793,102.26		283,793,102.26
Investment to joint ventures and associated enterprises	181,093,725.43		181,093,725.43	182,458,559.69		182,458,559.69
Total	464,886,827.69		464,886,827.69	466,251,661.95		466,251,661.95

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease				Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Depreciation reserves withdrawn	Other		
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	
Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	35,418,439.76					35,418,439.76	

Guangdong Fozhao New Light Sources Technology Co., Ltd.	50,077,000.00									50,077,000.00	
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	
FSL Lighting GMBH	195,812.50									195,812.50	
Total	283,793,102.26									283,793,102.26	

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	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.	182,458,559.69			1,755,751.49			3,120,585.75			181,093,725.43	
Subtotal	182,458,559.69			1,755,751.49			3,120,585.75			181,093,725.43	
Total	182,458,559.69			1,755,751.49			3,120,585.75			181,093,725.43	

(3) Other Notes

Naught

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	3,124,143,587.99	2,445,365,718.26	3,606,985,537.23	2,858,585,674.76
Other business	111,804,851.06	92,962,742.36	95,835,761.53	79,065,112.75
Total	3,235,948,439.05	2,538,328,460.62	3,702,821,298.76	2,937,650,787.51

Whether the Company has executed the new revenue standards

 Yes No**5. Investment Income**

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	1,755,751.49	6,165,040.30
Investment income from disposal of long-term equity investment	330,228.20	31,946,218.59
Investment income from holding of trading financial assets	1,750,000.00	
Investment income from disposal of trading financial assets	13,550,000.00	
Dividend income from holding of other equity instrument investment	18,510,954.80	
Investment income from holding of available-for-sale financial assets		18,873,927.57
Investment income from financial products and structural deposits	29,554,019.01	25,626,926.83
Other	-4,242,300.00	-808,400.00
Total	61,208,653.50	81,803,713.29

6. Other

Naught

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	-413,275.62	
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	6,485,365.31	
Gain/loss from change of fair value of trading financial assets and liabilities, derivative financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities, derivative financial assets and liabilities, and other creditor's rights investment, other than valid hedging related to the Company's common businesses	15,574,400.00	
Other non-operating income and expenses other than the above	-2,543,083.02	
Less: Income tax effects	2,635,263.29	
Non-controlling interests effects	-961,608.55	
Total	17,429,751.93	--

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	6.37%	0.2152	0.2152
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	6.00%	0.2028	0.2028

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

Naught

4. Other

Naught

Part XIII 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.

8 April 2020