



FOSHAN ELECTRICAL AND LIGHTING CO., LTD.
ANNUAL REPORT 2020

April 2021

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.

Wu Shenghui, the Company’s legal representative, Tang Qionglan, the Company’s Chief Financial Officer (CFO), and Peng Fentao, the person-in-charge of the Company’s accounting organ (equivalent to accounting manager) 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 fiercer market competition, the risk of rising raw material prices, and the risk of exchange rate fluctuations. 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 share capital of the total share capital minus the shares in the share repurchase account at the date of record, a cash dividend of RMB 1 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version 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 |
| Rising Group | Guangdong Rising Holdings Group 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 | 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 | Wu Shenghui | | |
| Registered address | No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China | | |
| Zip code | 528000 | | |
| Office address | No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China | | |
| Zip code | 528000 | | |
| Company website | www.chinafsl.com | | |
| Email address | gzfslgh@pub.foshan.gd.cn | | |

II Contact Information

| | Board Secretary | Securities Representative |
|---------------|---|---|
| Name | Wu Shenghui | Huang Yufen |
| Address | No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China | No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China |
| Tel. | (0757) 82810239 | (0757) 82966028 |
| Fax | (0757) 82816276 | (0757) 82816276 |
| Email address | fslldsh@chinafsl.com | fslhyf@163.com |

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 |
|-----------------------------------|--|

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, Chen Wenhong |

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

Reason for retrospective restatement:

Business combination involving entities under common control.

| | 2020 | 2019 | | 2020-over-2019 change (%) | 2018 | |
|-------------------------|------------------|------------------|------------------|---------------------------|------------------|------------------|
| | | Before | Restated | Restated | Before | Restated |
| Operating revenue (RMB) | 3,744,914,452.72 | 3,337,576,747.66 | 3,337,576,747.66 | 12.20% | 3,801,955,946.76 | 3,801,955,946.76 |

| | | | | | | |
|--|------------------|------------------|------------------|--|------------------|------------------|
| Net profit attributable to the listed company's shareholders (RMB) | 316,914,185.34 | 301,182,906.24 | 296,077,926.11 | 7.04% | 377,615,133.62 | 374,497,830.80 |
| Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB) | 276,795,046.07 | 283,753,154.31 | 283,753,154.31 | -2.45% | 354,513,585.67 | 354,513,585.67 |
| Net cash generated from/used in operating activities (RMB) | 394,828,331.90 | 508,084,757.46 | 509,889,792.05 | -22.57% | 617,987,487.05 | 629,289,534.87 |
| Basic earnings per share (RMB/share) | 0.2265 | 0.2152 | 0.2116 | 7.04% | 0.2699 | 0.2676 |
| Diluted earnings per share (RMB/share) | 0.2265 | 0.2152 | 0.2116 | 7.04% | 0.2699 | 0.2676 |
| Weighted average return on equity (%) | 5.82% | 6.37% | 6.18% | -0.36% | 8.36% | 8.30% |
| | 31 December 2020 | 31 December 2019 | | Change of 31 December 2020 over 31 December 2019 (%) | 31 December 2018 | |
| | | Before | Restated | Restated | Before | Restated |
| Total assets (RMB) | 8,519,336,914.11 | 6,175,200,008.24 | 6,477,955,373.32 | 31.51% | 5,588,166,699.30 | 5,796,822,947.25 |
| Equity attributable to the listed company's shareholders (RMB) | 6,263,921,304.54 | 4,880,736,800.07 | 4,944,201,236.25 | 26.69% | 4,319,259,418.46 | 4,387,828,834.77 |

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative for the last three accounting years, and the latest independent auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

☐ Yes ☒ No

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative.

☐ Yes ☒ No

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 | 560,357,960.57 | 962,526,166.47 | 1,036,642,740.19 | 1,185,387,585.49 |
| Net profit attributable to the listed company's shareholders | 32,282,776.35 | 118,778,671.48 | 81,713,561.32 | 84,139,176.19 |
| Net profit attributable to the listed company's shareholders before exceptional gains and losses | 34,187,987.98 | 116,246,848.02 | 71,099,990.80 | 55,260,219.27 |
| Net cash generated from/used in operating activities | -24,040,955.33 | 225,118,658.78 | 151,006,248.62 | 42,744,379.83 |

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 | 2020 | 2019 | 2018 | Note |
|---|---------------|--------------|---------------|------|
| Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs) | 7,466,798.65 | -413,275.62 | -1,671,154.30 | |
| Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary | 25,372,941.13 | 6,485,365.31 | 30,005,231.23 | |

| | | | | |
|---|---------------|---------------|---------------|----|
| course of business at fixed quotas or amounts as per the government's uniform standards) | | | | |
| Capital occupation charges on non-financial enterprises that are recognized in profit or loss | 1,337,410.12 | | | |
| Current profit or loss on subsidiaries obtained in business combinations involving entities under common control from the period-beginning to combination dates, net | -5,613,743.03 | -5,104,980.13 | -3,117,302.82 | |
| Gain or loss on fair-value changes on held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other debt investments (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business) | 8,463,850.00 | 15,574,400.00 | -477,200.00 | |
| Reversed portions of impairment allowances for receivables and contract assets which are tested individually for impairment | 9,156,396.52 | | | |
| Non-operating income and expense other than the above | -123,367.66 | -2,543,083.02 | -594,356.14 | |
| Less: Income tax effects | 5,643,715.91 | 2,635,263.29 | 4,222,066.76 | |
| Non-controlling interests effects (net of tax) | 297,430.55 | -961,608.55 | -61,093.92 | |
| Total | 40,119,139.27 | 12,324,771.80 | 19,984,245.13 | -- |

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 LED lamp beads, electronic components, aluminum substrate, plastic parts, metal materials, 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

During the Reporting Period, the global economy was impacted by the Covid-19 pandemic, and the downward pressure on the economy increased drastically. However, China realized adequate containment of the pandemic and full reopening of its economy in a short period of time, effectively safeguarding enterprises to resume normal production and operation. The Dual-Circulation strategy (accelerating efforts to establish a new development pattern in which the domestic and international circulations boost each other, with the domestic circulation as the mainstay) and the New Infrastructure, Rural Revitalization, Smart Cities and other programs launched by the Central Government have brought new development opportunities for the domestic lighting industry. Meanwhile, 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

At present, the lighting industry has transitioned from a high-speed development period, which occurred a few years ago, to a stable development period and is suffering significant structural overcapacity. With rigidly increasing operating costs, the profit margins of lighting enterprises have been squeezed to a certain extent. From the perspective of the global market, with the emergence of the anti-globalization movement, the fluctuations in the RMB-to-USD exchange rate and the global Covid-19 pandemic pending effective control, the lighting industry is facing many uncertainties in export, and many export-oriented enterprises are turning to the domestic market, exacerbating the competition in the domestic market. Under the dual pressures from market demand and fierce competition, large enterprises are seeking expansion through merger and restructuring while improving their market competitiveness through transformation and upgrading, thereby continuously improving their market position.

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 | The ending amount was up 113.16% from the beginning amount, primarily driven by an increase in the fair value of investments in other equity instruments held by the Company in the current period. |
| Fixed assets | No significant change in the current period |
| Intangible assets | No significant change in the current period |
| Construction in progress | The ending amount was up 28.40% from the beginning amount, primarily driven by the acquisition of Hunan Keda New Energy Investment and Development Co., Ltd. in the current period. |

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 120 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.

R&D technical 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 a certified high-tech company, it has its own testing center (national CNAS-Certified laboratory), Guangdong Engineering Technology Development Center, Guangdong Industrial Design Center, Guangdong Enterprise Technology Center, and Lighting Research Institute (municipal-level). It has won the titles of "National IP Advantaged Enterprise" and "Guangdong IP Demonstration Enterprise", and has been cumulatively granted 607 valid patents,

including 39 foreign ones. 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 form a capability of mass manufacturing 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

The year 2020 saw a heavy hit by the COVID-19 pandemic to the global economy and consumer market. This, together with the fierce competition in the lighting industry, put companies under tremendous pressure. In face of the pressure and challenges, the Company forged ahead with great solidarity against headwinds. In addition to playing its part in the fight against the pandemic, the Company resumed production in an orderly manner, furthered lean management and reform internally, and explored more markets and segment markets externally. Through fully implementing the philosophy of “Focus on the Key Work, Improve Weak Links, Solve Bottlenecks, and Increase Efficiency”, as well as by paying more attention in various work, the Company has achieved a better level of production and operation. For the Reporting Period, the Company achieved operating revenue of RMB 3744.9145 million, a year-on-year increase of 12.20%; and a net profit attributable to the listed company’s shareholders of RMB316.9142 million, a year-on-year increase of 7.04%.

In 2020, the Company has carried out tasks in the following major fronts:

1. Investment in technological innovation to boost the Company's momentum of development

Since 2020, the Company has been increasing investment in research and development (R&D), focus on the development of new products . We have improved our R&D system and policy and have attracted more high-end R&D talents to join us, making concrete progresses in driving technological advancement and innovation. In 2020, a total of 12 high-tech projects and 747 new products were completed, achieving breakthroughs and innovation with respect to technologies including toning drive, DOB, data processing, intelligent synchronous control, lighting, mechanical and electrical system integration, new optical system design. The Company highly values independent intellectual property. A total of 232 patents were applied, and 186 patents were granted during the year. The Company was also involved in the drafting of 1 international standard, the proposing of 9 international standards, in addition to the drafting and formulation of 16 national standards and the amending of 10 national standards. The series of healthy lighting products with eyesight protection, disinfection and sterilization functions developed by the Company have been commercially launched. A series of smart products have been launched for in-depth cooperation with Alibaba and other mainstream platform ecosystems, promoting our smart home

products and solutions. Continuous efforts were made to promote cooperation with national key universities and specialized research institutions and plan for entry into new niche markets, thereby boosting the momentum of development.

2. Marketing model innovation and market exploitation to improve sales performance

First, live-streaming, crowdfunding and other new marketing models were employed to effectively boost market activity level, and several nation-wide large live-streaming events were held to improve traffic operation efficiency, help boost sales revenue. Second, existing competitive products were marketed using "volume breaks", "differential provincial strategies" and other promotion strategies to effectively compete with competing products and increase customer confidence. Third, we worked to develop new large customers and large projects and fully explore the potential of existing large customers as a top priority. In addition to the progress made in seeking partnership with the centralized procurement systems of real estate companies, we continued to expand our cooperation with channel customers such as home decoration companies, property management agencies, large chain group companies and overseas chain supermarkets. We actively worked to develop new sales points and new customers while continuing to explore the potential of and improving our services to existing customers. We implemented a project management model in which a dedicated team is assigned for each project. The sales to some large customers grew year-on-year, and more projects were launched for smart products and new luminaries.

3. Operation improvement to strengthen the foundation of development

First, budget implementation was analyzed and monitored as a top priority. We set a tight budget for the year and firmly stuck to it by rigorously controlling various costs and expenditures. Second, The cost of production was reduced by implementing product design, process improvement, accurate production scheduling, production automation and other projects. Purchase cost was reduced through means such as locking material prices in advance, implementing new replacement materials and rigorously implementing price bidding. Third, measures were taken to ensure timely collection of accounts receivable. An account payable alert system was established, and accounts receivable collection measures were strengthened to prevent operating capital risks.

4. Corporate culture and human resource development to strengthen the cohesiveness of the Company

First, measures were taken to stimulate employees' passion for work. A company atmosphere that enables employee performance excellence through mutual competition, learning and assistance and strongly encourages hard work and entrepreneurship was created, which has helped motivate every managers and employees to work

hard and take result-oriented actions and mobilize all employees' energies to the Company's production and operation. Second, we continued to attract and nurture professionals in R&D, marketing, management and other fields, thereby enhancing the Company's personnel development and providing the talent needed in the Company's development.

II Core Business Analysis

1. Overview

See "I Overview" above.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

| | 2020 | | 2019 | | Change (%) |
|----------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|------------|
| | Operating revenue | As % of total operating revenue (%) | Operating revenue | As % of total operating revenue (%) | |
| Total | 3,744,914,452.72 | 100% | 3,337,576,747.66 | 100% | 12.20% |
| By operating division | | | | | |
| Lighting products and luminaries | 3,744,914,452.72 | 100.00% | 3,337,576,747.66 | 100.00% | 12.20% |
| By product category | | | | | |
| LED products | 2,904,440,872.64 | 77.56% | 2,530,826,166.63 | 75.83% | 14.76% |
| Traditional lighting products | 689,743,873.34 | 18.42% | 685,726,922.53 | 20.55% | 0.59% |
| Electrical products | 105,652,219.59 | 2.82% | 80,498,200.00 | 2.41% | 31.25% |
| Other | 45,077,487.15 | 1.20% | 40,525,458.50 | 1.21% | 11.23% |
| By operating segment | | | | | |
| Domestic | 2,264,373,046.87 | 60.47% | 1,983,289,202.28 | 59.42% | 14.17% |
| Overseas | 1,480,541,405.85 | 39.53% | 1,354,287,545.38 | 40.58% | 9.32% |

(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 | 3,744,914,452.72 | 2,996,273,910.80 | 19.99% | 12.20% | 17.02% | -3.29% |
| By product category | | | | | | |
| LED products | 2,904,440,872.64 | 2,380,574,742.69 | 18.04% | 14.76% | 20.48% | -3.89% |
| Traditional lighting products | 689,743,873.34 | 508,266,318.83 | 26.31% | 0.59% | 2.18% | -1.15% |
| Electrical products | 105,652,219.59 | 68,817,185.52 | 34.86% | 31.25% | 31.75% | -0.25% |
| Other | 45,077,487.15 | 38,615,663.76 | 14.33% | 11.23% | 10.60% | 0.49% |
| By operating segment | | | | | | |
| Domestic | 2,264,373,046.87 | 1,741,470,345.52 | 23.09% | 14.17% | 17.31% | -2.06% |
| Overseas | 1,480,541,405.85 | 1,254,803,565.28 | 15.25% | 9.32% | 16.62% | -5.30% |

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 | 2020 | 2019 | Change (%) |
|----------------------------------|------------|-------|-------------|-------------|------------|
| Lighting products and luminaries | Unit sales | Piece | 716,506,189 | 626,090,881 | 14.44% |
| | Output | Piece | 714,484,762 | 606,160,734 | 17.87% |
| | Inventory | Piece | 99,324,809 | 101,346,236 | -1.99% |

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 | 2020 | | 2019 | | Change (%) |
|----------------------------------|------------------------|------------------|---------------------------------|------------------|---------------------------------|------------|
| | | Cost of sales | As % of total cost of sales (%) | Cost of sales | As % of total cost of sales (%) | |
| Lighting products and luminaries | | 2,996,273,910.80 | 100.00% | 2,560,513,052.56 | 100.00% | 17.02% |
| Lighting products and luminaries | Raw materials | 2,230,736,822.88 | 74.45% | 1,939,695,600.35 | 75.75% | 15.00% |
| Lighting products and luminaries | Labor cost | 447,002,407.48 | 14.92% | 340,520,251.28 | 13.30% | 31.27% |
| Lighting products and luminaries | Depreciation and other | 279,919,016.68 | 9.34% | 245,381,314.70 | 9.58% | 14.08% |
| Lighting products and luminaries | Other | 38,615,663.76 | 1.29% | 34,915,886.23 | 1.36% | 10.60% |

Unit: RMB

| Product category | Item | 2020 | | 2019 | | Change (%) |
|-------------------------------|------------------------|------------------|---------------------------------|------------------|---------------------------------|------------|
| | | Cost of sales | As % of total cost of sales (%) | Cost of sales | As % of total cost of sales (%) | |
| LED lighting products | Raw materials | 1,845,481,153.40 | 61.59% | 1,571,660,353.88 | 61.38% | 17.42% |
| LED lighting products | Labor cost | 331,960,030.45 | 11.08% | 237,779,502.49 | 9.29% | 39.61% |
| LED lighting products | Depreciation and other | 203,133,558.84 | 6.78% | 166,485,580.19 | 6.50% | 22.01% |
| LED lighting products | Subtotal | 2,380,574,742.69 | 79.45% | 1,975,925,436.56 | 77.17% | 20.48% |
| Traditional lighting products | Raw materials | 330,075,681.13 | 11.02% | 323,991,639.55 | 12.65% | 1.88% |
| Traditional lighting products | Labor cost | 107,276,584.12 | 3.58% | 98,224,247.66 | 3.84% | 9.22% |
| Traditional lighting products | Depreciation and other | 70,914,053.58 | 2.37% | 75,222,442.56 | 2.94% | -5.73% |
| Traditional lighting products | Subtotal | 508,266,318.83 | 16.96% | 497,438,329.77 | 19.43% | 2.18% |
| Electrical products | Raw materials | 55,179,988.35 | 1.84% | 44,043,606.92 | 1.72% | 25.28% |
| Electrical products | Labor cost | 7,765,792.91 | 0.26% | 4,516,501.13 | 0.18% | 71.94% |
| Electrical | Depreciation and | 5,871,404.26 | 0.20% | 3,673,291.95 | 0.14% | 59.84% |

| | | | | | | |
|-----------------------------|----------|------------------|---------|------------------|---------|--------|
| products | other | | | | | |
| Electrical products | Subtotal | 68,817,185.52 | 2.30% | 52,233,400.00 | 2.04% | 31.75% |
| Other products and services | Other | 38,615,663.76 | 1.29% | 34,915,886.23 | 1.36% | 10.60% |
| Total | | 2,996,273,910.80 | 100.00% | 2,560,513,052.56 | 100.00% | 17.02% |

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

☒ Yes ☐ No

For details, see “VIII YoY Changes to the Scope of the Consolidated Financial Statements” in Part V of this Report.

(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) | 731,644,144.29 |
| Total sales to top five customers as % of total sales of the Reporting Period (%) | 19.53% |
| 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 | 449,281,338.89 | 12.00% |
| 2 | Customer B | 109,286,004.14 | 2.92% |
| 3 | Customer C | 83,604,263.43 | 2.23% |
| 4 | Customer D | 50,347,369.79 | 1.34% |
| 5 | Customer E | 39,125,168.04 | 1.04% |
| Total | -- | 731,644,144.29 | 19.53% |

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) | 248,755,173.91 |
| Total purchases from top five suppliers as % of total purchases of the Reporting Period (%) | 10.15% |
| Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%) | 2.21% |

Information about top five suppliers:

| No. | Supplier | Purchase in the Reporting Period (RMB) | As % of total purchases (%) |
|-------|------------|--|-----------------------------|
| 1 | Supplier A | 80,119,950.58 | 3.27% |
| 2 | Supplier B | 54,268,443.27 | 2.21% |
| 3 | Supplier C | 39,869,011.31 | 1.63% |
| 4 | Supplier D | 39,432,973.66 | 1.61% |
| 5 | Supplier E | 35,064,795.09 | 1.43% |
| Total | -- | 248,755,173.91 | 10.15% |

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

| | 2020 | 2019 | Change (%) | Reason for any significant change |
|------------------------|----------------|----------------|------------|--|
| Selling expense | 145,219,700.35 | 243,824,295.42 | -40.44% | Mainly due to that it will be transferred to cost of sales with the freight in relation to contract performance for accounting since the implementation of the new standards governing revenue in this year. |
| Administrative expense | 155,365,373.75 | 149,186,469.90 | 4.14% | |
| Finance costs | -5,623,285.45 | -27,724,766.79 | 79.72% | Primarily driven by the appreciation of RMB in the current period |
| R&D expense | 108,885,296.71 | 79,444,261.80 | 37.06% | Greater investments in R&D in the |

| | | | | |
|--|--|--|--|--|
| | | | | current period, with a larger team and an increase in projects |
|--|--|--|--|--|

4. R&D Investments

√ 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 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. First, the Company keeps developing new products independently according to market demand, and launches them to the market for a bigger market share. Second, customized new products are developed to satisfy needs of different customers.

According to the Measures for the Administration of the Accreditation of High-Tech Enterprises, R&D investments include the R&D investments recorded in cost of sales and the R&D investments expensed as per the relevant accounting standards. In 2020, the Company's R&D investments amounted to RMB161.1983 million, accounting for 4.30% 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 RMB47.9749 million and RMB108.8853 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 investments | R&D investments as % of operating revenue | Of which: R&D investments recognized in cost of sales | Of which: R&D investments recognized in R&D expense |
|------|-------------------|-----------------|---|---|---|
| 2020 | 374,491.45 | 16,119.83 | 4.30% | 4,797.49 | 10,888.53 |
| 2019 | 333,757.67 | 13,905.44 | 4.17% | 5,542.57 | 7,944.43 |

Details about R&D expense:

| | 2020 | 2019 | Change (%) |
|---|----------------|----------------|------------|
| Number of R&D personnel | 856 | 632 | 35.44% |
| R&D personnel as % of total employees | 10.81% | 8.38% | 2.43% |
| R&D investments (RMB) | 161,198,331.61 | 139,054,379.24 | 15.92% |
| R&D investments as % of operating revenue | 4.30% | 4.17% | 0.13% |

| | | | |
|---|-------|-------|-------|
| Capitalized R&D investments (RMB) | 0.00 | 0.00 | 0.00% |
| Capitalized R&D investments as % of total R&D investments | 0.00% | 0.00% | 0.00% |

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

5. Cash Flows

Unit: RMB

| Item | 2020 | 2019 | Change (%) |
|--|------------------|------------------|------------|
| Subtotal of cash generated from operating activities | 3,574,410,231.32 | 3,726,486,854.96 | -4.08% |
| Subtotal of cash used in operating activities | 3,179,581,899.42 | 3,216,597,062.91 | -1.15% |
| Net cash generated from/used in operating activities | 394,828,331.90 | 509,889,792.05 | -22.57% |
| Subtotal of cash generated from investing activities | 467,212,335.49 | 70,764,256.00 | 560.24% |
| Subtotal of cash used in investing activities | 544,306,623.11 | 189,536,941.41 | 187.18% |
| Net cash generated from/used in investing activities | -77,094,287.62 | -118,772,685.41 | 35.09% |
| Subtotal of cash generated from financing activities | 48,300,000.00 | 79,950,000.00 | -39.59% |
| Subtotal of cash used in financing activities | 536,686,783.37 | 218,298,000.02 | 145.85% |
| Net cash generated from/used in financing activities | -488,386,783.37 | -138,348,000.02 | -253.01% |
| Net increase in cash and cash equivalents | -175,350,823.84 | 252,892,057.87 | -169.34% |

Explanation of why any of the data above varies significantly:

☒ Applicable ☐ Not applicable

1. Net cash generated from operating activities decreased 22.57% year on year, primarily because longer payment days were given by the Company to its customers, but not by the suppliers to the Company accordingly, and

because the labor cost increased, in the current period.

2. Net cash generated from investing activities increased 35.09% year on year, primarily driven by an increase in payments for investment acquisition due to the acquisition of Hunan Keda New Energy Investment and Development Co., Ltd., and the disinvestment in bank's wealth management products upon maturity, in the current period.

3. Net cash generated from financing activities decreased 253.01% year on year, Primarily because the Company repaid the loan to Huajian Group on behalf of Foshan Kelian in the current period

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

☐ Applicable ☒ Not applicable

III Analysis of Non-Core Businesses

☒ Applicable ☐ Not applicable

Unit: RMB

| | Amount | As % of gross profit | Main source/Reason | Recurrent or not |
|------------------------------------|----------------|----------------------|---|------------------|
| Return on investment | 44,236,204.90 | 12.02% | Income from investments in low-risk wealth management products of bank, and dividends received during the period of holding investments in other equity instruments | Not |
| Gain/loss on changes in fair value | 4,785,700.00 | 1.30% | Gain/loss on changes in fair value of derivative financial instruments | Not |
| Asset impairments | -7,581,307.74 | -2.06% | Inventory valuation allowances | Not |
| Non-operating income | 2,164,694.19 | 0.59% | Rebates of taxes, levies and fees | Not |
| Non-operating expense | 3,854,417.99 | 1.05% | Loss on retirement of non-current assets | Not |
| Other income | 28,989,528.20 | 7.88% | Receipt of government subsidies that arose in the ordinary course of business | Not |
| Credit impairment loss | -16,109,592.36 | -4.38% | Allowances for doubtful accounts | Not |
| Asset disposal income | 9,090,874.79 | 2.47% | Disposal of immovable properties in the current period | Not |

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Indicate whether the Company has adopted the new accounting standards governing revenue and leases since 2020 and restated the beginning amounts of relevant financial statement line items in the year.

Applicable.

Unit: RMB

| | 31 December 2020 | | 1 January 2020 | | Change in percentage (%) | Reason for any significant change |
|---|------------------|----------------------|------------------|----------------------|--------------------------|--|
| | Amount | As % of total assets | Amount | As % of total assets | | |
| Monetary assets | 981,249,699.49 | 11.52% | 1,131,305,521.09 | 17.46% | -5.94% | Acquisition of Hunan Keda New Energy Investment and Development Co., Ltd. in the current period |
| Accounts receivable | 1,134,233,235.70 | 13.31% | 712,175,266.51 | 10.99% | 2.32% | |
| Inventory | 735,685,116.91 | 8.64% | 637,336,584.06 | 9.84% | -1.20% | |
| Long-term equity investments | 181,365,016.32 | 2.13% | 181,093,725.43 | 2.80% | -0.67% | |
| Fixed assets | 685,707,548.55 | 8.05% | 630,001,778.81 | 9.73% | -1.68% | |
| Construction in progress | 503,941,120.31 | 5.92% | 392,463,954.62 | 6.06% | -0.14% | |
| Investments in other equity instruments | 3,305,501,030.06 | 38.80% | 1,454,740,241.46 | 22.46% | 16.34% | Increase in the fair value of investments in other equity instruments held in the current period |

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

| Item | Beginning amount | Gain/loss on fair-value changes in the Reporting Period | Cumulative fair-value changes charged to equity | Impairment allowance for the Reporting Period | Purchased in the Reporting Period | Sold in the Reporting Period | Other changes | Ending amount |
|------------------|------------------|---|---|---|-----------------------------------|------------------------------|---------------|---------------|
| Financial assets | | | | | | | | |

| | | | | | | | | |
|--|------------------|--------------|------------------|--|--|--|--|------------------|
| 2. Derivative financial assets | 1,547,200.00 | 4,785,700.00 | | | | | | 6,332,900.00 |
| 4. Investments in other equity instruments | 1,454,740,241.46 | | 1,850,760,788.60 | | | | | 3,305,501,030.06 |
| Subtotal of financial assets | 1,456,287,441.46 | 4,785,700.00 | 1,850,760,788.60 | | | | | 3,311,833,930.06 |
| Total of the above | 1,456,287,441.46 | 4,785,700.00 | 1,850,760,788.60 | | | | | 3,311,833,930.06 |
| Financial liabilities | 0.00 | | | | | | | 0.00 |

Details about other changes:

Investments in wealth management products and structured deposits are not included in the item of “other changes”. For further information, see “X VII Major Contracts and Execution thereof” in Part V of this Report.

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 | 104,962,316.07 | Security deposits for notes and performance bonds |
| Notes receivable | 57,702,279.27 | In pledge for notes pool |
| Total | 162,664,595.34 | |

V Investments Made

1. Total Investment Amount

☒ Applicable ☐ Not applicable

| Investment amount in the Reporting Period (RMB) | Investment amount in the same period of last year (RMB) | Change (%) |
|--|--|------------|
| 328,313,442.49 | 0.00 | 100.00% |

2. Major Equity Investments Made in the Reporting Period

√ Applicable □ Not applicable

Unit: RMB

| Name of investee enterprise | Main businesses | Investment methods | Invested amount | Shareholding percentage | Funding Resources | Partners | Investment Duration | Product type | Status as on the date of the balance sheet | Predicted return | Investment return in the current period | Whether involved in any legal actions | Date of disclosure (if any) | Disclosure index (if any) |
|--|---|--------------------|-----------------|-------------------------|-------------------|--|---------------------|--------------|---|------------------|---|---------------------------------------|-----------------------------|---|
| Foshan Haolaite Lighting Co., Ltd (Note 1) | R&D, manufacturing and sales of lighting products, lighting equipment, lighting accessories and raw materials, (I would suggest "lighting accessories, lighting materials.") traffic lights, luminaries, decorative lights and accessories, and motor vehicle accessories; undertaking of lighting engineering projects; lighting engineering technological development, consulting, services, (I would suggest "consulting and other services.") and project | Newly established | 16,685,000.00 | 51.00% | Self-owned funds | Foshan Nation Star Optoelectronics Co., Ltd. | Long term | | Company registration procedure completed; normal running of business activities started | 0.00 | -616,653.01 | No | 29 May 2020 | Title of announcement: Announcement on the Investment in and Establishment of a Joint Venture to Address Horizontal Competition Issues and the Related-Party Transactions; No. of announcement: 2020-024; published on: Cninfo (http://www.cninfo.com.cn/). |

| | | | | | | | | | | | | | | |
|--|--|----------|----------------|---------|------------------|--|-----------|----|--|------|---------------|----|-----------------|--|
| | investment; import and export of goods or technologies | | | | | | | | | | | | | |
| Hunan Keda New Energy Investment and Development Co., Ltd.(Note 2) | Energy investment with self-owned assets; new materials and technologies promotion services; development, consulting and transfer of new-energy technologies | Acquired | 311,628,442.49 | 100.00% | Self-owned funds | Guangdong Huajian Enterprise Group Co., Ltd. | Long term | | All creditor's rights and liabilities involved have been transferred. The equity was transferred to the Company in January 2021. | 0.00 | -5,613,743.03 | No | 3 December 2020 | Title of announcement: Announcement on the Acquisition of the 100 Percent of the Equity of Hunan Keda New Energy Investment and Development Co., Ltd. and the Related-Party Transactions; No. of announcement: 2020-060; published on: Cninfo (http://www.cninfo.com.cn/). |
| Total | -- | -- | 328,313,442.49 | -- | -- | -- | -- | -- | -- | 0.00 | -6,230,396.04 | -- | -- | -- |

Note:

Note 1: In July 2020, the Company and NationStar contributed jointly funds to establish Haolaite with a registered capital of RMB17,158,000. The Company contributed RMB16,685,000 in monetary funds. Specifically, RMB8,750,600 was for subscription of registered capital, and the remaining funds were recognized as capital reserves, accounting for 51%. NationStar contributed RMB16.03 million with physical assets and intangible assets. Specifically, RMB8,407,400 was for subscription of registered capital, and the remaining funds were recognized as capital reserves, accounting for 49%. In light of Haolaite's Articles of Association, the Board of Directors had a total of five members, including three directors from the Company and two directors from NationStar.

Note2: On December 18, 2020, the Company convened the third extraordinary general meeting, where the *Proposal on the Related Party Transaction of Acquisition of 100% Equities of Hunan Keda New Energy Investment and Development Co., Ltd.* was reviewed and approved. In the same month, the Company signed an agreement on equity transfer with Arcplus Group PLC to acquire 100% equities of Hunan Keda at a consideration of RMB311,628,400 and pay a total of RMB394,627,800 of debts off to Arcplus Group PLC and its subsidiaries on behalf of Hunan Keda. The transaction constituted a business combination under common control, and the equity amount was fully paid in that month.

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 | 661,377,161.25 | 1,116,841,020.75 | 1,557,983,042.36 | | | | 1,778,218,182.00 | Investments in other equity instruments | Self-funded |
| Domestically/Overseas listed stock | 601818 | China Everbright Bank | 30,828,816.00 | Fair value method | 81,791,185.14 | -7,789,636.68 | 50,351,800.64 | | | 3,969,005.36 | 74,001,548.46 | Investments in other equity instruments | Self-funded |
| Domestically/Overseas listed stock | 601187 | Xiamen Bank | 292,574,133.00 | Fair value method | 706,517,718.67 | 741,709,404.53 | 1,155,652,990.20 | | | 10,971,417.60 | 1,448,227,123.20 | 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 | 0.00 | 0.00 | | | | 500,000.00 | Investments in other equity instruments | Self-funded |
| Total | | | 483,902 | -- | 1,450,1 | 1,850,7 | 2,763,9 | 0.00 | 0.00 | 14,940, | 3,300,9 | -- | -- |

| | | | | | | | | | | | |
|--|---------|--|-----------|-----------|-----------|--|--|--------|-----------|--|--|
| | ,949.00 | | 86,065.06 | 60,788.60 | 87,833.20 | | | 422.96 | 46,853.66 | | |
| Disclosure date of announcement on Board's consent for securities investments | | | | | | | | | | | |
| Disclosure date of announcement on general meeting's consent for securities investments (if any) | | | | | | | | | | | |

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

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 Bank of China | Not related | Not | General forward | 800 | 4 Nov. 2019 | 7 Jan. 2020 | 400 | | 400 | | | | 6.14 |
| Foshan branch of the Agricultural Bank of China | Not related | Not | General forward | 1,200 | 4 Dec. 2019 | 1 Apr. 2020 | 1,200 | | 1,200 | | | | 4.43 |
| Foshan branch of Guangzhou Rural | Not related | Not | General forward | 100 | 17 Mar. 2020 | 27 Mar. 2020 | | 100 | 100 | | | | 0.23 |

| | | | | | | | | | | | | | |
|--|-------------|-----|-----------------|-----|---------------|--------------|--|-----|-----|--|-----|-------|-------|
| Commercial Bank | | | | | | | | | | | | | |
| Foshan branch of Guangzhou Rural Commercial Bank | Not related | Not | General forward | 450 | 28 Apr. 2020 | 28 Jul. 2020 | | 450 | 450 | | | | 4.17 |
| Foshan branch of the Agricultural Bank of China | Not related | Not | General forward | 600 | 25 Aug. 2020 | 29 Mar. 2021 | | 600 | | | 600 | 0.62% | |
| Foshan branch of the Industrial and Commercial Bank of China | Not related | Not | General forward | 300 | 15 Sept. 2020 | 23 Dec. 2020 | | 300 | 300 | | | | 12.82 |
| Foshan branch of the Industrial and Commercial Bank of China | Not related | Not | General forward | 400 | 18 Sept. 2020 | 23 Nov. 2020 | | 400 | 400 | | | | 3.93 |
| Foshan branch of the Industrial and Commercial Bank of China | Not related | Not | General forward | 200 | 22 Sept. 2020 | 24 Nov. 2020 | | 200 | 200 | | | | 3.22 |

| | | | | | | | | | | | | | |
|--|----------------|-----|--------------------|-----|------------------|-----------------|--|-----|-----|--|-----|-------|-------|
| cial Bank of China | | | | | | | | | | | | | |
| Foshan branch of the Agriculi- tural Bank of China | Not related | Not | General forward | 600 | 24 Sept. 2020 | 30 Dec. 2020 | | 600 | 600 | | | | 14.37 |
| Foshan branch of the Industri- al and Commer- cial Bank of China | Not related | Not | General forward | 300 | 30 Sept. 2020 | 23 Feb. 2021 | | 300 | | | 300 | 0.31% | |
| Foshan branch of the Industri- al and Commer- cial Bank of China | Not related | Not | General forward | 600 | 20 Oct. 2020 | 23 Apr. 2021 | | 600 | | | 600 | 0.62% | |
| Foshan branch of the Industri- al and Commer- cial Bank of China | Not related | Not | General forward | 300 | 28 Oct. 2020 | 29 Jan. 2021 | | 300 | | | 300 | 0.31% | |
| Foshan branch of the Industri- al and Commer- cial Bank of China | Not related | Not | General forward | 200 | 3 Dec. 2020 | 29 Jan. 2021 | | 200 | | | 200 | 0.21% | |

| | | | | | | | | | | | | | |
|--|--|----|----|-------|-------|-------|--|-------|-------|-------|--|--|--|
| Bank of China | | | | | | | | | | | | | |
| Total | 6,050 | -- | -- | 1,600 | 4,050 | 3,650 | | 2,000 | 2.07% | 49.31 | | | |
| Funding source | All self-funded | | | | | | | | | | | | |
| Legal matters involved (if applicable) | N/A | | | | | | | | | | | | |
| Disclosure date of board announcement approving derivative investment (if any) | 10 April 2020 | | | | | | | | | | | | |
| Disclosure date of general meeting announcement approving derivative investment (if any) | 7 May 2020 | | | | | | | | | | | | |
| 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 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</p> | | | | | | | | | | | | |

| | |
|---|--|
| | <p>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>The Company carries out recognition and measurement in accordance with the Accounting Standard for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 24—Hedges, the Accounting Standard for Business Enterprises No. 37—Presentation of Financial Instrument and other applicable regulations. Fair value is arrived at based on the price provided by pricing service providers such as banks or the price obtained. Fair value measurement and recognition are carried out on a monthly basis. Changes in the fair value of forward exchange settlement contracts entered into by the Company are mainly attributable to difference arising from exchange rate fluctuations.</p> |
| Major changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period | N/A |
| Opinion of independent directors on derivative investments and risk control | <p>Opinions of the Independent Directors: The forward foreign exchange settlement transactions conducted by the Company are based on normal production and operation, are supported by specific businesses, aim to avoid and prevent foreign exchange risks associated with export businesses, do not involve speculative operations and are consistent with the needs of the Company's operation and development. The Company has established relevant business management policies and risk control and prevention measures. The risk is controllable. The proposal was passed following a lawful, valid decision-making procedure, has no negative impact on the Company's normal operation and business development and does not undermine the interest of the Company and its shareholders. Therefore, the Company's conducting forward foreign exchange settlement transactions is approved.</p> |

5. Use of Funds Raised

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

VII Major Subsidiaries

☒ Applicable ☐ Not applicable

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

Unit: RMB

| Name | Relationship with the Company | Principal activity | Registered capital | Total assets | Net assets | Operating revenue | Operating profit | Net profit |
|--|-------------------------------|--------------------|--------------------|----------------|----------------|-------------------|------------------|---------------|
| FSL Chanchang Optoelectronics Co., Ltd. | Subsidiary | Manufacturing | 72,782,944.00 | 256,672,209.23 | 148,323,085.84 | 263,390,220.18 | 27,996,114.13 | 21,008,566.53 |
| Foshan Taimei Times Lamps Co., Ltd. | Subsidiary | Manufacturing | 500,000.00 | 86,586,924.62 | 35,693,580.43 | 145,973,615.97 | 7,614,724.99 | 4,983,862.50 |
| FSL New Light Source Technology Co., Ltd. | Subsidiary | Manufacturing | 50,000,000.00 | 59,088,331.95 | 57,844,267.11 | 14,352,978.28 | 1,035,316.86 | 815,141.95 |
| FSL (Xinxiang) Lighting Co., Ltd. | Subsidiary | Manufacturing | 35,418,439.76 | 65,845,437.75 | 53,745,924.03 | 47,677,755.10 | 4,482,967.11 | 3,374,710.61 |
| FSL Lighting Equipment Co., Ltd. | Subsidiary | Manufacturing | 15,000,000.00 | 64,906,377.33 | 57,939,316.95 | 61,037,062.78 | 2,750,828.47 | 2,028,858.56 |
| Nanjing Fozhao Lighting Components Manufacturing Co., Ltd. | Subsidiary | Manufacturing | 41,683,200.00 | 95,535,303.71 | 68,972,226.04 | 35,081,400.66 | 11,123,281.43 | 7,789,766.00 |

| | | | | | | | | |
|--|------------|---------------------------------------|----------------|----------------|---------------|----------------|---------------|---------------|
| FSL Zhida Electric Technology Co., Ltd. | Subsidiary | Manufacturing | 50,000,000.00 | 121,158,874.60 | 57,462,689.78 | 123,690,820.25 | 10,221,462.31 | 8,881,031.22 |
| FSL Lighting GmbH | Subsidiary | Manufacturing | 195,812.50 | 1,151,741.34 | 5,451.07 | 2,148,324.25 | 37,900.72 | 37,900.72 |
| Foshan Haolaite Lighting Co., Ltd. | Subsidiary | Manufacturing | 17,158,000.00 | 63,442,036.64 | 31,505,876.45 | 30,156,976.58 | -1,603,434.16 | -1,209,123.55 |
| Hunan Keda New Energy Investment and Development Co., Ltd. | Subsidiary | Investment and technology development | 100,000,000.00 | 490,497,684.79 | 57,850,693.15 | | -7,495,870.92 | -5,613,743.03 |

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 |
|---|---|---|
| Foshan Chansheng Electronic Ballast Co., Ltd. | De-registered | No impact |

Information about major majority- and minority-owned subsidiaries:

—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.

—Foshan Haolaite was incorporated by the Company and Foshan NationStar, with a registered capital of RMB17,158,000 contributed by the Company and Foshan NationStar and the corporate business license granted on 30 July 2020. The Company owns 51 percent of the equity of Foshan Haolaite, which has been included in the scope of the consolidated financial statements of the Company since its day of incorporation.

—The 100 percent of the equity of Hunan Keda was transferred from Guangdong Huajian to the Company under an equity transfer agreement between the Company and Guangdong Huajian signed on 21 December 2020, whereby Hunan Keda has become a wholly owned subsidiary of the Company. Hunan Keda has been included in the scope of the consolidated financial statements of the Company since the day the Company assumed actual control over Hunan Keda.

VIII Structured Bodies Controlled by the Company

☐ Applicable ☒ Not applicable

IX Prospects

(I) Development trend of the Industry

1. Competitive landscape in the industry

The lighting industry saw an obvious slowdown in growth in recent years following the fast development of the previous years. Due to the low barrier of entry into the downstream LED application sector, the LED lighting industry is experiencing significant structural overcapacity, which leads to increasingly fierce market competition. In addition, the

increasing raw material and labor costs have brought a big pressure on the rapid development and profitability of enterprises. However, as lighting products are developing in the direction of being more smart, individualized and customized, enterprises with competitive technology, brand, financial resources and capabilities will survive and prevail through the survival-of-the-fittest mechanism of market competition, and the industry is expected to experience accelerated mergers, acquisitions and restructuring. Mergers and acquisitions enable enterprises to expand their business space, increase their existing market share or create a larger market space in specific market segments, thereby increasing the degree of concentration of the industry. The lighting industry will have a competitive landscape in which "the big becomes bigger, the strong becomes stronger."

2. Development trend of the industry

(1) Accelerated pace of smartization and upgrading

In the application sector, standardized, modularized and low-cost products and systems will be the main development direction of future LED applications. In terms of cross-industry synergy, LED technology and new-generation information technology will be integrated in-depth, and products that have smart, remote, digital and networking functionalities will be the trend of development. With the emergence of innovative technologies, the industry will experience further accelerated intrusion of smart technologies. Traditional lighting products, which are characterized by simple functionalities, will be gradually replaced by smart products, finally leading to smart homes, smart cities and other overall solutions.

(2) Human-oriented lighting is a major development trend

Consumers become increasingly aware of the concept of healthy lighting. The applications of light are expanding. With deepening research into the light spectrum, in addition to satisfying measurable parameters such as illuminance and brightness, lighting and illumination are expected to be healthy, comfortable and efficient with respect to the spatial, atmospheric, natural lighting, climatic, physiological, and psychological characteristics of the scenario of use, and illumination light environment are expected to be conducive to physical and psychological health. Human-oriented lighting is a major component of future cities and represents a major development trend of the future lighting industry. This trend implies higher requirements for the product innovation, solution provision and service capabilities of lighting enterprises.

(3) The industry has entered the mature stage and innovation is key to development

After the decade-plus of fast development, the LED industry, under the impact of both internal and external environment, is experiencing a slow growth in overall market size. The technologies for all links of the industry

chain have gradually become mature. And the industry has entered the mature stage. Enterprises cannot maintain their competitive advantages and increase their market share simply through the means of price and economy of scale. They must keep developing new application and new products through innovation so as to expand the market. The scaling-up and commercialization of new technologies will drive the LED industry to a new stage of development.

(II) The Company's strategies for future development

The Company will take technology and services as two top-priority fronts, focus on brand and value and center its efforts on upgrading to medium- to high-end smart manufacturing, transitioning to a provider of products and integrated solutions and transcending to "smart, healthy, green and human-oriented lighting." The Company will step up efforts on the application end, further exploit the Internet-of-Things (IoT) ecosphere and niche markets, develop more new application scenarios and products, continuously improve our core competitiveness and accelerate the new round of development.

(III) Work plan for 2021

1. To continue to focus on technological innovation to improve the market competitiveness of products

In 2021, the Company will continue to increase financial investment in R&D, optimize the R&D functions, improve our capability for product planning, increase investment in core smart technologies, accelerate the R&D of new products with distinguishing functions and features, launch more products with high added-value and high gross profit and drive the commercialization of various application scenarios and solutions. The Company will partner with research institutions and universities more closely, promote the application of research results and build a product system with unique features.

2. To step up market development and increase brand influence

(1) To optimize the industry layout

The Company will accelerate the development of smart lighting, healthy lighting, 5G smart street lamp and other niche markets, optimize our product structure, grab market share in growing segments and increase the proportion of the sales revenue from products with high added-value.

(2) To expand the e-commerce business

The Company will expand e-commerce business by enriching and optimizing e-commerce products, developing and launching more products that sell well, lead the market and are suitable for online selling, improving market response speed. Eventually, the e-commerce business will grow rapidly.

(3) To strengthen the development of large customers

The Company will strengthen market investigation to obtain more effective, more accurate data about the market and customer demand. On this basis, we will develop and launch more that differential, customized and high-cost-performance products and solutions, provider better services to our customers and exploit the full potential of large customers to expand the scope of business cooperation. We will continue to develop large customers such as large domestic real estate developers and the procurement centers of large chain shops, thereby expanding sales channel and increasing sales volume.

(4) To further exploit the international markets

The Company will step up efforts to exploit the international markets, develop more large OEM customers and overseas agents with capabilities, channels and self-owned brands, strengthen the construction of overseas local market channels and the development of terminal networks, continue to increase the overseas influence of the FSL brand and create new points of export growth.

3. To optimize internal management to invigorate the Company

(1) To improve the response speed of the supply chain

The Company will improve the capability of our R&D, Procurement, Production and Sales Departments for high-efficiency coordination and high-speed response, shorten product delivery lead time and improve customer satisfaction and operational efficiency.

(2) To establish a cost control mechanism with competitive advantages

The Company will reduce the manufacturing cost through means such as improving manufacturing processes, optimizing production modules, upgrading with automation technologies and integrating supply chain resources to reduce procurement cost.

(3) To optimize the talent structure

An adequate allocation of various professionals, especially professional teams or high-end talents in sales and R&D, will be maintained in alignment with the Company's development. In addition, the Company will continue to implement the strategy of all-round development of human resources and optimize our talent echelon structure.

(IV) Potential risks

1. Risks associated with the uncertainties of the macroeconomy

At present, the global Covid-19 pandemic has not been effectively controlled, global economic growth is still

under great pressure and uncertainty, which may have an adverse impact on the development of the industry.

2. Risk of intensified market competition

The lighting industry is an industry with global competition. In particular, domestic enterprises in the downstream lighting application sector face not only the competition from international lighting companies with well-known brands but also the competition from home appliances enterprises, electronics enterprises and IC enterprises in the midstream and upstream of the LED industry as these enterprises keep expanding into the lighting application sector. The Company will be facing a market environment with increasingly fierce competition.

3. Risk of fluctuations in raw material prices

The Company's raw material costs account for a high proportion of the operating costs. Because the price of some raw materials is significantly related to uncontrollable factors such as the global market conditions and national macro policies, the raw material price fluctuations pose a risk to the Company.

4. Risk of exchange rate fluctuation

The fluctuating global economy, the escalating tensions in local hotspots and changes in the monetary policies of various countries may lead to exchange rate fluctuations. Export accounts for a large proportion of the Company's revenue. A significant appreciation of the RMB will negatively impact the company's performance.

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

1. During the Reporting Period

√ Applicable □ Not applicable

| Date | Place | Way of communication | Type of communication party | Communication party | Main discussions and materials provided by the Company | Index to main information communicated |
|--------------|-------------|----------------------|-----------------------------|-----------------------------|--|---|
| 24 July 2020 | The Company | One-on-one meeting | Institution | China Great Wall Securities | Discussions were about the production and operation of the Company, with no materials provided by the Company. | Investor Relations-EasyIR- www.cninfo.com.cn |

| | |
|---|------|
| Times of visit | 1 |
| Number of visiting institutions | 1 |
| Number of visiting individuals | 78 |
| 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 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.

For 2020, based on the share capital of the total share capital minus the shares in the share repurchase account at the date of record, a cash dividend of RMB 1 (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.

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 (%) |
|------|------------------------------------|--|-----------------|--|-----------------|---|-----------------|
| 2020 | 136,447,615.20 | 316,914,185.34 | 43.06% | 0.00 | 0.00% | 136,447,615.20 | 43.06% |
| 2019 | 258,879,038.49 | 296,077,926.11 | 87.45% | 0.00 | 0.00% | 258,879,038.49 | 87.45% |
| 2018 | 218,298,000.02 | 374,497,830.80 | 58.29% | 0.00 | 0.00% | 218,298,000.02 | 58.29% |

Note: The 2020 cash dividend payout amount was calculated based on the number of shares of the total share capital of 1,399,346,154 shares as at the end of 2020 minus the 34,870,002 shares in the share repurchase account as at 31 March 2021. And the final payout amount will be calculated based on the number of shares of the total share capital as at the date of record minus the shares in the share repurchase account as at the date of record.

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 |
| 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) | Total share capital minus the shares in the share repurchase account at the date of record |
| Cash dividends (RMB) (tax inclusive) | 136,447,615.20 |
| Cash dividends in other forms (such as share repurchase) (RMB) | 0.00 |
| Total cash dividends (including those in other forms) (RMB) | 136,447,615.20 |
| Distributable profit (RMB) | 1,591,884,733.49 |
| 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 RMB327,255,953.87 of the Company as the parent for 2020, plus the beginning retained profits of RMB1,523,507,818.11, minus the distributed profits of RMB258,879,038.49 for 2019, equal the ending profits distributable to shareholders of RMB1,591,884,733.49 for 2020. The Board of Directors has proposed to allocate profits for 2020 as follows: Based on the total share capital minus the shares in the share repurchase account at the date of record, a cash dividend of RMB 1 (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. The retained profits 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. | |

Note: The 2020 cash dividend payout amount was calculated based on the number of shares of the total share capital of 1,399,346,154 shares as at the end of 2020 minus the 34,870,002 shares in the share repurchase account as at 31 March 2021. And the final payout amount will be calculated based on the number of shares of the total share capital as at the date of record minus the shares in the share repurchase account as at the date of record.

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 | Completed |
| | 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 | 4 December 2015 | Long-standing | Ongoing |

| | | | | | | |
|--|--|--|---|--|--|--|
| | | | <p>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.</p> | | | |
|--|--|--|---|--|--|--|

| | | | | | | |
|--|-------------------------|--|--|-----------------|---------------|---------|
| | 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 | 4 December 2015 | Long-standing | Ongoing |
|--|-------------------------|--|--|-----------------|---------------|---------|

| | | | | | | |
|--|-------------------------|--------------------|---|-----------------|---------------|---------|
| | | | 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. | | | |
| | 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 | 4 December 2015 | Long-standing | Ongoing |

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | <p>independent, sustainable operation in the market.</p> <p>(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</p> | | | |
|--|--|--|--|--|--|--|

| | | | | | | |
|--|--|--|---|--|--|--|
| | | | <p>receive remuneration from the Company, not holding any positions in them or their other controlled subsidiaries other than director and supervisor.</p> <p>(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.</p> <p>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> | | | |
|--|--|--|---|--|--|--|

| | | | | | | |
|--|--|--|---|--|--|--|
| | | | <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</p> | | | |
|--|--|--|---|--|--|--|

| | | | | | | |
|---|-------------|----------------------|--|-------------|---------------|---------|
| | | | 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. | | | |
| 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

No such cases in the Reporting Period.

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

Foshan Haolaite Lighting Co., Ltd. ("Foshan Haolaite"), Hunan Keda New Energy Investment and Development Co., Ltd. ("Hunan Keda") and Foshan Kelian New Energy Technology Co., Ltd. ("Foshan Kelian") are newly included, and Foshan Chansheng Electronic Ballast Co., Ltd. ("Foshan Chansheng") is excluded, in the scope of the consolidated financial statements of the Reporting Period.

Foshan Haolaite was incorporated by the Company and Foshan NationStar Optoelectronics Co., Ltd. ("Foshan NationStar") in 2020, with a registered capital of RMB17,158,000 contributed by the Company and Foshan NationStar and the corporate business license granted on 30 July 2020. The Company owns 51 percent of the equity of Foshan Haolaite, which has been included in the scope of the consolidated financial statements of the Company since its day of incorporation.

The 100 percent of the equity of Hunan Keda was transferred from Guangdong Huajian Enterprise group Co., Ltd. ("Guangdong Hujia") to the Company under an equity transfer agreement between the Company and Guangdong

Huajian signed on 21 December 2020, whereby Hunan Keda became a wholly owned subsidiary of the Company. Hunan Keda has been included in the scope of the consolidated financial statements of the Company since the day the Company assumed actual control over Hunan Keda. Foshan Kelian is a wholly owned subsidiary of Hunan Keda.

The company registration of Foshan Chansheng was canceled by the Notice on Approval of Registration Cancellation issued by Foshan Municipal Administration of Market Regulation in December 2020, and the company registration cancellation procedure has been completed. Foshan Chansheng has been excluded in the scope of the consolidated financial statements since the day the company registration cancellation procedure was completed.

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 | 5 |
| Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report | Tong Quanyong and Chen Wenhong |
| How many consecutive years the certified public accountants from the domestic independent auditor have provided audit service for the Company | 5 |

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 RMB420,000.

X Possibility of Delisting 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 transaction | Approved transaction on line (RMB'0,000) | Over the approved line or not | Method of settlement | Obtainable market price for same-type transaction | Disclosure date | Index to disclosed information |
|---------------|-------------------------------|---------------------|----------------------|-------------------|-------------------------------|-------------------------|--|--|-------------------------------|----------------------|---|-----------------|--------------------------------|
|---------------|-------------------------------|---------------------|----------------------|-------------------|-------------------------------|-------------------------|--|--|-------------------------------|----------------------|---|-----------------|--------------------------------|

| | | | | | | | ons | | | | ons (RMB'0 ,000) | | |
|--|--|--|---------------------------------|-----------------|--------------|--------------|-------|--------|-----|---|------------------------|-----------------|---------------------------|
| Foshan NationStar Optoelectronics Co., Ltd. | Under same actual controller | Purchasing products and receiving labor service from related party | Purchase of material s | Market price | 5,426.8 4 | 5,426.8 4 | 2.21% | 20,000 | Not | Bank transfer s or bank acceptance notes | 5,426.8 4 | 10 Apr. 2020 | www.c ninfo.c om.cn |
| Guangdong Fenghua Advanced Technology Holding Co., Ltd. | Under same actual controller | Purchasing products and receiving labor service from related party | Purchase of material s | Market price | 881.00 | 881 | 0.36% | 650 | Yes | Bank transfer s or bank acceptance notes | 881.00 | 10 Apr. 2020 | www.c ninfo.c om.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 material s | Market price | 312.82 | 312.82 | 0.13% | 1100 | Not | Bank transfer s or bank acceptance notes | 312.82 | 10 Apr. 2020 | www.c ninfo.c om.cn |
| Hangzhou Times Lighting and Electrical Co., Ltd. | Acting-in- concert party of a 5% greater shareholder of the Company | Purchasing products and receiving labor service from related party | Purchase of material s | Market price | 44.88 | 44.88 | 0.02% | 200 | Not | Bank transfer s or bank acceptance notes | 44.88 | 10 Apr. 2020 | www.c ninfo.c om.cn |

| | | | | | | | | | | | | | |
|--|--|--|-------------------------|--------------|-----------|-----------|--------|-----|-----|--|-----------|--------------|-------------------|
| | | | | | | | | | | | | | |
| Prosperity Electrical (China) Co., Ltd. | Acting-in-concealment party of a 5% shareholder of the Company | Purchasing products and receiving labor service from related party | Purchase of materials | Market price | 11.84 | 11.84 | 0.00% | 100 | Not | Bank transfer or bank acceptance notes | 11.84 | 10 Apr. 2020 | www.cninfo.com.cn |
| Guangdong Electronic Technology Research Institute | Under same actual controller | Purchasing products and receiving labor service from related party | Purchase of equipment | Market price | 72.44 | 72.44 | 1.48% | 100 | Not | Bank transfer or bank acceptance notes | 72.44 | 10 Apr. 2020 | www.cninfo.com.cn |
| Guangdong Zhongnan Construction Co., Ltd. | Under same actual controller | Purchasing products and receiving labor service from related party | Receiving labor service | Market price | 13,973.41 | 13,973.41 | 60.72% | | | Bank transfer or bank acceptance notes | 13,973.41 | | N/A |
| Jiangmen Dongjian Environmental Technology Co., Ltd. | Under same actual controller | Purchasing products and receiving labor service from related party | receiving labor service | Market price | 32.62 | 32.62 | 28.40% | | | Bank transfer or bank acceptance notes | 32.62 | | N/A |
| Foshan Fulong | Under same | Purchasing | receiving labor | Market price | 4.25 | 4.25 | 3.70% | | | Bank transfer | 4.25 | | N/A |

| | | | | | | | | | | | | | |
|---|------------------------------|--|-------------------------|--------------|---------|---------|-------|-------|-----|---|---------|---------|-------|
| Environmental Technology Co., Ltd. | actual controller | products and receiving labor service from related party | service | | | | | | | s or bank acceptance notes | | | |
| 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 | 3.52 | 3.52 | 3.06% | | | Bank transfers or bank acceptance notes | 3.52 | | N/A |
| Guangdong Electronic Technology Research Institute | Under same actual controller | Purchasing products and receiving labor service from related party | Receiving labor service | Market price | 1.69 | 1.69 | 0.07% | | | Bank transfers or bank acceptance notes | 1.69 | | N/A |
| Zhuhai Doumen District Yongxing sheng 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 | 1.33 | 1.33 | 1.16% | | | Bank transfers or bank acceptance notes | 1.33 | | N/A |
| Prosperity | Shareholder | Selling | Selling | Market | 2,358.1 | 2,358.1 | 0.63% | 3,500 | Not | Bank | 2,358.1 | 10 Apr. | www.c |

| | | | | | | | | | | | | | |
|--|---|---|------------------|--------------|----------|----------|-------|--|--|--|----------|------|--------------|
| Lamps & Components Limited | holder that holds over 5% shares of the Company | products and providing labor service to related party | products | price | 9 | 9 | | | | transfer s or bank acceptance notes | 9 | 2020 | ninfo.com.cn |
| Guangdong New Electronics Information Import&Export Ltd. | Under same actual controller | Selling products and providing labor service to related party | Selling products | Market price | 1,325.77 | 1,325.77 | 0.35% | | | Bank transfer s or bank acceptance notes | 1,325.77 | | N/A |
| Guangdong Zhongnan Construction Co., Ltd. | Under same actual controller | Selling products and providing labor service to related party | Selling products | Market price | 247.88 | 247.88 | 0.07% | | | Bank transfer s or bank acceptance notes | 247.88 | | N/A |
| Guangdong Yixin Changcheng Construction Group | Under same actual controller | Selling products and providing labor service to related party | Selling products | Market price | 200.11 | 200.11 | 0.05% | | | Bank transfer s or bank acceptance notes | 200.11 | | N/A |
| Guangdong Electronic Technology Research Institute | Under same actual controller | Selling products and providing labor service to related | Selling products | Market price | 85.68 | 85.68 | 0.02% | | | Bank transfer s or bank acceptance notes | 85.68 | | N/A |

| | | | | | | | | | | | | | |
|---|---|---|------------------|--------------|-------|-------|-------|-----|-----|--|-------|--------------|-------------------|
| | | party | | | | | | | | | | | |
| Guangzhou Huajian Engineering Construction Co., Ltd. | Under same actual controller | Selling products and providing labor service to related party | Selling products | Market price | 67.86 | 67.86 | 0.02% | | | Bank transfer or bank acceptance notes | 67.86 | | N/A |
| Shenzhen Zhongjin Lingnan Nonfermet Co. Ltd. | Under same actual controller | Selling products and providing labor service to related party | Selling products | Market price | 50.81 | 50.81 | 0.01% | | | Bank transfer or bank acceptance notes | 50.81 | | N/A |
| Guangdong Zhongjin Lingnan Equipment Technology Co., Ltd. | Under same actual controller | Selling products and providing labor service to related party | Selling products | Market price | 36.79 | 36.79 | 0.01% | | | Bank transfer or bank acceptance notes | 36.79 | | N/A |
| Guangdong Rising Holdings Group Co., Ltd. | Actual controller | Selling products and providing labor service to related party | Selling products | Market price | 5.74 | 5.74 | 0.00% | | | Bank transfer or bank acceptance notes | 5.74 | | N/A |
| Prosperity Electrical (China) Co., Ltd. | Acting-in-concealment party of a 5% greater shareholder | Selling products and providing labor service | Selling products | Market price | 4.49 | 4.49 | 0.00% | 100 | Not | Bank transfer or bank acceptance | 4.49 | 10 Apr. 2020 | www.cninfo.com.cn |

| | der of the Compan y | to related party | | | | | | | | notes | | | |
|--|---|--|---------------------|--|------|-----------|-------|--------|----|---|------|----|-----|
| Guangdong Guangsheng Communication Technology Co., Ltd. | Under same actual controll er | Selling products and providin g labor service to related party | Selling products | Market price | 2.36 | 2.36 | 0.00% | | | Bank transfer s or bank accepta nce notes | 2.36 | | N/A |
| Guangdong Electronics Information Industry Group Ltd. | Under same actual controll er | Selling products and providin g labor service to related party | Selling products | Market price | 0.80 | 0.8 | 0.00% | | | Bank transfer s or bank accepta nce notes | 0.80 | | N/A |
| Total | | | | -- | -- | 25,153.12 | -- | 25,750 | -- | -- | -- | -- | -- |
| 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 April 2020, 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, Hangzhou Times Lighting and Electrical Co., Ltd., Prosperity Electrical (China) Co., Ltd., and Guangdong Electronic Technology Research Institute. Concerning the purchases from its related parties, the actual amount in 2020 was RMB207.6664 million, accounting for 93.75% of the estimate for 2020. As for the sales to its related parties, the actual amount in 2020 was RMB43.8649 million, accounting for 121.85% of the estimate for 2020. | | | | | | | | | |
| Reason for any significant difference between the transaction price and the market reference price (if applicable) | | | | N/A | | | | | | | | | |

Note: The related-party transaction with Guangdong Zhongnan Construction Co., Ltd. in the table above arose from the Company's acquisition of the 100% interests of Hunan Keda New Energy Investment and Development Co., Ltd. in 2020, which resulted in change in the scope of the consolidated financial statements.

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

√ Applicable □ Not applicable

| Related party | Related relationship | Related party name | Content of related party transaction | Pricing policy | Book value of the transferred assets (RMB'0,000) | Estimated value of the transferred assets (RMB'0,000) | Transaction price (RMB'0,000) | Settlement method | Transaction gains and losses (RMB'0,000) | Date of disclosure | Disclosure index |
|--|--|--------------------|---|---|--|---|-------------------------------|-------------------|--|--------------------|--|
| Guangdong Huajian Enterprise Group Co., Ltd. | Controlled by the same controlling shareholder | Equity acquisition | The Company acquired 100 percent of the equity of a wholly owned subsidiary of the related party. | The estimated price was used as the basis of pricing. | 7,299.89 | 31,162.85 | 31,162.84 | Cash | | 30 December 2020 | Title of announcement: Announcement on the Acquisition of 100 Percent of the Equity of Hunan Keda New Energy Investment and Development Co., Ltd. and the Related-Party Transactions: No. of announcement: 2020-060; published on: Cninfo (http://www.cninfo.com.cn/). |
| Reasons for considerable differences between the transaction price and the book value or estimated value (if applicable) | | | | None | | | | | | | |
| Impact on the Company's operating results and financial conditions | | | | None | | | | | | | |
| The actual performance during the Reporting Period if the related-party transaction is conditioned on the performance. | | | | N/A | | | | | | | |

3. Related Transactions Regarding Joint Investments in Third Parties

√ Applicable □ Not applicable

| Co-investor | Related relationship | Name of investee enterprise | Main business of investee enterprise | Registered capital of investee enterprise (RMB'0,000) | Total assets of investee enterprise (RMB'0,000) | Net assets of investee enterprise (RMB'0,000) | Net profits of investee enterprise (RMB'0,000) |
|---|--|------------------------------------|---|---|---|---|--|
| Foshan NationStar Optoelectronics Co., Ltd. | Controlled by the same controlling shareholder | Foshan Haolaite Lighting Co., Ltd. | R&D, manufacturing and sales of lighting products, lighting equipment, lighting accessories and raw materials, traffic lights, luminaries, decorative lights and accessories, and motor vehicle accessories; undertaking of lighting engineering projects; lighting engineering technological development, consulting, services, and project investment; import and export of goods or technologies | 1,715.80 | 6,344.2 | 3,150.59 | -120.91 |
| Progress (if any) of significant projects under construction of investee enterprise | | None | | | | | |

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 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.

2. On 16 October 2020, the Company held the Second Extraordinary General Meeting in 2020, 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 RMB300 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. | 22 June 2019 | www.cninfo.com.cn |
| Announcement on Signing Financial Service Agreement with Guangdong Rising Finance Co., Ltd. | 25 August 2020 | 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

Overview of cash entrusted for wealth management during the Reporting Period

Unit: RMB'0,000

| Type | Funding source | Amount | Undue amount | Unrecovered overdue amount |
|-----------------------------------|----------------|--------|--------------|----------------------------|
| Bank's wealth management products | Self-funded | 25,000 | 40,000 | 0 |
| Others | Self-funded | 67,000 | 0 | 0 |
| Total | | 92,000 | 40,000 | 0 |

High-risk wealth management transactions with a significant single amount, or with low security, low liquidity or no principal protection:

☒ 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 Merchants Bank (Foshan) | Bank | Not principal-protected with | 10,000 | The Company's own idle | 17 Sept. 2020 | 17 Sept. 2021 | Investment | Repayment of principal | 4.30% | 428.82 | 123.7 | To be received | | Yes | Yes | www.cninfo.com.cn |

| n branch) | | floatin g yield | | funds | | | | with yield upon maturi ty | | | | | | | | |
|--|------|--|--------|--|--------------------|--------------------|----------------|---|-------|--------|--------|-----------------------|--|-----|-----|---|
| Industr ial Bank (sub-b ranch of Baiyu n, Guang zhou) | Bank | Not princip al-prot ected with floatin g yield | 10,000 | The Comp any's own idle funds | 31 Dec. 2020 | 31 Mar. 2021 | Invest ment | Repay ment of princi pal with yield upon maturi ty | 3.60% | 88.77 | 0.99 | To be receiv ed | | Yes | Yes | www. cninfo .com.c n |
| China Merch ants Bank (Fosha n branch) | Bank | Not princip al-prot ected with floatin g yield | 20,000 | The Comp any's own idle funds | 30 Dec. 2020 | 31 Mar. 2021 | Invest ment | Repay ment of princi pal with yield upon maturi ty | 3.60% | 179.51 | 3.95 | To be receiv ed | | Yes | Yes | www. cninfo .com.c n |
| Total | | | 40,000 | -- | -- | -- | -- | -- | -- | 697.10 | 128.64 | -- | | -- | -- | -- |

Situation where the principal is expectedly irrecoverable or an impairment may be incurred:

☐ Applicable ☒ Not applicable

(2) Entrusted Loans

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Significant Contracts Arising in the Ordinary Course of Business

☐ Applicable ☒ Not applicable

5. Other Significant 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. Production Safety, Environmental Protection and Sustainable Development

The Company sees production safety, environmental protection and energy conservation as an important part of its strategy of sustainable development. It implements accountability systems in relation environmental protection and production safety in strict accordance with the applicable laws and regulations. In addition, it is ISO9001-(a quality management system), IATF16949-(a quality management system), ISO14001-(an environment management system), ISO45001-(a management system for occupational health and safety) and ISO50001-(an energy management system) certified. In 2018, upon the review and publication by the Ministry of Industry and Information Technology, the Company was certified as one of the second batch of National Demonstration Entity of 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. After the outbreak of the COVID-19 pandemic in China in early 2020, the company donated in a timely manner ceiling lights, ultraviolet disinfection lights, switches and the like to the Huoshenshan Hospital in Wuhan City, the 4th People’s Hospital in Foshan City, the Zhengzhou City-version of “Xiaotangshan Hospital” in Henan Province, and the newly infected ward of the Hospital of Fuqing City, Fujian Province. The Company play its part as a corporate citizen with real actions.

2. Measures Taken for Targeted Poverty Alleviation

| Indicator | Measurement unit | Amount/Progress |
|--|------------------|-----------------|
| I. General condition | —— | —— |
| Of which: 1. Funds | RMB’0,000 | 3 |
| 2. Discount on supplies | RMB’0,000 | 0.5 |
| 3. Number of people out of poverty being helped to establish | Person | |

| | | |
|--|-----------|-----|
| archival cards | | |
| II. Itemized investment | — | — |
| 8. Social poverty alleviation | — | — |
| Of which: 8.1 Input amount of cooperation of the eastern and western poverty alleviation | RMB'0,000 | 3.5 |
| 8.2 Input amount of fixed-point poverty alleviation | RMB'0,000 | |
| 8.3 Input amount of public welfare fund for poverty alleviation | RMB'0,000 | |

Since 2018, The Company vigorously responds to the government's call to participate in the poverty alleviation undertaking., and signed the contract of social forces and pairing system with Luohong Jiagu Village in Kuyi County, Zhaojue Town, Liangshan Prefecture, Sichuan Province. According to the contract, the Company has donated industrial support funds every year for three consecutive years, and launched the activities including “purchase instead of donation”, students assistance and love assistance, etc., actively fulfilled the social responsibility of targeted poverty alleviation.

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.

☐ Yes ☒ No

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

On 18 December 2020, the Company called the third extraordinary general meeting of 2020, at which the Proposal on the Repurchase of Part of the Company's Renminbi-Denominated Ordinary Shares (A-Shares) and Domestic Listed Foreign Investment Shares (B-Shares) was examined and approved. For details, see the Announcement on the Repurchase of Part of the Company's Renminbi-Denominated Ordinary Shares (A-Shares) and Domestic Listed Foreign Investment Shares (B-Shares) published on the China Securities Journal, the Securities Times, the Securities Daily, Ta Kung Pao and Cninfo (cninfo.com.cn). As of 31 December 2021, the Company had repurchased a total of 31,070,300 A-Shares and 3,799,702 B-shares of the Company through centralized bidding. The repurchased shares account for 2.49% of the Company's total share capital. The A-shares were repurchased at a highest price of RMB6.70 per share and a lowest price of RMB6.03 per share, with a total cost of RMB 196.959 million (excluding transaction costs). The B shares were repurchased a highest price of HKD3.40 per share and a lowest price of HKD3.14 per share, with a total cost of HKD 12.4382 million(excluding transaction costs).

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 | 13,653,051 | 0.98% | | | | -483,855 | -483,855 | 13,169,196 | 0.94% |
| 1.2 Shares held by state-owned legal persons | 1 | 0.00% | | | | | | 1 | 0.00% |
| 1.3 Shares held by other domestic investors | 4,725,418 | 0.34% | | | | -483,855 | -483,855 | 4,241,563 | 0.30% |
| Among which: Shares held by domestic legal persons | 3,753,972 | 0.27% | | | | | 0 | 3,753,972 | 0.27% |
| Shares held by domestic natural persons | 971,446 | 0.07% | | | | -483,855 | -483,855 | 487,591 | 0.03% |
| 1.4 Shares held by foreign investors | 8,927,632 | 0.64% | | | | | 0 | 8,927,632 | 0.64% |
| Shares held by foreign natural persons | 8,927,632 | 0.64% | | | | | 0 | 8,927,632 | 0.64% |
| 2. Unrestricted shares | 1,385,693,103 | 99.02% | | | | 483,855 | 483,855 | 1,386,176,958 | 99.06% |
| 2.1 RMB-denominated ordinary shares | 1,072,554,652 | 76.65% | | | | 483,855 | 483,855 | 1,073,038,507 | 76.68% |
| 2.2 Domestically listed foreign shares | 313,138,451 | 22.38% | | | | | 0 | 313,138,451 | 22.38% |
| 3. Total shares | 1,399,346,154 | 100.00% | | | | | 0 | 1,399,346,154 | 100.00% |

Reasons for share changes:

☒ Applicable ☐ Not applicable

Unrestricted shares increased 483,855 shares since the shares held by directors and senior management of the Company who left during the Reporting Period were freed from the lock-in-period.

Approval of share changes:

☐ Applicable ☒ Not applicable

Transfer of share ownership:

☐ Applicable ☒ Not applicable

Progress on any share repurchases:

☒ Applicable ☐ Not applicable

On 18 December 2020, the Company convened the third extraordinary general meeting of 2020, at which the *Proposal on the Repurchase of Part of the Company's Renminbi-Denominated Common Shares (A-Shares) and Domestic Listed Foreign Investment Shares (B-Shares)* was examined and approved. For details, see the *Announcement on the Repurchase of Part of the Company's Renminbi-Denominated Common Shares (A-Shares) and Domestic Listed Foreign Investment Shares (B-Shares)* published on the *China Securities Journal*, the *Securities Times*, the *Securities Daily*, *Ta Kung Pao* and Cninfo (cninfo.com.cn) dated 24 December 2020. As of 31 December 2020, no transaction of repurchase of the Company's shares had been made.

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

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

| Number of ordinary shareholders | 78,500 | Number of ordinary shareholders at the month-end prior to the disclosure of this Report | 73,406 | Number of preferred shareholders with resumed voting rights (if any) (see note 8) | 0 | Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8) | 0 | |
|---|-----------------------|---|-------------------------------------|---|------------------------|---|----------------------------|------------|
| 5% or greater shareholders or top 10 shareholders | | | | | | | | |
| 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 |
| Hongkong Wah Shing Holding Company Limited | Foreign legal person | 13.47% | 188,496,430 | 0 | 0 | 188,496,430 | In pledge | 92,363,251 |
| Prosperity Lamps & Components Limited | Foreign legal person | 10.50% | 146,934,857 | 0 | 0 | 146,934,857 | | |
| Guangdong | State-owned | 8.77% | 122,694,246 | 56,300,745 | 0 | 122,694,246 | In pledge | 32,532,815 |

| | | | | | | | | |
|--|--------------------------|--|------------|------------|-----------|------------|----------------|------------|
| Electronics Information Industry Group Ltd. | legal person | | | | | | | |
| Shenzhen Rising Investment Development Co., Ltd. | State-owned legal person | 5.12% | 71,696,136 | 0 | 0 | 71,696,136 | In pledge | 35,800,000 |
| Central Huijin Asset Management Co., Ltd. | State-owned legal person | 2.42% | 33,878,900 | 0 | 0 | 33,878,900 | | |
| Essence International Securities (Hong Kong) Co., Ltd. | Foreign legal person | 2.36% | 33,050,128 | 2,041,215 | 0 | 33,050,128 | | |
| Rising Investment Development Limited | Foreign legal person | 1.82% | 25,482,252 | 0 | 0 | 25,482,252 | | |
| DBS Vickers(Hong Kong) Ltd A/C Clients | Foreign legal person | 1.33% | 18,637,655 | -3,364,482 | 0 | 18,637,655 | | |
| China Merchants Securities (Hong Kong) Co., Ltd | Foreign legal person | 1.00% | 13,963,394 | 1,803,158 | 0 | 13,963,394 | | |
| Zhuang Jianyi | Foreign natural person | 0.85% | 11,903,509 | 0 | 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, Hongkong Wah Shing Holding Company Limited, Shenzhen Rising Investment Development Co., Ltd., Guangdong Electronics Information Industry Group Ltd. and Rising Investment Development Limited 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. | | | | | | |
| Above shareholders involved in entrusting/being entrusted with voting rights and giving up voting rights | | Naught | | | | | | |
| Top 10 unrestricted shareholders | | | | | | | | |
| Name of shareholder | | Unrestricted shares at the Period-end | | | | | Type of shares | |

| | | Type | Shares |
|---|---|-----------------------------------|-------------|
| Hongkong 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 |
| Guangdong Electronics Information Industry Group Ltd. | 122,694,246 | RMB-denominated ordinary stock | 122,694,246 |
| Shenzhen Rising Investment Development Co., Ltd. | 71,696,136 | RMB-denominated ordinary stock | 71,696,136 |
| Central Huijin Asset Management Co., Ltd. | 33,878,900 | RMB-denominated ordinary stock | 33,878,900 |
| Essence International Securities (Hong Kong) Co., Ltd. | 33,050,128 | Domestically listed foreign stock | 33,050,128 |
| Rising Investment Development Limited | 25,482,252 | Domestically listed foreign stock | 25,482,252 |
| DBS Vickers(Hong Kong) Ltd A/C Clients | 18,637,655 | Domestically listed foreign stock | 18,637,655 |
| China Merchants Securities (Hong Kong) Co., Ltd | 13,963,394 | Domestically listed foreign stock | 13,963,394 |
| Guangdong Rising Finance Holding Co., Ltd. | 11,434,762 | RMB-denominated ordinary stock | 11,434,762 |
| Related or acting-in-concert parties among the top 10 unrestricted ordinary shareholders, as well as between the top 10 unrestricted ordinary shareholders and the top 10 ordinary shareholders | Among the top 10 unrestricted ordinary shareholders, Hongkong Wah Shing Holding Company Limited, Shenzhen Rising Investment Development Co., Ltd., Guangdong Electronics Information Industry Group Ltd., Guangdong Rising Finance Holding Co., Ltd. and Rising Investment Development Limited 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 ordinary shareholders involved in securities margin trading (if any) (see note 4) | None | | |

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. | Liu Shaoping | 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 |
| Rising Investment Development Limited | Yao Shu | 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>3. Guangdong Rising Finance Holding Co., Ltd. held shares in domestic and overseas listed companies as follows:</p> <p>(1) held 33,597,756 shares in Dongjiang Environmental (002672), accounting for 3.82% of total shares of Dongjiang Environmental</p> <p>(2) held 78,547,925 shares in Zhongjin Lingnan (000060), accounting for 2.20% 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

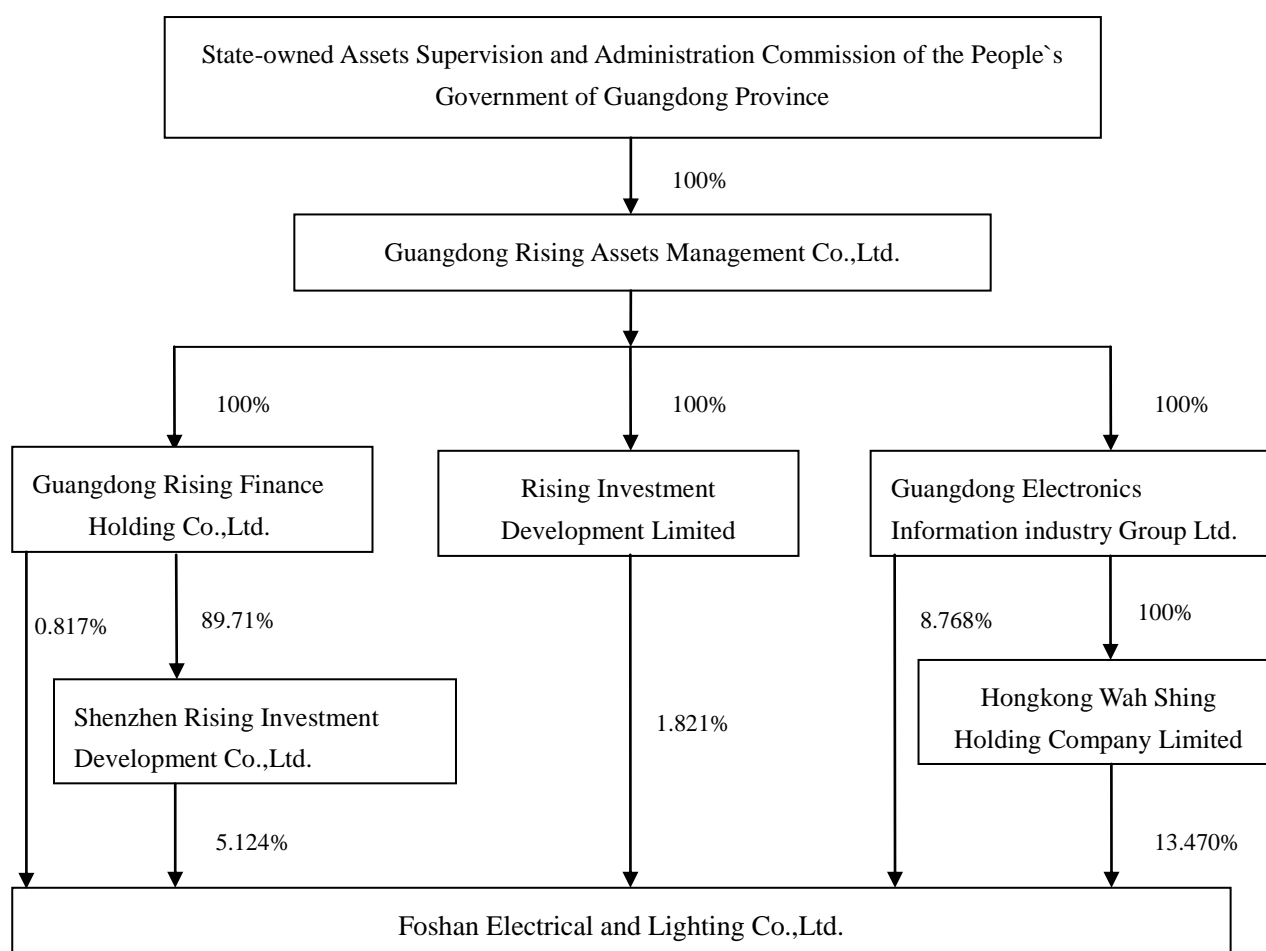
| Name of actual controller | Legal representative/person in charge | Date of establishment | Unified social credit code | Principal activity |
|---|--|-----------------------|----------------------------|--|
| Guangdong Rising Holdings Group Co., Ltd. | Liu Weidong | 23 December 1999 | 91440000719283849E | 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 Holdings Group 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 34.48% stake of 1,230,807,848 shares in Zhongjin Lingnan Nonfemet (stock code: 000060); 3. a 20.50% stake of 183,495,085 shares in Fenghua Advanced (stock code: 000636); 4. a 21.32% stake of 131,804,995 shares in NationStar Optoelectronics (stock code: 002449); 5. a 25.72% stake of 226,147,494 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). | | | |

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 Preference Shares

☐ Applicable ☒ Not applicable

No preference 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) |
|----------------|---------------------------------------|------------------|--------|-----|-----------------|----------------|--------------------------------|--|--|---------------------------------|-----------------------------|
| Wu Shenghui | Board Chairman | Incumbent | Male | 50 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Zhuang Jianyi | Vice Board Chairman | Incumbent | Male | 69 | 24 August 2020 | 23 August 2023 | 11,903,509 | 0 | 0 | 0 | 11,903,509 |
| Lei Zihe | Director & GM | Incumbent | Male | 53 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Zhang Xianfeng | Director | Incumbent | Male | 50 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Cheng Ke | Director | Incumbent | Male | 46 | 24 August 2020 | 23 August 2023 | 11,550 | 0 | 0 | 0 | 11,550 |
| Huang Zhiyong | Director | Incumbent | Male | 51 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Zhang Nan | Independent Director | Incumbent | Female | 71 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Lu Rui | Independent Director | Incumbent | Male | 45 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Dou Linping | Independent Director | Incumbent | Male | 61 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Li Huashan | Chairman of the Supervisory Committee | Incumbent | Male | 57 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Li Yizhi | Supervisor | Incumbent | Male | 33 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | | |
|---------------|----------------------|-----------|--------|----|------------------|----------------|------------|---|---|---|------------|
| Zhuang Junjie | Supervisor | Incumbent | Male | 35 | 24 August 2020 | 23 August 2023 | 0 | 0 | 0 | 0 | 0 |
| Ye Zhenghong | Supervisor | Incumbent | Male | 47 | 24 August 2020 | 23 August 2023 | 77,561 | 0 | 0 | 0 | 77,561 |
| Lin Qing | Supervisor | Incumbent | Male | 51 | 24 August 2020 | 23 August 2023 | 22,583 | 0 | 0 | 0 | 22,583 |
| Zhang Xuequan | Executive Vice GM | Incumbent | Male | 43 | 24 August 2020 | 23 August 2023 | 73,052 | 0 | 0 | 0 | 73,052 |
| Tang Qionglan | CFO | Incumbent | Female | 50 | 24 August 2020 | 23 August 2023 | 75,940 | 0 | 0 | 0 | 75,940 |
| Wei Bin | Vice GM | Incumbent | Male | 51 | 24 August 2020 | 23 August 2023 | 105,226 | 0 | 0 | 0 | 105,226 |
| Jiao Zhigang | Vice GM | Incumbent | Male | 48 | 24 August 2020 | 23 August 2023 | 90,399 | 0 | 0 | 0 | 90,399 |
| Chen Yu | Vice GM | Incumbent | Male | 48 | 24 August 2020 | 23 August 2023 | 66,066 | 0 | 0 | 0 | 66,066 |
| Zhang Yong | Vice GM | Incumbent | Male | 46 | 24 August 2020 | 23 August 2023 | 77,596 | 0 | 0 | 0 | 77,596 |
| Xu Xiaoping | Vice GM | Incumbent | Male | 50 | 24 August 2020 | 23 August 2023 | 37,270 | 0 | 0 | 0 | 37,270 |
| He Yong | Board Chairman | Former | Male | 60 | 25 December 2015 | 24 April 2020 | 0 | 0 | 0 | 0 | 0 |
| Liu Xingming | Director & GM | Former | Male | 58 | 25 December 2015 | 24 April 2020 | 645,140 | 0 | 0 | 0 | 645,140 |
| Qi Siyin | Director | Former | Male | 40 | 25 December 2015 | 24 August 2020 | 0 | 0 | 0 | 0 | 0 |
| Liang Yueyi | Supervisor | Former | Female | 46 | 25 December 2015 | 24 August 2020 | 0 | 0 | 0 | 0 | 0 |
| Lyu Wei | Independent Director | Former | Male | 56 | 25 December 2015 | 24 August 2020 | 0 | 0 | 0 | 0 | 0 |
| Total | -- | -- | -- | -- | -- | -- | 13,185,892 | 0 | 0 | 0 | 13,185,892 |

II Change of Directors, Supervisors and Senior Management

√Applicable □ Not applicable

| Name | Office title | Type of change | Date of change | Reason for change |
|----------------|----------------------|------------------------------------|----------------|---|
| Wu Shenghui | Board Chairman | Elected | 24 August 2020 | Elected as a director at a general meeting and as the Chairman of the Board by the Board of Directors. |
| Lei Zihe | Director & GM | Elected | 24 August 2020 | Elected as director of the Company by shareholders' meeting and appointed as GM of the Company by the Board |
| Zhang Xianfeng | Director | Elected | 24 August 2020 | Elected as director of the Company by shareholders' meeting |
| Dou Linping | Independent Director | Elected | 24 August 2020 | Elected as independent director of the Company by shareholders' meeting |
| Li Yizhi | Supervisor | Elected | 24 August 2020 | Elected as supervisor of the Company by shareholders' meeting |
| He Yong | Board Chairman | Left | 24 April 2020 | Job turnover |
| Liu Xingming | Director & GM | Left | 24 April 2020 | Resign for personal reason |
| Lyu Wei | Independent Director | Left | 24 August 2020 | Resign for personal reason |
| Qi Siyin | Director | Left for expiration of appointment | 24 August 2020 | Left for expiration of appointment |
| Liang Yueyi | Supervisor | Left for expiration of appointment | 24 August 2020 | Left for expiration of appointment |

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. Wu Shenghui: Han nationality, was born in July 1970. He is a member of the CPC and has no right of permanent residence in a foreign country. He finished a part-time postgraduate program. Previously, he has served as Senior Staff Member and then Principal Staff Member of Guangdong Provincial Commission for Discipline Inspection, Assistant Manager and then Manager of the Human Resources Department and then Manager of the Department of Party and Mass Work and Personnel of Guangdong Rising Holdings Group Co., Ltd., and CPC

Committee Secretary, then Full-Time Deputy Secretary and then Director of Shenzhen Zhongjin Lingnan Nonfemet Company Limited. He became CPC Committee Member and Secretary of the Company in April 2020 and became President of the Board of Directors of the Company in May 2020.

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

Mr. Lei Zihe: Han nationality, was born in August 1967. He is a member of the CPC and has no right of permanent residence in a foreign country. He finished a postgraduate program and bears a professional title of Senior Engineer. Previously, he has served as Assistant Manager of the Quality Management Department, then Manager of the Technical Department, then Director of the No. 1 Device Factory, and then Manager of the Second Marketing Department of Foshan Optoelectronic Devices Company, Assistant to the General Manager and then Secretary of the Board of Directors of Foshan NationStar Optoelectronic Technology Co., Ltd., CPC Committee Member, then Vice General Manager and General Manager of the RGB Device Division, then Director, and then Executive General Manager of Foshan NationStar Optoelectronics Co., Ltd., and President of the Board of Directors of Foshan NationStar Semiconductor Technology Co., Ltd.. He became CPC Committee Member and Deputy Secretary of the Company in April 2020 and became Director and General Manager of the Company in May 2020.

Mr. Zhang Xianfeng: Han nationality, was born in July 1970. He is a member of the CPC and has no right of permanent residence in a foreign country. He finished a MBA program at Renmin University of China and bears professional titles of Senior Political Mentor and Economist. Previously, he has served as Assistant Departmental Manager and then Departmental Manager of China Guangdong International Economic and Technological Cooperation (Group) Company, Assistant Director and then Director of the General Office of Guangdong Xinguang International Group Co., Ltd., Assistant Manager of the Human Resources Department, then Assistant Manager of the Department of Party and Mass Work and Personnel, then Assistant Director of the CPC Committee's General Office, and then Manager of the Department of Party and Mass Work of Guangdong Rising Holdings Group Co., Ltd.. He became CPC Committee Member and Deputy Secretary of the Company in June 2020, became Chairman of the Labor Union of the Company in July 2020, and became Director of the Company in August 2020.

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 Vice-Minister and the Minister of the Financing Plan Department and Vice Minister of Audit Department in Guangdong Rising Holdings Group Co., Ltd., Vice GM of Hubei Ashennan Expressway Development Co., Ltd., the Executive Deputy GM of Hubei Gdrising Han-E Expressway Co., Ltd. and Hubei Han-Cai Expressway Co., Ltd., the Director of Guangdong Rising Finance Co., Ltd and Rising Investment Development Limited. And now acts as the Full-time Director accredited to the Company by Capital Operation Department of Guangdong Rising Holdings Group Co., Ltd., Director of Guangdong Fenghua Advanced Technology Holding Co., Ltd and Foshan NationStar Optoelectronics Co., Ltd. He serves as a Director of the Company since December 2015.

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, the GM Assistant and Vice GM in Guangdong Electronics Information Industry Group Ltd. He now acts as a member of CPC, Deputy Secretary of CPC and Chairman of Labor Union in Guangdong Electronics Information Industry Group Ltd. And he serves as a Director of the Company since December 2015.

Ms. Zhang Nan: 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. After joining the workforce, she worked at Sinopec Yanshan Petro-Chemical Industry Corporation and then the former Beijing Municipal Office of the Electronics Industry. In 1992, she was transferred to the former State Economic and Trade Commission (SETC) and worked at the Research Laboratory, then the Regulations Bureau, and then the Economic Cadre Training Center with a rank of Division Head, then Deputy Bureau Director, and then Bureau Director. Later, she was transferred to the State-owned Assets Supervision and Administration Commission of the State Council and served as bureau-level full-time Supervisor. She retired in March 2009. She used to be an Independent Director of CSCL and Guangdong Rising Nonferrous Metals Co., Ltd. after she retired. And she serves as an independent director of the Company since December 2015.

Mr. Lu Rui: Chinese Han Nationality, no permanent residency abroad, born in January 1975. 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 once acted as the Teaching Assistant and the Lecturer of the Financial Accounting Department

of Guangzhou Finance & Trade Management Institute; the Lecturer and associate professor of the Finance and Taxation Department of Lingnan College of Sun Yat-Sen University; and the associate professor of Finance of the Lingnan College of Sun Yat-Sen University. And he now acts as a profession of Finance and doctoral tutor at the Lingnan College and director of Accounting and Capital Operation Research Center in Sun Yat-Sen University. 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., Bank of Guangzhou Co., Ltd., Huabang Construction Investment Group and PSBC Consumer Finance Co., Ltd. And he serves as an independent director of the Company since December 2015.

Mr. Dou Linping: Han nationality, was born in August 1959. He is of Chinese nationality and has no right of permanent residence in a foreign country. He received a bachelor's degree and bears a professional title of Senior Engineer. Previously, he has served as Director of the Office of Design Standards and then Vice Director of Beijing Luminaries Research Institution, Deputy Secretary-General and Managing Director of China Association of Lighting Industry, and Managing Director and Secretary-General of China Illuminating Engineering Society. At present, he serves as Vice Director-General of China Solid State Lighting Alliance and Independent Director of Hengdian Group TOSPO Lighting Co., Ltd.. He serves as an independent director of the Company since August 2020.

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 Holdings Group 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 serves as the member of the Party Committee, secretary of Committee for Discipline Inspection of the Company since December 2018 and the chairman of the Supervisory Committee of the Company since April 2019.

Mr. Li Yizhi: Han nationality, was born in March 1987. He is a member of the CPC. He received a bachelor's degree and is an Association of Chartered Certified Accountants (ACCA) certified accountant. Previously, he has worked at the Guangzhou Office of WUYIGE Certified Public Accountants LLP (special general partnership) as an Audit Assistant, at the Guangdong Office of Pan-China Certified Public Accountants LLP (special general partnership) as a Project Manager, at the Shenzhen Office of PricewaterhouseCoopers Zhong Tian LLP (special general partnership) as an auditor, and at the Guangdong Office of China Central Public Accounting Firm (special general partnership) as a Project Manager. At present, he serves as Supervisor of the Finance Department (Settlement Center) of Guangdong Rising Holdings Group Co., Ltd.. He serves as a supervisor of the Company since August 2020.

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 Prosperity Lighting Equipment Co., Ltd. And he serves as a supervisor of the Company since 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 from April 2019 to June 2020; and acted as the vice GM of FSL Zhida Electric Technology Co., Ltd. from November 2016 to February 2020, and acted as the 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, 8th and 9th 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 from October 2009 to September 2020 ; as the Technical Director of the R&D and Technology Department since October 2020; in July 2015, elected as a discipline committee member of the company's CPC committee. And he serves as an Employee Supervisor of the Company since September 2016.

3. Working experience of the Senior Management Staff

Mr. Lei Zihé: Han nationality, was born in August 1967. He is a member of the CPC and has no right of permanent residence in a foreign country. He finished a postgraduate program and bears a professional title of Senior Engineer. Previously, he has served as Assistant Manager of the Quality Management Department, then Manager of the Technical Department, then Director of the No. 1 Device Factory, and then Manager of the Second Marketing Department of Foshan Optoelectronic Devices Company, Assistant to the General Manager and then Secretary of the Board of Directors of Foshan NationStar Optoelectronic Technology Co., Ltd., CPC Committee Member, then Vice General Manager and General Manager of the RGB Device Division, then Director, and then Executive General Manager of Foshan NationStar Optoelectronics Co., Ltd., and President of the Board of Directors of Foshan NationStar Semiconductor Technology Co., Ltd.. He became CPC Committee Member and Deputy Secretary of the Company in April 2020 and became Director and General Manager of the Company in May 2020.

Mr. Zhang Xuequan: Born in December 1977, a member of the Communist Party of China, MBA of Lingnan College of Sun Yat-Sen University. He joined the Company in 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 from February 2016 to December 2018. 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, 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.. and serves as the Chief Financial Officer of the Company since January 2016.

Mr. Wei Bin: Born in May 1969, a member of the Communist Party of China and a Senior engineer of electronic engineering technology with a Master'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 January 2006 to November 2008, acted as the Department Director of the Technology Department from November 2008 to August 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 entered the Company in 1994. 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; acted as 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 the Company in 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 senior engineer with a bachelor degree. He joined in the Company in July 1997. 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; served as the chairman of the Labor Union of the Company from September 2013 to May 2019; 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, also as the General Manager of Guangdong Fenghua Semiconductor Technology Co., Ltd., and Deputy Director of Headquarters Operations Center; 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 since 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 |
|---------------|---|---|-----------------|---------------|--|
| Cheng Ke | Guangdong Rising Holdings Group Co., Ltd. | Full-time director accredited to the listed company by capital operation department | | | Yes |
| Huang Zhiyong | Guangdong Electronics Information Industry Group Ltd. | Deputy Secretary of CPC, Chairman of the Labor Union | | | Yes |
| Zhuang Jianyi | Prosperity Lamps & Components Limited | Chairman of the Board | | | 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 |
|------|--------------|---------------------------|-----------------|---------------|---|
| | | | | | |

| | | | | | |
|-------------|--|------------------------------|--|--|-----|
| Lu Rui | Lingnan (University) College of Sun Yat-Sen University | Professor and doctoral tutor | | | Yes |
| Dou Linping | CHINA SOLED STATE LIGHTING ALLIANCE | Vice Chairman | | | 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 senior management in 2019 in accordance with the Plan for Implementing the Equity Incentive Mechanism for Middle-and Top-Rank Management Personnel, and Compensation Plan for Executive Officers, 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. The remuneration of the Company's Directors and senior managers for year 2020 will be determined through assessment by the Board of the Company according to the <i>Measures of Foshan Electrical and Lighting Co., Ltd. for Managing the Remuneration of the Leadership Team Members</i> . |
| Basis for determining the remuneration of directors, supervisors and senior management | The remuneration of senior management in 2019 was decided in accordance with the Plan for Implementing the Equity Incentive Mechanism for Middle-and Top-Rank Management Personnel, and Compensation Plan for Executive Officers; The remuneration of the Company's Directors and senior managers for year 2020 will be determined through assessment according to the <i>Measures of Foshan Electrical and Lighting Co., Ltd. for Managing the Remuneration of the Leadership Team Members</i> . The Supervisors are remunerated according to their administrative duties and are not additionally compensated for their performing supervisory duties. 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 2020 were RMB12.0912 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 | Any remuneration from related party |
|------|--------------|--------|-----|------------------|--|-------------------------------------|
|------|--------------|--------|-----|------------------|--|-------------------------------------|

| | | | | | Company | |
|----------------|---------------------------------------|--------|----|-----------|----------|-----|
| Wu Shenghui | Board Chairman | Male | 50 | Incumbent | 55.32 | No |
| Zhuang Jianyi | Vice Board Chairman | Male | 69 | Incumbent | | Yes |
| Lei Zihe | Director & GM | Male | 53 | Incumbent | 55.27 | No |
| Zhang Xianfeng | Director | Male | 50 | Incumbent | 35.07 | No |
| Cheng Ke | Director | Male | 46 | Incumbent | | Yes |
| Huang Zhiyong | Director | Male | 51 | Incumbent | | Yes |
| Zhang Nan | Independent Director | Female | 71 | Incumbent | | No |
| Lu Rui | Independent Director | Male | 45 | Incumbent | 14.4 | No |
| Dou Linping | Independent Director | Male | 61 | Incumbent | 4.80 | No |
| Li Huashan | Chairman of the Supervisory Committee | Male | 57 | Incumbent | 101.14 | No |
| Li Yizhi | Supervisor | Male | 33 | Incumbent | | Yes |
| Zhuang Junjie | Supervisor | Male | 35 | Incumbent | | Yes |
| Ye Zhenghong | Supervisor | Male | 47 | Incumbent | 57.29 | No |
| Lin Qing | Supervisor | Male | 51 | Incumbent | 36.28 | No |
| Zhang Xuequan | Executive Vice GM | Male | 43 | Incumbent | 87.61 | No |
| Tang Qionglan | CFO | Female | 50 | Incumbent | 99.29 | No |
| Wei Bin | Vice GM | Male | 51 | Incumbent | 96.00 | No |
| Jiao Zhigang | Vice GM | Male | 48 | Incumbent | 91.89 | No |
| Chen Yu | Vice GM | Male | 48 | Incumbent | 87.47 | No |
| Zhang Yong | Vice GM | Male | 46 | Incumbent | 87.54 | No |
| Xu Xiaoping | Vice GM | Male | 50 | Incumbent | 73.30 | No |
| He Yong | Board Chairman | Male | 60 | Former | | Yes |
| Liu Xingming | Director & GM | Male | 58 | Former | 169.42 | No |
| Qi Siyin | Director | Male | 40 | Former | | Yes |
| Lyu Wei | Independent Director | Male | 56 | Former | 9.60 | No |
| Liang Yueyi | Supervisor | Female | 46 | Former | 47.43 | No |
| Total | -- | -- | -- | -- | 1,209.12 | -- |

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 | 5,753 |
| Number of in-service employees of main subsidiaries | 2,163 |
| Total number of in-service employees | 7,916 |
| Total number of employees with remuneration in this Reporting Period | 7,916 |
| Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension | 0 |
| Functions | |
| Function | Number of employees |
| Production | 6,081 |
| Sales | 801 |
| Technical | 764 |
| Financial | 50 |
| Administrative | 220 |
| Total | 7,916 |
| Educational backgrounds | |
| Educational background | Number of employees |
| Master and above | 35 |
| Bachelor | 731 |
| College | 1,054 |
| Technical secondary school and high school | 1,188 |
| Below high school | 4,908 |
| Total | 7,916 |

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

☐ Yes ☒ No

No such cases in the Reporting Period.

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

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

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

independent from the controlling shareholders with any situation of working under one roof with the controlling shareholders.。

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

III Horizontal Competition

☐ Applicable ☒ Not applicable

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 2019 Annual General Meeting | Annual General Meeting | 38.22% | 7 May 2020 | 8 May 2020 | Announcement on Resolutions of the 2019 Annual General Meeting (No. 2020-020) disclosed on www.cninfo.com.cn |
| The 1 st Extraordinary General Meeting of 2020 | Extraordinary General Meeting | 41.95% | 24 August 2020 | 25 August 2020 | Announcement on Resolutions of the 1 st Extraordinary General Meeting of 2020 (No. 2020-042) disclosed on www.cninfo.com.cn |
| The 2 nd Extraordinary General Meeting of 2020 | Extraordinary General Meeting | 41.38% | 16 October 2020 | 17 October 2020 | Announcement on Resolutions of the 2 nd Extraordinary General Meeting of 2020 (No. 2020-053) disclosed on www.cninfo.com.cn |
| The 3 rd Extraordinary General Meeting of 2020 | Extraordinary General Meeting | 41.66% | 18 December 2020 | 19 December 2020 | Announcement on Resolutions of the 3 rd Extraordinary General Meeting of 2020 (No. 2020-065) 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 | 15 | 2 | 13 | 0 | 0 | No | 2 |
| Lu Rui | 15 | 3 | 12 | 0 | 0 | No | 3 |
| Dou Linping | 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, the Independent Directors of the Company worked to fulfill their functions and duties, actively attended Board of Directors meetings and Shareholders' General Meetings, offered advices and suggestions and performed their rights, functions, duties, and obligations as defined in the *Company Law*, the *Securities Law* and the *Articles of Association*. They fulfilled their role as an Independent Director, upheld the

legitimate rights and interests of the Company and its shareholders, especially the minority shareholders, promoted further improvement in corporate governance and effectively facilitated regulatory compliance of the Company's operation. During the reporting period, the Independent Directors of the Company performed their functions and duties, made full use of their professional knowledge, worked diligently to fulfill their duties and offered many invaluable advices and suggestions on the Company's management decision-making and major matters based on their in-depth understanding of the Company's operations. They offered independent, unbiased opinions on the Company's matters such as purchase of finance products, profit distribution, avoidance of horizontal competition, recruitment of accounting firms, related-party transactions, share repurchase and measures for managing the remuneration of the leadership team members. They played their due role in improving the Company's supervision mechanism, promoting improvement in the Company's risk control capacity and upholding the legitimate rights and interests 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 25 March 2020, the Audit Committee convened a meeting to discuss and approve the following topics:

- (1) 2019 financial audit and internal control audit report of the Company;
- (2) 2019 annual work report and 2020 work plan of the Audit Department;
- (3) 2020 report on risk evaluation of the Company.

2. 9 July 2020, the Audit Committee convened a meeting to discuss and approve the following topics:

- (1) Work summary of the Audit Department for Q1 2020;
- (2) Proposal on revising internal audit systems.

3. 25 September 2020, the Audit Committee convened a meeting to discuss and approve the following topics:

- (1) Proposal on renewing the engagement of auditing agency for 2020;
- (2) Work summary of the Audit Department for H1 2020.

4. 10 December 2020, the Audit Committee convened a meeting to discuss and approve the Work Summary of the

Audit Department for the First Three Quarter of 2020.

(II) Work Accomplished by the Remuneration and Assessment Committee

On 25 March 2020, 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 2019, 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 2019 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.

(III) Work Accomplished by the Nomination Committee

1. On 24 April 2020, the Nomination Committee of the Board of Directors convened a meeting to review the qualifications of candidates Mr. Wu Shenghui and Mr. Lei Zihe for directors and considered that they were eligible and agreed to submit the proposal to the Board for review.
2. On 6 August 2020, the Nomination Committee of the Board of Directors convened a meeting to review the qualifications of candidates for non-independent and independent directors of the 9th Board of Directors and considered that they were eligible and agreed to submit the proposal to the Board for review.

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 Remuneration & Appraisal Committee under the Board of Directors decides the remuneration of senior

management in 2019 in accordance with the Plan for Implementing the Equity Incentive Mechanism for Middle-and Top-Rank Management Personnel, and Compensation Plan for Executive Officers, 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.

The remuneration of the Company's Directors and senior managers for year 2020 will be determined through assessment by the Board of the Company according to the *Measures of Foshan Electrical and Lighting Co., Ltd. for Managing the Remuneration of the Leadership Team Members*.

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 | 9 April 2021 | |
| Index to the disclosed internal control self-evaluation report | See www.cninfo.com.cn for the Internal Control Self-Evaluation Report 2020 | |
| Evaluated entities' combined assets as % of consolidated total assets | 100.00% | |
| Evaluated entities' combined operating revenue as % of consolidated operating revenue | 100.00% | |
| Identification standards for internal control weaknesses | | |
| Type | Weaknesses in internal control over financial reporting | Weaknesses in internal control not related to financial reporting |
| Nature standard | Defect with one of the following characteristics should be recognized as a serious defect: 1. the defect involved with the malpractices of the Directors, the Supervisors and the Senior Executives; 2. the controlled environment is invalid; 3. the CPA discovered any significant misstatement from the current financial report while the internal control could not discover the mistake during the operating process; 4. the supervision from the Corporate Audit Committee and the internal | 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 |

| | | |
|----------------------------------|--|--|
| | <p>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>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 reputation of the Company; 3. the system of the major business involved with the production and operating of the Company is incomplete or partially invalid; 4. the results of the internal control assessment turn out to include any serious defects and such defects fail to be rectified effectively within 6 months.</p> |
| Quantitative standard | <p>Based on the data of the 2020 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.</p> | <p>According to the quantitative criterion of 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.</p> |
| Number of material weaknesses in | 0 | |

| | |
|--|---|
| internal control over financial reporting | |
| 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 | 9 April 2021 |
| 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 |

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 | 7 April 2021 |
| Name of the independent auditor | Zhongzheng Tiantong Certified Public Accountants LLP |
| No. of independent auditor's report | ZZTT (2021) Auditor's Report No. 0700001 |
| Names of certified public accountants | Tong Quanyong, Chen Wenhong |

Text of the Independent Auditor's Report

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 2020, 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 2020, 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 described in "Note V. Major accounting policies and accounting estimates (XXXIX)" to the consolidated financial statements, on 1 January 2020, the Company started implementing the revised *Accounting Standards for Enterprises No. 14--Revenues* issued by the Ministry of Finance in 2017. Since then, revenue is recognized only when the customer has gained the relevant control of the commodity. In 2020, the Company recorded a revenue of RMB 3,744,914,452.72, up by RMB 407,337,705.06 or 12.20% year-on-year. Considering that the Company may have incorrectly classified, measured and reported revenue items due to inadequate understanding of the new standards, that revenue is used by FSL as a key indicator of performance, and that revenue has an inherent risk of being manipulated to reach the target or anticipated level, revenue has been defined by FSL as a key matter in the scope of audit.

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 operation. (2) Sales contracts will be sample-checked to identify terms and conditions on the transfer of the control of commodities and assess whether the Company complies with the new accounting standards in terms of the time of recognition of revenue. (3) The Company's revenue transactions will be sampled to check the invoices, shipping documents and customs clearance documents and assess whether the revenues are recorded in the appropriate accounting periods. (4) Obtain the record of product replacement and return and check whether there is any major abnormal replacement or return. (5) Letters of confirmation will be obtained from customers to check the exactness and completeness of the data about the balances of accounts receivable. (6) 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. (7) Revenues and costs will be analyzed following pre-established procedures, including an analysis of the variations in revenue, cost and gross margin between product categories and a comparison with previous periods. (8) The industrial and commercial registration information of customers will be sampling checked through public information platforms, including a list of the related parties of each customer for checking the related-party relationship between FSL and customers. (9) The record of the revenue transactions in the current period will be checked for exactness and completeness by using other audit procedures such as checking the payment collections and sales returns subsequent to the current period and the letters of reconciliation between FSL and customers.

(II) Matters concerning acquisition of Hunan Keda's equities

1. Event description

As described in the note to the consolidated financial statements "VIII. Changes in the Scope of Consolidation (II.)" and "XIV. Notes for the Main Items of the Parent Company's Financial Statements (III.)", FSL acquired 100% equities of Hunan Keda New Energy Investment and Development Co., Ltd. (hereinafter referred to as "Hunan Keda") with a consideration of RMB311,628,442.49 in December 2020. Given that the transaction involved complicated business combination accounting like business combination and equity purchase under common control, the management engaged an independent asset appraiser to evaluate Hunan Keda to determine the fair value of its identifiable assets and liabilities, requiring the use of many evaluation hypotheses and estimates like cash flow prediction and discounting rate. Therefore, we determined that this equity acquisition matter was a key audit matter.

2. Audit response

In terms of FSL's acquisition of Hunan Keda's equities, we performed the following main procedures: (1) Learning and testing the design and implementation of FSL's internal control policies related to investment activities in an effort to confirm the effectiveness of internal control operation. (2) Inquiring the management to

learn the commercial substance of this equity transaction matter and assess its rationality. (3) Obtaining and consulting such documents as the equity transfer agreement, meeting resolutions related to equity acquisition of the Board of Shareholders and Board of Directors, documents of equity amount payment, and procedures for the transfer of control rights, inspecting whether relevant legal procedures are finished. (4) Obtaining the asset evaluation report produced by a third-party evaluation institution, evaluate the competence, professionalism and objectivity of the appraiser, and review the accuracy and rationality of the parameters used during the evaluation process. (5) Evaluating the adequacy and suitability of the information on the equity acquisition matter disclosed in the financial statements.

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 2020 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:

Chen Wenhong

7 April 2021

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 2020

Unit: RMB

| Item | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Current assets: | | |
| Monetary assets | 981,249,699.49 | 1,131,305,521.09 |
| Settlement reserve | | |
| Interbank loans granted | | |
| Held-for-trading financial assets | 407,619,201.36 | 901,166,682.64 |
| Derivative financial assets | | |
| Notes receivable | 140,972,143.00 | 109,444,480.94 |
| Accounts receivable | 1,134,233,235.70 | 712,175,266.51 |
| Accounts receivable financing | | |
| Prepayments | 11,994,745.05 | 7,851,390.78 |
| Premiums receivable | | |
| Reinsurance receivables | | |
| Receivable reinsurance contract reserve | | |
| Other receivables | 20,194,968.19 | 24,268,554.00 |
| Including: Interest receivable | | |
| Dividends receivable | | |
| Financial assets purchased under resale agreements | | |
| Inventories | 735,685,116.91 | 637,336,584.06 |
| Contract assets | | |
| Assets held for sale | | |
| Current portion of non-current assets | | |
| Other current assets | 175,090,368.85 | 69,375,238.73 |
| Total current assets | 3,607,039,478.55 | 3,592,923,718.75 |
| Non-current assets: | | |
| Loans and advances to customers | | |

| | | |
|---|------------------|------------------|
| Investments in debt obligations | | |
| Investments in other debt obligations | | |
| Long-term receivables | | |
| Long-term equity investments | 181,365,016.32 | 181,093,725.43 |
| Investments in other equity instruments | 3,305,501,030.06 | 1,454,740,241.46 |
| Other non-current financial assets | | |
| Investment property | | |
| Fixed assets | 685,707,548.55 | 630,001,778.81 |
| Construction in progress | 503,941,120.31 | 392,463,954.62 |
| Productive living assets | | |
| Oil and gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 170,693,873.30 | 167,826,499.74 |
| Development costs | | |
| Goodwill | | |
| Long-term prepaid expense | 13,411,226.23 | 9,036,943.97 |
| Deferred income tax assets | 40,253,777.17 | 40,007,412.46 |
| Other non-current assets | 11,423,843.62 | 9,861,098.08 |
| Total non-current assets | 4,912,297,435.56 | 2,885,031,654.57 |
| Total assets | 8,519,336,914.11 | 6,477,955,373.32 |
| Current liabilities: | | |
| Short-term borrowings | | |
| Borrowings from the central bank | | |
| Interbank loans obtained | | |
| Held-for-trading financial liabilities | | |
| Derivative financial liabilities | | |
| Notes payable | 480,971,214.80 | 374,665,327.74 |
| Accounts payable | 1,059,674,020.99 | 559,016,692.70 |
| Advances from customers | 1,285,357.28 | 55,615,216.17 |
| Contract liabilities | 65,777,726.45 | |
| Financial assets sold under repurchase agreements | | |
| Customer deposits and interbank deposits | | |

| | | |
|---|------------------|------------------|
| Payables for acting trading of securities | | |
| Payables for underwriting of securities | | |
| Employee benefits payable | 82,485,090.47 | 83,156,852.86 |
| Taxes payable | 18,876,657.51 | 17,374,063.48 |
| Other payables | 76,668,330.66 | 280,035,419.34 |
| Including: Interest payable | | |
| Dividends payable | | |
| Handling charges and commissions payable | | |
| Reinsurance payables | | |
| Liabilities directly associated with assets held for sale | | |
| Current portion of non-current liabilities | | |
| Other current liabilities | 5,503,702.07 | |
| Total current liabilities | 1,791,242,100.23 | 1,369,863,572.29 |
| Non-current liabilities: | | |
| Insurance contract reserve | | |
| Long-term borrowings | | |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Lease liabilities | | |
| Long-term payables | | |
| Long-term employee benefits payable | | |
| Provisions | | |
| Deferred income | | |
| Deferred income tax liabilities | 414,670,609.97 | 137,216,136.70 |
| Other non-current liabilities | 1,244,064.84 | |
| Total non-current liabilities | 415,914,674.81 | 137,216,136.70 |
| Total liabilities | 2,207,156,775.04 | 1,507,079,708.99 |
| Owners' equity: | | |
| Share capital | 1,399,346,154.00 | 1,399,346,154.00 |
| Other equity instruments | | |

| | | |
|--|------------------|------------------|
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 15,157,514.90 | 231,608,173.07 |
| Less: Treasury stock | | |
| Other comprehensive income | 2,349,388,533.61 | 776,260,348.19 |
| Specific reserve | | |
| Surplus reserves | 741,567,039.55 | 836,559,645.36 |
| General reserve | | |
| Retained earnings | 1,758,462,062.48 | 1,700,426,915.63 |
| Total equity attributable to owners of the Company as the parent | 6,263,921,304.54 | 4,944,201,236.25 |
| Non-controlling interests | 48,258,834.53 | 26,674,428.08 |
| Total owners' equity | 6,312,180,139.07 | 4,970,875,664.33 |
| Total liabilities and owners' equity | 8,519,336,914.11 | 6,477,955,373.32 |

Legal representative: Wu Shenghui

Chief Financial Officer: Tang Qionglan

Person-in-charge of the Company's accounting organ: Peng Fentao

2. Balance Sheet of the Company as the Parent

Unit: RMB

| Item | 31 December 2020 | 31 December 2019 |
|-----------------------------------|------------------|------------------|
| Current assets: | | |
| Monetary assets | 896,261,882.77 | 1,059,001,233.28 |
| Held-for-trading financial assets | 407,619,201.36 | 901,166,682.64 |
| Derivative financial assets | | |
| Notes receivable | 137,477,199.21 | 107,567,164.99 |
| Accounts receivable | 1,030,713,074.22 | 666,106,832.53 |
| Accounts receivable financing | | |
| Prepayments | 9,581,302.45 | 6,614,791.10 |
| Other receivables | 462,284,585.09 | 37,934,614.96 |
| Including: Interest receivable | | |
| Dividends receivable | | |
| Inventories | 615,106,650.81 | 553,557,529.00 |
| Contract assets | | |

| | | |
|---|------------------|------------------|
| Assets held for sale | | |
| Current portion of non-current assets | | |
| Other current assets | 139,275,518.71 | 43,118,385.01 |
| Total current assets | 3,698,319,414.62 | 3,375,067,233.51 |
| Non-current assets: | | |
| Investments in debt obligations | | |
| Investments in other debt obligations | | |
| Long-term receivables | | |
| Long-term equity investments | 536,949,311.73 | 464,886,827.69 |
| Investments in other equity instruments | 3,305,501,030.06 | 1,454,740,241.46 |
| Other non-current financial assets | | |
| Investment property | | |
| Fixed assets | 628,174,755.88 | 573,844,707.66 |
| Construction in progress | 54,652,119.14 | 116,240,559.37 |
| Productive living assets | | |
| Oil and gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 122,391,701.60 | 125,673,065.66 |
| Development costs | | |
| Goodwill | | |
| Long-term prepaid expense | 11,651,100.48 | 4,891,398.93 |
| Deferred income tax assets | 31,403,727.94 | 34,205,213.27 |
| Other non-current assets | 7,548,885.47 | 8,440,448.08 |
| Total non-current assets | 4,698,272,632.30 | 2,782,922,462.12 |
| Total assets | 8,396,592,046.92 | 6,157,989,695.63 |
| Current liabilities: | | |
| Short-term borrowings | | |
| Held-for-trading financial liabilities | | |
| Derivative financial liabilities | | |
| Notes payable | 484,230,566.21 | 376,265,327.74 |
| Accounts payable | 1,108,208,382.75 | 689,846,497.35 |
| Advances from customers | | 46,758,714.00 |
| Contract liabilities | 53,572,800.70 | |

| | | |
|---|------------------|------------------|
| Employee benefits payable | 62,075,512.08 | 68,658,329.30 |
| Taxes payable | 7,819,839.48 | 12,374,430.19 |
| Other payables | 171,916,835.73 | 125,001,875.83 |
| Including: Interest payable | | |
| Dividends payable | | |
| Liabilities directly associated with assets held for sale | | |
| Current portion of non-current liabilities | | |
| Other current liabilities | 4,483,279.11 | |
| Total current liabilities | 1,892,307,216.06 | 1,318,905,174.41 |
| Non-current liabilities: | | |
| Long-term borrowings | | |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Lease liabilities | | |
| Long-term payables | | |
| Long-term employee benefits payable | | |
| Provisions | | |
| Deferred income | | |
| Deferred income tax liabilities | 414,670,609.97 | 137,216,136.70 |
| Other non-current liabilities | | |
| Total non-current liabilities | 414,670,609.97 | 137,216,136.70 |
| Total liabilities | 2,306,977,826.03 | 1,456,121,311.11 |
| Owners' equity: | | |
| Share capital | 1,399,346,154.00 | 1,399,346,154.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 7,426,635.62 | 166,211,779.15 |
| Less: Treasury stock | | |
| Other comprehensive income | 2,349,389,658.23 | 776,242,987.90 |
| Specific reserve | | |

| | | |
|--------------------------------------|------------------|------------------|
| Surplus reserves | 741,567,039.55 | 836,559,645.36 |
| Retained earnings | 1,591,884,733.49 | 1,523,507,818.11 |
| Total owners' equity | 6,089,614,220.89 | 4,701,868,384.52 |
| Total liabilities and owners' equity | 8,396,592,046.92 | 6,157,989,695.63 |

Legal representative: Wu Shenghui

Chief Financial Officer: Tang Qionglan

Person-in-charge of the Company's accounting organ: Peng Fentao

3. Consolidated Income Statement

Unit: RMB

| Item | 2020 | 2019 |
|---|------------------|------------------|
| 1. Revenue | 3,744,914,452.72 | 3,337,576,747.66 |
| Including: Operating revenue | 3,744,914,452.72 | 3,337,576,747.66 |
| Interest income | | |
| Insurance premium income | | |
| Handling charge and commission income | | |
| 2. Costs and expenses | 3,438,752,837.39 | 3,043,399,217.05 |
| Including: Cost of sales | 2,996,273,910.80 | 2,560,513,052.56 |
| Interest expense | | |
| Handling charge and commission expense | | |
| Surrenders | | |
| Net insurance claims paid | | |
| Net amount provided as insurance contract reserve | | |
| Expenditure on policy dividends | | |
| Reinsurance premium expense | | |
| Taxes and surcharges | 38,631,841.23 | 38,155,904.16 |
| Selling expense | 145,219,700.35 | 243,824,295.42 |
| Administrative expense | 155,365,373.75 | 149,186,469.90 |
| R&D expense | 108,885,296.71 | 79,444,261.80 |
| Finance costs | -5,623,285.45 | -27,724,766.79 |
| Including: Interest expense | | |

| | | |
|--|------------------|----------------|
| Interest income | 37,650,815.03 | 24,425,342.69 |
| Add: Other income | 28,989,528.20 | 11,202,255.25 |
| Return on investment (“-” for loss) | 44,236,204.90 | 60,878,425.30 |
| Including: Share of profit or loss of joint ventures and associates | 2,351,681.39 | 1,755,751.49 |
| Income from the derecognition of financial assets at amortized cost (“-” for loss) | | |
| Exchange gain (“-” for loss) | | |
| Net gain on exposure hedges (“-” for loss) | | |
| Gain on changes in fair value (“-” for loss) | 4,785,700.00 | 2,024,400.00 |
| Credit impairment loss (“-” for loss) | -16,109,592.36 | -3,851,172.58 |
| Asset impairment loss (“-” for loss) | -7,581,307.74 | -16,675,215.52 |
| Asset disposal income (“-” for loss) | 9,090,874.79 | |
| 3. Operating profit (“-” for loss) | 369,573,023.12 | 347,756,223.06 |
| Add: Non-operating income | 2,164,694.19 | 3,072,145.61 |
| Less: Non-operating expense | 3,854,417.99 | 5,517,243.94 |
| 4. Profit before tax (“-” for loss) | 367,883,299.32 | 345,311,124.73 |
| Less: Income tax expense | 45,714,707.53 | 46,963,633.47 |
| 5. Net profit (“-” for net loss) | 322,168,591.79 | 298,347,491.26 |
| 5.1 By operating continuity | | |
| 5.1.1 Net profit from continuing operations (“-” for net loss) | 322,168,591.79 | 298,347,491.26 |
| 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 | 316,914,185.34 | 296,077,926.11 |
| 5.2.1 Net profit attributable to non-controlling interests | 5,254,406.45 | 2,269,565.15 |
| 6. Other comprehensive income, net of tax | 1,573,128,185.42 | 189,240,788.90 |
| Attributable to owners of the Company as the parent | 1,573,128,185.42 | 189,240,788.90 |

| | | |
|--|------------------|----------------|
| 6.1 Items that will not be reclassified to profit or loss | 1,573,146,670.33 | 189,218,417.07 |
| 6.1.1 Changes caused by remeasurements on defined benefit 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 | 1,573,146,670.33 | 189,218,417.07 |
| 6.1.4 Changes in the fair value arising from changes in own credit risk | | |
| 6.1.5 Other | | |
| 6.2 Items that will be reclassified to profit or loss | -18,484.91 | 22,371.83 |
| 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 Other comprehensive income arising from the reclassification of financial assets | | |
| 6.2.4 Credit impairment allowance for investments in other debt obligations | | |
| 6.2.5 Reserve for cash flow hedges | | |
| 6.2.6 Differences arising from the translation of foreign currency-denominated financial statements | -18,484.91 | 22,371.83 |
| 6.2.7 Other | | |
| Attributable to non-controlling interests | | |
| 7. Total comprehensive income | 1,895,296,777.21 | 487,588,280.16 |
| Attributable to owners of the Company as the parent | 1,890,042,370.76 | 485,318,715.01 |
| Attributable to non-controlling interests | 5,254,406.45 | 2,269,565.15 |
| 8. Earnings per share | | |
| 8.1 Basic earnings per share | 0.2265 | 0.2116 |

| | | |
|--------------------------------|--------|--------|
| 8.2 Diluted earnings per share | 0.2265 | 0.2116 |
|--------------------------------|--------|--------|

Where business combinations under common control occurred in the current period, the net profit achieved by the acquirees before the combinations was RMB-5,613,743.03, with the amount for last year being RMB-5,104,980.13.

Legal representative: Wu Shenghui

Chief Financial Officer: Tang Qionglan

Person-in-charge of the Company's accounting organ: Peng Fentao

4. Income Statement of the Company as the Parent

Unit: RMB

| Item | 2020 | 2019 |
|--|------------------|------------------|
| 1. Operating revenue | 3,490,267,102.53 | 3,235,948,439.05 |
| Less: Cost of sales | 2,860,949,556.76 | 2,538,328,460.62 |
| Taxes and surcharges | 32,375,835.55 | 32,695,622.91 |
| Selling expense | 126,810,307.11 | 222,786,236.44 |
| Administrative expense | 129,489,381.94 | 124,637,990.70 |
| R&D expense | 96,789,792.55 | 69,817,196.60 |
| Finance costs | -4,922,225.34 | -27,260,802.84 |
| Including: Interest expense | | |
| Interest income | 36,942,203.37 | 23,903,504.29 |
| Add: Other income | 27,001,177.15 | 10,837,075.25 |
| Return on investment ("-" for loss) | 87,972,948.71 | 61,208,653.50 |
| Including: Share of profit or loss of joint ventures and associates | 2,351,681.39 | 1,755,751.49 |
| 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) | 4,785,700.00 | 2,024,400.00 |
| Credit impairment loss ("-" for loss) | -10,299,990.56 | -2,467,565.77 |
| Asset impairment loss ("-" for loss) | -6,366,924.12 | -16,240,391.22 |
| Asset disposal income ("-" for loss) | 9,090,874.79 | |

| | | |
|--|------------------|----------------|
| 2. Operating profit (“-” for loss) | 360,958,239.93 | 330,305,906.38 |
| Add: Non-operating income | 1,892,869.67 | 2,522,638.65 |
| Less: Non-operating expense | 2,969,626.09 | 3,039,777.74 |
| 3. Profit before tax (“-” for loss) | 359,881,483.51 | 329,788,767.29 |
| Less: Income tax expense | 32,625,529.64 | 43,044,196.92 |
| 4. Net profit (“-” for net loss) | 327,255,953.87 | 286,744,570.37 |
| 4.1 Net profit from continuing operations (“-” for net loss) | 327,255,953.87 | 286,744,570.37 |
| 4.2 Net profit from discontinued operations (“-” for net loss) | | |
| 5. Other comprehensive income, net of tax | 1,573,146,670.33 | 189,218,417.07 |
| 5.1 Items that will not be reclassified to profit or loss | 1,573,146,670.33 | 189,218,417.07 |
| 5.1.1 Changes caused by remeasurements on defined benefit 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 | 1,573,146,670.33 | 189,218,417.07 |
| 5.1.4 Changes in the fair value arising from changes in own credit risk | | |
| 5.1.5 Other | | |
| 5.2 Items that will be reclassified to profit or loss | | |
| 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 Other comprehensive income arising from the reclassification of financial assets | | |
| 5.2.4 Credit impairment allowance for investments in other debt obligations | | |
| 5.2.5 Reserve for cash flow hedges | | |
| 5.2.6 Differences arising from the translation of foreign | | |

| | | |
|---|------------------|----------------|
| currency-denominated financial statements | | |
| 5.2.7 Other | | |
| 6. Total comprehensive income | 1,900,402,624.20 | 475,962,987.44 |
| 7. Earnings per share | | |
| 7.1 Basic earnings per share | | |
| 7.2 Diluted earnings per share | | |

Legal representative: Wu Shenghui

Chief Financial Officer: Tang Qionglan

Person-in-charge of the Company's accounting organ: Peng Fentao

5. Consolidated Cash Flow Statement

Unit: RMB

| Item | 2020 | 2019 |
|---|------------------|------------------|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 3,342,410,171.83 | 3,513,304,043.27 |
| 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 | 112,333,842.35 | 83,431,462.66 |
| Cash generated from other operating activities | 119,666,217.14 | 129,751,349.03 |

| | | |
|---|------------------|------------------|
| Subtotal of cash generated from operating activities | 3,574,410,231.32 | 3,726,486,854.96 |
| Payments for commodities and services | 2,077,887,848.58 | 2,167,028,031.70 |
| 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 | 690,837,445.67 | 622,553,822.30 |
| Taxes paid | 203,087,061.81 | 192,654,679.26 |
| Cash used in other operating activities | 207,769,543.36 | 234,360,529.65 |
| Subtotal of cash used in operating activities | 3,179,581,899.42 | 3,216,597,062.91 |
| Net cash generated from/used in operating activities | 394,828,331.90 | 509,889,792.05 |
| 2. Cash flows from investing activities: | | |
| Proceeds from disinvestment | 405,000,000.00 | 19,550,000.00 |
| Return on investment | 52,397,663.37 | 51,173,422.00 |
| Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets | 9,814,672.12 | 40,834.00 |
| Net proceeds from the disposal of subsidiaries and other business units | | |
| Cash generated from other investing activities | | |
| Subtotal of cash generated from investing activities | 467,212,335.49 | 70,764,256.00 |
| Payments for the acquisition of fixed assets, intangible assets and other long-lived assets | 232,678,180.62 | 134,536,941.41 |
| Payments for investments | 311,628,442.49 | 55,000,000.00 |
| 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 | 544,306,623.11 | 189,536,941.41 |
| Net cash generated from/used in investing activities | -77,094,287.62 | -118,772,685.41 |
| 3. Cash flows from financing activities: | | |
| Capital contributions received | 300,000.00 | 2,350,000.00 |
| Including: Capital contributions by non-controlling interests to subsidiaries | 300,000.00 | 2,350,000.00 |
| Borrowings raised | 48,000,000.00 | 77,600,000.00 |
| Cash generated from other financing activities | | |
| Subtotal of cash generated from financing activities | 48,300,000.00 | 79,950,000.00 |
| Repayment of borrowings | 277,807,744.88 | |
| Interest and dividends paid | 258,879,038.49 | 218,298,000.02 |
| Including: Dividends paid by subsidiaries to non-controlling interests | | |
| Cash used in other financing activities | | |
| Subtotal of cash used in financing activities | 536,686,783.37 | 218,298,000.02 |
| Net cash generated from/used in financing activities | -488,386,783.37 | -138,348,000.02 |
| 4. Effect of foreign exchange rates changes on cash and cash equivalents | -4,698,084.75 | 122,951.25 |
| 5. Net increase in cash and cash equivalents | -175,350,823.84 | 252,892,057.87 |
| Add: Cash and cash equivalents, beginning of the period | 1,051,079,042.41 | 798,186,984.54 |
| 6. Cash and cash equivalents, end of the period | 875,728,218.57 | 1,051,079,042.41 |

Legal representative: Wu Shenghui

Chief Financial Officer: Tang Qionglan

Person-in-charge of the Company's accounting organ: Peng Fentao

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

| Item | 2020 | 2019 |
|---|------------------|------------------|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 3,158,187,056.43 | 3,381,315,269.05 |
| Tax rebates | 112,333,842.35 | 83,431,462.66 |
| Cash generated from other operating activities | 100,553,598.15 | 103,736,924.38 |
| Subtotal of cash generated from operating activities | 3,371,074,496.93 | 3,568,483,656.09 |
| Payments for commodities and services | 2,140,803,641.40 | 2,259,948,774.41 |
| Cash paid to and for employees | 531,803,255.67 | 465,547,076.42 |
| Taxes paid | 151,834,032.77 | 146,779,499.56 |
| Cash used in other operating activities | 187,443,912.27 | 207,660,819.69 |
| Subtotal of cash used in operating activities | 3,011,884,842.11 | 3,079,936,170.08 |
| Net cash generated from/used in operating activities | 359,189,654.82 | 488,547,486.01 |
| 2. Cash flows from investing activities: | | |
| Proceeds from disinvestment | 407,744,500.00 | 19,550,000.00 |
| Return on investment | 95,949,228.67 | 51,503,650.20 |
| Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets | 9,787,055.02 | 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 | 513,480,783.69 | 71,093,980.20 |
| Payments for the acquisition of fixed assets, intangible assets and other long-lived assets | 183,152,607.04 | 50,654,548.37 |
| Payments for investments | 328,313,442.49 | 55,000,000.00 |
| Net payments for the acquisition of subsidiaries and other business units | | |
| Cash used in other investing | | |

| | | |
|--|-----------------|-----------------|
| activities | | |
| Subtotal of cash used in investing activities | 511,466,049.53 | 105,654,548.37 |
| Net cash generated from/used in investing activities | 2,014,734.16 | -34,560,568.17 |
| 3. Cash flows from financing activities: | | |
| Capital contributions received | | |
| Borrowings raised | | |
| Cash generated from other financing activities | | |
| Subtotal of cash generated from financing activities | | |
| Repayment of borrowings | 277,807,744.88 | |
| Interest and dividends paid | 258,879,038.49 | 218,298,000.02 |
| Cash used in other financing activities | | |
| Subtotal of cash used in financing activities | 536,686,783.37 | 218,298,000.02 |
| Net cash generated from/used in financing activities | -536,686,783.37 | -218,298,000.02 |
| 4. Effect of foreign exchange rates changes on cash and cash equivalents | -4,630,938.55 | 100,477.42 |
| 5. Net increase in cash and cash equivalents | -180,113,332.94 | 235,789,395.24 |
| Add: Cash and cash equivalents, beginning of the period | 983,378,125.66 | 747,588,730.42 |
| 6. Cash and cash equivalents, end of the period | 803,264,792.72 | 983,378,125.66 |

Legal representative: Wu Shenghui

Chief Financial Officer: Tang Qionglan

Person-in-charge of the Company's accounting organ: Peng Fentao

7. Consolidated Statements of Changes in Owners' Equity

2020

Unit: RMB

| Item | 2020 | | | | | | | | | | | | | Non-c ontroll ing | Total owners , |
|------|--|-----------------------------|--------------------|-----------------|----------------|--------------|-------------|-------------|--------------|-------|--------------|--|--|-------------------------|----------------------|
| | Equity attributable to owners of the Company as the parent | | | | | | | | | | | | | | |
| | Share capita | Other equity instruments | Capital reserve | Less: Treasu | Other compr | Specifi c | Surplu s | Genera l | Retain ed | Other | Subtot al | | | | |

| | 1 | Preferred shares | Perpetual bonds | Other | s | ry stock | ehensive income | reserve | reserve | reserve | earnings | | | interests | equity |
|--|------------------|------------------|-----------------|-------|-----------------|----------|------------------|---------|----------------|---------|------------------|--|------------------|---------------|------------------|
| 1. Balance as at the end of the prior year | 1,399,346,154.00 | | | | 231,608,173.07 | | 776,260,348.19 | | 836,559,645.36 | | 1,700,426,915.63 | | 4,944,201,236.25 | 26,674,428.08 | 4,970,875,664.33 |
| Add: | | | | | | | | | | | | | | | |
| Adjustment for change in accounting policy | | | | | | | | | | | | | | | |
| Adjustment for correction of previous error | | | | | | | | | | | | | | | |
| Adjustment for business combination under common control | | | | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | | | | |
| 2. Balance as at the beginning of the year | 1,399,346,154.00 | | | | 231,608,173.07 | | 776,260,348.19 | | 836,559,645.36 | | 1,700,426,915.63 | | 4,944,201,236.25 | 26,674,428.08 | 4,970,875,664.33 |
| 3. Increase/decrease in the period ("-" for decrease) | | | | | -216,450,658.17 | | 1,573,128,185.42 | | -94,992,605.81 | | 58,035,146.85 | | 1,319,720,068.29 | 21,584,406.45 | 1,341,304,474.74 |
| 3.1 Total comprehensive income | | | | | | | 1,573,128,185.42 | | | | 316,914,185.34 | | 1,890,042,370.76 | 5,254,406.45 | 1,895,296,777.21 |
| 3.2 Capital increased and reduced by owners | | | | | -216,450,658.17 | | | | -94,992,605.81 | | | | -311,443,263.98 | 16,330,000.00 | -295,113,263.98 |
| 3.2.1 Ordinary shares increased by owners | | | | | | | | | | | | | | 16,330,000.00 | 16,330,000.00 |
| 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 | | | | -216,450,658.17 | | | | -94,992,605.81 | | | | -311,443,263.98 | | -311,443,263.98 | |
| 3.3 Profit distribution | | | | | | | | | | -258,879,038.49 | | -258,879,038.49 | | -258,879,038.49 | |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | | | | | | | |
| 3.3.2 Appropriation to general reserve | | | | | | | | | | | | | | | |
| 3.3.3 Appropriation to owners (or shareholders) | | | | | | | | | | -258,879,038.49 | | -258,879,038.49 | | -258,879,038.49 | |
| 3.3.4 Other | | | | | | | | | | | | | | | |
| 3.4 Transfers within owners' equity | | | | | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | | | | | |
| 3.4.3 Loss | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|------------------|--|--|--|---------------|--|------------------|--|----------------|--|------------------|--|------------------|---------------|------------------|
| offset by surplus reserves | | | | | | | | | | | | | | | |
| 3.4.4 Changes in defined benefit 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. Balance as at the end of the period | 1,399,346,154.00 | | | | 15,157,514.90 | | 2,349,388,533.61 | | 741,567,039.55 | | 1,758,462,062.48 | | 6,263,921,304.54 | 48,258,834.53 | 6,312,180,139.07 |

2019

Unit: RMB

| Item | 2019 | | | | | | | | | | | | | | |
|--|--|-----------------------------|----------------------------|-------|-------------------------|--------------------------------|--|-------------------------|-----------------------------|------------------------|------------------------------|-------|--|----------------------------|--------------------------|
| | 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. Balance as at the end of the prior year | 1,399 ,346, 154.0 0 | | | | 158,60 8,173. 07 | | 297,66 7,872. 80 | | 809,45 6,186. 20 | | 1,654, 181,03 2.39 | | 4,319, 259,41 8.46 | 22,054, 862.93 | 4,341,3 14,281. 39 |

| | | | | | | | | | | | | | | | |
|--|------------------|--|--|--|----------------|--|----------------|--|----------------|---------------|------------------|---------------|------------------|---------------|------------------|
| Add: | | | | | | | | | | | | | | | |
| Adjustment for change in accounting policy | | | | | | | 289,351,686.49 | | | | | | 289,351,686.49 | | 289,351,686.49 |
| Adjustment for correction of previous error | | | | | | | | | | | | | | | |
| Adjustment for business combination under common control | | | | | 73,000,000.00 | | | | | -4,430,583.69 | | 68,569,416.31 | | | 68,569,416.31 |
| Other adjustments | | | | | | | | | | | | | | | |
| 2. Balance as at the beginning of the year | 1,399,346,154.00 | | | | 231,608,173.07 | | 587,019,559.29 | | 809,456,186.20 | | 1,649,750,448.70 | | 4,677,180,521.26 | 22,054,862.93 | 4,699,235,384.19 |
| 3. Increase/decrease in the period ("-" for decrease) | | | | | | | 189,240,788.90 | | 27,103,459.16 | | 50,676,466.93 | | 267,020,714.99 | 4,619,565.15 | 271,640,280.14 |
| 3.1 Total comprehensive income | | | | | | | 189,240,788.90 | | | | 296,077,926.11 | | 485,318,715.01 | 2,269,565.15 | 487,588,280.16 |
| 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 | | | | | | | | | | | | | | |
| 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 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. Balance as at the end of the period | 1,399,346,154.00 | | | | 231,608,173.07 | | 776,260,348.19 | | 836,559,645.36 | | 1,700,426,915.63 | | 4,944,201,236.25 | 26,674,428.08 | 4,970,875,664.33 |

Legal representative: Wu Shenghui

Chief Financial Officer: Tang Qionglan

Person-in-charge of the Company's accounting organ: Peng Fentao

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

2020

Unit: RMB

| Item | 2020 | | | | | | | | | | | |
|--|------------------|--------------------------|------------------|-------|------------------|----------------------|----------------------------|------------------|------------------|-------------------|-------|----------------------|
| | 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. Balance as at the end of the prior year | 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 |

| | | | | | | | | | | | | |
|--|------------------|--|--|--|-----------------|--|------------------|--|----------------|------------------|--|------------------|
| Add: Adjustment for change in accounting policy | | | | | | | | | | | | |
| Adjustment for correction of previous error | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | |
| 2. Balance as at the beginning of the year | 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 |
| 3. Increase/decrease in the period ("-" for decrease) | | | | | -158,785,143.53 | | 1,573,146,670.33 | | -94,992,605.81 | 68,376,915.38 | | 1,387,745,836.37 |
| 3.1 Total comprehensive income | | | | | | | 1,573,146,670.33 | | | 327,255,953.87 | | 1,900,402,624.20 |
| 3.2 Capital increased and reduced by owners | | | | | -158,785,143.53 | | | | -94,992,605.81 | | | -253,777,749.34 |
| 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 | | | | | -158,785,143.53 | | | | -94,992,605.81 | | | -253,777,749.34 |
| 3.3 Profit distribution | | | | | | | | | | -258,879,038.49 | | -258,879,038.49 |
| 3.3.1 | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|-----------------|--|-----------------|
| Appropriation to surplus reserves | | | | | | | | | | | | |
| 3.3.2 Appropriation to owners (or shareholders) | | | | | | | | | | -258,879,038.49 | | -258,879,038.49 |
| 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 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. Balance as at the end of the period | 1,399,346,154.00 | | | | 7,426,635.62 | | 2,349,389,658.23 | | 741,567,039.55 | 1,591,884,733.49 | | 6,089,614,220.89 |
|--|------------------|--|--|--|--------------|--|------------------|--|----------------|------------------|--|------------------|

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 |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | |
| 1. Balance 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: | | | | | | | | | | | | |
| Adjustment for change in accounting policy | | | | | | | 289,351,686.49 | | | | | 289,351,686.49 |
| Adjustment for correction of previous error | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | |
| 2. Balance 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 | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|------------------|--|--|--|----------------|--|----------------|--|----------------|------------------|--|------------------|
| 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. Balance 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 |

Legal representative: Wu Shenghui

Chief Financial Officer: Tang Qionglan

Person-in-charge of the Company's accounting organ: Peng Fentao

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. Wu Shenghui

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 7 April 2021.

(II) Consolidation Scope of Financial Statements

The consolidation scope of the financial statement during the Reporting Period including the Company and FSL Chanchang Optoelectronics Co., Ltd. (referred to as “Chanchang 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 Company”), FSL LIGHTING GmbH (referred to as “FSL LIGHTING”), Foshan Haolaite Lighting Co., Ltd. (referred to as “Haolaite Company”), Hunan Keda New Energy Investment and Development Co., Ltd. (referred to as “Hunan Keda”) in total 10 subsidiaries and one sub-subsidiary Foshan Kelian New Energy Technology Co., Ltd. (referred to as “Foshan Kelian”).

The consolidation scope of financial statements for the Reporting Period increases two subsidiaries Haolaite Company and Hunan Keda and one sub-subsidiary Foshan Kelian, decreases one subsidiary Foshan Chansheng Electronic Ballast Co., Ltd. (referred to as “Chansheng Company”). For details, see relevant contents in Note VIII “Changes in the consolidation scope”, and Note IX “Equities in other entities”.

IV Basis for Preparation of Financial Statements

1. Preparation Basis

The financial statements of the Company are based on the continuing operation, and are confirmed and measured according to the actual transactions and events, the Accounting Standards for Business Enterprises - Basic Standards, other various specific accounting standards, the application guide, the interpretation of accounting standards for business enterprises (hereinafter referred to as the Accounting Standards for Business Enterprises). And based on the following important accounting policies, and accounting estimations, they are prepared according to the relevant regulations of Rules for the Information Disclosure of Companies Publicly Issuing Securities No. 15 - General Provisions on Financial Reporting of China Securities Regulatory Commission (Revised in 2014). Except the Cash Flow Statement prepared under the principle of cash basis, the rest of financial statement of the Company are prepared under the principle of accrual basis.

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

2. Continuation

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

V Important Accounting Policies and Estimations

Reminders of the specific accounting policies and accounting 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 expected credit loss of accounts receivables (Note 12. Accounts Receivable), depreciation of fixed assets and amortization of intangible assets (Note 24. Fixed Assets and Note 30. Intangible Assets), and recognition of revenue (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 undertook individually and the liabilities jointly held by recognizing according to the holding share;
- (3) Recognize the revenues occurred from selling the output share of the joint operations enjoy by the Company;
- (4) Recognize the revenues occurred from selling the assets of the joint operations according to the holding share;
- (5) Recognize the expenses individually occurred and the expenses occurred from the joint operations according to the holding share of the Company.

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

8. Recognition Standard for Cash and Cash Equivalents

In the 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 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 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.

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.

8. 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 Expected Credit Loss is Made Individually

| | |
|---|--|
| Definition or amount criteria for an account receivable with a significant single amount | Making separate expected credit loss for accounts receivable with a significant single amount |
| Making separate expected credit loss 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 expected credit loss 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 Expected Credit Loss is Withdrawn by Credit Risk Characteristics

| Group name | Withdrawal method of expected credit loss |
|----------------------------|---|
| Common transaction group | Aging analysis method |
| Internal transaction group | Other methods |

In the groups, those adopting aging analysis method to withdraw expected credit loss:

| 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 Expected Credit Loss is Made Independently

| | |
|---|---|
| Reason of individually withdrawing expected credit loss | There are definite evidences indicate the obvious difference of thee return ability |
| Withdrawal method for expected credit loss | Recognizing the impairment loss and withdrawing the expected credit loss 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.

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. Contract Assets

The Company presents the right possessed to collect consideration from customers unconditionally (only depending on the passing of time) as accounts receivable, and the right to charge the consideration through transferring any commodity to clients which depends on other factors except the passing of time as contract assets. As for the recognition method and accounting treatment for expected losses of contract assets, please refer to Note 12. Accounts Receivable.

17. Contract 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: ① The 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. ② Due 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

Measurement model for 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. 1. Initial recognition of fixed assets The Company's fixed assets are initially measured at cost. Specifically, the costs of purchased fixed assets include the purchase price, relevant taxes and fees, and other expenditures incurred before the fixed assets reach the pre-determined serviceable condition that can be directly attributable to the assets. The costs of self-built fixed assets contain the necessary expenditures incurred before the assets built reach their pre-determined serviceable condition. If the amount paid for the purchase of fixed assets witnesses postponed payment due to that the normal credit conditions are exceeded and is actually financing in nature, the costs of such fixed assets shall be determined on the basis of the present value of the purchase price. The difference between the

actual amount paid and the present value of the purchase price, except for the difference that should be capitalized, shall be recognized as profit and loss of the current period during the credit period.

(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. Contract Liabilities

The Company's obligation of transferring commodities to customers due to consideration received or receivable from clients. If the client has paid the contract consideration or the Company has obtained the unconditional right of collection before the Company transfers commodities to the customer, the Company shall present the accounts received or receivable as contract liabilities at the earlier time between the time when the client actually conducts payment and the deadline of payment. Contract assets and contract liabilities under the same contract shall be presented based on the net amount, while those not under the same contract shall not be offset.

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

The Accounting Policy Adopted for Recognition and Measurement of Revenue

1. Accounting policies adopted in revenue recognition and measurement

The Company recognizes revenue when it has satisfied its performance obligations under the contract, i.e., when the customer has obtained control of relevant goods or services. Obtaining control of relevant goods or services means being able to direct the use of them and obtain substantially all of the benefits from them.

Where the contract contains two or more performance obligations, the Company, at the inception date of the contract, allocates the transaction price to each performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods or services promised by each performance obligation. The Company measures revenue on the basis of the transaction price allocated to each performance obligation.

Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be returned to the customer. The Company determines the transaction price in accordance with the terms of the contract, with past business practices taken into account. When determining the transaction price, it considers the impact of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, consideration payable to a customer and other factors. The transaction price is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the relevant uncertainty is resolved. Where a contract contains a significant financing component, the Company determines the transaction price on the basis of the amount presumably payable in cash when the customer obtains control of the goods or services, and uses the actual interest method to amortize the difference between the transaction price and the contract consideration during the contract period.

A performance obligation is satisfied over time if one of the following conditions is met; otherwise, it is treated as satisfied at a point in time:

- (1) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.
- (2) The customer can control the goods as they are created during the Company's performance.
- (3) The goods produced by the Company's performance have no alternative use, and the Company has the right to collect payment for performance completed to date during the entire contract period.

Where a performance obligation is to be satisfied over time, the Company recognizes revenue in accordance with the progress of performance during that period, except when the progress cannot be reasonably determined. In determining the progress of performance, the Company takes into account the nature of the goods or services and adopts the output methods or the input methods.

Where the performance progress cannot be reasonably determined, and the costs incurred are expected to be recovered, the Company recognizes revenue according to the amount of the costs incurred until the progress can be reasonably determined.

Where the performance obligation is to be satisfied at a certain point in time, the Company recognizes revenue at the point when the customer obtains control of the relevant goods or services. When judging whether the customer has obtained control of goods or services, the Company considers the following indicators:

- (1) The Company has a present right to receive payment for the goods or services, i.e., the customer has a present

obligation to pay for the goods or services.

(2) The Company has transferred the legal ownership of the goods to the customer, i.e., the customer has obtained the legal ownership of the goods.

(3) The Company has transferred physical possession of the goods to the customer, i.e., the customer has taken physical possession of the goods.

(4) The Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e., the customer has obtained significant risks and rewards of ownership of the goods.

(5) The customer has accepted the goods or services.

2. Specific methods

(1) Recognition of domestic sales revenue: The Company has delivered goods that have passed inspection to the purchaser as required by the purchaser; the amount of revenue has been determined, a sales invoice has been issued and the payment has been received or is expected to be recovered.

(2) Recognition of export sales revenue: The Company has produced goods according to the requirements stipulated in the sales contract, and completed the export declaration procedures after the goods have passed inspection; the freight company has shipped the goods, the amount of revenue has been determined, an export sales invoice has been issued, and the payment has been received or is expected to be recovered.

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. 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 |
|---|--|---|
| On 5 July 2017, the Ministry of Finance issued the Notice on Revising and Issuing the Accounting Standards for Business Enterprises No.14-Revenue (CK(2017)No.22 and required those enterprises both listed in domestic and abroad and those enterprises overseas listed with International Financial Reporting Standards or Accounting Standards for Business Enterprises for preparation of financial statements to implement it since 1 January 2018, required other domestically listed enterprises to implement it since 1 January 2020 and required non-listed enterprises carrying out the Accounting Standards for Business Enterprises to implement it since 1 January 2021. Thus, the Company starts to implement the new standards governing revenue since 1 January 2020 and has made the treatment in accordance with governing connection regulation. | Approved by the 35 th Meeting of the 8 th Board of Directors | For details, refer to (3) of the Note 44. Changes in Main Accounting Policies and Estimates |

(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 Revenue or Leases since 2020

Applicable

Whether items of balance sheets at the beginning of the year need adjustment

√ Yes ☐ No

Consolidated Balance Sheet

Unit: RMB

| Item | 31 December 2019 | 1 January 2020 | Adjusted |
|--|------------------|------------------|----------|
| Current assets: | | | |
| Monetary assets | 1,131,305,521.09 | 1,131,305,521.09 | |
| Settlement reserve | | | |
| Interbank loans granted | | | |
| Held-for-trading financial assets | 901,166,682.64 | 901,166,682.64 | |
| Derivative financial assets | | | |
| Notes receivable | 109,444,480.94 | 109,444,480.94 | |
| Accounts receivable | 712,175,266.51 | 712,175,266.51 | |
| Accounts receivable financing | | | |
| Prepayments | 7,851,390.78 | 7,851,390.78 | |
| Premiums receivable | | | |
| Reinsurance receivables | | | |
| Receivable reinsurance contract reserve | | | |
| Other receivables | 24,268,554.00 | 24,268,554.00 | |
| Including: Interest receivable | | | |
| Dividends receivable | | | |
| Financial assets purchased under resale agreements | | | |
| Inventories | 637,336,584.06 | 637,336,584.06 | |
| Contract assets | | | |
| Assets held for sale | | | |
| Current portion of non-current assets | | | |
| Other current assets | 69,375,238.73 | 69,375,238.73 | |
| Total current assets | 3,592,923,718.75 | 3,592,923,718.75 | |
| Non-current assets: | | | |
| Loans and advances to customers | | | |
| Investments in debt | | | |

| | | | |
|---|------------------|------------------|----------------|
| obligations | | | |
| Investments in other debt obligations | | | |
| Long-term receivables | | | |
| Long-term equity investments | 181,093,725.43 | 181,093,725.43 | |
| Investments in other equity instruments | 1,454,740,241.46 | 1,454,740,241.46 | |
| Other non-current financial assets | | | |
| Investment property | | | |
| Fixed assets | 630,001,778.81 | 630,001,778.81 | |
| Construction in progress | 392,463,954.62 | 392,463,954.62 | |
| Productive living assets | | | |
| Oil and gas assets | | | |
| Right-of-use assets | | | |
| Intangible assets | 167,826,499.74 | 167,826,499.74 | |
| Development costs | | | |
| Goodwill | | | |
| Long-term prepaid expense | 9,036,943.97 | 9,036,943.97 | |
| Deferred income tax assets | 40,007,412.46 | 40,007,412.46 | |
| Other non-current assets | 9,861,098.08 | 9,861,098.08 | |
| Total non-current assets | 2,885,031,654.57 | 2,885,031,654.57 | |
| Total assets | 6,477,955,373.32 | 6,477,955,373.32 | |
| Current liabilities: | | | |
| Short-term borrowings | | | |
| Borrowings from the central bank | | | |
| Interbank loans obtained | | | |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | 374,665,327.74 | 374,665,327.74 | |
| Accounts payable | 559,016,692.70 | 559,016,692.70 | |
| Advances from customers | 55,615,216.17 | 2,065,579.05 | -53,549,637.12 |

| | | | |
|---|------------------|------------------|---------------|
| Contract liabilities | | 49,696,889.89 | 49,696,889.89 |
| Financial assets sold under repurchase agreements | | | |
| Customer deposits and interbank deposits | | | |
| Payables for acting trading of securities | | | |
| Payables for underwriting of securities | | | |
| Employee benefits payable | 83,156,852.86 | 83,156,852.86 | |
| Taxes payable | 17,374,063.48 | 17,374,063.48 | |
| Other payables | 280,035,419.34 | 280,035,419.34 | |
| Including: Interest payable | | | |
| Dividends payable | | | |
| Handling charges and commissions payable | | | |
| Reinsurance payables | | | |
| Liabilities directly associated with assets held for sale | | | |
| Current portion of non-current liabilities | | | |
| Other current liabilities | | 3,852,747.23 | 3,852,747.23 |
| Total current liabilities | 1,369,863,572.29 | 1,369,863,572.29 | |
| Non-current liabilities: | | | |
| Insurance contract reserve | | | |
| Long-term borrowings | | | |
| Bonds payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | | | |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | | | |

| | | | |
|--|------------------|------------------|--|
| Deferred income | | | |
| Deferred income tax liabilities | 137,216,136.70 | 137,216,136.70 | |
| Other non-current liabilities | | | |
| Total non-current liabilities | 137,216,136.70 | 137,216,136.70 | |
| Total liabilities | 1,507,079,708.99 | 1,507,079,708.99 | |
| Owners' equity: | | | |
| Share capital | 1,399,346,154.00 | 1,399,346,154.00 | |
| Other equity instruments | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Capital reserves | 231,608,173.07 | 231,608,173.07 | |
| Less: Treasury stock | | | |
| Other comprehensive income | 776,260,348.19 | 776,260,348.19 | |
| Specific reserve | | | |
| Surplus reserves | 836,559,645.36 | 836,559,645.36 | |
| General reserve | | | |
| Retained earnings | 1,700,426,915.63 | 1,700,426,915.63 | |
| Total equity attributable to owners of the Company as the parent | 4,944,201,236.25 | 4,944,201,236.25 | |
| Non-controlling interests | 26,674,428.08 | 26,674,428.08 | |
| Total owners' equity | 4,970,875,664.33 | 4,970,875,664.33 | |
| Total liabilities and owners' equity | 6,477,955,373.32 | 6,477,955,373.32 | |

Balance Sheet of the Company as the Parent

Unit: RMB

| Item | 31 December 2019 | 1 January 2020 | Adjusted |
|-----------------------------------|------------------|------------------|----------|
| Current assets: | | | |
| Monetary assets | 1,059,001,233.28 | 1,059,001,233.28 | |
| Held-for-trading financial assets | 901,166,682.64 | 901,166,682.64 | |
| Derivative financial assets | | | |

| | | | |
|--|------------------|------------------|--|
| Notes receivable | 107,567,164.99 | 107,567,164.99 | |
| Accounts receivable | 666,106,832.53 | 666,106,832.53 | |
| Accounts receivable financing | | | |
| Prepayments | 6,614,791.10 | 6,614,791.10 | |
| Other receivables | 37,934,614.96 | 37,934,614.96 | |
| Including: Interest receivable | | | |
| Dividends receivable | | | |
| Inventories | 553,557,529.00 | 553,557,529.00 | |
| Contract assets | | | |
| Assets held for sale | | | |
| Current portion of non-current assets | | | |
| Other current assets | 43,118,385.01 | 43,118,385.01 | |
| Total current assets | 3,375,067,233.51 | 3,375,067,233.51 | |
| Non-current assets: | | | |
| Investments in debt obligations | | | |
| Investments in other debt obligations | | | |
| Long-term receivables | | | |
| Long-term equity investments | 464,886,827.69 | 464,886,827.69 | |
| Investments in other equity instruments | 1,454,740,241.46 | 1,454,740,241.46 | |
| Other non-current financial assets | | | |
| Investment property | | | |
| Fixed assets | 573,844,707.66 | 573,844,707.66 | |
| Construction in progress | 116,240,559.37 | 116,240,559.37 | |
| Productive living assets | | | |
| Oil and gas assets | | | |
| Right-of-use assets | | | |
| Intangible assets | 125,673,065.66 | 125,673,065.66 | |
| Development costs | | | |

| | | | |
|---|------------------|------------------|----------------|
| Goodwill | | | |
| Long-term prepaid expense | 4,891,398.93 | 4,891,398.93 | |
| Deferred income tax assets | 34,205,213.27 | 34,205,213.27 | |
| Other non-current assets | 8,440,448.08 | 8,440,448.08 | |
| Total non-current assets | 2,782,922,462.12 | 2,782,922,462.12 | |
| Total assets | 6,157,989,695.63 | 6,157,989,695.63 | |
| Current liabilities: | | | |
| Short-term borrowings | | | |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | 376,265,327.74 | 376,265,327.74 | |
| Accounts payable | 689,846,497.35 | 689,846,497.35 | |
| Advances from customers | 46,758,714.00 | | -46,758,714.00 |
| Contract liabilities | | 43,441,342.76 | 43,441,342.76 |
| Employee benefits payable | 68,658,329.30 | 68,658,329.30 | |
| Taxes payable | 12,374,430.19 | 12,374,430.19 | |
| Other payables | 125,001,875.83 | 125,001,875.83 | |
| Including: Interest payable | | | |
| Dividends payable | | | |
| Liabilities directly associated with assets held for sale | | | |
| Current portion of non-current liabilities | | | |
| Other current liabilities | | 3,317,371.24 | 3,317,371.24 |
| Total current liabilities | 1,318,905,174.41 | 1,318,905,174.41 | |
| Non-current liabilities: | | | |
| Long-term borrowings | | | |
| Bonds payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |

| | | | |
|--------------------------------------|------------------|------------------|--|
| Lease liabilities | | | |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | | | |
| Deferred income | | | |
| Deferred income tax liabilities | 137,216,136.70 | 137,216,136.70 | |
| Other non-current liabilities | | | |
| Total non-current liabilities | 137,216,136.70 | 137,216,136.70 | |
| Total liabilities | 1,456,121,311.11 | 1,456,121,311.11 | |
| 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 | 776,242,987.90 | |
| Specific reserve | | | |
| Surplus reserves | 836,559,645.36 | 836,559,645.36 | |
| Retained earnings | 1,523,507,818.11 | 1,523,507,818.11 | |
| Total owners' equity | 4,701,868,384.52 | 4,701,868,384.52 | |
| Total liabilities and owners' equity | 6,157,989,695.63 | 6,157,989,695.63 | |

(4) Retroactive Adjustments to Comparative Data of Prior Years when First Execution of any New Standards Governing Revenue or Leases since 2020

☐ Applicable ☒ Not applicable

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%, 13% |
| 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 |
|----------------------------|-----------------|
| The Company, Zhida Company | 15% |
| FSL Lighting GmbH | 15% |
| Chansheng Company | 20% |
| Other subsidiaries | 25% |

2. Tax Preference

The Company passed the re-examination for High-tech Enterprises in 2020, 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 2020.

Zhida Company passed the examination for High-tech Enterprises in December 2019, and thus Zhida Company 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 2020: 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 | 14,800.25 | 18,281.85 |
| Bank deposits | 883,112,636.02 | 1,054,542,895.77 |
| Other monetary assets(Note 1) | 96,541,013.22 | 70,079,965.12 |
| Unexpired interest(Note 2) | 1,581,250.00 | 6,664,378.35 |
| Total | 981,249,699.49 | 1,131,305,521.09 |
| Of which: Total amount deposited overseas | 1,127,886.79 | 1,232,977.34 |

Other notes

Note 1: Other monetary assets were security deposits for notes and performance bonds, as well as investments placed with security firm and the balance with e-commerce platforms, of which the security deposits for notes and performance bonds were restricted assets (see “81. Assets with Restricted Ownership or Right of Use” in Note “VII Notes to Consolidated Financial Statements”).

Note 2: Unexpired interest did 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 | 407,619,201.36 | 901,166,682.64 |
| Including: | | |
| Debt instrument investments | | |
| Equity instrument investments | | |
| Wealth management products (note) | 401,286,301.36 | 467,869,852.09 |
| Structural deposits (note) | | 431,749,630.55 |
| Others | 6,332,900.00 | 1,547,200.00 |
| Including: | | |
| Total | 407,619,201.36 | 901,166,682.64 |

Other notes:

The ending amount of held-for-trading financial assets was RMB-493,547,481.28, down 54.77% from the beginning amount, primarily driven by a decrease in structured deposits.

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 | 140,972,143.00 | 109,444,480.94 |
| Total | 140,972,143.00 | 109,444,480.94 |

Note:

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) Bad Debt Provision 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 | 57,702,279.27 |
| Total | 57,702,279.27 |

(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 recognition termination at the period-end |
|----------------------|---|---|
| Bank acceptance bill | 80,164,112.05 | |
| Total | 80,164,112.05 | |

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

Naught

(6) The Actual Write-off Notes 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 | 15,257,662.85 | 1.27% | 9,569,331.99 | 62.72% | 5,688,330.86 | 23,377,223.66 | 3.06% | 16,266,810.09 | 69.58% | 7,110,413.57 |
| Of which: | | | | | | | | | | |
| Accounts receivable withdrawn bad debt provision by group | 1,185,342,187.03 | 98.73% | 56,797,282.19 | 4.79% | 1,128,544,904.84 | 740,781,145.60 | 96.94% | 35,716,292.66 | 4.82% | 705,064,852.94 |
| Of which: | | | | | | | | | | |
| (1) General business portfolio | 1,185,342,187.03 | 98.73% | 56,797,282.19 | 4.79% | 1,128,544,904.84 | 740,781,145.60 | 96.94% | 35,716,292.66 | 4.82% | 705,064,852.94 |
| (2) Internal business portfolio | | | | | | | | | | |
| Total | 1,200,599,849.88 | 100.00% | 66,366,614.18 | 5.53% | 1,134,233,235.70 | 764,158,369.26 | 100.00% | 51,983,102.75 | 6.80% | 712,175,266.51 |

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 | 8,532,496.28 | 60.00% | Involved in the lawsuit, |

| | | | | |
|------------|---------------|--------------|---------|--|
| | | | | the Company won the lawsuit in the first instance, and the other side has appealed. |
| Customer B | 1,036,835.71 | 1,036,835.71 | 100.00% | Involved in the lawsuit, the Company won the case, but the counterpart had no property for repayment |
| Total | 15,257,662.85 | 9,569,331.99 | -- | -- |

Withdrawal of bad debt provision by group:

Unit: RMB

| Name | Ending balance | | |
|-------------------|------------------|--------------------|-----------------------|
| | Carrying amount | Bad debt provision | Withdrawal proportion |
| Credit risk group | 1,185,342,187.03 | 56,797,282.19 | 4.79% |
| Total | 1,185,342,187.03 | 56,797,282.19 | -- |

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 accounts receivable.

☐ Applicable ☒ Not applicable

Disclosure by aging

Unit: RMB

| Aging | Ending balance |
|----------------------------------|------------------|
| Within 1 year (including 1 year) | 1,097,460,394.68 |
| 1 to 2 years | 44,704,753.46 |
| 2 to 3 years | 32,964,657.02 |
| Over 3 years | 25,470,044.72 |
| 3 to 4 years | 15,327,726.67 |
| 4 to 5 years | 4,739,947.50 |
| Over 5 years | 5,402,370.55 |
| Total | 1,200,599,849.88 |

(2) Bad Debt Provision 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 | Write-off | Other | |

| | | | recovery | | | |
|---------------------|---------------|---------------|--------------|--------------|--|---------------|
| Accounts receivable | 51,983,102.75 | 24,997,812.75 | 9,156,396.52 | 1,457,904.80 | | 66,366,614.18 |
| Total | 51,983,102.75 | 24,997,812.75 | 9,156,396.52 | 1,457,904.80 | | 66,366,614.18 |

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

Unit: RMB

| Name | Amount recovered or reversed | Method |
|-------|------------------------------|--------|
| No. 1 | 8,541,244.40 | |
| No. 2 | 615,152.12 | |
| Total | 9,156,396.52 | -- |

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

Unit: RMB

| Item | Amount |
|------------------------|--------------|
| No. 1 | 902,127.23 |
| No. 2 | 545,941.76 |
| No. 3 | 5,480.00 |
| No. 4 | 2,858.68 |
| No. 5 | 826.32 |
| No. 6 | 367.27 |
| Other retails accounts | 303.54 |
| Total | 1,457,904.80 |

Note:

The approval procedure for the verification of accounts receivable during the Reporting Period had been performed in accordance with provisions of the bad debt management system of the Company.

(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 | 266,975,642.87 | 22.24% | 8,009,269.29 |
| No. 2 | 29,740,558.56 | 2.48% | 892,216.76 |
| No. 3 | 27,606,151.04 | 2.30% | 828,184.53 |
| No. 4 | 27,107,127.00 | 2.26% | 813,213.81 |
| No. 5 | 24,563,132.27 | 2.05% | 736,893.97 |

| | | | |
|-------|----------------|--------|--|
| Total | 375,992,611.74 | 31.33% | |
|-------|----------------|--------|--|

(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 | 9,193,885.82 | 76.65% | 4,151,087.73 | 52.87% |
| 1 to 2 years | 355,870.31 | 2.97% | 1,687,169.78 | 21.49% |
| 2 to 3 years | 1,081,261.45 | 9.01% | 710,290.79 | 9.05% |
| Over 3 years | 1,363,727.47 | 11.37% | 1,302,842.48 | 16.59% |
| Total | 11,994,745.05 | -- | 7,851,390.78 | -- |

(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 supplier | 2,450,000.00 | 20.43% | 2020 |
| No. 2 | Non-related supplier | 686,250.00 | 5.72% | 2020 |
| No. 3 | Non-related supplier | 601,013.10 | 5.01% | 2017-2019 |
| No. 4 | Non-related supplier | 530,000.00 | 4.42% | 2020 |
| No. 5 | Non-related supplier | 516,148.86 | 4.30% | 2020 |
| Total | | 4,783,411.96 | 39.88% | |

8. Other Receivables

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Other receivables | 20,194,968.19 | 24,268,554.00 |
| Total | 20,194,968.19 | 24,268,554.00 |

(1) Interest Receivable

Naught

(2) Dividends Receivable

Naught

(3) Other Receivables**1) Other Receivables Classified by Account Nature**

Unit: RMB

| Nature | Ending carrying amount | Beginning carrying amount |
|--------------------------------|------------------------|---------------------------|
| VAT export tax refunds | 195,141.85 | 8,154,485.23 |
| Performance bond | 4,166,580.10 | 3,236,931.10 |
| Staff borrow and petty cash | 7,866,311.07 | 5,991,107.91 |
| Rent, water & electricity fees | 3,389,778.15 | 1,686,102.59 |
| Other | 7,020,439.45 | 7,375,033.47 |
| Total | 22,638,250.62 | 26,443,660.30 |

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 2020 | 595,234.83 | 1,579,871.47 | | 2,175,106.30 |
| Balance of 1 January 2020 in the Current Period | — | — | — | — |

| | | | | |
|----------------------------------|------------|--------------|--|--------------|
| Withdrawal of the Current Period | -95,772.42 | 363,948.55 | | 268,176.13 |
| Balance of 31 December 2020 | 499,462.41 | 1,943,820.02 | | 2,443,282.43 |

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) | 16,648,747.99 |
| 1 to 2 years | 2,327,104.43 |
| 2 to 3 years | 1,794,985.63 |
| Over 3 years | 1,867,412.57 |
| 3 to 4 years | 1,361,587.47 |
| 4 to 5 years | 70,024.80 |
| Over 5 years | 435,800.30 |
| Total | 22,638,250.62 |

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 | |
| Other receivables | 2,175,106.30 | 268,176.13 | | | | 2,443,282.43 |
| Total | 2,175,106.30 | 268,176.13 | | | | 2,443,282.43 |

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 | Ending balance of bad debt provision |
|--------------------|--------|----------------|-------|---------------------------------------|--------------------------------------|
|--------------------|--------|----------------|-------|---------------------------------------|--------------------------------------|

| | | | | other receivables (%) | |
|-------|------------------|--------------|----------------|--------------------------|------------|
| No. 1 | Other | 2,305,195.33 | Within 1 year | 10.18% | 69,155.86 |
| No. 2 | Petty cash | 2,096,135.88 | Within 1 year | 9.26% | 62,884.08 |
| No. 3 | Social insurance | 1,645,606.53 | Within 1 year | 7.27% | 49,368.19 |
| No. 4 | Petty cash | 1,386,940.21 | Within 1 year | 6.13% | 41,608.21 |
| No. 5 | Other | 1,296,947.31 | Within 4 years | 5.73% | 598,956.46 |
| Total | -- | 8,730,825.26 | -- | 38.57% | 821,972.80 |

6) Accounts Receivable Involving Government Grants

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 needs to comply with disclosure requirements for real estate industry

No

(1) Category of Inventory

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|------------------|-----------------|---|----------------|-------------------|---|----------------|
| | Carrying amount | Falling price reserves of inventory or depreciation reserves of contract performance cost | Carrying value | Carrying amount | Falling price reserves of inventory or depreciation reserves of contract performance cost | Carrying value |
| Raw materials | 177,234,228.73 | 2,901,800.45 | 174,332,428.28 | 124,826,657.81 | 2,426,340.03 | 122,400,317.78 |
| Goods in process | 40,969,288.80 | | 40,969,288.80 | 32,861,535.80 | | 32,861,535.80 |
| Inventory goods | 387,194,563.02 | 13,992,901.12 | 373,201,661.90 | 380,880,872.40 | 25,335,631.67 | 355,545,240.73 |

| | | | | | | |
|-------------------------------------|----------------|---------------|----------------|----------------|---------------|----------------|
| Semi-finished goods | 145,960,270.11 | 1,013,387.91 | 144,946,882.20 | 125,058,072.72 | 1,658,579.31 | 123,399,493.41 |
| Low priced and easily worn articles | 2,234,855.73 | | 2,234,855.73 | 3,129,996.34 | | 3,129,996.34 |
| Total | 753,593,206.39 | 17,908,089.48 | 735,685,116.91 | 666,757,135.07 | 29,420,551.01 | 637,336,584.06 |

(2) Falling Price Reserves of Inventory and Depreciation Reserves of Contract Performance Cost

Unit: RMB

| Item | Beginning balance | Increase | | Decrease | | Ending balance |
|---------------------|-------------------|--------------|-------|-----------------------|-------|----------------|
| | | Withdrawal | Other | Reversal or write-off | Other | |
| Raw materials | 2,426,340.03 | 1,755,526.86 | | 1,280,066.44 | | 2,901,800.45 |
| Inventory goods | 25,335,631.67 | 5,312,819.41 | | 16,655,549.96 | | 13,992,901.12 |
| Semi-finished goods | 1,658,579.31 | 512,961.47 | | 1,158,152.87 | | 1,013,387.91 |
| Total | 29,420,551.01 | 7,581,307.74 | | 19,093,769.27 | | 17,908,089.48 |

| Item | Basis for withdrawal of falling price reserves of inventory | Reasons for reversal or write-off of falling price reserves of inventory | Note |
|-----------------|---|--|------|
| Raw materials | The lower one between the inventory cost and net realizable value | Sales or scrap of raw materials | |
| Inventory goods | The lower one between the inventory cost and net realizable value | Sales or scrap of products | |

Reasons for the provision for inventory depreciation: Provisions are set for the stagnancy of a few raw materials; some inventory products become temporarily idle due to classification.

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

Naught

(4) Amortization Amount of Contract Performance Cost during the Reporting Period

Naught

10. Contract Assets

Naught

11. Held-for-Sale Assets

Naught

12. Current Portion of Non-current Assets

Naught

13. Other Current Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Large bank deposit certificate (note) | 90,417,315.07 | |
| Deductible input tax of VAT | 84,673,053.78 | 66,732,905.17 |
| Advance payment of enterprise income tax | | 2,642,333.56 |
| Total | 175,090,368.85 | 69,375,238.73 |

Other notes;

Bank deposit receipts of large amounts with a maturity of over three months which were transferable but not redeemable until maturity.

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. | 181,093,725.43 | | | 2,351,681.39 | | | 2,080,390.50 | | | 181,365,016.32 | |
| Subtotal | 181,093,725.43 | | | 2,351,681.39 | | | 2,080,390.50 | | | 181,365,016.32 | |
| Total | 181,093,725.43 | | | 2,351,681.39 | | | 2,080,390.50 | | | 181,365,016.32 | |

18. Other Equity Instrument Investment

Unit: RMB

| Item | Ending balance | Beginning balance |
|------------------------------|------------------|-------------------|
| Non-listed equity investment | 5,054,176.40 | 711,571,895.07 |
| Listed equity investment | 3,300,446,853.66 | 743,168,346.39 |
| Total | 3,305,501,030.06 | 1,454,740,241.46 |

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 | | 1,557,983,042.36 | | | Not satisfied with the condition of trading equity instrument | |
| Xiamen Bank | 10,971,417.60 | 1,155,652,990.20 | | | Not satisfied with the condition of trading equity instrument | |
| Stock of Everbright Bank | 3,969,005.36 | 50,351,800.64 | | | Not satisfied with the condition of | |

| | | | | | | |
|-------|---------------|------------------|--|--|------------------------------|--|
| | | | | | trading equity instrument | |
| Total | 14,940,422.96 | 2,763,987,833.20 | | | | |

19. Other Non-current Financial Assets

Naught

20. Investment Property

Naught

21. Fixed Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|--------------|----------------|-------------------|
| Fixed assets | 685,707,548.55 | 630,001,778.81 |
| Total | 685,707,548.55 | 630,001,778.81 |

(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 | 871,680,760.24 | 735,281,251.39 | 21,946,195.19 | 29,297,960.13 | 1,658,206,166.95 |
| 2. Increased amount of the period | 81,478,751.39 | 50,410,269.14 | 767,306.06 | 2,689,384.81 | 135,345,711.40 |
| (1) Purchase | | 24,147,841.67 | 713,675.06 | 1,777,696.48 | 26,639,213.21 |
| (2) Transfer from construction in progress | 81,478,751.39 | 21,922,651.47 | | 828,013.33 | 104,229,416.19 |
| (4) Others (note) | | 4,339,776.00 | 53,631.00 | 83,675.00 | 4,477,082.00 |
| 3. Decreased amount of the period | 4,142,650.75 | 27,266,621.82 | 901,098.80 | 13,585.25 | 32,323,956.62 |
| (1) Disposal or scrap | 4,142,650.75 | 25,551,698.74 | 901,098.80 | 13,585.25 | 30,609,033.54 |

| | | | | | |
|-----------------------------------|----------------|----------------|---------------|---------------|------------------|
| (2) Equipment transformation | | 1,714,923.08 | | | 1,714,923.08 |
| 4. Ending balance | 949,016,860.88 | 758,424,898.71 | 21,812,402.45 | 31,973,759.69 | 1,761,227,921.73 |
| II. Accumulative depreciation | | | | | |
| 1. Beginning balance | 453,670,579.13 | 529,997,835.69 | 16,263,648.34 | 24,199,951.63 | 1,024,132,014.79 |
| 2. Increased amount of the period | 35,612,870.12 | 37,795,438.69 | 1,132,067.85 | 2,222,228.73 | 76,762,605.39 |
| (1) Withdrawal | 35,612,870.12 | 37,795,438.69 | 1,132,067.85 | 2,222,228.73 | 76,762,605.39 |
| 3. Decreased amount of the period | 3,816,460.98 | 22,831,759.96 | 754,521.75 | 12,417.93 | 27,415,160.62 |
| (1) Disposal or scrap | 3,816,460.98 | 21,730,426.57 | 754,521.75 | 12,417.93 | 26,313,827.23 |
| (2) Equipment transformation | | 1,101,333.39 | | | 1,101,333.39 |
| 4. Ending balance | 485,466,988.27 | 544,961,514.42 | 16,641,194.44 | 26,409,762.43 | 1,073,479,459.56 |
| III. Depreciation reserves | | | | | |
| 1. Beginning balance | | 4,071,945.32 | | 428.03 | 4,072,373.35 |
| 3. Decreased amount of the period | | 2,031,459.73 | | | 2,031,459.73 |
| (1) Disposal or scrap | | 2,020,577.18 | | | 2,020,577.18 |
| (2) Equipment transformation | | 10,882.55 | | | 10,882.55 |
| 4. Ending balance | | 2,040,485.59 | | 428.03 | 2,040,913.62 |
| IV. Carrying value | | | | | |
| 1. Ending carrying value | 463,549,872.61 | 211,422,898.70 | 5,171,208.01 | 5,563,569.23 | 685,707,548.55 |
| 2. Beginning carrying value | 418,010,181.11 | 201,211,470.38 | 5,682,546.85 | 5,097,580.47 | 630,001,778.81 |

Note: "Other" refers to physical assets such as machinery equipment input by Foshan NationStar Optoelectronics Co., Ltd. to Foshan

Haolaite

(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 | 7,076,654.88 | 5,462,065.44 | 1,568,283.13 | 46,306.31 | |
| Total | 7,076,654.88 | 5,462,065.44 | 1,568,283.13 | 46,306.31 | |

(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 2020, 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 | 503,941,120.31 | 392,463,954.62 |
| Total | 503,941,120.31 | 392,463,954.62 |

(1) List of Construction in Progress

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|------|-----------------|--------------|----------------|-------------------|--------------|----------------|
| | Carrying amount | Depreciation | Carrying value | Carrying amount | Depreciation | Carrying value |

| | | reserves | | | reserves | |
|--------------------------|----------------|----------|----------------|----------------|----------|----------------|
| Construction in progress | 503,941,120.31 | | 503,941,120.31 | 392,463,954.62 | | 392,463,954.62 |
| Total | 503,941,120.31 | | 503,941,120.31 | 392,463,954.62 | | 392,463,954.62 |

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

Unit: RMB

| Item | Budget | Beginning balance | Increase d amount | Transferr ed in fixed assets | Other decrease d amount | Ending balance | Proporti on of accumul ative investme nt in construct ions to budget | Job schedule | Accumul ative amount of interest capitaliz ation | Of which: amount of capitaliz ed interests for the Reportin g Period | Capitaliz ation rate of interests for the Reportin g Period | Capital resources |
|---|----------------|-------------------|-------------------|------------------------------|-------------------------|----------------|--|--------------|--|--|---|-------------------|
| Kelian Building | 726,738,900.00 | 273,433,344.46 | 175,162,020.50 | | | 448,595,364.96 | 67.28% | 95.00% | 24,783,197.62 | 11,857,755.40 | 3.30% | Other |
| Gaoming R&D workshop 11, 12, 13, 14 and 18 | 45,000,000.00 | 30,853,931.43 | 756,878.08 | | | 31,610,809.51 | 73.81% | 85.00% | | | | Other |
| Gaoming Office Building | 115,530,000.00 | | 5,236,801.98 | | | 5,236,801.98 | 4.59% | 0.00% | | | | Other |
| 48 tons electric melting furnace (18025) Gaoming tank furnace | 7,766,000.00 | 4,295,520.36 | 425,598.73 | | | 4,721,119.09 | 68.70% | 80.00% | | | | Other |
| Fuwan intelligent workshop H | 57,575,000.00 | 46,708,062.10 | 1,947,290.26 | 48,655,352.36 | | | 91.90% | 100.00% | | | | Other |

| | | | | | | | | | | | | |
|---|-------------------|-------------------|------------------|-------------------|------------------|--|---------|---------|--|--|--|-------|
| Automat ic system of intellige nt producti on worksho p (worksh op H) | 21,920,0 00.00 | 11,117,8 40.76 | 7,351,78 2.99 | 18,469,6 23.75 | | | 96.97% | 100.00% | | | | Other |
| Upgradi ng and reconstru ction project of the road in Gaoming Plant | 5,780,00 0.00 | | 4,161,54 2.67 | 4,161,54 2.67 | | | 78.48% | 100.00% | | | | Other |
| Upgradi ng project in Local roads and greening of Gaoming | 6,500,00 0.00 | 5,408,81 5.09 | 606,635. 34 | | 6,015,45 0.43 | | 98.76% | 100.00% | | | | Other |
| Upgradi ng project of Standard C worksho p external facade | 4,200,00 0.00 | 3,502,56 8.80 | 350,642. 20 | 3,853,21 1.00 | | | 100.00% | 100.00% | | | | Other |
| Reconstr uction project of the | 7,380,16 9.12 | | 5,056,05 9.68 | 5,056,05 9.68 | | | 77.08% | 100.00% | | | | Other |

| | | | | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--|--|---------|---------|--|--|--|-------|
| main road from the west gate to the south gate of Gaoming Plant | | | | | | | | | | | | |
| Section II of the upgrading and reconstruction project of the external façade of the factory next to the main road from the west gate to the south gate of Gaoming Plant (motor vehicle lamps, bidding B and bidding G) | 3,394,200.00 | | 2,836,611.96 | 2,836,611.96 | | | 91.09% | 100.00% | | | | Other |
| Project of building the greening park for | 2,820,752.94 | 1,982,053.85 | 633,218.53 | 2,615,272.38 | | | 100.00% | 100.00% | | | | Other |

| | | | | | | | | | | | | |
|---|----------------------|--------------------|--------------------|-------------------|------------------|--------------------|--------|---------|-------------------|-------------------|--|-------|
| leisure and sport in Gaoming Branch Plant | | | | | | | | | | | | |
| Section I of the upgradin g and reconstru ction project of the external fa çade of the factory next to the main road from the west gate to the south gate of Gaoming Plant (luminari es, T8) | 2,377,80 0.00 | | 2,049,62 3.40 | 2,049,62 3.40 | | | 93.96% | 100.00% | | | | Other |
| Total | 1,006,98 2,822.06 | 377,302, 136.85 | 206,574, 706.32 | 87,697.2 97.20 | 6,015,45 0.43 | 490,164, 095.54 | -- | -- | 24,783,1 97.62 | 11,857,7 55.40 | | -- |

(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-of-use Assets**

Naught

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

Unit: RMB

| Item | Land use right | Patent | Non-patent technology | Software | Others | 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 | | | | 1,823,767.58 | 7,622,600.00 | 9,446,367.58 |
| (1) Purchase | | | | 1,823,767.58 | | 1,823,767.58 |
| (2) Internal R&D | | | | | | |
| (3) Business combination increase | | | | | | |
| (4) Others (note) | | | | | 7,622,600.00 | 7,622,600.00 |
| 3. Decreased amount of the period | 1,542,630.92 | 200,000.00 | | | | 1,742,630.92 |
| (1) Disposal | | 200,000.00 | | | | 200,000.00 |
| (2) Others | 1,542,630.92 | | | | | 1,542,630.92 |
| 4. Ending balance | 232,199,092.68 | | | 4,597,419.45 | 7,622,600.00 | 244,419,112.13 |

| | | | | | | |
|-----------------------------------|----------------|------------|--|--------------|--------------|----------------|
| II. Accumulated amortization | | | | | | |
| 1. Beginning balance | 66,689,185.37 | 200,000.00 | | 1,999,690.36 | | 68,888,875.73 |
| 2. Increased amount of the period | 4,566,539.40 | | | 215,737.03 | 254,086.67 | 5,036,363.10 |
| (1) Withdrawal | 4,566,539.40 | | | 215,737.03 | 254,086.67 | 5,036,363.10 |
| 3. Decreased amount of the period | | 200,000.00 | | | | 200,000.00 |
| (1) Disposal | | 200,000.00 | | | | 200,000.00 |
| 4. Ending balance | 71,255,724.77 | | | 2,215,427.39 | 254,086.67 | 73,725,238.83 |
| 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 | 160,943,367.91 | | | 2,381,992.06 | 7,368,513.33 | 170,693,873.30 |
| 2. Beginning carrying value | 167,052,538.23 | | | 773,961.51 | | 167,826,499.74 |

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.

Note: Others refer to the marketing channels and human resources invested in Foshan Haolaite Lighting Co., Ltd. by NationStar.

(2) Land Use Right with Certificate of Title Uncompleted

Naught

27. Development Costs

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 |
|---------------------------------------|-------------------|------------------|-----------------------------------|------------------------|----------------|
| Expense on maintenance and decoration | 7,226,950.71 | 10,040,169.96 | 6,438,345.58 | | 10,828,775.09 |
| Other | 1,809,993.26 | 2,358,490.54 | 1,586,032.66 | | 2,582,451.14 |
| Total | 9,036,943.97 | 12,398,660.50 | 8,024,378.24 | | 13,411,226.23 |

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 | 88,758,899.69 | 14,118,876.93 | 93,501,133.41 | 14,445,360.64 |
| Unrealized profit of internal transactions | 5,784,713.24 | 867,706.99 | 1,885,791.90 | 282,868.80 |
| Undistributed deficit | 20,735,316.21 | 5,183,829.06 | 12,414,702.31 | 3,103,675.58 |
| Depreciation of fixed assets | 71,106,985.78 | 10,810,152.06 | 76,057,614.11 | 11,908,759.43 |
| Payroll payable | 61,821,414.20 | 9,273,212.13 | 68,444,986.72 | 10,266,748.01 |
| Total | 248,207,329.12 | 40,253,777.17 | 252,304,228.45 | 40,007,412.46 |

(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 financial assets recorded into other comprehensive income | 2,758,137,833.20 | 413,720,674.97 | 913,227,044.60 | 136,984,056.70 |
| Changes in fair value of held-for-trading financial assets | 6,332,900.00 | 949,935.00 | 1,547,200.00 | 232,080.00 |
| Total | 2,764,470,733.20 | 414,670,609.97 | 914,774,244.60 | 137,216,136.70 |

(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 | | 40,253,777.17 | | 40,007,412.46 |
| Deferred income tax liabilities | | 414,670,609.97 | | 137,216,136.70 |

(4) List of Unrecognized Deferred Income Tax Assets

Naught

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

Naught

31. Other Non-current Assets

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|------|-----------------|----------------------|----------------|-------------------|----------------------|----------------|
| | Carrying amount | Depreciation reserve | Carrying value | Carrying amount | Depreciation reserve | Carrying value |

| | | | | | | |
|--|---------------|--|---------------|--------------|--|--------------|
| Prepayments for business facilities | 10,401,758.47 | | 10,401,758.47 | 9,861,098.08 | | 9,861,098.08 |
| Assets of subsidiaries to be cleared and cancelled | 1,022,085.15 | | 1,022,085.15 | | | |
| Total | 11,423,843.62 | | 11,423,843.62 | 9,861,098.08 | | 9,861,098.08 |

32. Short-term Borrowings

Naught

33. Held-for-trading Financial Liabilities

Naught

34. Derivative Financial Liabilities

Naught

35. Notes Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 480,971,214.80 | 374,665,327.74 |
| Total | 480,971,214.80 | 374,665,327.74 |

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 | 1,059,674,020.99 | 559,016,692.70 |
| Total | 1,059,674,020.99 | 559,016,692.70 |

Other notes:

The ending amount of accounts payable was RMB500,657,328.29, up 89.56% from the beginning amount, primarily because the Company increased its procurement volume and the prices of materials went up in the current period.

(2) Significant Accounts Payable Aging over One Year

Naught

37. Advances from Customer**(1) List of Advances from Customers**

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------------------------|----------------|-------------------|
| Advances from customers | 1,285,357.28 | 2,065,579.05 |
| Total | 1,285,357.28 | 2,065,579.05 |

(2) Significant Advances from Customers Aging over One Year

Naught

38. Contract Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------------------------|----------------|-------------------|
| Advances from customers | 65,777,726.45 | 49,696,889.89 |
| Total | 65,777,726.45 | 49,696,889.89 |

39. Employee Benefits Payable**(1) List of Employee Benefits Payable**

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|--|-------------------|----------------|----------------|----------------|
| I. Short-term salary | 83,156,852.86 | 669,630,701.67 | 670,302,464.06 | 82,485,090.47 |
| II. Post-employment benefit-defined contribution plans | | 21,447,593.89 | 21,447,593.89 | |
| Total | 83,156,852.86 | 691,078,295.56 | 691,750,057.95 | 82,485,090.47 |

(2) List of Short-term Salary

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|-------------------|-------------------|----------------|----------------|----------------|
| 1. Salary, bonus, | 82,843,966.12 | 615,410,323.53 | 616,122,894.86 | 82,131,394.79 |

| | | | | |
|---|---------------|----------------|----------------|---------------|
| allowance, subsidy | | | | |
| 2. Employee welfare | | 20,680,728.67 | 20,680,728.67 | |
| 3. Social insurance | | 19,060,245.60 | 19,060,245.60 | |
| Of which: Medical insurance premiums | | 13,821,028.32 | 13,821,028.32 | |
| Work-related injury insurance | | 424,250.53 | 424,250.53 | |
| Maternity insurance | | 4,814,966.75 | 4,814,966.75 | |
| 4. Housing fund | | 10,651,740.65 | 10,651,740.65 | |
| 5. Labor union budget and employee education budget | 312,886.74 | 3,827,663.22 | 3,786,854.28 | 353,695.68 |
| Total | 83,156,852.86 | 669,630,701.67 | 670,302,464.06 | 82,485,090.47 |

(3) List of Defined Contribution Plans

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|---------------------------|-------------------|---------------|---------------|----------------|
| 1. Basic pension benefits | | 21,006,600.51 | 21,006,600.51 | |
| 2. Unemployment insurance | | 440,993.38 | 440,993.38 | |
| Total | | 21,447,593.89 | 21,447,593.89 | |

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 | 7,470,456.34 | 2,848,860.13 |
| Corporate income tax | 6,753,904.80 | 12,419,827.14 |
| Personal income tax | 1,009,832.30 | 758,007.93 |
| Urban maintenance and construction tax | 1,174,681.01 | 385,734.01 |
| Education surcharge | 845,486.44 | 281,417.17 |

| | | |
|--------------|---------------|---------------|
| Property tax | 315,798.24 | 264,468.41 |
| Land use tax | 187,752.00 | 187,752.00 |
| Other | 1,118,746.38 | 227,996.69 |
| Total | 18,876,657.51 | 17,374,063.48 |

41. Other Payables

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------|----------------|-------------------|
| Other payables | 76,668,330.66 | 280,035,419.34 |
| Total | 76,668,330.66 | 280,035,419.34 |

(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 | 42,365,111.53 | 37,741,485.45 |
| Relevant expense of sales | 3,143,336.62 | 3,323,583.65 |
| Compensation for lawsuit | 1,082,784.95 | 1,126,231.95 |
| Other | 30,077,097.56 | 237,844,118.29 |
| Total | 76,668,330.66 | 280,035,419.34 |

2) Significant Other Payables Aging over One Year

Unit: RMB

| Item | Ending balance | Reason for not repayment or carry-over |
|-----------|----------------|--|
| Company A | 8,000,000.00 | The contract is not settled yet |
| Total | 8,000,000.00 | -- |

Other notes:

The ending amount of other payables was RMB-203,367,088.68, down 72.62% from the beginning amount, primarily because Hunan Keda repaid a loan to its former shareholder Guangdong Huajian Enterprise Group Co., Ltd.

42. Liabilities Held for sale

Naught

43. Current Portion of Non-current Liabilities

Naught

44. Other Current Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------------------------------|----------------|-------------------|
| Pending changoover output VAT | 5,503,702.07 | 3,852,747.23 |
| Total | 5,503,702.07 | 3,852,747.23 |

45. Long-term Borrowings

Naught

46. Bonds Payable

Naught

47. Lease Liabilities

Naught

48. Long-term Payables

Naught

49. Long-term Employee Benefits Payable

Naught

50. Provisions

Naught

51. Deferred Income

Naught

52. Other Non-current Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Liabilities of subsidiaries to be cleared and cancelled | 1,244,064.84 | |
| Total | 1,244,064.84 | |

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 | | | | | | 1,399,346,154.00 |

Other notes:

The unrestricted shares increased 483,855 shares since shares held by former directors and senior management of the Company were freed from lock-in-period as required during the Reporting Period.

54. Other Equity Instruments

Naught

55. Capital Reserves

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|------------------------------------|-------------------|----------|----------------|----------------|
| Capital premium (premium on stock) | 224,362,201.53 | | 216,450,658.17 | 7,911,543.36 |
| Other capital reserves | 7,245,971.54 | | | 7,245,971.54 |
| Total | 231,608,173.07 | | 216,450,658.17 | 15,157,514.90 |

Other notes, including changes and reasons thereof:

Primarily because the premium of the Company's acquisition of the 100% equity of Hunan Keda in a business combination involving entities under common control was charged to capital premium in the Reporting Period.

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 | 776,242,987.90 | 1,850,760,788.60 | | | 277,614,118.27 | 1,573,146,670.33 | | 2,349,389,658.23 |
| Changes in fair value of other equity instrument investment | 776,242,987.90 | 1,850,760,788.60 | | | 277,614,118.27 | 1,573,146,670.33 | | 2,349,389,658.23 |
| II. Other comprehensive income that may subsequently be reclassified to profit or loss | 17,360.29 | -18,484.91 | | | | -18,484.91 | | -1,124.62 |
| Differences arising from translation of foreign currency-denominated financial statements | 17,360.29 | -18,484.91 | | | | -18,484.91 | | -1,124.62 |
| Total of other comprehensive income | 776,260,348.19 | 1,850,742,303.69 | | | 277,614,118.27 | 1,573,128,185.42 | | 2,349,388,533.61 |

Other notes, including the adjustment of the effective gain/loss on cash flow hedges to the initial recognized amount:

The ending balance of other comprehensive income was RMB1,573,128,185.42 increasing 202.65% compared with that at the beginning of the period, mainly due to the remarkable rise of the ending fair value of stocks in Guoxuan High-tech and Xiamen Bank held by the Company.

58. Specific Reserve

Naught

59. Surplus Reserves

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|--------------------------------|-------------------|----------|---------------|----------------|
| Statutory surplus reserves | 699,673,077.00 | | | 699,673,077.00 |
| Discretionary surplus reserves | 136,886,568.36 | | 94,992,605.81 | 41,893,962.55 |
| Total | 836,559,645.36 | | 94,992,605.81 | 741,567,039.55 |

Notes including changes and reasons thereof:

Notes: 1. In line with the Company's Articles of Association, if the Company's accumulative statutory surplus reserve exceeds the Company's registered capital by over 50%, withdrawal is not required any more.

2. Business combination under common control takes place during the reporting period. The premium of the Company's incoming purchase of 100% equities of Hunan Keda will offset the capital premium, and the part that was not offset will offset the discretionary surplus reserve of RMB94,992,605.81.

60. Retained Earnings

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Beginning balance of retained earnings before adjustments | 1,700,426,915.63 | 1,654,181,032.39 |
| Total retained earnings at the beginning of adjustments ("+" for increase, "-" for decrease) | | -4,430,583.69 |
| Beginning balance of retained earnings after adjustments | 1,700,426,915.63 | 1,649,750,448.70 |
| Add: Net profit attributable to owners of the Company as the parent | 316,914,185.34 | 296,077,926.11 |
| Less: Statutory surplus reserves withdrawn | | 27,103,459.16 |
| Dividend of ordinary shares payable | 258,879,038.49 | 218,298,000.02 |
| Ending retained earnings | 1,758,462,062.48 | 1,700,426,915.63 |

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) RMB-4,430,583.69 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 | 3,699,836,965.57 | 2,957,658,247.04 | 3,297,051,289.16 | 2,525,597,166.33 |
| Other operations | 45,077,487.15 | 38,615,663.76 | 40,525,458.50 | 34,915,886.23 |
| Total | 3,744,914,452.72 | 2,996,273,910.80 | 3,337,576,747.66 | 2,560,513,052.56 |

Whether the lower of the net profit before and after deduction of non-recurring gains and losses through audit is negative

☐ Yes ☒ No

62. Taxes and Surtaxes

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Urban maintenance and construction tax | 12,797,350.61 | 13,718,448.61 |
| Education surcharge | 5,487,588.14 | 5,875,150.20 |
| Property tax | 8,136,199.68 | 7,253,138.07 |
| Land use tax | 5,170,804.93 | 5,170,993.34 |
| Vehicle and vessel use tax | 15,852.28 | 8,963.29 |
| Stamp duty | 2,847,363.44 | 2,069,121.21 |
| VAT of land | 414,132.63 | |
| Environmental protection tax | 101,985.20 | 143,335.69 |
| Levee protection fees | 212.76 | |
| Local education surcharge | 3,660,351.56 | 3,916,753.75 |
| Total | 38,631,841.23 | 38,155,904.16 |

63. Selling Expense

Unit: RMB

| Item | Reporting Period | Same period of last year |
|-------------------|------------------|--------------------------|
| Freight | | 72,159,943.87 |
| Employee benefits | 62,699,560.82 | 59,514,723.34 |

| | | |
|---|-----------------------|-----------------------|
| Business propagandize fees and advertizing fees | 23,567,538.03 | 45,672,213.07 |
| Sales promotion fees | 10,124,091.58 | 18,636,028.73 |
| Business travel charges | 9,248,697.83 | 14,446,070.14 |
| Dealer meeting expense | 974,212.62 | 3,071,651.46 |
| Commercial insurance premium | 5,257,100.62 | 2,954,194.12 |
| Other | 33,348,498.85 | 27,369,470.69 |
| Total | 145,219,700.35 | 243,824,295.42 |

Note: The Company starts to implement the new standards governing revenue since 1 January 2020 and it will be transferred to cost of sales with the freight in relation to contract performance for accounting.

64. Administrative Expense

Unit: RMB

| Item | Reporting Period | Same period of last year |
|------------------------------------|-----------------------|--------------------------|
| Employee benefits | 89,335,431.10 | 85,589,824.43 |
| Depreciation charge | 16,796,115.88 | 15,750,023.49 |
| Office expenses | 14,548,829.21 | 15,207,413.51 |
| Party construction funds | 5,050,315.69 | 0.00 |
| Rent of land and management charge | 5,822,250.99 | 5,704,743.98 |
| Amortization of intangible assets | 5,036,363.10 | 4,898,777.47 |
| Engineering decoration cost | 4,504,630.47 | 3,089,457.07 |
| Other | 14,271,437.31 | 18,946,229.95 |
| Total | 155,365,373.75 | 149,186,469.90 |

65. Development Costs

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Employee benefits | 64,755,944.49 | 56,240,623.29 |
| Certification and testing fee | 12,746,279.58 | 6,986,168.45 |
| Material consumption | 8,251,441.92 | 5,534,108.08 |
| Expense on equipment debugging | 7,866,127.63 | 7,388,906.41 |
| Depreciation and long-term prepaid expense | 6,884,584.37 | 663,707.88 |
| Charges related to patents | 1,970,723.98 | 607,081.96 |

| | | |
|-------|----------------|---------------|
| Other | 6,410,194.74 | 2,023,665.73 |
| Total | 108,885,296.71 | 79,444,261.80 |

Other notes:

1. In respect of R&D expense incurred by the Company, expense other than that on bench-scale and pilot-scale production is included in R&D expense; and sales revenue of products from bench-scale and pilot-scale production is included in core business revenue and the relevant costs are included in cost of sales of core business.
2. R&D expense stood at RMB29,441,034.91 in the current period, up 37.06% year-on-year, primarily driven by a considerable increase of input in R&D, expansion of R&D teams and R&D projects, etc.

66. Finance Costs

Unit: RMB

| Item | Reporting Period | Same period of last year |
|----------------------------------|------------------|--------------------------|
| Interest expense | | |
| Less: Interest income | 37,650,815.03 | 24,425,342.69 |
| Foreign exchange gains or losses | 30,819,758.83 | -4,684,048.90 |
| Other | 1,207,770.75 | 1,384,624.80 |
| Total | -5,623,285.45 | -27,724,766.79 |

Other notes:

The finance costs increased RMB22,101,481.34 compared with that of the same period of last year, mainly due to increase in foreign exchange losses driven by appreciation of Renminbi and increase of export business.

67. Other Income

Unit: RMB

| Sources | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Supporting fund for import and export | 3,674,307.07 | 5,228,150.25 |
| Subsidies for position training of employees | 5,541,000.00 | |
| Foshan's funds for promotion of robot application and industrial development | 4,988,602.00 | 1,278,519.00 |
| Foshan's special funds for supporting industrial Internet development | 3,000,000.00 | |
| Subsidy for stabilizing posts | 2,907,529.01 | |
| Chancheng District's funds for supporting example setting and quality improvement of high-tech enterprises (towns and streets) in 2018 | 1,422,900.00 | |

| | | |
|--|---------------|---------------|
| Foshan's funds for supporting municipal-level development of industrial design | 1,000,000.00 | |
| Chancheng District's government quality award in 2019 | 1,000,000.00 | |
| Rewards of "Competition among Hundreds of Enterprises" | 500,000.00 | 700,000.00 |
| Other | 4,955,190.12 | 3,995,586.00 |
| Total | 28,989,528.20 | 11,202,255.25 |

68. Investment Income

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Long-term equity investment income accounted by equity method | 2,351,681.39 | 1,755,751.49 |
| Investment income from holding of held-for-trading financial assets | | 1,750,000.00 |
| Investment income from disposal of held-for-trading financial assets | | 13,550,000.00 |
| Dividend income from holding of other equity instrument investment | 14,940,422.96 | 18,510,954.80 |
| Income received from financial products and structural deposits | 23,451,129.06 | 29,554,019.01 |
| Other | 3,492,971.49 | -4,242,300.00 |
| Total | 44,236,204.90 | 60,878,425.30 |

69. Net Gain on Exposure Hedges

Naught

70. Gain on Changes in Fair Value

Unit: RMB

| Sources | Reporting Period | Same period of last year |
|-----------------------------------|------------------|--------------------------|
| Held-for-trading financial assets | 4,785,700.00 | 2,024,400.00 |
| Total | 4,785,700.00 | 2,024,400.00 |

71. Credit Impairment Loss

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--------------------------------------|------------------|--------------------------|
| Bad debt loss of other receivables | -268,176.13 | -774,487.72 |
| Bad debt loss of accounts receivable | -15,841,416.23 | -3,076,684.86 |
| Total | -16,109,592.36 | -3,851,172.58 |

Other notes:

The credit impairment losses in the current period grow by 318.30% from the previous period to RMB12,258,419.78, which is mainly because that the increased credit lines of some domestic customers and the remarkable growth of export business with longer payment days cause an increase in the base figure of accounts receivable.

72. Asset Impairment Loss

Unit: RMB

| Item | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| II. Loss on inventory valuation and contract performance cost | -7,581,307.74 | -14,846,135.46 |
| V. Loss on fixed asset impairment | | -1,829,080.06 |
| Total | -7,581,307.74 | -16,675,215.52 |

Other notes:

The asset impairment losses in the current period drop by 54.54% from the previous period to RMB-9,093,907.78, which is mainly because that the centralized disposal of many overstocked products in the current period leads to less unrealized losses of provisions for inventories that stay in the warehouse for long compared with the previous period.

73. Assets Disposal Income

Unit: RMB

| Sources | Reporting Period | Same period of last year |
|---------------------------------|------------------|--------------------------|
| Disposal income of fixed assets | 9,090,874.79 | |
| Total | 9,090,874.79 | |

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 grants | 57,720.00 | 511,260.31 | 57,720.00 |
| Total income from scrap of | 48,168.04 | | 48,168.04 |

| | | | |
|---|--------------|--------------|--------------|
| non-current assets | | | |
| Of which: Income from scrap of fixed assets | 48,168.04 | | 48,168.04 |
| Other | 2,058,806.15 | 2,560,885.30 | 2,058,806.15 |
| Total | 2,164,694.19 | 3,072,145.61 | 2,164,694.19 |

Government grants 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 |
|--|---------------------|---------------------|--|--|------------------------|------------------|--------------------------|-------------------------------------|
| 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 | Related to assets |
| Other miscellaneous government grants | | Reward | Subsidy from R&D technical updating and transformation, etc. | No | No | 57,720.00 | 356,260.00 | Related to income |

75. Non-operating Expense

Unit: RMB

| Item | Reporting Period | Same period of last year | Amount recorded in the current non-recurring profit or loss |
|-----------|------------------|--------------------------|---|
| Donations | 104,364.08 | 111,946.90 | 104,364.08 |

| | | | |
|---|--------------|--------------|--------------|
| Total losses from scrap of non-current assets | 1,672,244.18 | 413,275.62 | 1,672,244.18 |
| Of which: Losses from scrap of fixed assets | 1,672,244.18 | 413,275.62 | 1,672,244.18 |
| Losses on inventories | 291,692.80 | 2,618,995.48 | 291,692.80 |
| Delaying payment | 556.29 | 230,330.34 | 556.29 |
| Penalty | 26,000.00 | 7,095.00 | 26,000.00 |
| Other | 1,759,560.64 | 2,135,600.60 | 1,759,560.64 |
| Total | 3,854,417.99 | 5,517,243.94 | 3,854,417.99 |

76. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

| Item | Reporting Period | Same period of last year |
|-----------------------------|------------------|--------------------------|
| Current income tax expense | 46,120,717.25 | 47,448,443.11 |
| Deferred income tax expense | -406,009.72 | -484,809.64 |
| Total | 45,714,707.53 | 46,963,633.47 |

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

Unit: RMB

| Item | Reporting Period |
|---|------------------|
| Profit before taxation | 367,883,299.32 |
| Current income tax expense accounted at statutory/applicable tax rate | 55,182,494.90 |
| Influence of applying different tax rates by subsidiaries | 4,536,989.31 |
| Influence of income tax before adjustment | -2,601,564.42 |
| Influence of non-deductible costs, expenses and losses | -5,041,533.99 |
| Influence of deductible losses of unrecognized deferred income tax at the beginning of the Reporting Period | 667,214.25 |
| Influence of R&D expense deduction | -4,901,045.91 |
| Regarded as sales | 438,192.27 |
| Investment income and final dividend | -2,566,038.88 |
| Income tax expense | 45,714,707.53 |

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 |
|---|------------------|--------------------------|
| Deposit interest | 38,946,211.76 | 17,817,845.30 |
| Government grants | 29,323,585.92 | 12,161,459.24 |
| Income from waste | 18,500,712.83 | 15,659,638.44 |
| Margin income | 12,240,049.79 | 14,050,387.86 |
| Property and rental income | 9,828,318.01 | 8,290,054.43 |
| Income from insurance compensation | 21,871.82 | 1,379,315.03 |
| Land purchase and recognition of accounts thereof | | 41,755,700.00 |
| Front money received from Chuanglian Real Estate | | 8,000,000.00 |
| Other | 10,805,467.01 | 10,636,948.73 |
| Total | 119,666,217.14 | 129,751,349.03 |

(2) Cash Used in Other Operating Activities

Unit: RMB

| Item | Reporting Period | Same period of last year |
|-------------------------------------|------------------|--------------------------|
| Administrative expense paid in cash | 51,683,094.67 | 58,172,206.27 |
| Selling expense paid in cash | 139,896,500.31 | 156,269,017.78 |
| Finance costs paid in cash | 509,435.98 | 361,714.92 |
| Returned cash deposit | 8,933,825.48 | 16,375,903.00 |
| Other | 6,746,686.92 | 3,181,687.68 |
| Total | 207,769,543.36 | 234,360,529.65 |

(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 | 322,168,591.79 | 298,347,491.26 |
| Add: Provision for impairment of assets | 23,690,900.10 | 20,526,388.10 |
| Depreciation of fixed assets, oil-gas assets, and productive living assets | 76,762,605.39 | 64,837,850.34 |
| Depreciation of right-of-use assets | | |
| Amortization of intangible assets | 5,036,363.10 | 4,898,777.47 |
| Amortization of long-term prepaid expenses | 8,024,378.24 | 7,144,022.07 |
| Loss from disposal of fixed assets, intangible assets and other long-term assets (gains: negative) | -9,090,874.79 | |
| Losses from scrapping of fixed assets (gains: negative) | 1,624,076.14 | 413,275.62 |
| Losses from changes in fair value (gains: negative) | -4,785,700.00 | -2,024,400.00 |
| Finance costs (gains: negative) | | |
| Investment loss (gains: negative) | -44,236,204.90 | -60,878,425.30 |
| Decrease in deferred income tax assets (increase: negative) | -246,364.71 | -716,889.64 |
| Increase in deferred income tax | 717,855.00 | 232,080.00 |

| | | |
|---|------------------|------------------|
| liabilities (“-” for decrease) | | |
| Decrease in inventory (“-” for increase) | -105,929,840.59 | 115,136,879.48 |
| Decrease in operating receivables (“-” for increase) | 86,704,874.15 | 261,708,815.89 |
| Increase in operating payables (“-” for decrease) | 34,387,672.98 | -199,736,073.24 |
| Others | | |
| Net cash generated from/used in operating activities | 394,828,331.90 | 509,889,792.05 |
| 2. Significant investing and financing activities without involvement of cash receipts and payments | -- | -- |
| Transfer of debts into capital | | |
| Current portion of convertible corporate bonds | | |
| Fixed assets leased in for financing | | |
| 3. Net increase/decrease of cash and cash equivalents: | -- | -- |
| Ending balance of cash | 875,728,218.57 | 1,051,079,042.41 |
| Less: Beginning balance of cash | 1,051,079,042.41 | 798,186,984.54 |
| Add: Ending balance of cash equivalents | | |
| Less: Beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | -175,350,823.84 | 252,892,057.87 |

(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 | 875,728,218.57 | 1,051,079,042.41 |

| | | |
|--|----------------|------------------|
| Including: Cash on hand | 14,800.25 | 18,281.85 |
| Bank deposit on demand | 870,224,197.60 | 1,048,653,895.46 |
| Other monetary assets on demand | 5,489,220.72 | 2,406,865.10 |
| III. Ending balance of cash and cash equivalents | 875,728,218.57 | 1,051,079,042.41 |

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 of Use

Unit: RMB

| Item | Ending carrying value | Reason for restriction |
|------------------|-----------------------|--|
| Monetary assets | 104,962,316.07 | Security deposit of notes, letter of guarantee, etc. |
| Notes receivable | 57,702,279.27 | Pledged for notes pool |
| Total | 162,664,595.34 | -- |

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 | -- | -- | 2,077,769.18 |
| Of which: USD | 294,561.17 | 6.5249 | 1,921,982.18 |
| EUR | 19,412.71 | 8.025 | 155,787.00 |
| HKD | | | |
| | | | |
| Accounts receivable | -- | -- | 445,612,167.02 |
| Of which: USD | 68,294,099.07 | 6.5249 | 445,612,167.02 |
| EUR | | | |
| HKD | | | |
| | | | |
| Long-term borrowings | -- | -- | |

| | | | |
|----------------------|--------------|--------|---------------|
| Of which: USD | | | |
| EUR | | | |
| HKD | | | |
| Prepayments | | | 542,684.22 |
| Of which: USD | 83,171.27 | 6.5249 | 542,684.22 |
| Contract liabilities | | | 19,592,137.86 |
| Of which: USD | 3,002,672.51 | 6.5249 | 19,592,137.86 |

(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

Qualitative and quantitative information of relevant arbitrage instruments, hedged risk in line with the type of arbitrage to disclose:

Naught

84. Government Grants

(1) Basic Information on Government Grants

Unit: RMB

| Type | Amount | Presented in | Charged to current profit or loss |
|--|--------------|----------------------|-----------------------------------|
| Other miscellaneous government grants | 57,720.00 | Non-operating income | 57,720.00 |
| Supporting fund for import and export | 3,674,307.07 | Other income | 3,674,307.07 |
| Subsidies for position training of employees | 5,541,000.00 | Other income | 5,541,000.00 |
| Foshan's funds for promotion of robot application and industrial development | 4,988,602.00 | Other income | 4,988,602.00 |
| Foshan's special funds for supporting industrial Internet development | 3,000,000.00 | Other income | 3,000,000.00 |
| Subsidy for stabilizing posts | 2,907,529.01 | Other income | 2,907,529.01 |
| Chancheng District's funds for supporting example setting and | 1,422,900.00 | Other income | 1,422,900.00 |

| | | | |
|--|---------------|--------------|---------------|
| quality improvement of high-tech enterprises (towns and streets) in 2018 | | | |
| Foshan's funds for supporting municipal-level development of industrial design | 1,000,000.00 | Other income | 1,000,000.00 |
| Chancheng District's government quality award in 2019 | 1,000,000.00 | Other income | 1,000,000.00 |
| Rewards for "Competition among Hundreds of Enterprises" | 500,000.00 | Other income | 500,000.00 |
| Others | 4,955,190.12 | Other income | 4,955,190.12 |
| Total | 29,047,248.20 | | 29,047,248.20 |

(2) Return of Government Grants

☐ 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

(1) Business Combination under the Same Control during the Reporting Period

Unit: RMB

| Combined party | Proportion of the equity | Basis | Combination date | Recognition basis of combination date | Income from the period-beginning to the combination date of the acquiree | Net profits from the period-beginning to the combination date of the acquiree | Income of the acquiree during the period of comparison | Net profits of the acquiree during the period of comparison |
|--|--------------------------|---|------------------|---|--|---|--|---|
| Hunan Keda New Energy Investment and Development Co., Ltd. | 100.00% | Under the control of the same actual controller | 31 December 2020 | The date when the ownership transfer conditions are satisfied stipulated in the acquisition agreement | | -5,613,743.03 | | -5,104,980.13 |

(2) Combination Cost

Note to contingent consideration and the changes:

The Company acquired 100% equities of Hunan Keda, with the agreed acquisition consideration reaching RMB311,628,400. Since it was a combination under common control, the Company determined the initial investment cost of RMB57,850,700 in line with the shares of Hunan Keda's book net assets on the combination date.

(3) The Carrying Value of Assets and Liabilities of the Combined Party on the Combination Date

Unit: RMB

| | Hunan Keda New Energy Investment and Development Co., Ltd. | |
|----------------------------|--|-------------------------------|
| | Combination date | Period-end of the last period |
| Assets: | 490,497,684.79 | 302,755,365.08 |
| Monetary assets | 14,374,800.50 | 5,848,858.45 |
| Fixed assets | 117,681.70 | 169,680.46 |
| Other receivables | 135,829.25 | 1,961,209.24 |
| Other current assets | 21,796,568.57 | 16,872,375.14 |
| Construction in progress | 448,595,364.96 | 273,433,344.46 |
| Long-term prepaid expense | 436,516.35 | 1,309,549.23 |
| Deferred income tax assets | 5,040,923.46 | 3,160,348.10 |
| Liabilities: | 432,646,991.64 | 239,290,928.90 |
| Accounts payable | 6,015,705.48 | |
| Contract liabilities | 12,695,576.15 | 4,739,320.18 |
| Employee benefits payable | 458,401.28 | |
| Taxes and levies payable | 349,880.40 | 162,995.27 |
| Other payables | 411,984,826.48 | 233,962,074.63 |
| Other current liabilities | 1,142,601.85 | 426,538.82 |
| Net assets | 57,850,693.15 | 63,464,436.18 |
| Net assets acquired | 57,850,693.15 | 63,464,436.18 |

3. Counter Purchase

No such cases in the Reporting Period.

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**

Haolaite Company was incorporated in July 2020 and has been included in the consolidation scope since the establishment date; Chansheng Company has completed the industrial and commercial cancellation in December 2020 and no longer included in the consolidation scope since the cancellation date.

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 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 |
| Foshan Haolaite Lighting Co., Ltd. | Foshan | Foshan | Production and sales | 51.00% | | Newly established |
| Hunan Keda New Energy Investment and Development Co., Ltd. | Changsha | Changsha | Investment and technology development | 100.00% | | Acquired |

| | | | | | | |
|---|--------|--------|----------------------|---------|--|----------|
| Foshan Kelian New Energy Technology Co., Ltd. | Foshan | Foshan | Property development | 100.00% | | Acquired |
|---|--------|--------|----------------------|---------|--|----------|

(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% | 1,495,158.75 | | 10,708,074.14 |
| FSL Zhida Electric Technology Co., Ltd. | 49.00% | 4,351,705.30 | | 22,113,217.99 |
| Foshan Haolaite Lighting Co., Ltd. | 49.00% | -592,457.60 | | 15,437,542.40 |

(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. | 71,270,518.28 | 15,316,406.34 | 86,586,924.62 | 50,893,344.19 | | 50,893,344.19 | 40,797,259.87 | 17,975,735.27 | 58,772,995.14 | 28,063,277.21 | | 28,063,277.21 |
| FSL Zhida Electric Technology Co., Ltd. | 112,196,198.34 | 8,962,676.26 | 121,158,874.60 | 63,696,184.82 | | 63,696,184.82 | 79,707,213.61 | 9,067,380.69 | 88,774,594.30 | 40,492,935.74 | | 40,492,935.74 |
| Foshan Haolaite Lighting | 51,192,090.96 | 12,249,945.68 | 63,442,036.64 | 31,936,160.19 | | 31,936,160.19 | | | | | | |

| | | | | | | | | | | | | |
|-----------|----------------|---------------|----------------|----------------|--|----------------|----------------|---------------|----------------|---------------|--|---------------|
| Co., Ltd. | | | | | | | | | | | | |
| Total | 234,658,807.58 | 36,529,028.28 | 271,187,835.86 | 146,525,689.20 | | 146,525,689.20 | 120,504,473.48 | 27,043,115.96 | 147,547,589.44 | 68,556,212.95 | | 68,556,212.95 |

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. | 145,973,615.97 | 4,983,862.50 | 4,983,862.50 | -1,854,553.69 | 129,622,438.26 | 3,682,835.31 | 3,682,835.31 | 4,489,707.08 |
| FSL Zhida Electric Technology Co., Ltd. | 123,690,820.25 | 8,881,031.22 | 8,881,031.22 | 2,202,238.82 | 88,828,868.23 | 2,376,968.48 | 2,376,968.48 | 11,912,536.03 |
| Foshan Haolaite Lighting Co., Ltd. | 30,156,976.58 | -1,209,123.55 | -1,209,123.55 | -5,636,610.73 | | | | |
| Total | 299,821,412.80 | 12,655,770.17 | 12,655,770.17 | -5,288,925.60 | 218,451,306.49 | 6,059,803.79 | 6,059,803.79 | 16,402,243.11 |

(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/Same period of last year |
|--|---------------------------------|--|
| Joint ventures: | -- | -- |
| The total of following items according to the shareholding proportions | -- | -- |
| Associated enterprises: | -- | -- |
| Total carrying value of investment | 181,365,016.32 | 181,093,725.43 |
| The total of following items according to the shareholding proportions | -- | -- |
| --Net profit | 2,351,681.39 | 1,755,751.49 |
| --Total comprehensive income | 2,351,681.39 | 1,755,751.49 |

(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: equity investment, notes receivable, accounts 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 2020, 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) Held-for-trading financial assets | 6,332,900.00 | 401,286,301.36 | | 407,619,201.36 |
| 1. Financial assets at fair value through profit or loss | 6,332,900.00 | 401,286,301.36 | | 407,619,201.36 |
| (III) Other equity instrument investment | 3,300,446,853.66 | | 5,054,176.40 | 3,305,501,030.06 |
| 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 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 are bank's wealth management products, 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) Because 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.

(2) Because the business environment, operation conditions and financial conditions of the invested company, Shenzhen Zhonghao (Group) Co., Ltd. were 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 |
|---|--------------------|--------------------|---------------------------------|---|--|
| Hongkong Wah Shing Holding Company Limited | Hong Kong | Investment | HKD110,000 | 13.47% | 13.47% |
| Shenzhen Rising Investment Development Co., Ltd. | Shenzhen | Investment | RMB135.409416 million | 5.12% | 5.12% |
| Guangdong Electronics Information Industry Group Ltd. | Guangzhou | Sales & Production | RMB462 million | 8.77% | 8.77% |
| 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 | 0.82% | 0.82% |
| Total | | | | 30.00% | 30.00% |

Notes: Information on the Company as the parent

The largest shareholder of the Company, Hongkong Wah Shing Holding Company Limited, 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 Holdings Group Co., Ltd. (hereinafter referred to as “Rising Group”). 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 Group was the controlling shareholder of the Company. As of 31 December 2020 the aforesaid persons acting in concert holding total A, B share of the Company 419,803,826.00 shares, 30.00 % of total share equity of the Company.

The final controller of the Company was Guangdong Rising Holdings Group Co., Ltd. .

2. Subsidiaries of the Company

Refer to Note IX Equity in Other Entities-1. Equity in Subsidiaries for details.

3. Information on the Joint Ventures and Associated Enterprises of the Company

Refer to Note IX Equity in Other Entities-3. Equity in Joint Ventures or Associated Enterprises for details of significant joint ventures or associated enterprises of the Company.

4. Information on Other Related Parties

| Name | Relationship with the Company |
|--|--|
| PROSPERITY LAMPS & COMPONENTS LTD | Shareholder owning over 5% shares |
| Guangdong Rising Holdings Group Co., Ltd. | The Company's actual controller |
| Foshan NationStar Optoelectronics Co. Ltd. | Under same actual controller |
| Guangdong Fenghua Advanced Technology Holding Co., Ltd. | Under same actual controller |
| Guangdong Vollsun 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 |
| Jiangmen Dongjiang Environmental Protection Technology Co., Ltd. | Under same actual controller |
| Foshan Fulong Environmental Protection Technology Co., Ltd. | Under same actual controller |
| Guangdong Electronics Information Industry Group Ltd. | Under same actual controller |
| Guangdong Guangsheng Communications Technology Co., Ltd. | Under same actual controller |
| Guangzhou Huajian Engineering Construction Co., Ltd. | Under same actual controller |
| Zhuhai Doumen District Yongxingsheng Environmental Industrial Wastes Recycling Comprehensive Treatment Co., Ltd. | Under same actual controller |
| Guangdong Zhongnan Construction Co., Ltd. | Under same actual controller |
| Shaoguan Green Resource Recycling Development Co., Ltd. | Under same actual controller |
| Guangdong New Electronic Information Ltd. | Under same actual controller |
| Guangdong Yixin Changcheng Construction Group | Under same actual controller |
| Guangdong Zhongjin Lingnan Equipment Technology Co., Ltd. | Under same actual controller |
| Shenzhen Zhongjin Lingnan Nonfemet Company Limited | Under same actual controller |
| Hangzhou Times Lighting and Electrical Co., Ltd. | Acting-in-concert party of a 5% greater shareholder of the Company |
| Prosperity (Hangzhou) Lighting and Electrical Co., Ltd. | Acting-in-concert party of a 5% greater shareholder of the Company |
| Prosperity Electrical (China) Co., Ltd. | Acting-in-concert party of a 5% greater shareholder of the Company |

| | |
|----------------------------------|---|
| 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 | 54,268,443.27 | 200,000,000.00 | Not | 47,177,854.15 |
| Guangdong Fenghua Advanced Technology Holding Co., Ltd. | Purchase of materials | 8,810,002.31 | 6,500,000.00 | Yes | 2,719,775.90 |
| PROSPERITY LAMPS & COMPONENTS LTD | Purchase of materials | 3,128,174.91 | 11,000,000.00 | Not | 3,874,689.74 |
| Hangzhou Times Lighting and Electrical Co., Ltd. | Purchase of materials | 448,824.06 | 2,000,000.00 | Not | 674,827.48 |
| Prosperity Electrical (China) Co., Ltd. | Purchase of materials | 118,407.08 | 1,000,000.00 | Not | |
| MTM Semiconductor Equipment Co., Ltd. | Purchase of equipment | | | | 410,527.58 |
| Guangdong Electronic Technology Research Institute | Purchase of equipment | 724,424.77 | 1,000,000.00 | Not | 46,551.72 |
| Guangdong Zhongnan Construction Co., Ltd. | Receiving labor service | 139,734,113.59 | | | 64,815,051.48 |
| Jiangmen Dongjiang Environmental Protection Technology Co., Ltd. | Receiving labor service | 326,229.47 | | | |
| Foshan Fulong Environmental Protection Technology Co., Ltd. | Receiving labor service | 42,477.88 | | | |
| Shaoguan Green Resource Recycling Development Co., Ltd. | Receiving labor service | 35,150.44 | | | 93,318.58 |
| Guangdong Electronic Technology Research | Receiving labor service | 16,851.55 | | | |

| Institute | | | | | |
|---|----------------------------|----------------|----------------|--|----------------|
| Zhuhai Doumen District Yongxingsheng Environmental Industrial Wastes Recycling Comprehensive Treatment Co., Ltd. | Receiving labor service | 13,274.34 | | | 54,676.52 |
| Total | | 207,666,373.67 | 221,500,000.00 | | 119,867,273.15 |

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 | 23,581,892.27 | 20,323,829.52 |
| Guangdong New Electronic Information Ltd. | Sale of products | 13,257,739.83 | |
| Guangdong Zhongnan Construction Co., Ltd. | Sale of products | 2,478,832.12 | |
| Guangdong Yixin Changcheng Construction Group | Sale of products | 2,001,082.10 | |
| Guangdong Electronic Technology Research Institute | Sale of products | 856,798.23 | |
| Guangzhou Huajian Engineering Construction Co., Ltd. | Sale of products | 678,572.88 | |
| Shenzhen Zhongjin Lingnan Nonfemet Company Limited | Sale of products | 508,074.33 | |
| Guangdong Zhongjin Lingnan Equipment Technology Co., Ltd. | Sale of products | 367,903.54 | |
| Guangdong Rising Holdings Group Co., Ltd. | Sale of products | 57,417.70 | |
| Prosperity Electrical (China) Co., Ltd. | Sale of products | 44,923.04 | 78,769.53 |
| Guangdong Rising Communications Technology Co., Ltd. | Sale of products | 23,628.32 | |
| Guangdong Electronics Information Industry Group Ltd. | Sale of products | 8,004.42 | |
| Guangzhou Diansheng Property Management Co., Ltd. | Sale of products | | 846.90 |
| Total | | 43,864,868.78 | 20,403,445.95 |

Information of sales/purchase of goods and provision/reception of labor service

1. The pricing policy for related-party transactions is as follows:

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. The related-party transactions between the Company and subsidiaries and among subsidiaries have been offset when consolidating financial statements.

(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 |

(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

| Related party | Content of the related-party transaction | Reporting Period | The same period of last year |
|--|--|------------------|------------------------------|
| Guangdong Huajian Enterprise Group Co., Ltd. | The Company purchased 100% of equity in Hunan Keda New Energy Investment and Development Co., Ltd., the wholly-owned subsidiary of the related party | 311,628,442.49 | 0.00 |

(7) Information on Remuneration for Key Management Personnel

Unit: RMB

| Item | Reporting period | Same period of last year |
|------|------------------|--------------------------|
|------|------------------|--------------------------|

| | | |
|---------------------------------------|---------------|--------------|
| Chairman of the Board | 553,233.53 | |
| General Manager | 2,246,860.84 | 1,415,554.04 |
| Chairman of the Supervisory Committee | 1,011,360.58 | 777,020.00 |
| Secretary of the Board | | 250,000.00 |
| Chief Financial Officer | 992,873.82 | 815,554.04 |
| Other | 7,286,668.80 | 6,040,140.36 |
| Total | 12,090,997.57 | 9,298,268.44 |

Note: The former General Manager Liu Xingming left on 24 April 2020 receiving the pre-tax remuneration from the Company of RMB1,694,153.82 in this year; the General Manager Lei Zihong takes office since April 2020 receiving the pre-tax remuneration from the Company of RMB552,707.02 in this year.

(8) Other Related-party Transactions

Funds Interests of Related Parties

| Related party | Content | Reporting Period | Same period of last year |
|---|----------------------------|------------------|--------------------------|
| Guangdong Huajian Enterprise Group Co., Ltd. (Note) | Borrowing interest expense | 11,857,755.40 | 8,923,401.51 |
| Total | | 11,857,755.40 | 8,923,401.51 |

Note: Interest expense on the loan from Hua Jian Group to Foshan Kelian, a subsidiary acquired in a business combination involving entities under common control.

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. | 1,581,250.00 | | 3,126,022.22 | |
| Accounts receivable | Guangdong New Electronic Information Ltd. | 14,131,264.06 | 423,937.92 | | |
| Accounts receivable | PROSPERITY LAMPS & COMPONENTS LTD | 3,953,777.97 | 118,613.34 | 3,158,126.65 | 94,743.80 |
| Accounts receivable | Guangdong Zhongnan Construction Co., Ltd. | 2,642,688.00 | 79,280.64 | | |

| | | | | | |
|---------------------|---|---------------|--------------|---------------|------------|
| Accounts receivable | Guangdong Yixin Changcheng Construction Group | 2,261,222.79 | 67,836.68 | | |
| Accounts receivable | Guangdong Vollsun Data Solid-state Storage Co., Ltd. | 2,553,280.00 | 765,984.00 | 2,653,280.00 | 265,328.00 |
| Accounts receivable | Shenzhen Zhongjin Lingnan Nonfemet Company Limited | 574,124.00 | 17,223.72 | | |
| Accounts receivable | Guangdong Zhongjin Lingnan Equipment Technology Co., Ltd. | 415,731.00 | 12,471.93 | | |
| Accounts receivable | Guangzhou Huajian Engineering Construction Co., Ltd. | 289,857.54 | 8,695.73 | | |
| Accounts receivable | OSRAM (China) Lighting Co., Ltd. | 117,554.16 | 94,043.33 | 117,554.16 | 58,777.08 |
| Accounts receivable | Prosperity (Hangzhou) Lighting and Electrical Co., Ltd. | 86,000.00 | 86,000.00 | 86,367.27 | 86,293.82 |
| Other receivables | Guangdong Zhongnan Construction Co., Ltd. | | | 2,000,000.00 | 200,000.00 |
| Prepayments | Prosperity Electrical (China) Co., Ltd. | 39,428.00 | | 7,521.37 | |
| Prepayments | Foshan NationStar Optoelectronics Co., Ltd. | 31,266.86 | | 4,866.76 | |
| Total | | 28,677,444.38 | 1,674,087.29 | 11,153,738.43 | 705,142.70 |

(2) Accounts Payable

Unit: RMB

| Item | Related party | Ending carrying amount | Beginning carrying amount |
|------------------|---|------------------------|---------------------------|
| Accounts payable | Foshan NationStar Optoelectronics Co., Ltd. | 32,866,944.98 | 13,443,520.14 |
| Accounts payable | Guangdong Fenghua Advanced Technology Holding Co., Ltd. | 5,258,863.67 | 384,036.84 |
| Accounts payable | PROSPERITY LAMPS & COMPONENTS LTD | 1,350,955.58 | |
| Accounts payable | Hangzhou Times Lighting and Electrical Co., Ltd. | 289,282.42 | 219,439.95 |

| | | | |
|-------------------------|---|---------------|----------------|
| Accounts payable | Prosperity Electrical (China) Co., Ltd. | | 160,759.70 |
| Other payables | Guangdong Huajian Enterprise Group Co., Ltd. | 9,358,999.63 | 225,025,442.21 |
| Other payables | Guangdong Electronic Technology Research Institute | 260,860.00 | 181,700.00 |
| Other payables | Foshan NationStar Optoelectronics Co., Ltd. | 279,800.91 | |
| Other payables | Guangdong Fenghua Advanced Technology Holding Co., Ltd. | 30,000.00 | |
| Other payables | PROSPERITY LAMPS & COMPONENTS LTD | | 488,822.33 |
| Other payables | Prosperity Electrical (China) Co., Ltd. | | 100,000.00 |
| Advances from customers | Prosperity Electrical (China) Co., Ltd. | 39,764.94 | 52,619.26 |
| Total | | 49,735,472.13 | 240,056,340.43 |

7. Commitments of Related Party

1. Commitment on Avoidance of Horizontal Competition

Commitment maker: Controlling shareholder

Contents of Commitment: 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: Complete

2. Commitment on Avoidance of Horizontal Competition

Commitment maker: Controlling shareholder

Contents of Commitment: 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 on Reduction and Regulation of Related-party Transactions

Commitment maker: Controlling shareholder

Contents of Commitment: 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 on Independence

Commitment maker: Controlling shareholder

Contents of Commitment: 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

Type of commitment: Commitment about cash dividends

Commitment maker: The Company

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 2020, thirty one of the above-mentioned cases had concluded. The remaining one case has been sent back to the Intermediate People's Court of Guangdong Province for trial with the amount involved of RMB107,549.00.

2. 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 concluded.

3. 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.

4. Construction contract dispute with Jianyue Group

In July 2018, the Company signed the *Standard Construction Contract of Guangdong Province for Construction Projects* with the contract number being FSL-JJ-2017-00073 with Jianyue Construction Group Co., Ltd. (hereinafter referred to as “Jianyue Group”). However, Jianyue Group required the Company to compensate for the material price difference multiple times after starting work, suspended work from time to time with such excuse, and has completely stopped working since January 2020. The Company gained no results after communicating with it and requesting it to resume work multiple times. In order to protect legal rights and interests, the Company instituted a lawsuit to the People’s Court of Gaoming District, Foshan City in September 2020, requesting: (1) Terminating the *Standard Construction Contract of Guangdong Province for Construction Projects* signed between the two parties, and ordering the defendant to immediately clear the site and hand over the construction site to the Company; (2) Ordering the defendant to pay RMB3,786,112.50 as liquidated damages for default on the construction period, and compensating the Company's economic losses of RMB1,000,000.00 resulting from the delayed construction period; (3) Ordering the defendant to return to the Company RMB3,000,000.00 (a amount temporarily determined; the final amount shall be calculated based on the appraisal conclusion of the cost of construction finished by the defendant) of the project amount excessively paid; (4) Ordering the defendant to assist the Company in performing the construction completion acceptance procedures, and provide the Company and hand over all construction materials necessary for the construction completion acceptance; (5) Ordering the defendant to bear all litigation expenses of this case. The total amount of the aforesaid lawsuit object is RMB7,786,112.50. As at the audit report date, the People’s Court of Gaoming District, Foshan City had not accepted the case and had not yet finalized it.

5. Disputes of Guangdong Cobra Industry Co., Ltd. and FSL over infringement on patent rights of exterior design
Because of the dispute over the patent rights of exterior design, Guangdong Cobra Industrial Co., Ltd. brought a lawsuit against the Company to the Guangzhou Intellectual Property Court (Case No.: (2019) Y. 73 M.C. No. 865) in 2019. On November 20, 2020, the Guangzhou Intellectual Property Court made a ruling that the Company shall, within ten days from the effective date of the ruling, compensate the plaintiff Guangdong Cobra Industrial Co., Ltd. for economic losses and reasonable rights protection expenses of a total of RMB60,000.00. Since the Company was not satisfied with the aforesaid ruling, it planned to submit an appeal. As at the audit report date, the case had not yet been finalized.

(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 Information Required by Guidelines of Information Disclosure for Industries in Relation to Automobile Manufacturing

The amount of sales in such models as mortgage sales and financial leasing accounted for over 10% of revenue.

☐Applicable ☒ Not applicable

Guarantees of the Company for dealers

☐Applicable ☒ Not applicable

3. Other

Naught

XV. Events after Balance Sheet Date

1. Significant Non-adjusted Events

Naught

2. Profit Distribution

The profit distribution plan in 2020 of the Company is : based on the total share capital on the registration date of implementing equity distribution after deducted the shares in the Company's special repurchase accounts, the Company intends to distribute a cash dividend of RMB 1 (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.

3. Sales Return

Naught

4. Notes to Other Events after Balance Sheet Date

(I) Profit Distribution Plan

The profit distribution plan in 2020 of the Company is as follows: based on the total share capital on the registration date of implementing equity distribution after deducted the shares in the Company's special repurchase accounts, the Company intends to distribute a cash dividend of RMB 1 (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. 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 2020 Annual General Meeting for review.

(II) Repurchase of Shares

On 18 December 2020, the Company held the 3rd Extraordinary General Meeting of 2020 on which the Proposal on Repurchase of Some RMB-Denominated Ordinary Shares (A-Share) and Domestically Listed Foreign Shares (B-Share) was reviewed and approved. As of 31 March 2021, the Company accumulatively repurchased it's A-share and B-share 31,070,300 shares and 3,799,702 shares respectively by means of centralized bidding,

accounting for 2.49% of total share capital in total. RMB196.959 million (excluding transaction cost) has been spent on the repurchase of A-shares with the highest price of RMB6.70 per share and the lowest price of RMB6.03 per share; HKD 12.4382 million (excluding transaction cost) has been spent on the repurchase of B-shares with the highest price of HKD3.40 per share and the lowest price of HKD3.14 per share.

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 Company accrued no equity incentive fund for the present year since the return of equity of this year did not reach 6%.

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 | 15,257,662.85 | 1.40% | 9,569,331.99 | 62.72% | 5,688,330.86 | 23,377,223.66 | 3.27% | 16,266,810.09 | 69.58% | 7,110,413.57 |
| Of which: | | | | | | | | | | |
| Accounts receivable for which bad debt provision accrued by group | 1,073,149,615.48 | 98.60% | 48,124,872.12 | 4.48% | 1,025,024,743.36 | 691,130,612.31 | 96.73% | 32,134,193.35 | 4.65% | 658,996,418.96 |
| Of which: | | | | | | | | | | |
| (1) Common business portfolio | 1,012,031,374.59 | 92.98% | 48,124,872.12 | 4.76% | 963,906,502.47 | 683,827,287.86 | 95.71% | 32,134,193.35 | 4.70% | 651,693,094.51 |
| (2) Internal business portfolio | 61,118,240.89 | 5.62% | | | 61,118,240.89 | 7,303,324.45 | 1.02% | | | 7,303,324.45 |
| Total | 1,088,407,278.33 | 100.00% | 57,694,204.11 | 5.30% | 1,030,713,074.22 | 714,507,835.97 | 100.00% | 48,401,003.44 | 6.77% | 666,106,832.53 |

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 | 8,532,496.28 | 60.00% | Involved in the lawsuit; the Company won in the first instance judgment and the other side had appealed |
| Customer B | 1,036,835.71 | 1,036,835.71 | 100.00% | Involved in the lawsuit; the Company won the |

| | | | | |
|-------|---------------|--------------|----|---|
| | | | | case, but the counterpart has no property for repayment |
| Total | 15,257,662.85 | 9,569,331.99 | -- | -- |

Withdrawal of bad debt provision by group:

Unit: RMB

| Name | Ending balance | | |
|-----------------------|------------------|--------------------|-----------------------|
| | Carrying amount | Bad debt provision | Withdrawal proportion |
| Credit risk portfolio | 1,073,149,615.48 | 48,124,872.12 | 4.48% |

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) | 998,219,393.68 |
| 1 to 2 years | 39,086,815.01 |
| 2 to 3 years | 26,938,607.96 |
| Over 3 years | 24,162,461.68 |
| 3 to 4 years | 14,917,990.94 |
| 4 to 5 years | 4,739,947.50 |
| Over 5 years | 4,504,523.24 |
| Total | 1,088,407,278.33 |

(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 | Other | |
| Accounts receivable | 48,401,003.44 | 19,005,303.28 | 9,156,396.52 | 555,706.09 | | 57,694,204.11 |
| Total | 48,401,003.44 | 19,005,303.28 | 9,156,396.52 | 555,706.09 | | 57,694,204.11 |

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

Unit: RMB

| Name | Amount of reversal or recovery | Collection way |
|-------|--------------------------------|----------------|
| No. 1 | 8,541,244.40 | |
| No.2 | 615,152.12 | |
| Total | 9,156,396.52 | -- |

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

Unit: RMB

| Item | Amount |
|----------------------------|------------|
| No. 1 | 545,941.76 |
| No. 2 | 5,480.00 |
| No. 3 | 2,858.68 |
| No. 4 | 826.32 |
| No. 5 | 367.27 |
| Other driblet small amount | 232.06 |
| Total | 555,706.09 |

(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 | 266,975,642.87 | 24.53% | 8,009,269.29 |
| No. 2 | 46,832,862.15 | 4.30% | 0.00 |
| No. 3 | 29,740,558.56 | 2.73% | 892,216.76 |
| No. 4 | 27,606,151.04 | 2.54% | 828,184.53 |
| No. 5 | 27,107,127.00 | 2.49% | 813,213.81 |
| Total | 398,262,341.62 | 36.59% | |

(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 | 462,284,585.09 | 37,934,614.96 |
| Total | 462,284,585.09 | 37,934,614.96 |

(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 | 443,820,864.80 | 17,624,135.10 |
| Borrowings and petty cash for employees | 7,403,907.26 | 5,436,926.32 |
| Performance bond | 4,025,073.30 | 3,231,331.10 |
| Rental fees and water & electricity fees | 2,989,445.13 | 1,476,056.29 |
| VAT export tax refunds | 195,141.85 | 8,154,485.23 |
| Other intercourse funds | 6,185,710.92 | 3,896,155.29 |
| Total | 464,620,143.26 | 39,819,089.33 |

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 2020 | 532,610.02 | 1,351,864.35 | | 1,884,474.37 |
| Balance of 1 January 2020 in the Current | — | — | — | — |

| Period | | | | |
|----------------------------------|------------|--------------|--|--------------|
| Withdrawal of the Current Period | -77,788.29 | 528,872.09 | | 451,083.80 |
| Balance of 31 December 2020 | 454,821.73 | 1,880,736.44 | | 2,335,558.17 |

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) | 455,288,838.51 |
| 1 to 2 years | 4,174,330.91 |
| 2 to 3 years | 3,309,830.60 |
| Over 3 years | 1,847,143.24 |
| 3 to 4 years | 1,341,318.14 |
| 4 to 5 years | 70,024.80 |
| Over 5 years | 435,800.30 |
| Total | 464,620,143.26 |

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 | |
| Other receivables | 1,884,474.37 | 451,083.80 | | | | 2,335,558.17 |
| Total | 1,884,474.37 | 451,083.80 | | | | 2,335,558.17 |

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 | 394,627,792.74 | Within 1 years | 84.94% | |
| No. 2 | Internal business group | 19,936,475.39 | Within 1 years | 4.29% | |
| No. 3 | Internal business group | 17,995,308.05 | Within 3 year | 3.87% | |
| No. 4 | Internal business group | 10,535,474.03 | Within 2 year | 2.27% | |
| No. 5 | Provident fund | 2,263,797.33 | Within 1 years | 0.49% | 67,913.92 |
| Total | -- | 445,358,847.54 | -- | 95.86% | 67,913.92 |

6) Accounts Receivable Involving Government Grants

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 | | |
|---|-----------------|----------------------|----------------|-------------------|----------------------|----------------|
| | Carrying amount | Depreciation reserve | Carrying value | Carrying amount | Depreciation reserve | Carrying value |
| Investment to subsidiaries | 355,584,295.41 | | 355,584,295.41 | 283,793,102.26 | | 283,793,102.26 |
| Investment to joint ventures and associated enterprises | 181,365,016.32 | | 181,365,016.32 | 181,093,725.43 | | 181,093,725.43 |
| Total | 536,949,311.73 | | 536,949,311.73 | 464,886,827.69 | | 464,886,827.69 |

(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 Haolaite Lighting Co., Ltd. | | 16,685,000.00 | | | | 16,685,000.00 | |
| Foshan Lighting Lamps & Components Co., Ltd. | 15,000,000.00 | | | | | 15,000,000.00 | |
| FSL Zhida | 25,500,000.00 | | | | | 25,500,000.00 | |

| | | | | | | | |
|--|----------------|---------------|--------------|--|--|----------------|--|
| Electric Technology Co., Ltd. | | | | | | | |
| FSL Lighting GmbH | 195,812.50 | | | | | 195,812.50 | |
| Hunan Keda New Energy Investment and Development Co., Ltd. | | 57,850,693.15 | | | | 57,850,693.15 | |
| Total | 283,793,102.26 | 74,535,693.15 | 2,744,500.00 | | | 355,584,295.41 | |

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

| Investee | Beginnin g balance (carrying value) | Increase/decrease | | | | | | | | Ending balance (carrying value) | Ending balance of depreciati on reserve |
|--|--|----------------------------------|---------------------------|---|---|-------------------------------|---|--|-------|--|--|
| | | Additiona l investmen t | Reduced investmen t | Gains and losses recognize d under the equity method | Adjustme nt of other comprehe nsive income | Changes of other equity | Cash bonus or profits announce d to issue | Withdraw al of impairme nt provision | Other | | |
| I. Joint ventures | | | | | | | | | | | |
| II. Associated enterprises | | | | | | | | | | | |
| Shenzhen Primatron ix (Nanho) Electronic s Ltd. | 181,093,7 25.43 | | | 2,351,681 .39 | | | 2,080,390 .50 | | | 181,365,0 16.32 | |
| Subtotal | 181,093,7 25.43 | | | 2,351,681 .39 | | | 2,080,390 .50 | | | 181,365,0 16.32 | |
| Total | 181,093,7 25.43 | | | 2,351,681 .39 | | | 2,080,390 .50 | | | 181,365,0 16.32 | |

(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 | 3,341,450,360.57 | 2,726,640,272.12 | 3,124,143,587.99 | 2,445,365,718.26 |
| Other business | 148,816,741.96 | 134,309,284.64 | 111,804,851.06 | 92,962,742.36 |
| Total | 3,490,267,102.53 | 2,860,949,556.76 | 3,235,948,439.05 | 2,538,328,460.62 |

5. Investment Income

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Long-term equity investment income accounted by equity method | 2,351,681.39 | 1,755,751.49 |
| Investment income from disposal of long-term equity investment | 43,551,565.30 | 330,228.20 |
| Investment income from holding of held-for-trading financial assets | | 1,750,000.00 |
| Investment income from disposal of held-for-trading financial assets | | 13,550,000.00 |
| Dividend income from holding of other equity instrument investment | 14,940,422.96 | 18,510,954.80 |
| Investment income from financial products and structural deposits | 23,451,129.06 | 29,554,019.01 |
| Other | 3,678,150.00 | -4,242,300.00 |
| Total | 87,972,948.71 | 61,208,653.50 |

6. Other

Naught

XVIII. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

√ Applicable □ Not applicable

Unit: RMB

| Item | Amount | Note |
|------|--------|------|
|------|--------|------|

| | | |
|--|---------------|----|
| Gain/Loss arising from disposal of non-current assets | 7,466,798.65 | |
| 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 | 25,372,941.13 | |
| Capital occupation charges on non-financial enterprises that are recorded into current profit or loss | 1,337,410.12 | |
| Current net profit or loss of subsidiaries acquired in business combination under the same control from period-beginning to combination date | -5,613,743.03 | |
| 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 | 8,463,850.00 | |
| Reverse of provision for impairment of accounts receivable and contract assets individually conducting impairment test | 9,156,396.52 | |
| Other non-operating income and expenses other than the above | -123,367.66 | |
| Less: Income tax effects | 5,643,715.91 | |
| Non-controlling interests effects | 297,430.55 | |
| Total | 40,119,139.27 | -- |

Explain the reasons if the Company classifies an item as a 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 | 5.82% | 0.2265 | 0.2265 |
| Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss | 5.08% | 0.1978 | 0.1978 |

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.

7 April 2021