

Stock Code: 002600

Stock Abbreviation: LY iTECH

Announcement No.: 2021-026

LINGYI iTECH (GUANGDONG) COMPANY

2020 Annual Report Summary

I. Important Notes

Please be noted that this summary is extracted from the Company's full annual report filing to the regulatory authority. To access more detailed information on the Company's operating results, financial status and future development plans, investors shall read the full annual report thoroughly. Annual report has been disclosed with the media designated by the China Securities Regulatory Commission (CSRC).

Indicated by check mark if the statement of objections by directors, supervisors and senior management

Applicable N/A

All directors of the Company personally attended the board meeting to review this annual report

Notes of non-standard audit opinion

Applicable N/A

Indicated by check mark whether the dividend distribution plan for the common stock or the plan of converting reserved funds into share capital during the reporting period was reviewed by the board meeting

Applicable N/A

Indicated by check mark whether to convert reserved funds into share capital

Yes N/A

The Company does not propose distribution of cash dividends or bonus shares, and there will be no increase of share capital from reserves.

Indicated by check mark whether the dividend distribution plan for the preferred stock during the reporting period is approved by the board of directors.

Applicable N/A

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

II. Basic Situation of the Company

1. Company Profile

| | | | |
|----------------------------------|-------------------------|------------|--------|
| Stock Abbreviation | LY iTECH | Stock Code | 002600 |
| Stock Exchange for Stock Listing | Shenzhen Stock Exchange | | |

| Contact Person and Contact Information | Secretary of the Board | Securities Affairs Representative |
|--|--|--|
| Name | Manjun Lei | ,Minling Huang |
| Contact Address | 8 LongWan Road, Jiangmen City, GuangDong Province, China | 8 LongWan Road, Jiangmen City, GuangDong Province, China |
| Tel | 0750-3506078 | 0750-3506078 |
| Email | Mia.Lei@lingyiitech.com | IR@lingyiitech.com |

2. Main Business or Product Introduction during the Reporting Period

LINGYI ITECH (GUANGDONG) COMPANY (hereinafter referred to as "LY ITECH") is dedicated to be a global leader on precision manufacturing and creatively offers 'one-stop' solutions to its customers. Product solutions of the Company span a wide range of categories, from basic materials to precision components to core devices and modules, satisfying a diverse of customer demands in a timely manner. Among which, basic materials include magnetic materials, die-cutting materials and ceramic applications; precision components include die-cutting, stamping, CNC, injection molding, printing, assembly, etc.; core devices and modules include linear motors, wireless charging, chargers, softgoods, keyboards, thermal modules, 5G RF devices, structural parts, etc. Related products are widely used in consumer electronics, vehicle-mounted industrial control, smart security, smart wear, smart home, new energy vehicles, medical and other fields. During the reporting period, the company continued to innovate and upgrade in consumer electronics, smart wearables, and new energy vehicles, providing broad market space and huge development potential for the company. The company continues to adopt the key customer-centric strategy while actively exploring other customers, expanding product lines, and vertically integrating, leveraging the advantages of the group to improve its comprehensive competitiveness in order to achieve rapid development. With the mission of "Lead the world with intelligent manufacturing and exert to achieve dreams", the Company establishes the vision of "Managing with modern management concepts and continuous pursuit of excellence, we aim to become the world's leading precision intelligent manufacturing enterprise" and to set the Company leading positions in the corresponding industry segments worldwide.

3. Major Financial Information

(1) Major accounting data and financial indicators in the past three years

Indicated by check mark whether the financial data for previous fiscal years need to be retroactively adjusted or restated.

Yes No

Retroactive adjustment or restatement reasons

Business combination under common control

Unit: RMB

| | 2020 | 2019 | | Increasing or decreasing compared with the previous year | 2018 | |
|---|-----------------------|-----------------------|-----------------------|--|-----------------------|-----------------------|
| | | Unadjusted | Adjusted | | Adjusted | Unadjusted |
| Operating revenue | 28,142,547,99 0.05 | 23,915,823,14 7.04 | 23,915,823,14 7.04 | 17.67% | 22,499,664,4 52.56 | 22,499,664,452.5 6 |
| Net profits attributable to shareholders of the | 2,266,162,950. 77 | 1,894,179,510. 15 | 1,894,898,038. 16 | 19.59% | -679,896,383 .51 | -678,370,412.06 |

| | | | | | | |
|---|--------------------|--------------------|-------------------|--|--------------------|-------------------|
| parent company | | | | | | |
| Net profits attributable to shareholders of the parent company after deducting non-recurring gains and losses | 2,112,419,075.72 | 906,772,872.82 | 906,772,872.82 | 132.96% | -3,850,682.35 | -3,850,682.35 |
| Net cash flow from operating activities | 2,469,829,699.50 | 2,997,104,502.13 | 2,995,881,380.58 | -17.56% | 1,532,292,457.49 | 1,533,290,478.77 |
| Basic earnings per share (RMB/share) | 0.33 | 0.28 | 0.28 | 17.86% | -0.10 | -0.10 |
| Diluted earnings per share (RMB/share) | 0.32 | 0.27 | 0.27 | 18.52% | -0.10 | -0.10 |
| Weighted average return on equity | 17.09% | 17.49% | 17.49% | -0.40% | -6.90% | -6.90% |
| | At the end of 2020 | At the end of 2019 | | Increasing or decreasing at the end of this year compared with the previous year | At the end of 2018 | |
| | | Unadjusted | Adjusted | Adjusted | Unadjusted | Adjusted |
| Total assets | 29,387,252,880.86 | 27,317,778,001.39 | 27,323,586,392.75 | 7.55% | 22,122,169,181.25 | 22,130,390,445.02 |
| Net assets attributable to shareholders of the parent company | 14,457,125,136.25 | 11,619,265,299.73 | 11,621,093,910.85 | 24.40% | 9,848,983,374.45 | 9,850,093,457.56 |

(2) Major accounting data by quarter

Unit: RMB

| | First quarter | Second quarter | Third quarter | Fourth quarter |
|---|------------------|------------------|------------------|------------------|
| Operating revenue | 5,379,395,655.70 | 6,564,820,257.72 | 7,557,792,326.30 | 8,640,539,750.33 |
| Net profits attributable to shareholders of the parent company | 64,876,078.75 | 566,441,681.24 | 810,529,509.63 | 824,315,681.15 |
| Net profits attributable to shareholders of the parent company after deducting non-recurring gains and losses | 307,289,351.77 | 299,978,786.68 | 778,225,240.18 | 726,925,697.09 |
| Net cash flow from operating activities | 1,112,267,310.07 | -194,608,082.78 | 280,627,655.17 | 1,271,542,817.04 |

Indicated by check mark whether the above financial indicators or the total amount are significantly different from the related financial indicators in the Company's disclosed quarterly and half-year reports

□ Yes ☑ No

4. Share Capital and Shareholders**(1) Number of common stockholders and preferred stockholders with voting rights restored and the shareholding conditions of the top 10 shareholders**

Unit: Share

| Total number of common shareholders at the end of the reporting period | 149,764 | Total number of common shareholders at the end of the month before the disclosure of the annual report | 195,580 | Total number of preferred shareholders with voting rights restored at the end of the reporting period | 0 | Total number of preferred shareholders whose voting rights were restored at the end of the month before the disclosure of the annual report | 0 |
|---|---------------------------------|--|----------------------------|---|-------------------|---|---|
| Shareholdings of the Top 10 Shareholders | | | | | | | |
| Shareholder name | Shareholder nature | Shareholder ratio | Number of shareholder held | Number of shares held with limited sales conditions | Pledged or frozen | | |
| | | | | | Statues of Shares | Amount | |
| LS INVESTMENT (SHENZHEN) LIMITED | Domestic non-state legal person | 58.77% | 4,139,524,021 | 4,139,524,021 | Pledged | 398,490,000 | |
| Wang Nandong | Domestic nature person | 3.70% | 260,443,413 | 253,165,237 | Frozen | 260,443,413 | |
| Shenzhen Lingshang Investment Partnership (Limited Partnership) | Domestic non-state legal person | 2.78% | 196,103,812 | 196,103,812 | | | |
| Hong Kong Securities Clearing Company Limited | Overseas legal person | 2.21% | 155,548,852 | | | | |
| Shenzhen Lingjie Investment Partnership (Limited Partnership) | Domestic non-state legal person | 1.33% | 93,859,344 | 93,859,344 | | | |
| The Government of Singapore Investment Corporation Pte Ltd | Overseas legal person | 0.90% | 63,666,370 | | | | |
| China Merchants Bank Co., Ltd. - Ruiyuan growth value hybrid securities investment fund | Others | 0.89% | 62,467,309 | 17,185,821 | | | |
| Chen Guoshi | Domestic nature person | 0.79% | 55,461,576 | 55,461,576 | | | |
| Bank of China Limited - China | Others | 0.63% | 44,598,435 | | | | |

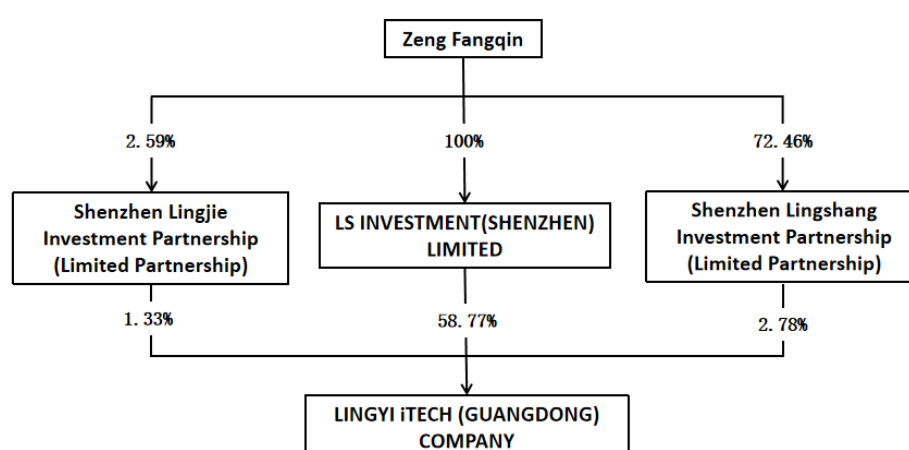
| | | | | | | |
|---|--|-------|------------|------------|---------|-----------|
| Securities 5g communication subject trading open end index securities investment fund | | | | | | |
| Cao Yun | Domestic nature person | 0.54% | 37,871,329 | 18,697,258 | Pledged | 5,000,000 |
| Description of the above-mentioned shareholder association or concerted action | Zeng Fangqin is the actual controller of LS INVESTMENT (SHENZHEN) LIMITED and has significant influence on Shenzhen Lingshang Investment Partnership (Limited Partnership) and Shenzhen Lingjie Investment Partnership (Limited Partnership). LS INVESTMENT (SHENZHEN) LIMITED, Shenzhen Lingshang Investment Partnership (Limited Partnership) and Shenzhen Lingjie Investment Partnership (Limited Partnership) constitute a concerted action relationship. There is no association between Wang Nandong, Cao Yun, and Chen Guoshi. Save for the above, it is not aware that any other above-mentioned shareholders are persons acting in concert. In addition, the company does not know whether other shareholders of the top 10 common shares are related and constitute a concerted action relationship. | | | | | |
| Shareholders involving margin business (if applicable) | N/A | | | | | |

(2) The total number of preferred shareholders and the top 10 preferred shareholders' shareholdings of the Company

Applicable N/A

During the reporting period, the Company did not have preferred stockholders holding shares.

(3) The property rights and controlling interest between the Company and the actual controller are disclosed in block diagram below



5. Corporate Bond

Whether the Company has bonds publicly issued and listed on the stock exchange that have not expired or expired but not paid in full on the date of approval of the annual report

No

III. Discussion and Analysis of Business Operation

1. Overview of Business Operation during the Reporting Period

In 2020, the global outbreak of COVID-19 has caused a great impact on the world economy and brought great challenges to Chinese manufacturing companies under globalization. Facing the sudden impact of the epidemic, our people gave full play to the entrepreneurial spirit of "Self – reliance, Mission must accomplish". For example, we quickly organized resumption of work and production, seized market opportunities, and cooperated with customers' new product NPI (New Product Introduction), fully support the customer's production plan and complete the annual business goals with excellent results.

In 2020, the company realized revenue of RMB 28,142.55 million in business, an increase of 17.67% comparing with the same period of previous year. After excluding the impact of Shenzhen DJN Optronics Technology Co., LTD. and the equity of Guangdong JP Hi-tech Industrial Park co., Ltd. were disposed in the year, the current period increased by 38.14% compared with the previous period. In 2020, the company achieved a net profit of RMB 2,324.22 million in the manufacturing industry, an increase of 16.26% compared with RMB 1,999.15 million in the same period of the previous year. After excluding the influence of the disposed Shenzhen DJN Optronics Technology Co., LTD. and the equity of Guangdong JP Hi-tech Industrial Park co., Ltd., the current period increased by 18.79% compared with the previous period. Net profits attributable to shareholders of the parent company was RMB 2,266.16million, an increase of 19.59% compared with RMB 1,894.90 million in the same period of the previous year. The R&D investment in 2020 is RMB 1,819.91 million, accounting for 6.47% of the current revenue.

Among which, Lingyi Technology (Shenzhen) Co.,Ltd (hereinafter referred to as "Lingyi Technology") and its subsidiaries achieved the net profit attributable to the owner of the parent company in an amount of RMB 2,545.33 million, an increase of 3.32% comparing with the same period of previous year; after deducting the non-recurring gains and losses, the net profit attributable to the owner of the parent company is in an amount of RMB 2,413.84 million, with the amount of RMB 170.42 million more than the year 2020 performance commitment RMB 2,243.43 million under the valuation adjustment mechanism (VAM) originally made at the completion of reverse IPO .From 2017 to 2020, the performance commitment of Lingyi Technology is fully fulfilled with a performance commitment completion rate as 124.22%.

2. Is there any major change in the main business during the reporting period?

Yes No

3. Overview of products which account for more than 10% of the revenue or profit of the Company's main business

Applicable N/A

Unit: RMB

| Name of Product | Operating Revenue | Operating Profit | Gross Profit Margin | Changes in Operating Revenue | Changes in Operating Profit | Changes in Gross Profit Margin |
|---|-------------------|------------------|---------------------|------------------------------|-----------------------------|--------------------------------|
| Precision functional and structural parts | 21,695,363,219.12 | 5,528,634,499.51 | 25.48% | 28.13% | 24.51% | -0.75% |
| Charger | 3,896,785,185.06 | 222,854,247.96 | 5.72% | 150.28% | 29.37% | -5.34% |

4. Is there any seasonal or periodical characteristics in the operation which needs special

attention?

Yes No

5. Presentation of major changes in operating revenue, operating cost, total amount or composition of net profits attributable to shareholders of common stock of public company during the reporting period when compared to the previous reporting period

Applicable N/A

6. Conditions of suspension and termination of listing

Applicable N/A

7. Matters related to financial statements

(1) Explanation of changes in accounting policy, accounting estimates and accounting methods when compared to the financial statements of the previous year

Applicable N/A

1) **Changes in accounting policy**

| Changes in accounting policy and reasons | Approval procedures | Note |
|---|---------------------|------|
| Since January 1, 2020, the Company has implemented "Accounting Standards for Business Enterprises No. 14 – Revenue" revised in 2017 | Board of directors | ① |

① The influence of the implementation of the new revenue standard on the company

According to the provisions of the new revenue standard, the first adjustment amount of cumulative impact of the first implementation is to implement the amount of retained earnings and other related items in the financial statements at the beginning of the first implementation period (ie January 1,2020),and it shall not be adjusted for the comparable period information.

When implementing the new revenue standard, the selection is only to adjust the cumulative impact amount of contracts that have not been completed on January 1, 2020. For contract changes that occurred before the beginning of the earliest comparable period or before the beginning of 2020, no retrospective adjustments are made and the changes are based on the contract. The final arrangement is to identify the fulfilled and unfulfilled performance obligations, determine the transaction price, and allocate the transaction price between the fulfilled and unfulfilled performance obligations.

The influence of the implementation of the new revenue standard on the balance sheet at the beginning of the period is listed below:

| Items | 2019.12.31 | Reclassification | 2020.1.1 |
|---------------------------|------------|------------------|----------|
| Advances | 2,645.62 | -2,645.62 | |
| Contract liabilities | | 2,465.99 | 2,465.99 |
| Other current liabilities | | 179.63 | 179.63 |

From 1 January 2020, according to the revised "Accounting Standards for Enterprises No. 14—Revenues", transportation fee, storage fee and customs declaration fee are necessary for the company to perform contract obligation, which shall be included in the operating cost as contract cost. The amount of reclassification in the reporting period is RMB 165.31 million.

(2) Explanation of ratification of major accounting error in the reporting period which needs to be tracked and restated

Applicable N/A

No ratification of major accounting error in the reporting period which needs to be tracked and restated.

(3) Explanation of changes in the scope of combined financial statements when compared with financial statements of the previous year

Applicable N/A

The Company established subsidiaries: Shenzhen Lingtao Technology Co., Ltd., Shenzhen Lingpeng Intelligent Technology Co., Ltd., Triumph Lead (Singapore) Pte. Ltd., SALCOMP TURKEY TEKNOLOJI SANAYI VE TICARET ANONIM SIRKETI;

The company acquired YiDao Medical Technologies (Suzhou) Co., Ltd. through business combination under common control;

The company transferred all the equity of Dongguan Jinri Mould Co., Ltd., Guangdong JP Hi-tech Industrial Park co., Ltd., Shenzhen DJN Optronics Technology Co., LTD., Ganzhou DJN Optronics Technology Co., LTD., DJN Optronics (Shenzhen) Co., LTD., DJN Semiconductor (Shenzhen) Co., Ltd., HK DJN Optronics Technology Co., LTD;

The company cancelled Chongqing DJN Optronics Technology Co., LTD., Chongqing DONGFANG LIANGCAI PRECISION TECHNOLOGY CO., LTD., Ling Yi (Jiangsu) Precision Electronics Manufacturing Co., Ltd., Guangdong Jiangfen Financial Services Holdings Co., Ltd., Shenzhen Longyuan Huixin Technology Co., Ltd.