

Stock Code: 688007

Stock Short Name: Appotronics



Appotronics Corporation Limited

Annual Report 2023

April 2024

本报告为深圳光峰科技股份有限公司自愿披露的《2023 年年度报告（英文版）》，对本报告的中英文版本理解上发生歧义时，以中文版本为准。

This is 2023 Annual Report (English version) voluntarily disclosed by Appotronics Corporation Limited. In the event of any discrepancy between the English and Chinese versions of this report, the Chinese version shall prevail.

Forge Ahead with Determination

Dear all shareholders of Appotronics:

I am glad to talk with you at this time each year. The year 2023 witnessed the successful transformation of Appotronics. Despite the various challenges we experienced in this year full of uncertainty in the external environment, we not only withstood the pressure but also achieved a successful transformation to stand on a bigger stage. I am especially grateful for your long-lasting trust and partnership during this process.

With the firm belief in the power of persistence when facing various internal and external challenges, we persisted in the development strategy of “core technologies + core devices + application scenarios” in the path of transformation. The “fundamental businesses”, including the cinema and dedicated display, and the “growth businesses”, including the automotive business, are highly complementary to each other in building a combination of “aggressive and defensive” fort for the Company, which created a very stable business structure for Appotronics. Despite the objective huge growth potential of the automotive business, there will be a stage of intense competition prior to the maturity of the automotive business. Under such circumstance, the cinema and dedicated display businesses stood out by the value they created. More importantly, without reducing our efforts for existing businesses, we have been developing new growth poles for mature businesses to greatly improve the speed and strength of making breakthroughs in growth businesses.

In 2023, we achieved a substantive breakthrough in the automotive business. “AITO M9”, as Huawei’s smart flagship SUV and the first nominated automobile model for us, has been officially implemented. Besides AITO M9, there are another 5 nominated automobile models not released, which will also contribute to the performance of the Company in the future. The breakthrough in the automotive optics business is of far-reaching significance. As the automotive industry is experiencing historical and structural changes, we are both a participant and a beneficiary as a link in the automotive industry chain. This will have active and profound effects on the development of the fundamentals of the Company and the future growth of performance.

In 2023, we achieved high-quality development of the cinema projector business to build it into a cornerstone of business growth. As of December 31, 2023, the installations of the APLD® laser projection solution exceeded 29,500 sets in China. The new generation of

active projection technology - VLED LED Cinema projection solution - released by CINEAPPO, a subsidiary of Appotronics, has been successfully implemented in cinemas in multiple provinces and cities, which will develop into a new point of profit growth for the cinema business in the future.

We follow the strategy of developing fundamental businesses and growth businesses side by side with a focus on improving operating quality. Meanwhile, we strive to seize the opportunity of transforming a small racetrack into a big market to continuously expand our strategic advantages and achievements in the field of automotive optics. Thanks to the historical opportunity of the emerging and rapidly rising new racetrack for new energy vehicles in China, we take active measures to acquire the blue ocean market of automotive optics and smart cockpits, and work with domestic and overseas leading automobile manufacturers to create completely new driving and riding experience for consumers by the “Shenzhen acceleration” in the racetrack of automotive optics.

In the coming years, we will strive to build a smart supply chain, transforming a “small workshop” into novel “smart manufacturing”. We will move to a new production base, which means a brand new start to solidify the foundations including research and development, supply chain, and platform capabilities.

In addition, we will continuously promote the integration of laser display technologies with new technologies to expand to artificial intelligence (AI), augmented reality (AR), and robot fields. Given the rapid development and enhancement of each other, these three types of technologies are gradually becoming a new direction for application development in the laser display industry.

To achieve this objective, we will continuously strengthen our capabilities of engineering and smart manufacturing, improve the quality system, strive for an in-depth combination of R&D and the supply chain, and create a smart manufacturing system in the optics field with concrete efforts. We will insist on the adjustment and innovation of the R&D organization to make it more resilient and profound, to accelerate product development, and to deepen the patent moat while building a more extensive and inclusive ecology.

I believe in the confidence and power of Appotronics as a technology enterprise to seize the opportunity and create more growth space in the trend of the era. Meanwhile, we are also aware that enterprise operation is a process of wavy development, in which we will meet

obstacles instead of moving straight ahead. We are firmly confident that we can forge ahead with strategic persistence and strategic patience.

Last but not least, I would like to thank all shareholders and friends who have been caring for Appotronics!

Time tells everything!

LI Yi

April 2024

Important Note

I. The Board of Directors, the Board of Supervisors, directors, supervisors and senior officers of the Company hereby warrant that the information contained in this Annual Report is true, accurate and complete and this Annual Report is free from any misrepresentation, misleading statement or material omission, and agree to assume joint and several liability for this Annual Report.

II. The Company did not make profits at the time of getting listed, and has not made profits by now

Yes No

III. Alert of significant risks

The Company has described in detail the risks that may exist in the production and operation of the Company. Refer to “Section III Discussion and Analysis of Business Situations - IV. Risk factors” for the relevant risks.

IV. All directors of the Company attended the meeting of the Board of Directors.

V. Pan-China Certified Public Accountants (Special General Partnership) issued a standard unqualified auditor’s report to the Company.

VI. LI Yi, Principal of the Company, WANG Yingxia, Person in Charge of the Accounting Work, and WANG Yingxia, Person in Charge of the Accounting Body (Chief Accountant), hereby represent that the financial statements contained in this Annual Report are true, accurate and complete.

VII. Profit distribution proposal or proposal for capitalization of capital reserve approved by the Board of Directors during the reporting period

As audited by Pan-China Certified Public Accountants (Special General Partnership), in 2023, Appotronics realized the net profit attributable to shareholders of the listed company of RMB 103,186,743.57, the parent company realized the net profit of RMB 93,535,832.55, and the distributable profit of the parent company as of the end of the year was RMB 639,288,806.42. The Company proposed to distribute to all shareholders a cash dividend of RMB 0.7 (tax inclusive) for every 10 shares. As of the disclosure date of this report, the Company has a total of 462,605,378 shares. With the 4,259,750 shares in the special securities account for repurchase excluded, the cash dividend calculated to be distributed was RMB 32,084,193.96 (tax inclusive), accounting for 31.09% of the net profit attributable to shareholders of the listed company in 2023. The Company would neither capitalize its capital reserve nor grant bonus shares this year. This proposal has been deliberated and passed at the 32nd meeting of the second Board of Directors and the 24th meeting of the second Board of Supervisors, and is subject to the deliberation at the general meeting of shareholders of the Company.

VIII. Is there any material event concerning any special arrangement of corporate governance?

Applicable N/A

IX. Risk statement regarding forward-looking statements

Applicable N/A

The forward-looking statements contained herein regarding the future plans, development strategies or other matters of the Company do not constitute any substantive covenant made by the Company to the

investors. Investors and relevant personnel should sufficiently know about the risks in this aspect, and understand the differences among plans, predictions, and promises. Investors should be aware of the risk of investment.

X. Is there any non-operating occupation of funds by the controlling shareholder or its affiliates?

No

XI. Is there any external guarantee provided in contravention of the stipulated decision-making procedure?

No

XII. Are the majority of the directors unable to guarantee the truthfulness, accuracy and completeness of the Annual Report disclosed by the Company?

No

XIII. Others

Applicable N/A

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| | |
|---|---|
| List of Documents Available for Inspection | Financial Statements with seals and signatures of the Principal of the Company, the Person in Charge of the Accounting Work, and the Person in Charge of the Accounting Body (Chief Accountant) |
| | Original Auditor’s Report with seals of the accounting firm and seals and signatures of the certified public accountants |
| | All original documents and announcements publicly disclosed during the reporting period |

Section I. Definitions

I. Definitions

For purpose of this report, unless the context otherwise requires, the following terms shall have the meanings indicated below:

| Terms | | |
|------------------------------|----|--|
| Company Appotronics | or | means Appotronics Corporation Limited |
| Appotronics Ltd. | | means Appotronics Corporation Ltd., the former name of the Company |
| CINEAPPO | | means CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. |
| Formovie, Chongqing Formovie | | means Formovie (Chongqing) Innovative Technology Co., Ltd. |
| Appotronics HK | | means Appotronics Hong Kong Limited |
| Appotronics Daye | | means Shenzhen Appotronics Daye Investment Partnership (LP) |
| Appotronics Deye | | means Shenzhen Appotronics Deye Consulting Partnership (LP) |
| Appotronics Hongye | | means Shenzhen Appotronics Hongye Consulting Partnership (LP) |
| Appotronics Chengye | | means Shenzhen Appotronics Chengye Consulting Partnership (LP) |
| Jinleijing | | means Shenzhen Jinleijing Investment Limited Partnership (LP) |
| Blackpine | | means Blackpine Investment Corp. Ltd. |
| CINIONIC | | means Cinionic Limited (previously known as Barco Cineappo Limited) |
| WeCast | | means WeCast Technology Corp. |
| GDC BVI | | means GDC Technology Limited (British Virgin Islands) |
| GDC Cayman | | means GDC Technology Limited (Cayman Islands) |
| SSE | | means Shanghai Stock Exchange |
| Delta Electronics, Delta | | means Delta Electronics, Inc. |
| AI | | means Artificial Intelligence |
| AR | | means Augmented Reality |
| DCI | | means Digital Cinema Initiatives of the United States |
| SGS | | means Société Générale de Surveillance, a globally leading inspection, verification, testing, and certification institution |
| DLP | | means Digital Light Processing |
| CES | | means International Consumer Electronics Show |
| LCOS | | means Liquid Crystal on Silicon, a new reflective display technology that organically combines LCD and CMOS integrated circuits |
| LCD | | means Liquid Crystal Display |
| RGB | | means Three primary colors of light, R: red, G: green, B: blue |
| LED | | means Light Emitting Diode, a common light emitting device |
| OSD | | means On-Screen Display, an adjustment method by using a menu displayed on the screen |
| ChatGPT | | means Chat Generative Pre-trained Transformer, a natural language processing tool driving by artificial intelligence technologies |
| Kimi | | means An AI smart assistant product |
| Sora | | means AI video generation software |
| Genie | | means Interactive video generation model |
| AIGC | | means Artificial Intelligence Generated Content |
| AGI | | means Artificial General Intelligence |
| HDR | | means High Dynamic Range Imaging, a processing technology to improve the image brightness and contrast ratio |
| HFR | | means High Frame Rate, an image quality optimization technology |
| WCG | | means Wide Color Gamut |
| CVIA | | means China Video Industry Association |
| 4 K | | means A screen resolution of digital products, representing the screen resolution of 4096×2160, which is an ultra-high-definition resolution |

| | | |
|----------|-------|--|
| nit | means | The unit of brightness |
| IATF | means | International Automotive Task Force |
| ADB | means | Adaptive Driving Beam |
| PCT | means | Patent Cooperation Treaty |
| AVC Revo | means | All View Cloud Revo |
| Netflix | means | Netflix Inc. of the United States, a subscription video on-demand over-the-top streaming service |

Section II. Company Profile and Financial Highlights

I. Company profile

| | |
|---|--|
| Chinese name | 深圳光峰科技股份有限公司 |
| Short name in Chinese | 光峰科技 |
| English name | Appotronics Corporation Limited |
| Short name in English | Appotronics |
| Legal representative | LI Yi |
| Registered address | 20-22/F, Hi-tech Zone Union Tower, No. 63 Xuefu Road, Yuehai Street, Nanshan District, Shenzhen |
| Historical changes of the Company's registered address | <p>1. October 24, 2006, Room 10, 14/F, Fangda Building, Keji South 12th Road, South Area, High-tech Industrial Zone, Nanshan District, Shenzhen</p> <p>2. September 6, 2007, Room 03, 17/F, Overseas Chinese High-tech Venture Building, South Area, High-tech Industrial Zone, Nanshan District, Shenzhen</p> <p>3. June 7, 2011, Area A, 1/F, Building 13, Xili Wenguang Industrial Zone, Nanshan District, Shenzhen</p> <p>4. October 24, 2012, 401 Shenzhen IC Design and Application Industrial Park, South to Chaguang Road, Xili Township, Nanshan District, Shenzhen</p> <p>5. December 14, 2017, 21-22/F, Hi-tech Zone Union Tower, No. 63 Xuefu Road, Yuehai Street, Nanshan District, Shenzhen</p> <p>6. August 1, 2018, 20-22/F, Hi-tech Zone Union Tower, No. 63 Xuefu Road, Yuehai Street, Nanshan District, Shenzhen</p> |
| Office address | 20-22/F, Hi-tech Zone Union Tower, No. 63 Xuefu Road, Yuehai Street, Nanshan District, Shenzhen |
| Postal code of office address | 518052 |
| Website | http://www.appotronics.com |
| Email | ir@appotronics.cn |

II. Contact person and contact information

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

III. Media for information disclosure and place for keeping the annual reports

| | |
|--|--|
| Name and website of the media on which the Company discloses its annual report | China Securities Journal (https://www.cs.com.cn) Shanghai Securities News (https://www.cnstock.com) Securities Times (http://www.stcn.com) Securities Daily (http://www.zqrb.cn) |
| Website of the securities exchange on which the Company discloses its annual report | Shanghai Stock Exchange website (http://www.sse.com.cn) |
| Place for keeping the annual reports | Office of the Board of Directors |

IV. Stock and depository receipts of the Company
(I) Stock of the Company

✓ Applicable □ N/A

| Stock of the Company | | | | |
|----------------------|--------------------------------------|------------------|------------|-------------------------|
| Type of stock | Stock exchange and board | Stock short name | Stock code | Former stock short name |
| A-shares | Shanghai Stock Exchange, STAR Market | Appotronics | 688007 | N/A |

(II) Depository receipts of the Company

□ Applicable ✓ N/A

V. Other related information

| | | |
|---|--------------------------------|--|
| Domestic accounting firm appointed by the Company | Name | Pan-China Certified Public Accountants (Special General Partnership) |
| | Office address | 6/F, No. 128 Xixi Road, Xihu District, Hangzhou, Zhejiang |
| | Accountants signing the report | Mr. WEI Biaowen, Mr. NIU Chunjun |

VI. Main accounting data and financial highlights in the past three years
(I) Main accounting data

In RMB

| Main accounting data | 2023 | 2022 | % Change (2023 v 2022) | 2021 |
|---|------------------|------------------|------------------------|------------------|
| Operating income | 2,213,356,977.95 | 2,541,144,635.15 | -12.90 | 2,498,228,401.78 |
| Net profit attributable to shareholders of the listed company | 103,186,743.57 | 119,440,773.77 | -13.61 | 233,364,344.09 |
| Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss | 41,664,497.37 | 66,321,454.45 | -37.18 | 125,396,283.97 |
| Net cash flow from operating activities | 364,082,055.08 | 177,350,715.69 | 105.29 | 58,337,226.84 |
| | End of 2023 | End of 2022 | % Change (2023 v 2022) | End of 2021 |
| Net assets attributable to shareholders of the listed company | 2,818,869,452.99 | 2,647,663,487.59 | 6.47 | 2,438,064,581.44 |
| Total assets | 4,220,570,891.16 | 4,333,350,260.15 | -2.60 | 4,097,230,955.90 |

(II) Financial highlights

| Financial highlights | 2023 | 2022 | % Change (2023 v 2022) | 2021 |
|--|------|------|-------------------------|-------|
| Basic earnings per share (RMB/share) | 0.23 | 0.26 | -11.54 | 0.52 |
| Diluted earnings per share (RMB/share) | 0.22 | 0.26 | -15.38 | 0.51 |
| Basic earnings per share after deduction of non-recurring profit or loss (RMB/share) | 0.09 | 0.15 | -40.00 | 0.28 |
| Weighted average return on net assets (%) | 3.81 | 4.73 | -0.92 percentage points | 10.26 |

| | | | | |
|--|-------|-------|-------------------------|------|
| Weighted average return on net assets after deduction of non-recurring profit or loss (%) | 1.54 | 2.63 | -1.09 percentage points | 5.51 |
| Proportion of R&D investments to operating income (%) | 12.69 | 10.31 | +2.38 percentage points | 9.47 |

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

Applicable N/A

1. During the reporting period, the net profit attributable to shareholders of the listed company and the net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss decreased by 13.61% and 37.18% respectively year on year; the basic earnings per share, diluted earnings per share, and basic earnings per share after deduction of non-recurring profit or loss decreased by 11.54%, 15.38%, and 40.00%, respectively year on year, primarily due to the following: (1) during the reporting period, under the impact of the fluctuation in the consumer electronics market, the Company's revenue from the business of household core devices and consumer products decreased; (2) the Company continuously increased investment in the R&D of automotive optics and other businesses, leading to the year-on-year increase in the R&D investments for the current period; (3) the loss of decline in value of inventories provided by the Company increased year on year in consideration of the rapid iteration of consumer electronics products; moreover, during the reporting period, the loss of GDC BVI, a participating company with overseas investment of the Company, further increased, which led to the year-on-year increase in investment losses and the impairment loss of long-term equity investment.

2. During the reporting period, the net cash flow from operating activities increased by 105.29% year on year, which was mainly due to the optimized supply chain management, decreased payment for procurement, and increased VAT refunds during the reporting period.

3. With respect to the non-recurring profit or loss calculated according to the definition of the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss (Revision 2023)* promulgated by the CSRC, under the same standard, the net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss, the basic earnings per share after deduction of non-recurring profit or loss, and the weighted average return on net assets after deduction of non-recurring profit or loss of the comparable accounting periods have been adjusted. Refer to the description in Section II.IX for details about the effects of non-recurring profit or loss.

VII. Differences in accounting data under Chinese accounting standards and overseas accounting standards

(I) Differences in net profit and net assets attributable to shareholders of the listed company disclosed on the financial statements according to the international accounting standards and the Chinese accounting standards

Applicable N/A

(II) Differences in net profit and net assets attributable to shareholders of the listed company disclosed on the financial statements according to the overseas accounting standards and the Chinese accounting standards

Applicable N/A

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

Applicable N/A

VIII. Financial highlights in 2023 by quarter

| | In RMB | | | |
|--|--|--|--|--|
| | 1 st quarter (Jan. - Mar.) | 2 nd quarter (Apr. - Jun.) | 3 rd quarter (Jul. - Sep.) | 4 th quarter (Oct. - Dec.) |
| Operating income | 459,012,885.14 | 614,236,152.61 | 577,380,260.71 | 562,727,679.49 |
| Net profit attributable to shareholders of the listed company | 13,654,664.95 | 61,259,976.00 | 53,644,544.29 | -25,372,441.67 |
| Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss | -11,377,457.90 | 45,606,297.52 | 42,267,983.59 | -34,832,325.84 |
| Net cash flow from operating activities | -36,331,090.68 | 151,069,922.81 | 94,193,735.51 | 155,149,487.44 |

Explanation about the difference between quarterly data and the data disclosed on regular reports

Applicable N/A

IX. Items and amounts of non-recurring profit or loss

Applicable N/A

| | In RMB | | | |
|--|---------------|----------------------------|---------------|---------------|
| Item of non-recurring profit or loss | 2023 | Note (if applicable) | 2022 | 2021 |
| Gain or loss on disposal of non-current assets, including write-off of provision for asset impairment | -2,047,603.22 | | -5,668,573.43 | 1,437,535.03 |
| Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the business of the Company and are provided in accordance with established standards with continuous effects on the profit or loss of the Company according to the provisions of national policies) | 37,324,883.93 | Section X.XI | 38,211,496.91 | 86,941,748.45 |
| Profit or loss on changes in the fair value of financial assets and financial liabilities held by non-financial enterprises and profit or loss on the disposal of financial assets and financial liabilities, | 197,000.00 | Section X.VII.70 | -3,120,000.00 | 40,127,764.00 |

| | | | | |
|---|----------------------|------------------|----------------------|-----------------------|
| other than those used in the effective hedging activities related to normal operating business of the Company | | | | |
| Profit or loss on entrusted investments or assets management | 12,504,132.08 | Section X.VII.68 | 12,637,561.73 | 9,776,977.44 |
| Reversal of impairment loss on receivables tested for impairment individually | 701,851.05 | | 837,824.59 | |
| Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination involving entities under common control | 28,971,469.98 | | 27,765,106.19 | 14,561,407.47 |
| Profit or loss on debt restructuring | | | -912,618.35 | |
| Other non-operating income and expenses | -4,752,629.59 | | -679,415.19 | 865,330.69 |
| Other profits or losses meeting the definition of non-recurring profit or loss | | | -2,080.00 | -10,400,000.00 |
| Less: Effect of income taxes | 5,157,172.94 | | 4,337,471.38 | 7,122,055.13 |
| Effects attributable to minority interests (net of tax) | 6,219,685.09 | | 11,612,511.75 | 28,220,647.83 |
| Total | 61,522,246.20 | | 53,119,319.32 | 107,968,060.12 |

Note: Non-recurring profit or loss is calculated according to the definition of the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss (Revision 2023)* promulgated by the CSRC. According to the principle above, the effects on the non-recurring profit or loss of the comparable accounting periods is as follows: the net non-recurring profit or loss of the Company attributable to shareholders of the listed company for 2022 under the same standard was RMB 53.1193 million, decreased by RMB 1.5083 million compared with the amount prior to the adjustment; the net non-recurring profit or loss attributable to shareholders of the listed company for 2021 was RMB 107.9681 million, decreased by RMB 1.1165 million compared with the amount prior to the adjustment.

It is required to specify the reason for defining items not illustrated in the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss* as non-recurring profit or loss items of significant amounts, and reasons for defining non-recurring profit or loss items illustrated in the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss* as recurring profit or loss items.

Applicable N/A

X. Items at fair value

Applicable N/A

In RMB

| Item | Opening balance | Closing balance | Change | Effect on profit for the current period |
|-------------------------|-----------------|-----------------|----------------|---|
| Held-for-trading | 352,880,000.00 | 514,010,000.00 | 161,130,000.00 | 12,701,132.08 |

| | | | | |
|---|----------------|----------------|----------------|---------------|
| financial assets | | | | |
| Receivables financing | 4,279,041.00 | 11,387,400.00 | 7,108,359.00 | 0 |
| Investment in other equity instruments | 7,075,419.38 | 7,075,419.38 | 0 | 0 |
| Total | 364,234,460.38 | 532,472,819.38 | 168,238,359.00 | 12,701,132.08 |

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

Applicable N/A

XII. Information disclosure postponed or exempted due to national secrets, trade secrets, etc.

Applicable N/A

Since the relevant information about the Company's suppliers, customers, and key technical staff is commercially sensitive information, the disclosure of which may result in unfair competition to the detriment of the Company and shareholders, the Company anonymized the names of suppliers and customers, and exempted the disclosure of the specific remuneration of the key technical staff.

Section III. Discussion and Analysis of the Management

I. Discussion and Analysis of Business Situations

In 2023, we maintained the persistence in the development strategy of “core technologies + core devices + application scenarios”, and continuously increased R&D investments to build the hard technology strength as a high-growth technology enterprise. During the reporting period, the operating income of the Company was RMB 2.213 billion, the net profit attributable to shareholders of the parent company was RMB 103 million, and the gross profit margin of the Company was 36.22%.

During the reporting period, we received several high-quality OEM nominations in the automotive optics business, and achieved the official implementation of AITO M9 in December 2023, which now is in the mass production and delivery stage. The active film market in China effectively promoted the high-quality development of the business of cinema core devices. The dedicated display business focused on laser high-brightness products to keep leading in the industry development. At the consumer end, we took the initiative to optimize and adjust the business and personnel structure, and integrated internal resources from multiple perspectives with the business of household core devices to build energy for new development of the projection industry.

1. Core device business

1.1 Accelerated development of the business of automotive core components to enter the mass production and delivery stage for the first nominated automobile model AITO M9

➤ Entered the mass production and delivery stage for the first nominated automobile model AITO M9, and redefined the automotive smart space

With the intelligentization and upgrade of vehicles leading to a further explosion of vehicle intelligentization demands, our automotive optics business has entered into the accelerated development stage. By now, we have received 6 high-quality OEM nominations for the automotive business, and achieved the implementation of the first nominated automobile model AITO M9 in December 2023, which has entered the mass production and delivery stage. This not only will produce positive effects on the future operating performance of the Company, but also establish a solid foundation for the Company to continuously improve automotive products and solutions for penetration into domestic and overseas outstanding automobile manufacturers.

In December 2023, AITO M9 was officially released, which was equipped with the world’s first automobile-grade giant screen projection solution provided by Appotronics; it was also the first solution for in-vehicle shared experience achieved through multiple interconnections in the industry. The automobile-grade projection giant screen adopted in AITO M9 has passed the anti-halation certification by SGS from Switzerland and the TÜV golden eye protection and comfort certification, so as to provide drivers and passengers with unprecedented comfortable visual and audio experiences. Meanwhile, the innovative X-shaped connection structure and the unique motor lock achieved the extreme anti-seismic effects for automotive projection, so as to keep the image effects stable during high-speed driving. In

In addition, the core light generator of such projection giant screen solution has the features of long service life, small volume, and high brightness to provide vivid and fine image effects, support high-definition video play and 3D stereo image play to meet the demands of users for multiple in-vehicle application scenarios.



Figure 1: Automobile-grade projection giant screen in AITO M9

The automotive giant screen projection solution we provided for AITO M9 was successfully equipped in the vehicle to meet the demands of in-vehicle film playing, gaming, entertainment, and work, so as to achieve a more outstanding and comfortable way of entertainment during driving, which redefined the automotive smart space. As the automotive display screen becomes the core device for the “human-machine interaction” function of smart vehicles, the application of smart large screens will be verified by the market and gradually complete market education for consumers. At present, we have entered the mass production and delivery stage for AITO M9, which is expected to have positive effects on the operating performance of the Company during the life cycle of such project.

➤ **Released the innovation achievements in automotive optics to showcase the new concept of industry development**

Enterprise innovation and development are impossible without continuous R&D investments and high-value patent layouts. After entering the automotive optics field, we resolutely increase R&D investments to continuously improve the capabilities of independent innovation. During the reporting period, we had 105 new patents granted and filed for automotive optics technologies, increased by 29.63% year on year. As of December 31, 2023, we had a total of 209 patents for automotive technologies granted and filed, an increase by 41.22% year on year, which supported the high-quality development of the business of automotive core components.

Thanks to the profound technology advantages and forward-looking layout for automotive optics, we have created an innovative concept for automotive optics and have presented our innovative achievements

in automotive optics at various major exhibitions of the industry. In January 2023, at the International Consumer Electronics Show (CES 2023) of automobile brands, BMW released Dee - the world's first concept car equipped with the integrated display technology at four windows, which technology was supplied by Appotronics. An ultra-small-sized and high-brightness ALPD[®] DLP light generator is used to achieve the functions of projection inside and display outside, and projection inside and display inside at the side windows, so that the driver and passengers can interact with the display image either inside or outside of the car.

At the 20th Shanghai International Automobile Industry Exhibition held in April 2023, we made our debut with an exhibition car equipped with the automotive immersive laser display and lighting technical scenario, and released the world's first automobile-grade colorful laser headlight, and the immersive in-car digital interaction solution containing window display, in-vehicle transparent display, in-vehicle entertainment large screen, and smart surface. The laser headlight with both lighting and colorful display functions can achieve better drive assistance and better safety. Meanwhile, the colors make the content displayed more vivid, which helps improve the effects of interaction with users to make the driving process more interesting.

As the automotive business has entered the phase of rapid development, we will actively match with the planning of automobile manufacturers to achieve efficient and high-quality delivery of the other 5 nominated projects, so as to release the nominated automobile models through joint efforts. Meanwhile, we will continue to focus on the logic of cooperation with major customers to make full use of the technology competitiveness and nomination experience in automotive optics, actively expand the nomination cooperation with Chinese and foreign leading automobile manufacturers, and improve both the quality and quantity of nominations for the Company, hence becoming an outstanding core supplier of automotive optics components.

1.2 The business of cinema core devices took the opportunity to create new growth points given the obvious recovery of the cinema market

➤ Continuous increase in the installations of the ALPD[®] laser light source projection solution

The year 2023 witnessed the obvious recovery trend of the film market, featuring diversified themes, high-quality films, and enthusiastic audience, which effectively improved the operation and development indicators of upstream and downstream enterprises in the industry chain. During the reporting period, our operating income from the business of cinema projection services was RMB 369 million, increased by 37.24% year on year. Thanks to the technology advantages in leading laser light sources and profound industry expertise, we continuously improved the installations of the ALPD[®] laser light source projection solutions. As of December 31, 2023, the installations of the ALPD[®] laser light source projection solutions exceeded 29,500 sets in China.

➤ Released the VLED LED Cinema projection solution to enrich the product portfolios

In recent years, in addition to more demanding requirements on the content quality of films, the audience are pursuing better film-watching experiences - expecting to enjoy comfortable seats, outstanding sound effects, and high-quality cinema services. With the insight into the demands for high-

quality film-watching experiences, we released the VLED LED Cinema projection solution - a new generation of active projection technology. Based on the self-luminous imaging principle, the VLED LED Cinema film screen performs better in the depth of field, expression in multiple levels, and immersive experience, which can greatly improve the film-watching experiences of the audience. In terms of performance, the VLED LED Cinema projection solution has a service life that is 3 times of conventional projectors, and consumes only 40% of the electricity at the equivalent brightness compared with other LED film screens at the same level, which achieved the integration of the low-carbon and environmental protection idea with the industry development. Meanwhile, based on our abundant experience in cinema projects, we have built a set of complete, professional, and systematic installation processes for VLED LED Cinema film screens, so as to assist cinemas in completing cinema upgrade and transformation effectively.

While assisting cinemas in expanding high-end operation scenarios, the VLED LED Cinema projection solution changed the conventional film-watching mode to explore diversified cinema application scenarios. For example, during off seasons of films, cinemas can use VLED LED Cinema for meetings, theater performances of children, talk shows, etc., so as to improve the utilization of cinema halls to create additional incomes. By now, we have successfully installed 8 sets of the VLED LED Cinema projection solution in cinemas in China, which has created a new profit growth point in the cinema market for the Company.

1.3 Housed productization of ALPD® 5.0 to provide consumers with a high-quality product experience

In 2023, in the field of household core devices, focusing on the ALPD® semiconductor laser light source technology, we were continuously developing light generator products for laser mini projectors. While maintaining the stable output and smooth iteration of existing products, we enhanced efforts to advocate the application of ALPD® 5.0 super panchromatic laser technology in the household field, and have worked out specific products to meet the diversified product demands of customers.

During the reporting period, we took the lead in achieving productization of the ALPD® 5.0 super panchromatic laser technology by providing customers with a super panchromatic laser projector light generator. Thanks to the ALPD® 5.0 super panchromatic laser technology, this light generator can present high-brightness, clear, and speckle-free images, hence creating a more eye-friendly use experience for consumers.

Given the AI platform advantages of the ALPD® 5.0 super panchromatic laser technology in terms of modular hardware designing and programmable software, consumers can switch light sources at will according to their own needs to change from “high-brightness light source” to “smart light source”, so as to meet the requirements for use in multiple application scenarios and provide users with a better product experience.

2. Brand business

2.1 Abundant product portfolios in the dedicated display business kept leading in the industry development

During the reporting period, we held a summit meeting of core partners, organized multiple brand events including flare and case presentation, and discussed with customers on new opportunities and new technology trends. Based on the advantages of the ALPD[®] semiconductor laser light source technologies, we focused on laser high-brightness products to improve the product competitiveness and keep the leading position in the industry. In 2023, we achieved the operating income of RMB 428 million from the dedicated display business.

Thanks to the high-brightness large venue light generators, we built multiple benchmark projects in the industry, including the lighting show program of the indirect cooling tower of Mengtai Dongsheng Phase II. By now, we have built over 40 benchmark cases throughout China, covering application scenarios of night cultural tourism, art performance, and city building landscape, to present visual effects full of colors and imagination. According to the *Market Survey Report on the Laser Project Market of Chinese Mainland in 2023* released by AVC Revo, we continuously ranked No. 1 in the industry in terms of sales volume on the large venue laser projection market, and ranked No. 2 in terms of sales amounts. Our products of over 10,000 lumens achieved higher contributions than other domestic brands.

In addition, according to the data of AVC Revo, in 2023, the market shares of over 10,000 lumens large venue light generators increased year on year. This indicated that high-end products are drawing more attention on the market, and all mainstream manufacturers are developing high-end product lines, so as to build the high-brightness product portfolio into the core competitiveness of mainstream brands.

2.2 Formovie implemented management and business optimization to build a solid foundation for improvement in business operation

In 2023, to achieve efficient and stable development of the consumer business, Formovie took the initiative to optimize and adjust the business and personnel structure, and fully integrated internal resources with the business of household core devices to improve the utilization rate of internal resources, and to improve the capabilities and speed of innovation and iteration for consumer products, and controlled and optimized period expenses to build a solid foundation for achieving performance and reducing losses. During the reporting period, Formovie focused on own-brand products with more competitive advantages - Xiaoming projection, and released the first 4K projector under this brand to promote the development of the industry.

3. Enhanced efforts of building the supply chain to create a smart supply chain system

As an important stage of building the cost advantages and delivery advantages for our products, we resolutely insisted on enhancing efforts of digitalization, automation, and intelligentization of the supply chain in an attempt to build an efficient and agile smart manufacturing supply chain system, which effectively supported our objectives of “quality first” and “efficient delivery” and built a solid foundation for the long-term development of the Company. During the reporting period, we implemented automation upgrade and transformation for assembly equipment at the manufacturing end to build capabilities of automatic tests and automatic assembly. Meanwhile, with in-depth interconnection with the MES10

manufacturing execution system, we achieved automatic collection and analysis of production data and statement display using different templates, so as to create whole-process visible manufacturing based on information communication and integration for automatic device operation state monitoring and process control for product production. In addition, to further optimize resource allocation, we enhanced the dynamic link among the R&D, procurement, quality, and other platform departments with the supply chain, so as to make use of the system synergy effects, achieve resource sharing and complementary advantages, and improve the overall operation efficiency and market competitiveness.

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

(I) Main business and main products or services

1. Main business

The Company, as a global leading enterprise in the field of laser display technology, adheres to the market and customer demand-oriented business philosophy, and continues to focus on the original semiconductor laser light source technology and architecture as the lead, research and development, production and sales of laser display core devices and complete machines. We apply the semiconductor laser light source technology to household display, cinema projection, large venue, business education, and other conventional scenarios, and successfully expand to new fields such as automotive display, AR, robots, etc., to provide customers with a full range of solutions.

2. Main products and services

Our products may be mainly classified into core laser display devices and complete laser display equipment. The core devices can be further classified into core devices for automotive optics, laser light sources (cinema light sources and large venue light sources), laser TVs and smart mini projection light generators, high-gain high-contrast ratio projection screens, etc., and complete laser display equipment can be classified into smart mini projectors, laser TVs, laser digital cinema projectors, large venue laser projectors, laser education projectors and others. The services that the Company performs include laser cinema projection services, VLED LED Cinema projection solutions, large venue projection automatic 3D Mapping, and corresponding system solutions.

(II) Main business model

Based on industry policies, industry characteristics, upstream and downstream development, and customer demands, with reference to the Company's development strategy, competitive advantages, service experience, and other factors, we have built mature business models with an independent and complete R&D, procurement, production, and sales system.

1. R&D mode

We insist on the driving force of innovation to continuously improve the R&D system featuring independent R&D, and separate technology R&D from product R&D in terms of organizational structure, development process, etc. In terms of technology development, the Company focuses on the continuous innovation and mastery of core technologies and key technologies, pays attention to user needs, and introduces product development after the technology is mature, so as to maintain the Company's core

competitiveness in technology and leading position in the industry; in terms of product development, according to the differentiated needs of different market segments, the Company sets up product lines and teams for product planning, and divides it into feasibility \EVT\DVT\PVT\MP and other stages to achieve rapid response to market demand.

2. Procurement mode

The Company maintains long-term and in-depth cooperation with many suppliers, constantly strengthens supply chain management and quality management, and always adopts diversified procurement. The procurement mode consists of front-end procurement services such as supplier selection, determination of purchase price, cooperative business system, and establishment of supplier platform, as well as back-end business such as purchase order execution and delivery.

3. Production mode

The Company implements the model of “independent production as the mainstay, supplemented by outsourced production” with an independent production system. The Company’s external sales and projection services of light sources, optical core devices and core processes in the production process are completed by the Company independently; To C intelligent mini projector, laser mini projector, laser TV complete machine, etc. are mainly outsourced, and other complete products are produced by itself.

4. Sales mode

(1) Product sales mode

The Company’s marketing service network is laid out well, matching various application market segments. It adopts the product sales model combining “direct sales, distribution and agent sales”, and achieves mutual penetration and coordinated development both online and offline to respond to customer needs in a timely and rapid manner.

(2) Mode of cinema projection services

The Company provides laser cinema projection services for downstream cinema customers, and charges service fees according to the length of use of light source by the cinemas (the fees are charged by the hour or a certain period of time), while the cinemas do not need to purchase light source equipment, thereby effectively easing their capital pressure and reducing their labor and maintenance costs.

(3) Business cooperation mode for automotive optics

According to the needs of car companies and the design of their own production lines, the Company designs and develops automotive optical products, and accepts the audit and certification of car companies at all stages until it receives mass production confirmation. The Company’s specific supply process is as follows:

Before the mass production of the project, the Company obtains the project nomination and signs relevant sales contracts with the car company, stipulating the rights and obligations of both parties.

The nomination contract usually uses the project usage within the procurement period as a reference to determine the purchased products, model specifications, supply terms, etc., and the nomination supplier supplies and provides services according to the contract provisions, and settles and pays regularly. Regarding the Company’s products, the mode of synchronous research and development with car

companies is adopted, so the project progress after signing the nomination contract is closely related to the development progress of customer models.

After the mass production of the project, the car company requires the Company to conduct mass production, and puts forward specific delivery arrangements, and after the car company confirms the receipt, it will pay the Company according to the price agreed by both parties.

(III) Industry in which the Company operates

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

(1) Development stage of the industry

As an emerging industry, laser display is at a stage of rapid growth, and its growth drivers mainly come from: 1. technological progress has spawned emerging application fields, and semiconductor laser light source technology has been applied to the automotive optics, AR, and other fields, and the market has great potential for explosion; 2. the laser display industry in which the Company operates is one of the strategic emerging industries receiving the major support from the State for accelerated development. With the support of national and industry policies, more and more domestic enterprises and scientific research institutions enter the upstream and downstream fields of the laser display industry chain, strengthen the industrial chain, and actively develop and iterate technology, thus further increasing the localization rate of core components.

(2) Basic characteristics of the industry

In 2007, the ALPD® semiconductor laser light source technology invented by our R&D team created a wholly new semiconductor laser light source, which made a breakthrough in the application of core devices and imaging solutions of laser display, hence becoming the mainstream technical route for the laser display industry and being widely used in vehicle, cinema, household, large venue, business education and other fields.

In terms of technology, the ALPD® semiconductor laser light source technology is compatible with various chip and technology routes, and is suitable for the DLP, LCOS, and LCD technologies. In terms of market, in addition to traditional applications such as cinema, large venue, and business education, emerging industries such as smart cockpit, intelligent networking, AR, and AI are booming, and gradually become a new application development focus of the laser display industry, and the overall scale of the industry continues to expand, which is expected to help to broaden the application scenarios of the ALPD® semiconductor laser light source technology.

(3) Main technical barriers

A. Core technologies

The ALPD® is our original semiconductor laser light source technology of great significance in the display industry.

1) Original creation: In the past lighting and display, the rare earth phosphor is used only in LED light sources, while we made the original creation of using rare earth phosphor in laser light sources.

2) Uniqueness: To improve the stability of the rare earth phosphor after being excited by laser, we

explored a unique impulse mode and created a unique impulse architecture, which is under strict patent protection.

3) Flexibility: Since the ALPD[®] semiconductor laser light source technology combines two materials/devices, there are many methods of adjustment between the two portions in this architecture, including ① adjustable blue light distribution to output light that is adjustable in space; ② various phosphor powders to achieve flexible color segments; and ③ adjustable ratio and strength among color segments after the blue light is excited. Therefore, the output light is adjustable in terms of strength distribution, brightness distribution, color temperature, and color to meet the requirements for different scenarios.

4) Significance of the industry: Despite the long history of using a laser light source in the display industry, subject to the high cost of red and green lasers, it was hard to make breakthroughs in the industrialization of laser light sources. However, our ALPD[®] semiconductor laser light source technology greatly promoted the process of commercialization and industrialization of laser in the display industry.

5) Significance in materials: The ALPD[®] semiconductor laser light source technology relies on the blue laser and rare earth phosphor more than the RGB technology. The blue laser and blue LED share the gallium nitride material system; given the developed LED industry in China, there is a favorable basis for the gallium nitride system industry. In terms of the rare earth phosphor, since China has the most abundant rare earth resources in the world, and rare earth phosphor is one of the important applications of the rare earth element, China has the advantage of resource reserves in the world in terms of rare earth phosphor. We have created a perfect combination point between the two material systems for which China has the industry advantages, which provided the basic conditions for the long-lasting development of this technology architecture.

B. Laser products

Laser display products involve several fields, including optics, electronics, materials, physics, mechanical designing, precision manufacturing, etc. Specifically, in the designing of mechanical structures, simulation and designing of heat and stress, designing of optical lens and other components, electronic software and hardware (especially for image processing), analysis of ultra-high-definition signals, precision manufacturing, etc., the Company has profound technologies and manufacturing processes barriers in all the foregoing fields.

2. Analysis of the position of the Company in the industry and changes therein

As the display technology of a new generation, thanks to the advantages of high brightness, small size, long service life, wide color gamut, and environment friendliness, the ALPD[®] semiconductor laser light source technology has a broad space for market application. Besides the conventional display field, it has expanded to the vehicle, AR, and many other innovative fields.

As a leader in laser display technology, Appotronics has created a strong patent moat around the underlying technical architecture of the ALPD[®] semiconductor laser light source technology, which is hard to be bypassed by projection brands in the industry entering the route of laser phosphor technologies. We are committed to the breakthroughs, innovations, expansion of application scenarios, and industrialized

promotion of semiconductor laser light source technology, thus creating technology reserves and patent portfolios covering the whole technology chain of laser display technology from key system architectures, and core devices to key algorithms. Thanks to the core competitive advantages consisting of “patent moat + technical barriers”, the Company holds a key position at the upstream core device stage.

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

(1) Further accelerated localization of the laser display industry

Given that the 14th Five-Year Plan includes laser display as one of the key projects under the “new display and strategic electronic materials” listed by the Ministry of Science and Technology, the laser display industry has become one of the strategic emerging industries that will be supported by the State for accelerated cultivation and development. Secondly, laser display is one of the important links in the “carbon neutrality” development of China. Thanks to the obvious advantages of laser display in terms of comfortable visual effects, low energy consumption, and more energy conservation for bigger screens, the expansion and application of laser display technologies have become one of the significant measures to promote green and low-carbon development.

With the support of national and industry policies, more and more domestic enterprises and scientific research institutions enter the upstream and downstream fields of the laser display industry chain to engage in the R&D and iteration of technologies, strengthen the industrial chain, actively develop and iterate technology, and achieve breakthroughs in key elements such as lasers, display chips, projection lens, etc., which further improves the ratio of localized production of core components and obviously improves the independence of laser display in China. According to the *White Paper on the Global Laser Display Industry Chain Development and National Regional Competitiveness*, from the perspective of the laser display industry chain as a whole, the localization rate of China’s laser display in 2021 was 45%-55%, which is expected to increase from 45%-55% to 75%-80% in the next 3-5 years.

(2) Continuous upgrade of automotive intelligentization to transform the smart cockpit to the “third living space”

At present, smart vehicles have entered the stage of rapid development with the market scale expanding year by year. As predicted by IPS Consulting, the global market size of smart vehicles in 2025 will reach USD 1.7 trillion. With the in-depth development of AI and human-machine interaction technologies, the vehicle’s smart cockpit and other smart devices are optimized constantly - the function and safety of smart cockpits will be further enhanced, and the human-machine interaction will achieve a big leap forward. As the interface for interaction among the human, vehicle, and environment, automotive display fully reflects the intelligentization process of the cockpit, while the development of smart cockpits continuously promotes the market expansion and technology upgrade of automotive display products, which may develop into a key field of market competition. Moreover, given the continuous improvement in the demands of consumers, vehicle cockpits are equipped with various innovative and smart functions, and can be customized for customers. As a result, vehicle cockpits have gradually transformed from a transport means to the “third living space” to meet the user demands for an immersive experience.

Given the new tide of vehicle intelligentization development, we made use of our evident technology advantages in the automotive optics field and experience of nominated cooperation to build product portfolios for smart cockpits, hence providing consumers with new visual experiences and improving the value of smart interaction in vehicles.

(3) LED film screen development driven by consumer demands for high visual quality and the trend of high-end cinemas

At present, China's film market is at a critical stage of transforming from steady recovery to high-quality development. The efforts for the exploration and development of film technologies have never stopped, and more LED projection products have been released to the market. Meanwhile, the audience are having higher requirements for visual effects, which promotes filmmaking toward the direction of higher resolution and higher refresh rate. In addition, in order to cope with the competition with online video and audio streaming services, cinemas will transform into high-end operations, and therefore make continuous investments in film experiences and other aspects. Based on the factors above, the LED film screen is expected to become a new direction for cinema development.

In addition to playing films, LED cinema halls can be used for film press releases, electronic game competitions, game broadcasting, corporate activities, theater performances, etc., so as to transform the cinema into a complex commercial body to create diversified incomes.

We take the opportunity of consumer demands for high visual quality and high-end cinemas to release the VLED LED Cinema projection solution - a new generation of active projection technology, to provide the audience with outstanding film-watching experiences, and assist cinemas in achieving differentiated operations to explore cinema halls with their own characteristics.

(4) The era of laser for brand projection

The consumption demands for high-quality and highly cost-effective projection have driven the development of the projection industry towards high cost-effectiveness and quality improvement, and attracted many projection manufacturers to increase their R&D investments in light source technologies. As a result, the laser projection technology is fully marketed to bring brand projection to the era of full laser projection. According to the data of RUNTO, in 2023, the market shipment of household laser projectors (including laser TVs) in China was 0.593 million sets, increased by 35.5% year on year. Meanwhile, RUNTO predicts that in 2024, the shipment of household laser projectors on the global market will reach 1.25 million sets, increased by over 35% compared with 2023, and the shipment on overseas markets is expected to reach 0.41 million sets, increased by nearly 24% compared with 2023. Laser display will enter a year of large-scale, quality-oriented, and international-facing development for diversified scenarios.

(5) AI empowered laser display to explore innovative application scenarios

In recent years, AI has become an important driving force for a new round of technology revolution and industry transformation, and a key engine for promoting the high-quality economy development. At present, AI is developing toward a new stage of multiple intelligence integration. The technology breakthrough, like ChatGPT, has raised the curtain of general AI; and Kimi, Sora, Genie, and other multi-

mode large models are released one after the other to achieve breakthrough progress in artificial intelligence generated content (AIGC). The understanding and simulation of the physical world by such models are getting close to the reality, which has become an important milestone for artificial general intelligence (AGI).

The integration of AI with the physical economy will drive industry transformation and create new industries, new models, and new types of operation. As a tool to serve the lives of human beings, AI can be used to improve the life quality and meet the human requirements for consumption upgrades. As a globally leading laser display enterprise, we can explore and strive for organic combination with cutting-edge technologies in the fields of household, dedicated display, smart wearables, robots, and other fields.

➤ **Integration of projection products with AI to improve the interaction experience of products**

Based on the profound accumulation of projection technologies and algorithm technologies, we continuously promote the R&D and application of the three core algorithm technology modules - perception, rendering, and AI, study the application of image and video generation AI models in projection display, and explore content generation and real-time projection onto complex surfaces, so as to achieve closed-loop interaction between the virtual content and the real world. This helps to stimulate both the senses and emotions of customers to improve their participation and interaction, hence creating a substantial leap forward in the experience of using projection products.

➤ **Accelerated innovation for AI-driven smart wearables**

The explosive R&D efforts in AI large models both in China and abroad are transforming AI technologies toward more diversified application scenarios. As the racetrack of AI technologies that is closest to the consumer market, the smart wearable field is one of the scenarios for AI application, which has the characteristics of diversified product categories, segment-specific application scenarios, etc., and has created new products like projection wearable devices, smart rings, etc.

Thanks to the profound accumulation of optics display technologies and continuous exploration of cutting-edge technologies, we have developed two high-performance, low-cost, and long-duration DLP micro light generators. The DLP micro light generators used in the consumer field have a volume of less than 2cc, which has great competitive advantages in the industry. By now, the two DLP micro light generators can be shipped in small batches, and may be used for AR glasses for business and consumer markets to achieve high-quality display effects on a lightweight and low-cost basis.

At present, projection wearable devices, as a new category of products, have drawn much attention in the field of smart wearables. On the basis of AI technologies, the projection wearable devices combine laser projection technologies with wearable devices to provide a dynamic solution of projecting data onto any surface, so as to expand the scope of complex data visualization, multimedia experience, and interactive user interfaces. This can achieve interaction between humans and smart devices in a more natural, smarter, and more convenient manner. The gradual expansion of the projection wearable device market may lead to great growth in the sales of consumer laser projectors, while laser projector manufacturers with technology advantages may benefit from this industry trend.

➤ **Organic combination of AI with projection robots to enable a new experience of smart services**

Thanks to the iteration and upgrade of AI technologies, robots with access to large models have started a new era of smart services. When being equipped with AI and natural language processing technologies, the robot system can provide more abundant, smarter, and more human-oriented services and experiences.

On the basis of the forward-looking layout in the projection and display industry, we provided the projection solution for the first house service robot released by Midea Group in 2022, hence successfully entering the robot field with growth potential. The projection light generator equipped with the ALPD® semiconductor laser light source technology has the advantages of higher efficiency, smaller volume, and higher brightness to meet the necessary conditions of small-size and fully battery driving for robot products. Meanwhile, given the compatibility of laser display technologies with the latest technologies such as human-machine interaction, smart recognition, Internet of Things, cloud platform, big data, etc., and on the basis of the rapid iteration of AI technologies and the entry of more leading enterprises, the robot market is developing fast, and we are looking to create a new racetrack for rapid development in the field of smart service robots.

(IV) Core technologies and progress in R&D of technologies

1. Core technologies and their advancement, and changes during the reporting period

We are committed to the breakthroughs, innovations, expansion of application scenarios, and industrialized promotion of semiconductor laser light source technology, thus creating technology reserves and patent portfolios covering the whole technology chain of laser display technology from key system architectures, and core devices to key algorithms. Meanwhile, the Company has devoted many R&D resources to the preparation and processing for the miniaturization of laser display systems, light source architectures, complete equipment structures, machine perception, and thin film materials to maintain the leading position in the industry. As a Leader Level Member of the Laser Illuminated Projector Association (LIPA), we have participated in the preparation of the international laser display standard.

With the support of the data, algorithms and design solutions accumulated by us over the years, we can rapidly come up with products and solutions meeting the requirements of different application scenarios, such as cinema projection, home entertainment, outdoor exhibition, ultra-large-sized display, and immersive display. Meanwhile, we have continuously achieved breakthroughs in automobile-grade laser light generators, AR optical modules, etc., and released products to the market.

National scientific and technology awards

Applicable N/A

Qualification of national “little giant” enterprises in specialized, refinement, differential, and innovation, and “leading enterprise” in the manufacturing industry

Applicable N/A

2. R&D achievements during the reporting period

(1) Core technologies, core devices, and cutting-edge technologies

A. Core technologies

Relying on the unique light combination technology and profound patent barriers, our latest and independently developed ALPD[®] 5.0 super panchromatic laser technology integrates three colors of laser light sources with three colors of LED light sources to achieve the unprecedented integration of six light sources. This technology perfectly overcomes the technical bottleneck of pure three-color laser light sources or pure three-color LED light sources, so as to effectively solve the problems of speckle and colorful edges and the problem of limited brightness of pure three-color LED, hence achieving the advantages of higher brightness, no speckle, and more comfortable colors to produce extreme visual experiences for users.

On the basis of the innovative light source architecture, the ALPD[®] 5.0 super panchromatic laser technology also has an outstanding dynamic modulation mechanism, so that the system employs an algorithm to perform pre-analysis to identify the color gamut standard required for playing a video, and feeds back such standard to the light source for modulation; this accurately restores the color gamut that should be achieved for a corresponding image to present the truest colors and brightness.

In 2023, we took the lead in the productization of ALPD[®] 5.0 super panchromatic laser technology in the field of household core devices to provide consumers with better product use experiences. In the future, we will enhance the integration of the ALPD[®] 5.0 super panchromatic laser technology with more application scenarios to continuously promote the productization of such technology.

B. Core devices

In the field of automotive core components, we released the world's first automobile-grade colorful laser headlight at the 20th Shanghai International Automobile Industry Exhibition. Meanwhile, we also presented various immersive in-vehicle digital interaction solutions, such as window display, in-vehicle transparent display, in-vehicle entertainment large screen, smart surface, etc.

In December 2023, AITO M9 was officially released, which was equipped with the world's first automobile-grade giant screen projection solution provided by Appotronics; it was also the first solution for in-vehicle shared experience achieved through multiple interconnections in the industry. The automobile-grade projection giant screen adopted in AITO M9 has passed the anti-halation certification by SGS from Switzerland and the TÜV eye protection and comfort certification, so as to provide drivers and passengers with unprecedented comfortable visual and audio experiences. Meanwhile, the innovative X-shaped connection structure and the unique motor lock achieved the extreme anti-seismic effects for automotive projection, so as to keep the image effects stable during high-speed driving. In addition, the core light generator of such projection giant screen solution has the features of long service life, small volume, and high brightness to provide vivid and fine image effects, support high-definition video play and 3D stereo image play to meet the demands of users for multiple in-vehicle application scenarios.

In the field of cinema core devices, we released the VLED LED Cinema projection solution - a new generation of active projection technology. Based on the self-luminous imaging principle, the brightness of the VLED LED film screen can be 230% of common cinemas, and achieve the extreme contrast ratio of ∞ :1 and the 160° ultra-wide viewing angle, so as to provide the audience with unprecedented visual effects. Moreover, it supports HDR, HFR, WGG, and other cutting-edge technologies, hence providing

the hardware foundation for the next generation of film content. In terms of power consumption, the VLED LED Cinema projection solution has a service life that is 3 times of conventional projectors, and consumes only 40% of the electricity at the equivalent brightness compared with other LED film screens at the same level, which is in line with the development idea of low-carbon and environmental protection.

In the field of household core devices, we took the lead in the productization of ALPD® 5.0 super panchromatic laser technology. During the reporting period, we supplied super panchromatic laser projector light generators for customers. The light generator adopts the ALPD® semiconductor laser light source technology to present high-brightness, clear, and speckle-free images, hence creating a more eye-friendly use experience for consumers. Thanks to the high performance of laser light generators, this light generator allows appearance designing with a smaller and more compact size of the overall device. Given the AI platform advantages of the ALPD® 5.0 super panchromatic laser technology in terms of modular hardware designing and programmable software, consumers can switch light sources at will according to their own needs to change from “high-brightness light source” to “smart light source”, so as to meet the requirements for use in multiple application scenarios and provide users with a better product experience.

In addition, with the technology development and reserve for long, we have made breakthroughs in all bottlenecks of micro-optics coating technologies. This technology is a breakthrough in optical micro-structure designing, large-size high-precision optical master die micro-machining technology, large-size continuous optical film production and duplication process, magnetron sputtering high-reflective film, and other production process technologies. Optical films and micro-lenses developed based on this technology have been applied in household anti-light screens and light generator modules. Such anti-light screens achieved a substantial leap forward in high gain and resistance to ambient light interference, while the optical modules have the advantages of smaller size, lower cost, and more convenient and efficient generation process, etc. Meanwhile, we will expand to the field of innovation application in automotive optics to strengthen our competitive barrier in the automotive business and enhance product capabilities.

C. Cutting-edge technologies

➤ Micro/nano optics

In 2023, we achieved stage progress in wave guide designing tools and wave guide template processes. Our independently developed wave guide design software supported the efficient single- and dual-layer glasses wave guide simulation and optimization to develop large-area, high-modulation, high-production efficiency, and low-cost micro/nano template processes, and we established complete wave guide front end and back end processes matching with such independently developed templates. In addition, we completed the feasibility check of independently developed non-destructive technology for high-throughput light grating parameters, which can achieve the measurement precision of light grating parameters required for template processes. The independently developed efficient design tool and rapid template iteration capabilities can help to reduce the period required for light wave guide designing iteration.

➤ DLP micro light generator

During the reporting period, thanks to the profound accumulation of optics display technologies and

continuous exploration of cutting-edge technologies, we developed two high-performance, low-cost, and long-duration DLP micro light generators. The DLP micro light generators used in the consumer field have a volume of less than 2cc, which has great competitive advantages in the industry. By now, the two DLP micro light generators can be shipped in small batches, and may be used for AR glasses for business and consumer markets to achieve high-quality display effects on a lightweight and low-cost basis, so as to meet application demands for information prompt, music and film entertainment, interaction, special work, etc.

➤ **Algorithm system**

During the reporting period, we continuously promoted the R&D and application of the three core algorithm technology modules - perception, rendering, and AI, so as to provide the algorithm support for using our display products in more application scenarios.

In terms of perception, we promoted the research and development of 3D reconstruction technology based on structured light, so as to reconstruct high-quality 3D models for scenarios of single or multiple projectors. This can achieve accurate measurement of the real space to establish the foundation for real-time correction and fusion of projectors. In terms of rendering, we upgraded the software for automatic projection distortion correction and brightness fusion, which can achieve automatic projection adjustment and rendering based on real scenarios and enhance the visual effect of objects. Moreover, we are also studying the application of image generation AI modules in projection display to explore the content generation and real-time projection onto complex surfaces. The algorithm systems above can be used in the fields of outdoor cultural and tourism lighting to stimulate both the senses and emotions of customers to improve their participation and interaction.

In terms of AI interaction applications, we explored applications for interaction based on target detection AI to improve the tracking accuracy and efficiency, which supports specific product requirements such as hand tracking projection, face anti-glare, etc. and can be applied in the automotive business, smart projectors and other fields to enhance the experience depth of the human-machine interaction.

At present, none of the cutting-edge technologies above has been put into mass production. The large-scale application of such cutting-edge technologies in relevant fields, and the overall penetration speed thereof, are subject to multiple factors. We will continuously improve the efforts to support such cutting-edge technologies to achieve reliable mass production.

(2) Branded complete equipment

A. Household products

In the smart mini projection field, Formovie continued to expand its own-brand product portfolios by releasing multiple new products, including Xiaoming Q3 Neo and Q3 Pro in the Q3 series, the V1 and V1 Ultra smart mini projectors, and Formovie laser projector X5. In March 2023, Formovie officially released the X5 laser projector, which was the first projection product directly adopting the CVIA brightness standard in the industry. Being equipped with the ALPD® semiconductor laser light source technology, the X5 laser projector can achieve speckle-free and eye-friendly 4K resolution and the brightness of up to

4,500 CVIA lumens, which is brighter than TVs.

In the field of laser TVs, Formovie released the laser TV C3 in May 2023. Being equipped with the ALPD[®] semiconductor laser light source technology that is the same as high-end cinema laser halls, this product can display outstanding, clear, and speckle-free images while improving the brightness performance to 400nit.

B. Dedicated display complete equipment

During the reporting period, we released the T Pro, G Pro, D, D Pro, F Pro, and S4 series new large venue products, which upgraded our products in terms of brightness, image quality, lens adaption, etc. The T Pro series high-brightness large venue projector is a laser large venue projector with stable performance and brightness of over 30,000lm; it is equipped with the ALPD[®] dual-color laser light source technology and the 3DLP imaging technology to produce outstanding colors. The core light source has a service life of up to 20,000 hours and supports dual-channel signal backup. Being able to restore colors accurately with outstanding stability, this product is suitable for large venues, outdoor lighting, stage performances, and lease scenarios. In terms of software, we released the “new Appotronics OSD system (AOSD system)” and “Appotronics professional console system (APCS system)” to improve the control of projectors during installation, adjustment, and management, helping users to efficiently complete project management, operation, and maintenance.

List of intellectual property rights acquired during the reporting period

| | Newly added in the current year | | Total | |
|---------------------------------|---------------------------------|---------------|--------------------|---------------|
| | Applications (pcs) | Granted (pcs) | Applications (pcs) | Granted (pcs) |
| Patent for invention | 115 | 115 | 1,726 | 1,081 |
| Patent for utility model | 188 | 193 | 886 | 781 |
| Patent for design | 18 | 27 | 238 | 229 |
| Software copyright | 9 | 15 | 142 | 142 |
| Others | 60 | 75 | 1,170 | 1,055 |
| Total | 390 | 425 | 4,162 | 3,288 |

Note: 1. “Others” in the table above refer to trademarks of the Company; 2. During the reporting period, the Company filed a total of 12 valid PCT international patent applications.

3. R&D investments

In RMB

| | Current year | Last year | Change (%) |
|--|----------------|----------------|-------------------------|
| R&D investments expensed | 280,932,800.35 | 262,108,405.90 | 7.18 |
| R&D investments capitalized | 0 | 0 | - |
| Total R&D investments | 280,932,800.35 | 262,108,405.90 | 7.18 |
| Proportion of R&D investments to operating income (%) | 12.69 | 10.31 | +2.38 percentage points |
| Proportion of R&D investments capitalized (%) | 0 | 0 | |

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

□ Applicable √ N/A

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

□ Applicable √ N/A

4. R&D projects

√ Applicable □ N/A

In RMB 0'000

| No. | Item | Estimated total investment | Investment in the current period | Aggregate investment | Progress or interim results | Goals | Technological level | Application scenario |
|-----|--|----------------------------|----------------------------------|----------------------|-----------------------------|---|--------------------------------|---|
| 1 | Innovative projection and optical application | 27,403.00 | 9,303.56 | 13,204.54 | Mass production | Provide customized automotive optical products for vehicle manufacturer brands, and develop AR optical modules, etc. | Take the lead in the industry. | Automotive, AR, and other innovative scenarios. |
| 2 | Core device light source and light generator project | 12,667.00 | 2,848.92 | 8,353.58 | Mass production | Continuously develop the new generation of ALPD® semiconductor laser light source technology to achieve light sources and light generators with wider color gamut, higher brightness, and higher energy efficiency. | Take the lead in the industry. | Continuous development of core technologies and core devices for use in various fields. |
| 3 | Laser TV | 12,015.00 | 2,693.65 | 11,195.62 | Mass production | Develop laser TVs with advantageous performances such as high brightness and eye-friendliness. | Take the lead in the industry. | Household laser TVs. |
| 4 | Laser digital cinema projector | 13,552.00 | 3,440.88 | 11,548.20 | Mass production | Develop DCI-compliant and highly cost-effective household cinema projectors; and DCI-compliant | Take the lead in the industry. | Intended for the high-end household market and projection halls at cinemas. |

| | | | | | | | | |
|--------------|---|------------------|------------------|------------------|-----------------|---|--------------------------------|---|
| | | | | | | LED cinema screens for cinema projection halls. | | |
| 5 | Smart mini projector | 20,951.00 | 6,640.70 | 15,764.20 | Mass production | The smart mini projector products with high performance and high cost-effectiveness will be researched and developed, and different series of products will be laid out to make breakthroughs in technology innovation, product modality innovation and quality upgrade, and meet different user needs. | Take the lead in the industry. | House mini projector market. |
| 6 | Dedicated display products (large venue + business education) | 10,500.00 | 3,165.58 | 7,595.89 | Mass production | Multiple laser large venue projectors with high brightness, education projectors, and business projectors with high cost-effectiveness will be researched and developed for meeting different user needs. | Take the lead in the industry. | Large venue projector, business education projector and other fields. |
| Total | - | 97,088.00 | 28,093.28 | 67,662.03 | - | - | - | - |

5. R&D staff

In RMB 0'000

| Basic information | | |
|--|----------------|-----------------|
| | Current period | Previous period |
| Number of R&D staff (persons) | 428 | 521 |
| Proportion of R&D staff to total employees | 30.16 | 31.83 |

| | | |
|--|-----------|-----------|
| of the Company (%) | | |
| Total compensation of R&D staff | 18,847.54 | 16,993.04 |
| Average compensation of R&D staff | 44.04 | 32.62 |

Note: During the reporting period, we optimized the staffing structure of R&D personnel in different business areas. On one hand, due to the business adjustment of the subsidiary Formovie, the number of R&D personnel was reduced in the second half of 2023; on the other hand, we added R&D personnel in the automotive field based on the nomination requirements and business planning of the automotive business.

| Academic structure of the R&D staff | |
|--|--|
| Academic category | Person in the academic category |
| Master and above | 126 |
| Bachelor and below | 302 |
| Age structure of the R&D staff | |
| Age category | Person in the age category |
| Below 30 (exclusive) | 150 |
| 30-40 (including 30, excluding 40) | 188 |
| 40 and above | 90 |

Reason for material changes in the composition of the R&D staff, and impact on the future development of the Company

Applicable N/A

6. Other information

Applicable N/A

III. Analysis of core competitiveness during the reporting period

(I) Analysis of core competitiveness

Applicable N/A

1.High-quality R&D team to promote the innovation and development of the laser display industry

The Company adheres to the strategy of innovation-driven development, and continues to increase R&D investments in forward-looking technology arrangement and product technology development. As a high-tech enterprise, the Company will continue to improve R&D capabilities as the main theme of the Company's core competitiveness, and continue to improve the R&D system. With Dr. LI Yi, Chairman and General Manager, as the core personnel of R&D, the Company has developed and innovated the laser display technology for many years, and established a leading and high-quality R&D team in optical modules, mechanical designing, thermal simulation, software and hardware control and preparation of rare earth phosphors, thus having accumulated profound R&D technical strength and got a deep understanding and judgment of the industry's cutting-edge technology and development trend.

The Company has set up a research institute and a research and development center to jointly coordinate technology planning, development and accumulation. The institute carries out forward-looking product technology research and product verification, develops it into a new product line, and ensures that R&D resources are advanced; the R&D center, combining the R&D and scientific research achievements of the research institute, coordinates the management of new product development until mass production and launch. With leading R&D technical resources, the Company significantly improves the efficiency of

R&D planning through the cooperation of the R&D center and research institute, and applies the latest R&D achievements to projection display products.

2.Relying on the technical advantages of core devices, all-round forward-looking strategic arrangement for application scenarios is made

Based on the technical advantages of core devices and market development trends, the Company has been committed to the breakthroughs, innovations, expansion of application scenarios, and industrialized promotion of semiconductor laser light source technology, thus creating technology reserves and patent portfolios covering the whole technology chain of laser display technology from key system architectures, and core devices to key algorithms, constantly optimized and improved the strategic arrangements of automotive optics, aviation display, AR and other application fields, promoted the innovative application of core devices in new fields and new racetracks, and continued to broaden the long-term growth space of core device value.

3.Build a patent moat around the underlying technical architecture

The Company takes the underlying technical architecture patent of the original semiconductor laser light source technology as the center, and builds a solid and interconnected intellectual property patent system, and it is difficult for competitors to fully imitate or directly bypass the underlying patent layouts of the Company's laser fluorescence technology route. The Company actively responds to the national "intellectual property power strategy" and increases the proportion of high-value patents. As of December 31, 2023, the Company had a total of 2,862 patents filed and granted throughout the world, including 2,091 patents granted throughout the world, in which 1,081 ones were patents for invention.

In terms of technology leadership, the Company's original semiconductor laser light source technology has become the mainstream technology in the current laser display field, and as the underlying key architecture technology, it has been used more than 670 times by companies in the same industry, such as Philips of the Netherlands, Osram of Germany, and Epson of Japan.

(II) Events occurring during the reporting period that have a material effect on the Company's core competitiveness, analysis of the effect and countermeasures

Applicable N/A

IV. Risk factors

(I) Risk of not making a profit

Applicable N/A

(II) Risk of significant decrease in operating performance or loss

Applicable N/A

(III) Risk related to core competitiveness

Applicable N/A

1. Risk of the technology innovation falling short of expectations

We need to accurately understand the development trend of technologies and applications in the industry and continuously develop and optimize our technology competence to provide services and

products meeting market demands and customers' standards. If we fail to effectively identify the direction of technological innovation, or fail to continuously achieve technological innovation, or fail to make effective R&D investments due to constraint of funds, or experience risks of technology leakage, we may face the adverse effects of weakened competitiveness.

We will make continuous efforts to promptly and accurately explore the technology development trend in the laser display industry, further enhance technology advantages and technology development, and increase R&D investments, so as to solidify our position in the industry and improve our product competitiveness while maintaining the existing technology advantages.

(IV) Operating risk

Applicable N/A

(V) Financial risk

Applicable N/A

1. Risk of impairment of accounts receivable

As of the end of the reporting period, the carrying amount of our accounts receivable was RMB 180.2900 million, accounting for 4.27% of our assets. Our products are generally delivered after receiving the payment therefor. We give a certain credit period to some major and high-quality customers. In case of any material adverse change in the business condition of our customers, we may be unable to recover certain accounts receivable, which may have an adverse effect on our operating performance in the future.

We strengthen risk management and control, continuously track and control customer credit, urge customers to settle and pay in a timely manner, strengthen the assessment of accounts receivable collection, and establish an early warning system for overdue accounts receivable; for individual customers who maliciously default and have a long period of arrears, payment will be recovered through arbitration, litigation and other legal methods.

2. Risk of impairment of inventories

As of the end of the reporting period, the carrying amount of our inventories was RMB 656.3468 million, accounting for 15.55% of our assets. Our inventories mainly comprise raw materials and goods on hand. In the event of any significant change in the competition pattern of the industry, and material innovation in laser display technology and products, the recoverable amount of the inventories will be lower than their book value. The impairment of inventories will have a negative effect on our earnings. The Company will pay close attention to the changes in supply and demand of the industrial chain, and promptly carry out production and marketing coordination according to the market and production conditions to reduce product inventory risks.

3. Risks of impairment of fixed assets

As of the end of the reporting period, the carrying amount of our fixed assets was RMB 336.2768 million, accounting for 7.97% of our assets. Our fixed assets mainly consist of production equipment and cinema projector light sources for lease, where the cinema projector light sources account for 69.91%. If force majeure factors result in shutdown of cinemas, the cinema projector light sources may be idle,

causing risks of impairment of fixed assets and having adverse effects on the operation of the Company. In order to cope with the above risks, the Company will pay close attention to the status of fixed assets, strengthen communication with business departments, improve the efficiency of asset use, and reduce the risk of impairment. In the meanwhile, for assets that show signs of impairment, the Company will measure the recoverable amount and make an impairment provision for fixed assets based on the difference between the recoverable amount and the carrying value.

4. Risks of currency movement

The Company's procurement and sales involve a variety of foreign currencies, of which the US dollar is the main foreign currency. If the exchange rate of the relevant currency fluctuates, it will have a certain impact on the Company's financial position. In this regard, in order to effectively avoid the risks of the foreign exchange market, prevent large fluctuations in the exchange rate from adversely affecting the Company's business performance, improve the efficiency of the use of foreign exchange funds, and reasonably reduce financial costs, the Company carries out foreign exchange derivatives and other businesses in a timely manner to reduce the risk of exchange rate fluctuations.

(VI) Industrial risk

Applicable N/A

1. Risk of cyclical fluctuation in the consumer electronics industry

In 2023, the industry prosperity of the consumer electronics industry of our household projection business was low due to cyclical changes in the macro economy, intensified competition, etc.; as a result, our business sector related to household projection declined in terms of both revenue and profit contribution.

Slow restoration of demands in the consumer electronics industry in 2024 may still have adverse effects on the operating performance of our businesses related to household projection.

(VII) Risk of macro-environment

Applicable N/A

At present, given that the global economy is experiencing cyclical fluctuations, both domestic and overseas economies are complex and prone to changes, and the economy pattern is restructuring at an accelerated pace. If the economy remains low both in China and abroad, our operation may be subject to adverse effects, which may affect the profitability of the Company.

We will continue to enhance the efforts for the study of macro-economic conditions, pay close attention to changes in the politics, economy, international trade environment and custom duties in major countries, rapidly assess risks, and actively adjust relevant businesses to reduce the adverse effects caused by changes in the international trade environment.

(VIII) Risk related to depository receipts

Applicable N/A

(IX) Other significant risks

Applicable N/A

1. Risks in failing to implement investment projects as expected

Under the impact of changes in the internal and external environment, there are risks that the Company cannot implement investment projects as expected. Despite the efforts of the Company in enhancing the management over investment projects, accelerating the progress of investment projects, and constantly monitoring the progress of such investment projects, in the actual implementation, this cannot avoid situation like delayed construction compared with the plan, or adjustment to the implementation plan or solution in response to industry and market development. Upon the occurrence of such circumstances, the Company will make decisions in accordance with relevant provisions and promptly fulfil its obligations for information disclosure.

2. Risks in the arbitration with relevant parties of the participating company GDC BVI

At present, the Company is in the process of arbitration and counter arbitration with relevant parties of GDC concerning the rights and interests of the parties. Because GDC Cayman, GDC BVI, Mr. ZHANG Wanneng and his management team violated the provisions of the Shareholders' Agreement and Settlement Agreement, including but not limited to the appointment of directors in violation of corporate governance regulations, violation of protective provisions for the Company, and failure to purchase the minimum quantity of C5 projectors and core device parts by the end of 2021.

Given that the case is under trial at present, the impact of such case on the profit or loss of the Company cannot be determined at present; the eventual actual impact depends on the award of the arbitration tribunal or the negotiation between the parties. The Company has engaged a professional attorney team and taken relevant legal measures to safeguard the legitimate rights and interests of the Company and all shareholders in accordance with law, and will promptly fulfill the information disclosure obligations in accordance with relevant provisions.

V. Main business activities during the reporting period

In 2023, we maintained the persistence in the development strategy of “core technologies + core devices + application scenarios”, and continuously increased R&D investments to build the hard technology strength as a high-growth technology enterprise. During the reporting period, the operating income was RMB 2.213 billion, the net profit attributable to shareholders of the listed company was RMB 103 million, and the net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss was RMB 41.6645 million. At the end of the period, the total assets of the Company were RMB 4.221 billion, and the net assets attributable to shareholders of the listed company were RMB 2.819 billion.

(I) Analysis of main business

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

| Item | In RMB | | |
|-------------------------|------------------|------------------|----------|
| | Current period | Prior period | % Change |
| Operating income | 2,213,356,977.95 | 2,541,144,635.15 | -12.90 |
| Operating costs | 1,411,758,369.08 | 1,711,732,842.88 | -17.52 |
| Selling expenses | 300,679,932.99 | 334,758,958.86 | -10.18 |
| Administrative expenses | 157,092,724.49 | 193,554,776.41 | -18.84 |

| | | | |
|---|-----------------|----------------|---------|
| Financial expenses | -19,449,983.65 | -9,162,605.79 | N/A |
| R&D expenses | 280,932,800.35 | 262,108,405.90 | 7.18 |
| Net cash flow from operating activities | 364,082,055.08 | 177,350,715.69 | 105.29 |
| Net cash flow from investment activities | -328,864,633.65 | 47,917,226.22 | -786.32 |
| Net cash flow from financing activities | 1,797,013.72 | 116,013,055.07 | -98.45 |

Description of reasons for changes in the financial expenses: The financial expenses decreased by RMB 10.2874 million year on year, primarily due to the year-on-year increase in the subsidy for interests on loans and interest incomes received;

Description of reasons for changes in the net cash flows from operating activities: The net cash flow from operating activities increased by 105.29% year on year, which was mainly due to the optimized supply chain management, decreased payment for procurement, and increased VAT refunds during the reporting period;

Description of reasons for changes in the net cash flows from investment activities: The net cash flow from investment activities decreased by 786.32% year on year, primarily due to the increase in the purchase of wealth management products;

Description of reasons for changes in the net cash flow from financing activities: The net cash flow from financing activities decreased by 98.45% year on year, primarily due to the decrease in the new borrowings compared with last year.

Detailed description of major changes in the business types, profit composition or profit sources of the Company

Applicable N/A

2. Analysis of revenue and costs

Applicable N/A

During the reporting period, our operating income was RMB 2.213 billion, decreased by 12.90% year on year.

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

In RMB 0'000

| Main business by sector | | | | | | |
|-------------------------------------|------------------|-----------------|------------------|------------------------------|----------------------------|--------------------------|
| Sector | Operating income | Operating costs | Gross margin (%) | % Change in operating income | % Change in operating cost | % Change in gross margin |
| Laser display | 221,335.70 | 141,175.84 | 36.22 | -12.90 | -17.52 | +3.58 percentage points |
| Main business by product | | | | | | |
| Product | Operating income | Operating costs | Gross margin (%) | % Change in operating income | % Change in operating cost | % Change in gross margin |
| Core devices and complete equipment | 200,892.40 | 123,620.99 | 38.46 | -12.99 | -19.17 | +4.7 percentage points |

| Other products and businesses | 20,443.30 | 17,554.85 | 14.13 | -11.96 | -3.70 | -7.37 percentage points |
|------------------------------------|------------------|-----------------|------------------|------------------------------|----------------------------|--------------------------|
| Main business by region | | | | | | |
| Region | Operating income | Operating costs | Gross margin (%) | % Change in operating income | % Change in operating cost | % Change in gross margin |
| Domestic | 186,321.49 | 120,878.78 | 35.12 | -12.12 | -17.87 | +4.54 percentage points |
| Overseas | 35,014.21 | 20,297.06 | 42.03 | -16.81 | -15.43 | -0.95 percentage points |
| Main business by sales mode | | | | | | |
| Sales mode | Operating income | Operating costs | Gross margin (%) | % Change in operating income | % Change in operating cost | % Change in gross margin |
| Direct sales | 156,281.99 | 95,992.80 | 38.58 | -15.24 | -23.75 | +6.85 percentage points |
| Distribution | 65,032.93 | 45,169.12 | 30.54 | -6.62 | -0.16 | -4.50 percentage points |
| Commissioned sales | 20.78 | 13.92 | 32.99 | -73.34 | -68.94 | -9.50 percentage points |

Description of main business by sector, product, region, and sales mode

1. Description by product: Our main businesses are the core device business and projection complete equipment. During the reporting period, the main businesses achieved the revenue of RMB 2.213 billion, decreased by 12.90% year on year, where the revenue from the core device and complete equipment business was RMB 2.009 billion, decreased by 12.99% year on year, which was mainly due to decrease in the revenue from the To C business caused by the weak demands on consumer electronics market.
2. Description by region: During the reporting period, our revenue from overseas operations was RMB 350.1421 million, decreased by 16.81% year on year, which was mainly due to the reduction in the overseas sales of light sources.
3. Description by sales mode: Our sales were achieved mainly through direct sales and distribution sales, supplemented by commissioned sales, where the revenue from commissioned sales was RMB 0.2078 million, decreased by 73.34%, which was mainly due to the change in the sales strategy, i.e., changing partial commissioned sales businesses to self-operated businesses.

(2). Analysis of output and sales volume

√ Applicable □ N/A

| Main products | Unit | Output | Sales volume | Stock | % Change in output | % Change in sales volume | % Change in stock |
|---------------------------------------|------|---------|--------------|---------|--------------------|--------------------------|-------------------|
| Optical engine and complete equipment | Set | 469,652 | 508,002 | 115,938 | -25.32 | -10.67 | -24.86 |

Explanation about output and sales volume

We supplied part of laser light source produced under operating leases, used part of laser TV light generators produced to manufacture laser TV products, and used part of laser mini projector light generators for producing laser mini projectors, which were not included in the production and sales volume.

The decrease in the output, sales, and stock during the reporting period was mainly due to the changes in our product portfolios and market demands. The stock reduced mainly because the Company enhanced inventory control to improve the accuracy of prediction, and optimized the supply chain management, so as to reduce products on stock.

(3). Performance of significant procurement contracts and significant sales contracts

Applicable N/A

(4). Analysis of costs

In RMB 0'000

| Costs by sector | | | | | | | |
|-------------------------------------|--------------------|-------------------------------|---|----------------------------|---|--------------------|--------|
| Sector | Components of cost | Amount for the current period | Ratio in total costs for the current period (%) | Amount of the prior period | Ratio in total costs for the prior period (%) | % Change in amount | Remark |
| Laser display industry | - | 141,175.84 | 100.00 | 171,173.28 | 100.00 | -17.52 | |
| Costs by product | | | | | | | |
| Product | Components of cost | Amount for the current period | Ratio in total costs for the current period (%) | Amount of the prior period | Ratio in total costs for the prior period (%) | % Change in amount | Remark |
| Core devices and complete equipment | Direct materials | 109,689.23 | 88.73 | 138,681.64 | 90.67 | -20.91 | |
| | Direct labor | 3,744.90 | 3.03 | 4,824.71 | 3.15 | -22.38 | |
| | Indirect expenses | 10,186.86 | 8.24 | 9,438.04 | 6.18 | 7.93 | |
| | Subtotal | 123,620.99 | 100.00 | 152,944.39 | 100.00 | -19.17 | |
| Other products and businesses | | 17,554.85 | 100.00 | 18,228.89 | 100.00 | -3.70 | |
| Total | | 141,175.84 | 100.00 | 171,173.28 | 100.00 | -17.52 | |

Explanation about cost analysis

The costs of the core device and complete equipment business mainly comprise direct materials, direct labor and indirect expenses, of which, the costs of direct materials account for 88.73%. Compared with the prior period, the ratio of indirect expenses increased mainly due to the change in the ratio of different product portfolios of the core device and complete equipment business.

(5). Change in the scope of consolidation due to changes in equity interests held in major subsidiaries during the reporting period

Applicable N/A

(6). Significant changes in or adjustments to the businesses, products, or services of the Company during the reporting period

Applicable N/A

(7). Main customers and main suppliers

A. The Company's major customers of the sales

Applicable N/A

The sales to top 5 customers were RMB 634.6545 million, representing 28.67% of the total annual sales, of which the sales to related parties were RMB 199.2587 million, representing 9.00% of the total annual sales.

Top 5 customers

Applicable N/A

In RMB 0'000

| No. | Customer | Sales | % of total annual sales | Related to the listed company or not |
|--------------|------------|------------------|-------------------------|--------------------------------------|
| 1 | Customer 1 | 19,925.87 | 9.00 | Yes |
| 2 | Customer 2 | 13,840.39 | 6.25 | No |
| 3 | Customer 3 | 12,217.53 | 5.52 | No |
| 4 | Customer 4 | 9,374.88 | 4.24 | No |
| 5 | Customer 5 | 8,106.78 | 3.66 | No |
| Total | - | 63,465.45 | 28.67 | - |

Description of sales to a single customer accounting for over 50% of the total sales value, new customer in the top 5 customers, or serious dependence on a small number of customers during the reporting period

Applicable N/A

Customer 5 was newly counted in the top 5 customers.

B. Information on major suppliers of the Company

Applicable N/A

The amount of purchases from top 5 suppliers were RMB 422.8018 million, representing 27.50% of the total annual purchase cost, of which the amount of purchases from related parties were RMB 48.0149 million, representing 3.12% of the total annual purchase cost.

Top 5 suppliers

Applicable N/A

In RMB 0'000

| No. | Supplier | Purchase cost | % of total annual purchase cost | Related to the listed company or not |
|--------------|------------|------------------|---------------------------------|--------------------------------------|
| 1 | Supplier 1 | 15,263.53 | 9.93 | No |
| 2 | Supplier 2 | 10,673.51 | 6.94 | No |
| 3 | Supplier 3 | 6,634.20 | 4.32 | No |
| 4 | Supplier 4 | 4,907.45 | 3.19 | No |
| 5 | Supplier 5 | 4,801.49 | 3.12 | Yes |
| Total | - | 42,280.18 | 27.50 | - |

Description of purchase from a single supplier accounting for over 50% of the total purchase value, new supplier in the top 5 suppliers, or serious dependence on a small number of suppliers during the reporting period

Applicable N/A

3. Expenses

Applicable N/A

| In RMB | | | |
|-------------------------|----------------|----------------|----------|
| Item | Current period | Prior period | % Change |
| Selling expenses | 300,679,932.99 | 334,758,958.86 | -10.18 |
| Administrative expenses | 157,092,724.49 | 193,554,776.41 | -18.84 |
| Financial expenses | -19,449,983.65 | -9,162,605.79 | N/A |
| R&D expenses | 280,932,800.35 | 262,108,405.90 | 7.18 |

(1) The selling expenses decreased by 10.18% year on year, mainly due to the decrease in the marketing expenses compared with the last year;

(2) The administrative expenses decreased by 18.84% year on year, primarily due to the year-on-year decrease in the share-based payment;

(3) The financial expenses decreased by RMB 10.2874 million year on year, primarily due to the year-on-year increase in the subsidy for interests on loans and interest incomes received;

(4) The R&D expenses increased by 7.18% year on year, primarily due to the increase in the R&D expenses in the business of automotive core devices.

4. Cash flow

√ Applicable □ N/A

| In RMB | | | |
|--|-----------------|----------------|----------|
| Item | Current period | Prior period | % Change |
| Net cash flow from operating activities | 364,082,055.08 | 177,350,715.69 | 105.29 |
| Net cash flow from investment activities | -328,864,633.65 | 47,917,226.22 | -786.32 |
| Net cash flow from financing activities | 1,797,013.72 | 116,013,055.07 | -98.45 |

(1) During the reporting period, the net cash flow from operating activities increased by 105.29% year on year, which was mainly due to the optimized supply chain management, decreased payment for procurement, and increased VAT refunds during the reporting period;

(2) The net cash flow from investment activities decreased by 786.32% year on year, primarily due to the increase in the purchase of wealth management products;

(3) The net cash flow from financing activities decreased by 98.45% year on year, primarily due to the decrease in the new borrowings compared with last year.

(II) Explanation about material change in profit due to non-main business

□ Applicable √ N/A

(III) Analysis of assets and liabilities

√ Applicable □ N/A

1. Status of assets and liabilities

| In RMB | | | | | | |
|-----------------------------------|--|--|--|--|--------------------|---|
| Item | Balance at the end of the current period | % of total assets at the end of the current period | Balance at the end of the prior period | % of total assets at the end of the prior period | % Change in amount | Remark |
| Held-for-trading financial assets | 514,010,000.00 | 12.18 | 352,880,000.00 | 8.14 | 45.66 | Primarily due to the increase in the purchase of structural bank deposits in the current period |
| Notes | 8,951,308.71 | 0.21 | 2,234,687.77 | 0.05 | 300.56 | Primarily due to |

| | | | | | | |
|--|---------------|------|----------------|------|--------|--|
| receivable | | | | | | the increase in commercial acceptance bills received in the current period |
| Receivables financing | 11,387,400.00 | 0.27 | 4,279,041.00 | 0.10 | 166.12 | Primarily due to the increase in bank's acceptance bills received during this period |
| Contract assets | 1,664,740.29 | 0.04 | 1,061,581.35 | 0.02 | 56.82 | Primarily due to the increase in quality warranty amounts |
| Non-current assets due within one year | 41,997,218.73 | 1.00 | 13,431,554.82 | 0.31 | 212.68 | Primarily due to the increase in the long-term receivables due within one year as of the end of the reporting period |
| Other current assets | 48,417,270.11 | 1.15 | 106,502,611.79 | 2.46 | -54.54 | Primarily due to VAT credit refunds during the reporting period |
| Long-term receivables | 26,000,543.13 | 0.62 | 11,524,193.80 | 0.27 | 125.62 | Primarily due to the increase in the business of installment receipts in the current period |
| Right-of-use assets | 40,016,903.67 | 0.95 | 62,255,670.29 | 1.44 | -35.72 | Primarily due to the expiration of some lease contracts that were not renewed |
| Other non-current assets | 29,348,748.27 | 0.70 | 12,569,088.37 | 0.29 | 133.50 | Primarily due to the increase in prepayments for the procurement of long-term assets |
| Short-term borrowings | 80,036,500.00 | 1.90 | 129,589,634.03 | 2.99 | -38.24 | Primarily due to the repayment of due short-term borrowings during the reporting period |
| Notes payable | 76,001,079.07 | 1.80 | 201,299,388.57 | 4.65 | -62.24 | Primarily due to the payment of bank acceptance bills that are |

| | | | | | | |
|---|----------------|------|----------------|------|--------|--|
| | | | | | | payable at the beginning and paid during the reporting period |
| Non-current liabilities due within one year | 268,748,151.67 | 6.37 | 178,031,817.37 | 4.11 | 50.96 | Primarily due to the increase in the long-term borrowings due within one year |
| Other current liabilities | 18,441,685.83 | 0.44 | 28,383,608.37 | 0.66 | -35.03 | Primarily due to the payment made in the current period for rebates incurred in the prior period |
| Lease liabilities | 15,548,985.71 | 0.37 | 34,319,284.23 | 0.79 | -54.69 | Primarily due to the expiration of some lease contracts that were not renewed |
| Deferred income | 4,627,972.56 | 0.11 | 8,651,422.26 | 0.20 | -46.51 | Primarily due to the recognition and conversion of deferred incomes to other incomes |

Other information

None

2. Overseas assets

Applicable N/A

(1) Size of assets

Where: The overseas assets were RMB 392.2661 million, representing 9.29% of the total assets.

(2) Explanation about the high proportion of overseas assets

Applicable N/A

3. Encumbrances on assets as of the end of the reporting period

Applicable N/A

In RMB

| Item | Amount | Reason |
|------------------------|-----------------------|---|
| Cash and bank balances | 88,979,653.31 | Undue time deposits and interests, account security deposits, and restricted payments |
| Intangible assets | 270,014,499.78 | Mortgage collateral |
| Total | 358,994,153.09 | - |

4. Other information

Applicable N/A

(IV) Analysis of operation information of the industry

Applicable N/A

For the analysis of operation information of the industry during the reporting period, refer to “Section III Discussion and Analysis of Business Situations - II. Main business, business model, status of industry and R&D activities during the reporting period”.

(V) Analysis of investments
Overall analysis of external equity investments

 ✓ Applicable N/A

In RMB

| Investment amount in the reporting period (in RMB) | Investment in the same period of the prior year (in RMB) | Range of change |
|--|--|-----------------|
| 144,726,776.43 | 162,394,917.57 | -10.88% |

1. Material equity investments
 Applicable ✓ N/A

2. Material non-equity investments
 Applicable ✓ N/A

3. Financial assets at fair value

 ✓ Applicable N/A

In RMB

| Asset category | Opening balance | Gain or loss on changes in fair value for the period | Cumulative fair value changes included in equity | Impairment of the current period | Purchase amount for the current period | Sale/redemption for the current period | Other changes | Closing balance |
|----------------|-----------------------|--|--|----------------------------------|--|--|---------------|-----------------------|
| Equities | 12,880,000.00 | | | | | | | 12,880,000.00 |
| Others | 351,354,460.38 | 130,000.00 | -4,900,000.00 | | 168,108,359.00 | | | 519,592,819.38 |
| Total | 364,234,460.38 | 130,000.00 | -4,900,000.00 | | 168,108,359.00 | | | 532,472,819.38 |

Note: "Others" mainly include structured deposits and other equity instruments, described in detail in XIII of Section X.

Description of securities investments

✓ Applicable □ N/A

In RMB

| Security type | Security code | Short name | Initial investment cost | Source of funds | Opening book value | Gain or loss on changes in fair value for the period | Cumulative fair value changes included in equity | Purchase amount for the current period | Sales amount for the current period | Gains or losses from disposal | Closing balance of book value | Accounting item |
|------------------------------|---------------|------------|-------------------------|---------------------|----------------------|--|--|--|-------------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| Domestic and overseas shares | 835438 | Gabrielle | 14,000,000.00 | Self-funded capital | 12,880,000.00 | 0 | 0 | 0 | 0 | 0 | 12,880,000.00 | Held-for-trading financial assets |
| Total | - | - | 14,000,000.00 | - | 12,880,000.00 | 0 | 0 | 0 | 0 | 0 | 12,880,000.00 | - |

Description of derivative investments

✓ Applicable □ N/A

(1). Derivative investments for hedging purposes during the reporting period

✓ Applicable □ N/A

In RMB

| Type of derivative investments | Initial investment amount | Opening book value | Gain or loss on changes in fair value for the period | Cumulative fair value changes included in equity | Purchase amount during the reporting period | Sales amount during the reporting period | Closing balance of book value | Ratio of the closing book value to the closing net assets of the Company (%) |
|--|---------------------------|--------------------|--|--|---|--|-------------------------------|--|
| Foreign exchange hedging | 0 | 0 | 67,000.00 | 0 | 0 | 67,000.00 | 0 | 0 |
| Total | - | - | 67,000.00 | - | - | 67,000.00 | - | - |
| Description of the accounting policy and specific accounting principle of the hedging business during the reporting period, and whether there is a material change compared with the prior period | N/A | | | | | | | |

| | |
|---|---|
| Description of the actual gains and losses during the reporting period | The Company recognized the gains and losses from derivative investments during the reporting period, and during the reporting period, recognized the investment gains of RMB 67,000 |
| Description of hedging effects | N/A |
| Source of funds for derivative investments | Self-funded capital |
| Description of the risk analysis and control measures for the derivatives held during the reporting period (including but not limited to market risks, liquidity risks, credit risks, operating risks, legal risks, etc.) | <p>I. The Company followed the principles of lawfulness, diligence, safety, and effectiveness in conducting foreign exchange derivative transactions. It did not engage in foreign exchange derivative transactions merely in pursuit of profit. All the foreign exchange derivative transaction businesses were based on normal production and operation and supported by specific operating businesses to avoid and protect against exchange rate or interest rate risks; however, foreign exchange derivative transaction operations still face certain risks:</p> <ol style="list-style-type: none"> 1. Market risks: The big changes in the foreign exchange market may lead to changes in the prices of foreign exchange derivatives due to fluctuation in the market prices such as the interest rate, exchange rate, etc. of the target, hence leading to the market risks of suffering losses; 2. Operating risks: The high professionalism and complexity of the hedging business may lead to certain risks due to the failure to promptly and fully understand the information about derivatives, or failure to operate in accordance with specific procedures; 3. Default risks: For forward foreign exchange transactions, if a bank defaults within the period of a contract, the Company would not be able to exercise the foreign exchange contract according to the agreed price, which may lead to risks of failure to hedge the risk exposure. <p>II. Risk control measures taken by the Company</p> <ol style="list-style-type: none"> 1. The Company selected foreign exchange derivatives with a simple structure, high liquidity, and controllable risks for foreign exchange derivative transactions, prohibited any risk speculation acts, and refrained from any leveraged foreign exchange derivative investments. 2. The Company formulated the strict <i>Management Regulations for Foreign Exchange Derivative Transaction Businesses</i>, which requires to strictly follow the business operation process and authorization management system, and enhance communication and exchanges with relevant professional institutions including banks and experts, so as to minimize the operating and transaction risks. 3. The Company engaged in the foreign exchange derivative transaction business only with financial institutions, such as large banks, with lawful qualifications, diligently reviewed the contracts with such financial institutions, and strictly followed the risk management system to avoid possible default risks. 4. The Company regularly performed supervision and check on the compliance of foreign exchange derivative transactions and the effectiveness, decision-making, and execution of the internal control mechanism. |
| Changes in the market price or fair value of products of invested derivatives during the reporting period, and the specific method in use for the analysis of the fair value of such derivatives, and the settings of relevant | The Company recognized the gains and losses from derivative investments during the reporting period, recognized the change in the fair value of derivatives according to the difference between the agreed exchange rate and the forward exchange rate as of the end of the reporting period, transferred to investment gains upon the expiration of a contract, and recognized the investment gains of RMB 67,000 during the reporting period. |

| | |
|---|------------------|
| assumptions and parameters | |
| Litigation involved (if applicable) | N/A |
| Disclosure date of the announcement of the Board of Directors approving the derivative investments (if any) | October 29, 2022 |
| Disclosure date of the announcement of the general meeting of shareholders approving the derivative investments (if any) | N/A |

(2). Derivative investments for speculation purposes during the reporting period

Applicable N/A

Other information

None

4. Description of investments in private equity investment funds

Applicable N/A

Other information

None

5. Specific progress of material assets restructuring and integration during the reporting period
 Applicable N/A

(VI) Sale of material assets and equities
 Applicable N/A

(VII) Analysis of major investees
 Applicable N/A

In RMB 0'000

| Company name | Main business | Registered capital | Shareholding ratio | Total assets | Net assets | Operating income | Net profit |
|--------------------|---|--------------------|--------------------|--------------|----------------|------------------|----------------|
| CINEAPPO | Provision of cinema projection services and sales of projectors | 10,000.00 | 67.80% | 80,289.11 | 50,430.94 | 51,919.72 | 10,492.46 |
| Chongqing Formovie | R&D and sale of household display products | 7,017.54 | 39.19% | 51,522.68 | - 26,657.78 | 76,572.27 | - 18,803.16 |
| Appotronics HK | R&D and sale of laser light source | 30,116.15 | 100.00% | 34,821.14 | 29,809.81 | 12,056.43 | -7,089.12 |

(VIII) Structured entities controlled by the Company
 Applicable N/A

VI. Discussion and analysis of future development of the Company
(I) Structure and trend of the industry
 Applicable N/A

Business of automotive core components: Create the long-lasting growth space for the automotive market through smart and innovative applications. Given the trend of smart electrification, the development of the automotive industry focuses on the innovation of integrating multiple technologies. The human-machine interaction experience is being combined with the scenarios of autonomous driving, entertainment lighting, etc., new functions are continuously emerging to achieve interaction in richer forms, and the innovative application of smart cockpits will create the long-lasting growth space for the automotive market.

Automotive display products, as an important part of smart cockpits, are also the core carrier of the “human-machine interaction” function for smart vehicles. Besides the state display, they also have the functions of driver assistance, manipulation, entertainment, etc., so as to achieve continuous technology iteration to meet market demands. At present, automotive display solutions mainly include in-vehicle extreme anti-seismic rising large screens to redefine the automotive smart space, in-vehicle curtains to create a soft partition for privacy protection for the front and back rows, respectively, and canopy projection to achieve transparent display on the sunroof, such as displaying the image of the starry sky or underwater sea to enhance the immersive atmosphere in the vehicle.

On the background of cockpit intelligentization, the rapid increase of the information volume in vehicles makes the in-vehicle information display area into a core, and the multiple-screen interaction becomes an important trend for automotive display. By now, we have received multiple high quality nominations for our smart cockpit products, with the product competitiveness recognized by automobile manufacturers. In the future, we will make use of our technology advantages and abundant industry experience to continuously acquire more high quality nominations.

Business of cinema core devices: Given the obvious recovery of the film market, the high visionary demands will drive new development of the industry. In 2023, the total box office of China was RMB 54.915 billion, increased by 83.5% year on year; the total number of moviegoers reached 1.299 billion, increased by 82.56% compared with 2022, which indicated an obvious trend of recovery. Looking ahead into the future, with the continuous release of outstanding films on the film market, the recovery of film-watching demands will continue, and the supply of outstanding films will drive the continuous recovery of the industry.

Meanwhile, the audience are having higher requirements for visual effects, which promotes filmmaking toward the direction of higher resolution and higher refresh rate; as a result, it is probable that LED screens may become a new opportunity for future growth of the cinema business. As more domestic enterprises enter the LED film screen market and the continuous maturity of technologies developed, the VLED LED Cinema projection solution we released not only meets the film-watching demands of the audience, but also supports cinemas in various differentiated activities to arrange electronic gaming, enterprise activities, concerts, theater performances, etc. during non-film-watching periods, helping cinemas to expand the source of profits.

Dedicated display business: Given the continuous recovery of the overall market, new technologies will lead to high-quality development of the industry. Looking ahead into 2024, given the multiple favorable factors, including the continuous consumption demands for cultural tourism, driving force from consumption and investment policies, and the transformation of cultural and tourism digital technologies, the fundamental condition of “generally favorable with growth expected” remains unchanged, which effectively promotes the film-watching demands for cultural and tourism lighting, night tourism, cultural arts, and other markets. In addition, given many market opportunities in smart commercial spaces, immersive digital classrooms, restaurants, etc., the expansion in the width of applications will lead to the development in the commercial market, and will lead to the continuous recovery trend of the overall dedicated display market. For the overseas market, relying on the core advantages of the ALPD® semiconductor laser light source technology, we will further improve the influence of the ALPD® brand, enhance the overseas layout, and expand the size of the overseas business.

Thanks to the development of digital display technologies, laser display technologies may be employed to provide the large venue field and commercial market with image presentations that are more innovative, and highly customized, with higher commercial values, so as to enhance the rendering effects and atmosphere for cultural performances, tourism, entertainment, and other scenarios. For education scenarios, laser display technologies can create image effects that are more eye-friendly, clearer, and more

vivid to make teaching more interesting, hence improving the learning efficiency of students. In addition, on the background of the rapid development of AI technologies, the effective combination of laser display and AI technologies can provoke both the senses and emotions of users, improve the participation of and interaction with users, and provide users with more authentic and shocking effects, so as to drive the high-quality development of the dedicated display field.

(II) Development strategy of the Company

√ Applicable □ N/A

Facing the future, we are dedicated to becoming a pioneer in the display industry; under the mission and vision of “New light, New Life”, the Company insists on the strategic direction of “core technologies + core devices + application scenarios” to continuously promote breakthrough innovation of laser display technologies, accelerate the expansion of application scenarios, enhance the in-depth industrialization of laser display technologies, and build a bigger and stronger laser display industry ecology.

(III) Business plan

√ Applicable □ N/A

1. Development directions of various business sectors

For automotive core components, to ensure high-quality delivery of nominated products, we are dedicated to building an efficient and stable supply chain system, and actively match with the planning of automobile manufacturers to promote the mass production and delivery of nominated products, so as to release the nominated automobile model through joint efforts. Meanwhile, we will continue to focus on the logic of cooperation with major customers to make full use of the technology advantages in automotive optics, actively expand the nomination cooperation with Chinese and foreign leading automobile manufacturers, and improve both the quality and quantity of nominations for the Company, hence becoming an outstanding core supplier of automotive optics components.

For the business of cinema core devices, we will rely on the technology advantages in leading laser light sources and profound industry expertise to continuously improve the installations of the ALPD® laser light source projection solutions. Meanwhile, we will develop the VLED LED Cinema projection solutions from aspects of R&D, supply chain, product services, and brand marketing, so as to assist cinemas in high-end and differentiated business operations.

For the business of dedicated display, we will rely on the ALPD® semiconductor laser light source technologies to continuously enhance the layout of laser high-brightness products. Meanwhile, we will enhance the marketing efforts for large venue projectors equipped with the ALPD® 5.0 super panchromatic laser technologies. We will strengthen the layout in lighting, cultural tourism, and large venue performance markets to solidify our position in the industry in China, and take active measures to expand into the overseas dedicated display market, so as to further increase the coverage of the overseas market.

For smart projection products, our household core device business division will closely follow the development trend of smart projection, and continuously strengthen our core competitiveness by improving product R&D, and accelerating product function iteration, so as to make full efforts to market

the ALPD® 5.0 super panchromatic laser technologies in the household smart projection industry while promoting the stable and continuous output of existing products. Meanwhile, Formovie will focus on its own competitive brand products while taking overseas advantages of Google TV+Netflix dual certification to continuously improve its inherent dynamics, so as to achieve continuous improvement in operating quality.

2. Continuous efforts to build a smart supply chain

We will further enhance the efforts for building a smart supply chain to build a smart manufacturing supply chain system leading in the industry, so as to fully safeguard the delivery with cost advantages for the automotive optics, household, cinema, and other business sectors, hence meeting the growth requirements of various business sectors. Firstly, we intend to build a brand-new smart production base by adopting automatic equipment to improve the automation of production processes, apply the IoT technologies to integrate data from equipment terminals to achieve interconnection and communication, and gradually establish a smart lights-out factory through smart material allocation and scheduling. Secondly, to build a smart manufacturing system and framework based on the automation platform, information platform, and intelligentization platform, we will establish a smart production and management scheduling center to integrate the smart management of the production module, so as to build a decision-making and management system for intelligent business operation. Thirdly, based on 5G data interconnection technologies combined with AI big data analysis technologies, we will achieve data collection and sharing in real time, establish digital management models, build an enterprise resource management platform, and manufacture a simulation platform, to support the operation trend analysis and development strategy prediction for the Company.

(IV) Others

Applicable N/A

Section IV. Corporate Governance

I. Corporate governance

Applicable N/A

During the reporting period, in accordance with the requirements of the *Company Law*, the *Securities Law*, the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange*, the *Guidelines on Self-regulatory Supervision of Listed Companies on the Science and Technology Innovation Board of Shanghai Stock Exchange*, other laws and regulations, and the *Articles of Association*, with reference to the actual operation conditions of the Company, we constantly improved the corporate governance structure and continuously improved the internal governance and control measures to improve the level of standardized operation and governance level of the Company. During the reporting period, the actual conditions of corporate governance were in compliance with the requirements of normative documents on the governance of listed companies.

(I) About the Company and controlling shareholder

During the reporting period, the controlling shareholder and actual controller of the Company strictly followed the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange*, the *Guidelines on Self-regulatory Supervision of Listed Companies on the Science and Technology Innovation Board of Shanghai Stock Exchange*, and other regulations to standardize its acts, and to exercise the rights and fulfill the obligations as a shareholder in accordance with law. Major decisions of the Company were subject to the corresponding approval procedure specified in the *Articles of Association*, while the controlling shareholder and actual controller did not bypass the general meeting of shareholders to directly or indirectly interfere with the decision-making and operating activities of the Company. The Company neither had funds occupied by the controlling shareholder nor provided guarantee for the controlling shareholder, and had an independent and complete business system and capabilities of independent operation.

(II) About shareholders and the general meeting of shareholders

The general meeting of shareholders is the highest authority of the Company. During the reporting period, the Company held 2 general meetings of shareholders. The Company convened, held, voted, and made information disclosure of the general meetings of shareholders in strict compliance with the *Company Law*, the *Articles of Association*, the *Rules of Procedure for the General Meeting of Shareholders*, and relevant laws and regulations, normative documents, and the Company's rules and regulations, at which lawful and valid resolutions were made under the witness of lawyers on site, who also issued legal opinions. We treated all shareholders equally, and took lawful and effective measures for on-site attendance, online attendance, etc., so that more shareholders could attend the general meetings of shareholders to fully safeguard the equal rights of all shareholders, especially small- and medium-sized shareholders, safeguarding the rights of information and participation for every shareholder, and facilitating the exercise of the voting power by every shareholder.

(III) About directors and the Board of Directors

The Board of Directors is the standing decision-making and management authority of the Company. During the reporting period, the Company held 6 meetings of the Board of Directors. The Company acted in strict compliance with the *Articles of Association*, the *Rules of Procedure for the Board of Directors*, and other relevant laws and regulations, normative documents, and the Company's rules and regulations in convening and holding meetings of the Board of Directors. At present, the second Board of Directors of the Company consists of 8 directors, including 3 independent directors and 1 employee representative director. All the members of the Board of Directors are qualified in accordance with the requirements of laws and regulations, and have the professional expertise, skills, and quality required for acting as a director. All the directors conducted their work in accordance with regulations and requirements, attended punctually the meetings of the Board of Directors and specific-purpose committees and the general meetings of shareholders, and diligently fulfilled their duties and obligations to safeguard the interests of the Company and shareholders as a whole. Moreover, they actively participated in relevant training to familiarize themselves with relevant laws and regulations.

The Board of Directors has four specific-purpose committees, namely the Audit Committee, the Strategy and ESG Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. The members of such specific-purpose committees and their qualifications are in compliance with laws and regulations and the requirements of the *Articles of Association*, and they fulfilled their duties diligently to fully safeguard the scientific decision-making of the Company.

To further improve the Company's level of environment, society, and governance (ESG) management, enhance the ESG management system, strengthen the ESG management capabilities, and actively fulfill corporate social responsibilities, the Board of Directors updated the "Strategy Committee" to the "Strategy and ESG Committee" and added the ESG duties to the original duties thereof.

(IV) About supervisors and the Board of Supervisors

The Board of Supervisors is the supervisory body of the Company. During the reporting period, the Company held 5 meetings of the Board of Supervisors. The Company acted in strict compliance with the *Articles of Association*, the *Rules of Procedure for the Board of Supervisors*, and other relevant laws and regulations, normative documents, and the Company's rules and regulations in convening and holding meetings of the Board of Supervisors. The second Board of Supervisors of the Company consists of 3 supervisors, including 1 employee representative supervisor. The composition of the Board of Supervisors and the qualifications of the members thereof are in compliance with the requirements of laws and regulations to ensure professional expertise and practical experience. All the supervisors acted independently and effectively to fulfill their duties of supervision, check, etc. over major events and financial conditions of the Company and over directors and senior officers, so as to actively safeguard the legitimate rights and interests of the Company and all shareholders.

(V) About information disclosure and investor relation management

During the reporting period, we further improved the efforts for information disclosure management in compliance with the relevant laws and regulations and the *Management Regulations of Information*

Disclosure, the *Management Regulations for Investor Relation*, etc. We made information disclosure in a truthful, accurate, complete, timely, and fair manner, and kept the disclosed content easy to understand to fully disclose risks for view by all shareholders. The designated website for information disclosure of the Company is the website of Shanghai Stock Exchange (www.sse.com.cn), the designated journals of information disclosure are China Securities Journal, Shanghai Securities News, Securities Daily, and Securities Times to ensure fair access to information about the Company by shareholders.

We attached importance to the investor relation management. Investors can query about the operation of the Company through multiple channels, including on-site survey, investor telephone number (0755-32950536), investor email (ir@appotronics.cn), online performance briefing, the “E Interaction Platform” of Shanghai Stock Exchange, and the WeChat official account (Appotronics), so as to keep active communication and exchanges with investors, safeguard the rights of information and participation of investors, truly maintain the legitimate rights and interests of investors, especially medium and small investors, and improve the channel for information exchanges between investors and the Company.

(VI) Registration and management of insiders

During the reporting period, we followed the relevant requirements of laws and regulations and the *Management Regulations of Insider Information* on the management of insiders to register and file relevant personnel involving insider information during major events of the Company, such as regular reports, repurchase of the Company’s shares, etc. During the window period of transactions, insiders including the directors, supervisors, senior officers, and key technical staff of the Company would be reminded. Meanwhile, we constantly enhanced the education and study on laws and regulations concerning the prevention and control of insider trading by the directors, supervisors, senior officers, and relevant personnel of the Company, so as to enhance their awareness of confidentiality. No trading of the Company’s shares by insiders making use of insider information was detected.

(VII) Amending and formulating relevant governance regulations of the Company

During the reporting period, to further promote the standardized operation of the Company, and establish and improve an internal management mechanism, the Board of Directors of the Company established or amended the *Articles of Association* and 9 relevant governance regulations through systematic comparison for system optimization in accordance with the relevant provisions of relevant laws, regulations, and normative documents, so as to improve the quality of internal control and governance of the Company.

Is there any major deviation in the corporate governance from laws, administrative regulations, and the regulations of CSRC on the governance of listed companies? If yes, specify the reasons

Applicable N/A

II. Give an explanation if the Company cannot guarantee its dependence and ability to operate independently due to its relationship with the controlling shareholder in business, personnel, assets, organization, finance and other affairs

Applicable N/A

Information about the business identical or similar to that of the Company operated by the controlling shareholder, actual controller, and other units under their control, impact of horizontal competition or major changes in horizontal competition on the Company, measures that have been taken, solution progress, and subsequent solution plans

Applicable N/A

Information about horizontal competition operated by the controlling shareholder, actual controller, and other units under their control having material adverse effects on the Company

Applicable N/A

III. General meetings of shareholders held

| Session | Date of meeting | Reference to resolutions published on the designated website | Date of disclosure of resolutions | Resolutions |
|---|-------------------|--|-----------------------------------|--|
| Annual general meeting of shareholders in 2022 | May 19, 2023 | www.sse.com.cn | May 20, 2023 | All proposals were reviewed and passed |
| 1 st extraordinary general meeting of shareholders in 2023 | December 25, 2023 | www.sse.com.cn | December 26, 2023 | |

Extraordinary general meetings of shareholders convened at the request of preferred shareholders with resumed voting rights

Applicable N/A

Explanation about the general meetings of shareholders

Applicable N/A

During the reporting period, the Company held 1 annual general meeting of shareholders and 1 extraordinary general meeting of shareholders. After being certified by Beijing Zhong Lun (Shenzhen) Law Firm engaged by the Company, the convening and holding procedures of general meetings of shareholders, the qualifications of the persons attending the meeting and conveners, the voting procedures and results complied with the relevant provisions of the *Company Law*, the *Rules for General Meetings of Shareholders* and other laws, regulations and normative documents as well as the provisions of the *Articles of Association*, and were legal and valid. All proposals submitted by the Board of Directors of the Company to the general meeting of shareholders were reviewed and passed.

IV. Implementation of and changes in arrangements of differentiated voting rights during the reporting period

Applicable N/A

V. Governance of red-chip structure companies

Applicable N/A

VI. Directors, supervisors, and senior officers
(I) Changes in shareholding and remunerations of current directors, supervisors, senior officers and key technical staff and the former directors, supervisors, senior officers and key technical staff who left the Company during the reporting period

✓ Applicable □ N/A

Unit: Share

| Name | Title | Gender | Age | Beginning date of term of office | Expiry date of term of office | Number of shares held as at January 1, 2023 | Number of shares held as at December 31, 2023 | Change in shareholding | Cause of change | Total remuneration (inclusive of tax) received from the Company during the reporting period (in RMB 0'000) | Whether or not receive any remuneration from any affiliate of the Company |
|---------------|---|--------|-----|----------------------------------|-------------------------------|---|---|------------------------|-----------------|--|---|
| LI Yi | Chairman | Male | 53 | July 18, 2018 | August 2, 2024 | 0 | 0 | - | - | 305.71 | No |
| | General Manager | | | December 31, 2021 | | | | | | | |
| | Key technical staff | | | - | | | | | | | |
| YU Zhuoping | Director | Male | 63 | March 29, 2022 | August 2, 2024 | 0 | 0 | - | - | 18.00 | No |
| NING Cunzheng | Director | Male | 65 | December 25, 2023 | August 2, 2024 | 0 | 0 | - | - | - | No |
| ZHANG Wei | Director | Male | 48 | August 3, 2021 | August 2, 2024 | 0 | 0 | - | - | 57.58 | No |
| | Deputy General Manager (Left the Company) | | | December 31, 2021 | August 31, 2023 | | | | | | |
| WANG Yingxia | Employee representative director | Female | 42 | July 15, 2021 | August 2, 2024 | 78,124 | 128,124 | 50,000 | Share incentive | 78.97 | No |

| | | | | | | | | | | | |
|----------------|---|--------|----|-------------------|-------------------|---------|---------|---------|-----------------|-------|----|
| | Financial Director | | | August 3, 2021 | | | | | | | |
| CHEN Youchun | Independent director | Male | 47 | August 3, 2021 | August 2, 2024 | 0 | 0 | - | - | 18.00 | No |
| CHEN Han | Independent director | Female | 40 | December 25, 2023 | August 2, 2024 | 0 | 0 | - | - | - | No |
| LIANG Huaquan | Independent director | Male | 42 | December 25, 2023 | August 2, 2024 | 0 | 0 | - | - | - | No |
| GAO Lijing | Chairperson of the Board of Supervisors | Female | 43 | July 18, 2018 | August 2, 2024 | 0 | 0 | - | - | 73.68 | No |
| SUN Hongdeng | Supervisor | Male | 42 | August 3, 2021 | August 2, 2024 | 3,000 | 3,000 | - | - | 73.37 | No |
| WANG Yanyun | Employee representative supervisor | Female | 47 | July 18, 2018 | August 2, 2024 | 0 | 0 | - | - | 43.76 | No |
| CHEN Yasha | Board Secretary | Female | 33 | April 29, 2022 | August 2, 2024 | 18,750 | 93,750 | 75,000 | Share incentive | 55.06 | No |
| HU Fei | Key technical staff | Male | 43 | - | - | 190,316 | 265,316 | 75,000 | Share incentive | - | No |
| YU Xin | Key technical staff | Male | 43 | - | - | 103,752 | 290,752 | 187,000 | Share incentive | - | No |
| WANG Lin | Key technical staff | Male | 42 | - | - | 101,752 | 240,752 | 139,000 | Share incentive | - | No |
| WANG Zeqin | Key technical staff | Male | 46 | August 23, 2021 | - | 90,752 | 229,752 | 139,000 | Share incentive | - | No |
| GUO Zuqiang | Key technical staff | Male | 33 | - | - | 76,052 | 215,052 | 139,000 | Share incentive | - | No |
| NING Xiangdong | Independent director (Left the Company) | Male | 58 | July 18, 2018 | December 25, 2023 | 0 | 0 | - | - | 18.00 | No |
| TANG Guliang | Independent director | Male | 61 | July 18, 2018 | December 25, 2023 | 0 | 0 | - | - | 18.00 | No |

| | | | | | | | | | | | |
|--------------|--------------------|---|---|---|---|----------------|------------------|----------------|---|---------------|---|
| | (Left the Company) | | | | | | | | | | |
| Total | - | - | - | - | - | 662,498 | 1,466,498 | 804,000 | - | 760.13 | - |

Note: (1) As of the end of the reporting period, LI Yi held shares in the Company indirectly through Appotronics Holdings, Yuanshi Laser, Appotronics Daye, Appotronics Hongye, Jinleijing, and Appotronics Chengye. WANG Yingxia, GAO Lijing, WANG Yanyun, HU Fei, YU Xin, GUO Zuqiang, WANG Lin, et. al. held shares in the Company indirectly through the shareholding platforms Appotronics Hongye and Appotronics Daye. YU Xin and GUO Zuqiang held shares in the Company indirectly through the shareholding platform Appotronics Daye. WANG Lin held shares in the Company indirectly through the shareholding platform Appotronics Hongye;

(2) The Company held the 24th meeting of the second Board of Directors of the Company and the first extraordinary general meeting of shareholders for 2023 on December 8, 2023 and December 25, 2023, respectively, at which Mr. NING Cunzheng was elected as a director of the second Board of Directors of the Company, and Ms. CHEN Han and Mr. LIANG Huaquan were elected as independent directors of the second Board of Directors of the Company;

(3) In accordance with the relevant provisions of the *Measures for the Administration of Independent Directors of Listed Companies*, and given that the period of acting as an independent director of the Company would exceed 6 consecutive years, Mr. NING Xiangdong and Mr. TANG Guliang, former independent directors of the Company, resigned from the post of independent directors of the second Board of Directors of the Company on December 25, 2023; their remuneration disclosed above is their total pre-tax remuneration received from the Company from January to December 2023;

(4) Mr. ZHANG Wei, former Deputy General Manager of the Company, resigned from the post of Deputy General Manager of the Company on August 31, 2023 due to personal reasons; after resigning from the post of Deputy General Manager, he still acted as a director of the second Board of Directors of the Company; the remuneration disclosed above is the total pre-tax remuneration received by Mr. ZHANG Wei during his employment at the Company;

(5) The Company did not disclose the remuneration received by the key technical staff not acting as the director, supervisor, or senior officer of the Company due to trade secret.

| Name | Main work experience |
|-------------|--|
| LI Yi | LI Yi, male, born in June 1970, Chinese, holds a bachelor's degree from Tsinghua University, and a master's degree and a doctor's degree from the University of Rochester. He founded the Company in October 2006. He has served as the Chairman and the General Manager of the Company since December 2010. Meanwhile, he is a member of the Expert Advisory Committee for the Formulation of the Compendium of IP Powerhouse Strategy and the Expert Advisory Committee for Building IP Powerhouse. In 2020, he was honored as the Person of Innovation and Entrepreneurship and Advanced Model Person for the 40 th Anniversary of Shenzhen Special Economic Zone, and the "2020 Shenzhen Science and Technology Award Mayor Award". In 2021, he was awarded the title of "2021 Quality Development Leader", and was engaged as a "Shenzhen Advisor for Investment Promotion". |

| | |
|--------------------------|--|
| <p>YU Zhuoping</p> | <p>YU Zhuoping, male, born in January 1960, Chinese, with no right of permanent residence abroad, obtained a bachelor's degree and a master's degree in mechanical engineering from Tongji University, and a doctorate degree in automotive engineering from Tsinghua University. He is currently a professor at Tongji University, director of the National Intelligent New Energy Vehicle Collaborative Innovation Center, vice chairman of the China Society of Automotive Engineers, vice chairman and director of the Expert Committee of China Hydrogen Alliance, chairman of Tongji Automobile Design and Research Institute Co., Ltd., chairman of Shanghai Intelligent New Energy Vehicle Science and Technology Innovation Function Platform Co., Ltd., director of Shanghai Motor Vehicle Inspection Certification & Tech Innovation Center Co., Ltd., director of Appotronics Corporation Limited, non-executive director of Huazhong In-Vehicle Holdings Company Limited, independent director of Weichai Power Co., Ltd., independent director of Huayu Automotive Systems Co., Ltd., independent director of Ningbo Shenglong Automotive Powertrain System Co., Ltd., and independent director of Jiangling Motors Co., Ltd.</p> |
| <p>NING Cunzheng</p> | <p>NING Cunzheng, male, born in October 1958, U.S. citizen with permanent residency in the People's Republic of China, Ph.D. in Physics from the University of Stuttgart, Germany. Mr. NING Cunzheng has been engaged in semiconductor optoelectronic device research for long and created many world records and leading achievements. He is one of the leaders in the field of semiconductor nano-lasers and devices in China and abroad, and the inventor of white light laser. At present, he is a Chair Professor of Shenzhen Technology University, Dean of the College of Integrated Circuits and Optoelectronic Chips, doctoral advisor, part-time professor at Tsinghua University, and a Director of Appotronics Corporation Limited. Mr. NING Cunzheng used to be a senior scientist at NASA's AMES Research Center, where he founded and led the Nano-optics Research Team, and became the head of the Nanotechnology Program later. In 2006, he was a visiting professor at ISSP, Institute of Solid State Physics, University of Tokyo, Japan. Since 2006, he has acted as a tenured professor in the Department of Electrical Engineering at Arizona State University and a part-time professor in the Department of Physics Chemistry and Materials Science at the same university. In 2013, he was a visiting professor at the Technical University of Berlin, Germany and Tsinghua University. He was elected as a national high-end talent in 2012, and has been a permanent professor of the Department of Electronics at Tsinghua University since 2014, and founded the International Center for Nanophotonics Research at Tsinghua University in 2018, serving as the first director. In 2016, he was honored as the Person of the Year by <i>Scientific Chinese</i>. In 2023, he was elected as a Class A Talent of Shenzhen Pengcheng Peacock Program. Mr. NING Cunzheng is a fellow of the International Institute of Electrical and Electronics Engineers, a fellow of the Optical Society of America, and a member of the International Academy of Electromagnetic Sciences and the National Academy of Inventors.</p> |
| <p>ZHANG Wei</p> | <p>ZHANG Wei, male, born in November 1975, Chinese, received a doctorate degree from Indiana University, and is a practicing lawyer in the State of New York. He is currently the director of Appotronics Corporation Limited, and has served as the legal director of Legend Holdings Co., Ltd., the general manager of the legal department of China Vanke Co., Ltd., the vice president of Qifei International Development Co., Ltd., the vice president of 360 Group, and the independent director and deputy general manager of Appotronics Corporation Limited.</p> |
| <p>WANG Yingxia</p> | <p>WANG Yingxia, female, born in September 1982, Chinese, with no right of permanent residence abroad, got the bachelor degree. She is currently the director and financial director of Appotronics Corporation Limited, and has successively served as the financial director and financial manager of YLX Incorporated, and the deputy director of the finance department of Appotronics Corporation Limited.</p> |

| | |
|---------------|---|
| CHEN Youchun | CHEN Youchun, male, born in April 1976, Chinese, with no right of permanent residence abroad, obtained a bachelor's degree from Southwest University of Political Science and Law and Northumbria University in the United Kingdom, a master's degree from Wuhan University, and a doctorate degree from Southwest University of Political Science and Law. He is currently a partner of Beijing JunZeJun (Shenzhen) Law Offices, and an independent director of Appotronics Corporation Limited, an independent director of Nuode New Materials Co., Ltd., an independent director of ValueHD Corporation, and an independent director of Joy Wing Mau Fruit Technologies Corporation Limited. |
| CHEN Han | CHEN Han, female, born in January 1983, Chinese, with no right of permanent residence abroad, doctor in management (accounting). She is currently an associate professor and master advisor of Xiamen National Accounting Institute, the director of the Institute of Management Accounting and Financial Management of Xiamen National Accounting Institute, and an independent director of Appotronics Corporation Limited, an independent director of XTC New Energy Materials (Xiamen) Co., Ltd., an independent director of Hengerda New Materials (Fujian) Co., Ltd., an independent director of Haian Rubber Group Co., Ltd. (not listed), an independent director of Zonergy Corporation (not listed), and an executive director of Xiamen Cross-border Enterprise Accounting Institute. She used to be an independent director of Tianma Microelectronics Co., Ltd., an independent director of Shanying International Holdings Co., Ltd., an independent director of Chempartner Pharmatech Co., Ltd., an independent director of YLZ Information Technology Co., Ltd., an independent director of Xiamen Nalong Science and Technology Co., Ltd., a research assistant at Accounting Development Center, Xiamen University, and a visiting scholar at Western Illinois University. |
| LIANG Huaquan | LIANG Huaquan, male, born in September 1981, Chinese, with no right of permanent residence abroad, master's degree, professional qualification in law, non-practicing member of certified public accountants, and certified tax accountant. He is currently a partner of Shanghai Infaith Group Co., Ltd. and the founder of ZEN Management Consulting (Shenzhen) Co., Ltd., and an independent director of Appotronics Corporation Limited, a director of Guangdong Transtek Medical Electronics Co., Ltd., a director of Guangdong Weide Information Technology Co., Ltd., an independent director of Genbyte Technology Inc., an independent director of Shenzhen Creality 3D Technology Co., Ltd. (not listed), an independent director of Zhejiang Hengye Electronics Co., Ltd. (not listed), and an independent director of Shenzhen Coccaa Network Technology Co., Ltd. (not listed). He used to be a financial specialist of AVIC Shenzhen Co., Ltd, a supervisor of Shenzhen Stock Exchange, an independent director of Shenzhen Seastar Technology Co., Ltd., an independent director of Foshan NationStar Optoelectronics Co., Ltd., an independent director of YGSOFT Inc., and an independent director of Zhuhai Winbase International Chemical Tank Terminal Co., Ltd. |
| GAO Lijing | GAO Lijing, female, born in June 1980, Chinese, with no right of permanent residence abroad, master's degree student at Chinese University of Hong Kong, obtained legal professional qualification certificate through the national judicial examination. She is currently the chairperson of the supervisory board and the deputy general manager of the intellectual property & standards center of Appotronics Corporation Limited, and has worked in the South China Intellectual Property Office of Foxconn Technology Group Co., Ltd. and the Intellectual Property and Legal Affairs Center of Netac Technology Co., Ltd. |
| WANG Yanyun | WANG Yanyun, female, born in April 1977, Chinese, with no right of permanent residence abroad, got the bachelor degree. She is currently a supervisor and deputy director of technology project department of Appotronics Corporation Limited, and joined the Company in July 2013. |
| SUN | SUN Hongdeng, male, born in January 1981, Chinese, with no right of permanent residence abroad, a Master of Arts from Hong Kong Metropolitan |

| | |
|-------------|--|
| Hongdeng | University. He is currently a supervisor and director of the audit department of Appotronics Corporation Limited, and once worked for Huawei Technologies Co., Ltd. |
| CHEN Yasha | CHEN Yasha, female, born in January 1990, Chinese, with no right of permanent residence abroad, obtained the master's degree in finance, and the qualification certificate of board secretary of the science and technology innovation board and the qualification certificate of board secretary of the new third board. She joined the Company's board office in September 2018 and is currently the secretary of the Board of Directors of Appotronics Corporation Limited. |
| HU Fei | HU Fei, male, born in March 1980, Chinese, with no right of permanent residence abroad, received bachelor's, master's and doctoral degrees from Tsinghua University, and master's degree from Rensselaer Polytechnic Institute. He is currently the key technical personnel and general manager of the product technology research and development center (II) of Appotronics Corporation Limited, and has successively served as a software engineer of Optical Research Associates, the vice president of research and development of YLX Incorporated and Appotronics Corporation Ltd., and the chief technology officer and deputy general manager of Appotronics Corporation Limited. |
| YU Xin | YU Xin, male, born in February 1980, Chinese, with no right of permanent residence abroad, received a doctorate from Tsinghua University. He is currently the key technical personnel and vice president of Appotronics Corporation Limited, and has successively served as a senior software engineer at Schlumberger Technologies Co., Ltd., a senior researcher at Shenzhen Zhongguang Industrial Technology Research Institute, and a senior researcher, the general manager of the Cinema Solutions Business Unit, and the general manager of the Innovation Center and Cinema Business Division of Appotronics Corporation Limited. |
| WANG Lin | WANG Lin, male, born in September 1981, Chinese, with no right of permanent residence abroad, obtained a bachelor's degree from the University of Science and Technology of China, a master's degree from Tsinghua University, and a doctorate degree from the Polytechnic University of Madrid, Spain. He is currently the key technical personnel of Appotronics Corporation Limited, the deputy general manager of the product technology research and development center (II), and has successively served as a senior optical engineer of Shanghai Philips Lighting (China) Investment Co., Ltd., and a senior optical researcher of Appotronics Corporation Limited. |
| WANG Zeqin | WANG Zeqin, male, born in December 1977, Chinese, with no right of permanent residence abroad, obtained a bachelor's degree from Jilin University, majoring in optoelectronic technology. He is currently the key technical personnel and the person in charge of the product technology research and development center (I) of Appotronics Corporation Limited, and has successively served as an R&D engineer and an R&D expert of O-Net Information Technology (Shenzhen) Co., Ltd., a researcher of YLX Incorporated, the R&D director of R&D center, the person in charge of core device R&D center and complete machine R&D center of Appotronics Corporation Limited. |
| GUO Zuqiang | GUO Zuqiang, male, born in April 1990, Chinese, with no right of permanent residence abroad, received a master's degree from Tsinghua University. He is currently the key technical personnel and the R&D director of the product technology research and development center (I) of Appotronics Corporation Limited, and has successively served as an optical engineer of YLX Incorporated and the R&D manager of Appotronics Corporation Limited. |

Other information

Applicable N/A

(II) Posts held by current directors, supervisors and senior officers and the former directors, supervisors and senior officers who left the Company during the reporting period

1. Posts held at corporate shareholders of the Company

Applicable N/A

| Name | Corporate shareholder | Posts held at corporate shareholder | Beginning date of term of office | Expiry date of term of office |
|---|--|-------------------------------------|----------------------------------|-------------------------------|
| LI Yi | Shenzhen Appotronics Holdings Limited | Executive Director | January 2014 | - |
| | Shenzhen Appotronics Daye Investment Partnership (LP) | Representative of Managing Partner | October 2016 | - |
| | Shenzhen Appotronics Hongye Investment Partnership (LP) | Representative of Managing Partner | December 2015 | - |
| | Shenzhen Jinleijing Investment Limited Partnership (LP) | Representative of Managing Partner | October 2016 | - |
| | Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP) | Representative of Managing Partner | June 2016 | - |
| | Shenzhen Appotronics Chengye Consulting Partnership (LP) | Representative of Managing Partner | July 2017 | - |
| | Blackpine Investment Corp. Limited | Director | September 2018 | - |
| Explanation about the posts held at corporate shareholders of the Company | None | | | |

2. Posts held at other entities

Applicable N/A

| Name | Other entity | Posts held at other entity | Beginning date of term of office | Expiry date of term of office |
|-------|---|------------------------------------|----------------------------------|-------------------------------|
| LI Yi | Y LX Incorporated | Chairman | January 2007 | - |
| | Shenzhen Qingda Yifeng Investment Consulting Partnership (LP) | Managing Partner | October 2016 | - |
| | Shenzhen Appotronics Deye Consulting Partnership | Representative of Managing Partner | May 2018 | - |

| | | | | |
|---------------|---|--|---------------|---|
| | (LP) | | | |
| | Shenzhen Appotronics Optoelectronic Technology Development Co., Ltd. | Executive Director, General Manager, and Legal Representative | October 2017 | - |
| | YLX (Hong Kong) Limited | Director | June 2008 | - |
| | APEX Fund Managed Limited | Director | November 2013 | - |
| | Long Pine Investment, INC. | Director | June 2020 | - |
| | Atria Light Ltd. | Director | April 2018 | - |
| | Atria Light Hong Kong Limited | Director | April 2018 | - |
| | Longpines Financial Investment, INC. | Director | April 2019 | - |
| YU Zhuoping | Tongji University | Professor | 1985 | - |
| | National Intelligent New Energy Vehicle Collaborative Innovation Center | Director | 2012 | - |
| | Tongji Automobile Design and Research Institute Co., Ltd. | Chairman | December 2017 | - |
| | Shanghai Intelligent New Energy Vehicle Science and Technology Innovation Function Platform Co., Ltd. | Chairman | March 2018 | - |
| | Shanghai Motor Vehicle Inspection Certification & Tech Innovation Center Co., Ltd. | Director | April 2021 | - |
| | Huazhong In-Vehicle Holdings Company Limited (6830.HK) | Non-executive Director | August 2019 | - |
| | Weichai Power Co., Ltd. (000338.SZ) | Independent director | July 2020 | - |
| | Huayu Automotive Systems Co., Ltd. (600741.SH) | Independent director | July 2021 | - |
| | Ningbo Shenglong Automotive Powertrain System Co., Ltd. (603178.SH) | Independent director | October 2020 | - |
| | Jiangling Motors Co., Ltd. (000550.SZ) | Independent director | October 2021 | - |
| NING Cunzheng | Shenzhen Technology University | Chair Professor, Dean of the College of Integrated Circuits and Optoelectronic Chips, doctoral advisor | April 2022 | - |
| | Tsinghua University | Part-time professor | January 2023 | - |
| WANG Yingxia | Shenzhen Tiwu Technology Co., Ltd. | Supervisor | January 2018 | - |
| ZHANG Wei | Hengqin Vanke Cloudland Commercial Services Co., Ltd. | Director & General Manager | May 2017 | - |
| | Lijiang Banyan Tree Property Services Co., Ltd. | Director | May 2018 | - |

| | | | | |
|--|--|--|----------------|-------------|
| | Yangshuo Banyan Tree Hotel Co., Ltd. | Director | September 2018 | - |
| | Zhenro Services Group Limited | Director | June 2020 | - |
| CHEN Youchun | Beijing JunZeJun (Shenzhen) Law Offices | Partner | July 2004 | - |
| | Nuode New Materials Co., Ltd. (600110.SH) | Independent director | February 2018 | - |
| | ValueHD Corporation (301318.SZ) | Independent director | July 2020 | - |
| | Joy Wing Mau Fruit Technologies Corporation Limited (not listed) | Independent director | October 2019 | - |
| | Xiamen National Accounting Institute | Associate professor, master advisor, director of the Institute of Management Accounting and Financial Management | November 2014 | - |
| CHEN Han | XTC New Energy Materials (Xiamen) Co., Ltd. (688778.SH) | Independent director | April 2020 | - |
| | Hengerda New Materials (Fujian) Co., Ltd. (300946.SZ) | Independent director | October 2021 | - |
| | Haian Rubber Group Co., Ltd. (not listed) | Independent director | December 2022 | - |
| | Zonergy Corporation (not listed) | Independent director | December 2022 | - |
| | Xiamen Cross-border Enterprise Accounting Institute | Standing director | January 2018 | - |
| | LIANG Huaquan | Shanghai Infaith Group Co., Ltd. | Partner | August 2023 |
| ZEN Management Consulting (Shenzhen) Co., Ltd. | | Founder | July 2021 | - |
| Guangdong Transtek Medical Electronics Co., Ltd. (300562.SZ) | | Director | April 2022 | - |
| Guangdong Weide Information Technology Co., Ltd. (688171.SH) | | Director | November 2022 | - |
| Genbyte Technology Inc. (003028.SZ) | | Independent director | January 2023 | - |
| Zhejiang Hengye Electronics Co., Ltd. (not listed) | | Independent director | January 2023 | - |
| Shenzhen Coocaa Network Technology Co., Ltd. (not listed) | | Independent director | October 2020 | - |
| Shenzhen Creality 3D Technology Co., Ltd. (not listed) | | Independent director | December 2023 | - |
| GAO Lijing | GDC Technology Limited | Director | March 2024 | - |
| Explanation about the posts held at other entities | None | | | |

(III) Remunerations of directors, supervisors, senior officers and key technical staff

✓ Applicable □ N/A

In RMB 0'000

| | |
|---|--|
| Decision-making procedure regarding the remunerations of directors, supervisors and senior officers | Under the relevant provisions of the <i>Articles of Association</i> and the Company's regulations, the remuneration of the Company's directors shall be reviewed by the Remuneration and Appraisal Committee of the Board of Directors, and then be submitted by the Board of Directors directly to the general meeting of shareholders for deliberation; the remuneration of supervisors shall be submitted by the Board of Supervisors directly to the general meeting of shareholders for deliberation; and the remuneration of senior officers shall be reviewed by the Remuneration and Appraisal Committee, and then be submitted to the Board of Directors for deliberation. |
| Whether the director withdraws from the discussion of the Board of Directors on the remuneration of such director | Yes |
| Specific information about the suggestions made by the Remuneration and Appraisal Committee or a special meeting of independent directors on the remuneration of directors, supervisors, and senior officers | The Company held the 2024 second meeting of the Remuneration and Appraisal Committee under the second Board of Directors on April 25, 2024, to deliberate the <i>Proposal on the Remuneration for 2023 and Remuneration Plan for 2024 of Directors of the Company</i> , the <i>Proposal on the Remuneration for 2023 and Remuneration Plan for 2024 of Supervisors of the Company</i> , and the <i>Proposal on the Remuneration for 2023 and Remuneration Plan for 2024 of Senior Officers of the Company</i> . |
| Basis for determining the remunerations of directors, supervisors and senior officers | For directors, supervisors and senior officers who receive remuneration from the Company, their remuneration is determined in accordance with the relevant provisions of the <i>Articles of Association</i> and other relevant provisions in consideration of the market, industry level and personal ability, and the degree of contribution to the Company; non-independent directors who do not receive remuneration from the Company receive directors' allowances in accordance with the remuneration plan approved by the general meeting of shareholders; independent directors receive independent directors' allowances in accordance with the remuneration plan approved by the general meeting of shareholders. The Board of Directors of the Company has a Remuneration and Appraisal Committee to conduct performance appraisal on the directors and senior officers of the Company, and to formulate and review the remuneration policies and solutions, etc. |
| Remunerations actually paid to directors, supervisors and senior officers | During the reporting period, the remunerations actually paid to directors, supervisors and senior officers are consistent with the relevant information disclosed by the Company. |
| Total remunerations paid to directors, supervisors and senior officers as of the end of the reporting period | 760.13 |
| Total remunerations paid to key technical staff as of the end of the reporting period | 923.62 |

Note: Since Mr. LI Yi, Chairman and General Manager of the Company, is also a key technician of the Company, the remunerations paid to key technical staff as stated above included his remuneration.

(IV) Changes in directors, supervisors, senior officers and key technical staff

√ Applicable □ N/A

| Name | Position | Change | Cause of change |
|----------------|------------------------|------------------|---|
| NING Cunzheng | Director | Elect | As deliberated and passed at the 24 th meeting of the second Board of Directors of the Company and the first extraordinary general meeting of shareholders for 2023, Mr. NING Cunzheng was elected as a director of the second Board of Directors of the Company; Ms. CHEN Han and Mr. LIANG Huaquan were elected as independent directors of the second Board of Directors of the Company. |
| CHEN Han | Independent director | Elect | |
| LIANG Huaquan | Independent director | Elect | |
| NING Xiangdong | Independent director | Left the Company | In accordance with the relevant provisions of the <i>Measures for the Administration of Independent Directors of Listed Companies</i> , and given that the period of acting as an independent director of the Company will exceed 6 consecutive years, Mr. NING Xiangdong and Mr. TANG Guliang, former independent directors of the Company, resigned from the post of independent directors of the second Board of Directors of the Company. |
| TANG Guliang | Independent director | Left the Company | |
| ZHANG Wei | Deputy General Manager | Left the Company | Resigned from the post of Deputy General Manager due to personal reasons. |

(V) Penalties imposed by the securities regulatory authorities in the past three years

□ Applicable √ N/A

(VI) Others

□ Applicable √ N/A

VII. Board meetings held during the reporting period

| Session | Date of meeting | Resolutions |
|---|-----------------|---|
| 19 th meeting of the second Board of Directors | April 26, 2023 | The meeting reviewed and passed 22 proposals, including the <i>Full Text and Summary of the Annual Report 2022</i> and the <i>Report on the Work of the Board of Directors for 2022</i> . |
| 20 th meeting of the second Board of Directors | June 25, 2023 | The meeting reviewed and passed 4 proposals, including the <i>Proposal on Adjustment to the Grant Price of the Restricted Share Incentive Plan</i> and the <i>Proposal on Discarding Certain Restricted Shares Granted but Not Vested</i> . |
| 21 st meeting of the second | August 16, 2023 | The meeting reviewed and passed 3 proposals, including the <i>Full Text and Summary of the Semiannual</i> |

| | | |
|---|-------------------|--|
| Board of Directors | | <i>Report for 2023 and the 2023 Semiannual Special Report on the Deposit and Use of Offering Proceeds.</i> |
| 22 nd meeting of the second Board of Directors | October 25, 2023 | The meeting reviewed and passed 4 proposals, including the <i>Third Quarter Report in 2023</i> and the <i>Proposal on Discarding Certain 2021 Second Restricted Shares Granted but Not Vested</i> . |
| 23 rd meeting of the second Board of Directors | November 16, 2023 | The meeting reviewed and passed the <i>Proposal on External Investment to Establish a Wholly-owned Subsidiary and Sub-subsidiary</i> . |
| 24 th meeting of the second Board of Directors | December 8, 2023 | The meeting reviewed and passed 9 proposals, including the <i>Proposal on Adding Non-independent Directors for the Second Board of Directors of the Company</i> and the <i>Proposal on Adding Independent Directors for the Second Board of Directors of the Company</i> . |

VIII. Performance of duties by the directors

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

| Director | Whether or not an independent director | Attendance of the meetings of the Board of Directors | | | | | | Attendance of the general meetings of shareholders |
|---|--|--|-----------------------------|---|----------------------------|---------------|--|--|
| | | Meetings the director should have attended in 2023 | Meetings attended in person | Meetings attended through communication equipment | Meetings attended by proxy | Absence times | Whether the director has been absent from two consecutive meetings | General meetings of shareholders attended |
| LI Yi | No | 6 | 6 | 4 | 0 | 0 | No | 2 |
| YU Zhuoping | No | 6 | 6 | 4 | 0 | 0 | No | 2 |
| NING Cunzheng | No | - | - | - | - | - | No | - |
| ZHANG Wei | No | 6 | 6 | 4 | 0 | 0 | No | 2 |
| WANG Yingxia | No | 6 | 6 | 4 | 0 | 0 | No | 2 |
| CHEN Youchun | Yes | 6 | 6 | 4 | 0 | 0 | No | 2 |
| CHEN Han | Yes | - | - | - | - | - | No | - |
| LIANG Huaquan | Yes | - | - | - | - | - | No | - |
| NING Xiangdong (Resigned independent director) | Yes | 6 | 6 | 6 | 0 | 0 | No | 2 |
| TANG Guliang (Resigned independent director) | Yes | 6 | 6 | 4 | 0 | 0 | No | 2 |

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

Applicable N/A

| | |
|---|---|
| Meetings of the Board of Directors held in the current year | 6 |
| Where: Face-to-face meetings | 0 |
| Meeting held through communication equipment | 4 |
| Meetings held both in the form of face-to-face meeting and through communication equipment | 2 |

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

Applicable N/A

(III) Others

Applicable N/A

IX. Specific-purpose committees under the Board of Directors

Applicable N/A

(I) Members of specific-purpose committees under the Board of Directors

| Category of specific-purpose committee | Member |
|---|--|
| Strategy and ESG Committee | LI Yi (Chairperson), YU Zhuoping, NING Cunzheng |
| Audit Committee | CHEN Han (Chairperson), CHEN Youchun, LIANG Huaquan |
| Nomination Committee | CHEN Youchun (Chairperson), LIANG Huaquan, LI Yi |
| Remuneration and Appraisal Committee | LIANG Huaquan (Chairperson), CHEN Han, NING Cunzheng |

(II) The Strategy and ESG Committee held 3 meetings during the reporting period

| Date of meeting | Content of meeting | Major opinions and suggestions | Performance of other duties |
|------------------------|--|---------------------------------------|------------------------------------|
| April 26, 2023 | The meeting reviewed and passed the <i>Proposal on Requesting the General Meeting of Shareholders of the Company to Authorize the Board of Directors to Issue Shares to Specific Targets Through a Simplified Procedure.</i> | All proposals are reviewed and passed | None |
| November 15, 2023 | The meeting reviewed and passed the <i>Proposal on External Investment to Establish a Wholly-owned Subsidiary and Sub-subsidiary.</i> | | |
| December 8, 2023 | The meeting reviewed and passed 2 proposals, including the <i>Proposal on Upgrading the Strategy Committee under the Board of Directors to the Strategy and ESG Committee under the Board of Directors of the Company.</i> | | |

(III) The Audit Committee held 5 meetings during the reporting period

| Date of meeting | Content of meeting | Major opinions and suggestions | Performance of other duties |
|------------------------|---|---------------------------------------|------------------------------------|
| April 3, 2023 | Reported affairs during the audit on the financial statements for 2022. | All proposals are reviewed and passed | None |
| April 26, 2023 | Reported affairs at the end of the audit on the financial statements for 2022; the meeting reviewed and passed 12 proposals, including the <i>Final Account Report for 2022</i> . | | |
| August 16, 2023 | The meeting reviewed and passed 4 proposals, including the <i>Full Text and Summary of the Semiannual Report for 2023</i> . | | |
| October 25, 2023 | The meeting reviewed and passed 2 proposals, including the <i>Third Quarter Report in 2023</i> . | | |
| December 25, 2023 | Reported affairs at the planning stage of the audit on the financial statements for 2023. | | |

(IV) The Nomination Committee held 2 meetings during the reporting period

| Date of meeting | Content of meeting | Major opinions and suggestions | Performance of other duties |
|------------------------|---|---------------------------------------|------------------------------------|
| October 25, 2023 | The meeting reviewed and passed the <i>Proposal on Engaging the Securities Affairs Representative of the Company</i> . | All proposals are reviewed and passed | None |
| December 8, 2023 | The meeting reviewed and passed 3 proposals, including the <i>Proposal on Adding Non-independent Directors for the Second Board of Directors of the Company</i> . | | |

(V) The Remuneration and Appraisal Committee held 3 meetings during the reporting period

| Date of meeting | Content of meeting | Major opinions and suggestions | Performance of other duties |
|------------------------|--|---------------------------------------|------------------------------------|
| April 26, 2023 | The meeting reviewed and passed 2 proposals, including the <i>Proposal on the Remuneration for 2022 and Remuneration Plan for 2023 of Directors of the Company</i> . | All proposals are reviewed and passed | None |
| June 25, 2023 | The meeting reviewed and passed 2 proposals, including the <i>Proposal on Discarding Certain Restricted Shares Granted but Not Vested</i> . | | |
| October 25, 2023 | The meeting reviewed and passed 2 proposals, including the <i>Proposal on Discarding Certain 2021 Second Restricted Shares Granted but Not Vested</i> . | | |

(VI) Specific description of objections

Applicable N/A

X. Risks of the Company identified by the Board of Supervisors

Applicable N/A

The Board of Supervisors raised no objections with respect to matters under supervision during the reporting period.

XI. Employees of the parent company and major subsidiaries as of the end of the reporting period

(I) Employees

| | |
|--|----------------------------|
| Number of active employees of the parent company | 960 |
| Number of active employees of major subsidiaries | 459 |
| Total number of active employees | 1,419 |
| Number of retired employees for whom the parent company and major subsidiaries need to pay certain expenses | 0 |
| Profession | |
| Category | Number of employees |
| Production staff | 601 |
| Sales staff | 212 |
| Technology staff | 428 |
| Financial staff | 36 |
| Management staff and administrative staff | 142 |
| Total | 1,419 |
| Education | |
| Level of education | Number |
| Master and above | 189 |
| Undergraduate | 626 |
| College or below | 604 |
| Total | 1,419 |

(II) Compensation policy

Applicable N/A

During the reporting period, we continuously followed the principle of “efforts-based distribution, priority of efficiency, equity, and sustainable development” in remuneration management, and constantly improved the remuneration and performance management system in consideration of the development strategy, annual operating objectives, and economic benefits of the Company with reference to market and industry conditions. The remuneration of employees of the Company is linked with the economic benefits of the Company and achievement of objectives for individual posts, and adopts the remuneration structure of “post-based salary, competence-based grade, and performance-based bonus”, consisting of the basic salary, welfare subsidies, performance bonuses, etc.; moreover, the appraisal incentive programs are formulated according to the category of posts for employees at different posts, so as to motivate employees at all posts.

For directors, supervisors and senior officers who receive remuneration from the Company, their remuneration is determined in accordance with the relevant provisions of the *Articles of Association* and other relevant provisions in consideration of the market, industry level and personal ability, and the degree of contribution to the Company; for employees at other posts, the Company determined their basic

remuneration following international and local laws and regulations with reference to market and industry conditions and post-specific duties, competence, work experience, etc., and determined their performance-based remuneration according to actual appraisal results.

(III) Training programs

Applicable N/A

To support the long-term strategic development of the Company, maintain the head start advantages in technologies, and effectively safeguard the continuous development and empowerment of technical personnel, the Company continuously improved the talent development system and talent training program designing to support the strategy with talent training efforts, to empower both the organization and individuals, to continuously improve the organizational capabilities, and to eventually achieve the dynamic balance between the supply and demand of talents for the Company.

During the reporting period, we designed training programs and developed the content of learning intended for problem solution around the core objectives of “improving the organization performance and achieving business results”. Thanks to the designing and implementation of a multi-level training system, we enhanced the efforts of building a learning organization, created the atmosphere of active participation in training and sharing, and established a training and education system intended for the growth and continuous competence improvement for employees. In 2023, the key training programs conducted by the Company include “Appotronics Lecture Hall”, “Meta-capability Classroom”, “Leadership Program”, “MorningLight Plan”, “Starlight Plan”, and “Learning Roadmap and Improvement of Post-specific Expertise and Skills”, etc. to continuously improve the talent education system, enhance training management, assist employees in improving business capabilities in line with the development of the Company in multiple levels from multiple perspectives, so as to match with the requirements for strategic and business development.

In 2024, we will closely follow the requirements for strategic and business development and begin with the end in mind to drive the joint development of both employees and the Company.

(IV) Outsourced workers

Applicable N/A

| | |
|---|----------------|
| Total man-hours of outsourced workers | 11,855 hours |
| Total remunerations paid to outsourced workers | RMB 288,187.68 |

XII. Proposals for profit distribution or capitalization of the capital reserve

(I) Establishment, implementation or adjustment of the cash dividend policy

Applicable N/A

1. Formulation of policies for cash dividend:

In April 2022, the Board of Directors of the Company formulated the *Plan of Returns to Shareholders for the Next Three Years* in accordance with relevant laws and regulations and the *Articles of Association*, which established a clear profit distribution mechanism on the basis of actively providing returns to shareholders and achieving sustainable development of the Company.

2. Implementation of the policies for cash dividend:

The Company held the 19th meeting of the second Board of Directors on April 26, 2023 and the 2022 annual general meeting of shareholders on May 19, 2023, at which the *Announcement on the Profit Distribution Proposal for 2022* was reviewed and passed. The specific plan is as follows: on the basis of the total shares on the record date of interest distribution, deducted by shares in the special securities account for repurchase by the Company, the Company proposed to distribute to all shareholders a cash dividend of RMB 0.54 (tax inclusive) for every 10 shares, leading to a total of RMB 24,635,207.05 (tax inclusive) for cash dividend distribution. The Company would neither capitalize its capital reserve nor grant bonus shares in this profit distribution.

Meanwhile, in accordance with the relevant provisions of the *Guidelines of Shanghai Stock Exchange on Self-regulatory Supervision of Listed Companies No. 7 - Repurchase of Shares*, the amount of RMB 19,371,239.41 (excluding the stamp tax, transaction commissions, and other transaction expenses) in the repurchase conducted by the Company in 2022 shall be considered as cash dividend; the repurchase amount accounted for 16.22% of the net profit attributable to shareholders of the listed company for 2022.

We disclosed the *Announcement on Implementing Interest Distribution for 2022* on June 14, 2023, in which the record date for the profit distribution is June 19, 2023, and the ex-dividend date is June 20, 2023. The Company's plan of interest distribution for 2022 has been implemented.

(II) Special explanation about the cash dividend policy

Applicable N/A

| | |
|---|---|
| Whether the policy is in compliance with the provisions of the <i>Articles of Association</i> or the requirements of resolutions passed at the general meeting of shareholders | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Are the distribution standards and ratios specific and clear | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Are the relevant decision-making procedure and mechanism complete | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Whether independent directors perform their duties and roles | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Whether small- and medium-sized shareholders have sufficient opportunities to express their opinions and requests, and are their legitimate rights and interests under sufficient protection | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

(III) If the Company made a profit in the reporting period and there's profit distributable by the parent company to the shareholders, but the Company does not propose to distribute profits in cash, the Company shall explain the reason in detail and use of the undistributed profit.

Applicable N/A

(IV) Proposals for profit distribution and capitalization of capital reserve in the current period

Applicable N/A

| | In RMB |
|--|----------------|
| Number of bonus shares distributed per 10 shares | - |
| Cash dividends distributed per 10 shares (inclusive of tax) | 0.7 |
| Number of shares distributed out of the capital reserve per 10 shares | - |
| Amount of cash dividend (tax inclusive) | 32,084,193.96 |
| Net profit attributable to the shareholders of ordinary shares of the listed company reported in the consolidated financial statements for the year | 103,186,743.57 |
| % of the net profit attributable to the shareholders of ordinary shares of the listed company reported in the consolidated financial statements | 31.09 |
| The amount of repurchase of shares by cash included in cash dividends | - |

| | |
|---|---------------|
| Total dividend amount (tax inclusive) | 32,084,193.96 |
| Ratio of the total distribution amount to the net profit attributable to the shareholders of ordinary shares of the listed company reported in the consolidated financial statements (%) | 31.09 |

As audited by Pan-China Certified Public Accountants (Special General Partnership), in 2023, Appotronics realized the net profit attributable to shareholders of the listed company of RMB 103,186,743.57, the parent company realized the net profit of RMB 93,535,832.55, and the distributable profit of the parent company as of the end of the year is RMB 639,288,806.42.

The Company proposed to distribute to all shareholders a cash dividend of RMB 0.7 (tax inclusive) for every 10 shares. As of the disclosure date of this announcement, the Company has a total of 462,605,378 shares. With the 4,259,750 shares in the special securities account for repurchase excluded, the cash dividend calculated to be distributed is RMB 32,084,193.96 (tax inclusive), accounting for 31.09% of the net profit attributable to shareholders of the listed company in 2023. The Company would neither capitalize its capital reserve nor grant bonus shares this year.

XIII.Share incentive plan, employee stock ownership plan or other employee incentive measures of the Company and their effect

(I) Overview of share incentives

√ Applicable □ N/A

1.Share incentive plan during the reporting period

| Name of plan | Type of incentive | Number of target shares | Proportion of target shares (%) | Number of grantees | Proportion of grantees (%) | In RMB |
|--|---------------------------|-------------------------|---------------------------------|--------------------|----------------------------|--------------------------------|
| | | | | | | Price of target shares granted |
| 2021 Restricted Share Incentive Plan | Type II restricted shares | 18,500,000 | 4.05 | 242 | 17.05 | 17.286, 18.286, 20.786 |
| 2021 Second Restricted Share Incentive Plan | Type II restricted shares | 10,500,000 | 2.30 | 64 | 4.51 | 19.841, 22.841 |
| 2022 Restricted Share Incentive Plan | Type II restricted shares | 10,500,000 | 2.30 | 107 | 7.54 | 15.341 |

Note: (1) The proportion of grantees is the ratio of grantees to the number of employees of the Company at the end of the reporting period;

(2) The price at which the target shares are granted under the share incentive plan above has been adjusted according to the implementation of past profit distributions.

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

√ Applicable □ N/A

| Name of plan | Number of equity incentives granted at the | Number of equity incentive s newly granted | Number of restricted shares that could be vested/exerci | Number of restricted shares that were vested/exercise | Grant price/ex ercise price (RMB) | Unit: Share | |
|--------------|--|--|---|---|-----------------------------------|------------------------------|--|
| | | | | | | Number of equity incentiv es | Number of restricted shares vested/exe |
| | | | | | | | |

| | beginning of the year | in the reporting period | sed/unlocked in the reporting period | d/unlocked in the reporting period | | granted at the end of the period | rcised/unlocked at the end of the period |
|--|-----------------------|-------------------------|--------------------------------------|------------------------------------|----------------|----------------------------------|--|
| 2021 Restricted Share Incentive Plan | 8,529,528 | - | - | - | - | 4,084,878 | - |
| 2021 Second Restricted Share Incentive Plan | 10,500,000 | - | 1,926,400 | 1,804,800 | 19.841, 22.841 | 5,712,000 | 1,804,800 |
| 2022 Restricted Share Incentive Plan | 8,648,080 | - | 3,399,000 | 3,299,000 | 15.341 | 4,255,580 | 3,299,000 |

3.Completion of appraisal indicators for equity incentive and the share-based payment expenses recognized during the reporting period

√ Applicable □ N/A

In RMB

| Name of plan | Completion of company-level appraisal indicators during the reporting period | Share-based payment expenses recognized during the reporting period |
|---|--|---|
| 2021 Restricted Share Incentive Plan | Not achieved | -18,247,493.11 |
| 2021 Second Restricted Share Incentive Plan | Achieved | 4,881,665.07 |
| 2022 Restricted Share Incentive Plan | Achieved | 6,697,653.24 |
| Total | - | -6,668,174.80 |

(II) Incentives already disclosed in the interim announcements about which no new information is available

√ Applicable □ N/A

| Summary | Reference |
|---|--|
| The Company held the 20 th meeting of the second Board of Directors and the 19 th meeting of the second Board of Supervisors on June 25, 2023, deliberating and approving the <i>Proposal on Adjustment to the Grant Price of the Restricted Share Incentive Plan</i> , and the <i>Proposal on Discarding Certain Restricted Shares Granted but Not Vested</i> , etc. | Refer to the relevant announcements disclosed by the Company at the website of the Shanghai Stock Exchange (www.sse.com.cn) on June 27, 2023 for details. |
| The Company held the 22 nd meeting of the second Board of Directors and the 21 th meeting of the second Board of Supervisors on October 25, 2023, at which the <i>Proposal on Discarding Certain 2021 Second Restricted Shares Granted but Not Vested</i> and the <i>Proposal on Vesting Criteria for the First Vesting Period in the Initial Grant under 2021 Second Restricted Share Incentive Plan</i> were reviewed and passed. | Refer to the relevant announcements disclosed by the Company at the website of the Shanghai Stock Exchange (www.sse.com.cn) on October 27, 2023 for details. |

Other information

□ Applicable √ N/A

Employee stock ownership plan

Applicable N/A

Other incentives

Applicable N/A

(III) Share incentives granted to directors, senior officers and key technical staff during the reporting period

1.Share options

Applicable N/A

2.Type I restricted shares

Applicable N/A

3.Type II restricted shares

Applicable N/A

Unit: Share

| Name | Title | Number of restricted shares already granted as at the beginning of the reporting period | Number of restricted shares granted during the reporting period | Grant price of restricted shares (RMB) | Number of restricted shares that could be vested in the reporting period | Number of restricted shares actually vested in the reporting period | Number of restricted shares already granted as of the end of the reporting period | Market price as of the end of the reporting period (RMB per share) |
|--------------|------------------------------|---|---|--|--|---|---|--|
| LI Yi | Chairman & General Manager | 3,500,000 | - | - | 0 | 0 | 3,500,000 | 25.88 |
| WANG Yingxia | Director, Financial Director | 470,560 | - | - | 114,000 | 50,000 | 470,560 | 25.88 |
| CHEN Yasha | Board Secretary | 432,750 | - | - | 132,600 | 75,000 | 432,750 | 25.88 |
| HU Fei | Key technical staff | 540,000 | - | - | 75,000 | 75,000 | 540,000 | 25.88 |
| YU Xin | Key technical staff | 1,070,000 | - | - | 196,000 | 196,000 | 1,070,000 | 25.88 |
| WANG Lin | Key technical staff | 630,000 | - | - | 139,000 | 139,000 | 630,000 | 25.88 |
| WANG Zeqin | Key technical staff | 632,000 | - | - | 139,000 | 139,000 | 632,000 | 25.88 |
| GUO Zuqiang | Key technical staff | 626,000 | - | - | 139,000 | 139,000 | 626,000 | 25.88 |
| Total | - | 7,901,310 | - | - | 934,600 | 813,000 | 7,901,310 | - |

(IV) Performance assessment mechanism for senior officers and the establishment and implementation of incentive mechanism for senior officers during the reporting period

Applicable N/A

The Board of Directors of the Company has a Remuneration and Appraisal Committee to conduct performance appraisal on the directors and senior officers of the Company, and to formulate and review the remuneration policies and solutions, etc. The Company has established and continuously improved the

employee performance appraisal system and remuneration system, under which the employee appraisal and incentive programs specific to different posts, levels, and duties were formulated according to the category of posts, so as to motivate the employees at different posts. During the reporting period, all the senior officers of the Company performed their duties diligently in accordance with relevant provisions. The remuneration of senior officers consisted of the basic salary and incentive bonuses, which are subject to the review and approval of the Board of Directors.

In addition, to further improve the Company's long-lasting incentive mechanism, focus on key personnel that can play an important role in the new growth curve of the Company in the future, and fully motivate grantees, the Company has released several restricted share incentive plans to safeguard the achievement of the Company's development strategy and operating objectives.

XIV. Measures and implementation for building internal control regulations during the reporting period

Applicable N/A

(1) Efforts of internal control

During the reporting period, the Company identified risks in the existing business processes and led responsible business units to work on a timely closed loop for rectifying risks contained in the processes based on the in-depth understanding of the business logic, the objectives of business process designing, and the verification of actual business data from multiple perspectives with reference to the end-to-end business process audit performed according to the priority of the Company's operating businesses in accordance with the *Basic Standard for Internal Controls of Enterprises* and the relevant guidelines thereof, and regulatory requirements on internal control. The recycling audit and assessment activities helped to continuously improve the awareness of business personnel for internal control and to encourage business units to voluntarily identify risks in and make improvement for processes, so as to improve the level of internal control and governance of the Company as a whole. On the other hand, we enhanced the exercise of the right of supervision under the leadership of the Audit Committee of the Board of Directors, so as to expand the scope and strength of supervision of internal audit on the risk assessment for internal control of the Company, to identify the root causes of risks, and promote to achieve a substantially closed loop for risk issues in internal control.

(2) Supervision and assessment in internal control

During the reporting period, we organized the assessment on internal control for 2023 based on the Company's internal control system and the regulations on the method of assessment of internal control. Based on the identification of major defects in the internal control of the Company, the Company had no material and important defects in internal control for financial reporting and non-financial reporting. The Board of Directors of the Company considered that the Company had implemented the requirements of the corporate internal control system and relevant regulations, and the internal control for financial reporting and non-financial reporting was effective in all material aspects. For the specific content, refer to the *Report on the Assessment of Internal Control for 2023* released on the website of Shanghai Stock Exchange (www.sse.com.cn) on April 27, 2024.

Explanation about material defects in internal controls during the reporting period

Applicable N/A

XV. Management and control over subsidiaries during the reporting period

Applicable N/A

The Company conducted internal management of the stable operation of subsidiaries in accordance with the laws and regulations, the *Articles of Association*, the *Internal Control Management Regulations*, and other provisions, for which the internal audit has covered the supervision and risk assessment of the truthfulness and integrity in aspects of compliance, assets safety, financial reporting, and relevant information thereof; moreover, the Company conducted ongoing participation to optimize and adapt business processes with reference to actual business scenarios, so as to promote the standardized and efficient business operation. During the reporting period, all subsidiaries of the Company operated as normal without concealing matters to be disclosed or material defects or omissions that affect the operation and development of the Company, which were under effective control.

XVI. Explanation about the auditor's report on internal controls

Applicable N/A

For the specific content, refer to the *Auditor's Report on Internal Controls for 2023* released on the website of Shanghai Stock Exchange (www.sse.com.cn) on April 27, 2024.

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

Opinions in the auditor's report on internal controls: Standard unqualified opinion

XVII. Rectification of issues detected during the self-inspection of governance of the listed company

None

XVIII. Others

Applicable N/A

Section V. Environment, Social Responsibility, and Other Corporate Governance

Statement of the Board of Directors on ESG

Since its listing in July 2019, the Company has voluntarily released independent ESG reports (social responsibility reports) for five consecutive years to continuously improve the transparency in ESG information disclosure. During the reporting period, the Company won many honorary titles, including the Wind ESG A rating, Top 100 Listed Companies of China in ESG granted by Securities Times, Award of Innovative Practice and Case in ESG for 2023 granted in the Annual Golden List of Snowball.

In order to promote the effective implementation of the Company's ESG work, the Company has established and continuously improved the linked ESG management communication and coordination mechanism. As the first responsible person for ESG, the Chairman upgraded the Strategy Committee to the Strategy and ESG Committee during the reporting period to study and submit proposals on the long-term strategy, environment, society, and governance development and major investment decision-making for the Company. The Company has established a Sustainable Development Department to conduct training on sustainable development inside the Company, and to provide services for and coordinate with relevant departments in the field of sustainable development. The business departments, functional departments, and subsidiaries recommend a dedicated contact person to form an ESG working group, which is responsible for implementing ESG efforts within the respective departments and keeping communication with internal and external stakeholders. The Board of Directors regularly reviews the ESG work report of the Company on a yearly basis.

During the reporting period, the Company's ESG efforts include the following:

1. Focusing on R&D and innovation

As the world's leading laser display technology enterprise, we always keep scientific and technology innovation at the center for overall development. We maintained high R&D investments, paid attention to the conversion of R&D results, strengthened protection of intellectual property rights, and improved the level of industrialization to fully play our role in influencing the industry with our scientific and technology capacities.

During the reporting period, our R&D investments amounted to RMB 281 million, accounting for 12.69% of the operating revenue and leading to the implementation of two major R&D results: the first is AITO M9, a panoramic smart flagship SUV, which is equipped with the first automobile-grade giant screen projection solution in the industry provided by us and has been announced for mass production and highly welcomed by the market; the second is the global debut of the household smart projection product equipped with our ALPD® 5.0 super panchromatic laser technology for technology export overseas.

In terms of intellectual property rights, as of the end of the reporting period, we had a total of 2,862 patents filed and granted throughout the world, including 2,091 patents granted throughout the world, in which 1,081 ones were patents for invention. Moreover, we have won many honorary titles including the

National Intellectual Property Demonstration Enterprise, 24th China Patent Excellence Award, and one of the first enterprises participating in the action of trademark and brand value improvement under “Thousand Enterprises in a Hundred Cities”.

2. Strengthening corporate governance

We continuously improve the operation mechanism of the Board of Directors, solidify the foundation of corporate governance, and constantly improve the level of corporate governance, so as to drive the stable and long-lasting business development. During the reporting period, in consideration of the development strategy and business requirements of the Company, we added three professionals as non-independent directors and independent directors for the second Board of Directors to raise suggestions for the operation and development of the Company. By now, the second Board of Directors of the Company consists of 8 directors, including 3 independent directors and 1 employee representative director. The members of the Board of Directors have worked diligently to fulfill the duties of the Board of Directors and make decisions in a scientific manner.

The second Board of Supervisors of the Company consists of 3 supervisors, including 1 employee representative supervisor. The composition of the Board of Supervisors and the qualifications of the members thereof are in compliance with the requirements of laws and regulations to ensure professional expertise and practical experience.

During the reporting period, the Company held 2 general meetings of shareholders, 6 meetings of the Board of Directors, 5 meetings of the Board of Supervisors, and 13 meetings of professional committees to deliberate on equity incentive, profit distribution, regular report, additional directors, amendment to the *Articles of Association*, and relevant governance regulations, so as to continuously standardize the efficient operation of the general meeting of shareholders, the Board of Directors, and the Board of Supervisors, and improve the level of internal governance.

3. Adhering to green development

To assess the data on internal emission of green-house gases, we engaged a professional institution to perform independent third-party review on the examination report on green-house gases. For detailed data, refer to the table in the section “Green-house gas emission” below. In the future, we will regularly review our carbon dioxide emission, and continuously reduce our energy consumption and carbon dioxide emission by innovation of green technologies, optimization of production processes, strengthening energy management, reducing pollutant emission, etc. Meanwhile, to achieve efficient energy management, we made continuous efforts to establish and improve the energy management system, and passed the ISO50001 certification in 2023. We insisted on incorporating energy management into daily production management, so as to achieve the objectives of energy conservation and reduction in energy consumption in a planned and orderly manner.

4. Assuming social responsibility

We actively advocate the value concept of “people-oriented”, and are dedicated to creating an equal, open, and fair working and development environment for employees. During the reporting period, the Company has a total of 1,419 employees, including 524 female employees, accounting for 36.9%. We

continuously improve the system of remuneration and benefits to grant honors for outstanding performance, and improve the sense of belonging of employees through abundant holiday benefits and club activities. In terms of employee development, we provided rich training sessions to promote employee development. During the reporting period, the total training hours of employees at the parent company amounted to 10,600 hours, indicating an average of about 14.4 hours for each employee.

The enterprise is not only the seeker of commercial value, but also a performer of social responsibility to transmit value and warmth to society. We made full use of our advantages to make contributions to society in three major aspects including rural revitalization, popular science education, and social welfare. For example, we made efforts for rural revitalization by farmer assistance and providing support in the form of procurement; we made use of the corporate exhibition room as the base of popular science education to actively combine laser display technologies with digital art, allowing the public to experience the charm of immersive technologies.

For more details on our ESG efforts, refer to the *2023 Environmental, Social and Governance (ESG) Report* disclosed on the website of Shanghai Stock Exchange (www.sse.com.cn).

Environment

| | |
|---|-------|
| Whether mechanisms related to environmental protection have been established | Yes |
| Investment in environmental protection funds during the reporting period (unit: RMB 0'000) | 29.41 |

(I) Whether the Company is a major polluter identified by the environmental protection authority

Yes No

During the reporting period, the Company has no production or operating entity included in the list of major polluters identified by the environmental protection authority.

(II) Administrative penalties imposed due to environmental issues during the reporting period

During the reporting period, the Company experienced no administrative penalty imposed due to environmental issues.

(III) Information of resource and energy consumption and emissions

Applicable N/A

As a leading laser display technology enterprise in the world, the Company mainly engages in the research, development, production and sales of laser display core devices and complete equipment and application of laser display technologies to different scenarios based on the ALPD® semiconductor laser light source technologies and architecture. Given the evident characteristics of high light effect for laser light sources, the Company is a low energy consumption enterprise in terms of production.

In daily production and operation activities, the resources we consume mainly include electricity and water, and our emissions mainly include waste gas, waste water, and solid waste. During the reporting period, we have engaged a qualified third-party environment inspection institution to conduct inspection, which indicated that our emission of waste water and waste gas was in compliance with the requirements of national and local laws and regulations.

1. Green-house gas emission

√ Applicable □ N/A

We are actively dedicated to the examination and control of green-house gas emission in an attempt to save energy resources through green management inside the Company, hence contributing to the sustainable development of the global ecological environment.

To assess the data on internal emission of green-house gases, during the reporting period, we engaged a professional institution to perform an independent third-party review on the examination report on green-house gases in accordance with ISO14064-1:2018 and ISO14064-3:2019. This was the Company's first examination of green-house gases to quantify the scope 1 and scope 2. With the Company's Fuyong factory as the organizational boundary, the data of examining the emission sources and emission volumes within the organizational boundary is as follows:

| Category | Measurement unit | 2023 | Proportion |
|--|------------------|----------|------------|
| Green-house gas emission in scope 1 (carbon dioxide equivalent) | Ton | 264.43 | 8.25% |
| Green-house gas emission in scope 2 (carbon dioxide equivalent) | Ton | 2,939.37 | 91.75% |
| Total green-house gas emission (carbon dioxide equivalent) | Ton | 3,203.81 | 100% |

2. Energy and resource consumption

√ Applicable □ N/A

We strictly abide by national and local environmental protection laws and regulations. Under the principle of green production, we constantly optimize the production process and adopt advanced energy-saving technologies to minimize the impact on the environment during the production process, so as to promote sustainable development and environmental protection in contribution to the bright future of human society.

In addition, it is worth noting that to achieve efficient energy management, we made continuous efforts to establish and improve the energy management system, and passed the ISO50001 certification in 2023. We insisted on the idea of energy conservation, emission reduction, and energy efficiency improvement by incorporating energy management into daily production management, so as to achieve the objectives of energy conservation and reduction in energy consumption in a planned and orderly manner.

3. Emission of wastes and pollutants

√ Applicable □ N/A

1. Waste water treatment

The domestic waste water from the office of the Company was treated uniformly by the office building and the property management company of the industrial park, which was discharged into municipal sewage pipeline only after reaching the relevant standard through pre-treatment. During the reporting period, a third-party inspection institution inspected the waste water from the Company's

production activities in accordance with the *Discharge Limits of Water Pollutants*, a local standard of Guangdong Province, which indicated that the inspection results were in compliance with the discharge standard.

2. Waste gas treatment

Our production and operation activities generated few waste gases, mainly including tin-containing waste gas and non-methane hydrocarbons. The waste gases were treated by UV photolysis, activated carbon adsorption devices, air purification equipment, etc. The emission concentration of the treated waste gases was in compliance with the environmental protection standard at the place where the production and operation entity is located, i.e. the *Emission Limits of Air Pollutants* (DB44/27-2001 standard for level 2). Moreover, the inspection conducted by a third-party inspection institution engaged also indicated that the emission was in compliance with the standard.

3. Disposal of solid wastes

Our solid wastes were mainly classified into three categories: recyclable, non-recyclable, and hazardous wastes, which were collected separately and transferred to the renewable resources company for treatment in accordance with standards. We check the business qualifications of the renewable resource company every year, and enter into the relevant recycling contract with such company. In addition, we paid relevant management fees to the property management company every month to ensure that the wastes generated by the Company will not affect the environment.

4. Noise treatment

Our production and operation activities generated few noises. According to the inspection conducted in March 2023 by a third-party inspection institution in accordance with the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB12348-2008), the inspection results were in compliance with the emission standard.

Management regulations of the Company for environment protection

Applicable N/A

We have formulated the *Control Procedure of Hazardous Chemicals* as a guidance for employees in the management of chemicals, and established a dedicated region for the storage of chemicals. Moreover, we have formulated the *Emergency Plan Form* and *Control Procedure for Emergency Preparation and Response* in response to chemical, fire, and other emergency accidents, designated safety specialists for daily safety inspection, conducted training on fire-fighting knowledge for employees, and formulated emergency plans in handling fire accidents. The on-site inspection indicated that our management was in compliance with requirements.

In addition, we have formulated and continuously improved the *Control Procedure of Energy Resource Consumption* and set relevant environment objectives, so as to guide and supervise employees of the Company to control resource consumption; moreover, we collected statistics on the monthly use of water, electricity, and office paper, and encouraged employees to save water and electricity and avoid waste.

(IV) Measures taken to reduce carbon emissions during the reporting period and their effect

| | |
|--|---|
| Whether carbon reduction measures are in place | Yes |
| Reduction of CO₂ equivalent emissions (in tons) | 123,742 (current period)/489,242 (total) |
| Types of carbon reduction measures (e.g., using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that contribute to carbon reduction, etc.) | As of the end of the reporting period, we have installed over 29,500 sets of our ALPD® laser projection solution throughout China, achieving the total light source operation of about 316 million hours. This saved electricity by about 568 million kWh and reduced carbon dioxide emissions by over 0.4892 million tons. |

Specific description

Applicable N/A

Based on the statistics on multiple tests, compared with conventional xenon lamp light sources, the ALPD® laser projection light source can save electricity by 1.8 kWh per hour, while 1 kWh of electricity will lead to 0.86 kg carbon dioxide. As of the end of the reporting period, the total light source operation duration of our ALPD® laser projection solution is about 316 million hours. This saved electricity by about 568 million kWh and reduced carbon dioxide emissions by over 0.4892 million tons.

(V) New technologies, new products, and new services for carbon emission reduction

Applicable N/A

At present, laser is the brightest and purest artificial light source in the world. Moreover, laser has many advantages over conventional display technologies, including health for eye protection, outstanding color performance, large screen, energy conservation and environmental protection, etc. We made full use of the light source advantages and technology advantages in R&D and designing processes to integrate the ideas of environmental protection, energy conservation, and low carbon, so as to continuously improve the energy efficiency of our products and reduce energy consumption.

(VI) Relevant information conducive to protecting ecology, preventing pollution and fulfilling environmental responsibilities

Applicable N/A

We achieve information transmission and communication through comprehensive efforts for information system building, online process approval, electronic vouchers and invoices, and other digitalization tools to reduce the use of office supplies such as paper, ink, printers, etc., so as to reduce the consumption of natural resources and wastes generated, and reduce carbon dioxide emission and environment pollution, hence implementing our operating idea of sustainable development and environmental protection.

During daily operation, we paid attention to improving the awareness of employees for environmental protection, and encouraged everyone to use environment-friendly products and services during work and life. Moreover, we carried out multiple measures for green office, including waste segregation in public areas, posting energy conservation signs, and continuously implementing measures for water conservation,

electricity conservation, paper conservation, video conferences, electronic office, reduction of office and domestic wastes, and waste recycling.

Performance of social responsibilities

(VII) Social contributions of the main business and industry key indicators

Our innovative invention, ALPD® semiconductor laser light source technology, created a wholly new semiconductor laser light source, which made a breakthrough in the application of core devices and imaging solutions of laser display, hence becoming the mainstream technical route for the laser projection industry and widely used in vehicle, cinema, dedicated display, household fields. Specifically, thanks to the rapid breakthrough in automotive optics, we have entered into cooperation with multiple internationally renowned automobile manufacturers. As one of the first enterprises listed on the STAR Market, we always keep scientific and technology innovation at the center for overall development. We maintained high R&D investments, paid attention to the conversion of R&D results, strengthened protection of intellectual property rights, and improved the level of industrialization to fully play our role in influencing the industry with our scientific and technology capacities.

Focusing on the needs of strategic development of the nation, we played our role as a leader in major national scientific research projects to promote the further implementation and development of efforts of national scientific and technological innovation for the 14th Five-year Plan period, actively participate in exhibitions of scientific and technological innovation achievements and professional forums held by domestic and foreign authorities, take the initiative to undertake national projects and formulate domestic and foreign standards, and participate in the application of international awards to continuously promote the development of the semiconductor laser light source industry.

During the reporting period, we participated in the study and R&D of a key special project of “study of technical standards and applications of ultra-high definition and large-color gamut laser display measurement and valuation” under the “national quality infrastructure system”. Meanwhile, we participated in drafting the *White Paper of Laser Display Technology Development and Intellectual Property Rights* and the *2023 White Paper of High-quality Development of the Laser Display Industry* to provide a reference for players in the laser display industry of China, hence jointly promoting the sustainable and healthy development of the laser display ecology.

(VIII) Types of and contributions for public charity activities

| Type | Amount | Remark |
|---------------------------------|--------|--|
| Rural revitalization | | |
| Where: Funds (RMB 0'000) | 7.8 | We purchased agricultural products from Nandan County, Guangxi Zhuang Autonomous Region, and purchased jelly oranges from Meishan City, Sichuan Province for 3 consecutive years as holiday benefits of employees, so as to assist farmers in the form of procurement. |

1. Specific information about public charity activities

√ Applicable □ N/A

To allow the public to experience the convenience created by scientific and technology innovation, we made use of the corporate exhibition room as the base of popular science education to actively combine laser display technologies with digital art, allowing the public to experience the charm of immersive technologies. During the reporting period, we passed the annual assessment of science popularization base for Nanshan District, Shenzhen, got listed in the Cultivation Resource Bank of Industrial Tourism in Guangdong, and established close cooperation with the Nanshan District Science Popularization Union, Tsinghua University, Shenzhen Higher Secondary School, Nantou Primary School, Nanshan Qihang Experience Trip, Macao Education and Youth Development Bureau, and Taoyuan Community of Nanshan District, etc. to carry out a number of audience-specific theme activities of science popularization for groups such as teenagers, children, students from Guangdong, Hong Kong and Macao Greater Bay Area, and new forms of employment.

During the reporting period, our exhibition hall welcomed 10,458 person-times of social public in 347 times free of charge; and welcomed 611 person-times of children, students, and teenagers in a total of 23 times.

2. Information on consolidation and expansion of the results of poverty alleviation, rural revitalization and other specific work

√ Applicable □ N/A

| Project of poverty alleviation and rural revitalization | Number/content | Remark |
|---|----------------|--|
| Total investment (RMB 0'000) | 7.8 | - |
| Where: Funds (RMB 0'000) | 7.8 | Same as above |
| Number of persons benefited (persons) | 21 | According to the statistics collected by the Rural Revitalization Bureau of Nandan County, Guangxi Zhuang Autonomous Region, the agricultural products we purchased will benefit 21 local families with financial difficulties, increasing their incomes by over RMB 1,300 per person. |

Specific description

□ Applicable √ N/A

(IX) Protection of the rights and interests of shareholders and creditors

We continuously improve the operation mechanism of the Board of Directors, solidify the foundation of corporate governance, and constantly improve the level of corporate governance, so as to drive the stable and long-lasting business development. We carry out our work in accordance with the provisions and requirements of the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies*, and the relevant laws, regulations, and normative documents of China Securities Regulatory Commission and Shanghai Stock Exchange. The Board of Directors, as the standing decision-making and management body of the Company, has four specialized committees, namely, the Audit Committee, the

Strategy and ESG Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. Meanwhile, we have built a legal person governance structure featuring clear division of duties and responsibilities, specific tasks, effective checks, scientific decision-making, and coordinated operation among the general meeting of shareholders, Board of Directors, Board of Supervisors, and management, and optimized the operation mechanism consisting of “the general meeting of shareholders, the Board of Directors, the Board of Supervisors, and the management” to continuously optimize the efficiency of corporate governance.

(X) Protection of the rights and interests of employees

We actively advocate the value concept of “people-oriented”, respect and protect the rights and interests of employees, and are dedicated to creating an equal, open, and fair working and development environment for employees. Since the establishment of the trade union and the employee representative meeting at the Company, all the policies and regulations involving the benefits, labor rights and interests, and personal safety of the employees have been subject to the democratic decision-making of the employee representative meeting to safeguard the rights and interests of employees. On the principle of equal employment, we worked with universities to establish academy-enterprise talent cooperation base, worked with district governments in Shenzhen to jointly establish talent practice bases, and supported the combination of scientific research and practical implementation as a postdoctoral workstation to expand the talent recruitment channel and improve our image as an employer. We continuously improve the system of remuneration and benefits, and followed the distribution principles of “efforts-based distribution, priority of efficiency, equity, and sustainable development” to properly safeguard benefits while awarding those making outstanding contributions. In terms of employee development, we provided abundant learning resources and a sound training system to facilitate the constant study and growth of employees.

Employee share ownership

| | |
|---|----------|
| Number of employees owning shares (persons) | 174 |
| Ratio of employees owning shares to the total number of employees (%) | 12.26 |
| Number of shares owned by employees (0'000 shares) | 2,891.58 |
| Ratio of shares owned by employees to the total share capital (%) | 6.25 |

(XI) Protection of the rights and interests of suppliers, customers and consumers

With great importance attached to cooperation with suppliers and strategic partners, we actively implemented clean and responsible procurement, concluded the *Partner Integrity Agreement* with suppliers, elected to purchase environment-friendly raw materials, and actively deployed core areas and links of the industrial chain as an important component of the Company’s production and operation. By improving the management regulations, adopting the new supplier management system, and staffing of professionals for various automotive modules, we have won the recognition of multiple domestic and foreign customers of automotive business for our supply chain management system and started shipment.

Meanwhile, we encourage, assist, and support suppliers to continuously improve their performance of social and environment responsibilities, including improving the energy efficiency, reducing carbon emission, reducing waste generation, adopting sustainable procurement, safeguarding labor rights and interests, etc., so as to drive the improvement in the transparency of the supply chain. We worked with suppliers to jointly formulate, implement, and supervise over improvement plans to ensure the actual results of improvement.

In terms of customer services, we have built an after-sales service system covering mainstream e-commerce platforms, integrating online with offline efforts and pre-sales with after-sales services, so as to improve the timeliness of services and customer satisfaction through informatization, expert-oriented, and localized efforts.

(XII) Safeguarding product safety

We always implement quality management under the objectives of high standards, high quality, and high efficiency. We passed the ISO 9001 quality management system certification on the same year when the Company was established, and adopted the IATF 16949 quality management system in 2021; internally, we formulated a series of normative documents to enhance quality management efforts, advocate the idea of quality culture, system and process building, laboratory system, and quality supervision system to implement whole-process quality management.

We are committed to building a quality culture of “zero defect” by implementing production monitoring, smart aging control, and 5S visualization throughout the process, integrating quality monitoring into every stage of production management. Thanks to the strengthened quality management, our products can meet the requirements of multiple display solutions for high-end core devices, house laser smart projection, laser cinema projection devices, laser large venue devices, laser business education products, laser TVs, etc., and are highly recognized by leading users in the industry including Xiaomi, Barco, and CFGC. We value training on product quality, with the product quality training covering 100% employees.

For example, in the automotive business, our high-quality automotive products passed the steady state damp heat, temperature life, thermal fatigue compound vibration, mechanical shock, dust, solar radiation, salt spray, VOC, odor, and other tests, for which the IATF16949 system and customers’ requirements are implemented strictly in process management, hence winning the wide recognition of customers.

During the reporting period, in order to improve the quality of shipment, we established the mechanism of regular efforts for top issues in pursuit of continuous improvement, and made policies and improvement for the quality of new products by early preventive measures and early measures in response to risks, which steadily improved the qualified rate of our products.

(XIII) Other information about the performance of social responsibilities

Applicable N/A

We are committed to the combination of technology and culture, and have assisted the dissemination of traditional culture and telling Chinese stories with light through efforts of large-scale cultural tourism events, cultural performances, landscape lighting, night lighting, etc.

For example, we made use of multi-series large venue projectors to assist the project of “Picture of the Mountain and the Sea @ Jiangjun Mountain, Pingtan, China”, in which the mountain and sea in Jiangjun Mountain and stones in surrounding villages were used to create a performance of real mountain, sea, and stones, providing immersive experience for audience to experience the Pingtan culture. In the Mural Art Museum at Fahai Temple in Beijing, we made use of digital media presentation means such as projection to present the content of mural arts and the background story to audience in a richer and more vivid manner, so that the audience can experience the beauty of the mural art and culture.

We attached importance to improving the positive influence of our products on society and meeting consumer demands by humanistic designing to improve the convenience and comfort in use. In addition to the R&D of laser products, we also took active measures to popularize science and technology knowledge so that the public can experience the charm of our products.

Other corporate governance

(I) Investor relation and protection

| Type | Times | Remark |
|--|--|---|
| Convene performance briefings | 3 | |
| Conduct investor relation management activities through new media | 21 | Release the latest information and other significant events of the Company on the capital market to investors through the “Appotronics” WeChat service account and the “Appotronics” video account, so as to improve the experience of investors in obtaining information in the form of images with text and short videos. |
| Column of investor relation on the official website | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | For details, refer to the investor relation page on our official website: https://www.appotronics.com/investor_team.html |

Specific information about investor relation management and investor protection

Applicable N/A

We continuously enhance communication and interaction with investors, return to investors by creating more value, so as to build a favorable image on the capital market. During the reporting period, we carried out a total of over 270 roadshows, including reverse roadshows, online and offline strategy meetings, and open day for investors, accessing over 600 buyer-side investors. Meanwhile, the Company was successfully included as a sample in SSE STAR 100 Index, which recognized the high innovation, growth, and liquidity of the Company. During the reporting period, we held a total of 3 performance presentation meetings, answered over 900 IR hotline calls, disclosed 7 record forms of survey information, and regularly answered over 160 queries raised by investors on the public communication platform.

Explanation about communication with investors by other means

Applicable N/A

In April 2023, we participated in the 20th Shanghai International Automobile Industry Exhibition for the first time. For this top public exhibition in the automotive industry, the investor relation management team visited the site in person to receive medium and small investors and presented professional speeches, leading investors to intuitively experience our new products and new businesses.

(II) Transparency of information disclosure

√ Applicable □ N/A

We further improved the efforts for information disclosure management in compliance with the relevant laws and regulations and the *Management Regulations of Information Disclosure*. We made information disclosure in a truthful, accurate, complete, timely, and fair manner, actively made voluntary information disclosure multiple times, released the ESG report and letter to shareholders, so as to encourage investors to pay attention to the corporate social responsibilities and the long-term development strategy of the Company. We disclosed the nomination of domestic and overseas famous automobile manufacturer to promptly review the progress of our automotive business, assisting investors in decision-making. We disclosed the English version of regular reports to inform overseas investors of our development.

(III) Protection of intellectual property rights and information security

√ Applicable □ N/A

Under the culture and idea for intellectual property rights of “respecting knowledge, advocating innovation, being honest and law-binding, and fair competition”, we continuously optimized and improved the existing system for protection of intellectual property rights, and amended internal regulations including the *Patent Management Regulations* and *Trademark Management Regulations*. We advocated respecting the intellectual property rights of others, and implemented the alarm mechanism for risks in intellectual property rights. As of the end of the reporting period, we had a total of 2,862 patents filed and granted throughout the world, including 2,091 patents granted throughout the world, in which 1,081 ones were patents for invention.

In terms of information security, we have formulated and continuously improved the *Information Security Regulations* and the procedures, operation guidelines, control measures thereof, so as to provide the rules to follow in information security efforts, safeguard the information confidentiality, integrity, and availability of the Company and provide employees with specific and clear instructions and regulations. In addition, we made active efforts in technology exploration and implementation during routine execution and monitoring work in pursuit of information security.

(IV) Information about participation of institutional investors in corporate governance

√ Applicable □ N/A

Institutional investors of the Company actively participated in voting at the general meetings of shareholders of the Company, and fully exercised the right of information, voting right, and other shareholder’s right, so as to enhance the supervision over and suggestions for corporate governance of the Company. With full awareness of the Company about the continuity and importance of institutional

investors in promoting the governance capability of the Company, the Company keeps active communication with institutional investors to present information about the Company and receive suggestions about the development of the Company from institutional investors, assisting the management in making judgments and decisions in a faster and more accurate manner and continuously improving corporate governance.

(V) Other corporate governance

Applicable N/A

Section VI. Significant Matters

I. Fulfillment of covenants

(I) Covenants made by the actual controller, shareholders, affiliates and acquirer of the Company, the Company itself and other related parties during the reporting period or the outstanding covenants made by them in the prior periods

√ Applicable □ N/A

| Background of covenant | Type of covenant | Covenantor | Content of covenant | Date of covenant | Whether there's a time limit for the fulfillment of the covenant | Period of covenant | Whether the covenant has been strictly fulfilled on time | Reason for failure to fulfill the covenant on time (if applicable) | Action plan if failing to fulfill the covenant on time |
|-------------------------|-----------------------------------|---|--|------------------|--|---|--|--|--|
| Covenant related to IPO | Restriction on the sale of shares | Covenant by the controlling shareholder regarding restriction on the sale of shares held by him, voluntary lock-up of such shares, intention to hold and dispose of shares and other issues | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | Yes | 36 months after completion of the IPO and the extended period stated below | Yes | N/A | N/A |
| | Restriction on the sale of shares | Covenant by the actual controller regarding restriction on the sale of shares held by him, voluntary lock-up of such shares, intention to hold and dispose of shares and other issues | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | Yes | 36 months after completion of the IPO and the extended period stated below, and 6 months after termination of employment with the Company | Yes | N/A | N/A |

| | | | | | | | | | |
|--|-----------------------------------|--|--|----------------|-----|---|-----|-----|-----|
| | Restriction on the sale of shares | Covenant by the persons acting in concert with the actual controller regarding restriction on the sale of shares held by him, voluntary lock-up of such shares, intention to hold and dispose of shares and other issues | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | Yes | 36 months after completion of the IPO and the extended period stated below | Yes | N/A | N/A |
| | Restriction on the sale of shares | Covenant by HU Fei, as a member of key technical staff, regarding restriction on the sale of shares held by him, voluntary lock-up of such shares, intention to hold and dispose of shares and other issues | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | Yes | 12 months after completion of the IPO and the extended period stated below, and 6 months after termination of employment with the Company | Yes | N/A | N/A |
| | Restriction on the sale of shares | Covenant by the key technical staff YU Xin and others regarding restriction on the sale of shares held by them, intention to hold and dispose of shares and other issues | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | Yes | 12 months after completion of the IPO, and 4 years from the expiry of the lockup period | Yes | N/A | N/A |
| | Others | Issuer's covenant regarding measures against fraud in IPO | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | No | Permanent | Yes | N/A | N/A |

| | | | | | | | | |
|--|---|--|----------------|----|-----------|-----|-----|-----|
| | Controlling shareholder, actual controller and their concert parties' covenant regarding measures against fraud in IPO | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | No | Permanent | Yes | N/A | N/A |
| | Directors, supervisors and senior officers' covenant regarding measures against fraud in IPO | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | No | Permanent | Yes | N/A | N/A |
| | Issuer's covenant regarding remedial measures for diluted earnings in the current period | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | No | Permanent | Yes | N/A | N/A |
| | Controlling shareholder, actual controller and their concert parties' covenant regarding remedial measures for diluted earnings in the current period | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | No | Permanent | Yes | N/A | N/A |
| | Directors and senior officers' covenant regarding remedial measures for diluted earnings in the current period | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | No | Permanent | Yes | N/A | N/A |

| | | | | | | | | |
|---------------------------------------|---|--|----------------|----|----------------|-----|-----|-----|
| | Issuer's covenant regarding profit distribution policy | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market of the Company</i> | March 22, 2019 | No | Permanent | Yes | N/A | N/A |
| | Issuer's covenant regarding restraint measures and liability for compensation in the event of failure to fulfill its covenants | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market of the Company</i> | March 22, 2019 | No | Permanent | Yes | N/A | N/A |
| | Controlling shareholder, actual controller and their concert parties' covenant regarding restraint measures and liability for compensation in the event of failure to fulfill their covenants | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market of the Company</i> | March 22, 2019 | No | Permanent | Yes | N/A | N/A |
| | Directors, supervisors and senior officers' covenant regarding restraint measures and liability for compensation in the event of failure to fulfill their covenants | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market of the Company</i> | March 22, 2019 | No | Term of office | Yes | N/A | N/A |
| Resolve horizontal competition issues | Controlling shareholder's covenant on avoiding horizontal competition and regulating and reducing related-party transactions | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market of the Company</i> | March 22, 2019 | No | Permanent | Yes | N/A | N/A |

| | | | | | | | | | |
|--------------------------------------|--------|--|--|------------------|-----|---|-----|-----|-----|
| | | Actual controller's covenant on avoiding horizontal competition and regulating and reducing related-party transactions | Refer to the <i>Prospectus for the Initial Public Offering of Shares and Listing on the STAR Market</i> of the Company | March 22, 2019 | No | Permanent | Yes | N/A | N/A |
| Covenant related to share incentives | Others | Covenant by the grantee of share incentives regarding information disclosure documents | Refer to the <i>2021 Restricted Share Incentive Plan (Draft)</i> of the Company | April 12, 2021 | Yes | Execution period of the equity incentive plan | Yes | N/A | N/A |
| | | | Refer to the <i>2021 Second Restricted Share Incentive Plan (Draft)</i> of the Company | October 25, 2021 | Yes | Execution period of the equity incentive plan | Yes | N/A | N/A |
| | | | Refer to the <i>2022 Restricted Share Incentive Plan (Draft)</i> of the Company | May 25, 2022 | Yes | Execution period of the equity incentive plan | Yes | N/A | N/A |
| | | Company's covenant on refraining from providing financial assistance | Refer to the <i>2021 Restricted Share Incentive Plan (Draft)</i> of the Company | April 12, 2021 | Yes | Execution period of the equity incentive plan | Yes | N/A | N/A |
| | | | Refer to the <i>2021 Second Restricted Share Incentive Plan (Draft)</i> of the Company | October 25, 2021 | Yes | Execution period of the equity incentive plan | Yes | N/A | N/A |
| | | | Refer to the <i>2022 Restricted Share Incentive Plan</i> | May 25, 2022 | Yes | Execution period of the equity incentive plan | Yes | N/A | N/A |

| | | | | | | | | | |
|--|--|--|---------------------------|--|--|--|--|--|--|
| | | | (Draft) of the Company | | | | | | |
|--|--|--|---------------------------|--|--|--|--|--|--|

(II) If the Company has made any profit forecast on its assets or projects and the reporting period falls within the period of such profit forecast, explanation about whether the goal has been achieved and the relevant reasons

Reached Not reached N/A

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

Applicable N/A

II. Non-operating occupation of funds by the controlling shareholder or its affiliates during the reporting period

Applicable N/A

III. Guarantees in violation of regulations

Applicable N/A

IV. Explanation of the Board of Directors about the “modified audit opinion” issued by the accounting firm

Applicable N/A

V. Explanation about the reasons and effect of changes in accounting policies and accounting estimates or correction of material accounting errors

(I) Explanation about the reasons and effect of changes in accounting policies and accounting estimates

Applicable N/A

For details, refer to “Section X. Financial Report - V.40 Changes in significant accounting policies and accounting estimates” herein.

(II) Explanation about the reasons and effect of correction of material accounting errors

Applicable N/A

(III) Communication with the former accounting firm

Applicable N/A

(IV) Approval procedure and other description
 Applicable N/A

VI. Appointment and termination of appointment of accounting firm

In RMB 0'000

| | Current accounting firm |
|--|--|
| Name of domestic accounting firm | Pan-China Certified Public Accountants (Special General Partnership) |
| Fee payable to domestic accounting firm | 140 |
| Audit period of domestic accounting firm | 8 |
| Name of registered accountants from the domestic accounting firm | Mr. WEI Biaowen, Mr. NIU Chunjun |
| Total years of audit services of registered accountants from the domestic accounting firm | Mr. WEI Biaowen has 3 years of audit services, and Mr. NIU Chunjun has 4 years of audit services |

| | Name | Fee |
|---|--|-----|
| Accounting firm for internal control audit | Pan-China Certified Public Accountants (Special General Partnership) | 15 |
| Sponsor | Huatai United Securities Co., Ltd. | - |

Explanation about the appointment and termination of appointment of accounting firm

 Applicable N/A

The Company engaged Pan-China Certified Public Accountants (Special General Partnership) as the institution for the audit of the 2023 annual financial statements and the internal control audit for financial report with the annual fee of RMB 1.40 million (tax inclusive).

Explanation about re-appointment of accounting firm during the audit period

 Applicable N/A

Explanation about the decrease in the audit fees compared with the previous year by over 20% (including 20%)

 Applicable N/A

VII. Delisting risks
(I) Reasons causing the delisting risk warning
 Applicable N/A

(II) Response measures to be taken by the Company
 Applicable N/A

(III) Risk of delisting and the reason
 Applicable N/A

VIII. Matters related to bankruptcy and reorganization

Applicable N/A

IX. Material litigations and arbitrations

The Company was involved in material litigations or arbitrations during the current year
 The Company was not involved in material litigations or arbitrations during the current year

(I) Litigations and arbitrations already disclosed in interim announcements about which no new information is available

Applicable
 N/A

| Summary and type of case | Reference |
|---|--|
| I. (2021) Yue 73 Zhi Min Chu No. 1860 In December 2021, Delta maliciously initiated an intellectual property litigation against the Company. Since such act infringed the rights and interests of the Company, the Company sued Delta to Guangzhou Intellectual Property Court on December 17, 2021 on the ground of such malicious act, involving the amount of RMB 10.00 million. | Refer to the <i>Announcement on Malicious Litigation Initiated by Delta Electronics</i> (No. 2021-097) disclosed by the Company at the website of the Shanghai Stock Exchange (www.sse.com.cn) on December 21, 2021 for details. |
| II. 01-22-0001-2735 In March 2022, GDC Cayman and GDC BVI initiated the arbitration against the Company and its wholly-owned subsidiary Appotronics HK in respect of the dispute over the implementation of the Settlement Agreement, involving the total amount of USD 38.00 million. Later, the Company raised counter-claims against GDC Cayman, GDC BVI, Mr. ZHANG Wanneng and his management team on the ground that GDC Cayman, GDC BVI, Mr. ZHANG Wanneng and his management team violated the provisions of the Shareholders' Agreement and Settlement Agreement, involving the total amount of no less than USD 40.00 million. | Refer to the <i>Announcement on Arbitration with GDC Cayman and GDC BVI</i> (No. 2022-028) disclosed by the Company at the website of the Shanghai Stock Exchange (www.sse.com.cn) on April 2, 2022 for details. |

(II) Litigations and arbitrations that have not been disclosed in interim announcements or about which there's new information available

Applicable
 N/A

In RMB 0'000

| During the reporting period | | | | | | | | | |
|-----------------------------|----------------------|-----------------------------|--------------------------------|------------|----------------|-----------------------|--------|-------------------|-------------------------------|
| Plaintiff/claimant | Defendant/respondent | Party jointly and severally | Type of litigation/arbitration | Background | Amount claimed | Whether any provision | Status | Result and effect | Enforcement of judgment/award |

| | | liable | | | | is recognized and the amount | | | |
|-------------------------|---------------------------------|--|--------------------------------------|---|----------|-------------------------------------|-------------|---|---|
| Delta Electronics, Inc. | Appotronics Corporation Limited | Chengdu Jinxi Guangxian Information Technology Co., Ltd. | Infringement on patent for invention | Case of dispute over infringement on patents for invention (2021) Chuan 01 Zhi Min Chu No. 685, the Plaintiff alleges that the Defendant infringed such patent for invention No. ZL201610387831.8 of the Plaintiff and caused economic losses to the Plaintiff. | 1,601.00 | No | Case closed | The court approved to withdraw the case | - |
| Delta Electronics, Inc. | Appotronics Corporation Limited | Chengdu Jinxi Guangxian Information Technology Co., Ltd. | Infringement on patent for invention | Case of dispute over infringement on patents for invention (2021) Chuan 01 Zhi Min Chu No. 686, the Plaintiff alleges that the Defendant infringed such patent for invention No. ZL201110041436.1 of the Plaintiff and caused economic losses to the Plaintiff. | 1,601.00 | No | Case closed | The court approved to withdraw the case | - |
| Delta Electronics, Inc. | Appotronics Corporation Limited | Shanghai Haichi | Infringement on patent for invention | Case of dispute over infringement on | 1,601.00 | No | Case closed | The court | - |

| | | | | | | | | | |
|---------------------------------|--|---------------------------------------|--------------------------------------|---|----------|----|-------------|---|---|
| | | Digital Technology Co., Ltd. | | patents for invention (2023) Hu 73 Zhi Min Chu No. 15 (former case No.: (2021) Hu 73 Zhi Min Chu No. 1070), the Plaintiff alleges that the Defendant infringed such patent for invention No. ZL201110041436.1 of the Plaintiff and caused economic losses to the Plaintiff. | | | | approved to withdraw the case | |
| Delta Electronics, Inc. | Appotronics Corporation Limited | Fengmi (Beijing) Technology Co., Ltd. | Infringement on patent for invention | Case of dispute over infringement on patents for invention (2019) Jing 73 Min Chu No. 1275, the Plaintiff alleges that it is the owner of the patent for invention No. ZL201610387831.8 and the Defendant infringed such patent for invention of the Plaintiff and caused economic losses to the Plaintiff. | 1,601.00 | No | Case closed | The court issued a ruling to dismiss the case | - |
| Appotronics Corporation Limited | Delta Electronics (Shanghai) Co., Ltd. | Delta Video Display | Infringement on patent for invention | Cases of dispute over infringement on patents for | 3,825.00 | No | Case closed | The court approved | - |

| | | | | | | | | | |
|---------------------------------|--|--|--------------------------------------|---|----------|----|-------------|---|---|
| | | System (Wujiang) Limited, WANG Yuhai, Hunan Dehao Cultural and Creative Co., Ltd., Digital Protection (Beijing) Electronics Technology Co., Ltd., Guangdong Jianye Display Information Technology Co., Ltd., and Guangzhou Jianye Network Technology Co., Ltd. | | invention (2020) Yue 73 Zhi Min Chu No. 1335-1338, 1340, 1341, 1361, the Plaintiff alleges that the Defendants, Delta Electronics (Shanghai) Co., Ltd., Delta Video Display System (Wujiang) Limited, and other entities, infringed the patent for invention No. ZL200880107739.5 of the Plaintiff and caused economic losses to the Plaintiff. | | | | to withdraw the case | |
| Appotronics Corporation Limited | Delta Electronics (Shanghai) Co., Ltd. | Delta Video Display System (Wujiang) Limited, WANG | Infringement on patent for invention | Cases of dispute over infringement on patents for invention (2020) Yue 73 Zhi Min Chu No. 1339, 1353, 1355, 1357-1360, | 4,175.00 | No | Case closed | The court approved to withdraw the case | - |

| | | | | | | | | | |
|---------------------------------|--|---|--------------------------------------|--|-------|----|-------------|--|---|
| | | Yuhai, Hunan Dehao Cultural and Creative Co., Ltd., Digital Protection (Beijing) Electronics Technology Co., Ltd., Guangdong Jianye Display Information Technology Co., Ltd., and Guangzhou Jianye Network Technology Co., Ltd. | | the Plaintiff alleges that the Defendants, Delta Electronics (Shanghai) Co., Ltd., Delta Video Display System (Wujiang) Limited, and other entities, infringed the patent for invention No. ZL200810065225.X of the Plaintiff and caused economic losses to the Plaintiff. | | | | | |
| Appotronics Corporation Limited | Delta Electronics (Shanghai) Co., Ltd. | Delta Video Display System (Wujiang) Limited, Shenzhen Super Network Technology Co., Ltd. | Infringement on patent for invention | Cases of dispute over infringement on patents for invention (2019) Yue 03 Min Chu No. 2943, 2944, 2946, 2948, and 2951, the Plaintiff initiated the infringement lawsuit, alleging | 2,800 | No | Case closed | The court issued a judgment to dismiss the litigation claims | - |

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | that the Defendant infringed the patent for invention No. 200810065225.X of the Company and caused economic losses to the Plaintiff. | | | | | |
|--|--|--|--|--|--|--|--|--|--|

(III) Other information

Applicable N/A

1. As of the end of the reporting period, 16 petitions for invalidation were submitted for our patent for invention No. ZL200880107739.5, and 11 petitions for invalidation were submitted for our patent for invention No. ZL200810065225.X, of which 26 invalidation cases with the Company as the patentee have been decided by China National Intellectual Property Administration, with the patents sustained, or withdrawn by the petitioner, and only 1 case is under trial at China National Intellectual Property Administration.

2. As of the end of the reporting period, the Company has initiated a total of 3 invalidation petitions against the patents held by Delta Electronics, Inc., and China National Intellectual Property Administration has declared all the patents under the invalidation petitions above invalid.

3. As of the end of the reporting period, 1 petition for invalidation was submitted against a patent of which the Company is the patentee, involving the patent “A light source system and projection device” (patent No.: ZL201610129958.X). The case is under trial at China National Intellectual Property Administration.

X. Penalties imposed on the listed company and its directors, supervisors, senior officers, controlling shareholder, actual controller for suspected violation of laws and regulations and rectification of the relevant violations

Applicable N/A

XI. Credit standing of the Company and its controlling shareholder and actual controller during the reporting period

Applicable N/A

XII. Material related-party transactions

(I) Related-party transactions in connection with day-to-day operation

1. Matters already disclosed in the interim announcements about which no new information is available

Applicable N/A

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

Applicable N/A

In RMB 0'000

| Category of related-party transaction | Related party | Expected amount for the current period | Actually incurred amount in the current period | Reason for the great difference between the expected amount and the actual amount |
|--|---|--|--|---|
| Provide a related party with products, goods, leases, and services | Xiaomi Communications Co., Ltd. and its affiliates | 30,000.00 | 19,925.87 | Change in the business structure and decline in demands |
| | China Film Equipment Co., Ltd. and its affiliates | 6,000.00 | 2,698.25 | Change in market demands |
| | CINIONIC and its affiliates | 3,000.00 | 2,998.37 | It is no longer a related party from May 1, 2023 |
| | Beijing Donview Education Technology Co., Ltd. and its affiliates | 2,000.00 | 4.00 | Change in the business structure and decline in demands |
| | GDC and its affiliates | 200.00 | 44.13 | N/A |
| | YLX Incorporated | 1,500.00 | 412.35 | Change in the business structure and decline in demands |
| | Subtotal | | 42,700.00 | 26,082.97 |
| Purchase goods, raw materials, etc. from a related party | Xiaomi Communications Co., Ltd. and its affiliates | 10,000.00 | 4,798.93 | Change in the business structure and decline in demands |
| | China Film Equipment Co., Ltd. and its affiliates | 500.00 | 231.25 | N/A |
| | GDC and its affiliates | 300.00 | 134.92 | N/A |
| | YLX Incorporated | 500.00 | 337.15 | N/A |
| | Subtotal | | 11,300.00 | 5,502.25 |
| Receive labor | Xiaomi Communications Co., Ltd. and its affiliates | 100.00 | 2.56 | N/A |

| | | | | |
|-----------------------------|---|------------------|------------------|--------------------------|
| services from related party | China Film Equipment Co., Ltd. and its affiliates | 3,000.00 | 2,275.70 | Change in market demands |
| | YLX Incorporated | 0.00 | 33.51 | N/A |
| | Shenzhen Lighting Institute | 0.00 | 37.74 | N/A |
| | Beijing Donview Education Technology Co., Ltd. and its affiliates | 0.00 | 0.42 | N/A |
| | Subtotal | 3,100.00 | 2,349.93 | - |
| Property lease | China Film Equipment Co., Ltd. and its affiliates | 250.00 | 147.81 | N/A |
| | Subtotal | 250.00 | 147.81 | - |
| Total | | 57,350.00 | 34,082.96 | |

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

Applicable N/A

(II) Related-party transactions involving acquisition or sale of assets or equities

1. Matters already disclosed in the interim announcements about which no new information is available

Applicable N/A

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

Applicable N/A

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

Applicable N/A

4. Fulfillment of performance covenants (if any) during the reporting period

Applicable N/A

(III) Significant related-party transactions involving joint external investments

1. Matters already disclosed in the interim announcements about which no new information is available

Applicable N/A

| Summary | Reference |
|--|--|
| On April 26, 2023, the Company held the 19 th meeting of the second Board of Directors and the 18 th meeting of the second Board of Supervisors, at which the <i>Proposal on Stopping Acquiring 51% Equity Interests in WeCast Technology Corp. by the Subsidiary Formovie</i> was reviewed and approved, under which it was approved that Formovie (Chongqing) Innovative Technology Co., Ltd., a subsidiary of the Company, shall stop acquiring the 51% equity interests in WeCast. | Refer to the <i>Announcement on Stopping Subscribing to 51% Equity Interests in WeCast Technology Corp. by the Subsidiary Formovie</i> (No. 2023-014) disclosed by the Company at the website of the Shanghai Stock Exchange (www.sse.com.cn) on April 28, 2023 for details. |

2. Matters already disclosed in the interim announcements about which there's new information available
 Applicable N/A

3. Matters that have not been disclosed in any interim announcement
 Applicable N/A

(IV) Accounts receivable from and payable to related parties
1. Matters already disclosed in the interim announcements about which no new information is available
 Applicable N/A

2. Matters already disclosed in the interim announcements about which there's new information available
 Applicable N/A

3. Matters that have not been disclosed in any interim announcement
 Applicable N/A

(V) Financial business between the Company and its affiliated financial companies, the Company's controlled financial companies or affiliates
 Applicable N/A

(VI) Others
 Applicable N/A

XIII. Material contracts and performance thereof
(I) Trusteeship, contracting and lease
1. Trusteeship
 Applicable N/A

2. Contracting
 Applicable N/A

3. Lease
 Applicable N/A

In RMB 0'000

| Name of lessor | Name of lessee | Leased assets | Amount of leased assets | Start date | End date | Lease income | Basis for determining lease income | Impact of lease income on the Company | Related-party transaction or not | Related-party relation |
|--------------------------------------|---------------------------------|--|-------------------------|------------|------------|--------------|------------------------------------|---------------------------------------|----------------------------------|------------------------|
| Shenzhen Meisheng Industry Co., Ltd. | Appotronics Corporation Limited | Office, R&D, factory, employee dormitory | 1,469.40 | 2022.12.01 | 2024.11.30 | - | - | - | No | |

Description of lease

None

(II) Guarantees

√ Applicable □ N/A

In RMB 0'000

| Guarantees provided by the Company or its subsidiaries for the subsidiaries of the Company | | | | | | | | | | | | |
|--|---|---|---|-------------------|--|-----------------------------|--|-----------------------------|---|--|---|-------------------------------------|
| Guarantor | Relationship between the guarantor and the listed company | Obligor | Relationship between the obligor and the listed company | Guaranteed amount | Commencement date of guarantee (signing date of agreement) | Inception date of guarantee | Expiry date of guarantee | Type of guarantee | Whether the obligation guaranteed has been discharged | Whether the obligation guaranteed has become overdue | Amount of the overdue obligation guaranteed | Whether there's a counter guarantee |
| Appotronics Corporation Limited | Headquarters | CINEAPP O Laser Cinema Technology (Beijing) Co., Ltd. | Controlled subsidiary | 23,000.00 | 2021/1/26 | 2021/1/26 | 2026/2/7 | Joint and several liability | No | No | | No |
| Appotronics Corporation Limited | Headquarters | CINEAPP O Laser Cinema Technology (Beijing) Co., Ltd. | Controlled subsidiary | 4,000.00 | 2023/10/26 | 2023/8/25 | Three years from the expiry of the performance period of the debtor as provided in the specific financing contract | Joint and several liability | No | No | | No |
| Appotronics Corporation Limited | Headquarters | CINEAPP O Laser Cinema Technology | Controlled subsidiary | 5,000.00 | 2023/10/16 | 2023/10/16 | The guarantee period is three years from the date of termination of | Joint and several | No | No | | No |

| | | | | | | | | | | | | |
|--|------------------|--|--------------------------|-----------|------------|------------|---|--|----|----|--|----|
| | | y (Beijing) Co., Ltd. | | | | | claims determination period | liabilit y | | | | |
| Appotroni cs Corporatio n Limited | Headquart ers | CINEAPP O Laser Cinema Technolog y (Beijing) Co., Ltd. | Controlled subsidiary | 10,000.00 | 2023/11/3 | 2023/11/3 | The period of guarantee by the guarantor is three years from the expiry of the debt performance period specified in the master contract, where the period of guarantee under each master contract shall be calculated separately. | Joint and several liabilit y | No | No | | No |
| Appotroni cs Corporatio n Limited | Headquart ers | Formovie (Chongqin g) Innovative Technolog y Co., Ltd. | Controlled subsidiary | 20,000.00 | 2021/9/10 | 2021/9/10 | 2028/4/25 | Joint and several liabilit y | No | No | | No |
| Appotroni cs Corporatio n Limited | Headquart ers | Formovie (Chongqin g) Innovative Technolog y Co., Ltd. | Controlled subsidiary | 9,000.00 | 2021/12/6 | 2021/12/6 | 2026/12/30 | Joint and several liabilit y | No | No | | No |
| Appotroni cs Corporatio n Limited | Headquart ers | Formovie (Chongqin g) Innovative Technolog y Co., Ltd. | Controlled subsidiary | 30,000.00 | 2022/9/16 | 2022/9/16 | Three years after the due date for the obligations under the master contract. | Joint and several liabilit y | No | No | | No |
| Appotroni cs | Headquart ers | Formovie (Chongqin | Controlled subsidiary | 12,000.00 | 2022/12/22 | 2022/12/22 | Three years after the due date (without | Joint and | No | No | | No |

| | | | | | | | | | | | | |
|---|--|------------------------------------|--|--|--|--|--|-------------------|--|--|--|--|
| Corporation Limited | | g) Innovative Technology Co., Ltd. | | | | | accelerated maturity) of the latest financing due and payable among all the financings drawn and used during the period of occurrence of guaranteed debts under the master agreement or/and inter-bank borrowing | several liability | | | | |
| Total amount of guarantees provided for the subsidiaries during the reporting period | | | | | | | 30,071.36 | | | | | |
| Balance of guarantees provided for the subsidiaries as of the end of the reporting period (B) | | | | | | | 42,831.99 | | | | | |
| Total amount of guarantees provided by the Company (including those provided for the subsidiaries) | | | | | | | | | | | | |
| Total amount guaranteed (A+B) | | | | | | | 42,831.99 | | | | | |
| Proportion of total amount guaranteed to the net assets of the Company (%) | | | | | | | 15.19 | | | | | |
| Where: | | | | | | | | | | | | |
| Total amount of guarantees provided for the shareholders, actual controller and their affiliates (C) | | | | | | | 0 | | | | | |
| Total amount of debt guarantees directly or indirectly provided for the obligors whose equity-debt ratio exceeds 70% (D) | | | | | | | 36,624.99 | | | | | |
| Total amount guaranteed in excess of 50% of the net assets of the Company (E) | | | | | | | 0 | | | | | |
| Total amount guaranteed (C+D+E) | | | | | | | 36,624.99 | | | | | |
| Explanation about outstanding guarantees for which the Company may assume joint and several liability | | | | | | | N/A | | | | | |
| Explanation about guarantees | | | | | | | N/A | | | | | |

(III) Entrusted cash asset management
1. Entrusted wealth management
(1) Overall situation of entrusted wealth management

✓ Applicable □ N/A

In RMB 0'000

| Type | Source of funds | Total amount | Outstanding amount | Overdue amount |
|--|------------------------|--------------|--------------------|----------------|
| Bank wealth management products | Idle offering proceeds | 26,500.00 | 15,100.00 | - |
| Bank wealth management products | Self-funded capital | 32,953.00 | 26,000.00 | - |
| Wealth management products of securities companies | Self-funded capital | 7,000.00 | 6,000.00 | - |

Other information

□ Applicable ✓ N/A

(2) Single entrusted wealth management

✓ Applicable □ N/A

In RMB 0'000

| Trustee | Type of entrusted wealth management | Amount of entrusted wealth management | Start date of entrusted wealth management | End date of entrusted wealth management | Source of funds | Use of funds | Restricted or not | Remuneration determination method | Annualized rate of yield | Expected income (if any) | Actual profit or loss | Outstanding amount | Overdue amount | Passed statutory procedure or not | With future entrusted wealth management plan or not | Amount of provision for impairment (if any) |
|---|-------------------------------------|---------------------------------------|---|---|-------------------|--------------|-------------------|-----------------------------------|--------------------------|--------------------------|-----------------------|--------------------|----------------|-----------------------------------|---|---|
| Bank of Hangzhou Shenzhen Shenzhen Bay Sub-branch | Bank wealth management products | 2,900.00 | 2023/12/28 | 2024/3/27 | Offering proceeds | - | No | Contractual provisions | 2.70% | 19.31 | - | 2,900.00 | - | Yes | Yes | |

| | | | | | | | | | | | | | | | | |
|---|---------------------------------|----------|------------|-----------|----------------------------|---|----|------------------------|-------|--------|---|----------|---|-----|-----|--|
| Bank of Hangzhou Shenzhen Shenzhen Bay Sub-branch | Bank wealth management products | 5,000.00 | 2023/12/28 | 2024/3/27 | Offering proceeds (excess) | - | No | Contractual provisions | 2.70% | 33.29 | - | 5,000.00 | - | Yes | Yes | |
| China CITIC Bank Shenzhen Longhua Sub-branch | Bank wealth management products | 7,200.00 | 2023/12/29 | 2024/3/27 | Offering proceeds | - | No | Contractual provisions | 2.60% | 45.65 | - | 7,200.00 | - | Yes | Yes | |
| Bank of Hangzhou Shenzhen Shenzhen Bay Sub-branch | Bank wealth management products | 3,000.00 | 2023/10/25 | 2024/4/25 | Self-funded capital | - | No | Contractual provisions | 2.80% | 42.12 | - | 3,000.00 | - | Yes | Yes | |
| Bank of China | Bank wealth management products | 5,000.00 | 2023/11/29 | 2024/1/15 | Self-funded capital | - | No | Contractual provisions | 3.57% | 172.14 | - | 5,000.00 | - | Yes | Yes | |
| Bank of Ningbo | Bank wealth management products | 5,000.00 | 2023/12/6 | 2024/3/5 | Self-funded capital | - | No | Contractual provisions | 2.90% | 35.75 | - | 5,000.00 | - | Yes | Yes | |
| Bank of Ningbo | Bank wealth management | 5,000.00 | 2023/12/29 | 2024/3/26 | Self-funded capital | - | No | Contractual provisions | 2.90% | 34.96 | - | 5,000.00 | - | Yes | Yes | |

| | | | | | | | | | | | | | | | | |
|---|--|--------------|----------------|---------------|----------------------------|---|----|-----------------------------------|-------|--------|---|--------------|---|-----|-----|--|
| | product s | | | | | | | | | | | | | | | |
| Bank of Hangzhou Shenzhen Shenzhen Bay Sub- branch | Bank wealth manage ment product s | 3,000. 00 | 2023/1 2/29 | 2024/6 /28 | Self- funded capital | - | No | Contra ctual provisi ons | 2.75% | 41.14 | - | 3,000. 00 | - | Yes | Yes | |
| Ping An Bank | Bank wealth manage ment product s | 5,000. 00 | 2023/1 2/29 | 2024/4 /2 | Self- funded capital | - | No | Contra ctual provisi ons | 3.00% | 39.04 | - | 5,000. 00 | - | Yes | Yes | |
| CITIC Securities | Wealth manage ment product s of securitie s compan ies | 4,000. 00 | 2023/3 /24 | 2024/3 /22 | Self- funded capital | - | No | Contra ctual provisi ons | 4.60% | 183.60 | | 4,000. 00 | - | Yes | Yes | |
| CITIC Securities | Wealth manage ment product s of securitie s compan ies | 2,000. 00 | 2023/1 1/28 | 2024/1 /29 | Self- funded capital | - | No | Contra ctual provisi ons | 4.00% | 13.59 | | 2,000. 00 | - | Yes | Yes | |

Other information
 Applicable N/A

(3) Provision for impairment of entrusted wealth management products

Applicable N/A

2. Entrusted loans**(1) Overall situation of entrusted loans**

Applicable N/A

Other information

Applicable N/A

(2) Single entrusted loans

Applicable N/A

Other information

Applicable N/A

(3) Provision for impairment of entrusted loans

Applicable N/A

3. Other information

Applicable N/A

(IV) Other material contracts

Applicable N/A

XIV. Use of offering proceeds

✓ Applicable □ N/A

(I) Overall use of funds raised

✓ Applicable □ N/A

In RMB 0'000

| Source of offering proceeds | Date of receiving offering proceeds | Total offering proceeds | Where: Amount of excess offering funds | Net offering proceeds after deduction of offering expenses | Total offering proceeds committed | Total offering proceeds committed after adjustment (1) | Cumulative total offering proceeds used as of the end of the reporting period (2) | Cumulative investment progress as of the end of the reporting period (%) (3)=(2)/(1) | Amount invested in this year (4) | Ratio of the amount invested in this year (%) (5)=(4)/(1) | Total offering proceeds with the purpose changed |
|-----------------------------|-------------------------------------|-------------------------|--|--|-----------------------------------|--|---|--|----------------------------------|---|--|
| Initial public offering | July 16, 2019 | 119,000.00 | 6,247.08 | 106,247.08 | 106,247.08 | 106,247.08 | 89,816.12 | 84.54 | 14,363.75 | 13.52 | None |

(II) Breakdown of investment projects

√ Applicable □ N/A

In RMB 0'000

| Project | Nature | Whether change of investment is involved | Source of offering proceeds | Total investment from the offering proceeds committed for the project | Total investment from the offering proceeds after adjustment (1) | Amount invested in this year | Cumulative total offering proceeds used as of the end of the reporting period (2) | Cumulative investment progress as of the end of the reporting period (%) (3)= (2)/(1) | Date for the project to reach the working condition for its intended use [Note 1] | Completed or not | Whether the investment progress meets the progress planned | Specific reason for failing to achieve the plan of investment progress | Benefits realized in the current year | Benefits or R&D results achieved by the project | Whether there are any material changes in the project feasibility, and if any, describe the specific reasons | Balance |
|---|-----------------------------|--|-----------------------------|---|--|------------------------------|---|---|---|------------------|--|--|---------------------------------------|---|--|----------|
| R&D and industrialization of new generation of laser display products | Production and construction | No | Initial public offering | 31,300.00 | 31,300.00 | - | 27,931.11 | 89.24 | December 2022 | Yes | Yes | N/A | 28,780.04 [Note 2] | 79,286.83 [Note 2] | No | [Note 3] |
| R&D center at the head office of Appotronics [Note 4] | R&D | No | Initial public offering | 28,400.00 | 28,400.00 | 13,581.31 | 22,218.30 | 78.23 | March 2025 | No | No | The construction of the head office building was slowed down due to the complex geological conditions on the site. This project may be fully implemented | N/A | N/A | No | N/A |

| | | | | | | | | | | | | | | | | |
|---|--|----|-------------------------|-----------|-----------|--------|-----------|--------|----------------|-----|-----|--|-----|-----|----|-----|
| | | | | | | | | | | | | only after the construction of the head office building is completed. As a result, the project implementation is postponed. | | | | |
| Information system upgrade and building | Operation management | No | Initial public offering | 7,000.00 | 7,000.00 | 782.44 | 4,189.48 | 59.85 | March 2025 | No | No | Since the main body of the head office building of the Company is still under construction, the prerequisites for implementing this project have not been satisfied. | N/A | N/A | No | N/A |
| Supplementary working capital [Note 5] | Supplementing the working capital and repaying loans | No | Initial public offering | 33,300.00 | 33,300.00 | 0.00 | 33,539.50 | 100.72 | N/A | Yes | Yes | N/A | N/A | N/A | No | N/A |
| Share repurchase [Note 6] | Others | No | Initial public offering | 2,000.00 | 2,000.00 | 0.00 | 1,937.73 | 96.89 | September 2022 | Yes | Yes | N/A | N/A | N/A | No | N/A |

| | | | | | | | | | | | | | | | | |
|--------------------------------|--------|----|-------------------------|----------|----------|------|---|---|-----|----|-----|-----|-----|-----|----|-----|
| Other excess offering proceeds | Others | No | Initial public offering | 4,247.08 | 4,247.08 | 0.00 | - | - | N/A | No | Yes | N/A | N/A | N/A | No | N/A |
|--------------------------------|--------|----|-------------------------|----------|----------|------|---|---|-----|----|-----|-----|-----|-----|----|-----|

[Note 1] On March 18, 2022, the Company held the 9th meeting of the second Board of Directors and the 8th meeting of the second Board of Supervisors, approving the *Proposal on Postponing Some Investment Projects* through deliberation, and agreeing the Company to adjust the time for some investment projects to reach the working condition for its intended use. On December 8, 2023, the Company held the 24th meeting of the second Board of Directors and the 22th meeting of the second Board of Supervisors, approving the *Proposal on Postponing Some Investment Projects* through deliberation, and approving the Company to postpone the time for some investment projects to reach the working condition for its intended use. The time of reaching the working condition for its intended use of the investment projects “R&D center at the head office of Appotronics” and “information system upgrade and building” was adjusted to March 2025;

[Note 2] For this project, the incremental sales revenue after the investment is taken as the benefit indicator achieved this year, and the incremental sales revenue is taken as the benefit indicator of the project achieved;

[Note 3] On April 26, 2023, the Company held the 19th meeting of the second Board of Directors and the 18th meeting of the second Board of Supervisors respectively, which deliberated and approved the *Proposal on the Completion of Part of the Company’s Fundraising Projects and Permanent Replenishment of Liquidity with the Surplus Raised Funds*, and agreed that the Company would close the fundraising project “R&D and industrialization of new generation of laser display products”, and a total of RMB 51.6167 million saved (as of December 31, 2022) shall be used for permanent replenishment of the working capital. As of the date of remittance, the actual balance in the special account was RMB 52.0022 million (including the interest income and wealth management income, net of handling fees). This special account (Hua Xia Bank Co., Ltd. Shenzhen Houhai Sub-branch, account No.: 10869000000305964) has been deregistered on May 17, 2023, and the funds have been transferred to the general account of the Company.

[Note 4] The Company held the 19th meeting of the second Board of Directors and the 18th meeting of the second Board of Supervisors on April 26, 2023 and the annual general meeting of shareholders for 2022 on May 19, 2023, respectively, approving the *Proposal on Adjusting Internal Investment Structure of Some Investment Projects* through deliberation, and agreeing the Company to adjust the internal investment structure of the investment project “R&D center at the head office of Appotronics”, and to decrease the “equipment purchase expenses” by RMB 65.0000 million and increase the “R&D expenditures” by RMB 65.0000 million;

[Note 5] During the project, the total wealth management returns of RMB 2.3950 million were realized from the special account of supplementary working capital, which have been put into use in the project (supplementary working capital). As of the date of approval for issue of this Report, the special account (Huaxia Bank Co., Ltd. Shenzhen Houhai Sub-branch, account number: 10869000000251463) has been deregistered. The interest of RMB 1,418.11 incurred after the project has been paid to the basic account of the Company to be used as supplementary working capital;

[Note 6] The Company held the 9th meeting of the second Board of Directors and the 1st extraordinary general meeting of shareholders in 2022 respectively on March 18, 2022 and March 29, 2022, approving the *Proposal on Repurchase of Shares of the Company through Call Auction* through deliberation, and agreeing the Company to use the excess offering funds to repurchase some RMB-denominated ordinary shares (A shares) issued by it through call auction;

[Note 7] Subject to the restriction of relevant management measures and banks’ requirements in operation, the Company paid expenses including salaries, social insurance premiums, and contributions for housing funds for investment projects with non-offering proceeds, and then repaid such expenses by transferring funds of the corresponding amount from the special account of offering proceeds to the general account of the Company;

[Note 8] Some sum values do not correspond to the aggregate of breakdown values in the table above due to rounding.

(III) Change in or termination of investment projects during the reporting period

Applicable N/A

(IV) Other information about the use of offering proceeds during the reporting period

1. Early investment and replacement of projects for which the offering proceeds are used
 Applicable N/A
2. Supplement the working capital with idle offering proceeds
 Applicable N/A
3. Cash management of idle offering proceeds, and investment in relevant products
 Applicable N/A

In RMB 0'000

| Date of deliberation by the Board of Directors | Effective amount deliberated for cash management of offering proceeds | Start date | End date | Balance of cash management at the end of the period | Whether the greatest balance exceeds the authorized amount during the period |
|--|---|---------------|---------------|---|--|
| June 29, 2022 | 46,900.00 | June 29, 2022 | June 29, 2023 | 15,100.00 | No |
| June 25, 2023 | 24,900.00 | June 25, 2023 | June 25, 2024 | | No |

Other information

The *Proposal on Cash Management of Temporarily Idle Offering Proceeds* was approved through deliberation at the 14th meeting of the second Board of Directors and the 13th meeting of the second Board of Supervisors held by the Company on June 29, 2022. It was approved that, without affecting the normal implementation of the investment plan for offering proceeds, a maximum of RMB 469 million temporarily idle offering proceeds may be put under cash management to purchase investment products featuring high security, good liquidity, and guarantee of the principal (including but not limited to structural deposits, agreement deposits, notice deposits, term deposits, large-amount deposit note, and return notes), where the total amount for purchasing return notes shall be no more than RMB 100 million for no more than 12 months, which shall be effective within 12 months from the review and approval by the Board of Directors and Board of Supervisors.

The *Proposal on Cash Management of Temporarily Idle Offering Proceeds* was approved through deliberation at the 20th meeting of the second Board of Directors and the 19th meeting of the second Board of Supervisors held by the Company on June 25, 2023. It was approved that, without affecting the normal implementation of the investment plan for offering proceeds, a maximum of RMB 249.00 million temporarily idle offering proceeds may be put under cash management to purchase investment products featuring high security, good liquidity, and guarantee of the principal (including but not limited to structural deposits, time deposits, notice deposits, term deposits, large-amount deposit note, and return notes), where the total amount for purchasing return notes shall be no more than RMB 100 million, which shall be effective within 12 months from the review and approval.

4. Supplement working capital permanently or repay bank loans with excess offering proceeds

Applicable N/A

5. Others

Applicable N/A

1. On March 18, 2022, the Company held the 9th meeting of the second Board of Directors and the 8th meeting of the second Board of Supervisors, approving the *Proposal on Postponing Some Investment Projects* through deliberation, and agreeing the Company to adjust the time for some investment projects to reach the working condition for its intended use. Refer to the *Announcement on Postponing Some Investment Projects* (No. 2022-019) disclosed by the Company at the website of the Shanghai Stock Exchange (www.sse.com.cn) on March 21, 2022.

2. The Company held the 9th meeting of the second Board of Directors and the 1st extraordinary general meeting of shareholders in 2022 respectively on March 18, 2022 and March 29, 2022, approving the *Proposal on Repurchase of Shares of the Company through Call Auction* through deliberation, and agreeing the Company to use the excess offering funds to repurchase some RMB-denominated ordinary shares (A shares) issued by it through call auction via the trading system of the Shanghai Stock Exchange, with the repurchase funds totaling not less than RMB 10 million (inclusive) but not more than RMB 20 million (inclusive), the repurchase price not exceeding RMB 26.89 per share (inclusive, namely the price after adjustments to equity distribution in 2021) and the repurchase period being six months from the date on which this repurchase plan is approved by the general meeting of shareholders.

As of December 31, 2022, the Company repurchased 900,000 shares in the aggregate through call auction, representing 0.1969% of the Company's total share capital, and paid RMB 19,377,297.59 (including stamp duty, commissions and other transaction fees). The repurchase of shares has been completed.

3. The Company held the 14th meeting of the second Board of Directors and the 13th meeting of the second Board of Supervisors on June 29, 2022, approving the *Proposal on Adjusting Internal Investment Structure of Some Investment Projects* through deliberation, and agreeing the Company to adjust the internal investment structure of the investment project "R&D and industrialization of new generation of laser display products", and to decrease the "equipment purchase expenses" by RMB 53.8020 million and increase the "R&D expenditures" by RMB 53.8020 million.

4. The Company held the 19th meeting of the second Board of Directors and the 18th meeting of the second Board of Supervisors and the annual general meeting of shareholders for 2022 on April 26, 2023 and May 19, 2023, respectively, approving the *Proposal on Adjusting Internal Investment Structure of Some Investment Projects* through deliberation, and agreeing the Company to adjust the internal investment structure of the investment project "R&D center at the head office of Appotronics", and to decrease the "equipment purchase expenses" by RMB 65.0000 million and increase the "R&D expenditures" by RMB 65.0000 million.

5. On December 8, 2023, the Company held the 24th meeting of the second Board of Directors and the 22th meeting of the second Board of Supervisors, approving the *Proposal on Postponing Some Investment Projects* through deliberation, and approving the Company to postpone the time for some investment

projects to reach the working condition for its intended use. The time of reaching the working condition for its intended use of the investment projects “R&D center at the head office of Appotronics” and “information system upgrade and building” was adjusted to March 2025.

XV. Explanation about other significant matters having significant influence on the value judgement and investment decision-making of investors

Applicable N/A

Section VII. Changes in Shares and Shareholders

I. Changes in share capital

(I) Statement of changes in shares

1. Statement of changes in shares

Unit: Share

| | Before the change | | +/- | | | | | After the change | |
|--|-------------------|----------------|------------|--------------|-----------------------------------|-----------|-----------|------------------|----------------|
| | Number | Percentage (%) | New shares | Bonus shares | Capitalization of capital reserve | Others | Subtotal | Number | Percentage (%) |
| I. Non-tradable shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1. Shares held by the State | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Shares held by State-owned corporations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Shares held by other domestic investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Where: Shares held by domestic non-state owned corporations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shares held by domestic natural persons | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Shares held by foreign investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Where: Shares held by foreign corporations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shares held by foreign natural persons | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II. Tradable shares | 457,107,538 | 100 | 0 | 0 | 0 | 5,103,800 | 5,103,800 | 462,211,338 | 100 |
| 1. RMB-denominated ordinary shares | 457,107,538 | 100 | 0 | 0 | 0 | 5,103,800 | 5,103,800 | 462,211,338 | 100 |
| 2. Foreign currency-denominated shares listed domestically | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | |
|---|-------------|-----|---|---|---|-----------|-----------|-------------|-----|
| 3. Foreign currency-denominated shares listed overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III. Total shares | 457,107,538 | 100 | 0 | 0 | 0 | 5,103,800 | 5,103,800 | 462,211,338 | 100 |

2. Explanation about changes in shares

√ Applicable N/A

(1) On July 7, 2023, the Company registered a total of 3,299,000 new shares for the first vesting period in the initial grant of the 2022 Restricted Share Incentive Plan, which increased the Company's total shares from 457,107,538 shares to 460,406,538 shares;

(2) On November 13, 2023, the Company registered a total of 1,804,800 new shares for the first vesting period in the initial grant of the 2021 Second Restricted Share Incentive Plan, which increased the Company's total shares from 460,406,538 shares to 462,211,338 shares.

3. Effect of the changes in shares on the earnings per share, net assets per share and other financial indicators of the most recent year and the most recent reporting period (if any)

√ Applicable N/A

For details about the effect of the changes in shares on the basic earnings per share, diluted earnings per share, net assets per share attributable to ordinary shareholders of the Company, and other financial indicators of the most recent year and the most recent reporting period, refer to "Section II. Company Profile and Financial Highlights - VI. Main accounting data and financial highlights in the past three years - (II) financial highlights".

4. Other information disclosed as the Company deems necessary or required by the securities regulatory authority

Applicable N/A

(II) Changes in non-tradable shares

Applicable N/A

II. Issuance and listing of securities

(I) Securities issued during the reporting period

Applicable N/A

Explanation about the securities issued during the reporting period (in case of any outstanding bonds with different interest rates, please explain separately)

Applicable N/A

(II) Changes in total number of shares, shareholding structure, and structure of assets and liabilities of the Company

Applicable N/A

1. On July 7, 2023, the Company registered a total of 3,299,000 new shares for the first vesting period in the initial grant of the 2022 Restricted Share Incentive Plan, which increased the Company's total shares from 457,107,538 shares to 460,406,538 shares. In consideration of the changes in the total shares and registered capital of the Company, some provisions of the *Articles of Association* should be revised with reference to actual conditions of the Company under relevant rules. In October 2023, the Company completed the registration formalities with the administration for market regulation for the change in the registered capital and the amendment to the *Articles of Association*.

2. On November 13, 2023, the Company registered a total of 1,804,800 new shares for the first vesting period in the initial grant of the 2021 Second Restricted Share Incentive Plan, which increased the Company's total shares from 460,406,538 shares to 462,211,338 shares. In consideration of the changes in the total shares and registered capital of the Company, some provisions of the *Articles of Association* should be revised with reference to actual conditions of the Company under relevant rules. In February 2024, the Company completed the registration formalities with the administration for market regulation for the change in the registered capital and the amendment to the *Articles of Association*.

III. Shareholders and actual controller

(I) Total number of shareholders

| | |
|--|--------|
| Total number of shareholders of ordinary shares as of the end of the reporting period (accounts) | 15,667 |
| Total number of shareholders of ordinary shares as of the end of the month immediately prior to the issue date of this annual report (accounts) | 15,699 |
| Total number of shareholders of preferred shares whose voting right has been restituted as of the end of the reporting period (accounts) | N/A |
| Total number of shareholders of preferred shares whose voting right has been restituted as of the end of the month immediately prior to the issue date of this annual report (accounts) | N/A |
| Total number of shareholders holding shares with special voting rights as of the end of the reporting period (accounts) | N/A |
| Total number of shareholders holding shares with special voting rights as of the end of the month prior to the issue date of this annual report (accounts) | N/A |

Number of holders of depository receipts

Applicable N/A

(II) Shares held by top 10 shareholders and top 10 holders of tradable shares as of the end of the reporting period

Unit: Share

| Shares held by top 10 shareholders (excluding shares lent out under the refinancing arrangement) | | | | | | | |
|--|---|--|-------------------|---|---|--------|--------------------------------------|
| Shareholder (Full name) | Change during the reporting period | Balance of shares held as of the end of the reporting period | Percentage (%) | Number of non- tradable shares held | Shares pledged, marked, or frozen | | Nature of shareholder |
| | | | | | Status of shares | Number | |
| Shenzhen Appotronics Holdings Limited | 0 | 79,762,679 | 17.26 | 0 | None | - | Domestic non-state owned corporation |
| Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP) | 0 | 24,139,500 | 5.22 | 0 | None | - | Domestic non-state owned corporation |
| Nantong Strait Appotronics Investment Partnership (LP) | -4,399,121 | 18,381,208 | 3.98 | 0 | None | - | Domestic non-state owned corporation |
| Shenzhen Appotronics Daye Investment Partnership (LP) | -3,374,083 | 17,056,167 | 3.69 | 0 | None | - | Domestic non-state owned corporation |
| Shenzhen Appotronics Hongye Investment Partnership (LP) | -2,061,030 | 13,601,344 | 2.94 | 0 | None | - | Domestic non-state owned corporation |
| Shenzhen Appotronics Chengye Consulting Partnership (LP) | 0 | 10,394,846 | 2.25 | 0 | None | - | Domestic non-state owned corporation |
| Bank of China Co., Ltd. - Stable Income Bond Securities Investment Fund of E Fund | 104,691 | 10,038,092 | 2.17 | 0 | None | - | Others |

| Shenzhen Jinleijing Investment Limited Partnership (LP) | -2,460,400 | 9,892,706 | 2.14 | 0 | None | - | Domestic non-state owned corporation |
|--|--------------------------------|-----------|------|--------------------------------|------|------------|--------------------------------------|
| Shanghai Pudong Development Bank Co., Ltd. - Invesco Great Wall New Energy Industry Stock Securities Investment Fund | 6,807,726 | 6,807,726 | 1.47 | 0 | None | - | Others |
| LUO Xiaobin | -632,996 | 6,004,004 | 1.30 | 0 | None | - | Domestic natural person |
| Shares held by top 10 holders of tradable shares | | | | | | | |
| Shareholder | Number of tradable shares held | | | Type and number of shares | | | |
| | | | | Category | | Number | |
| Shenzhen Appotronics Holdings Limited | 79,762,679 | | | RMB-denominated ordinary share | | 79,762,679 | |
| Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP) | 24,139,500 | | | RMB-denominated ordinary share | | 24,139,500 | |
| Nantong Strait Appotronics Investment Partnership (LP) | 18,381,208 | | | RMB-denominated ordinary share | | 18,381,208 | |
| Shenzhen Appotronics Daye Investment Partnership (LP) | 17,056,167 | | | RMB-denominated ordinary share | | 17,056,167 | |
| Shenzhen Appotronics Hongye Investment Partnership (LP) | 13,601,344 | | | RMB-denominated ordinary share | | 13,601,344 | |
| Shenzhen Appotronics Chengye Consulting Partnership (LP) | 10,394,846 | | | RMB-denominated ordinary share | | 10,394,846 | |
| Bank of China Co., Ltd. - Stable Income Bond Securities Investment Fund of E Fund | 10,038,092 | | | RMB-denominated ordinary share | | 10,038,092 | |
| Shenzhen Jinleijing Investment Limited Partnership (LP) | 9,892,706 | | | RMB-denominated ordinary share | | 9,892,706 | |

| | | | |
|--|--|--------------------------------|-----------|
| Shanghai Pudong Development Bank Co., Ltd. - Invesco Great Wall New Energy Industry Stock Securities Investment Fund | 6,807,726 | RMB-denominated ordinary share | 6,807,726 |
| LUO Xiaobin | 6,004,004 | RMB-denominated ordinary share | 6,004,004 |
| Explanation about the special purchase account in top 10 shareholders | N/A | | |
| Explanation about entrusted voting rights, proxy voting rights, waiver of voting rights by the shareholders above | N/A | | |
| Affiliates or concert parties among the shareholders stated above | 1. As of December 31, 2023, the following entities in top 10 shareholders of the Company constituted persons acting in concert: Shenzhen Appotronics Holdings Limited, Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP), Shenzhen Appotronics Daye Investment Partnership (LP), Shenzhen Appotronics Hongye Investment Partnership (LP), Shenzhen Jinleijing Investment Limited Partnership (LP), and Shenzhen Appotronics Chengye Consulting Partnership (LP). 2. Except for the above, we are not aware of whether there are affiliates or concert parties as defined in the <i>Administrative Measures for the Acquisition of the Listed Companies</i> among other shareholders. | | |
| Holders of preferred shares whose voting right has been restituted and the number of shares held by them | N/A | | |

Participation in the lending of shares in refinancing businesses by top 10 shareholders

Applicable N/A

Change in top 10 shareholders compared with the prior period

Applicable N/A

Unit: Share

| Change in top 10 shareholders compared with the prior period | | | | | |
|--|---|--|----------------|--|----------------|
| Shareholder (Full name) | Added/removed during the reporting period | Number of shares lent but not repaid in refinancing businesses as of the end of the reporting period | | Number of shares under shareholder ordinary accounts, credit accounts, and lent but not repaid in refinancing businesses as of the end of the reporting period | |
| | | Total shares | Percentage (%) | Total shares | Percentage (%) |

| | | | | | |
|--|-------------|---|---|-----------|------|
| Shanghai Pudong Development Bank Co., Ltd. - Invesco Great Wall New Energy Industry Stock Securities Investment Fund | Newly added | - | - | 6,807,726 | 1.47 |
| LUO Xiaobin | Newly added | - | - | 6,004,004 | 1.30 |
| Shenzhen Guochuang Chenggu Capital Management Co., Ltd. - Shenzhen Chengguhui Equity Investment Partnership (LP) | Removed | - | - | 3,822,639 | 0.83 |
| Industrial Bank Co., Ltd. - Tianhong Yongli Bond Securities Investment Fund | Removed | - | - | - | - |

Top 10 holders of non-tradable shares and lock-up period
 Applicable N/A

Statement of top 10 holders of domestic depository receipts as of the end of the reporting period
 Applicable N/A

Participation in the lending of depository receipts in refinancing businesses by top 10 holders of depository receipts
 Applicable N/A

Change in top 10 holders of depository receipts compared with the prior period
 Applicable N/A

Number of non-tradable depository receipts held by top 10 holders and lock-up period
 Applicable N/A

(III) Statement of top 10 shareholders by number of votes held as of the end of the reporting period
 Applicable N/A

(IV) Strategic investors or general corporations that become top 10 shareholders as a result of allotment of new shares/depository receipts
 Applicable N/A

(V) Strategic allotment in IPO**1. Participation by any special asset management plan established by senior officers and key employees in the strategic allotment in IPO**

Applicable N/A

2. Participation by any subsidiary of the sponsor in the strategic allotment in IPO

Applicable N/A

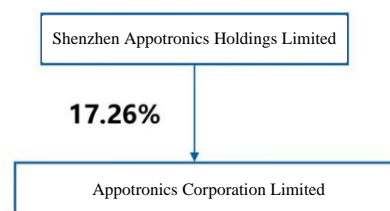
IV. Controlling shareholder and actual controller
(I) Controlling shareholder
1 Legal person
 Applicable N/A

| | |
|--|---------------------------------------|
| Name | Shenzhen Appotronics Holdings Limited |
| Principal or legal representative | LI Yi |
| Date of establishment | January 17, 2014 |
| Main business | Investment holding |
| Shares held in other domestic or foreign listed companies during the reporting period | None |
| Other information | N/A |

2 Natural person
 Applicable N/A

3 Special explanation if the Company does not have a controlling shareholder
 Applicable N/A

4 Explanation about the change in the controlling shareholder during the reporting period
 Applicable N/A

5 Block diagram of the controlling shareholder's ownership of and control over the Company
 Applicable N/A

(II) Actual controller
1 Legal person
 Applicable N/A

2 Natural person
 Applicable N/A

| | |
|--|--|
| Name | LI Yi |
| Nationality | China |
| Whether or not have right of residence in any other country or region | Yes |
| Main occupation and title | President and General Manager of the Company |
| Whether or not control any domestic or foreign | None |

| | |
|-------------------------------------|--|
| listed company in the past 10 years | |
|-------------------------------------|--|

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

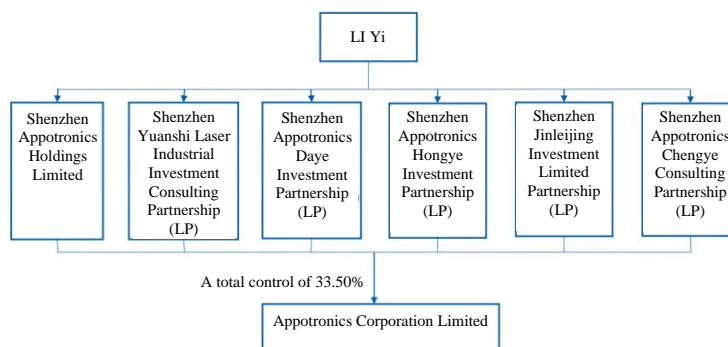
Applicable N/A

4 Explanation about the change of control of the Company during the reporting period

Applicable N/A

5 Block diagram of the actual controller's ownership of and control over the Company

Applicable N/A



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

Applicable N/A

(III) Other information about the controlling shareholder and the actual controller

Applicable N/A

V. The total shares pledged by the controlling shareholder or largest shareholder and parties acting in concert therewith account for over 80% of the shares held by such shareholder in the Company

Applicable N/A

VI. Other corporate shareholders holding more than 10% shares

Applicable N/A

VII. Restrictions on the disposal of shares/depository receipts

Applicable N/A

VIII. Specific implementation of share repurchase during the reporting period

Applicable N/A

Section VIII. Preferred Shares

Applicable N/A

Section IX. Bonds

I. Enterprise bonds, corporate bonds, and non-financial enterprise debt financing instruments

Applicable N/A

II. Convertible corporate bonds

Applicable N/A

Section X. Financial Report

I. Auditor's report

Applicable N/A

Auditor's report

Tian Jian Shen (2024) No. 7-675

To all shareholders of Appotronics Corporation Limited:

I. Opinion

We have audited the financial statements of Appotronics Corporation Limited (“Appotronics”), which comprise the consolidated and the parent company’s balance sheets as at December 31, 2023, and the consolidated and the parent company’s income statements, the consolidated and the parent company’s statements of cash flow and the consolidated and the parent company’s statements of changes in owners’ equity for the year then ended, and the notes to the relevant financial statements.

In our opinion, the accompanying financial statements of Appotronics are prepared and present fairly, in all material respects, the consolidated and the parent company’s financial position as of December 31, 2023, and the consolidated and the parent company’s results of operations and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

II. Basis for opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accounts of China. Our responsibilities under those standards are further described in the Certified Public Accountants’ Responsibilities for Audit of Financial Statements section of our report. We are independent of Appotronics in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit items

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

(I) Revenue

1. Description

Details of relevant information are disclosed in V.34, V.37, and VII.61 of Section X.

Appotronics is mainly engaged in research, development, production, sales and leasing of laser display core devices and complete equipment. In 2023, the operating income of Appotronics amounted to RMB 2,213,356,977.95, of which sales and other incomes were RMB 1,844,190,487.75, representing 83.32% of the total operating income, and lease incomes were RMB 369,166,490.20, representing 16.68% of the total operating income.

As the operating income is one of Appotronics’s KPIs, there may be an inherent risk that the management of Appotronics (hereinafter referred to as “management”) may recognize the revenue inappropriately to achieve specific objectives or expectations. Therefore, we identified revenue recognition as a key audit matter.

2. Description of how the key audit matter was addressed in the audit

For revenue recognition, our audit procedures include, inter alia:

(1) Understand the key internal controls related to revenue recognition, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Examine major sales contracts and lease contracts, understand the major provisions or conditions thereof, and evaluate whether revenue recognition methods are appropriate;

(3) Implement analysis procedures for operating income and gross margin by month, product, customer, etc., to identify whether there are significant or unusual fluctuations and to find out the causes of such fluctuations;

(4) For sales income, sample supporting documents related to revenue recognition including, among other things, sales contracts or orders, sales invoices, warehouse receipts, delivery notes, transport information, and customer signature forms; for lease income, sample supporting documents including, among other things, lease contracts, orders, installation orders, unit lease price per hour, and number of hours consumed; for sales income, sample supporting documents including, among other things, sales contracts, customs declaration forms, and bills of lading;

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

(6) Conduct the cut-off test on the operating incomes recognized on or after the balance sheet date to evaluate whether the operating incomes are recognized during the appropriate period;

(7) Obtain a record of sales returns after the balance sheet date to check if there is any instance that conditions for revenue recognition were not met at the balance sheet date;

(8) Check whether information relative to operating income is properly presented in the financial statements.

(II) Net realizable value of inventories

1. Description

Details of relevant information are disclosed in V.16 and VII.10 of Section X.

As of December 31, 2023, the carrying amount of inventories of Appotronics amounted to RMB 750,307,578.52, and provisions for decline in value of inventories amounted to RMB 93,960,778.85, hence the book value of inventories amounted to RMB 656,346,799.67.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. In view of the purpose of holding inventories, the management determines the estimated selling price of inventories based on historical or actual selling prices, and the net realizable value of inventories in accordance with the balance of the estimated selling price less the sum of the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The amount of inventories is material and the determination of the net realizable value of inventories involves significant management judgment, therefore, we identified the determination of the net realizable value of inventories as a key audit matter.

2. Description of how the key audit matter was addressed in the audit

For the net realizable value of inventories, our audit procedures include, inter alia:

(1) Understand the key internal controls related to the net realizable value of inventories, evaluate the design of those controls, determine whether they are implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review the management's forecast of the estimated selling price of inventories on a sample basis, and compare the estimated selling price with historical data and subsequent situations, etc.;

(3) Evaluate the appropriateness of the management's estimates on the estimated costs of completion of inventories and the estimated costs necessary to make the sale and relevant taxes;

(4) Test the accuracy of the management's calculation on the net realizable value of inventories;

(5) Evaluate the reasonableness of the management's estimates on the net realizable value of inventories by checking inventories recognized at the end of the period in terms of long age, obsolescence, changes in technology or market demand in conjunction with inventory monitoring;

(6) Check whether information relative to the net realizable value of inventories is properly presented in the financial statements.

IV. Other information

The management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the management and those charged with governance with respect to the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Appotronics's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Appotronics or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of Appotronics (hereinafter referred to as "those charged with governance") are responsible for overseeing Appotronics's financial reporting process.

VI. Certified public accountants' 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 solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards of China 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 the Auditing Standards of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(IV) Conclude on the appropriateness of the management's use of the going concern basis of accounting. Meanwhile, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Appotronics's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the Auditing Standards of China to draw users' attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequate, we are supposed to express an unqualified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Appotronics to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Appotronics to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants (Special General Partnership)

Chinese Certified Public Accountant: WEI Biaowen

(Partner in Charge)

Hangzhou City, China

Chinese Certified Public Accountant: NIU Chunjun

April 25, 2024

II. Financial statements
Consolidated Balance Sheet

December 31, 2023

Prepared by: Appotronics Corporation Limited

In RMB

| Item | Note | December 31, 2023 | December 31, 2022 |
|--|---------|-------------------|-------------------|
| Current Assets: | | | |
| Cash and bank balances | VII. 1 | 1,386,828,549.06 | 1,355,882,208.63 |
| Balances with clearing agencies | | | |
| Placements with banks and other financial institutions | | | |
| Held-for-trading financial assets | VII. 2 | 514,010,000.00 | 352,880,000.00 |
| Derivative financial assets | | | |
| Notes receivable | VII. 4 | 8,951,308.71 | 2,234,687.77 |
| Accounts receivable | VII. 5 | 180,290,007.90 | 208,260,235.79 |
| Receivables financing | VII. 7 | 11,387,400.00 | 4,279,041.00 |
| Prepayments | VII. 8 | 35,112,661.82 | 48,445,976.86 |
| Premiums receivable | | | |
| Amounts receivable under reinsurance contracts | | | |
| Reinsurer's share of insurance contract reserves | | | |
| Other receivables | VII. 9 | 30,698,687.55 | 26,331,721.55 |
| Where: Interests receivable | | | |
| Dividends receivable | | 14,023,746.00 | 13,789,908.00 |
| Financial assets purchased under resale agreements | | | |
| Inventories | VII. 10 | 656,346,799.67 | 865,639,961.79 |
| Contract assets | VII. 6 | 1,664,740.29 | 1,061,581.35 |
| Held-for-sale assets | | | |
| Non-current assets due within one year | VII. 12 | 41,997,218.73 | 13,431,554.82 |
| Other current assets | VII. 13 | 48,417,270.11 | 106,502,611.79 |
| Total current assets | | 2,915,704,643.84 | 2,984,949,581.35 |
| Non-current Assets: | | | |
| Loans and advances | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | VII. 16 | 26,000,543.13 | 11,524,193.80 |
| Long-term equity investment | VII. 17 | 144,726,776.43 | 162,394,917.57 |
| Investment in other equity instruments | VII. 18 | 7,075,419.38 | 7,075,419.38 |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | VII. 21 | 336,276,793.84 | 427,539,718.53 |
| Construction in progress | VII. 22 | 347,777,138.86 | 278,978,057.73 |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Right-of-use assets | VII. 25 | 40,016,903.67 | 62,255,670.29 |
| Intangible assets | VII. 26 | 281,961,046.22 | 290,341,693.08 |
| Development expenditure | | | |
| Goodwill | | | |
| Long-term prepaid expenses | VII. 28 | 6,318,145.33 | 5,990,984.03 |
| Deferred tax assets | VII. 29 | 85,364,732.19 | 89,730,936.02 |

| | | | |
|--|---------|------------------|------------------|
| Other non-current assets | VII. 30 | 29,348,748.27 | 12,569,088.37 |
| Total non-current assets | | 1,304,866,247.32 | 1,348,400,678.80 |
| Total assets | | 4,220,570,891.16 | 4,333,350,260.15 |
| Current Liabilities: | | | |
| Short-term borrowings | VII. 32 | 80,036,500.00 | 129,589,634.03 |
| Loans from the central bank | | | |
| Taking from banks and other financial institutions | | | |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | VII. 35 | 76,001,079.07 | 201,299,388.57 |
| Accounts payable | VII. 36 | 247,318,466.10 | 276,845,321.28 |
| Advance from customers | VII. 37 | 110,573,711.24 | 113,834,728.10 |
| Contract liabilities | VII. 38 | 45,416,445.99 | 37,285,920.43 |
| Financial assets sold under repurchase agreements | | | |
| Customer deposits and deposits from banks and other financial institutions | | | |
| Funds from securities trading agency | | | |
| Funds from underwriting securities agency | | | |
| Employee benefits payable | VII. 39 | 66,874,234.47 | 58,470,960.55 |
| Taxes payable | VII. 40 | 6,142,704.23 | 8,272,768.90 |
| Other payables | VII. 41 | 54,142,509.17 | 56,662,357.08 |
| Where: Interest payable | | | |
| Dividend payable | | | |
| Fees and commissions payable | | | |
| Amounts payable under reinsurance contracts | | | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | VII. 43 | 268,748,151.67 | 178,031,817.37 |
| Other current liabilities | VII. 44 | 18,441,685.83 | 28,383,608.37 |
| Total current liabilities | | 973,695,487.77 | 1,088,676,504.68 |
| Non-current Liabilities: | | | |
| Insurance contract reserves | | | |
| Long-term borrowings | VII. 45 | 370,649,631.22 | 403,720,542.45 |
| Bonds payable | | | |
| Where: Preferred shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | VII. 47 | 15,548,985.71 | 34,319,284.23 |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | VII. 50 | 58,180,985.08 | 56,463,882.87 |
| Deferred income | VII. 51 | 4,627,972.56 | 8,651,422.26 |
| Deferred tax liabilities | VII. 29 | 1,229,654.81 | |
| Other non-current liabilities | | | |
| Total non-current liabilities | | 450,237,229.38 | 503,155,131.81 |
| Total liabilities | | 1,423,932,717.15 | 1,591,831,636.49 |
| Owners' Equity (Shareholders' Equity): | | | |
| Paid-in capital (or share capital) | VII. 53 | 462,211,338.00 | 457,107,538.00 |
| Other equity instruments | | | |
| Where: Preferred shares | | | |
| Perpetual bonds | | | |
| Capital reserve | VII. 55 | 1,616,489,567.43 | 1,530,752,116.04 |

| | | | |
|--|---------|------------------|------------------|
| Less: Treasury shares | VII. 56 | 19,377,297.59 | 19,377,297.59 |
| Other comprehensive income | VII. 57 | 7,550,073.78 | 5,736,897.41 |
| Special reserve | | | |
| Surplus reserve | VII. 59 | 84,873,365.32 | 75,519,782.06 |
| General risk reserve | | | |
| Undistributed profit | VII. 60 | 667,122,406.05 | 597,924,451.67 |
| Total owners' (or shareholders') equity attributable to owners of the parent company | | 2,818,869,452.99 | 2,647,663,487.59 |
| Minority interests | | -22,231,278.98 | 93,855,136.07 |
| Total owners' (or shareholders') equity | | 2,796,638,174.01 | 2,741,518,623.66 |
| Total liabilities and owners' (or shareholders') equity | | 4,220,570,891.16 | 4,333,350,260.15 |

Principal of the Company: LI Yi Person in Charge of the Accounting Work: WANG Yingxia Person in Charge of the Accounting Body: WANG Yingxia

Balance Sheet of the Parent Company

December 31, 2023

Prepared by: Appotronics Corporation Limited

In RMB

| Item | Note | December 31, 2023 | December 31, 2022 |
|--|--------|-------------------|-------------------|
| Current Assets: | | | |
| Cash and bank balances | | 885,876,318.51 | 675,429,827.76 |
| Held-for-trading financial assets | | 514,010,000.00 | 352,880,000.00 |
| Derivative financial assets | | | |
| Notes receivable | | 8,951,308.71 | 2,234,687.77 |
| Accounts receivable | XIX. 1 | 462,480,236.37 | 688,004,828.29 |
| Receivables financing | | 5,996,000.00 | 2,399,041.00 |
| Prepayments | | 6,081,606.52 | 11,009,592.85 |
| Other receivables | XIX. 2 | 14,978,163.24 | 7,556,623.71 |
| Where: Interests receivable | | | |
| Dividends receivable | | | |
| Inventories | | 360,986,333.90 | 390,906,125.18 |
| Contract assets | | 1,664,740.29 | 1,061,581.35 |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | 1,334,808.66 |
| Other current assets | | 26,620,443.94 | 27,531,860.98 |
| Total current assets | | 2,287,645,151.48 | 2,160,348,977.55 |
| Non-current Assets: | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | 944,108.40 |
| Long-term equity investment | XIX. 3 | 469,318,028.03 | 450,239,347.45 |
| Investment in other equity instruments | | 7,075,419.38 | 7,075,419.38 |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | | 65,177,438.43 | 66,271,459.60 |
| Construction in progress | | 344,481,907.55 | 270,837,599.21 |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Right-of-use assets | | 30,017,024.96 | 52,738,418.54 |
| Intangible assets | | 283,883,645.37 | 294,108,453.73 |
| Development expenditure | | | |

| | | | |
|---|--|------------------|------------------|
| Goodwill | | | |
| Long-term prepaid expenses | | 1,450,084.92 | 487,991.29 |
| Deferred tax assets | | 33,459,331.86 | 20,220,930.66 |
| Other non-current assets | | 28,174,416.97 | 9,952,305.78 |
| Total non-current assets | | 1,263,037,297.47 | 1,172,876,034.04 |
| Total assets | | 3,550,682,448.95 | 3,333,225,011.59 |
| Current Liabilities: | | | |
| Short-term borrowings | | 50,010,833.33 | 60,043,166.67 |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | | 31,461,205.72 | 58,301,159.76 |
| Accounts payable | | 274,312,877.51 | 275,547,785.20 |
| Advance from customers | | | |
| Contract liabilities | | 18,743,336.81 | 19,945,270.00 |
| Employee benefits payable | | 34,021,863.01 | 35,920,277.61 |
| Taxes payable | | 3,596,744.97 | 5,339,271.71 |
| Other payables | | 15,161,050.55 | 9,722,655.99 |
| Where: Interest payable | | | |
| Dividend payable | | | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | | 61,007,143.63 | 24,463,018.64 |
| Other current liabilities | | 3,912,927.75 | 2,666,327.90 |
| Total current liabilities | | 492,227,983.28 | 491,948,933.48 |
| Non-current Liabilities: | | | |
| Long-term borrowings | | 233,506,228.03 | 148,087,667.43 |
| Bonds payable | | | |
| Where: Preferred shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | | 10,326,879.29 | 29,114,281.86 |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | | 20,925,309.05 | 24,939,050.33 |
| Deferred income | | 2,718,881.63 | 5,630,959.06 |
| Deferred tax liabilities | | | |
| Other non-current liabilities | | | |
| Total non-current liabilities | | 267,477,298.00 | 207,771,958.68 |
| Total liabilities | | 759,705,281.28 | 699,720,892.16 |
| Owners' Equity (Shareholders' Equity): | | | |
| Paid-in capital (or share capital) | | 462,211,338.00 | 457,107,538.00 |
| Other equity instruments | | | |
| Where: Preferred shares | | | |
| Perpetual bonds | | | |
| Capital reserve | | 1,625,258,496.25 | 1,541,789,874.63 |
| Less: Treasury shares | | 19,377,297.59 | 19,377,297.59 |
| Other comprehensive income | | | |
| Special reserve | | | |
| Surplus reserve | | 83,595,824.59 | 74,242,241.33 |
| Undistributed profit | | 639,288,806.42 | 579,741,763.06 |
| Total owners' (or shareholders') equity | | 2,790,977,167.67 | 2,633,504,119.43 |
| Total liabilities and owners' (or shareholders') equity | | 3,550,682,448.95 | 3,333,225,011.59 |

Principal of the Company: LI Yi Person in Charge of the Accounting Work: WANG Yingxia Person in Charge of the Accounting Body: WANG Yingxia

Consolidated Income Statement

January to December 2023

In RMB

| Item | Note | 2023 | 2022 |
|---|---------|------------------|------------------|
| I. Total operating income | | 2,213,356,977.95 | 2,541,144,635.15 |
| Where: Operating income | VII. 61 | 2,213,356,977.95 | 2,541,144,635.15 |
| Interest income | | | |
| Premiums earned | | | |
| Fee and commission income | | | |
| II. Total operating costs | | 2,138,781,888.21 | 2,504,104,232.01 |
| Where: Operating costs | VII. 61 | 1,411,758,369.08 | 1,711,732,842.88 |
| Interest expenses | | | |
| Fee and commission expenses | | | |
| Surrenders | | | |
| Claims and policyholder benefits (net of amounts recoverable from reinsurers) | | | |
| Net withdrawal of insurance contract reserves | | | |
| Insurance policyholder dividends | | | |
| Expenses for reinsurance accepted | | | |
| Taxes and surcharges | VII. 62 | 7,768,044.95 | 11,111,853.75 |
| Selling expenses | VII. 63 | 300,679,932.99 | 334,758,958.86 |
| Administrative expenses | VII. 64 | 157,092,724.49 | 193,554,776.41 |
| R&D expenses | VII. 65 | 280,932,800.35 | 262,108,405.90 |
| Financial expenses | VII. 66 | -19,449,983.65 | -9,162,605.79 |
| Where: Interest expense | | 18,635,749.36 | 24,819,665.70 |
| Interest income | | 34,298,315.94 | 17,711,130.51 |
| Add: Other income | VII. 67 | 41,442,072.61 | 33,949,485.88 |
| Investment income (loss is indicated by "-") | VII. 68 | 568,352.18 | 3,979,813.96 |
| Where: Income from investments in associates and joint ventures | | -12,002,779.90 | -3,244,838.52 |
| Gains from derecognition of financial assets measured at amortized cost | | | -912,618.35 |
| Foreign exchange gains (loss is indicated by "-") | | | |
| Gains from net exposure hedges (loss is indicated by "-") | | | |
| Gains from changes in fair values (loss is indicated by "-") | VII. 70 | 130,000.00 | -3,320,000.00 |
| Losses of credit impairment (loss is indicated by "-") | VII. 71 | -6,979,447.80 | -10,257,975.50 |
| Impairment losses of assets (loss is indicated by "-") | VII. 72 | -74,260,854.74 | -48,234,017.58 |
| Gains from disposal of assets (loss is indicated by "-") | VII. 73 | 151,469.26 | 229,000.28 |
| III. Operating profit (loss is indicated by "-") | | 35,626,681.25 | 13,386,710.18 |
| Add: Non-operating income | VII. 74 | 9,880,662.10 | 16,589,847.66 |
| Less: Non-operating expenses | VII. 75 | 7,832,364.17 | 2,466,545.66 |
| IV. Total profits (total losses are indicated by "-") | | 37,674,979.18 | 27,510,012.18 |
| Less: Income tax expenses | VII. 76 | 20,058,698.03 | -3,328,785.48 |
| V. Net profits (net losses are indicated by "-") | | 17,616,281.15 | 30,838,797.66 |
| (I) Categorized by the continuity of operation | | | |

| | | | |
|--|--|----------------|----------------|
| 1. Net profits from continuing operations (net losses are indicated by “-”) | | 17,616,281.15 | 30,838,797.66 |
| 2. Net profits from discontinued operations (net losses are indicated by “-”) | | | |
| (II) Categorized by the ownership | | | |
| 1. Net profits attributable to shareholders of the parent company (net losses are indicated by “-”) | | 103,186,743.57 | 119,440,773.77 |
| 2. Profits or losses attributable to minority shareholders (net losses are indicated by “-”) | | -85,570,462.42 | -88,601,976.11 |
| VI. Other comprehensive income, net of tax | | 1,121,927.11 | 20,863,757.74 |
| (I) Other comprehensive income that can be attributable to owners of the parent company, net of tax | | 1,813,176.37 | 22,577,410.01 |
| 1. Other comprehensive income that cannot be reclassified subsequently to profit or loss | | | |
| (1) Changes from remeasurement of defined benefit plans | | | |
| (2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method | | | |
| (3) Changes in fair value of investments in other equity instruments | | | |
| (4) Changes in fair value of enterprises' own credit risks | | | |
| 2. Other comprehensive income that will be reclassified to profit or loss | | 1,813,176.37 | 22,577,410.01 |
| (1) Other comprehensive income that will be reclassified to profit or loss under the equity method | | -3,126,210.45 | -12,813,785.24 |
| (2) Changes in fair value of other debt investments | | | |
| (3) Amount of financial assets reclassified to other comprehensive income | | | |
| (4) Provision for credit impairment of other debt investments | | | |
| (5) Reserve for cash flow hedges | | | |
| (6) Exchange differences on translation of financial statements denominated in foreign currencies | | 4,939,386.82 | 35,391,195.25 |
| (7) Others | | | |
| (II) Other comprehensive income that can be attributable to minority shareholders, net of tax | | -691,249.26 | -1,713,652.27 |
| VII. Total comprehensive income | | 18,738,208.26 | 51,702,555.40 |
| (I) Total comprehensive income that can be attributable to owners of the parent company | | 104,999,919.94 | 142,018,183.78 |
| (II) Total comprehensive income that can be attributable to minority shareholders | | -86,261,711.68 | -90,315,628.38 |
| VIII. Earnings per share: | | | |
| (I) Basic earnings per share (RMB/share) | | 0.23 | 0.26 |
| (II) Diluted earnings per share (RMB/share) | | 0.22 | 0.26 |

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

Principal of the Company: LI Yi Person in Charge of the Accounting Work: WANG Yingxia Person in Charge of the Accounting Body: WANG Yingxia

Income Statement of the Parent Company

January to December 2023

In RMB

| Item | Note | 2023 | 2022 |
|---|--------|------------------|------------------|
| I. Operating income | XIX. 4 | 1,120,351,462.42 | 1,345,923,616.67 |
| Less: Operating costs | XIX. 4 | 781,792,429.91 | 910,770,517.27 |
| Taxes and surcharges | | 6,174,264.79 | 7,604,069.03 |
| Selling expenses | | 83,985,382.70 | 88,126,865.23 |
| Administrative expenses | | 65,588,918.77 | 122,275,548.87 |
| R&D expenses | | 161,343,424.73 | 151,041,023.34 |
| Financial expenses | | -26,883,193.36 | -27,358,557.34 |
| Where: Interest expense | | 6,304,697.96 | 3,615,664.22 |
| Interest income | | 29,873,828.03 | 20,440,797.02 |
| Add: Other income | | 28,781,626.24 | 20,926,293.34 |
| Investment income (loss is indicated by “-”) | XIX. 5 | 19,652,860.44 | 103,034,950.62 |
| Where: Income from investments in associates and joint ventures | | -163,837.89 | |
| Gains from derecognition of financial assets measured at amortized cost | | | |
| Gains from net exposure hedges (loss is indicated by “-”) | | | |
| Gains from changes in fair values (loss is indicated by “-”) | | 130,000.00 | -3,320,000.00 |
| Losses of credit impairment (loss is indicated by “-”) | | -5,325,094.56 | -1,433,483.62 |
| Impairment losses of assets (loss is indicated by “-”) | | -11,148,568.14 | -15,970,957.71 |
| Gains from disposal of assets (loss is indicated by “-”) | | 30,476.32 | 11,882.43 |
| II. Operating profit (loss is indicated by “-”) | | 80,471,535.18 | 196,712,835.33 |
| Add: Non-operating income | | 542,346.47 | 113,375.83 |
| Less: Non-operating expenses | | 240,165.57 | 2,033,425.93 |
| III. Total profits (total losses are indicated by “-”) | | 80,773,716.08 | 194,792,785.23 |
| Less: Income tax expenses | | -12,762,116.47 | 2,253,647.71 |
| IV. Net profits (net losses are indicated by “-”) | | 93,535,832.55 | 192,539,137.52 |
| (I) Net profits from continuing operations (net losses are indicated by “-”) | | 93,535,832.55 | 192,539,137.52 |
| (II) Net profits from discontinued operations (net losses are indicated by “-”) | | | |
| V. Other comprehensive income, net of tax | | | |
| (I) Other comprehensive income that cannot be reclassified subsequently to profit or loss | | | |
| 1. Changes from remeasurement of defined benefit plans | | | |
| 2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method | | | |

| | | | |
|---|--|---------------|----------------|
| 3. Changes in fair value of investments in other equity instruments | | | |
| 4. Changes in fair value of enterprises' own credit risks | | | |
| (II) Other comprehensive income that will be reclassified to profit or loss | | | |
| 1. Other comprehensive income that will be reclassified to profit or loss under the equity method | | | |
| 2. Changes in fair value of other debt investments | | | |
| 3. Amount of financial assets reclassified to other comprehensive income | | | |
| 4. Provision for credit impairment of other debt investments | | | |
| 5. Reserve for cash flow hedges | | | |
| 6. Exchange differences on translation of financial statements denominated in foreign currencies | | | |
| 7. Others | | | |
| VI. Total comprehensive income | | 93,535,832.55 | 192,539,137.52 |
| VII. Earnings per share: | | | |
| (I) Basic earnings per share (RMB/share) | | | |
| (II) Diluted earnings per share (RMB/share) | | | |

Principal of the Company: LI Yi Person in Charge of the Accounting Work: WANG Yingxia Person in Charge of the Accounting Body: WANG Yingxia

Consolidated Cash Flow Statement

January to December 2023

In RMB

| Item | Note | 2023 | 2022 |
|--|---------|------------------|------------------|
| I. Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 2,387,449,326.09 | 2,961,315,911.23 |
| Net increase in customer deposits and deposits from banks and other financial institutions | | | |
| Net increase in loans from the central bank | | | |
| Net increase in taking from banks and other financial institutions | | | |
| Cash receipts from premiums under direct insurance contracts | | | |
| Net cash receipts from reinsurance business | | | |
| Net cash receipts from policyholders' deposits and investment contract liabilities | | | |
| Cash receipts from interest, fees and commissions | | | |
| Net increase in taking from banks | | | |
| Net increase in financial assets sold under repurchase arrangements | | | |
| Net cash received from securities trading agencies | | | |
| Receipts of tax refunds | | 51,043,896.71 | 9,075,667.22 |
| Other cash receipts related to operating activities | VII. 78 | 152,471,883.59 | 153,496,117.32 |
| Subtotal of cash inflows from operating activities | | 2,590,965,106.39 | 3,123,887,695.77 |
| Cash payments for goods purchased and services received | | 1,384,161,942.37 | 1,984,713,135.68 |

| | | | |
|---|---------|------------------|------------------|
| Net increase in loans and advances to customers | | | |
| Net increase in balance with the central bank and due from banks and other financial institutions | | | |
| Cash payments for claims and policyholders' benefits under direct insurance contracts | | | |
| Net increase in placements with banks and other financial institutions | | | |
| Cash payments for interest, fees and commissions | | | |
| Cash payments for insurance policyholder dividends | | | |
| Cash payments to and on behalf of employees | | 445,173,399.88 | 443,190,106.16 |
| Payments of various types of taxes | | 68,408,617.04 | 90,351,732.74 |
| Other cash payments related to operating activities | VII. 78 | 329,139,092.02 | 428,282,005.50 |
| Subtotal of cash outflows from operating activities | | 2,226,883,051.31 | 2,946,536,980.08 |
| Net cash flow from operating activities | | 364,082,055.08 | 177,350,715.69 |
| II. Cash Flows from Investing Activities: | | | |
| Cash receipts from disposals and recovery of investments | | 1,628,530,000.00 | 2,216,404,000.00 |
| Cash receipts from investment income | | 12,571,132.08 | 12,837,561.73 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | | 536,758.74 | 6,713.15 |
| Net cash receipts from disposals of subsidiaries and other business units | | | |
| Other cash receipts related to investing activities | VII. 78 | | 8,004,240.00 |
| Subtotal of cash inflows from investing activities | | 1,641,637,890.82 | 2,237,252,514.88 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | | 115,247,559.31 | 167,335,288.66 |
| Cash payments to acquire investments | | 1,835,530,000.00 | 2,022,000,000.00 |
| Net increase in pledged loans receivables | | | |
| Net cash payments for acquisitions of subsidiaries and other business units | | 19,724,965.16 | |
| Other cash payments related to investing activities | | | |
| Subtotal of cash outflows from investing activities | | 1,970,502,524.47 | 2,189,335,288.66 |
| Net cash flows from investment activities | | -328,864,633.65 | 47,917,226.22 |
| III. Cash Flows from Financing Activities: | | | |
| Cash receipts from capital contributions | | 87,810,995.80 | 76,598,336.46 |
| Where: Cash receipts from capital contributions from minority shareholders of subsidiaries | | | |
| Cash receipts from borrowings | | 345,599,598.92 | 443,474,932.04 |
| Other cash receipts related to financing activities | | | |
| Subtotal of cash inflows from financing activities | | 433,410,594.72 | 520,073,268.50 |
| Cash repayments of borrowings | | 333,613,131.18 | 272,903,834.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 63,555,733.03 | 81,512,905.15 |
| Where: Payments for distribution of dividends or profits to minority shareholders of subsidiaries | | 11,040,000.00 | 7,360,000.00 |
| Other cash payments related to financing activities | VII. 78 | 34,444,716.79 | 49,643,474.28 |
| Subtotal of cash outflows from financing activities | | 431,613,581.00 | 404,060,213.43 |

| | | | |
|---|--|------------------|------------------|
| Net cash flows from financing activities | | 1,797,013.72 | 116,013,055.07 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | 6,252,057.48 | 22,106,239.41 |
| V. Net Increase in Cash and Cash Equivalents | | 43,266,492.63 | 363,387,236.39 |
| Add: Opening balance of cash and cash equivalents | | 1,254,582,403.12 | 891,195,166.73 |
| VI. Closing Balance of Cash and Cash Equivalents | | 1,297,848,895.75 | 1,254,582,403.12 |

Principal of the Company: LI Yi Person in Charge of the Accounting Work: WANG Yingxia Person in Charge of the Accounting Body: WANG Yingxia

Cash Flow Statement of the Parent Company

January to December 2023

In RMB

| Item | Note | 2023 | 2022 |
|--|------|------------------|------------------|
| I. Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 1,449,090,688.82 | 1,437,145,165.15 |
| Receipts of tax refunds | | 2,864,310.29 | 2,037,215.25 |
| Other cash receipts related to operating activities | | 45,454,875.70 | 60,542,250.60 |
| Subtotal of cash inflows from operating activities | | 1,497,409,874.81 | 1,499,724,631.00 |
| Cash payments for goods purchased and services received | | 819,973,474.81 | 1,054,147,368.37 |
| Cash payments to and on behalf of employees | | 268,406,978.19 | 261,855,452.88 |
| Payments of various types of taxes | | 22,487,347.11 | 48,340,610.72 |
| Other cash payments related to operating activities | | 67,545,131.28 | 104,047,838.81 |
| Subtotal of cash outflows from operating activities | | 1,178,412,931.39 | 1,468,391,270.78 |
| Net cash flow from operating activities | | 318,996,943.42 | 31,333,360.22 |
| II. Cash Flows from Investing Activities: | | | |
| Cash receipts from disposals and recovery of investments | | 1,628,530,000.00 | 1,993,000,000.00 |
| Cash receipts from investment income | | 19,816,698.33 | 103,034,950.62 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | | 306,703.74 | 290,523.88 |
| Net cash receipts from disposals of subsidiaries and other business units | | | |
| Other cash receipts related to investing activities | | 13,463,816.00 | |
| Subtotal of cash inflows from investing activities | | 1,662,117,218.07 | 2,096,325,474.50 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | | 101,218,671.62 | 154,297,761.42 |
| Cash payments to acquire investments | | 1,849,343,800.00 | 1,932,000,000.00 |
| Net cash payments for acquisitions of subsidiaries and other business units | | | |
| Other cash payments related to investing activities | | 6,615,975.54 | |
| Subtotal of cash outflows from investing activities | | 1,957,178,447.16 | 2,086,297,761.42 |
| Net cash flows from investment activities | | -295,061,229.09 | 10,027,713.08 |
| III. Cash Flows from Financing Activities: | | | |
| Cash receipts from capital contributions | | 87,810,995.80 | 76,598,336.46 |
| Cash receipts from borrowings | | 215,599,598.92 | 203,474,932.04 |
| Other cash receipts related to financing activities | | 21,408.88 | 29,000,000.00 |

| | | | |
|---|--|----------------|----------------|
| Subtotal of cash inflows from financing activities | | 303,432,003.60 | 309,073,268.50 |
| Cash repayments of borrowings | | 100,093,137.18 | 79,000,000.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 34,742,560.84 | 53,675,287.81 |
| Other cash payments related to financing activities | | 26,087,400.44 | 71,573,255.83 |
| Subtotal of cash outflows from financing activities | | 160,923,098.46 | 204,248,543.64 |
| Net cash flows from financing activities | | 142,508,905.14 | 104,824,724.86 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | 3,601,784.10 | 5,563,361.83 |
| V. Net Increase in Cash and Cash Equivalents | | 170,046,403.57 | 151,749,159.99 |
| Add: Opening balance of cash and cash equivalents | | 634,972,775.32 | 483,223,615.33 |
| VI. Closing Balance of Cash and Cash Equivalents | | 805,019,178.89 | 634,972,775.32 |

Principal of the Company: LI Yi Person in Charge of the Accounting Work: WANG Yingxia Person in Charge of the Accounting Body: WANG Yingxia

Consolidated Statement of Changes in Owners' Equity
January to December 2023

In RMB

| Item | 2023 | | | | | | | | | | | | | | |
|---|---|--------------------------|--------|--|------------------|-----------------------|----------------------------|-----------------|-----------------|----------------------|-----------------------|--------|--------------------|----------------------|------------------|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | Minority interests | Total owner's equity | |
| | Paid-in capital (or share capital) | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserve | Surplus reserve | General risk reserve | Undistributed profits | Others | | | Subtotal |
| Preferred shares | | Perpetual bonds | Others | | | | | | | | | | | | |
| I. Closing balance of last year | 457,107,538.00 | | | | 1,530,752,116.04 | 19,377,297.59 | 5,736,897.41 | | 75,519,782.06 | | 597,924,451.67 | | 2,647,663,487.59 | 93,855,136.07 | 2,741,518,623.66 |
| Add: Changes in accounting policies | | | | | | | | | | | | | | | |
| Corrections of prior period errors | | | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | | | |
| II. Opening balance of the current year | 457,107,538.00 | | | | 1,530,752,116.04 | 19,377,297.59 | 5,736,897.41 | | 75,519,782.06 | | 597,924,451.67 | | 2,647,663,487.59 | 93,855,136.07 | 2,741,518,623.66 |
| III. Changes for the year (decrease is) | 5,103,800.00 | | | | 85,737,451.39 | | 1,813,176.37 | | 9,353,583.26 | | 69,197,954.38 | | 171,205,965.40 | 116,086,415.05 | 55,119,550.35 |

| | | | | | | | | | | | | | | | |
|--|--------------|--|--|--|---------------|--|--------------|--|--------------|--|----------------|--|----------------|----------------|----------------|
| indicated by “-”) | | | | | | | | | | | | | | | |
| (I) Total comprehensive income | | | | | | | 1,813,176.37 | | | | 103,186,743.57 | | 104,999,919.94 | -86,261,711.68 | 18,738,208.26 |
| (II) Owners’ contributions and reduction in capital | 5,103,800.00 | | | | 85,737,451.39 | | | | | | | | 90,841,251.39 | -18,784,703.37 | 72,056,548.02 |
| 1. Ordinary shares contributed by owners | 5,103,800.00 | | | | 82,707,195.80 | | | | | | | | 87,810,995.80 | | 87,810,995.80 |
| 2. Capital contribution from holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Share-based payment recognized in owners’ equity | | | | | 2,758,753.70 | | | | | | | | 2,758,753.70 | 2,591,763.68 | 5,350,517.38 |
| 4. Others | | | | | 271,501.89 | | | | | | | | 271,501.89 | -21,376,467.05 | -21,104,965.16 |
| (III) Profit distribution | | | | | | | | | 9,353,583.26 | | -33,988,789.19 | | -24,635,205.93 | -11,040,000.00 | -35,675,205.93 |
| 1. Transfer to surplus reserve | | | | | | | | | 9,353,583.26 | | -9,353,583.26 | | | | |

| | | | | | | | | | | | | | | | |
|--|----------------|--|--|------------------|---------------|--------------|--|---------------|--|----------------|--|------------------|---------------|---|------------------|
| earnings carried forward from other comprehensive income | | | | | | | | | | | | | | | |
| 6. Others (V) Special reserve | | | | | | | | | | | | | | | |
| 1. Transfer to special reserve in the period | | | | | | | | | | | | | | | |
| 2. Amount utilized in the period | | | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | | | | |
| IV. Closing balance of the current year | 462,211,338.00 | | | 1,616,489,567.43 | 19,377,297.59 | 7,550,073.78 | | 84,873,365.32 | | 667,122,406.05 | | 2,818,869,452.99 | 22,231,278.98 | - | 2,796,638,174.01 |

| Item | 2022 | | | | | | | | | | | | | | Minority interests | Total owner's equity | |
|------|---|--------------------------|-----------------|-----------------------|----------------------------|--------|-----------------|-----|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|----------------------|-------------|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | | | | | |
| | Paid-in capital (or share capital) | Other equity instruments | Capital reserve | Less: Treasury shares | Other comprehensive income | Specia | Surplus reserve | Gen | Undistribut | Undistribut | Undistribut | Undistribut | Undistribut | Undistribut | | | Undistribut |
| | | | | | | | | | | | | | | | | | |

| | | P r e f e r r e d s h a r e s | P e r p e t u a l b o n d s | O t h e r s | | | | l r e s e r v e | | a l r i s k r e s e r v e | e r s | | | | |
|--|----------------|---|--|----------------------------|------------------|---------------|---------------|--------------------------------------|---------------|---|----------------|----------------|------------------|----------------|------------------|
| I. Closing balance of last year | 452,756,901.00 | | | | 1,400,605,136.65 | | 16,840,512.60 | - | 56,265,868.31 | | 545,277,188.08 | | 2,438,064,581.44 | 185,172,097.94 | 2,623,236,679.38 |
| Add: Changes in accounting policies | | | | | | | | | | | | | | | |
| Corrections of prior period errors | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| II. Opening balance of the current year | 452,756,901.00 | | | | 1,400,605,136.65 | | 16,840,512.60 | - | 56,265,868.31 | | 545,277,188.08 | | 2,438,064,581.44 | 185,172,097.94 | 2,623,236,679.38 |
| III. Changes for the year (decrease is indicated by "-") | 4,350,637.00 | | | | 130,146,979.39 | 19,377,297.59 | 22,577,410.01 | 19,253,913.75 | | 52,647,263.59 | | 209,598,906.15 | 91,316,961.87 | - | 118,281,944.28 |
| (I) Total comprehensive | | | | | | | 22,577,410.01 | | | | 119,440,773.77 | | 142,018,183.78 | 90,315,628.38 | 51,702,555.40 |

| | | | | | | | | | | | | | | |
|--|--------------|--|--|----------------|---------------|--|--|---------------|--|---|---------------|----------------|---------------|----------------|
| nsive income | | | | | | | | | | | | | | |
| (II) Owners' contributions and reduction in capital | 4,350,637.00 | | | 130,146,979.39 | 19,377,297.59 | | | | | | | 115,120,318.80 | 6,358,666.51 | 121,478,985.31 |
| 1. Ordinary shares contributed by owners | 4,350,637.00 | | | 72,247,699.46 | | | | | | | | 76,598,336.46 | | 76,598,336.46 |
| 2. Capital contribution from holders of other equity instruments | | | | | | | | | | | | | | |
| 3. Share-based payment recognized in owners' equity | | | | 57,899,279.93 | | | | | | | | 57,899,279.93 | 6,358,666.51 | 64,257,946.44 |
| 4. Others | | | | | 19,377,297.59 | | | | | | | -19,377,297.59 | | -19,377,297.59 |
| (III) Profit distribution | | | | | | | | 19,253,913.75 | | - | 66,793,510.18 | -47,539,596.43 | -7,360,000.00 | -54,899,596.43 |
| 1. Transfer to surplus reserve | | | | | | | | 19,253,913.75 | | - | 19,253,913.75 | | | |
| 2. Transfer to general | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|---------------|---|----------------|---------------|----------------|
| risk reserve | | | | | | | | | | | | | | | |
| 3. Distributions to owners (or shareholders) | | | | | | | | | | | 47,539,596.43 | - | -47,539,596.43 | -7,360,000.00 | -54,899,596.43 |
| 4. Others | | | | | | | | | | | | | | | |
| (IV) Transfers within owners' equity | | | | | | | | | | | | | | | |
| 1. Capitalization of capital reserve | | | | | | | | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | | | | | | | | |
| 3. Loss offset by surplus reserve | | | | | | | | | | | | | | | |
| 4. Retained earnings carried forward from changes in defined benefit plans | | | | | | | | | | | | | | | |
| 5. Retained earnings carried | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|---------------|--------------|---------------|----------------|------------------|---------------|------------------|--|
| forward from other comprehensive income | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | | | |
| 1. Transfer to special reserve in the period | | | | | | | | | | | | | |
| 2. Amount utilized in the period | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | | |
| IV. Closing balance of the current year | 457,107,538.00 | | | | 1,530,752,116.04 | 19,377,297.59 | 5,736,897.41 | 75,519,782.06 | 597,924,451.67 | 2,647,663,487.59 | 93,855,136.07 | 2,741,518,623.66 | |

Principal of the Company: LI Yi Person in Charge of the Accounting Work: WANG Yingxia Person in Charge of the Accounting Body: WANG Yingxia

Statement of Changes in Owners' Equity of the Parent Company
January to December 2023

In RMB

| Item | 2023 | | | | | | | | | | |
|-------------------------------------|------------------------------------|--------------------------|-----------------|--------|------------------|-----------------------|----------------------------|-----------------|-----------------|-----------------------|----------------------|
| | Paid-in capital (or share capital) | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profits | Total owner's equity |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | |
| I. Closing balance of last year | 457,107,538.00 | | | | 1,541,789,874.63 | 19,377,297.59 | | | 74,242,241.33 | 579,741,763.06 | 2,633,504,119.43 |
| Add: Changes in accounting policies | | | | | | | | | | | |
| Corrections of prior period errors | | | | | | | | | | | |
| Others | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|---------------|--|--|---------------|----------------|------------------|
| II. Opening balance of the current year | 457,107,538.00 | | | | 1,541,789,874.63 | 19,377,297.59 | | | 74,242,241.33 | 579,741,763.06 | 2,633,504,119.43 |
| III. Changes for the year (decrease is indicated by “-”) | 5,103,800.00 | | | | 83,468,621.62 | | | | 9,353,583.26 | 59,547,043.36 | 157,473,048.24 |
| (I) Total comprehensive income | | | | | | | | | | 93,535,832.55 | 93,535,832.55 |
| (II) Owners’ contributions and reduction in capital | 5,103,800.00 | | | | 83,468,621.62 | | | | | | 88,572,421.62 |
| 1. Ordinary shares contributed by owners | 5,103,800.00 | | | | 82,707,195.80 | | | | | | 87,810,995.80 |
| 2. Capital contribution from holders of other equity instruments | | | | | | | | | | | |
| 3. Share-based payment recognized in owners’ equity | | | | | 761,425.82 | | | | | | 761,425.82 |
| 4. Others | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | 9,353,583.26 | -33,988,789.19 | -24,635,205.93 |
| 1. Transfer to surplus reserve | | | | | | | | | 9,353,583.26 | -9,353,583.26 | |
| 2. Distributions to owners (or shareholders) | | | | | | | | | | -24,635,205.93 | -24,635,205.93 |
| 3. Others | | | | | | | | | | | |
| (IV) Transfers within owners’ equity | | | | | | | | | | | |
| 1. Capitalization of capital reserve | | | | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | | | | |
| 3. Loss offset by surplus reserve | | | | | | | | | | | |
| 4. Retained earnings carried forward from changes in defined benefit plans | | | | | | | | | | | |
| 5. Retained earnings carried forward from other comprehensive income | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--------------------|--|--|--|----------------------|-------------------|--|--|-------------------|--------------------|----------------------|
| (V) Special reserve | | | | | | | | | | | |
| 1. Transfer to special reserve in the period | | | | | | | | | | | |
| 2. Amount utilized in the period | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | |
| IV. Closing balance of the current year | 462,211,33 8.00 | | | | 1,625,258, 496.25 | 19,377,297 .59 | | | 83,595,82 4.59 | 639,288,8 06.42 | 2,790,977, 167.67 |

| Item | 2022 | | | | | | | | | | |
|--|------------------------------------|--------------------------|-----------------|--------|----------------------|-----------------------|----------------------------|-----------------|-------------------|-----------------------|------------------------|
| | Paid-in capital (or share capital) | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profits | Total owner's equity |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | |
| I. Closing balance of last year | 452,756,90 1.00 | | | | 1,410,150, 134.25 | | | | 54,988,32 7.58 | 453,996,1 35.72 | 2,371,891, 498.55 |
| Add: Changes in accounting policies | | | | | | | | | | | |
| Corrections of prior period errors | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance of the current year | 452,756,90 1.00 | | | | 1,410,150, 134.25 | | | | 54,988,32 7.58 | 453,996,1 35.72 | 2,371,891, 498.55 |
| III. Changes for the year (decrease is indicated by "-") | 4,350,637.0 0 | | | | 131,639,74 0.38 | 19,377,297 .59 | | | 19,253,91 3.75 | 125,745,6 27.34 | 261,612,62 0.88 |
| (I) Total comprehensive income | | | | | | | | | | 192,539,1 37.52 | 192,539,13 7.52 |
| (II) Owners' contributions and reduction in capital | 4,350,637.0 0 | | | | 131,639,74 0.38 | 19,377,297 .59 | | | | | 116,613,07 9.79 |
| 1. Ordinary shares contributed by owners | 4,350,637.0 0 | | | | 72,247,699 .46 | | | | | | 76,598,336 .46 |
| 2. Capital contribution from holders of other equity instruments | | | | | | | | | | | |
| 3. Share-based payment recognized in owners' equity | | | | | 59,392,040 .92 | | | | | | 59,392,040 .92 |
| 4. Others | | | | | | 19,377,297 .59 | | | | | - 19,377,297 .59 |

| | | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|---------------|--|--|---------------|----------------|------------------|---------------|
| (III) Profit distribution | | | | | | | | | 19,253,913.75 | - | 66,793,510.18 | 47,539,596.43 |
| 1. Transfer to surplus reserve | | | | | | | | | 19,253,913.75 | - | 19,253,913.75 | |
| 2. Distributions to owners (or shareholders) | | | | | | | | | | - | 47,539,596.43 | 47,539,596.43 |
| 3. Others | | | | | | | | | | | | |
| (IV) Transfers within owners' equity | | | | | | | | | | | | |
| 1. Capitalization of capital reserve | | | | | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | | | | | |
| 3. Loss offset by surplus reserve | | | | | | | | | | | | |
| 4. Retained earnings carried forward from changes in defined benefit plans | | | | | | | | | | | | |
| 5. Retained earnings carried forward from other comprehensive income | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | | |
| 1. Transfer to special reserve in the period | | | | | | | | | | | | |
| 2. Amount utilized in the period | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | |
| IV. Closing balance of the current year | 457,107,538.00 | | | | 1,541,789,874.63 | 19,377,297.59 | | | 74,242,241.33 | 579,741,763.06 | 2,633,504,119.43 | |

Principal of the Company: LI Yi Person in Charge of the Accounting Work: WANG Yingxia Person in Charge of the Accounting Body: WANG Yingxia

III. Company profile

1. Profile

Applicable N/A

Appotronics Corporation Limited (hereinafter referred to as “Company” or “the Company”), formally named as Shenzhen Appotronics Optoelectronics Technology Inc. (hereinafter referred to as “Appotronics Inc.”), was jointly invested and established by LI Yi and XU Yanzheng, registered in Nanshan Branch of Market Supervision and Regulation Bureau of Shenzhen Municipality on October 24, 2006, and headquartered in Shenzhen City, Guangdong Province. The Company holds the business license bearing the unified social credit code of 91440300795413991N. Its registered capital is RMB 462,211,338.00 divided into 462,211,338 shares (RMB 1.00 per share), including 462,211,338 unrestricted A shares. The Company’s shares were listed for trading on Shanghai Stock Exchange on July 22, 2019.

The Company can be classified into the computer, communication and other electronic equipment manufacturing industry. It mainly engages in research and development, production, sales and leasing of laser display core devices and complete equipment, and can provide customers with technical research and development services and customized products. Its products mainly include laser optical engines, laser business education projectors, smart mini projectors, laser TVs, laser large venue projectors and laser digital cinema projectors.

These financial statements have been approved by the 32nd meeting of the second Board of Directors on April 25, 2024 for public disclosure.

IV. Basis of preparation of financial statements

1. Basis of preparation

The Company’s financial statements are prepared on a going-concern basis.

2. Going concern

Applicable N/A

The Company has detected no events or circumstances that may cast significant doubt upon its ability to continue as a going concern within 12 months from the reporting period.

V. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimates:

Applicable N/A

The Company establishes the specific accounting policies and makes the specific accounting estimates with respect to inventories, depreciation of fixed assets, construction in progress, intangible assets, recognition of revenues and other transactions and events according to the actual production and operation characteristics of the Company.

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, changes in shareholders' equity, cash flows and other related information.

2. Accounting period

The accounting year is from January 1 to December 31 of each calendar year.

3. Operating cycle

Applicable N/A

The Company has a relatively short operating cycle, and determines the liquidity of assets and liabilities on the basis of 12 months.

4. Functional currency

The Company and domestic subsidiaries adopt RMB as their functional currency, while Appotronics Hong Kong Limited and other overseas subsidiaries engaging in overseas operation adopt the currency in their primary economic environments as their functional currencies.

5. Method and basis for determination of materiality

Applicable N/A

| Item | Materiality standard |
|--|---|
| Significant dividends receivable aged more than 1 year | The Company considers an individual dividend receivable in an amount exceeding 0.3% of the total assets as a significant dividend receivable. |
| Significant construction in progress | The Company considers the construction in progress which incurs the amount exceeding 0.3% of the total assets in the current period as a significant construction in progress. |
| Significant cash flow from investing activities | The Company considers an individual cash flow from investing activities in an amount exceeding 5% of the total assets as a significant cash flow from investing activities. |
| Significant subsidiaries and non-wholly-owned subsidiaries | The Company considers a subsidiary whose total assets/total revenue exceeds 15% of the group's total assets/total revenue as a significant subsidiary or significant non-wholly-owned subsidiary. |
| Significant associates | The Company considers an associate whose total assets/total revenue exceeds 10% of the group's total assets/total revenue as a significant associate. |
| Significant contingencies | The Company considers an individual contingency in an amount exceeding 0.3% of the total assets as a significant contingency. |
| Significant events after the balance sheet date | The Company considers an event which is expected to have an impact on the total profit in an amount exceeding 5% of the group's total profit as a significant event after the balance sheet date. |

6. The accounting treatment of business combinations involving entities under common control and not involving entities under common control

Applicable N/A

1. Accounting method for business combinations involving entities under common control

Assets and liabilities acquired from a business combination by the Company are measured at the carrying amounts of the assets and liabilities of the combined party in the consolidated financial statements

of the ultimate controller at the date of combination. The Company made adjustment to capital reserves according to the differences between the shares in the owners' equity of the combined party on the consolidated financial statements of the ultimate controlling party and the book value of paid combination considerations or the face value of issued shares. In case the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

2. Accounting method for business combinations not involving entities under common control

Where the cost of combination exceeds the Company's interest in the fair value of the acquiree's identifiable net assets at the acquisition date, the difference is recognized as goodwill. Where the cost of combination is less than the Company's interest in the fair value of the acquiree's identifiable net assets, the Company firstly reassesses the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the Company's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

7. Standard for determination of control and method of preparation of consolidated financial statements

√ Applicable N/A

1. Determination of control

Control is the power of an investor over the investee to obtain variable returns by participating in the relevant activities of the investee, and to affect the amount of the return by exercising the power over the investee.

2. Method of preparation of the financial statements

The parent company includes all of its controlled subsidiaries in its consolidated financial statements. The consolidated financial statements are prepared by the parent company in accordance with the *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*, on the basis of the respective financial statements of the parent company and its subsidiaries, by reference to other relevant data.

8. Classification of joint arrangements and accounting treatment of joint operations

√ Applicable N/A

1. Joint arrangements are classified into joint operations and joint ventures.

2. When the Company is a party to a joint operation, the Company recognizes the following items related to its interest in the joint operation:

(1) the assets individually held by the Company, and the Company's share of the assets held jointly;

(2) the liabilities incurred individually by the Company, and the Company's share of the liabilities incurred jointly;

(3) the Company's revenue from the sale of its share of output of the joint operation;

(4) the Company's share of revenue from the sale of assets by the joint operation; and

(5) the expenses incurred individually by the Company, and the Company's share of the expenses incurred jointly.

9. Recognition of cash and cash equivalents

Cash presented on the cash flow statements refers to cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

10. Translation of transactions and financial statements denominated in foreign currencies

Applicable N/A

1. Transactions denominated in foreign currencies

A foreign currency transaction is recorded in RMB, on initial recognition, by applying the spot exchange rate on the date of the transaction. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from such translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets and accrued interests. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates ruling at the transaction dates, without adjusting the amounts in RMB. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates prevailing at the dates when the fair value was determined, with exchange differences arising from such translations recognized in profit or loss for the current period or other comprehensive income.

2. Translation of financial statements denominated in foreign currencies

Asset and liability items on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owners' equity items other than "undistributed profits" are translated at the spot exchange rates at the dates on which such items arose; income and expense items in the income statement are translated at the exchange rates that approximate the actual spot exchange rates on the dates of the transactions. Exchange differences arising from such translations are recognized in other comprehensive income.

11. Financial instruments

Applicable N/A

1. Classification of financial assets and financial liabilities

On initial recognition, the Company's financial assets are classified into three categories, including (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss for the current period.

Upon initial recognition, the Company's financial liabilities are classified into four categories, including (1) financial liabilities at fair value through profit or loss for the current period; (2) financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred; (3) financial guarantee contracts not falling under Clauses (1) and (2), and loan commitments not falling under Clause (1) and below market interest rate; and (4) financial liabilities at amortized cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Recognition and initial measurement of financial assets and financial liabilities

When the Company becomes a party to a financial instrument contract, a financial asset or liability is recognized. Financial assets and liabilities are initially measured at fair value. Transaction costs related to financial assets or liabilities at fair value through profit or loss are directly recognized in profit or loss for the current period. Transaction costs related to other kinds of financial assets or liabilities are included in their initially recognized amount. However, the accounts receivable, if do not contain any significant financing component or are recognized by the Company without taking into consideration the financing components under the contracts with a term of less than one year upon initial recognition, are initially measured at transaction price defined in the *Accounting Standards for Business Enterprises No. 14 - Revenue*.

(2) Subsequent measurement of financial assets

1) Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from financial assets at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition, reclassification, amortization using the effective interest method or recognition of impairment.

2) Investments in debt instruments at fair value through other comprehensive income

Investments in debt instruments at fair value through other comprehensive income are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. Upon derecognition, the aggregate gains or losses previously recognized in other comprehensive income are transferred to profit or loss for the current period.

3) Investments in equity instruments at fair value through other comprehensive income

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value. Dividends received (other than those received as recovery of investment cost) are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income are transferred to retained earnings.

4) Financial assets at fair value through profit or loss for the current period

Financial assets at fair value through profit or loss for the current period are subsequently measured at fair value, with gains or losses arising therefrom, including interest and dividend income, recognized in profit or loss for the current period, except for the financial assets belonging to any hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss for the current period

Financial liabilities at fair value through profit or loss for the current period include financial liabilities held for trading (including derivatives classified as financial liabilities), and financial liabilities directly designated as at fair value through profit or loss for the current period. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities designated as at

fair value through profit or loss for the period arising out of changes in the Company's own credit risk are recognized in other comprehensive income, unless such treatment will result in or increase any accounting mismatch in profit or loss. Other gains or losses arising from such financial liabilities, including interest expenses and changes in fair value not arising out of changes in the Company's own credit risk, are recognized in profit or loss for the current period, except for the financial liabilities belonging to any hedging relationship. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income are transferred to retained earnings.

2) Financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred

Such financial liabilities are measured in accordance with the *Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets*.

3) Financial guarantee contracts not falling under Clauses 1) and 2), and loan commitments not falling under Clause 1) and below market interest rate

Such financial liabilities are subsequently measured at the higher of ① provision for impairment losses determined according to the policy for impairment of financial instruments; and ② balance of the initially recognized amount after deduction of the accumulated amortization determined in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises No. 14 - Revenue*.

4) Financial liabilities at amortized cost

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method. Gains or losses on financial liabilities at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition or amortization using the effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

① the contractual right to receive cash flows from the financial assets has expired; or

② the financial assets have been transferred and such transfer meets the criteria for derecognition of financial assets as set forth in the *Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets*.

2) A financial liability (or part thereof) is derecognized when all or part of the outstanding obligations thereon have been discharged.

3. Recognition and measurement of financial assets transferred

When a financial asset of the Company is transferred, if substantially all the risks and rewards incidental to the ownership of the financial asset have been transferred, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be); if substantially all the risks and rewards incidental to the ownership of the financial asset have been retained, the financial asset transferred continues to be recognized. If the Company neither transferred nor retained a substantial portion of all risks and rewards incidental to the ownership of the financial asset, then: (1) if the Company does not retain control over the financial asset,

the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities (as the case may be); and (2) if the Company retains control over the financial asset, the financial asset continues to be recognized to the extent of the Company's continuing involvement in the financial asset transferred, and a corresponding liability is recognized.

If an entire transfer of a financial asset meets the criteria for derecognition, the difference between (1) the carrying amount of the financial asset transferred at the date of derecognition; and (2) the sum of the consideration received from the transfer and the portion of the accumulated amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period. If part of a financial asset is transferred and the part transferred entirely meets the criteria for derecognition, the total carrying amount of the financial asset immediately prior to the transfer is allocated between the part derecognized and the part not derecognized in proportion to their relative fair value at the date of transfer, and the difference between (1) the carrying amount of the part derecognized; and (2) the sum of the consideration received from the transfer of the part derecognized and the portion of the accumulated amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period.

4. Determination of fair value of financial assets and financial liabilities

The Company adopts the valuation techniques applicable to the current situations and with sufficient data available and support of other information, to determine the fair value of financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques in the following levels and uses them in turn:

(1) Level 1 inputs: quoted market price (unadjusted) in an active market for an identical asset or liability available at the date of measurement;

(2) Level 2 inputs: inputs other than inputs included within Level 1 that are observable directly or indirectly. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, observable inputs other than quoted prices (such as interest rate and yield curves observable during regular intervals of quotation), and inputs validated by the market;

(3) Level 3 inputs: inputs that are unobservable. This category includes interest rate or stock volatility that cannot be directly observed or validated by observable market data, future cash flows from retirement obligation incurred in business combinations, and financial forecasts made using own data.

5. Impairment of financial instruments

The Company determines the impairment and assesses provision for impairment losses of financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income, contract assets, lease receivable, loan commitments other than financial liabilities designated at fair value

through profit or loss for the current period, and financial guarantee contracts other than financial liabilities designated at fair value through profit or loss for the current period and financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred, on the basis of expected credit losses.

Expected credit loss is the weighted average of credit losses on financial instruments taking into account the possibility of default. Credit loss is the difference between all contractual cash flows receivable under the contract and estimated future cash flows discounted at the original effective interest rate, i.e. the present value of all cash shortage, wherein the Company's purchased or originated financial assets that have become credit impaired are discounted at their credit-adjusted effective interest rate.

With respect to purchased or originated financial assets that have become credit impaired, at the balance sheet date, the Company recognizes a loss allowance equal to the accumulated amount of changes in lifetime expected credit losses since initial recognition.

With respect to lease receivable, accounts receivable and contract assets that are formed from transactions under the *Accounting Standards for Business Enterprises No. 14 - Revenue*, the Company uses the simple measurement method and recognizes a loss allowance equal to the lifetime expected credit loss.

With respect to financial assets not using the measurement methods stated above, at each balance sheet date, the Company assesses whether the credit risk has increased significantly since initial recognition, and recognizes a loss allowance equal to the lifetime expected credit loss if the credit risk has increased significantly since initial recognition, or to the expected credit losses within the next 12 months if the credit risk has not increased significantly since initial recognition.

The Company uses reasonable and supportable information, including forward-looking information, and compares the possibility of default at the balance sheet date with the possibility of default upon initial recognition, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition.

At the balance sheet date, if the Company determines that a financial instrument only has low credit risk, the Company assumes that its credit risk has not increased significantly since initial recognition.

The Company assesses expected credit risks and measures expected credit losses of financial instruments individually or collectively. When assessing the financial instruments collectively, the Company includes the financial instruments in different groups according to their common risk characteristics.

At each balance sheet date, the Company re-assesses the expected credit losses, with the amount of increase in or reversal of loss allowance recognized in profit or loss for the current period as impairment losses or gains. With respect to a financial asset at amortized cost, its carrying amount recorded in the balance sheet is written off against the loss allowance. With respect to an investment in debt instruments at fair value through other comprehensive income, the Company recognizes the loss allowance in other comprehensive income, without reducing its carrying amount.

6. Offsetting of financial assets and financial liabilities

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

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

7. Recognition standard and provision method for expected credit loss of receivables and contract assets

(1) Receivables and contract assets for which the provision of expected credit loss is made by combination of credit risk characteristics

| Category of combination | Basis for determining a group | Method for measuring expected credit losses |
|---|--|---|
| Bank acceptance bills receivable | Type of notes | By reference to historical credit loss experience, and taking into account the current situations and prediction of future economic conditions, calculate the expected credit losses according to the default risk exposure and rate of lifetime expected credit loss. |
| Commercial acceptance bills receivable | | |
| Accounts receivable - group of receivables from related parties in the scope of consolidation | Receivables from related parties in the scope of consolidation | |
| Accounts receivable - grouping by aging | Aging | By reference to historical credit loss experience, and taking into account the current situations and prediction of future economic conditions, prepare a comparison table of the aging of accounts receivable and rate of expected credit loss, and calculate the expected credit losses. |
| Contract assets - group of receivables from related parties in the scope of consolidation | Receivables from related parties in the scope of consolidation | By reference to historical credit loss experience, and taking into account the current situations and prediction of future economic conditions, calculate the expected credit losses according to the default risk exposure and rate of lifetime expected credit loss. |
| Contract assets - group of aging | Aging | By reference to historical credit loss experience, and taking into account the current situations and prediction of future economic conditions, prepare a comparison table of the aging of contract assets and rate of lifetime expected credit loss, and calculate the expected credit losses. |
| Other receivables - grouping by aging | Aging | By reference to historical credit loss experience, and taking into account the current situations and prediction of future economic conditions, prepare a comparison table of the aging of other receivables and rate of lifetime expected credit loss, and calculate the expected credit losses. |

| Category of combination | Basis for determining a group | Method for measuring expected credit losses |
|---|-------------------------------|---|
| Long-term receivables - grouping by aging | Aging | By reference to historical credit loss experience, and taking into account the current situations and prediction of future economic conditions, prepare a comparison table of the aging of long-term receivables and rate of lifetime expected credit loss, and calculate the expected credit losses. |

(2) Comparison table of the aging and rate of expected credit loss

| Aging | Rate of expected credit loss for accounts receivable (%) | Rate of expected credit loss for contract assets (%) | Rate of expected credit loss for long-term receivables (%) | Rate of expected credit loss for other receivables (%) |
|---|--|--|--|--|
| Within 1 year (including, the same below) | 5.00 | 5.00 | 5.00 | 5.00 |
| 1-2 years | 25.00 | 25.00 | 25.00 | 25.00 |
| 2-3 years | 50.00 | 50.00 | 50.00 | 50.00 |
| Over 3 years | 100.00 | 100.00 | 100.00 | 100.00 |

The aging of accounts receivable, contract assets, other receivables, and long-term receivables shall be calculated from the date of occurrence of such amounts.

(3) Standard for identifying receivables and contract assets for which the provision of expected credit losses is made individually

The Company makes provision of expected credit losses individually for receivables and contract assets with obviously different credit risks and combinations of credit risks.

12. Notes receivable

Applicable N/A

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

Applicable N/A

Refer to V.11 of Section X for details.

Category of combination and determination basis for which the provision of bad debts is made by combination of credit risk characteristics

Applicable N/A

Refer to V.11 of Section X for details.

Aging calculation method for identifying combination of credit risk characteristics based on the aging

Applicable N/A

Refer to V.11 of Section X for details.

Determination standard for individually making provision for bad debts

Applicable N/A

Refer to V.11 of Section X for details.

13. Accounts receivable

√ Applicable N/A

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

√ Applicable N/A

Refer to V.11 of Section X for details.

Category of combination and determination basis for which the provision of bad debts is made by combination of credit risk characteristics

√ Applicable N/A

Refer to V.11 of Section X for details.

Aging calculation method for identifying combination of credit risk characteristics based on the aging

√ Applicable N/A

Refer to V.11 of Section X for details.

Determination standard for individually making provision for bad debts

√ Applicable N/A

Refer to V.11 of Section X for details.

14. Receivables financing

√ Applicable N/A

Method for recognition of expected credit losses of receivables financing and relevant accounting treatments

√ Applicable N/A

Refer to V.11 of Section X for details.

Category of combination and determination basis for which the provision of bad debts is made by combination of credit risk characteristics

√ Applicable N/A

Refer to V.11 of Section X for details.

Aging calculation method for identifying combination of credit risk characteristics based on the aging

√ Applicable N/A

Refer to V.11 of Section X for details.

Determination standard for individually making provision for bad debts

√ Applicable N/A

Refer to V.11 of Section X for details.

15. Other receivables

√ Applicable N/A

Method for recognition of expected credit losses of other receivables and relevant accounting treatments

√ Applicable N/A

Refer to V.11 of Section X for details.

Category of combination and determination basis for which the provision of bad debts is made by combination of credit risk characteristics

√ Applicable N/A

Refer to V.11 of Section X for details.

Aging calculation method for identifying combination of credit risk characteristics based on the aging

√ Applicable N/A

Refer to V.11 of Section X for details.

Determination standard for individually making provision for bad debts

√ Applicable N/A

Refer to V.11 of Section X for details.

16. Inventories

√ Applicable N/A

Categories of inventories, costing method of inventories transferred out, inventory counting system, and amortization method for low cost and short-lived consumable items and packaging materials

√ Applicable N/A

1. Categories of inventories

Inventories mainly include finished goods or commodities held for sale in the ordinary course of businesses, work in progress in the process of production or materials and supplies consumed in the process of production or rendering service.

2. Costing method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the moving weighted average method.

3. Inventory counting system

The perpetual inventory system is maintained for stock system.

4. Amortization method for low cost and short-lived consumable items and packaging materials

(1) Low cost and short-lived consumable items

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

(2) Packaging materials

Packaging materials are amortized using the immediate write-off method.

Recognition standard and method for provision of impairment for inventory

√ Applicable N/A

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

Category of combination and determination basis for provision for impairment of inventory by combination, and basis for determining the net realizable value of different types of inventories

Applicable N/A

Calculation method and determination basis of the net realizable value of each aging combination for which the net realizable value of inventories is determined by aging

Applicable N/A

17. Contract assets

Applicable N/A

Recognition method and criteria of contract assets

Applicable N/A

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

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

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

Method for recognition of expected credit losses of contract assets and relevant accounting treatments

Applicable N/A

Refer to V.11 of Section X for details.

Category of combination and determination basis for which the provision of bad debts is made by combination of credit risk characteristics

Applicable N/A

Refer to V.11 of Section X for details.

Aging calculation method for identifying combination of credit risk characteristics based on the aging

Applicable N/A

Refer to V.11 of Section X for details.

Determination standard for individually making provision for bad debts

Applicable N/A

Refer to V.11 of Section X for details.

18. Non-current assets or disposal groups classified as held for sale

Applicable N/A

Recognition standard and accounting method for non-current assets or disposal groups classified as held for sale

Applicable N/A

Determination standard and presentation method for discontinued operation

Applicable N/A

19. Long-term equity investments

√ Applicable □ N/A

1. Judgments on joint control and significant influence

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

2. Determination of investment cost

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

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

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

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

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

2) In the consolidated financial statements, it is required to judge whether such transactions constitute a package deal. If such transactions constitute a package deal, the Company accounts for such transactions as one transaction to acquire control. If such transactions do not constitute a package deal, the Company re-measures the fair value of the equity held in the acquiree prior to the date of acquisition, and records the difference between the fair value and the carrying amount as investment income for the current period; if the equity held in the acquiree prior to the date of acquisition involves other comprehensive income under equity method, such other comprehensive income is transferred to the income of the period in which the date of acquisition falls, except for other comprehensive income arising from re-measurement of changes in net liabilities or net assets of defined benefit plans.

(3) In the event of no business combination: The initial investment cost is the purchase price actually paid if it is acquired by cash, or the fair value of the equity securities issued if it is acquired through issuance of equity securities, or determined in accordance with the *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring* if it is acquired through debt restructuring, or determined in accordance with the *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets* if it is acquired through exchange of non-monetary assets.

3. Subsequent measurement and recognition of profit or loss

Long-term equity investments in investees are measured using the cost method. Long-term equity investments in associates and joint ventures are measured using the equity method.

20. Investment properties

None

21. Fixed assets

(1). Criteria for recognition

Applicable N/A

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

(2). Method of depreciation

Applicable N/A

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

22. Construction in progress

√ Applicable □ N/A

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

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

| Category | Standards and timing for construction in progress transferred to fixed assets |
|---|---|
| Machinery and equipment, and operating leased equipment | When reaching the standard required in the design or specified in the contract after installation and commissioning |
| Houses and buildings | When reaching the working condition for its intended use |

23. Borrowing costs

√ Applicable □ N/A

1. Recognition for capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expenses and charged to the current profit and loss.

2. Capitalization period of borrowing costs

(1) Borrowing expenses are capitalized when all of the following conditions are met: 1) capital expenditure has been incurred; 2) borrowing expenses have been incurred; and 3) activities related to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Where acquisition, construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing expenses incurred during these periods shall be recognized as expenses for the current period until the acquisition, construction or production of a qualifying asset is resumed.

(3) Capitalization of borrowing expenses shall be ceased when acquisition, construction or production of the qualifying asset has prepared for its intended use or sale.

3. Capitalization rate and capitalization amount of borrowing expenses

As for the specific borrowings for the acquisition, construction or production of assets qualifying for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred on the current specific borrowings (including the amortization of discounts or premiums determined using the effective interest method) minus the income of interests earned from the unused borrowings by depositing it in the bank or investment income from such borrowing by making it as a temporary investment; where a general borrowing is used for the acquisition, construction or production

of assets qualifying for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average value of the accumulative expenditures to asset minus the specific borrowing by the capitalization rate of the general borrowing used.

24. Biological assets

Applicable N/A

25. Oil and gas assets

Applicable N/A

26. Intangible assets

(1). Service life and determination basis thereof, estimation, amortization method, or verification process

Applicable N/A

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

2. An intangible asset with a finite useful life is amortized over its useful life in a systematic and rational expected realization of economic benefits relative to the intangible asset, or is amortized using the straight-line method if it is impossible to determine expected realization reliably. The details are as follows:

| Item | Service life and determination basis thereof | Amortization method |
|-----------------|--|----------------------|
| Land use rights | 30 years/statutory rights | Straight-line method |
| Patents | 10 years/statutory rights | Straight-line method |
| Software | 3-5 years/statutory rights | Straight-line method |

(2). Collection scope of R&D expenditures and relevant accounting method

Applicable N/A

1. Collection scope of R&D expenditures

(1) Personnel and labor expenses

The personnel and labor expenses include the salaries, premiums for basic pension insurance, premiums for basic medical insurances, premiums for unemployment insurances, premiums for work injury insurances, premiums for maternity insurances, and housing funds of the Company's R&D staff, and the labor expenses of external R&D personnel.

Where an R&D person serves multiple R&D projects at the same time, the labor expenses are recognized based on the records of working hours of the R&D personnel in respective R&D projects provided by the management departments of the Company, and are allocated in proportion among the R&D projects.

Where the R&D staff and external R&D personnel directly engaging in R&D activities also get involved in non-R&D activities, the Company allocates the personnel and labor expenses actually incurred for such personnel between the R&D expenses and the production and operation expenses in proportion to the actual working hours or by using another reasonable method based on the records of working hours of such R&D personnel at different posts.

(2) Expenses of direct investments

The expenses of direct investments refer to the relevant expenditures actually incurred by the Company for conducting R&D activities, including: 1) expenses of materials, fuels, and power directly consumed; 2) expenses for developing and manufacturing molds and process equipment for intermediate tests and product trials, expenses for the procurement of samples, sample devices, and general tests not constituting fixed assets, and inspection expenses for trial products; and 3) the expenses for the maintenance, adjustment, check, inspection, repair, etc. of the instrument and devices used in R&D activities.

(3) Depreciation expenses and long-term prepaid expenses

Depreciation expenses refer to the depreciation costs of instrument, equipment, and buildings used in R&D activities.

Where the instrument, equipment, and buildings used in R&D activities are also used for non-R&D activities at the same time, necessary records are kept for the use of such instrument, equipment, and buildings, and the depreciation expenses actually incurred are allocated between the R&D expenses and the production and operation expenses by using a reasonable method based on the actual working hours and areas in use.

Long-term prepaid expenses refer to the long-term prepaid expenses incurred during the reconstruction, modification, decoration, and repair of R&D facilities, which shall be collected according to the expenditures actually incurred, and be amortized on an average basis for the specified period.

(4) Amortization expenses of intangible assets

The amortization expenses of intangible assets refer to the amortization expenses of software, intellectual property rights, and non-patented technologies (know-how, license, design, calculation method, etc.) used in R&D activities.

(5) Development expenses for outsourced R&D

Development expenses for outsourced R&D refer to the expenses incurred in R&D activities conducted by other domestic and overseas institutions or individuals engaged by the Company (the results of such R&D activities being owned by the Company and being closely related to the main business of the Company).

(6) Other expenses

Other expenses refer to other expenses directly related to R&D activities except for the expenses above, including expenses for technical books and materials, material translation expenses, expert consulting fees, insurance premiums for high-tech R&D projects, expenses for the search, demonstration, evaluation, appraisal and acceptance of R&D results, expenses for the application, registration, and agency of intellectual property rights, meeting expenses, travel expenses, communication expenses, etc.

2. Expenditures incurred during the research phase of internal research and development projects are recognized as current expenses when they occur. Expenditures on an internal research and development project at development phase are recognized as an intangible asset if all the following conditions are met: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2)

it is intended to complete the intangible asset so that it will be available for use or sale; (3) the pattern in which the intangible asset will generate economic results can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself, or if it is to be used internally, the usefulness of the intangible asset; (4) there are sufficient technical, financial and other resources available to complete the development activities and to use or sell the intangible asset; and (5) the expenditures attributable to the development of the intangible asset can be reliably measured.

27. Impairment of long-term assets

√ Applicable N/A

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

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

28. Long-term prepaid expenses

√ Applicable N/A

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

29. Contract liabilities

√ Applicable N/A

Refer to V.17 of Section X for details.

30. Employee benefits

(1). Accounting treatment of short-term employee benefits

√ Applicable N/A

The short-term employee benefits actually incurred are recognized as liabilities in the accounting period during which employee services are rendered, and included in profit or loss for the current period or the cost of related assets.

(2). Accounting treatment of post-employment benefits

√ Applicable N/A

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

(1) In the accounting period during which employee services are rendered, the amount in contribution as calculated according to the defined contribution plan is recognized as liabilities and included in profit or loss for the current period or the cost of related assets.

(2) The accounting treatment of a defined benefit plan generally involves the following steps:

1) According to the projected unit credit method, use the unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, measure the obligation arising from the defined benefit plan and determine the period to which the relevant obligation belongs. Meanwhile, discount the obligation arising from the defined benefit plan, in order to determine the present value of the defined benefit plan obligation and the current service cost;

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

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

(3). Accounting treatment of termination benefits

Applicable N/A

If termination benefits are provided to employees, the liabilities of employee benefits from the termination benefits are recognized at the earlier of the following and are recognized in the profit or loss for the current period: (1) when the Company cannot unilaterally withdraw the termination benefits provided due to the write-off of the labor relationship or lay-off suggestions; and (2) when the Company recognizes costs or expenses in connection with restructuring involving termination benefits.

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

Applicable N/A

31. Provisions

Applicable N/A

1. An obligation arising from any external guarantee, litigation, product quality warranty, onerous contract or other contingencies is recognized as a provision if it is a present obligation assumed by the Company, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured.

2. The amount recognized as a provision is the best estimate of the consideration required to settle

the present obligation. The carrying amount of provisions is reviewed at the balance sheet date.

32. Share-based payments

√ Applicable □ N/A

1. Categories of share-based payments

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

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

(1) Equity-settled share-based payments

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

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

(2) Cash-settled share-based payments

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

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

In case the Company modifies a share-based payment plan, if the modification increases the fair value of the equity instruments granted, the Company will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Company will include the fair

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

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

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

33. Preferred shares, perpetual bonds and other financial instruments

Applicable N/A

34. Revenue

(1). Accounting policies adopted for revenue recognition and measurement by the type of business

Applicable N/A

1. Principles for revenue recognition

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

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

The Company recognizes the revenue according to the performance progress during the period of time for obligations to be performed during a period of time. If the performance progress cannot be determined reasonably, and the Company is expected to be paid based on the costs incurred, the Company recognizes the revenue according to the amount of costs incurred until the performance progress can be determined reasonably. For obligations to be performed at a specific time point, the Company recognizes the revenue when the customer receives the control over the relevant goods or services. The following will be considered when determining whether the customer has obtained the control over the goods: (1) the Company has the present rights of receiving payments for such goods, that is, the customer has the present

obligation of making payment for the goods; (2) the Company has transferred the legal title to the goods to the customer, that is, the customer has acquired the legal title to the goods; (3) the Company has transferred the physical goods to the customer, that is, the customer is in possession of the physical goods; (4) the Company has transferred the major risks and rewards of the legal title to the goods to the customer, that is, the customer has acquired the major risks and rewards of the legal title to the goods; (5) the customer has accepted the goods; and (6) there are other signs indicating that the customer has acquired the control over the goods.

2. Principles of revenue measurement

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

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

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

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

(2). Different revenue recognition and measurement methods for businesses of the same type but operated under different modes

√ Applicable □ N/A

(1) Revenue from sales of goods

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

Goods sold to the domestic market: 1) Under the direct sale model and the distribution model, the Company recognizes the revenue when the goods sent have been delivered to customers with customers' receipt given to the Company. For goods sold attached with return conditions, the Company recognizes the revenue according to the amount of consideration to which it expects to be entitled in exchange for transferring goods to customers, and recognizes the liabilities according to the expected amount to be

returned due to sales return against the revenue; for goods required for installment and inspection after sales, the Company recognizes the revenue when such goods have been installed and inspected with customers' acceptance certificate given to the Company. Where the Company shares the profit from the sales of products by downstream end customers, the revenue from such profit sharing is recognized at the best estimate of the variable consideration determined according to an expected value, which variable consideration is estimated reasonably at the time of revenue recognition. 2) Under the commissioned sales mode, the Company recognizes the revenue when it receives the list of commissioned sales from the customer.

Goods exported to overseas markets: The Company mainly adopts FCA for export of goods. Under this mode, the Company recognizes the revenue when it delivers goods at the designated location with export customs clearance procedures completed.

(2) E-commerce platform revenue

In the e-commerce platform model, the e-commerce platform is responsible for product promotion and order management. Consumers place orders and pay directly to the e-commerce platform, and the e-commerce platform arranges third-party logistics through the Company or ships directly to the consumer by the e-commerce platform after receiving the consumer's payment. The specific revenue recognition time points are: for domestic e-commerce platforms, revenue is recognized according to the time of end customers' receipt; for foreign e-commerce platforms, revenue is recognized after the Company receives and checks the confirmation list of the e-commerce platform according to the reconciliation time agreed in the contract.

(3) Other incomes

Other incomes denote contractual obligations to be performed at a time point/during a specific period of time. For installation services provided by the Company, the Company recognizes the revenue when it has completed the services and received customers' acceptance certificate; for repair and maintenance services provided by the Company, the Company recognizes the revenue when it has completed the services and received payments; for patrol inspection services provided by the Company, the Company determines the service performance progress by using the output approach, and recognizes the revenue according to the performance progress; for patent license services provided by the Company, the Company recognizes the revenue when the patent license is delivered; for technology development services provided by the Company, the Company recognizes the revenue when it has completed the services or when the agreed time point of service acceptance is reached.

35. Contract costs

Applicable N/A

36. Government grants

Applicable N/A

1. Government grants are recognized if (1) the Company meets the conditions attached to the government grants; and (2) the Company will receive the government grants. Government grants in the form of monetary assets are measured at the amount received or receivable. Government grants in the

form of non-monetary assets are measured at fair value, or if their fair value is unavailable, at nominal amount.

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

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

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

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

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

5. Accounting treatment of policy preferential loans and interest subsidies

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

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

37. Leases

√ Applicable □ N/A

Determination basis and accounting method for simplified accounting of short-term lease and low-value assets lease as the lessee

√ Applicable □ N/A

On the lease inception date, the Company recognizes a lease with a lease term of not more than 12

months and not containing an option as a short-term lease; and recognizes a low-value assets lease for a lease in which individually leased assets have a low value when they are new. If the Company subleases or expects to sublease the leased asset, the original lease is not recognized as a low-value assets lease.

For short-term leases and low-value assets leases, the Company recognizes lease payment in the costs of relevant assets or the profit or loss for the current period by using the straight-line method in each period during the lease term.

Except for short-term leases and low-value assets leases subject to simplified treatment above, on the lease inception date, the Company recognizes right-of-use assets and lease liabilities for leases.

(1) Right-of-use assets

Right-of-use assets are initially measured at cost; the cost includes: 1) initial measurement amount of lease liabilities; 2) lease payments made on or before the lease inception date, where relevant acquired amount related to lease incentives is excluded if there are lease incentives; 3) initial direct expenses incurred by the lessee; and 4) costs expected to be incurred by the lessee for dismantling and removing the leased assets, restoring the place of the leased assets, or restoring the leased assets to the state provided under lease provisions.

The Company depreciates right-of-use assets by using the straight-line method. If there is reasonable certainty that the lessee will obtain ownership of the leased asset by the end of the lease term, the Company depreciates the leased asset over its remaining useful life. If there is no reasonable certainty that the lessee will obtain ownership of the leased asset by the end of the lease term, the Company depreciates the leased asset over the shorter of the lease term and its remaining useful life.

(2) Lease liabilities

On the lease inception date, the Company recognizes the present value of lease payments not paid as lease liabilities. The interest rate implicit in the lease is used as the discount rate for calculating the present value of the lease payments; if the interest rate implicit in the lease cannot be determined, the incremental borrowing interest rate of the Company is used as the discount rate. The difference between the lease payments and the present value thereof is considered as unrecognized financing charges; in each period during the lease term, interest expenses are recognized in the profit or loss for the current period according to the discount rate of the present value of recognized lease payments. Variable lease payments not included in measurement of lease liabilities are recognized in the profit or loss for the current period when they actually arise.

Where, after the lease inception date, there are changes in the substantial fixed payment, the payables expected on the basis of the residual value of the guarantee, the index or ratio used for determining the lease payment, and the evaluation results or actual exercise of purchase option, renewal option or lease termination option, the Company re-measures the lease liability as per the present value of the lease payment after change, and adjusts the book value of the right-of-use assets accordingly. Where the book value of the right-of-use assets has been reduced to zero, but the lease liability still needs to be further reduced, the Company includes the residual amount in the current profit or loss.

Categorization standard and accounting method for leases as the lessor

√ Applicable □ N/A

On the lease inception date, the Company classifies a lease in which almost all the risks and rewards related to the ownership of the leased asset have been substantially transferred as a finance lease, and recognizes all other leases as operating leases.

Operating lease

In each period during the lease term, the Company recognizes lease payments as rental incomes by using the straight-line method; initial direct expenses incurred are capitalized, and amortized on the same basis for recognizing lease incomes and recognized in the profit or loss for each period. The variable lease payments acquired by the Company that are related to operating leases and not recognized in lease payments are recognized in the profit or loss for the current period when they actually occur.

38. Deferred tax assets and deferred tax liabilities

Applicable N/A

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

2. Deferred tax assets are recognized to the extent of the amount of taxable income that will be probably available in future periods against which deductible temporary differences are deductible. At the balance sheet date, deferred tax assets not recognized in prior periods are recognized if there's conclusive evidence that it is probable that sufficient taxable income will be available in future periods against which the deductible temporary differences are deductible.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of the deferred tax assets to be utilized. If it is probable that sufficient taxable income will be probably available, the reduced amount is reversed.

4. The income taxes and deferred income taxes are included in profit or loss for the current period as income tax expenses or gains, except for the income taxes arising from any: (1) business combination; or (2) transaction or event directly recognized in owners' equity.

5. The Company presents deferred tax assets and deferred tax liabilities as net amounts after offsetting if: (1) the Company has the legal right to settle the current income tax assets and liabilities on a net basis; and (2) the deferred tax assets and deferred tax liabilities are related to the income taxes levied by the same taxation authority on the same taxation subject, or are not related to the same taxation subject, but in every significant future period for reversing deferred tax assets and liabilities, the involved taxation subjects intend to settle the current income tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

39. Other significant accounting policies and accounting estimates

Applicable N/A

40. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting policies

Applicable N/A

The Company has, since January 1, 2023, implemented the provision concerning “accounting for not applying initial recognition exemption for deferred income taxes incurred by individual transactions and related to assets and liabilities” in the *Interpretation of the Accounting Standards for Business Enterprises No. 16*, and made adjustment in accordance with this provision to individual transactions that occurred in the period from the beginning of the earliest period in the financial statements applying this provision for the first time to the date of initial application. If a taxable temporary difference or deductible temporary difference is generated for the lease liabilities and right-of-use assets recognized due to the application of such provision for individual transactions that occurred from the beginning of the earliest period in the financial statements applying this provision, and the relevant predicted liabilities and corresponding relevant assets for the disposal obligations recognized, the Company shall follow such provision and the provisions of the *Accounting Standards for Business Enterprises No. 18 - Income Tax* to adjust the cumulative effect to the opening retained earnings of the earliest period in the financial statements and other relevant items in the financial statements. The changes in the foregoing accounting policies have no significant influences on the financial statements of the Company.

Other information

None

(2). Changes in significant accounting estimates

Applicable N/A

(3). The first implementation of new accounting standards or standard interpretations from 2023 onwards that involves adjusting the financial statements at the beginning of the year in which they were first implemented

Applicable N/A

41. Others

Applicable N/A

VI. Taxes

1. Major categories of taxes and tax rates

Description of major categories of taxes and tax rates

Applicable N/A

| Category of tax | Basis of tax computation | Tax rate |
|---------------------------------------|--|--------------------------|
| Value-added tax (VAT) | VAT payable is the difference of the output tax calculated based on the incomes from selling goods and taxable services in accordance with the Tax Law, less the input tax allowed to be reduced in the period | 3%, 6%, 8%, 9%, 10%, 13% |
| City maintenance and construction tax | Turnover tax payable | 5%, 7% |

| | | |
|----------------------------|----------------------|---|
| Enterprise income tax | Taxable income | 6.50%, 8.25%, 8.70%, 8.84%, 15%, 16.5%, 20%, 21%, 25% |
| Education surcharges | Turnover tax payable | 3% |
| Local education surcharges | Turnover tax payable | 2% |

Disclosure of taxpayers with different rates of enterprise income tax:

√ Applicable □ N/A

| Taxpayer | Rate of enterprise income tax (%) |
|--|--|
| The Company | 15% |
| Formovie (Chongqing) Innovative Technology Co., Ltd. | 15% |
| Fengmi (Beijing) Technology Co., Ltd. | 15% |
| Appotronics Hong Kong Limited | 8.25%, 16.5% |
| Beijing Orient Appotronics Technology Co., Ltd. | 20% |
| JoveAI Innovation, Inc. | 8.70%, 8.84%, 21% |
| Appotronics USA, Inc. | 8.84%, 21% |
| FORMOVIE TECHNOLOGY INC | 21% |
| JoveAI Limited | Tax exemption |
| WEMAX LLC | 21% |
| Shenzhen Appotronics Display Device Co., Ltd. | 20% |
| Appotronics Technology (Changzhou) Co., Ltd. | 20% |
| Qingda Appotronics (Xiamen) Technology Co., Ltd. | 20% |
| Shenzhen Appotronics Home Line Technology Co., Ltd. | 20% |
| Shenzhen Appotronics Laser Technology Co., Ltd. | 20% |
| Shenzhen Appotronics Xiaoming Technology Co., Ltd. | 20% |
| JoveAI Asia Company Limited | 20% |
| Formovie Limited | 16.5% |
| Chongqing Ewei Ecommerce Co., Ltd. | 20% |
| Chongqing Guangbo Ecommerce Co., Ltd. | 20% |
| Shenzhen Orange Juice Energy Technology Co., Ltd. | 20% |
| Tianjin Bonian Film Partnership (LP) | Tax exemption |
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | 15% |
| Hong Kong Orange Juice Energy Technology Co., Limited | 16.5% |
| Wemax Inc | 6.50%, 21% |
| Shenzhen Weiwoqi Trading Co., Ltd. | 20% |
| Yaoyouguang (Chongqing) Technology Co., Ltd. | 20% |
| Appotronics International Limited | 16.5% |
| Appotronics Intelligent Manufacturing (Shenzhen) Co., Ltd. | 20% |
| Shenzhen Qianhai Taishi Investment Partnership (LP) | Tax exemption |
| Other taxpayers except above | 25% |

Note:

1. Appotronics Hong Kong Limited, as domiciled in Hong Kong, one of which can apply the two-level income tax system, namely, applying the tax rate of 8.25% for the first HKD 2 million taxable income and 16.50% for the remaining taxable income.

2. JoveAI Limited, as domiciled in the Cayman Islands, is exempt from enterprise income tax.

3. Appotronics USA, Inc., as domiciled in the United States, applies the federal enterprise income tax rate of 21% and the California state enterprise income tax rate of 8.84%.

4. JoveAI Innovation, Inc., as domiciled in the United States, applies the federal enterprise income tax rate of 21%, the California state enterprise income tax rate of 8.84%, and the Delaware state enterprise income tax rate of 8.70%.

5. Formovie Technology Inc., as domiciled in the United States, applies the federal enterprise income tax rate of 21%.

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

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

8. Formovie Limited, as domiciled in Hong Kong, applies the income tax rate of 16.50%.

9. Hong Kong Orange Juice Energy Technology Co., Limited, as domiciled in Hong Kong, applies the income tax rate of 16.50%.

10. Wemax Inc, as domiciled in the United States, applies the federal enterprise income tax rate of 21%, and the New York state enterprise income tax rate of 6.50%.

11. Appotronics International Limited, as domiciled in Hong Kong, applies the income tax rate of 16.50%.

2. Tax incentives

√ Applicable N/A

1. Enterprise income tax

(1) On December 19, 2022, the Company obtained the High-tech Enterprise Certificate (Certificate No.: GR202244206480) jointly issued by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Bureau and Shenzhen Tax Service of State Taxation Administration with a valid term of three years. Therefore, the Company paid the enterprise income tax at a rate of 15% in 2023.

(2) On November 28, 2022, Formovie (Chongqing) Innovative Technology Co., Ltd. obtained the High-tech Enterprise Certificate (Certificate No.: GR202251101763) jointly issued by Chongqing Municipal Science and Technology Bureau, Chongqing Finance Bureau and Chongqing Tax Service of State Taxation Administration with a valid term of three years. Therefore, it paid the enterprise income tax at a rate of 15% in 2023.

(3) On December 17, 2021, Fengmi (Beijing) Technology Co., Ltd. obtained the High-tech Enterprise Certificate (Certificate No.: GR202111004001) jointly issued by Beijing Municipal Science and Technology Commission, Beijing Municipal Finance Bureau and Beijing Tax Service of State Taxation Administration with a valid term of three years. Therefore, it paid the enterprise income tax at a rate of 15% in 2023.

(4) On October 18, 2022, CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. obtained the High-tech Enterprise Certificate (Certificate No.: GR202211008942) jointly issued by Beijing Municipal Science and Technology Commission, Beijing Municipal Finance Bureau and Beijing Tax Service of State Taxation Administration with a valid term of three years. Therefore, it paid the enterprise income tax at a rate of 15% in 2023.

(4) In accordance with the *Announcement of the Ministry of Finance and the State Taxation Administration on Implementing Preferential Income Tax Policies for Micro and Small Enterprises and Individually-owned Businesses* (Cai Shui (2021) No. 12), from January 1, 2021 to December 31, 2022, the annual taxable income of a small low-profit enterprise that is not more than RMB 1 million shall be levied with the enterprise income tax rate at a discount of 12.5%, namely, for which the applicable enterprise income tax rate is 20%. In accordance with the *Announcement of the Ministry of Finance and the State Taxation Administration on Implementing Preferential Income Tax Policies for Micro and Small Enterprises and Individually-owned Businesses* (Cai Shui (2023) No. 6), from January 1, 2023 to December 31, 2024, the annual taxable income of a small low-profit enterprise that is not more than RMB 1 million shall be levied with the enterprise income tax rate at a discount of 25%, namely, for which the applicable enterprise income tax rate is 20%. The following companies are qualified for enjoying such tax incentives: Beijing Orient Appotronics Technology Co., Ltd., Shenzhen Appotronics Display Device Co., Ltd., Appotronics Technology (Changzhou) Co., Ltd., Qingda Appotronics (Xiamen) Technology Co., Ltd., Shenzhen Appotronics Home Line Technology Co., Ltd., Shenzhen Appotronics Laser Technology Co., Ltd., Shenzhen Appotronics Xiaoming Technology Co., Ltd., Chongqing Ewei Ecommerce Co., Ltd., Chongqing Guangbo Ecommerce Co., Ltd., Shenzhen Orange Juice Energy Technology Co., Ltd., Shenzhen Weiwoqi Trading Co., Ltd., Yaoyouguang (Chongqing) Technology Co., Ltd., and Appotronics Intelligent Manufacturing (Shenzhen) Co., Ltd.

2. Value-added tax (VAT)

(1) In accordance with the *Notice of the Ministry of Finance and the State Taxation Administration on Value-added Tax Policies for Software Products* (Cai Shui [2011] No. 100), for self-developed and produced software products sold by general VAT taxpayers, the tax-refund-upon-collection policy is applicable to the part of their actual VAT burden in excess of 3% after the VAT has been collected at a tax rate of 17%. The Company, Fengmi (Beijing) Technology Co., Ltd., and Shenzhen Appotronics Software Technology Co., Ltd. are qualified for enjoying such tax incentives.

(2) In accordance with the *Announcement of the State Taxation Administration on Policies for Reducing and Exempting Value-added Tax of Small-scale Taxpayers* (Announcement No. 1 of 2023 by the State Taxation Administration), and the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-added Tax Reform* (Announcement No. 39 of 2019 by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs), from January 1, 2023 to December 31, 2023, production taxpayers are allowed to deduct an additional 5% of the deductible input tax amount from the payable tax amount; CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. is qualified for this tax incentive.

(3) In accordance with the *Announcement of the Ministry of Finance and the State Taxation Administration on Additional Deductions for Value-added Taxes of Advanced Manufacturing Enterprises* (Announcement No. 43 of 2023 by the Ministry of Finance and the State Taxation Administration), advanced manufacturing enterprises are allowed to deduct an additional 5% of the deductible input tax

amount from the payable VAT amount. The Company, and Formovie (Chongqing) Innovative Technology Co., Ltd. are qualified for this tax incentive.

(4) The Vietnamese government issued the resolution No. 44/2023/ND-CP, under which the VAT rate of goods and services at the tax rate of 10% is reduced by 2% (to 8%). JoveAI Asia Company Limited is qualified for this tax incentive from July 1, 2023 to December 31, 2024.

3. Others

Applicable N/A

VII. Notes to items in the consolidated financial statements

1. Cash and bank balances

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|--------------------------------|-------------------------|-------------------------|
| Cash on hand | 5,751.15 | 5,479.42 |
| Bank deposits | 1,371,185,024.55 | 1,283,079,345.51 |
| Other monetary funds | 15,637,773.36 | 72,797,383.70 |
| Total | 1,386,828,549.06 | 1,355,882,208.63 |
| Where: Total overseas deposits | 175,001,829.77 | 261,403,774.28 |

Other information

None

2. Held-for-trading financial assets

Applicable N/A

In RMB

| Item | Closing balance | Opening balance | Determination reason and basis |
|---|-----------------------|-----------------------|--------------------------------|
| Financial assets at fair value through profit or loss | 514,010,000.00 | 352,880,000.00 | - |
| Where: | | | |
| Investment in equity instrument | 42,880,000.00 | 42,880,000.00 | - |
| Structural deposits | 471,130,000.00 | 310,000,000.00 | - |
| Total | 514,010,000.00 | 352,880,000.00 | - |

Other information:

Applicable N/A

3. Derivative financial assets

Applicable N/A

4. Notes receivable

(1). Categories of notes receivable

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|------------------------|---------------------|---------------------|
| Bank acceptances | 1,478,064.00 | |
| Commercial acceptances | 7,473,244.71 | 2,234,687.77 |
| Total | 8,951,308.71 | 2,234,687.77 |

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

Applicable N/A

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

Applicable N/A

(4). Disclosure by categories of provision for bad debts

Applicable N/A

In RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|---|-----------------|----------------|-------------------------|-----------------------------|--------------|-----------------|----------------|-------------------------|-----------------------------|--------------|
| | Carrying amount | | Provision for bad debts | | Book value | Carrying amount | | Provision for bad debts | | Book value |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Provision for bad debts made individually | | | | | | | | | | |
| Where: | | | | | | | | | | |
| Provision for bad debts made by group | 9,344,637.39 | 100.00 | 393,328.68 | 4.21 | 8,951,308.71 | 2,352,302.92 | 100.00 | 117,615.15 | 5.00 | 2,234,687.77 |
| Where: | | | | | | | | | | |
| Bank acceptance bills | 1,478,064.00 | 15.82 | | | 1,478,064.00 | | | | | |
| Commercial acceptance bills | 7,866,573.39 | 84.18 | 393,328.68 | 5.00 | 7,473,244.71 | 2,352,302.92 | 100.00 | 117,615.15 | 5.00 | 2,234,687.77 |
| Total | 9,344,637.39 | 100.00 | 393,328.68 | 4.21 | 8,951,308.71 | 2,352,302.92 | 100.00 | 117,615.15 | 5.00 | 2,234,687.77 |

Provision for bad debts made individually:

Applicable N/A

Provision for bad debts made by group:

Applicable N/A

Item by group:

In RMB

| Name | Closing balance | | |
|------|------------------|-------------------------|-----------------------------|
| | Notes receivable | Provision for bad debts | Percentage of provision (%) |
| | | | |

| | | | |
|--------------------------------------|---------------------|-------------------|-------------|
| Group of bank acceptance bills | 1,478,064.00 | | |
| Group of commercial acceptance bills | 7,866,573.39 | 393,328.68 | 5.00 |
| Total | 9,344,637.39 | 393,328.68 | 4.21 |

Description of provision for bad debts made by group

Applicable N/A

Provision for bad debts made in accordance with the general model of ECL

Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

Refer to V.11 of Section X for details.

Description of significant changes in the balance of accounts receivable with changed provisions for losses in the current period:

Applicable N/A

(5). Provision for bad debts

Applicable N/A

In RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|---|-------------------|--------------------------------|----------------------|---------------------------|---------------|-------------------|
| | | Provision | Recovery or reversal | Write-off or cancellation | Other changes | |
| Provision for bad debts made individually | | | | | | |
| Provision for bad debts made by group | 117,615.15 | 275,713.53 | | | | 393,328.68 |
| Total | 117,615.15 | 275,713.53 | | | | 393,328.68 |

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

Applicable N/A

Other information:

None

(6). Notes receivable actually canceled in the current period

Applicable N/A

In which significant amounts of notes receivable canceled are described as below

Applicable N/A

Description of cancellation of notes receivable:

Applicable N/A

Other information

Applicable N/A

5. Accounts receivable

(1). Disclosure by aging

Applicable N/A

In RMB

| Aging | Closing balance of carrying amount | Opening balance of carrying amount |
|-------|------------------------------------|------------------------------------|
|-------|------------------------------------|------------------------------------|

| | | |
|---------------------------------|-----------------------|-----------------------|
| Within 1 year | | |
| Where: Subitems within 1 year | | |
| Within 1 year | 174,956,389.44 | 210,010,536.64 |
| Subtotal of items within 1 year | | |
| 1 to 2 years | 18,036,240.20 | 27,967,582.36 |
| 2 to 3 years | 19,637,948.14 | 966,561.56 |
| Over 3 years | 204,186.09 | 486,453.15 |
| Total | 212,834,763.87 | 239,431,133.71 |

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

✓ Applicable □ N/A

In RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|---|-----------------------|----------------|-------------------------|-----------------------------|-----------------------|-----------------------|----------------|-------------------------|-----------------------------|-----------------------|
| | Carrying amount | | Provision for bad debts | | Book value | Carrying amount | | Provision for bad debts | | Book value |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Provision for bad debts made individually | 17,568,210.65 | 8.25 | 17,568,210.65 | 100.00 | | 16,498,540.60 | 6.89 | 16,498,540.60 | 100.00 | |
| Where: | | | | | | | | | | |
| Provision for bad debts made by group | 195,266,553.22 | 91.75 | 14,976,545.32 | 7.67 | 180,290,007.90 | 222,932,593.11 | 93.11 | 14,672,357.32 | 6.58 | 208,260,235.79 |
| Where: | | | | | | | | | | |
| By group of aging | 195,266,553.22 | 91.75 | 14,976,545.32 | 7.67 | 180,290,007.90 | 222,932,593.11 | 93.11 | 14,672,357.32 | 6.58 | 208,260,235.79 |
| Total | 212,834,763.87 | 100.00 | 32,544,755.97 | 15.29 | 180,290,007.90 | 239,431,133.71 | 100.00 | 31,170,897.92 | 13.02 | 208,260,235.79 |

Provision for bad debts made individually:

√ Applicable □ N/A

In RMB

| Name | Closing balance | | | Reason for provision |
|--------------|----------------------|-------------------------|-----------------------------|--|
| | Carrying amount | Provision for bad debts | Percentage of provision (%) | |
| Company A | 16,541,558.24 | 16,541,558.24 | 100.00 | The amounts are expected to be unrecoverable |
| Others | 1,026,652.41 | 1,026,652.41 | 100.00 | The amounts are expected to be unrecoverable |
| Total | 17,568,210.65 | 17,568,210.65 | 100.00 | - |

Explanation about provision for bad debts made individually:

□ Applicable √ N/A

Provision for bad debts made by group:

√ Applicable □ N/A

Item by group: By group of aging

In RMB

| Name | Closing balance | | |
|---------------|-----------------------|-------------------------|-----------------------------|
| | Accounts receivable | Provision for bad debts | Percentage of provision (%) |
| Within 1 year | 174,956,389.44 | 8,747,819.47 | 5.00 |
| 1-2 years | 16,113,796.59 | 4,028,449.21 | 25.00 |
| 2-3 years | 3,992,181.10 | 1,996,090.55 | 50.00 |
| Over 3 years | 204,186.09 | 204,186.09 | 100.00 |
| Total | 195,266,553.22 | 14,976,545.32 | 7.67 |

Description of provision for bad debts made by group:

□ Applicable √ N/A

Provision for bad debts made in accordance with the general model of ECL

□ Applicable √ N/A

Basis for determination of each stage and percentage of provision for bad debts

Refer to V.11 of Section X for details.

Description of significant changes in the balance of accounts receivable with changed provisions for losses in the current period:

□ Applicable √ N/A

(3). Provision for bad debts

√ Applicable □ N/A

In RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|---|----------------------|--------------------------------|----------------------|---------------------------|-------------------|----------------------|
| | | Provision | Recovery or reversal | Write-off or cancellation | Other changes | |
| Provision for bad debts made individually | 16,498,540.60 | 161,848.95 | 632,000.00 | | 275,821.10 | 17,568,210.65 |
| Provision for bad debts made by group | 14,672,357.32 | 424,682.56 | | 8,050.00 | -112,444.56 | 14,976,545.32 |
| Total | 31,170,897.92 | 586,531.51 | 632,000.00 | 8,050.00 | 163,376.54 | 32,544,755.97 |

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

Applicable N/A

Other information: [None](#)

(4). Accounts receivable actually canceled in the current period

Applicable N/A

In RMB

| Item | Cancellation amount |
|---------------------------------------|---------------------|
| Accounts receivable actually canceled | 8,050.00 |

In which significant amounts of accounts receivable canceled are described as below

Applicable N/A

Description of cancellation of accounts receivable:

Applicable N/A

(5). Top five closing balances of accounts receivable and contract assets categorized by debtors

Applicable N/A

In RMB

| Entity | Closing balance of accounts receivable | Closing balance of contract assets | Closing balance of accounts receivable and contract assets | Proportion to the total closing balance of accounts receivable and contract assets (%) | Closing balance of bad debt provision |
|--------------|--|------------------------------------|--|--|---------------------------------------|
| Top 1 | 64,902,941.11 | - | 64,902,941.11 | 30.23 | 3,245,147.06 |
| Top 2 | 16,541,558.24 | - | 16,541,558.24 | 7.70 | 16,541,558.24 |
| Top 3 | 16,182,137.57 | - | 16,182,137.57 | 7.54 | 809,970.51 |
| Top 4 | 15,870,091.00 | - | 15,870,091.00 | 7.39 | 793,504.55 |
| Top 5 | 13,206,792.79 | - | 13,206,792.79 | 6.15 | 2,550,960.01 |
| Total | 126,703,520.71 | - | 126,703,520.71 | 59.01 | 23,941,140.37 |

Other information

None

Other information:

Applicable N/A

6. Contract assets

(1). Description of contract assets

Applicable N/A

In RMB

| Item | Closing balance | | | Opening balance | | |
|------------------------------|---------------------|-------------------------|---------------------|---------------------|-------------------------|---------------------|
| | Carrying amount | Provision for bad debts | Book value | Carrying amount | Provision for bad debts | Book value |
| Warranty security receivable | 1,867,058.07 | 214,817.78 | 1,652,240.29 | 1,031,362.02 | 153,332.67 | 878,029.35 |
| Goods payment | 25,000.00 | 12,500.00 | 12,500.00 | 1,202,847.32 | 1,019,295.32 | 183,552.00 |
| Total | 1,892,058.07 | 227,317.78 | 1,664,740.29 | 2,234,209.34 | 1,172,627.99 | 1,061,581.35 |

(2). Amount and reasons of major changes in the book value during the reporting period
 Applicable N/A

(3). Disclosure by categories of provision for bad debts
 Applicable N/A

In RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|---|---------------------|----------------|-------------------------|-----------------------------|---------------------|---------------------|----------------|-------------------------|-----------------------------|---------------------|
| | Carrying amount | | Provision for bad debts | | Book value | Carrying amount | | Provision for bad debts | | Book value |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Provision for bad debts made individually | | | | | | | | | | |
| Where: | | | | | | | | | | |
| Provision for bad debts made by group | 1,892,058.07 | 100.00 | 227,317.78 | 12.01 | 1,664,740.29 | 2,234,209.34 | 100.00 | 1,172,627.99 | 52.49 | 1,061,581.35 |
| Where: | | | | | | | | | | |
| By group of aging | 1,892,058.07 | 100.00 | 227,317.78 | 12.01 | 1,664,740.29 | 2,234,209.34 | 100.00 | 1,172,627.99 | 52.49 | 1,061,581.35 |
| Total | 1,892,058.07 | 100.00 | 227,317.78 | 12.01 | 1,664,740.29 | 2,234,209.34 | 100.00 | 1,172,627.99 | 52.49 | 1,061,581.35 |

Provision for bad debts made individually:

 Applicable N/A

Explanation about provision for bad debts made individually:

 Applicable N/A

Provision for bad debts made by group:

 Applicable N/A

Item by group: By group of aging

In RMB

| Name | Closing balance | | |
|---------------|---------------------|-------------------------|-----------------------------|
| | Contract assets | Provision for bad debts | Percentage of provision (%) |
| Within 1 year | 1,432,571.19 | 71,628.56 | 5.00 |
| 1-2 years | 296,216.88 | 74,054.22 | 25.00 |
| 2-3 years | 163,270.00 | 81,635.00 | 50.00 |
| Total | 1,892,058.07 | 227,317.78 | 12.01 |

Description of provision for bad debts made by group

 Applicable N/A

Provision for bad debts made in accordance with the general model of ECL

 Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

Refer to V.11 of Section X for details.

Description of significant changes in the balance of contract assets with changed provisions for losses in the current period:

Applicable N/A

(4). Description of provision for bad debts made on contract assets during the period

Applicable N/A

In RMB

| Item | Provision in the period | Recovery or reversal in the period | Write-off/cancellation in the period | Reason |
|---------------------------------------|-------------------------|------------------------------------|--------------------------------------|---|
| Provision for bad debts made by group | | 945,310.21 | | Mainly include the provision for bad debts reversed due to the collection of long-aged due amounts. |
| Total | | 945,310.21 | | - |

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

Applicable N/A

Other information:

None

(5). Contract assets actually canceled in the current period

Applicable N/A

In which significant amounts of contract assets canceled are described as below

Applicable N/A

Description of cancellation of contract assets:

Applicable N/A

Other information:

Applicable N/A

7. Receivables financing

(1) Categories of receivables financing

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|-----------------------|----------------------|---------------------|
| Bank acceptance bills | 11,387,400.00 | 4,279,041.00 |
| Total | 11,387,400.00 | 4,279,041.00 |

(2) Receivables financing pledged by the Company at the end of the period

Applicable N/A

(3) Receivables financing which are undue as at the balance sheet date but endorsed or discounted by the Company at the end of the period

Applicable N/A

In RMB

| Item | Amount derecognized at the end of the period | Amount not derecognized at the end of the period |
|-----------------------|--|--|
| Bank acceptance bills | 2,906,700.00 | |

| | | |
|--------------|---------------------|--|
| Total | 2,906,700.00 | |
|--------------|---------------------|--|

(4) Disclosure by categories of provision for bad debts
 Applicable N/A

In RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|---|----------------------|----------------|-------------------------|-----------------------------|----------------------|---------------------|----------------|-------------------------|-----------------------------|---------------------|
| | Carrying amount | | Provision for bad debts | | Book value | Carrying amount | | Provision for bad debts | | Book value |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Provision for bad debts made individually | | | | | | | | | | |
| Where: | | | | | | | | | | |
| Provision for bad debts made by group | 11,387,400.00 | 100.00 | | | 11,387,400.00 | 4,279,041.00 | 100.00 | | | 4,279,041.00 |
| Where: | | | | | | | | | | |
| Bank acceptance bills | 11,387,400.00 | 100.00 | | | 11,387,400.00 | 4,279,041.00 | 100.00 | | | 4,279,041.00 |
| Total | 11,387,400.00 | 100.00 | | | 11,387,400.00 | 4,279,041.00 | 100.00 | | | 4,279,041.00 |

Provision for bad debts made individually:

 Applicable N/A

Explanation about provision for bad debts made individually:

 Applicable N/A

Provision for bad debts made by group:

 Applicable N/A

Item by group: Bank acceptance bills

In RMB

| Name | Closing balance | | |
|--------------------------------|-----------------------------|-------------------------|-----------------------------|
| | Financing amount receivable | Provision for bad debts | Percentage of provision (%) |
| Group of bank acceptance bills | 11,387,400.00 | | |
| Total | 11,387,400.00 | | |

Description of provision for bad debts made by group

 Applicable N/A

Provision for bad debts made in accordance with the general model of ECL

 Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

N/A

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

Applicable N/A

(5) Provision for bad debts

Applicable N/A

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

Applicable N/A

Other information:

None

(6) Receivables financing actually canceled in the current period

Applicable N/A

In which significant amounts of receivables financing canceled are described as below

Applicable N/A

Description of cancellation:

Applicable N/A

(7) Changes in amount and fair value of receivables financing:

Applicable N/A

(8) Other information:

Applicable N/A

The acceptors of bank acceptance bills in the receivables financing are commercial banks with high credit. Because it is less probable that bank acceptance bills will not get paid at maturity, the Company has derecognized endorsed or discounted bank acceptance bills. However, if such notes are unable to be paid at maturity, the Company will still be jointly and severally liable to the note holders pursuant to the *Negotiable Instruments Law*.

8. Prepayments

(1). Disclosure of prepayments by aging

Applicable N/A

In RMB

| Aging | Closing balance | | Opening balance | |
|---------------|----------------------|----------------|----------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 22,863,911.50 | 65.12 | 37,333,767.05 | 77.06 |
| 1 to 2 years | 5,136,169.79 | 14.63 | 4,701,469.65 | 9.70 |
| 2 to 3 years | 725,259.48 | 2.06 | 6,410,740.16 | 13.24 |
| Over 3 years | 6,387,321.05 | 18.19 | | |
| Total | 35,112,661.82 | 100.00 | 48,445,976.86 | 100.00 |

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

None

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

Applicable N/A

| Entity | Closing balance | Proportion to the total closing balance of prepayments (%) |
|--------------|----------------------|--|
| Top 1 | 6,374,430.00 | 18.15 |
| Top 2 | 4,947,500.85 | 14.09 |
| Top 3 | 3,500,000.00 | 9.97 |
| Top 4 | 2,014,000.00 | 5.74 |
| Top 5 | 1,767,121.46 | 5.03 |
| Total | 18,603,052.31 | 52.98 |

Other information

None

Other information

Applicable N/A

9. Other receivables

Presented by items

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|----------------------|----------------------|----------------------|
| Interests receivable | - | - |
| Dividends receivable | 14,023,746.00 | 13,789,908.00 |
| Other receivables | 16,674,941.55 | 12,541,813.55 |
| Total | 30,698,687.55 | 26,331,721.55 |

Other information:

Applicable N/A

Interests receivable

(1). Categories of interests receivable

Applicable N/A

(2). Significant interests overdue

Applicable N/A

(3). Disclosure by categories of provision for bad debts

Applicable N/A

Provision for bad debts made individually:

Applicable N/A

Explanation about provision for bad debts made individually:

Applicable N/A

Provision for bad debts made by group:

Applicable N/A

(4). Provision for bad debts made in accordance with the general model of ECL

Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

N/A

Description of significant changes in the balance of interests receivable with changed provisions for losses in the current period:

Applicable N/A

(5). Provision for bad debts

Applicable N/A

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

Applicable N/A

Other information:

None

(6). Interests receivable actually canceled in the current period

Applicable N/A

In which significant amounts of interests receivable canceled are described as below

Applicable N/A

Description of cancellation:

Applicable N/A

Other information:

Applicable N/A

Dividends receivable**(7). Dividends receivable**

Applicable N/A

In RMB

| Item (or investee) | Closing balance | Opening balance |
|---|----------------------|----------------------|
| Dividend distribution from GDC Technology Limited (BVI) | 14,023,746.00 | 13,789,908.00 |
| Total | 14,023,746.00 | 13,789,908.00 |

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

Applicable N/A

In RMB

| Item (or investee) | Closing balance | Aging | Reason for non-recovery | Whether impairment has occurred and the basis for its judgment |
|---|----------------------|-----------|--|---|
| Dividend distribution from GDC Technology Limited (BVI) | 14,023,746.00 | 2-3 years | They have not reached an agreement through negotiation on certain matters, and the payment has not yet been made | It is less probable that the counterparty has a credit risk, and no impairment has occurred |
| Total | 14,023,746.00 | - | - | - |

(9). Disclosure by categories of provision for bad debts

Applicable N/A

Provision for bad debts made individually:

Applicable N/A

Explanation about provision for bad debts made individually:

Applicable N/A

Provision for bad debts made by group:

Applicable N/A

(10). Provision for bad debts made in accordance with the general model of ECL

Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

Refer to V.11 of Section X for details.

Description of significant changes in the balance of dividends receivable with changed provisions for losses in the current period:

Applicable N/A

(11). Provision for bad debts

Applicable N/A

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

Applicable N/A

Other information:

None

(12). Dividends receivable actually canceled in the current period

Applicable N/A

In which significant amounts of dividends receivable canceled are described as below

Applicable N/A

Description of cancellation:

Applicable N/A

Other information:

Applicable N/A

Other receivables

(13). Disclosure by aging

Applicable N/A

In RMB

| Aging | Closing balance of carrying amount | Opening balance of carrying amount |
|---------------------------------|------------------------------------|------------------------------------|
| Within 1 year | | |
| Where: Subitems within 1 year | | |
| Within 1 year | 8,746,169.48 | 5,167,315.12 |
| Subtotal of items within 1 year | 8,746,169.48 | 5,167,315.12 |
| 1 to 2 years | 2,540,156.84 | 1,917,518.11 |
| 2 to 3 years | 333,955.74 | 1,064,581.40 |
| Over 3 years | 6,002,199.51 | 5,030,255.35 |
| Total | 17,622,481.57 | 13,179,669.98 |

(14). Categories by the nature of other receivables

Applicable N/A

In RMB

| Nature of other receivables | Closing balance of carrying amount | Opening balance of carrying amount |
|-----------------------------|------------------------------------|------------------------------------|
| Deposits/margins/petty cash | 10,696,150.09 | 11,162,127.62 |

| | | |
|-------------------------|----------------------|----------------------|
| Withholding | 393,531.80 | 818,004.80 |
| Temporary receivables | 6,532,799.68 | 1,133,717.92 |
| Compensation receivable | | 65,819.64 |
| Total | 17,622,481.57 | 13,179,669.98 |

(15). Provision for bad debts

√ Applicable □ N/A

In RMB

| Provision for bad debts | Stage I | Stage II | Stage III | Total |
|---|----------------------------|--|---------------------------------------|------------|
| | 12-month ECL in the future | Lifetime ECL (without credit impairment) | Lifetime ECL (with credit impairment) | |
| Balance as at January 1, 2023 | 613,139.94 | 24,716.49 | | 637,856.43 |
| Balance as at January 1, 2023 in the current period | - | - | - | |
| --transferred to Stage II | -21,523.12 | 21,523.12 | | |
| --transferred to Stage III | | | | |
| --reversed to Stage II | | | | |
| --reversed to Stage I | | | | |
| Provision | 248,307.62 | 61,375.97 | | 309,683.59 |
| Reversal | | | | |
| Write-off | | | | |
| Cancellation | | | | |
| Other changes | | | | |
| Balance as at December 31, 2023 | 839,924.44 | 107,615.58 | | 947,540.02 |

Basis for determination of each stage and percentage of provision for bad debts

The group of receivable deposits, margins and petty cash and other receivables due within one year in the group of aging indicate no obvious increase in the credit risk since initial recognition (stage I), 1-2 years in the group of aging indicate obvious increase in the credit risk since initial recognition but no credit impairment (stage II), and over 2 years in the group of aging indicate credit impairment since initial recognition (stage III).

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

□ Applicable √ N/A

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

□ Applicable √ N/A

(16). Provision for bad debts

√ Applicable □ N/A

In RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|---------------------------------------|-------------------|--------------------------------|----------------------|---------------------------|---------------|-------------------|
| | | Provision | Recovery or reversal | Write-off or cancellation | Other changes | |
| Provision for bad debts made by group | 637,856.43 | 309,683.59 | | | | 947,540.02 |
| Total | 637,856.43 | 309,683.59 | | | | 947,540.02 |

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

Applicable N/A

Other information

None

(17). Other receivables actually canceled in the current period

Applicable N/A

In which significant amounts of other receivables canceled are described as below

Applicable N/A

Description of cancellation of other receivables:

Applicable N/A

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

Applicable N/A

In RMB

| Entity | Closing balance | Proportion to the balance of other receivables (%) | Nature of other receivables | Aging | Closing balance of bad debt provision |
|--------------|---------------------|--|--|--------------|---------------------------------------|
| Top 1 | 3,574,618.00 | 20.28 | Deposits/margins/petty cash | Over 3 years | 178,730.90 |
| Top 2 | 1,294,675.20 | 7.35 | Deposits/margins/petty cash | Over 3 years | 64,733.76 |
| Top 3 | 505,491.60 | 2.87 | Deposits/margins/petty cash; temporary receivables | 1-3 years | 25,274.58 |
| Top 4 | 500,000.00 | 2.84 | Deposits/margins/petty cash | 1-2 years | 25,000.00 |
| Top 5 | 500,000.00 | 2.84 | Deposits/margins/petty cash | Over 3 years | 25,000.00 |
| Total | 6,374,784.80 | 36.18 | - | - | 318,739.24 |

(19). Presentation in other receivables due to centralized fund management

Applicable N/A

Other information:

Applicable N/A

10. Inventories

(1). Categories of inventories

Applicable N/A

In RMB

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

| | Carrying amount | Provision for decline in value of inventories/impairment of contract performance cost | Book value | Carrying amount | Provision for decline in value of inventories/impairment of contract performance cost | Book value |
|------------------------------------|-----------------------|---|-----------------------|-----------------------|---|-----------------------|
| Raw materials | 443,084,635.75 | 41,537,753.59 | 401,546,882.16 | 511,371,448.78 | 29,152,044.36 | 482,219,404.42 |
| Work in progress | 14,472,238.10 | 478,919.67 | 13,993,318.43 | 15,037,109.26 | 2,581,014.21 | 12,456,095.05 |
| Goods on hand | 260,003,554.90 | 46,351,531.91 | 213,652,022.99 | 354,588,226.87 | 24,770,894.74 | 329,817,332.13 |
| Goods upon delivery | 19,510,688.24 | 3,546,615.45 | 15,964,072.79 | 31,157,150.48 | 1,901,108.14 | 29,256,042.34 |
| Contract performance cost | 4,121,745.02 | 1,554,079.22 | 2,567,665.80 | 2,740,313.16 | | 2,740,313.16 |
| Materials in transit | 180,136.65 | | 180,136.65 | | | |
| Materials for consigned processing | 8,934,579.86 | 491,879.01 | 8,442,700.85 | 9,397,672.25 | 246,897.56 | 9,150,774.69 |
| Total | 750,307,578.52 | 93,960,778.85 | 656,346,799.67 | 924,291,920.80 | 58,651,959.01 | 865,639,961.79 |

(2). Provision for decline in value of inventories and impairment of contract performance cost

√ Applicable □ N/A

In RMB

| Item | Opening balance | Increase | | Decrease | | Closing balance |
|------------------------------------|----------------------|----------------------|------------------|-----------------------|--------|----------------------|
| | | Provision | Others | Reversal or write-off | Others | |
| Raw materials | 29,152,044.36 | 15,192,648.09 | 1,514.38 | 2,808,453.24 | | 41,537,753.59 |
| Work in progress | 2,581,014.21 | 474,772.94 | | 2,576,867.48 | | 478,919.67 |
| Goods on hand | 24,770,894.74 | 38,444,890.07 | 50,372.36 | 16,914,625.26 | | 46,351,531.91 |
| Goods upon delivery | 1,901,108.14 | 2,439,626.45 | 3,932.56 | 798,051.70 | | 3,546,615.45 |
| Contract performance cost | | 1,554,079.22 | | | | 1,554,079.22 |
| Materials for consigned processing | 246,897.56 | 256,617.34 | | 11,635.89 | | 491,879.01 |
| Total | 58,651,959.01 | 58,362,634.11 | 55,819.30 | 23,109,633.57 | | 93,960,778.85 |

Reason for reversing or writing off the provisions for decline in value of inventories in the current period

√ Applicable □ N/A

| Item | Specific basis for determining the net realizable value | Reason for reversing the provision for decline in value of inventory | Reason for writing off the provision for decline in value of inventory |
|--|--|---|---|
| Raw materials | The net realizable value of raw materials is determined as the historical average selling price or actual average selling price of finished goods in the ordinary course of business less the estimated costs of completion, and the estimated costs necessary to make the sale and relevant taxes. | For the inventories of which a provision for decline in value has been made in prior period, their net realizable values have increased | The Company has consumed/sold the inventories for which a provision for decline in value of inventory has been made during the current period |
| Work in progress, and materials for consigned processing | The net realizable value of work in progress is determined as the historical average selling price or actual average selling price of finished goods in the ordinary course of business less the estimated costs of completion, and the estimated costs necessary to make the sale and relevant taxes. | No reversal | The Company has consumed the inventories for which a provision for decline in value of inventory has been made during the current period |
| Goods on hand | For inventories directly used for sale, the net realizable value is determined as the historical average selling price or actual average selling price less the estimated costs necessary to make the sale and relevant taxes. | For the inventories of which a provision for decline in value has been made in prior period, their net realizable values have increased | The Company has used/sold the inventories for which a provision for decline in value of inventory has been made during the current period |
| Goods upon delivery | For goods delivered, the net realizable value is determined as the selling price or actual average selling price less the estimated costs necessary to make the sale and relevant taxes. | No reversal | The Company has sold the inventories for which a provision for decline in value of inventory has been made during the current period |
| Contract performance cost | For the contract performance cost, the net realizable value is determined as the actual selling price of goods in the ordinary course of business less the estimated costs of completion, and the estimated costs necessary to make the sale and relevant taxes | No reversal | No write-off |

Provision for decline in value of inventory made by group

Applicable N/A

Standard for making provision for decline in value of inventory by group

Applicable N/A

(3). Description of capitalized amount of borrowing costs included in the closing balance of inventories, and the standard and basis for the calculation thereof

Applicable N/A

(4). Description of amortization of contract performance cost during the period
 Applicable N/A

| Item | Opening balance | Increase | Amortization | Provision for impairment made in the current period | Closing balance |
|-----------------------|-----------------|---------------|--------------|---|-----------------|
| Entrusted development | 1,280,518.10 | 11,099,498.13 | 8,330,810.13 | 1,554,079.22 | 2,495,126.88 |
| Overseas freight | 1,459,795.06 | 72,538.92 | 1,459,795.06 | | 72,538.92 |
| Subtotal | 2,740,313.16 | 11,172,037.05 | 9,790,605.19 | 1,554,079.22 | 2,567,665.80 |

Other information

 Applicable N/A

11. Held-for-sale assets
 Applicable N/A

12. Non-current assets due within one year
 Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|--|----------------------|----------------------|
| Debt investments due within one year | | |
| Other debt investments due within one year | | |
| Long-term receivables due within one year | 41,997,218.73 | 13,431,554.82 |
| Total | 41,997,218.73 | 13,431,554.82 |

Debt investments due within one year
 Applicable N/A

Other debt investments due within one year
 Applicable N/A

Other description of non-current assets due within one year

None

13. Other current assets
 Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|-----------------------------------|----------------------|-----------------------|
| Contract acquisition cost | | |
| Cost of returned goods receivable | 1,611,745.50 | 3,729,974.65 |
| Input VAT to be deducted | 46,217,482.57 | 96,670,912.86 |
| Prepaid enterprise income tax | 588,042.04 | 6,101,724.28 |
| Total | 48,417,270.11 | 106,502,611.79 |

Other information

None

14. Debt investments

(1). Description of debt investments

Applicable N/A

Changes in the provision for impairment of debt investments in the current period

Applicable N/A

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

Applicable N/A

(3). Description of provision for impairment

Applicable N/A

Basis for determination of each stage and percentage of provision for impairment:

N/A

Description of significant changes in the balance of debt investments with changed provisions for losses in the current period:

Applicable N/A

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

Applicable N/A

(4). Debt investments actually canceled in the current period

Applicable N/A

In which significant amounts of debt investments canceled are described as below

Applicable N/A

Description of cancellation of debt investments:

Applicable N/A

Other information

Applicable N/A

15. Other debt investments

(1). Description of other debt investments

Applicable N/A

Changes in the provision for impairment of other debt investments in the current period

Applicable N/A

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

Applicable N/A

(3). Description of provision for impairment

Applicable N/A

Basis for determination of each stage and percentage of provision for impairment:

N/A

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

Applicable N/A

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

Applicable N/A

(4). Other debt investments actually canceled in the current period
 Applicable N/A

In which significant amounts of other debt investments canceled are described as below

 Applicable N/A

Description of write-off of other debt investments:

 Applicable N/A

Other information:

 Applicable N/A

16. Long-term receivables
(1). Description of long-term receivables
 Applicable N/A

In RMB

| Item | Closing balance | | | Opening balance | | | Range of discount rate |
|---|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|------------------------|
| | Carrying amount | Provision for bad debts | Book value | Carrying amount | Provision for bad debts | Book value | |
| Installment collection | 28,410,593.87 | 2,410,050.74 | 26,000,543.13 | 14,358,245.82 | 2,834,052.02 | 11,524,193.80 | 4.30%-4.65% |
| Where: Financing income not realized | -711,250.41 | | -711,250.41 | -415,458.66 | | -415,458.66 | |
| Total | 28,410,593.87 | 2,410,050.74 | 26,000,543.13 | 14,358,245.82 | 2,834,052.02 | 11,524,193.80 | |

(2). Disclosure by categories of provision for bad debts
 Applicable N/A

In RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|---|-----------------|----------------|-------------------------|-----------------------------|------------|-----------------|----------------|-------------------------|-----------------------------|------------|
| | Carrying amount | | Provision for bad debts | | Book value | Carrying amount | | Provision for bad debts | | Book value |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Provision for bad debts made individually | | | | | | | | | | |
| Where: | | | | | | | | | | |

| | | | | | | | | | | |
|---------------------------------------|----------------------|---------------|---------------------|-------------|----------------------|----------------------|---------------|---------------------|--------------|----------------------|
| Provision for bad debts made by group | 28,410,593.87 | 100.00 | 2,410,050.74 | 8.48 | 26,000,543.13 | 14,358,245.83 | 100.00 | 2,834,052.02 | 19.74 | 11,524,193.80 |
| Where: | | | | | | | | | | |
| Group of aging | 28,410,593.87 | 100.00 | 2,410,050.74 | 8.48 | 26,000,543.13 | 14,358,245.83 | 100.00 | 2,834,052.02 | 19.74 | 11,524,193.80 |
| Total | 28,410,593.87 | 100.00 | 2,410,050.74 | 8.48 | 26,000,543.13 | 14,358,245.83 | 100.00 | 2,834,052.02 | 19.74 | 11,524,193.80 |

Provision for bad debts made individually:

Applicable N/A

Explanation about provision for bad debts made individually:

Applicable N/A

Provision for bad debts made by group:

Applicable N/A

Item by group: Group of aging

In RMB

| Name | Closing balance | | |
|----------------|-----------------------|-------------------------|-----------------------------|
| | Long-term receivables | Provision for bad debts | Percentage of provision (%) |
| Group of aging | 28,410,593.87 | 2,410,050.74 | 8.48 |
| Total | 28,410,593.87 | 2,410,050.74 | 8.48 |

Description of provision for bad debts made by group

Applicable N/A

(3). Provision for bad debts made in accordance with the general model of ECL

Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

Refer to V.11 of Section X for details.

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

Applicable N/A

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

Applicable N/A

(4). Provision for bad debts

Applicable N/A

In RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|----------|-----------------|--------------------------------|----------------------|---------------------------|---------------|-----------------|
| | | Provision | Recovery or reversal | Write-off or cancellation | Other changes | |

| | | | | | | |
|---------------------------------------|---------------------|---------------------|--|--|---------------------|---------------------|
| Provision for bad debts made by group | 2,834,052.02 | 5,808,087.18 | | | 6,232,088.46 | 2,410,050.74 |
| Total | 2,834,052.02 | 5,808,087.18 | | | 6,232,088.46 | 2,410,050.74 |

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

Applicable N/A

Other information:

“Other changes” indicate the provision for impairment corresponding to the long-term receivables reclassified to be due within one year.

(5). Long-term receivables actually canceled in the current period

Applicable N/A

In which significant amounts of long-term receivables canceled are described as below

Applicable N/A

Description of cancellation of long-term receivables:

Applicable N/A

Other information

Applicable N/A

17. Long-term equity investments

(1). Description of long-term equity investments

Applicable N/A

In RMB

| Investees | Opening balance | Changes for the current period | | | | | | | | Closing balance | Closing balance of provision for impairment |
|--|-----------------------|--------------------------------|----------------------|---|--|----------------------|------------------------------------|--------------------------|---------------------|-----------------------|---|
| | | Additional investment | Decreased investment | Investment profit or loss under equity method | Adjustment in other comprehensive income | Other equity changes | Declared cash dividends or profits | Provision for impairment | Others [Note] | | |
| I. Joint venture | | | | | | | | | | | |
| Subtotal | | | | | | | | | | | |
| II. Associates | | | | | | | | | | | |
| GDC Technology Limited (BVI) | 162,394,917.57 | | | -11,610,757.89 | -3,126,210.45 | | | 11,704,497.05 | 2,937,162.14 | 138,890,614.32 | 11,704,497.05 |
| Shenzhen Zhongjia Technology Co., Ltd. | | 6,000,000.00 | | -163,837.89 | | | | | | 5,836,162.11 | |
| Subtotal | 162,394,917.57 | 6,000,000.00 | | -11,774,595.78 | -3,126,210.45 | | | 11,704,497.05 | 2,937,162.14 | 144,726,776.43 | 11,704,497.05 |
| Total | 162,394,917.57 | 6,000,000.00 | | -11,774,595.78 | -3,126,210.45 | | | 11,704,497.05 | 2,937,162.14 | 144,726,776.43 | 11,704,497.05 |

Note: “Others” indicate the amount generated from foreign exchange translation.

(2). Impairment test of long-term equity investments

Applicable N/A

Other information

The recoverable amount is determined according to the net value of subtracting disposal expenses from the fair value

Applicable N/A

In RMB

| Item | Book value | Recoverable amount | Impairment amount | Method of determining the fair value and disposal expenses | Key parameters | Basis for determining key parameters |
|------------------------------|----------------|--------------------|-------------------|--|--|--|
| GDC Technology Limited (BVI) | 150,595,111.37 | 138,890,614.32 | 11,704,497.05 | Value Consulting Report | Financial data of comparable companies and investees | Financial statements of comparable companies and investees |
| Total | 150,595,111.37 | 138,890,614.32 | 11,704,497.05 | - | - | - |

The recoverable amount is determined according to the present value of the estimated future cash flows

Applicable N/A

Reason for the obvious difference between the information above and the information used in the impairment test in previous years or external information

Applicable N/A

Reason for the obvious difference between the information used by the Company in the impairment test in previous years and the actual conditions of the corresponding year

Applicable N/A

Other information

None

18. Investment in other equity instruments

(1). Description of investment in other equity instruments

√ Applicable □ N/A

In RMB

| Item | Opening balance | Changes for the current period | | | | | Closing balance | Dividends income recognized for the current period | Total gains recognized in other comprehensive income | Total losses recognized in other comprehensive income | Reasons for designating as financial assets at fair value through other comprehensive income |
|---|---------------------|--------------------------------|----------------------|--|---|--------|---------------------|--|--|---|--|
| | | Additional investment | Decreased investment | Gains recognized in other comprehensive income in the current period | Losses recognized in other comprehensive income in the current period | Others | | | | | |
| Shen Zhen Timewaying Technology Co., Ltd. | 7,075,419.38 | | | | | | 7,075,419.38 | | | | |
| Shenzhen Bevix Technology Co., Ltd. | | | | | | | | | | | |
| Total | 7,075,419.38 | | | | | | 7,075,419.38 | | | | - |

(2). Description of derecognition in the current period

□ Applicable √ N/A

Other information:

√ Applicable □ N/A

The Company's equity investments in Shen Zhen Timewaying Technology Co., Ltd., and Shenzhen Bevix Technology Co., Ltd. are mainly for promoting future business cooperation rather than making transactions, hence they are designated as investments in equity instruments at fair value through other comprehensive income.

The cost of Shenzhen Bevix Technology Co., Ltd. is RMB 4,900,000.00, and the fair value change is -RMB 4,900,000.00.

19. Other non-current financial assets

Applicable N/A

Other information:

Applicable N/A

20. Investment properties

Measurement mode of investment properties

N/A

(1). Impairment test of investment properties measured at costs

Applicable N/A

The recoverable amount is determined as the fair value net of disposal expenses

Applicable N/A

The recoverable amount is determined according to the present value of the estimated future cash flows

Applicable N/A

Reason for the obvious difference between the information above and the information used in the impairment test in previous years or external information

Applicable N/A

Reason for the obvious difference between the information used by the Company in the impairment test in previous years and the actual conditions of the corresponding year

Applicable N/A

21. Fixed assets

Presented by items

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|--------------------------|-----------------------|-----------------------|
| Fixed assets | 336,276,793.84 | 427,539,718.53 |
| Disposal of fixed assets | | |
| Total | 336,276,793.84 | 427,539,718.53 |

Other information:

Applicable N/A

Fixed assets

(1). Description of fixed assets

Applicable N/A

In RMB

| Item | Machinery and equipment | Transportation equipment | Electronic equipment and others | Operating leased equipment | Total |
|--|-------------------------|--------------------------|---------------------------------|----------------------------|----------------|
| I. Cost: | | | | | |
| 1. Opening balance | 159,638,878.71 | 1,171,400.05 | 58,558,067.60 | 682,654,171.75 | 902,022,518.11 |
| 2. Increase | 21,359,208.32 | 1,207,345.37 | 6,936,037.25 | 24,885,832.76 | 54,388,423.70 |
| (1) Purchase | 21,276,438.68 | 1,207,345.37 | 6,906,834.25 | | 29,390,618.30 |
| (2) Transfer from construction in progress | | | | 24,885,832.76 | 24,885,832.76 |
| (3) Increase from business combination | | | | | |
| (4) Currency movement | 82,769.64 | | 29,203.00 | | 111,972.64 |
| 3. Decrease | 7,960,468.47 | 151,000.00 | 1,383,148.41 | 42,329,618.21 | 51,824,235.09 |
| (1) Disposal or retirement | 7,927,350.95 | 151,000.00 | 997,553.76 | | 9,075,904.71 |

| | | | | | |
|--|----------------|--------------|---------------|----------------|----------------|
| (2) Transfer to inventories | 11,501.63 | | 385,594.65 | 42,329,618.21 | 42,726,714.49 |
| (3) Transfer to construction in progress | 21,615.89 | | | | 21,615.89 |
| 4. Closing balance | 173,037,618.56 | 2,227,745.42 | 64,110,956.44 | 665,210,386.30 | 904,586,706.72 |
| II. Accumulated depreciation | | | | | |
| 1. Opening balance | 77,432,539.28 | 758,120.79 | 30,586,219.43 | 364,608,760.63 | 473,385,640.13 |
| 2. Increase | 25,359,455.50 | 157,615.11 | 8,554,535.73 | 88,047,732.24 | 122,119,338.58 |
| (1) Provision | 25,307,099.25 | 157,615.11 | 8,529,361.50 | 88,047,732.24 | 122,041,808.10 |
| (2) Purchase | | | | | |
| (3) Currency movement | 52,356.25 | | 25,174.23 | | 77,530.48 |
| 3. Decrease | 5,632,097.61 | 59,770.75 | 900,960.59 | 26,683,179.98 | 33,276,008.93 |
| (1) Disposal or retirement | 5,625,336.41 | 59,770.75 | 715,917.46 | | 6,401,024.62 |
| (2) Transfer to inventories | 6,761.20 | | 185,043.13 | 26,683,179.98 | 26,874,984.31 |
| 4. Closing balance | 97,159,897.17 | 855,965.15 | 38,239,794.57 | 425,973,312.89 | 562,228,969.78 |
| III. Provision for impairment | | | | | |
| 1. Opening balance | | | | 1,097,159.45 | 1,097,159.45 |
| 2. Increase | 1,935,931.82 | | | 3,300,602.27 | 5,236,534.09 |
| (1) Provision | 1,935,931.82 | | | 3,300,602.27 | 5,236,534.09 |
| 3. Decrease | | | | 252,750.44 | 252,750.44 |
| (1) Disposal or retirement | | | | 252,750.44 | 252,750.44 |
| 4. Closing balance | 1,935,931.82 | | | 4,145,011.28 | 6,080,943.10 |
| IV. Book value | | | | | |
| 1. Closing balance | 73,941,789.57 | 1,371,780.27 | 25,871,161.87 | 235,092,062.13 | 336,276,793.84 |
| 2. Opening balance | 82,206,339.43 | 413,279.26 | 27,971,848.17 | 316,948,251.67 | 427,539,718.53 |

(2). Temporarily idle fixed assets
 Applicable N/A

In RMB

| Item | Cost | Accumulated depreciation | Provision for impairment | Book value | Remark |
|----------------------------|----------------------|--------------------------|--------------------------|---------------------|--------|
| Operating leased equipment | 27,282,134.47 | 18,723,126.04 | 3,292,627.27 | 5,266,381.16 | |
| Subtotal | 27,282,134.47 | 18,723,126.04 | 3,292,627.27 | 5,266,381.16 | |

(3). Fixed assets leased out under operating lease
 Applicable N/A

In RMB

| Item | Closing balance of book value |
|----------------------------|-------------------------------|
| Operating leased equipment | 229,825,680.97 |
| Subtotal | 229,825,680.97 |

(4). Fixed assets of which certificates of title have not been obtained
 Applicable N/A

(5). Impairment test of fixed assets
 Applicable N/A

Other information:

 Applicable N/A

Disposal of fixed assets
 Applicable N/A

22. Construction in progress
Presented by items
 Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|----------------------------|-----------------------|-----------------------|
| Construction in progress | 347,777,138.86 | 278,978,057.73 |
| Materials for construction | | |
| Total | 347,777,138.86 | 278,978,057.73 |

Other information:

 Applicable N/A

Construction in progress
(1). Description of construction in progress
 Applicable N/A

In RMB

| Item | Closing balance | | | Opening balance | | |
|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Headquarter buildings | 344,481,907.55 | | 344,481,907.55 | 270,837,599.21 | | 270,837,599.21 |
| Assets to be leased | 3,295,231.31 | | 3,295,231.31 | 6,266,605.31 | | 6,266,605.31 |
| Decoration construction | | | | 1,873,853.21 | | 1,873,853.21 |
| Total | 347,777,138.86 | | 347,777,138.86 | 278,978,057.73 | | 278,978,057.73 |

(2). Changes in significant constructions in progress for the current period
 Applicable N/A

In RMB

| Item | Budget amount | Opening balance | Increase | Amount transferred to fixed assets | Other decrease | Closing balance | Amount injected as a proportion of budget amount (%) | Engineering progress (%) | Amount of accumulated capitalized interest | Where : Capitalized interest for the period | Interest capitalization rate for the period (%) | Source of funds |
|------|---------------|-----------------|----------|------------------------------------|----------------|-----------------|--|--------------------------|--|---|---|-----------------|
| | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|------------------------------|-----------------------|-----------------------|----------------------|----------------------|--|-----------------------|-------|-------|----------------------|---------------------|------|--|
| Head quarter buildings | 534,635,200.00 | 270,837,599.21 | 73,644,308.34 | | | 344,481,907.55 | 70.23 | 70.23 | 10,579,558.50 | 5,583,427.71 | 3.68 | S e l f - f u n d e d c a p i t a l |
| Assets to be leased | | 6,266,605.31 | 21,914,458.76 | 24,885,832.76 | | 3,295,231.31 | | | | | | |
| Total | 534,635,200.00 | 277,104,204.52 | 95,558,767.10 | 24,885,832.76 | | 347,777,138.86 | | | 10,579,558.50 | 5,583,427.71 | | - |

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

Applicable ✓ N/A

(4). Impairment test of construction in progress

Applicable ✓ N/A

Other information

Applicable ✓ N/A

Materials for construction

(5). Description of materials for construction

Applicable ✓ N/A

23. Productive biological assets

(1). Productive biological assets measured at cost

Applicable ✓ N/A

(2). Impairment test of productive biological assets measured at cost

Applicable ✓ N/A

The recoverable amount is determined as the fair value net of disposal expenses

Applicable ✓ N/A

The recoverable amount is determined according to the present value of the estimated future cash flows

Applicable ✓ N/A

Reason for the obvious difference between the information above and the information used in the impairment test in previous years or external information

Applicable ✓ N/A

Reason for the obvious difference between the information used by the Company in the impairment test in previous years and the actual conditions of the corresponding year

Applicable ✓ N/A

(3). Productive biological assets measured at fair value

Applicable ✓ N/A

Other information

Applicable ✓ N/A

24. Oil and gas assets

(1) Description of oil and gas assets

Applicable N/A

(2) Impairment test of oil and gas assets

Applicable N/A

Other information:

None

25. Right-of-use assets

(1) Description of right-of-use assets

Applicable N/A

In RMB

| Item | Houses and buildings | Total |
|--------------------------------------|----------------------|---------------|
| I. Cost | | |
| 1. Opening balance | 80,936,615.37 | 80,936,615.37 |
| 2. Increase | 13,299,459.65 | 13,299,459.65 |
| (1) Lease in | 13,289,935.99 | 13,289,935.99 |
| (2) Currency movement | 9,523.66 | 9,523.66 |
| 3. Decrease | 8,571,220.42 | 8,571,220.42 |
| (1) Disposal | 8,571,220.42 | 8,571,220.42 |
| 4. Closing balance | 85,664,854.60 | 85,664,854.60 |
| II. Accumulated depreciation | | |
| 1. Opening balance | 18,680,945.08 | 18,680,945.08 |
| 2. Increase | 29,391,436.98 | 29,391,436.98 |
| (1) Provision | 29,384,153.50 | 29,384,153.50 |
| (2) Currency movement | 7,283.48 | 7,283.48 |
| 3. Decrease | 2,424,431.13 | 2,424,431.13 |
| (1) Disposal | 2,424,431.13 | 2,424,431.13 |
| 4. Closing balance | 45,647,950.93 | 45,647,950.93 |
| III. Provision for impairment | | |
| 1. Opening balance | | |
| 2. Increase | | |
| (1) Provision | | |
| 3. Decrease | | |
| (1) Disposal | | |
| 4. Closing balance | | |
| IV. Book value | | |
| 1. Closing balance | 40,016,903.67 | 40,016,903.67 |
| 2. Opening balance | 62,255,670.29 | 62,255,670.29 |

(2) Impairment test of right-of-use assets

Applicable N/A

Other information:

None

The recoverable amount is determined as the fair value net of disposal expenses

Applicable N/A

The recoverable amount is determined according to the present value of the estimated future cash flows

Applicable N/A

Reason for the obvious difference between the information above and the information used in the impairment test in previous years or external information

Applicable N/A

Reason for the obvious difference between the information used by the Company in the impairment test in previous years and the actual conditions of the corresponding year

Applicable N/A

Other information:

None

26. Intangible assets

(1). Description of intangible assets

Applicable N/A

In RMB

| Item | Land use rights | Patents | Software | Total |
|--|-----------------|---------------|---------------|----------------|
| I. Cost | | | | |
| 1. Opening balance | 330,630,000.00 | 20,059,950.00 | 20,151,437.21 | 370,841,387.21 |
| 2. Increase | | | 7,040,997.83 | 7,040,997.83 |
| (1) Purchase | | | 7,030,327.88 | 7,030,327.88 |
| (2) Internal R&D | | | | |
| (3) Increase from business combination | | | | |
| (4) Currency movement | | | 10,669.95 | 10,669.95 |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| 4. Closing balance | 330,630,000.00 | 20,059,950.00 | 27,192,435.04 | 377,882,385.04 |
| II. Accumulated amortization | | | | |
| 1. Opening balance | 49,594,500.18 | 16,390,600.14 | 10,845,243.95 | 76,830,344.27 |
| 2. Increase | 11,021,000.04 | | 4,400,644.65 | 15,421,644.69 |
| (1) Provision | 11,021,000.04 | | 4,390,272.10 | 15,411,272.14 |
| (2) Currency movement | | | 10,372.55 | 10,372.55 |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| 4. Closing balance | 60,615,500.22 | 16,390,600.14 | 15,245,888.60 | 92,251,988.96 |
| III. Provision for impairment | | | | |
| 1. Opening balance | | 3,669,349.86 | | 3,669,349.86 |
| 2. Increase | | | | |
| (1) Provision | | | | |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| 4. Closing balance | | 3,669,349.86 | | 3,669,349.86 |
| IV. Book value | | | | |

| | | | | |
|--------------------|----------------|--|---------------|----------------|
| 1. Closing balance | 270,014,499.78 | | 11,946,546.44 | 281,961,046.22 |
| 2. Opening balance | 281,035,499.82 | | 9,306,193.26 | 290,341,693.08 |

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

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

Applicable N/A

(3) Impairment test of intangible assets

Applicable N/A

Other information:

Applicable N/A

27. Goodwill

(1). Cost of goodwill

Applicable N/A

(2). Impairment provision of goodwill

Applicable N/A

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

Applicable N/A

Changes in groups of assets or combinations of groups of assets

Applicable N/A

Other information

Applicable N/A

(4). Specific method for determining the recoverable amount

The recoverable amount is determined as the fair value net of disposal expenses

Applicable N/A

The recoverable amount is determined according to the present value of the estimated future cash flows

Applicable N/A

Reason for the obvious difference between the information above and the information used in the impairment test in previous years or external information

Applicable N/A

Reason for the obvious difference between the information used by the Company in the impairment test in previous years and the actual conditions of the corresponding year

Applicable N/A

(5). Performance covenant and impairment of the corresponding goodwill

There is a performance covenant and the reporting period or the prior period is within the period of performance covenant when the goodwill is generated

Applicable N/A

Other information

Applicable N/A

28. Long-term prepaid expenses

Applicable N/A

In RMB

| Item | Opening balance | Increase | Amortization | Other decreases | Closing balance |
|--------------------------------|---------------------|---------------------|---------------------|------------------|---------------------|
| Decoration construction | 5,935,938.09 | 4,811,259.54 | 4,457,656.35 | -6,585.59 | 6,296,126.87 |
| RTO gas for the screen project | 55,045.94 | | 33,027.48 | | 22,018.46 |
| Total | 5,990,984.03 | 4,811,259.54 | 4,490,683.83 | -6,585.59 | 6,318,145.33 |

Other information:

None

29. Deferred tax assets and deferred tax liabilities

(1). Deferred tax assets that are not offset

√ Applicable □ N/A

In RMB

| Item | Closing balance | | Opening balance | |
|---|----------------------------------|----------------------|----------------------------------|-----------------------|
| | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for impairment of assets | 74,115,172.24 | 11,117,383.83 | 54,480,645.82 | 8,172,204.87 |
| Unrealized profits for insider transactions | 210,685,301.87 | 31,602,795.28 | 293,141,594.90 | 43,971,239.24 |
| Deductible losses | 239,029,918.69 | 35,854,487.80 | 145,752,332.17 | 21,862,849.83 |
| Provisions | 34,841,473.16 | 5,226,220.97 | 33,861,061.30 | 5,079,159.20 |
| Other current liabilities | 4,991,932.34 | 748,789.85 | | |
| Share-based payment expenses | 61,226,650.97 | 9,183,997.65 | 78,336,744.64 | 11,756,236.09 |
| Deferred income | 2,718,881.63 | 407,832.24 | 5,651,422.25 | 847,713.34 |
| Lease liabilities | 34,994,645.59 | 5,283,800.22 | 54,028,804.51 | 8,149,471.10 |
| Held-for-trading financial assets | 990,000.00 | 148,500.00 | 1,120,000.00 | 168,000.00 |
| Total | 663,593,976.49 | 99,573,807.84 | 666,372,605.59 | 100,006,873.67 |

(2). Deferred tax liabilities that are not offset

√ Applicable □ N/A

In RMB

| Item | Closing balance | | Opening balance | |
|-----------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
| Long-term receivables | 69,036,668.06 | 10,355,500.21 | 15,031,309.08 | 2,254,696.36 |
| Right-of-use assets | 33,667,244.64 | 5,083,230.25 | 53,180,332.57 | 8,021,241.29 |
| Total | 102,703,912.70 | 15,438,730.46 | 68,211,641.65 | 10,275,937.65 |

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

√ Applicable □ N/A

In RMB

| Item | Closing set-off amounts of deferred tax assets and liabilities | Closing balance of deferred tax assets or liabilities after set-off | Opening set-off amounts of deferred tax assets and liabilities | Opening balance of deferred tax assets or liabilities after set-off |
|--------------------------|--|---|--|---|
| Deferred tax assets | 14,209,075.65 | 85,364,732.19 | 10,275,937.65 | 89,730,936.02 |
| Deferred tax liabilities | 14,209,075.65 | 1,229,654.81 | 10,275,937.65 | |

(4). Details of unrecognized deferred tax assets

√ Applicable □ N/A

In RMB

| Item | Closing balance | Opening balance |
|-------------------|-----------------|-----------------|
| Deductible losses | 628,624,774.28 | 322,268,687.11 |

| | | |
|--|-----------------------|-----------------------|
| Provision for impairment of assets | 72,217,063.30 | 47,406,755.88 |
| Unrealized profits for insider transactions | 17,628,227.02 | 33,624,043.48 |
| Provisions | 23,992,739.66 | 18,872,846.92 |
| Deferred income | 1,909,090.93 | 3,000,000.01 |
| Share-based payment expenses | 5,716,287.31 | 3,180,261.29 |
| Leases | 776,044.91 | 1,557,490.63 |
| Profit distribution from partnership enterprises | 22,937.98 | 15,991.72 |
| Changes in fair value of investments in other equity instruments | 4,900,000.00 | 4,900,000.00 |
| Total | 755,787,165.39 | 434,826,077.04 |

(5). Deductible losses, for which no deferred tax assets are recognized, will expire in the following years

Applicable N/A

In RMB

| Year | Closing balance | Opening balance | Remark |
|----------------|-----------------------|-----------------------|--------|
| 2023 | | 4,629,271.35 | |
| 2024 | 3,721,926.96 | 3,721,926.96 | |
| 2025 | 4,647,581.11 | 4,647,581.11 | |
| 2026 | 585,694.63 | 585,694.63 | |
| 2027 | 7,264,969.19 | 14,169,584.98 | |
| 2028 | 14,859,636.58 | | |
| 2031 | 86,704,079.12 | 97,492,216.72 | |
| 2032 | 174,220,126.74 | 91,057,406.63 | |
| 2033 | 168,693,830.07 | | |
| No expiry date | 167,926,929.88 | 105,965,004.73 | |
| Total | 628,624,774.28 | 322,268,687.11 | - |

Other information:

Applicable N/A

30. Other non-current assets

Applicable N/A

In RMB

| Item | Closing balance | | | Opening balance | | |
|---|----------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Prepayment for purchase of long-term assets | 29,348,748.27 | | 29,348,748.27 | 12,569,088.37 | | 12,569,088.37 |
| Total | 29,348,748.27 | | 29,348,748.27 | 12,569,088.37 | | 12,569,088.37 |

Other information:

None

31. Items of restricted assets

Applicable N/A

In RMB

| Item | Closing | | | | Opening | | | |
|------|----------|------------|---------|-------------|----------|------------|---------|-------------|
| | Carrying | Book value | Type of | Restriction | Carrying | Book value | Type of | Restriction |

| | amount | | restriction | | amount | | restriction | |
|------------------------|-----------------------|-----------------------|--|---|-----------------------|-----------------------|--|---|
| Cash and bank balances | 88,979,653.31 | 88,979,653.31 | Time deposits and interests, security deposits, and funds in restricted accounts | Undue time deposits and interests, account security deposits, and restricted payments | 101,299,805.51 | 101,299,805.51 | Time deposits and interests, security deposits, and funds in restricted accounts | Undue time deposits and interests, account security deposits, and restricted payments |
| Intangible assets | 330,630,000.00 | 270,014,499.78 | Mortgage | Mortgage collateral | 330,630,000.00 | 281,035,499.82 | Mortgage | Mortgage collateral |
| Total | 419,609,653.31 | 358,994,153.09 | - | - | 431,929,805.51 | 382,335,305.33 | - | - |

Other information:

None

32. Short-term borrowings

(1). Categories of short-term borrowings

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|---------------------------------|----------------------|-----------------------|
| Pledge borrowings | 50,000,000.00 | |
| Guaranteed loans | 30,000,000.00 | 39,500,000.00 |
| Credit loans | | 60,000,000.00 |
| Notes discount within the group | | 30,000,000.00 |
| Interest | 36,500.00 | 89,634.03 |
| Total | 80,036,500.00 | 129,589,634.03 |

Description for categories of short-term borrowings:

None

(2). Short-term borrowings overdue but not yet repaid

Applicable N/A

In which the significant amounts of short-term borrowings overdue but not yet repaid are described as below:

Applicable N/A

Other information

Applicable N/A

33. Held-for-trading financial liabilities

Applicable N/A

Other information:

Applicable N/A

34. Derivative financial liabilities

Applicable N/A

35. Notes payable

(1). Presented by notes payable

Applicable N/A

In RMB

| Category | Closing balance | Opening balance |
|-----------------------------|----------------------|-----------------------|
| Commercial acceptance bills | | |
| Bank acceptance bills | 76,001,079.07 | 201,299,388.57 |
| Total | 76,001,079.07 | 201,299,388.57 |

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

36. Accounts payable

(1). Presented by accounts payable

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|------------------------------|-----------------------|-----------------------|
| Amounts payable for purchase | 247,318,466.10 | 276,845,321.28 |
| Total | 247,318,466.10 | 276,845,321.28 |

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

Applicable N/A

Other information

Applicable N/A

37. Advance from customers

(1). Presented by advance from customers

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|-----------------------------------|-----------------------|-----------------------|
| Advance payments of recharge fees | 110,573,711.24 | 113,834,728.10 |
| Total | 110,573,711.24 | 113,834,728.10 |

(2). Advance from customers with significant amounts aged more than 1 year

Applicable N/A

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

Applicable N/A

Other information

Applicable N/A

38. Contract liabilities

(1). Description of contract liabilities

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|---------------|----------------------|----------------------|
| Goods payment | 45,416,445.99 | 37,285,920.43 |
| Total | 45,416,445.99 | 37,285,920.43 |

(2). Contract liabilities with significant amounts aged more than 1 year

Applicable N/A

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

Applicable N/A

Other information:

Applicable N/A

39. Employee benefits payable

(1). Presented by employee benefits payable

Applicable N/A

In RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|---------------------------------|-----------------|----------------|----------------|-----------------|
| I. Short-term employee benefits | 57,760,642.14 | 416,708,292.55 | 413,524,519.25 | 60,944,415.44 |

| | | | | |
|--|----------------------|-----------------------|-----------------------|----------------------|
| II. Post-employment benefits-defined contribution plan | 170,231.90 | 17,456,556.84 | 17,391,033.79 | 235,754.95 |
| III. Termination benefits | 540,086.51 | 17,609,524.86 | 12,455,547.29 | 5,694,064.08 |
| IV. Other benefits due within one year | | | | |
| Total | 58,470,960.55 | 451,774,374.25 | 443,371,100.33 | 66,874,234.47 |

(2). Presented by short-term employee benefits

√ Applicable □ N/A

In RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|---|----------------------|-----------------------|-----------------------|----------------------|
| I. Wages or salaries, bonuses, allowances and subsidies | 57,630,572.03 | 372,404,406.24 | 369,599,329.02 | 60,435,649.25 |
| II. Staff welfare | | 8,231,926.36 | 7,955,571.36 | 276,355.00 |
| III. Social security contributions | 107,849.71 | 13,561,735.35 | 13,517,938.61 | 151,646.45 |
| Where: Medical insurance | 102,565.34 | 12,715,801.49 | 12,674,400.04 | 143,966.79 |
| Work injury insurance | 5,267.39 | 512,512.89 | 510,117.60 | 7,662.68 |
| Maternity insurance | 16.98 | 333,420.97 | 333,420.97 | 16.98 |
| IV. Housing funds | | 21,304,069.89 | 21,282,550.89 | 21,519.00 |
| V. Union running costs and employee education costs | 22,220.40 | 1,206,154.71 | 1,169,129.37 | 59,245.74 |
| VI. Short-term paid leaves | | | | |
| VII. Short-term profit sharing plan | | | | |
| Total | 57,760,642.14 | 416,708,292.55 | 413,524,519.25 | 60,944,415.44 |

(3). Presented by defined contribution plan

√ Applicable □ N/A

In RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|------------------------------------|-------------------|----------------------|----------------------|-------------------|
| 1. Basic pensions insurance | 164,547.68 | 16,955,255.51 | 16,891,718.07 | 228,085.12 |
| 2. Unemployment insurance | 5,684.22 | 501,301.33 | 499,315.72 | 7,669.83 |
| 3. Enterprise annuity contribution | | | | |
| Total | 170,231.90 | 17,456,556.84 | 17,391,033.79 | 235,754.95 |

Other information:

□ Applicable √ N/A

40. Taxes payable

√ Applicable □ N/A

In RMB

| Item | Closing balance | Opening balance |
|-----------------------|-----------------|-----------------|
| Value-added tax (VAT) | 359,180.74 | 283,831.65 |
| Enterprise income tax | 1,334,766.59 | 1,329,891.54 |

| | | |
|---------------------------------------|---------------------|---------------------|
| Individual income tax | 3,528,285.07 | 5,330,584.62 |
| City maintenance and construction tax | 293,453.55 | 461,779.38 |
| Education surcharges | 129,503.34 | 200,014.57 |
| Local education surcharges | 83,464.21 | 133,343.03 |
| Stamp duty | 399,474.92 | 521,340.60 |
| Annual franchise right tax | 14,519.54 | 11,933.84 |
| Land use tax | 56.27 | 49.67 |
| Total | 6,142,704.23 | 8,272,768.90 |

Other information:

None

41. Other payables
(1). Presented by items
 Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|-------------------|----------------------|----------------------|
| Interests payable | | |
| Dividends payable | | |
| Other payables | 54,142,509.17 | 56,662,357.08 |
| Total | 54,142,509.17 | 56,662,357.08 |

Other information:

 Applicable N/A

(2). Interests payable

Presented by categories

 Applicable N/A

Overdue interests payable with significant amounts:

 Applicable N/A

Other information:

 Applicable N/A

(3). Dividends payable

Presented by categories

 Applicable N/A

(4). Other payables

Other payables presented by nature

 Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|----------------------------|----------------------|----------------------|
| Withholding | 519,802.15 | 264,611.23 |
| Deposits/margins | 14,940,040.78 | 9,538,090.44 |
| Withdrawals in advance | 35,291,543.85 | 38,870,669.59 |
| Temporary receipts payable | 3,391,122.39 | 7,988,985.82 |
| Total | 54,142,509.17 | 56,662,357.08 |

Other payables with significant amounts aged more than 1 year or overdue

 Applicable N/A

Other information:

 Applicable N/A

42. Held-for-sale liabilities
 Applicable N/A

43. Non-current liabilities due within one year
 Applicable N/A

In RMB

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

| | | |
|--|-----------------------|-----------------------|
| Long-term borrowings due within one year | 241,906,668.40 | 147,500,008.00 |
| Bonds payable due within one year | | |
| Long-term payables due within one year | | |
| Lease liabilities due within one year | 26,571,363.83 | 30,342,348.86 |
| Interest payable | 270,119.44 | 189,460.51 |
| Total | 268,748,151.67 | 178,031,817.37 |

Other information:

None

44. Other current liabilities

Description of other current liabilities

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|------------------------------------|----------------------|----------------------|
| Amounts payable for goods returned | | 201,468.53 |
| Rebates payable | 14,406,021.16 | 25,168,744.15 |
| Taxes to be written off | 4,035,664.67 | 3,013,395.69 |
| Total | 18,441,685.83 | 28,383,608.37 |

Changes in short-term bonds payable:

Applicable N/A

Other information:

Applicable N/A

45. Long-term borrowings

(1). Categories of long-term borrowings

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|---|-----------------------|-----------------------|
| Guaranteed loans and loans against collateral | 136,305,570.04 | 147,905,776.70 |
| Guaranteed loans | 136,980,000.00 | 255,299,986.00 |
| Credit loans | 97,000,000.00 | |
| Interest payable | 364,061.18 | 514,779.75 |
| Total | 370,649,631.22 | 403,720,542.45 |

Description for categories of long-term borrowings:

None

Other information

Applicable N/A

46. Bonds payable

(1). Bonds payable

Applicable N/A

(2). Specific information about bonds payable: (excluding other financial instruments such as preferred shares, perpetual bonds and others classified as financial liabilities)

Applicable N/A

(3). Description of convertible corporate bonds

Applicable N/A

Accounting treatment and determination basis of conversion rights

Applicable N/A

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

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

Applicable N/A

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

Applicable N/A

Basis for other financial instruments classified as financial liabilities:

Applicable N/A

Other information:

Applicable N/A

47. Lease liabilities

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|--------------------------------------|----------------------|----------------------|
| Unpaid lease payments | 16,514,060.82 | 37,874,912.40 |
| Less: Unrecognized financing charges | 965,075.11 | 3,555,628.17 |
| Total | 15,548,985.71 | 34,319,284.23 |

Other information:

None

48. Long-term payables

Presented by items

Applicable N/A

Other information:

Applicable N/A

Long-term payables

(1). Long-term payables presented by nature

Applicable N/A

Special payables

(2). Special payables presented by nature

Applicable N/A

49. Long-term employee benefits payable

Applicable N/A

(1). Statement of long-term employee benefits payable

Applicable N/A

(2). Changes in defined benefit plan

Present value of the obligations under the defined benefit plan:

Applicable N/A

Assets under the plan:

Applicable N/A

Net liabilities (net assets) under the defined benefit plan

Applicable N/A

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

Applicable N/A

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

Applicable N/A

Other information:

Applicable N/A

50. Provisions

Applicable N/A

In RMB

| Item | Opening balance | Closing balance | Reason |
|------------------------------------|----------------------|----------------------|--|
| Pending litigation | | 5,154,659.93 | |
| Product quality warranty | 49,871,884.36 | 50,530,730.18 | Expenses for “three guarantees” services |
| Amounts payable for goods returned | 6,591,998.51 | 2,495,594.97 | |
| Total | 56,463,882.87 | 58,180,985.08 | - |

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

None

51. Deferred income

Description of deferred income

Applicable N/A

In RMB

| Item | Opening balance | Increase | Decrease | Closing balance | Reason |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|--|
| Government grants related to assets | 5,905,986.57 | | 2,156,391.60 | 3,749,594.97 | The relevant asset is within its service life |
| Government grants related to income | 2,745,435.69 | 1,624,800.00 | 3,491,858.10 | 878,377.59 | Used for compensation of relevant costs, expenses, or losses in subsequent periods |
| Total | 8,651,422.26 | 1,624,800.00 | 5,648,249.70 | 4,627,972.56 | - |

Other information:

Applicable N/A

52. Other non-current liabilities

Applicable N/A

53. Share capital

Applicable N/A

In RMB

| | Opening balance | Changes (+, -) | | | | | Closing balance |
|--------------|-----------------|----------------|--------------|-----------------------------------|--------|--------------|-----------------|
| | | New shares | Bonus shares | Capitalization of capital reserve | Others | Subtotal | |
| Total shares | 457,107,538.00 | 5,103,800.00 | | | | 5,103,800.00 | 462,211,338.00 |

Other information:

On June 26, 2023, the Company received the additional investment of RMB 50,609,959.00 in total paid by 76 qualified grantees of share incentives under the 2022 Restricted Share Incentive Plan, including RMB 3,299,000.00 recognized as share capital, RMB 47,310,959.00 recognized as capital premium (share premium), and RMB 6,993,880.00 transferred from capital reserve - other capital reserve to capital premium (share premium). Pan-China Certified Public Accountants (Special General Partnership) audited this capital increase and issued a *Capital Verification Report* (Tian Jian Yan (2023) No. 7-74).

On October 31, 2023, the Company received the additional investment of RMB 37,201,036.80 in total paid by 38 qualified grantees of share incentives under the 2021 Restricted Share Incentive Plan,

including RMB 1,804,800.00 recognized as share capital, RMB 35,396,236.80 recognized as capital premium (share premium), and RMB 14,595,424.00 transferred from capital reserve - other capital reserve to capital premium (share premium). Pan-China Certified Public Accountants (Special General Partnership) audited this capital increase and issued a *Capital Verification Report* (Tian Jian Yan (2023) No. 7-104).

54. Other equity instruments

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

Applicable N/A

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

Applicable N/A

Changes of other equity instruments in the current period, reasons for such change and basis for related accounting treatments:

Applicable N/A

Other information:

Applicable N/A

55. Capital reserve

Applicable N/A

In RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|---------------------------------|-------------------------|-----------------------|----------------------|-------------------------|
| Capital premium (share premium) | 1,363,879,803.31 | 104,568,001.69 | | 1,468,447,805.00 |
| Other capital reserve | 166,872,312.73 | 2,758,753.70 | 21,589,304.00 | 148,041,762.43 |
| Total | 1,530,752,116.04 | 107,326,755.39 | 21,589,304.00 | 1,616,489,567.43 |

Other description, including changes in the current period and reasons for changes:

1) Refer to VII.53 of Section X for the increase in the capital reserve - share premium in the current period.

2) Refer to VII.53 of Section X for the decrease in the capital reserve - other capital reserve in the current period.

3) On January 1, 2021, the Company granted restricted shares to senior manager of subsidiaries through its shareholding platform. The total expense of equity-settled share-based payments amounted to RMB 934,700.00, in which RMB 633,726.60 was recognized in the capital reserve (other capital reserve) and RMB 300,973.40 was charged to the amount attributable to minority interests.

4) Under the 2021 Restricted Share Incentive Plan, the total expense of equity-settled share-based payments amounted to RMB -18,247,493.11, in which RMB -17,211,433.10 was recognized in the capital reserve (other capital reserve) and RMB -1,036,060.01 was charged to the amount attributable to minority interests.

5) Under the 2021 Second Restricted Share Incentive Plan, the total expense of equity-settled share-based payments amounted to RMB 4,881,665.07, in which RMB 4,763,800.13 was recognized in the capital reserve (other capital reserve) and RMB 117,864.94 was charged to the amount attributable to minority interests.

6) In 2022, Chongqing Formovie, a subsidiary of the Company, deliberated and adopted the *Resolution on Granting Equity Shares of Shenzhen Fengye Investment Consulting Limited Partnership (Limited Partnership)*, under which shares of Chongqing Formovie are granted to employees. In the current period, the total expense of equity-settled share-based payments amounted to RMB 3,069,306.75, in which RMB 1,202,861.32 was recognized in the capital reserve (other capital reserve), and RMB 1,866,445.43 was charged to the amount attributable to minority interests.

7) Under the 2022 Restricted Share Incentive Plan, the total expense of equity-settled share-based payments amounted to RMB 6,697,653.24, in which RMB 6,815,165.82 was recognized in the capital reserve (other capital reserve) and RMB -117,512.57 was charged to the amount attributable to minority interests.

8) On July 22, 2022, the Company granted restricted shares to the actual controller through its shareholding platform. The total expense of equity-settled share-based payments amounted to RMB 5,502,974.45, in which RMB 5,502,974.45 was recognized in the capital reserve (other capital reserve).

9) On May 15, 2023, the Company acquired minority interests by paying the consideration of RMB 19,734,000.00 for the shares, and acquired shares in the fair value of the identifiable net assets in the amount of RMB 20,005,501.89, while the difference of RMB 271,501.89 was recognized as capital reserve (share premium).

10) On December 31, 2023, because the closing fair value of equity-settled share-based payments is lower than the closing fair value of the prior period, the deferred tax assets were increased by RMB 995,088.01, the capital reserve was increased by RMB 1,051,658.48, and the minority interests were decreased by RMB 56,570.47.

56. Treasury shares

Applicable N/A

In RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|-----------------|----------------------|----------|----------|----------------------|
| Treasury shares | 19,377,297.59 | | | 19,377,297.59 |
| Total | 19,377,297.59 | | | 19,377,297.59 |

Other description, including changes in the current period and reasons for changes:

None

57. Other comprehensive income

Applicable N/A

In RMB

| Item | Opening balance | Amount for the current period | | | | | Attributable to minority shareholders after tax | Closing balance |
|--|-----------------|---|---|--|--------------------------|--|---|-----------------|
| | | Amount incurred for current period before tax | Less: Amount previously included in other comprehensive income and transferred to profit or loss for the period | Less: Amount previously included in other comprehensive income and transferred to retained earnings for the period | Less: Income tax expense | Attributable to the parent company after tax | | |
| I. Other comprehensive income that cannot be reclassified subsequently to profit or loss | -4,900,000.00 | | | | | | | -4,900,000.00 |
| Where: Changes from | | | | | | | | |

| | | | | | | | | |
|---|----------------|---------------|--|--|--|-----------------------|-------------|------------------------|
| remeasur ement of defined benefit plans | | | | | | | | |
| Other comprehe nsive income that cannot be reclassifie d to profit or loss under the equity method | | | | | | | | |
| Change s in fair value of investme nts in other equity instrumen ts | -4,900,000.00 | | | | | | | - 4,900,000 .00 |
| Change s in fair value of enterprise s' own credit risks | | | | | | | | |
| II. Other comprehe nsive income that will be reclassifie d to profit or loss | 10,636,897.41 | 1,813,176.37 | | | | 1,813,17 6.37 | -691,249.26 | 12,450,07 3.78 |
| Where: Other comprehe nsive income that will be reclassifie d to profit or loss under the equity method | -13,180,600.06 | -3,126,210.45 | | | | - 3,126,21 0.45 | | - 16,306,81 0.51 |
| Change s in fair | | | | | | | | |

| | | | | | | | | |
|---|---------------|--------------|--|--|--|--------------|-------------|---------------|
| value of other debt investments | | | | | | | | |
| Amount of financial assets reclassified to other comprehensive income | | | | | | | | |
| Provision for credit impairment of other debt investments | | | | | | | | |
| Reserve for cash flow hedges | | | | | | | | |
| Exchange differences on translation of financial statements denominated in foreign currencies | 23,817,497.47 | 4,939,386.82 | | | | 4,939,386.82 | -691,249.26 | 28,756,884.29 |
| Total other comprehensive income | 5,736,897.41 | 1,813,176.37 | | | | 1,813,176.37 | -691,249.26 | 7,550,073.78 |

Other description, including adjustments on transferring effective portion of cash flow hedges to amount upon initial recognition of the hedged item:

None

58. Special reserve

Applicable N/A

59. Surplus reserve

Applicable N/A

In RMB

| Item | Opening balance | Increase | Decrease | Closing balance |
|------|-----------------|----------|----------|-----------------|
|------|-----------------|----------|----------|-----------------|

| | | | | |
|--------------------------------|----------------------|---------------------|--|----------------------|
| Statutory surplus reserve | 75,519,782.06 | 9,353,583.26 | | 84,873,365.32 |
| Discretionary surplus reserves | | | | |
| Reserve fund | | | | |
| Enterprise development fund | | | | |
| Others | | | | |
| Total | 75,519,782.06 | 9,353,583.26 | | 84,873,365.32 |

Surplus reserve description, including changes in the current period and reasons for changes:

The Company made provisions for statutory surplus reserves at 10% of the net profits realized by the parent company in the period.

60. Undistributed profits

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|---|----------------|----------------|
| Retained profits at the end of prior period before adjustment | 597,924,451.67 | 545,277,188.08 |
| Total adjusted undistributed profits at the beginning of the period (Add: +; Less: -) | | |
| Retained profits at the beginning of the period after adjustment | 597,924,451.67 | 545,277,188.08 |
| Add: Net profit attributable to owners of the parent company for the period | 103,186,743.57 | 119,440,773.77 |
| Less: Appropriation to statutory surplus reserve | 9,353,583.26 | 19,253,913.75 |
| Appropriation to discretionary surplus reserve | | |
| Appropriation to general risk reserve | | |
| Declaration of dividends on ordinary shares | 24,635,205.93 | 47,539,596.43 |
| Conversion of ordinary shares' dividends into share capital | | |
| Retained profits at the end of the period | 667,122,406.05 | 597,924,451.67 |

Details of adjustments to undistributed profits at the beginning of the period:

1. As a result of the retrospective adjustment of the *Accounting Standards for Business Enterprises* and related new regulations, undistributed profits at the beginning of the period were affected by RMB 0.00.
2. Retained profits at the beginning of the period were affected by RMB 0.00 due to changes in accounting policies.
3. Retained profits at the beginning of the period were affected by RMB 0.00 due to the correction of significant accounting errors.
4. Retained profits at the beginning of the period were affected by RMB 0.00 due to changes in the scope of consolidation resulting from business combination involving entities under common control.
5. Retained profits at the beginning of the period were affected by RMB 0.00 in total due to other adjustments.

On May 20, 2023, at the 2022 annual general meeting of shareholders, the *Proposal on Preliminary Plan on Profit Distribution for 2022* was reviewed and passed, approving to make profit distribution on the basis of the total shares on the record date of interest distribution - the Company proposed to distribute to all shareholders a cash dividend of RMB 0.54 (tax inclusive) for every 10 shares. The total cash dividend to be paid is RMB 24,635,205.93.

61. Operating income and operating costs

(1). Description of operating income and operating costs

√ Applicable □ N/A

In RMB

| Item | Current period | | Prior period | |
|----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 2,213,356,977.95 | 1,411,758,369.08 | 2,541,144,635.15 | 1,711,732,842.88 |
| Other business | | | | |
| Total | 2,213,356,977.95 | 1,411,758,369.08 | 2,541,144,635.15 | 1,711,732,842.88 |

(2). Breakdown of operating income and operating costs

□ Applicable √ N/A

Other information

□ Applicable √ N/A

(3). Description of performance obligations

□ Applicable √ N/A

(4). Description of allocation to remaining performance obligations

□ Applicable √ N/A

(5). Material contract changes or material adjustment in transaction prices

□ Applicable √ N/A

Other information:

In RMB

1) Breakdown of revenue from contracts with customers by the type of goods or services

| Item | Current period | | Prior period | |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Laser optical engine | 507,173,216.98 | 282,748,311.16 | 520,281,404.32 | 295,829,647.10 |
| Complete laser projector | 1,132,584,285.59 | 807,190,425.12 | 1,519,665,232.93 | 1,096,198,242.48 |
| Others | 204,432,985.18 | 175,548,515.31 | 232,214,129.93 | 182,288,882.58 |
| Subtotal | 1,844,190,487.75 | 1,265,487,251.60 | 2,272,160,767.18 | 1,574,316,772.16 |

2) Breakdown of revenue from contracts with customers by operating region

| Item | Current period | | Prior period | |
|-----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Domestic | 1,494,048,400.22 | 1,062,516,661.33 | 1,851,285,848.51 | 1,334,322,648.71 |
| Overseas | 350,142,087.53 | 202,970,590.27 | 420,874,918.67 | 239,994,123.45 |
| Subtotal | 1,844,190,487.75 | 1,265,487,251.60 | 2,272,160,767.18 | 1,574,316,772.16 |

3) Breakdown of revenue from contracts with customers by the transfer time of goods or services

| Item | Current period | Prior period |
|---|-------------------------|-------------------------|
| Revenue recognized at a time point | 1,838,714,320.05 | 2,267,893,396.00 |
| Revenue recognized for a period of time | 5,476,167.70 | 4,267,371.18 |
| Subtotal | 1,844,190,487.75 | 2,272,160,767.18 |

62. Taxes and surcharges

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|---------------------------------------|---------------------|----------------------|
| City maintenance and construction tax | 3,531,311.38 | 4,982,220.93 |
| Education surcharges | 1,546,743.38 | 2,272,337.58 |
| Stamp duty | 1,499,223.49 | 2,282,867.63 |
| Local education surcharges | 1,031,162.25 | 1,512,827.33 |
| Others | 159,604.45 | 61,600.28 |
| Total | 7,768,044.95 | 11,111,853.75 |

Other information:

None

63. Selling expenses

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|---|-----------------------|-----------------------|
| Marketing fees | 114,076,961.42 | 155,052,797.28 |
| Employee benefits | 98,106,453.46 | 95,370,627.26 |
| After-sales repair expenses | 27,424,936.96 | 30,700,760.47 |
| Service fees | 21,964,113.14 | 20,184,607.48 |
| Travel expenses | 7,796,836.26 | 3,678,494.64 |
| Advertising and business promotion expenses | 3,794,162.38 | 3,434,485.14 |
| Business entertainment expenses | 2,826,688.91 | 2,055,070.35 |
| Other expenses | 24,689,780.46 | 24,282,116.24 |
| Total | 300,679,932.99 | 334,758,958.86 |

Other information:

None

64. Administrative expenses

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|--|-----------------------|-----------------------|
| Employee benefits | 78,501,773.47 | 76,535,958.03 |
| Service fees | 46,978,206.88 | 22,895,043.04 |
| Depreciation and amortization expenses | 14,718,193.05 | 12,347,668.44 |
| Rent expenses | 4,496,288.03 | 4,269,462.94 |
| Share-based payment expenses | 2,841,165.47 | 67,301,038.25 |
| Travel expenses | 2,073,030.53 | 1,028,151.56 |
| Other expenses | 7,484,067.06 | 9,177,454.15 |
| Total | 157,092,724.49 | 193,554,776.41 |

Other information:

None

65. R&D expenses

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|--|----------------|----------------|
| Employee benefits | 188,475,365.59 | 169,930,447.89 |
| Material consumption expenses | 32,923,076.62 | 32,490,686.41 |
| Depreciation and amortization expenses | 15,889,023.25 | 16,252,595.10 |
| Service fees | 10,039,393.07 | 9,079,992.43 |
| Testing expenses | 9,801,946.30 | 9,111,031.05 |
| Entrusted R&D expenses | 8,610,618.71 | 12,203,894.80 |

| | | |
|----------------|-----------------------|-----------------------|
| Other expenses | 15,193,376.81 | 13,039,758.22 |
| Total | 280,932,800.35 | 262,108,405.90 |

Other information:

None

66. Financial expenses

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|-------------------------|-----------------------|----------------------|
| Interest expenses | 18,635,749.36 | 24,819,665.70 |
| Less: Interest income | -34,298,315.94 | -17,711,130.51 |
| Exchange profit or loss | -6,618,898.60 | -18,635,082.11 |
| Bank service charges | 2,831,481.53 | 2,363,941.13 |
| Total | -19,449,983.65 | -9,162,605.79 |

Other information:

None

67. Other income

√ Applicable □ N/A

In RMB

| Classified by nature | Current period | Prior period |
|--|----------------------|----------------------|
| Government grants related to assets | 2,156,391.60 | 2,018,478.03 |
| Government grants related to income | 29,972,867.16 | 29,450,697.47 |
| Refund of transaction fees for withholding individual income taxes | 476,126.36 | 364,144.36 |
| Additional deduction of input VAT | 8,836,687.49 | 2,116,166.02 |
| Total | 41,442,072.61 | 33,949,485.88 |

Other information:

Government grants recognized in other income in the current period are disclosed in XI of Section X in details.

68. Investment income

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|---|----------------|---------------|
| Gains from long-term equity investment accounted for using the equity method | -12,002,779.90 | -3,244,838.52 |
| Investment income from disposal of long-term equity investments | | -4,700,290.90 |
| Investment income from held-for-trading financial assets during the holding period | | 200,000.00 |
| Dividend income from investment in other equity instruments during the holding period | | |
| Interest income from debt investments during the holding period | | |
| Interest income from other debt investments during the holding period | | |
| Investment income from disposal of held-for-trading financial assets | 12,571,132.08 | 12,637,561.73 |
| Investment income from disposal of investment in other equity instruments | | |
| Investment income from disposal of debt investments | | |

| | | |
|---|-------------------|---------------------|
| Investment income from disposal of other debt investments | | |
| Profits from debt restructuring | | |
| Losses from debt restructuring | | -912,618.35 |
| Total | 568,352.18 | 3,979,813.96 |

Other information:

None

69. Gains from net exposure hedges

Applicable N/A

70. Gains from changes in fair values

Applicable N/A

In RMB

| Source of gains from changes in fair values | Current period | Prior period |
|--|-------------------|----------------------|
| Held-for-trading financial assets | 130,000.00 | -3,320,000.00 |
| Where: Gains from changes in fair values generated by derivative financial instruments | | |
| Held-for-trading financial liabilities | | |
| Investment properties measured at fair value | | |
| Total | 130,000.00 | -3,320,000.00 |

Other information:

None

71. Losses of credit impairment

Applicable N/A

In RMB

| Item | Current period | Prior period |
|---|----------------------|-----------------------|
| Impairment losses of notes receivable | -275,713.53 | -52,530.78 |
| Impairment losses of accounts receivable | -586,531.51 | -6,838,360.54 |
| Impairment losses of other receivables | -309,115.58 | 312,921.68 |
| Impairment losses of debt investments | | |
| Impairment losses of other debt investments | | |
| Impairment losses of long-term receivables | 424,001.28 | -1,910,252.02 |
| Impairment losses related to financial guarantees | | |
| Impairment losses of non-current assets due within one year | -6,232,088.46 | -1,769,753.84 |
| Total | -6,979,447.80 | -10,257,975.50 |

Other information:

None

72. Impairment losses of assets

Applicable N/A

In RMB

| Item | Current period | Prior period |
|--|----------------|----------------|
| I. Impairment losses of contract assets | 945,310.21 | 558,558.71 |
| II. Losses of decline in value of inventories and impairment losses of contract performance cost | -58,362,634.11 | -47,982,178.29 |
| III. Impairment losses of long-term equity investments | -11,606,996.75 | |
| IV. Impairment losses of investment properties | | |
| V. Impairment losses of fixed assets | -5,236,534.09 | -810,398.00 |

| | | |
|---|-----------------------|-----------------------|
| VI. Impairment losses of materials for construction | | |
| VII. Impairment losses of construction in progress | | |
| VIII. Impairment losses of productive biological assets | | |
| IX. Impairment losses of oil and gas assets | | |
| X. Impairment losses of intangible assets | | |
| XI. Goodwill impairment losses | | |
| XII. Others | | |
| Total | -74,260,854.74 | -48,234,017.58 |

Other information:

None

73. Gains from disposal of assets

Applicable N/A

In RMB

| Item | Current period | Prior period |
|-------------------------------|-------------------|-------------------|
| Gains from disposal of assets | 151,469.26 | 229,000.28 |
| Total | 151,469.26 | 229,000.28 |

Other information:

74. Non-operating income

Description of non-operating income

Applicable N/A

In RMB

| Item | Current period | Prior period | Amount included in non-recurring profit or loss for the period |
|---|---------------------|----------------------|--|
| Total gains from disposal of non-current assets | | | |
| Gains from exchange of non-monetary assets | | | |
| Donation receipts | | | |
| Government grants | 9,000,000.00 | 16,000,000.00 | 9,000,000.00 |
| Amounts not required for payment | 603,511.68 | 328,200.61 | 603,511.68 |
| Compensation | 202,391.88 | 240,500.00 | 202,391.88 |
| Others | 74,758.54 | 21,147.05 | 74,758.54 |
| Total | 9,880,662.10 | 16,589,847.66 | 9,880,662.10 |

Other information:

Applicable N/A

75. Non-operating expenses

Applicable N/A

In RMB

| Item | Current period | Prior period | Amount included in non-recurring profit or loss for the period |
|--|----------------|--------------|--|
| Total losses from disposal of non-current assets | 2,210,784.87 | 1,197,282.81 | 2,210,784.87 |
| Losses from exchange of non-monetary assets | | | |
| External donations | | 1,089,957.64 | |
| Penalties and overdue fines | 655,330.77 | 155,485.93 | 655,330.77 |

| | | | |
|---------------------|---------------------|---------------------|---------------------|
| Settlement payments | 4,922,202.89 | | 4,922,202.89 |
| Others | 44,045.64 | 23,819.28 | 44,045.64 |
| Total | 7,832,364.17 | 2,466,545.66 | 7,832,364.17 |

Other information:

None

76. Income tax expense

(1). Statement of income tax expense

Applicable N/A

In RMB

| Item | Current period | Prior period |
|--|----------------------|----------------------|
| Income tax expense in the current period | 13,491,208.18 | 8,699,918.08 |
| Deferred income tax expenses | 6,567,489.85 | -12,028,703.56 |
| Total | 20,058,698.03 | -3,328,785.48 |

(2). Reconciliation of income tax expenses to the accounting profit

Applicable N/A

In RMB

| Item | Current period |
|--|----------------|
| Total profit | 37,674,979.18 |
| Income tax expense calculated based on statutory/applicable tax rate | 5,651,246.90 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 2,510,145.78 |
| Effect of income tax for the period before adjustment | -1,167,335.11 |
| Effect of non-taxable income | -717,475.22 |
| Effect of non-deductible cost, expense and loss | 1,367,208.75 |
| Effect of utilizing deductible loss not recognized for deferred tax assets for prior period | -901,380.48 |
| Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period | 41,364,854.21 |
| Effect of additional deduction of R&D expenses | -26,015,045.25 |
| Effect of additional deduction for disability placement | |
| Effect of share-based payments | -2,033,521.55 |
| Income tax expenses | 20,058,698.03 |

Other information:

Applicable N/A

77. Other comprehensive income

Applicable N/A

Other comprehensive income net of tax is disclosed in VII.57 of Section X in detail.

78. Items in cash flow statement

(1). Cash related to operating activities

Other cash receipts related to operating activities

Applicable N/A

In RMB

| Item | Current period | Prior period |
|-------------------------------|-----------------------|-----------------------|
| Interest income | 31,705,192.68 | 16,993,587.49 |
| Government grants | 36,467,444.30 | 38,614,415.12 |
| Recovery of security deposits | 48,740,274.02 | 77,288,005.93 |
| Other transaction accounts | 35,558,972.59 | 20,600,108.78 |
| Total | 152,471,883.59 | 153,496,117.32 |

Description of other cash receipts related to operating activities:

None

Other cash payments related to operating activities

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|--|-----------------------|-----------------------|
| Administrative expenses, selling expenses, and R&D expenses paid in cash | 287,815,476.42 | 307,076,015.18 |
| Non-operating expenses | 2,080,229.30 | 168,267.66 |
| Payment of security deposits | 25,953,721.92 | 115,495,390.45 |
| Service charges | 2,831,481.53 | 2,363,931.13 |
| Other transaction accounts | 10,458,182.85 | 3,178,401.08 |
| Total | 329,139,092.02 | 428,282,005.50 |

Description of other cash payments related to operating activities:

None

(2). Cash related to investing activities

Cash receipts related to significant investing activities

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|--|-------------------------|-------------------------|
| Redemption of wealth management products | 1,588,530,000.00 | 2,083,000,000.00 |
| Total | 1,588,530,000.00 | 2,083,000,000.00 |

Cash receipts related to significant investing activities

None

Cash payments related to significant investing activities

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|---|-------------------------|-------------------------|
| Investment and wealth management products | 1,749,530,000.00 | 2,022,000,000.00 |
| Total | 1,749,530,000.00 | 2,022,000,000.00 |

Cash payments related to significant investing activities

None

Other cash receipts related to investing activities

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|--|----------------|---------------------|
| Performance compensation from associates | | 8,004,240.00 |
| Total | | 8,004,240.00 |

Description of other cash receipts related to investing activities:

None

Other cash payments related to investing activities

□ Applicable √ N/A

(3). Cash related to financing activities

Other cash receipts related to financing activities

□ Applicable √ N/A

Other cash payments related to financing activities

√ Applicable □ N/A

In RMB

| Item | Current period | Prior period |
|----------------------|----------------------|----------------------|
| Actual lease payment | 34,444,716.79 | 30,266,176.69 |
| Repurchase of shares | | 19,377,297.59 |
| Total | 34,444,716.79 | 49,643,474.28 |

Description of other cash payments related to financing activities:

Changes in various liabilities due to financing activities

Applicable N/A

(4). Description of cash flows stated on a net basis

Applicable N/A

(5). Significant activities that do not involve receipts and payments of cash in the current period, but affect the financial position of the enterprise or may affect cash flows of the enterprise in the future

Applicable N/A

79. Supplementary information to the cash flow statement

(1). Supplementary information to the cash flow statement

Applicable N/A

In RMB

| Supplementary information | Amount for the current period | Amount for the prior period |
|---|-------------------------------|-----------------------------|
| 1. Reconciliation of net profit to cash flows from operating activities | | |
| Net profit | 17,616,281.15 | 30,838,797.66 |
| Add: Provision for impairment of assets | 74,260,854.74 | 48,234,017.58 |
| Losses of credit impairment | 6,979,447.80 | 10,257,975.50 |
| Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets | 122,041,808.10 | 123,188,901.13 |
| Amortization of right-of-use assets | 29,384,153.50 | 27,109,595.46 |
| Amortization of intangible assets | 4,390,272.12 | 3,472,505.47 |
| Amortization of long-term prepaid expenses | 4,490,683.83 | 7,015,722.76 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “-”) | -151,469.26 | -229,000.28 |
| Losses on retirement of fixed assets (gains are indicated by “-”) | 2,210,784.87 | 1,197,282.81 |
| Losses on changes in fair values (gains are indicated by “-”) | -130,000.00 | 3,320,000.00 |
| Financial expenses (income is indicated by “-”) | 12,016,850.75 | 6,184,583.59 |
| Investment losses (income is indicated by “-”) | -568,352.18 | -3,979,813.96 |
| Decrease in deferred tax assets (increase is indicated by “-”) | 5,497,914.83 | -12,028,703.56 |
| Increase in deferred tax liabilities (decrease is indicated by “-”) | 1,229,654.81 | |
| Decrease in inventories (increase is indicated by “-”) | 126,120,551.89 | -186,369,538.60 |
| Decrease in receivables from operating activities (increase is indicated by “-”) | 101,330,770.81 | 123,322,744.93 |
| Increase in payables from operating activities (decrease is indicated by “-”) | -151,127,567.85 | -82,663,652.87 |
| Others | 8,489,415.17 | 78,479,298.07 |
| Net cash flow from operating activities | 364,082,055.08 | 177,350,715.69 |
| 2. Significant investing and financing activities that do not involve cash receipts and payments: | | |
| Conversion of debt into capital | | |
| Convertible corporate bonds due within one year | | |
| Fixed assets acquired under finance leases | | |
| 3. Net changes in cash and cash equivalents: | | |
| Closing balance of cash | 1,297,848,895.75 | 1,254,582,403.12 |
| Less: Opening balance of cash | 1,254,582,403.12 | 891,195,166.73 |
| Add: Closing balance of cash equivalents | | |

| | | |
|---|---------------|----------------|
| Less: Opening balance of cash equivalents | | |
| Net increase in cash and cash equivalents | 43,266,492.63 | 363,387,236.39 |

(2). Net cash paid to acquire subsidiaries for the current period

Applicable N/A

(3). Net cash receipts from disposal of subsidiaries for the current period

Applicable N/A

(4). Composition of cash and cash equivalents

Applicable N/A

| In RMB | | |
|--|------------------|------------------|
| Item | Closing balance | Opening balance |
| I. Cash | 1,297,848,895.75 | 1,254,582,403.12 |
| Where: Cash on hand | 5,751.15 | 5,479.42 |
| Bank deposits that can be paid at any time | 1,289,231,268.27 | 1,241,921,379.19 |
| Other monetary funds that can be paid at any time | 8,611,876.33 | 12,655,544.51 |
| Deposits in the central bank that can be used for payments | | |
| Deposits made with other banks | | |
| Placements with banks | | |
| II. Cash equivalents | | |
| Where: Investments in debt securities due within three months | | |
| III. Closing balance of cash and cash equivalents | 1,297,848,895.75 | 1,254,582,403.12 |
| Where: Restricted cash and cash equivalents of the parent company or subsidiaries within the group | 178,753,477.66 | 367,696,226.22 |

(5). Items subject to restriction in use but still presented as cash and cash equivalents

Applicable N/A

| In RMB | | |
|-------------------|-------------------------------|--|
| Item | Amount for the current period | Reason |
| Offering proceeds | 178,753,477.66 | In dedicated accounts for special purposes |
| Total | 178,753,477.66 | - |

(6). Monetary funds not classified as cash and cash equivalents

Applicable N/A

| In RMB | | | |
|----------------------|-------------------------------|-----------------------------|--|
| Item | Amount for the current period | Amount for the prior period | Reason |
| Other monetary funds | 7,025,897.03 | 60,141,839.19 | Security deposit, subject to restriction in use |
| Bank deposits | 81,953,756.28 | 41,157,966.32 | Time deposits and interests, security deposit, and funds in restricted accounts, subject to restriction in use |
| Total | 88,979,653.31 | 101,299,805.51 | - |

Other information:

Applicable N/A

None

80. Notes to items in the statement of changes in owners' equity

Describe matters such as the names and the adjusted amounts of the items included in “others” in respect of adjustments to the closing balances of the prior year:

Applicable N/A

81. Foreign currency monetary items
(1). Foreign currency monetary items

Applicable N/A

In RMB

| Item | Closing balance of foreign currency | Exchange rate | Closing balance of RMB equivalent |
|------------------------|-------------------------------------|---------------|-----------------------------------|
| Cash and bank balances | | | 203,528,366.16 |
| Where: USD | 28,387,181.71 | 7.0827 | 201,057,891.90 |
| EUR | 169,837.59 | 7.8592 | 1,334,787.59 |
| HKD | 940,157.90 | 0.90622 | 851,989.89 |
| AUD | 8,681.90 | 4.8484 | 42,093.32 |
| CAD | 32,550.74 | 5.3673 | 174,709.59 |
| GBP | 2,109.77 | 9.0411 | 19,074.64 |
| VND | 163,205,565.00 | 0.000293 | 47,819.23 |
| Accounts receivable | | | 26,468,677.29 |
| Where: USD | 3,673,853.54 | 7.0827 | 26,020,802.47 |
| EUR | 56,987.33 | 7.8592 | 447,874.82 |
| Accounts payable | | | 33,866,568.36 |
| Where: USD | 4,770,243.94 | 7.0827 | 33,786,206.75 |
| JPY | 1,600,414.34 | 0.050213 | 80,361.61 |

Other information:

None

(2). Description of overseas operating entities, including significant overseas operating entities, of which the major operation place, functional currency and basis for selection as well as the reason for change of functional currency should be disclosed:

Applicable N/A

| Item | Major overseas operation place | Functional currency | Basis for selection |
|---|--------------------------------|---------------------|---------------------|
| Appotronics Hong Kong Limited | Hong Kong | USD | Common currency |
| Appotronics USA, Inc. | USA | USD | Local currency |
| JoveAI Limited | Cayman Islands | USD | Common currency |
| JoveAI Innovation, Inc. | USA | USD | Local currency |
| Formovie Technology Inc | USA | USD | Local currency |
| Formovie Limited | Hong Kong | USD | Common currency |
| JoveAI Asia Company Limited | Vietnam | VND | Local currency |
| WEMAX LLC | USA | USD | Local currency |
| Hong Kong Orange Juice Energy Technology Co., Limited | Hong Kong | USD | Common currency |
| Wemax Inc | USA | USD | Local currency |

| | | | |
|-----------------------------------|-----------|-----|-----------------|
| Appotronics International Limited | Hong Kong | USD | Common currency |
|-----------------------------------|-----------|-----|-----------------|

82. Leases

(1) As a lessee

Applicable N/A

Expense relating to variable lease payments not included in measurement of lease liabilities

Applicable N/A

Simplified handling of lease expenses for short-term leases and low-value asset leases

Applicable N/A

| Item | Current period | Prior period |
|---------------------------------------|---------------------|---------------------|
| Expenses related to short-term leases | 3,111,815.05 | 3,198,138.79 |
| Total | 3,111,815.05 | 3,198,138.79 |

Sale and leaseback transactions and determination basis

Applicable N/A

The total cash outflow related to lease is RMB 37,836,595.19.

(2) As a lessor

Operating lease as a lessor

Applicable N/A

In RMB

| Item | Lease incomes | Where: Income related to variable lease payments not recognized as lease payments |
|---------------------|-----------------------|---|
| Projection services | 369,166,490.20 | 362,149,377.16 |
| Total | 369,166,490.20 | 362,149,377.16 |

Finance lease as a lessor

Applicable N/A

Reconciliation of undiscounted lease receipts to net investment

Applicable N/A

Undiscounted lease receipts for the next five years

Applicable N/A

In RMB

| Item | Yearly undiscounted lease receipts | |
|---|------------------------------------|-----------------|
| | Closing balance | Opening balance |
| Year 1 | 5,939,650.00 | 2,607,042.80 |
| Year 2 | | |
| Year 3 | | |
| Year 4 | | |
| Year 5 | | |
| Total undiscounted lease receipts for the next five years | | |

(3) Sales profit and loss from finance leases recognized as a manufacturer or distributor

Applicable N/A

Other information

83. Others

Applicable N/A

VIII. R&D expenditures

(1).Presentation by the nature of expenses

Applicable N/A

In RMB

| Item | Current period | Prior period |
|--|-----------------------|-----------------------|
| Employee benefits | 188,475,365.59 | 169,930,447.89 |
| Material consumption expenses | 32,923,076.62 | 32,490,686.41 |
| Depreciation and amortization expenses | 15,874,520.43 | 16,252,595.10 |
| Entrusted R&D expenses | 8,610,618.71 | 12,203,894.80 |
| Testing expenses | 9,801,946.30 | 9,111,031.05 |
| Service fees | 10,053,895.89 | 9,079,992.43 |
| Rent expenses | 3,785,023.31 | 3,197,103.71 |
| Other expenses | 11,408,353.50 | 9,842,654.51 |
| Total | 280,932,800.35 | 262,108,405.90 |
| Where: Expensed R&D expenditures | 280,932,800.35 | 262,108,405.90 |
| Capitalized R&D expenditures | | |

Other information:

None

(2).R&D expenditures meeting the capitalization conditions

Applicable N/A

Significant capitalized R&D projects

Applicable N/A

Provision for impairment of development expenditures

Applicable N/A

Other information

None

(3).Significant outsourced ongoing R&D projects

Applicable N/A

IX. Changes in scope of consolidation

1. Business combination not involving entities under common control

Applicable N/A

(1). Business combination transactions not involving entities under common control in the current period

Applicable N/A

In RMB

| Name of acquiree | Time point of obtaining equity | Cost of equity acquisition | Ratio of acquired equity interests (%) | Method of obtaining equity | Acquisition date | Basis for determining the acquisition date | Income of the acquiree from the acquisition date to the end of the period | Net profit of the acquiree from the acquisition date to the end of the period | Cash flow of the acquiree from the acquisition date to the end of the period |
|---|--------------------------------|----------------------------|--|----------------------------|------------------|--|---|---|--|
| Shenzhen Qianhai Taishi Investment Partnership (LP) | May 15, 2023 | 19,734,000.00 | 100.00 | Transfer | May 15, 2023 | | - | 3,326.43 | 382,337.37 |

Other information:

In 2023, the Company entered into a Share Transfer Agreement with the original partner of Shenzhen Qianhai Taishi Investment Partnership (LP), under which the main price shall be paid and the corresponding formalities for transfer of assets shall be conducted on May 15, 2023. Therefore, May 15, 2023 is the acquisition date of this acquisition. This acquisition is conducted to acquire the minority interests held by the counterparty in CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd.

Combination costs and goodwill

√ Applicable □ N/A

In RMB

| Combination costs | Shenzhen Qianhai Taishi Investment Partnership (LP) |
|--|---|
| -- Cash | 19,734,000.00 |
| -- Fair value of non-cash assets | |
| -- Fair value of debts issued or undertaken | |
| -- Fair value of equity securities issued | |
| -- Fair value of contingent consideration | |
| -- Fair value at the acquisition date of the equity interests held prior to the acquisition date | |
| -- Others | |
| Total combination costs | 19,734,000.00 |
| Less: Acquired shares in the fair value of the identifiable net assets | 20,005,501.89 |
| Differences between amounts of goodwill/combination costs and the acquired shares in the fair value of the identifiable net assets | -271,501.89 |

Method of determining fair values of cost of business combination:

□ Applicable √ N/A

Completion of performance covenants:

□ Applicable √ N/A

Main reasons of large-amount goodwill:

□ Applicable √ N/A

Other information:

None

(2). Identifiable assets and liabilities of the acquiree at the acquisition date

√ Applicable □ N/A

In RMB

| | Shenzhen Qianhai Taishi Investment Partnership (LP) | |
|-----------------------------|---|---|
| | Fair value at the acquisition date | Carrying amount at the acquisition date |
| Assets: | 20,005,501.89 | 4,759,034.84 |
| Cash and bank balances | 9,034.84 | 9,034.84 |
| Long-term equity investment | 19,996,467.05 | 4,750,000.00 |
| Liabilities: | | |
| Net assets | 20,005,501.89 | 4,759,034.84 |
| Less: Minority interests | | |
| Acquired net assets | 20,005,501.89 | 4,759,034.84 |

Method for determining the fair value of identifiable assets and liabilities:

The long-term equity investment of Shenzhen Qianhai Taishi Investment Partnership (LP) is the 4.6% equity investment in CINEAPPO, the fair value of which is measured according to the amount of the carrying amount of net assets of CINEAPPO at the corresponding proportion on the acquisition date.

Contingent liabilities of the acquiree that are taken in the business combination:

None

Other information:

None

(3). Gains or losses from the equity interests held prior to the acquisition date that are remeasured at fair value

Whether there are transactions for the purpose of implementing business combination via multiple transactions by steps and obtaining the control during the reporting period

Applicable N/A

(4). Description about the failure in reasonably determining the combination considerations or the fair values of the identifiable assets and liabilities of the acquiree at the acquisition date or at the end of the combination period

Applicable N/A

(5). Other information

Applicable N/A

2. Business combination involving entities under common control

Applicable N/A

3. Counter purchase

Applicable N/A

4. Disposal of subsidiaries

Transactions or events in which the Company loses the control over subsidiaries

Applicable N/A

Other information:

Applicable N/A

Whether there are step-by-step disposal of subsidiaries via multiple transactions and loss of control over the subsidiaries during the period

Applicable N/A

Other information:

Applicable N/A

5. Changes in scope of consolidation for other reasons

Description of changes in the scope of consolidation for other reasons (e.g., new subsidiary establishment, subsidiary liquidation, etc.) and the relevant information:

Applicable N/A

Refer to X of Section X for the changes in scope of consolidation for other reasons.

6. Others

Applicable N/A

X. Equity in other entities

1. Equity in subsidiaries

(1). Composition of enterprise group

Applicable N/A

In RMB 0'000

| Subsidiaries | Principal operation place | Registered capital | Registration place | Business nature | Proportion of shareholding (%) | | Acquisition method |
|---|---------------------------|--------------------|--------------------|---|--------------------------------|----------|---|
| | | | | | Direct | Indirect | |
| Shenzhen Appotronics Laser Display Technology Co., Ltd. | Shenzhen | CNY 3,000.00 | Shenzhen | R&D and sales of laser display products | 100.00 | | Business combination involving entities under |

| | | | | | | | |
|---|-----------|--------------|-----------|---|--------|--------|--|
| | | | | | | | common control |
| Appotronics Technology (Changzhou) Co., Ltd. | Changzhou | CNY 2,000.00 | Changzhou | Technical research and development of projection equipment, screen and electronic computer | 100.00 | | Establishment |
| Shenzhen Appotronics Software Technology Co., Ltd. | Shenzhen | CNY 1,000.00 | Shenzhen | Technical development and sales of computer software and hardware | 100.00 | | Establishment |
| Shenzhen Appotronics Display Device Co., Ltd. | Shenzhen | CNY 300.00 | Shenzhen | Technical development, sales, and technical services for display products; import and export business | 100.00 | | Establishment |
| WEMAX LLC | USA | USD 30.00 | USA | Sales of laser equipment | | 100.00 | Establishment |
| Shenzhen Appotronics Xiaoming Technology Co., Ltd. | Shenzhen | CNY 200.00 | Shenzhen | Development, consultation and transfer of laser display technology | 100.00 | | Establishment |
| Shenzhen Appotronics Home Line Technology Co., Ltd. | Shenzhen | CNY 100.00 | Shenzhen | Software development related to semiconductor optoelectronic products | 100.00 | | Establishment |
| Shenzhen Appotronics Laser Technology Co., Ltd. | Shenzhen | CNY 100.00 | Shenzhen | Software development for semiconductor optoelectronic devices | 100.00 | | Establishment |
| Tianjin Bonian Film Partnership (LP) | Tianjin | CNY 824.70 | Tianjin | No specific business conducted | 99.00 | 1.00 | Business combination not involving entities under common control |

| | | | | | | | |
|---|-----------|---------------|-----------|---|-------|-------|--|
| Beijing Orient Appotronics Technology Co., Ltd. | Beijing | CNY 1,000.00 | Beijing | Technology promotion; computer systems, application software services | 59.00 | | Establishment |
| Qingda Appotronics (Xiamen) Technology Co., Ltd. | Shenzhen | CNY 1,000.00 | Xiamen | Information technology consulting services | 51.00 | | Establishment |
| Formovie (Chongqing) Innovative Technology Co., Ltd. | Chongqing | CNY 7,017.54 | Chongqing | Technology and software development | 39.19 | | Establishment |
| Fengmi (Beijing) Technology Co., Ltd. | Beijing | CNY 5,000.00 | Beijing | Technology and software development | | 39.19 | Establishment |
| Chongqing Guangbo Ecommerce Co., Ltd. | Chongqing | CNY 1.00 | Chongqing | No specific business conducted | | 39.19 | Establishment |
| Chongqing Ewei Ecommerce Co., Ltd. | Chongqing | CNY 1.00 | Chongqing | No specific business conducted | | 39.19 | Establishment |
| Shenzhen Orange Juice Energy Technology Co., Ltd. | Shenzhen | CNY 500.00 | Shenzhen | Technology and software development | | 33.31 | Establishment |
| Hong Kong Orange Juice Energy Technology Co., Limited | Hong Kong | HKD 1.00 | Hong Kong | Import and export business | | 33.31 | Establishment |
| Wemax Inc | USA | USD 2.00 | USA | Import and export business | | 33.31 | Establishment |
| Shenzhen Weiwoqi Trading Co., Ltd. | Chongqing | CNY 1.00 | Shenzhen | No specific business conducted | | 33.31 | Business combination not involving entities under common control |
| Yaoyouguang (Chongqing) Technology Co., Ltd. | Chongqing | CNY 1,000.00 | Chongqing | No specific business conducted | | 39.19 | Establishment |
| Formovie Limited | Hong Kong | HKD 1.00 | Hong Kong | No specific business conducted | | 39.19 | Establishment |
| Formovie Technology Inc | USA | USD 2.00 | USA | No specific business conducted | | 39.19 | Establishment |
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | Beijing | CNY 10,000.00 | Beijing | Research and development, production, technical | 24.84 | 42.96 | Business combination involving |

| | | | | | | | |
|--|----------------|----------------|----------------|---|--------|--------|--|
| | | | | services, sales and lease of laser cinema projection equipment | | | g entities under common control |
| Appotronics Hong Kong Limited | Hong Kong | USD 4,320.00 | Hong Kong | Production, research, and development of semiconductor optoelectronic products, sales and consulting, investment and video content value-added services | 100.00 | | Establishment |
| Appotronics USA, Inc. | USA | 0.00 | USA | R&D, manufacturing and sales of semiconductor optoelectronic products | | 100.00 | Business combination involving entities under common control |
| JoveAI Limited | Cayman Islands | USD 0.14 | Cayman Islands | No specific business conducted | | 64.29 | Establishment |
| JoveAI Innovation, Inc. | USA | USD 0.0001 | USA | R&D of laser display software system | | 64.29 | Establishment |
| JoveAI Asia Company Limited | Vietnam | VND 232,300.00 | Vietnam | Technical research and development of projection equipment, screen and electronic computer | | 64.29 | Establishment |
| Appotronics International Limited | Hong Kong | USD 1.00 | Hong Kong | No specific business conducted | 100.00 | | Establishment |
| Appotronics Intelligent Manufacturing (Shenzhen) Co., Ltd. | Shenzhen | CNY 5,000.00 | Shenzhen | No specific business conducted | 100.00 | | Establishment |
| Shenzhen Qianhai Taishi Investment Partnership (LP) | Shenzhen | CNY 1,000.00 | Shenzhen | No specific business conducted | 70.00 | 30.00 | Business combination not involving |

| | | | | | | | |
|--|--|--|--|--|--|--|---|
| | | | | | | | g entities under common control |
|--|--|--|--|--|--|--|---|

Note: Except for the main subsidiaries above, the Company also has 9 subsidiaries without actual operation as of the end of 2023.

Description of the difference between the proportion of shareholding and the proportion of voting rights in a subsidiary:

None

Basis for holding half of the voting rights or below but still controlling the investee, and holding over half of voting rights but having no control over the investee:

Fengmi (Beijing) Technology Co., Ltd., Formovie Technology Inc., Formovie Limited, Chongqing Ewei Ecommerce Co., Ltd., Chongqing Guangbo Ecommerce Co., Ltd., and Yaoyouguang (Chongqing) Technology Co., Ltd. are wholly-owned subsidiaries of Formovie (Chongqing) Innovative Technology Co., Ltd.; Hong Kong Orange Juice Energy Technology Co., Limited, Wemax Inc, and Shenzhen Weiwoqi Trading Co., Ltd. are wholly-owned subsidiaries of Shenzhen Orange Juice Energy Technology Co., Ltd.; Shenzhen Orange Juice Energy Technology Co., Ltd. is a controlled subsidiary of Formovie (Chongqing) Innovative Technology Co., Ltd.

The Company and Shenzhen Fengye Investment Consulting Limited Partnership (Limited Partnership), a party acting in concert with the Company, hold a total of 53.6250% voting rights in Formovie (Chongqing) Innovative Technology Co., Ltd., for which the voting rights are exercised according to the opinions of the Company. Since the voting rights are sufficient to exercise significant influences on the resolution of the general meeting of shareholders of Formovie (Chongqing) Innovative Technology Co., Ltd., the Company becomes the controlling shareholder of Formovie (Chongqing) Innovative Technology Co., Ltd.

Basis for controls over significant structured entities included in consolidation scope:

None

Basis for determining the company acts as the agent or the principal:

None

Other information:

None

(2). Significant non-wholly-owned subsidiaries

√ Applicable □ N/A

In RMB

| Subsidiaries | Shareholding ratio by minority shareholders | Profit or loss attributable to minority shareholders for the current period | Dividends declared for distribution to minority shareholders in the current period | Closing balance of minority interests |
|--|---|---|--|---------------------------------------|
| Formovie (Chongqing) Innovative Technology Co., Ltd. | 60.81% | -114,428,305.59 | | -165,677,426.87 |
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | 32.20% | 35,409,549.79 | 11,040,000.00 | 162,387,627.80 |

Description of the difference between the proportion of shareholding by minority shareholders and their proportion of voting rights in a subsidiary:

□ Applicable √ N/A

Other information:

□ Applicable √ N/A

(3). Significant financial information of significant non-wholly-owned subsidiaries

√ Applicable □ N/A

In RMB

| Subsidiaries | Closing balance | | | | | | Opening balance | | | | | |
|--|-----------------|--------------------|----------------|---------------------|-------------------------|-------------------|-----------------|--------------------|----------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Formovie (Chongqing) Innovative Technology Co., Ltd. | 457,400,671.99 | 57,826,130.91 | 515,226,802.90 | 616,030,713.80 | 165,773,938.04 | 781,804,651.84 | 870,880,711.77 | 71,218,934.56 | 942,099,646.33 | 784,282,176.85 | 237,089,010.02 | 1,021,371,186.87 |
| CINEAPPOLaser Cinema Technology (Beijing) Co., Ltd. | 344,639,969.04 | 458,251,114.50 | 802,891,083.54 | 284,664,831.13 | 13,916,849.30 | 298,581,680.43 | 232,475,415.87 | 618,725,733.60 | 851,201,149.47 | 365,867,128.59 | 56,598,158.55 | 422,465,287.14 |

| Subsidiaries | Current period | | | | Prior period | | | |
|--|------------------|-----------------|----------------------------|-------------------------------------|------------------|-----------------|----------------------------|-------------------------------------|
| | Operating income | Net profit | Total comprehensive income | Cash flow from operating activities | Operating income | Net profit | Total comprehensive income | Cash flow from operating activities |
| Formovie (Chongqing) Innovative Technology Co., Ltd. | 765,722,661.50 | -188,031,639.32 | -187,562,289.20 | -140,000,376.01 | 1,159,333,169.54 | -142,170,472.45 | -142,961,861.45 | 23,462,596.37 |
| CINEAPPOLaser Cinema Technology | 519,197,223.10 | 104,924,592.06 | 104,924,592.06 | 264,749,523.66 | 336,829,075.51 | 11,534,561.75 | 11,534,561.75 | 74,757,387.05 |

| | | | | | | | | |
|------------------------|--|--|--|--|--|--|--|--|
| (Beijing) Co., Ltd. | | | | | | | | |
|------------------------|--|--|--|--|--|--|--|--|

Other information:

(4). Significant limitations on use of the group assets and pay off the group debts

Applicable N/A

(5). Financial or other support provided to structured entities included in consolidated financial statements:

Applicable N/A

Other information:

Applicable N/A

2. Changes of shares of owners' equity in subsidiaries but continue to remain control over transactions of subsidiaries

Applicable N/A

(1). Description of changes in the share in the owner's equity of subsidiaries

Applicable N/A

| Subsidiaries | Date of change | Shareholding ratio prior to change | Shareholding ratio after change |
|--|----------------|------------------------------------|---------------------------------|
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | May 15, 2023 | 63.20% | 67.80% |

(2). Impact of the transaction on minority interests and owners' interests attributable to owners of the parent company

Applicable N/A

| | In RMB |
|--|---|
| | CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. |
| Acquisition cost/disposal consideration | 19,734,000.00 |
| -- Cash | 19,734,000.00 |
| -- Fair value of non-cash assets | |
| Total acquisition cost/disposal consideration | 19,734,000.00 |
| Less: Share in net assets of subsidiaries calculated based on the acquired/disposed shareholding ratio | 20,005,501.89 |
| Difference | -271,501.89 |
| Where: Adjustment to capital reserves | -271,501.89 |
| Adjustment to surplus reserves | |
| Adjustment to undistributed profits | |

Other information

Applicable N/A

3. Equity in joint ventures or associates

Applicable N/A

(1). Significant joint ventures or associates

Applicable N/A

| Joint ventures or associates | Principal operation place | Registration place | Business nature | Proportion of shareholding (%) | | Accounting treatment method for investments in joint ventures or associates |
|------------------------------|---------------------------|--------------------|-----------------|--------------------------------|----------|---|
| | | | | Direct | Indirect | |

| | | | | | | |
|------------------------------|------------------------|------------------------|---|--|-------|------------------------------------|
| GDC Technology Limited (BVI) | Asia and North America | British Virgin Islands | R&D, production, and sales of digital cinema servers and cinema management system | | 44.00 | Accounting for under equity method |
|------------------------------|------------------------|------------------------|---|--|-------|------------------------------------|

Description of the difference between the proportion of shareholding and the proportion of voting rights in joint ventures or associates

N/A

Basis that the company owns less than 20% voting rights but may exercise major impacts, or that the company owns 20% or over voting rights but does not has major impacts:

N/A

(2). Major financial information of significant joint ventures

Applicable N/A

(3). Major financial information of significant associates

Applicable N/A

In RMB

| | Closing balance/Amount for the current period | Opening balance/Amount for the prior period |
|---|---|---|
| | GDC Technology Limited (BVI) | GDC Technology Limited (BVI) |
| Current assets | 469,030,680.80 | 552,730,874.23 |
| Non-current assets | 39,933,434.58 | 52,568,431.68 |
| Total assets | 508,964,115.38 | 605,299,305.91 |
| Current liabilities | 252,688,656.25 | 240,966,036.37 |
| Non-current liabilities | 95,696,939.36 | 172,710,379.48 |
| Total liabilities | 348,385,595.61 | 413,676,415.85 |
| Minority interests | | |
| Interests attributable to shareholders of the parent company | 160,578,519.77 | 191,622,890.06 |
| Share of net assets calculated by ownership percentage | 70,654,548.70 | 84,314,071.63 |
| Adjustment | | |
| --Goodwill | 77,772,341.43 | 77,772,341.43 |
| --Impairment of goodwill | -11,704,497.05 | |
| --Unrealized profits for insider transactions | -275,368.66 | -797,530.34 |
| -- Others | | |
| Carrying amount of investment in associates | 138,890,614.32 | 162,394,917.57 |
| Fair values of equity investments in associates having publicly quoted prices | | |
| Operating income | 273,417,813.12 | 273,268,222.10 |
| Net profit | -26,903,058.91 | -14,340,503.11 |
| Net profit of discontinued operations | | |
| Other comprehensive income | -7,105,023.56 | -30,900,188.42 |
| Total comprehensive income | -34,008,082.47 | -45,240,691.53 |
| Dividends received from associates in the current year | | |

Other information

None

(4). Summary financial information of insignificant joint ventures and associates

Applicable N/A

(5). Descriptions of significant limitations over the ability of joint ventures or associates to transfer funds to the Company

Applicable N/A

(6). Excessive loss of joint venture or associates

Applicable N/A

(7). Unrecognized commitment related to investments in joint ventures

Applicable N/A

(8). Contingent liabilities related to investments in joint ventures or associates

Applicable N/A

4. Significant joint operations

Applicable N/A

5. Interests in structured entities that are not included in consolidated financial statements

Description of structured entities that are not included in consolidated financial statements:

Applicable N/A

6. Others

Applicable N/A

XI. Government grants

1. Government grants recognized at the amount receivable at the end of the period

Applicable N/A

Reason of failing to receive the government grants in the expected amount at the expected time point

Applicable N/A

2. Liability items related to government grants

Applicable N/A

3. Government grants included in profit or loss for the period

Applicable N/A

In RMB

| Type | Current period | Prior period |
|---|----------------------|----------------------|
| Amount of government grants recognized as other incomes | 32,129,258.76 | 31,469,175.50 |
| Amount of government grants recognized as non-operating incomes | 9,000,000.00 | 16,000,000.00 |
| Effect of interest subsidies on the total profit | 6,084,300.00 | 70,200.00 |
| Total | 47,213,558.76 | 47,539,375.50 |

Other information:

(I) New government grants in the current period

| Item | Increased government grants for the current period |
|--|--|
| Government grants related to income | 38,115,427.53 |
| Where: Recognized as deferred incomes | 1,624,800.00 |
| Recognized as other incomes | 27,490,627.53 |
| Recognized as non-operating incomes | 9,000,000.00 |
| Interest subsidies | 6,084,300.00 |
| Where: Offset against financial expenses | 6,084,300.00 |
| Total | 44,199,727.53 |

(II) Government grants returned in the current period

| Item | Amount returned | Return reason |
|---|-----------------|--|
| Subsidy for daily management expenditures of post-doctor stations | 16,667.00 | Return the subsidy because the period of doctor stay at the station is less than 2 years |
| Trichromatic Laser Display Complete Equipment Production Demonstration Line | 992,951.47 | Return expenditures not related to the project |
| Total | 1,009,618.47 | |

XII. Risks associated with financial instruments

1. Risks associated with financial instruments

√ Applicable □ N/A

The Company's risk management objectives are to achieve a proper balance between risks and yields, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyze its exposure to various risks, establish an appropriate minimum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The Company is exposed to various risks associated with financial instruments in its daily routines, primarily including credit risk, liquidity risk and market risk. The management has reviewed and approved policies to manage these risks, summarized as below.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instrument will default on its obligations resulting in financial loss to the counterparty.

1. Management of credit risk

(1) Evaluation of credit risk

The Company assesses at each balance sheet date whether the credit risk of the underlying financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, ranking of external credit risks and forward-looking information. The Company compares the risk of a default occurring on a financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or a group of financial instruments with similar credit risk characteristics, to determine the change of the risk of a default occurring on a financial instrument over the expected life.

The Company considers the credit risk of financial instruments has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion primarily refers to a certain percentage of increase in the probability of default over the remaining life of the financial instruments as of the balance sheet date when comparing with that at initial recognition of the financial instruments;

2) The qualitative criterion includes, inter alia, adverse material changes in business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations, and an actual or expected significant adverse change in the technological, market, economic, or legal environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(2) Definition of defaulted or credit-impaired assets

A financial asset is defined as defaulted when the financial instrument meets one or more conditions stated as below, and the criterion of defining defaulted asset is consistent with that of defining credit-impaired asset:

- 1) significant financial difficulty of the debtor;
- 2) a breach of contract terms with binding force by the debtor;
- 3) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- 4) the creditor of the debtor, for economic or contractual reasons related to the debtor's financial difficulty, has granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of ECL

Key parameters to measure ECL include the probability of default, loss given default and the exposure at default. The Company established models of the probability of default, loss given default and the exposure at default on the basis of qualitative analysis on historical statistical data (such as counterparty ranking, guarantee methods, collateral category, and repayment way) and forward-looking information.

3. Refer to VII.4, VII.5, VII.6, VII.7, VII.9, and VII.16 of Section X for details of reconciliation of the opening balance and the closing balance of provision for impairment of financial instruments.

4. Credit risk exposure and credit risk concentration

The Company's credit risk is primarily from cash and bank balances and receivables. In order to control the risks associated with aforementioned items, the Company has taken the following measures.

(1) Cash and bank balances

The credit risk of the Company is limited because the Company has deposited bank deposits and other monetary funds in banks with high credit ratings.

(2) Receivables and contract assets

The Company regularly evaluates the creditworthiness of its customers with deals on credit, and selects to deal with approved and creditworthy customers subject to the results of the credit assessment with monitoring the balance of its receivables, so as to ensure that the Company is not exposed to significant risk of bad debt.

No collaterals are required since the Company only deals with third parties that are approved and creditworthy. The concentrated credit risks are managed by customers. As of December 31, 2023, the Company is exposed to certain concentration of credit risks, as the Company's accounts receivable and contract assets from top 5 customers have accounted for 59.01% of the total balance of accounts receivable and contract assets (December 31, 2022: 56.87%). The Company held no collateral or other credit ranking measures for the balance of accounts receivable and contract assets.

The maximum exposure to the Company is the carrying amount of each financial asset in the balance sheet.

(II) Liquidity risk

Liquidity risk refers to the risk that the Company is in shortage of funds in performing obligations that are settled by delivering cash or another financial asset. Liquidity risk may arise from an inability to sell a financial asset at fair value as soon as possible, a counterparty's inability to pay its contractual liabilities, the accelerated maturity of liabilities, or an inability to generate expected cash flows.

| Item | Closing balance | | | | |
|------------------|-----------------|------------------------------|----------------|----------------|---------------|
| | Book value | Undiscounted contract amount | Within 1 year | 1-3 years | Over 3 years |
| Bank borrowings | 692,862,919.06 | 735,334,807.65 | 343,828,440.51 | 309,926,656.55 | 81,579,710.59 |
| Notes payable | 76,001,079.07 | 76,001,079.07 | 76,001,079.07 | | |
| Accounts payable | 247,318,466.10 | 247,318,466.10 | 247,318,466.10 | | |

| | | | | | |
|-------------------|-------------------------|-------------------------|-----------------------|-----------------------|----------------------|
| Other payables | 54,142,509.17 | 54,142,509.17 | 54,142,509.17 | | |
| Lease liabilities | 42,120,349.54 | 44,407,139.93 | 27,921,961.12 | 15,610,193.95 | 874,984.86 |
| Subtotal | 1,112,445,322.94 | 1,157,204,001.92 | 749,212,455.97 | 325,536,850.50 | 82,454,695.45 |

In order to control this risk, the Company balances the continuity and flexibility of financing by using various financing measures such as notes settlement and bank loans comprehensively and adopting both long-term and short-term financing methods to optimize the financing structure. The Company has received credit facilities from a number of commercial banks to satisfy its working capital requirements and capital expenditures.

Financial liabilities classified by remaining maturity dates

(Continued to above table)

| Item | Closing of last year | | | | |
|-------------------|-------------------------|------------------------------|-----------------------|-----------------------|-----------------------|
| | Book value | Undiscounted contract amount | Within 1 year | 1-3 years | Over 3 years |
| Bank borrowings | 680,999,644.99 | 741,583,550.58 | 294,187,405.68 | 302,318,773.93 | 145,077,370.97 |
| Notes payable | 201,299,388.57 | 201,299,388.57 | 201,299,388.57 | | |
| Accounts payable | 276,845,321.28 | 276,845,321.28 | 276,845,321.28 | | |
| Other payables | 56,662,357.08 | 56,662,357.08 | 56,662,357.08 | | |
| Lease liabilities | 64,661,633.09 | 68,598,988.87 | 30,342,348.86 | 38,256,640.01 | |
| Subtotal | 1,280,468,345.01 | 1,344,989,606.38 | 859,336,821.47 | 340,575,413.94 | 145,077,370.97 |

(III) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and currency risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the risk of fair value interest rate due to financial instruments with a fixed interest rate and to the risk of cash value interest rate due to financial instruments with a floating interest rate. The Company determines the proportion between the fixed-rate financial instruments and the floating-rate financial instruments based on market conditions, and maintains appropriate portfolios of financial instruments through regular review and monitoring. The cash flow interest rate risk exposed to the Company relates primarily to the Company's floating-rate interest-bearing bank borrowings.

As at December 31, 2023, the principal of the Company's floating-rate interest-bearing bank borrowings amounted to RMB 464,442,238.44 (December 31, 2022: RMB 650,205,770.70). On the basis of the assumption that the interest rate has changed 50 basis points, where all other variables are held constant, it will bring no material impacts on the Company's total profits and shareholders' equity.

2. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the currency risk is primarily associated with the Company's monetary assets and liabilities dominated in foreign currencies. If the monetary assets and liabilities dominated in foreign currencies are imbalanced in a short time, the Company will purchase and sell foreign currencies at the market exchange rate to keep the net risk exposure acceptable.

The closing balance of the Company's monetary assets and liabilities dominated in foreign currencies is disclosed in VII.81 of Section X in details.

2. Hedge

(1) The Company conducted hedging businesses for risk management

Applicable N/A

Other information

Applicable N/A

(2) The Company conducted qualified hedging businesses and adopted hedging accounting

Applicable N/A

Other information

Applicable N/A

(3) The Company conducted hedging businesses for risk management which are expected to achieve the objectives of hedging management but did not adopt hedging accounting

Applicable N/A

Other information

Applicable N/A

3. Transfer of financial assets

(1) Types of transfer

Applicable N/A

(2) Financial assets derecognized due to transfer

Applicable N/A

(3) Transferred financial assets with continuous participation

Applicable N/A

Other information

Applicable N/A

XIII. Disclosure of fair value

1. The closing balance of the fair value of assets and liabilities measured at fair value

Applicable N/A

In RMB

| Item | Closing balance of fair value | | | |
|--|-------------------------------|----------------|---------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| I. Continuous fair value measurement | | | | |
| (I) Held-for-trading financial assets | | 484,010,000.00 | 30,000,000.00 | 514,010,000.00 |
| 1. Financial assets at fair value through profit or loss | | 484,010,000.00 | 30,000,000.00 | 514,010,000.00 |
| (1) Investment in debt instrument | | | | |
| (2) Investment in equity instrument | | 12,880,000.00 | 30,000,000.00 | 42,880,000.00 |
| (3) Derivative financial assets | | | | |
| (4) Structural deposits | | 471,130,000.00 | | 471,130,000.00 |
| 2. Designated as financial assets at fair value through profit or loss | | | | |
| (1) Investment in debt instrument | | | | |
| (2) Investment in equity instrument | | | | |
| (II) Other debt investments | | | | |

| | | | | |
|---|--|----------------|---------------|----------------|
| (III) Investment in other equity instruments | | | 7,075,419.38 | 7,075,419.38 |
| (IV) Investment properties | | | | |
| 1. Land use right for leasing purpose | | | | |
| 2. Buildings leased | | | | |
| 3. Land use right held for the purpose of transfer after value appreciation | | | | |
| (V) Biological assets | | | | |
| 1. Consumable biological assets | | | | |
| 2. Productive biological assets | | | | |
| (VI) Receivables financing | | | 11,387,400.00 | 11,387,400.00 |
| Total assets continuously measured at fair value | | 484,010,000.00 | 48,462,819.38 | 532,472,819.38 |
| (VI) Held-for-trading financial liabilities | | | | |
| 1. Financial liabilities at fair value through profit or loss | | | | |
| Where: Held-for-trading bonds issued | | | | |
| Derivative financial liabilities | | | | |
| Others | | | | |
| 2. Designated as financial liabilities at fair value through profit or loss | | | | |
| Total liabilities continuously measured at fair value | | | | |
| II. Non-continuous fair value measurement | | | | |
| (I) Held-for-sale assets | | | | |
| Total assets that are not continuously measured at fair value | | | | |
| Total liabilities that are not continuously measured at fair value | | | | |

2. Basis for determining the market price of continuous and non-continuous level 1 fair value measurement items

Applicable N/A

3. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 2 fair value measurement items

Applicable N/A

The equity instrument investment presented stocks subscribed on the New Third Board: considering the factors including the level of activity for trading of stocks on the New Third Board, the Company classified stocks on the New Third Board as level 2 for the measurement of fair value, where the fair value is determined according to the average closing price of the previous 20 trading days.

Structured deposits are valued using observable returns, with the sum of expected returns and principal determined as fair value when the expected yield is observable, and the principal amount as fair value in other cases.

4. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 3 fair value measurement items
 Applicable N/A

The Company uses specific valuation techniques to determine fair value, and important parameters used include the net assets of the investee and the costs of commercial bills at the end of the period.

5. Reconciliation between opening and closing carrying amounts and sensitivity analysis of unobservable parameters for continuous level 3 fair value measurement items
 Applicable N/A

6. Where transfers among levels occurred in the period, transfer reasons and policies for determining transfer time point for continuous fair value measurement items
 Applicable N/A

7. Changes in valuation techniques in the period and reasons for changes
 Applicable N/A

8. Fair value of financial assets and financial liabilities not measured at fair value
 Applicable N/A

9. Others
 Applicable N/A

XIV. Related-party relationships and transactions
1. Parent company of the Company
 Applicable N/A

In RMB 0'000

| Parent company | Registration place | Business nature | Registered capital | Proportion of the Company's shares held by the parent company (%) | Proportion of the Company's voting right held by the parent company (%) |
|---------------------------------------|--------------------|---|--------------------|---|---|
| Shenzhen Appotronics Holdings Limited | Shenzhen | R&D and sales of semiconductor products | RMB 10 million | 17.26 | 17.26 |

Description of the parent company of the Company

None

The ultimate controlling party of the Company is LI Yi.

Other information:

None

2. Subsidiaries of the Company
 Applicable N/A

Please refer to the description in X of Section X for details about the subsidiaries of the Company.

3. Joint ventures and associates of the Company
 Applicable N/A

Please refer to the description in X of Section X for the details about the major joint ventures or associates of the Company. Details of other joint ventures or associates having related-party transactions in the period or balances with the Company in prior periods:

| Joint ventures or associates | Relationship with the Company |
|---|-------------------------------|
| GDC Technology Limited (BVI) | Associate |
| Shenzhen Zhongjian Technology Co., Ltd. | Associate |

Other information

 Applicable N/A

4. Other related parties of the Company

√ Applicable □ N/A

| Other related party | Relationship between other related party and the Company |
|---|--|
| Beijing Donview Education Technology Co., Ltd. and its affiliates | Minority shareholders holding more than 10% shares in the subsidiary and their affiliates |
| YLX Incorporated | Controlled by the same <i>de facto</i> controller |
| Xiaomi Communications Co., Ltd. and its affiliates | Minority shareholders holding more than 10% shares in the subsidiary and their affiliates |
| China Film Equipment Co., Ltd. and its affiliates | Minority shareholders holding more than 10% shares in the subsidiary and their affiliates |
| Shenzhen Lighting Institute | Controlled by the same <i>de facto</i> controller |
| WeCast and its affiliates | Enterprise in which the actual controller holds the post of director (resigned in November 2022) |
| CINIONIC and its affiliates | Participating company during the comparable period |

Other information

None

5. Related-party transactions

(1). Sales and purchase of goods, rendering and receipt of services

Purchase of goods/receipt of services

√ Applicable □ N/A

In RMB

| Related party | Subject matter | Current period | Transaction amounts approved (if applicable) | Whether the transaction amounts are exceeded (if applicable) | Prior period |
|---|--|----------------|--|--|----------------|
| GDC Technology Limited (BVI) and its affiliates | Electronic components and services | 1,349,232.72 | - | - | 424,778.76 |
| Beijing Donview Education Technology Co., Ltd. and its affiliates | Service | 4,198.11 | - | - | 3,539.62 |
| YLX Incorporated | Electronic components and services | 3,706,664.02 | - | - | 2,720,265.30 |
| Xiaomi Communications Co., Ltd. and its affiliates | Electronic components and services | 48,014,870.12 | - | - | 146,622,541.76 |
| China Film Equipment Co., Ltd. and its affiliates | Power supply, water cooling and services | 26,547,617.35 | - | - | 20,715,146.16 |
| WeCast and its affiliates | Electronic equipment and services | - | - | - | 188,016.24 |
| Shenzhen Lighting Institute | Service | 377,358.50 | - | - | 23,584.90 |

| | | | | | |
|-----------------|--|----------------------|---|---|-----------------------|
| Subtotal | | 79,999,940.82 | - | - | 170,697,872.74 |
|-----------------|--|----------------------|---|---|-----------------------|

Sales of goods/rendering of services

Applicable N/A

In RMB

| Related party | Subject matter | Current period | Prior period |
|---|--|-----------------------|-----------------------|
| GDC Technology Limited (BVI) and its affiliates | Cinema projector, spare parts, and software | 441,254.26 | 11,155,919.47 |
| WeCast and its affiliates | Laser TV, smart mini projector | | -5,780,412.26 |
| Beijing Donview Education Technology Co., Ltd. and its affiliates | Laser business education projector | 40,002.03 | 1,940,644.07 |
| Xiaomi Communications Co., Ltd. and its affiliates | Laser TV, smart mini projector | 199,258,722.33 | 393,149,841.49 |
| China Film Equipment Co., Ltd. and its affiliates | Laser digital cinema projector, laser light source, lease services | 26,982,529.63 | 29,790,770.70 |
| CINIONIC and its affiliates | Laser light source | 29,983,701.86 | 94,280,931.42 |
| YLX Incorporated | Parts | 4,123,489.91 | 3,338,508.67 |
| Shenzhen Zhongjian Technology Co., Ltd. | Service | 41,903.98 | |
| Subtotal | | 260,871,604.00 | 527,876,203.56 |

Description of sales and purchase of goods, rendering and receipt of services

Applicable N/A

(2). Details of trust with related parties/subcontracting and trust management/contract-issuing

Details of trust/contracting where a group entity is the trustor/main contractor:

Applicable N/A

Description of trust/subcontracting with related parties

Applicable N/A

Details of trust/contracting where a group entity is the trustor/main contractor

Applicable N/A

Description of management/contract-issuing with related parties

Applicable N/A

(3). Leases with related parties

The Company as the lessor

Applicable N/A

The Company as the lessee

 Applicable N/A

In RMB

| Name of lessor | Type of leased assets | Simplified handling of rental costs for short-term leases and low-value asset leases (if applicable) | | Variable lease payments not included in the measurement of lease liabilities (if applicable) | | Paid rent | | Assumed interest expenses of lease liabilities | | Added right-of-use assets | |
|---|-----------------------|--|--------------|--|--------------|----------------|--------------|--|--------------|---------------------------|--------------|
| | | Current period | Prior period | Current period | Prior period | Current period | Prior period | Current period | Prior period | Current period | Prior period |
| China Film Equipment Co., Ltd. and its affiliates | Property lease | | 227,735.01 | | | 1,175,936.24 | 274,688.57 | 92,401.05 | 42,657.63 | 3,614,426.76 | |

Description of leases with related parties

 Applicable N/A

(4). Guarantees with related parties

The Company as a guarantor:

 Applicable N/A

The Company as a guaranteed party:

 Applicable N/A

Description of guarantees with related parties

 Applicable N/A**(5). Borrowings/loans with related parties** Applicable N/A**(6). Assets transfer/debt restructuring with related parties** Applicable N/A**(7). Compensation for key management personnel** Applicable N/A

In RMB 0'000

| Item | Current period | Prior period |
|---|----------------|--------------|
| Compensation for key management personnel | 760.13 | 1,019.85 |

(8). Other related-party transactions Applicable N/A**6. Unsettled items receivable from or payable to related parties****(1). Amounts due from related parties** Applicable N/A

In RMB

| Item | Related party | Closing balance | | Opening balance | |
|---------------------|--|----------------------|-------------------------|----------------------|-------------------------|
| | | Carrying amount | Provision for bad debts | Carrying amount | Provision for bad debts |
| Accounts receivable | CINIONIC and its affiliates | | | 29,768,395.79 | 1,488,419.79 |
| Accounts receivable | GDC Technology Limited (BVI) and its affiliates | 801,394.38 | 196,250.40 | 1,739,949.64 | 86,997.48 |
| Accounts receivable | WeCast and its affiliates | 16,541,558.24 | 16,541,558.24 | 16,265,737.14 | 16,265,737.14 |
| Accounts receivable | Xiaomi Communications Co., Ltd. and its affiliates | 64,902,941.11 | 3,245,147.06 | 22,671,178.87 | 1,133,558.94 |
| Accounts receivable | China Film Equipment Co., Ltd. and its affiliates | 3,299,580.10 | 164,979.01 | 2,098,625.51 | 110,758.50 |
| Subtotal | | 85,545,473.83 | 20,147,934.71 | 72,543,886.95 | 19,085,471.85 |
| Prepayments | China Film Equipment Co., Ltd. and its affiliates | 1,736,886.89 | | 5,451,984.90 | |
| Prepayments | GDC Technology Limited (BVI) and its affiliates | 43,716.82 | | | |
| Subtotal | | 1,780,603.71 | | 5,451,984.90 | |

| | | | | | |
|-------------------|--|----------------------|------------------|----------------------|------------------|
| Other receivables | China Film Equipment Co., Ltd. and its affiliates | 171,450.20 | 8,572.51 | 273,354.20 | 13,667.71 |
| Other receivables | GDC Technology Limited (BVI) and its affiliates | 14,023,746.00 | | 13,789,908.00 | |
| Other receivables | Xiaomi Communications Co., Ltd. and its affiliates | 200,000.00 | 10,000.00 | 200,000.00 | 10,000.00 |
| Subtotal | | 14,395,196.20 | 18,572.51 | 14,263,262.20 | 23,667.71 |

(2). Amounts due to related parties

√ Applicable □ N/A

In RMB

| Item | Related party | Closing balance of carrying amount | Opening balance of carrying amount |
|---------------------------|---|------------------------------------|------------------------------------|
| Accounts payable | YLX Incorporated | 390,043.13 | 110,054.78 |
| Accounts payable | Xiaomi Communications Co., Ltd. and its affiliates | 1,286,376.61 | 12,521,840.23 |
| Accounts payable | China Film Equipment Co., Ltd. and its affiliates | 9,319,770.17 | 4,356,968.33 |
| Subtotal | | 10,996,189.91 | 16,988,863.34 |
| Notes payable | China Film Equipment Co., Ltd. and its affiliates | | 22,554,693.11 |
| Subtotal | | | 22,554,693.11 |
| Advance from customers | China Film Equipment Co., Ltd. and its affiliates | 8,056,313.86 | 9,342,716.60 |
| Advance from customers | GDC Technology Limited (BVI) and its affiliates | | 4,800.00 |
| Subtotal | | 8,056,313.86 | 9,347,516.60 |
| Contract liabilities | GDC Technology Limited (BVI) and its affiliates | | 23,677.17 |
| Contract liabilities | China Film Equipment Co., Ltd. and its affiliates | 1,259,149.95 | 2,738,876.11 |
| Contract liabilities | Shenzhen Zhongjian Technology Co., Ltd. | 763,039.15 | |
| Subtotal | | 2,022,189.10 | 2,762,553.28 |
| Other payables | Beijing Donview Education Technology Co., Ltd. and its affiliates | 50,000.00 | 50,000.00 |
| Other payables | CINIONIC and its affiliates | | 507,874.72 |
| Other payables | GDC Technology Limited (BVI) and its affiliates | 221,249.75 | 20,620.00 |
| Other payables | China Film Equipment Co., Ltd. and its affiliates | 7,200.00 | 18,025.76 |
| Subtotal | | 278,449.75 | 596,520.48 |
| Other current liabilities | Xiaomi Communications Co., Ltd. and its affiliates | 115,422.47 | 201,468.53 |
| Other current liabilities | China Film Equipment Co., Ltd. and its affiliates | 323,036.17 | 3,179,145.48 |

| | | | |
|---------------------------|---|-------------------|---------------------|
| Other current liabilities | Shenzhen Zhongjian Technology Co., Ltd. | 99,195.09 | |
| Subtotal | | 537,653.73 | 3,380,614.01 |

(3). Other items

Applicable N/A

7. Related party commitments

Applicable N/A

8. Others

Applicable N/A

XV. Share-based payments

1. Various equity instruments

Applicable N/A

Quantity unit: share Amount unit: RMB

| Category of payee | Granted in the current period | | Exercised in the current period | | Unlocked in the current period | | Expired in the current period | |
|---|-------------------------------|--------|---------------------------------|----------------------|--------------------------------|--------|-------------------------------|-----------------------|
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| Management members | | | 5,103,800 | 87,810,995.80 | | | 8,117,150 | 149,855,398.40 |
| Management members (Chongqing Formovie) | | | | | | | 1,961,418 | 4,464,375.10 |
| Total | | | 5,103,800 | 87,810,995.80 | | | 10,078,568 | 154,319,773.50 |

Outstanding share options or other equity instruments at the end of the period

Applicable N/A

| Category of payee | Outstanding share options at the end of the period | | Outstanding other equity instruments at the end of the period | |
|---|--|------------------------------|---|------------------------------|
| | Exercise price range | Remaining contractual period | Exercise price range | Remaining contractual period |
| Management members | RMB 4.3-22.841/share | 3-19 months | | |
| Management members (Chongqing Formovie) | RMB 1-3.42/share | 30 months | | |

Other information

None

2. Equity-settled share-based payments

Applicable N/A

In RMB

| | |
|--|----------------------|
| The method of determining the fair value of equity instruments at the grant date | Option pricing model |
| Significant parameters of the fair value of equity instruments at the grant date | |
| The basis of determining the number of equity instruments expected to be exercised | Actual grant amount |
| Reasons for the significant difference between the estimate in the current period and that in the prior period | None |
| Amounts of equity-settled share-based payments accumulated in capital reserve | 138,498,124.61 |

Other information

Chongqing Formovie

| | |
|--|--|
| The method of determining the fair value of equity instruments at the grant date | Evaluation of all shareholder's equity interests |
| Significant parameters of the fair value of equity instruments at the grant date | |
| The basis of determining the number of equity instruments expected to be exercised | Actual grant amount |
| Reasons for the significant difference between the estimate in the current period and that in the prior period | None |
| Amounts of equity-settled share-based payments accumulated in capital reserve | 18,835,146.43 |

3. Cash-settled share-based payments

 Applicable N/A

4. Share-based payment expenses in the current period

 Applicable N/A

In RMB

| Category of payee | Expenses of equity-settled share-based payments | Expenses of cash-settled share-based payments |
|--------------------|---|---|
| Management members | 2,841,165.47 | |
| Total | 2,841,165.47 | |

Other information

None

5. Modification to and termination of share-based payments

 Applicable N/A

6. Others

 Applicable N/A

XVI. Commitments and contingencies

1. Significant commitments

 Applicable N/A

2. Contingencies

(1). Significant contingencies as of the balance sheet date

 Applicable N/A

1. Contingent Liabilities arising from pending litigation or arbitration and their financial effect

(1) Civil litigation and arbitration where the Company acted as the plaintiff

As of December 31, 2023, the important information about civil litigation and arbitration in which the Company acted as a plaintiff is specifically as follows:

| Case No. | Cause of action | Plaintiff/Appellant | Defendant/Appellee | Patents involved | Amount | Progress |
|-----------------|---|--|---|------------------|--|----------|
| 01-22-0001-2735 | Arbitration and arbitration counterclaim of dispute over the implementation of the Settlement Agreement | Appotronics Hong Kong Limited Appotronics Corporation Limited | GDC Technology Limited (Cayman Islands) GDC Technology Limited (British Virgin Islands) <i>De facto</i> controller ZHANG Wanneng and his management team | N/A | Compensation of no less than USD 40.00 million | Accepted |

(2) Civil litigation and arbitration where the Company acted as the defendant

As of December 31, 2023, the important information about civil litigation and arbitration in which the Company acted as a defendant is specifically as follows:

| Case No. | Cause of action | Plaintiff | Defendant | Patents involved | Amount involved | Progress |
|-----------------|---|--|--|------------------|-------------------|----------|
| 01-22-0001-2735 | Arbitration and arbitration counterclaim of dispute over the implementation of the Settlement Agreement | GDC Technology Limited (Cayman Islands) GDC Technology Limited (British Virgin Islands) | Appotronics Hong Kong Limited Appotronics Corporation Limited | N/A | USD 38.00 million | Accepted |

(2). Description shall also be provided even if the Company has no significant contingencies to be disclosed:

Applicable N/A

3. Others

Applicable N/A

XVII. Events after the balance sheet date

1. Material non-adjusting event

Applicable N/A

2. Profit distribution

Applicable N/A

In RMB

| | |
|--|---|
| Proposed distributions of profits or dividends | Distribute to all shareholders a cash dividend of RMB 0.7 (tax inclusive) for every 10 shares |
| Profits or dividends declared for distribution upon discussion and approval | 32,084,193.96 |

3. Sales return

Applicable N/A

4. Description of other events after the balance sheet date

Applicable N/A

Information about transfer of partial equity interests in subsidiaries and related-party transactions

The Company held the 30th meeting of the second Board of Directors on April 12, 2024, and deliberated and passed the *Proposal on Transferring Partial Equity Interests in Subsidiary and Related-party Transaction*. The Company intended to transfer 51% equity interests in its wholly-owned subsidiary Appotronics HK to Long Pine Investment, Inc. After this transaction is completed, the equity interests held by the Company in Appotronics HK will be changed from 100% to 49%, and Appotronics HK will no longer be included in the scope of the Company's consolidated statements.

XVIII. Other significant events

1. Corrections of prior period errors

(1). Retrospective application

Applicable N/A

(2). Prospective application

Applicable N/A

2. Significant debt restructuring

Applicable N/A

3. Asset swap

(1). Exchange of non-monetary assets

Applicable N/A

(2). Other asset swap

Applicable N/A

4. Annuity plan

Applicable N/A

5. Discontinued operations

Applicable N/A

6. Segment reporting

(1). Determination basis and accounting policies of reporting segments

Applicable N/A

(2). Financial information of reporting segments

Applicable N/A

(3). If the Company has no reporting segments, or cannot disclose the total assets and liabilities of reporting segments, specify the reasons

Applicable N/A

The Company has no reporting segments due to absence of diversified operations. Refer to VII.61 of Section X for the breakdown of the Company's revenue.

(4). Other information

Applicable N/A

7. Other significant transactions and matters having an impact on the decisions of investors

Applicable N/A

8. Others

Applicable N/A

XIX. Notes to key items in the parent company's financial statements

1. Accounts receivable

(1). Disclosure by aging

Applicable N/A

In RMB

| Aging | Closing balance of carrying amount | Opening balance of carrying amount |
|---------------------------------|------------------------------------|------------------------------------|
| Within 1 year | | |
| Where: Subitems within 1 year | | |
| Within 1 year | 248,513,107.85 | 440,724,111.48 |
| Subtotal of items within 1 year | 248,513,107.85 | 440,724,111.48 |
| 1 to 2 years | 168,649,179.18 | 237,687,773.27 |
| 2 to 3 years | 40,720,444.20 | 12,522,109.16 |
| Over 3 years | 13,741,038.86 | 3,678,400.00 |
| Total | 471,623,770.09 | 694,612,393.91 |

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

Applicable N/A

In RMB

| Category | Closing balance | | | Opening balance | | |
|----------|-----------------|-------------------------|------------|-----------------|-------------------------|------------|
| | Carrying amount | Provision for bad debts | Book value | Carrying amount | Provision for bad debts | Book value |

| | Amount | Percentage (%) | Amount | Percentage of provision (%) | | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
|---|----------------|----------------|--------------|-----------------------------|----------------|----------------|----------------|--------------|-----------------------------|----------------|
| Provision for bad debts made individually | 863,700.00 | 0.18 | 863,700.00 | 100.00 | | | | | | |
| Where: | | | | | | | | | | |
| Provision for bad debts made by group | 470,760,070.09 | 99.82 | 8,279,833.72 | 1.76 | 462,480,236.37 | 694,612,393.91 | 100.00 | 6,607,565.62 | 0.95 | 688,004,828.29 |
| Where: | | | | | | | | | | |
| Total | 471,623,770.09 | 100.00 | 9,143,533.72 | 1.94 | 462,480,236.37 | 694,612,393.91 | 100.00 | 6,607,565.62 | 0.95 | 688,004,828.29 |

Provision for bad debts made individually:

Applicable N/A

Provision for bad debts made by group:

Applicable N/A

Item by group:

In RMB

| Name | Closing balance | | |
|---|-----------------------|-------------------------|-----------------------------|
| | Accounts receivable | Provision for bad debts | Percentage of provision (%) |
| Group of aging | 77,912,006.36 | 8,279,833.72 | 10.63 |
| Group of receivables from related parties in the scope of consolidation | 392,848,063.73 | | |
| Total | 470,760,070.09 | 8,279,833.72 | 1.76 |

Description of provision for bad debts made by group:

Applicable N/A

Provision for bad debts made in accordance with the general model of ECL

Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

Refer to V.11 of Section X for details.

Description of significant changes in the balance of accounts receivable with changed provisions for losses in the current period:

Applicable N/A

(3). Provision for bad debts

Applicable N/A

In RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|----------|-----------------|--------------------------------|----------------------|---------------------------|---------------|-----------------|
| | | Provision | Recovery or reversal | Write-off or cancellation | Other changes | |

| | | | | | | |
|---|---------------------|---------------------|--|-----------------|--|---------------------|
| Provision for bad debts made individually | | 863,700.00 | | | | 863,700.00 |
| Provision for bad debts made by group | 6,607,565.62 | 1,674,318.10 | | 2,050.00 | | 8,279,833.72 |
| Total | 6,607,565.62 | 2,538,018.10 | | 2,050.00 | | 9,143,533.72 |

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

Applicable N/A

Other information

None

(4). Accounts receivable actually canceled in the current period

Applicable N/A

In RMB

| Item | Cancellation amount |
|---------------------------------------|---------------------|
| Accounts receivable actually canceled | 2,050.00 |

In which significant amounts of accounts receivable canceled are described as below

Applicable N/A

(5). Top five closing balances of accounts receivable and contract assets categorized by debtors

Applicable N/A

In RMB

| Entity | Closing balance of accounts receivable | Closing balance of contract assets | Closing balance of accounts receivable and contract assets | Proportion to the total closing balance of accounts receivable and contract assets (%) | Closing balance of bad debt provision |
|--------------|--|------------------------------------|--|--|---------------------------------------|
| Top 1 | 274,860,478.42 | - | 274,860,478.42 | 58.05 | - |
| Top 2 | 30,581,008.57 | - | 30,581,008.57 | 6.46 | - |
| Top 3 | 29,350,303.07 | - | 29,350,303.07 | 6.20 | - |
| Top 4 | 26,115,537.28 | - | 26,115,537.28 | 5.52 | - |
| Top 5 | 22,226,303.13 | - | 22,226,303.13 | 4.69 | - |
| Total | 383,133,630.47 | - | 383,133,630.47 | 80.92 | - |

Other information

None

Other information:

Applicable N/A

2. Other receivables

Presented by items

Applicable N/A

In RMB

| Item | Closing balance | Opening balance |
|----------------------|----------------------|---------------------|
| Interests receivable | | |
| Dividends receivable | | |
| Other receivables | 14,978,163.24 | 7,556,623.71 |
| Total | 14,978,163.24 | 7,556,623.71 |

Other information:

Applicable N/A

Interests receivable
(1). Categories of interests receivable
 Applicable N/A

(2). Significant interests overdue
 Applicable N/A

(3). Disclosure by categories of provision for bad debts
 Applicable N/A

Provision for bad debts made individually:

 Applicable N/A

Explanation about provision for bad debts made individually:

 Applicable N/A

Provision for bad debts made by group:

 Applicable N/A

Provision for bad debts made in accordance with the general model of ECL

 Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

N/A

Description of significant changes in the balance of dividends receivable with changed provisions for losses in the current period:

 Applicable N/A

(3). Provision for bad debts
 Applicable N/A

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

 Applicable N/A

Other information

None

(4). Interests receivable actually canceled in the current period
 Applicable N/A

In which significant amounts of interests receivable canceled are described as below

 Applicable N/A

Description of cancellation:

 Applicable N/A

Other information:

 Applicable N/A

(1). Dividends receivable
Dividends receivable
(5). Dividends receivable
(2). Dividends receivable with significant amounts aged more than 1 year
 Applicable N/A

(4). Disclosure by categories of provision for bad debts
 Applicable N/A

Provision for bad debts made individually:

 Applicable N/A

Explanation about provision for bad debts made individually:

 Applicable N/A

Provision for bad debts made by group:

 Applicable N/A

Provision for bad debts made in accordance with the general model of ECL

 Applicable N/A

Basis for determination of each stage and percentage of provision for bad debts

N/A

Description of significant changes in the balance of dividends receivable with changed provisions for losses in the current period:

Applicable N/A

(5). Provision for bad debts

Applicable N/A

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

Applicable N/A

Other information:

None

(6). Dividends receivable actually canceled in the current period

Applicable N/A

In which significant amounts of dividends receivable canceled are described as below

Applicable N/A

Description of cancellation:

Applicable N/A

Other information:

Applicable N/A

Other receivables

(6). Disclosure by aging

Applicable N/A

In RMB

| Aging | Closing balance of carrying amount | Opening balance of carrying amount |
|---------------------------------|------------------------------------|------------------------------------|
| Within 1 year | | |
| Where: Subitems within 1 year | | |
| Within 1 year | 8,993,196.10 | 2,266,730.32 |
| Subtotal of items within 1 year | 8,993,196.10 | 2,266,730.32 |
| 1 to 2 years | 835,410.95 | 105,528.66 |
| 2 to 3 years | 82,446.00 | 841,125.46 |
| Over 3 years | 5,471,349.86 | 4,680,224.40 |
| Total | 15,382,402.91 | 7,893,608.84 |

(7). Categories by the nature of other receivables

Applicable N/A

In RMB

| Nature of other receivables | Closing balance of carrying amount | Opening balance of carrying amount |
|--|------------------------------------|------------------------------------|
| Deposits/margins/petty cash | 7,278,349.93 | 6,539,089.13 |
| Amounts with related parties in the scope of consolidation | 7,347,685.40 | 1,153,906.23 |
| Temporary receivables | 756,367.58 | 134,793.84 |
| Compensation receivable | | 65,819.64 |
| Total | 15,382,402.91 | 7,893,608.84 |

(8). Provision for bad debts

Applicable N/A

In RMB

| Provision for bad debts | Stage I | Stage II | Stage III | Total |
|---|----------------------------|--|---------------------------------------|------------|
| | 12-month ECL in the future | Lifetime ECL (without credit impairment) | Lifetime ECL (with credit impairment) | |
| Balance as at January 1, 2023 | 336,985.13 | | | 336,985.13 |
| Balance as at January 1, 2023 in the current period | - | - | - | |

| | | | | |
|---------------------------------|------------|----------|--|------------|
| --transferred to Stage II | -625.95 | 625.95 | | |
| --transferred to Stage III | | | | |
| --reversed to Stage II | | | | |
| --reversed to Stage I | | | | |
| Provision | 64,750.75 | 2,503.79 | | 67,254.54 |
| Reversal | | | | |
| Write-off | | | | |
| Cancellation | | | | |
| Other changes | | | | |
| Balance as at December 31, 2023 | 401,109.93 | 3,129.74 | | 404,239.67 |

Basis for determination of each stage and percentage of provision for bad debts

The group of receivable deposits, margins and petty cash, group of amounts from transaction with related parties in the scope of consolidation, and other receivables due within one year in the group of aging indicate no obvious increase in the credit risk since initial recognition (stage I), 1-2 years in the group of aging indicate obvious increase in the credit risk since initial recognition but no credit impairment (stage II), and over 2 years in the group of aging indicate credit impairment since initial recognition (stage III).

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

Applicable N/A

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

Applicable N/A

(1). Provision for bad debts

Applicable N/A

In RMB

| Category | Opening balance | Changes for the current period | | | | Closing balance |
|---------------------------------------|-------------------|--------------------------------|----------------------|---------------------------|---------------|-------------------|
| | | Provision | Recovery or reversal | Write-off or cancellation | Other changes | |
| Provision for bad debts made by group | 336,985.13 | 67,254.54 | | | | 404,239.67 |
| Total | 336,985.13 | 67,254.54 | | | | 404,239.67 |

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

Applicable N/A

Other information

None

(9). Other receivables actually canceled in the current period

Applicable N/A

In which significant amounts of other receivables canceled are described as below

Applicable N/A

Description of cancellation of other receivables:

Applicable N/A

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

Applicable N/A

In RMB

| Entity | Closing balance | Proportion to the balance of other receivables (%) | Nature of other receivables | Aging | Closing balance of bad debt provision |
|--------|-----------------|--|-----------------------------|-------|---------------------------------------|
|--------|-----------------|--|-----------------------------|-------|---------------------------------------|

| | | | | | |
|--------------|----------------------|--------------|--|---------------|-------------------|
| Top 1 | 5,444,385.16 | 35.39 | Receivables from related parties in the scope of consolidation | Within 1 year | - |
| Top 2 | 3,574,618.00 | 23.24 | Deposits/margins/petty cash | Over 3 years | 178,730.90 |
| Top 3 | 1,257,075.20 | 8.17 | Deposits/margins/petty cash | Over 3 years | 62,853.76 |
| Top 4 | 1,000,936.77 | 6.51 | Receivables from related parties in the scope of consolidation | Within 1 year | - |
| Top 5 | 810,400.88 | 5.27 | Receivables from related parties in the scope of consolidation | Within 1 year | - |
| Total | 12,087,416.01 | 78.58 | - | - | 241,584.66 |

(11). Presentation in other receivables due to centralized fund management

Applicable N/A

Other information:

Applicable N/A

3. Long-term equity investments

Applicable N/A

In RMB

| Item | Closing balance | | | Opening balance | | |
|--|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Investments in subsidiaries | 476,309,658.71 | 12,827,792.79 | 463,481,865.92 | 463,067,140.24 | 12,827,792.79 | 450,239,347.45 |
| Investments in associates and joint ventures | 5,836,162.11 | | 5,836,162.11 | | | |
| Total | 482,145,820.82 | 12,827,792.79 | 469,318,028.03 | 463,067,140.24 | 12,827,792.79 | 450,239,347.45 |

(1). Investments in subsidiaries

Applicable N/A

In RMB

| Investees | Opening balance | Increase | Decrease | Closing balance | Provision for impairment | Closing balance of provision for impairment |
|--|-----------------|------------|----------|-----------------|--------------------------|---|
| CINEAPPO Laser Cinema Technology (Beijing) Co., Ltd. | 46,661,211.65 | 509,163.93 | | 47,170,375.58 | | |
| Shenzhen Appotronics Software Technology Co., Ltd. | 1,457,799.42 | -71,631.06 | | 1,386,168.36 | | |
| Beijing Orient Appotronics | 5,900,000.00 | | | 5,900,000.00 | | |

| | | | | | | |
|---|----------------|---------------|--|----------------|--|---------------|
| Technology Co., Ltd. | | | | | | |
| Shenzhen Appotronics Xiaoming Technology Co., Ltd. | 12,000,000.00 | | | 12,000,000.00 | | 12,000,000.00 |
| Fengmi (Beijing) Technology Co., Ltd. | 3,469,000.91 | -143,262.09 | | 3,325,738.82 | | |
| Qingda Appotronics (Xiamen) Technology Co., Ltd. | 5,100,000.00 | | | 5,100,000.00 | | 827,792.79 |
| Shenzhen Appotronics Laser Display Technology Co., Ltd. | 18,966,857.26 | | | 18,966,857.26 | | |
| Appotronics Hong Kong Limited | 305,476,042.87 | 468,625.98 | | 305,944,668.85 | | |
| JOVE AI Innovation | 800,010.03 | -0.01 | | 800,010.02 | | |
| Appotronics Technology (Changzhou) Co., Ltd. | 2,000,000.00 | | | 2,000,000.00 | | |
| Shenzhen Appotronics Display Device Co., Ltd. | 3,000,000.00 | | | 3,000,000.00 | | |
| Appotronics USA, Inc. | | | | | | |
| Tianjin Bonian Film Partnership (LP) | 26,954,120.20 | | | 26,954,120.20 | | |
| Formovie (Chongqing) Innovative Technology Co., Ltd. | 31,277,785.13 | -1,329,865.5 | | 29,947,919.62 | | |
| Shenzhen Orange Juice Energy Technology Co., Ltd. | 4,312.77 | -4,312.77 | | | | |
| Shenzhen Qianhai Taishi Investment | | 13,813,800.00 | | 13,813,800.00 | | |

| | | | | | |
|------------------|-----------------------|----------------------|--|-----------------------|----------------------|
| Partnership (LP) | | | | | |
| Total | 463,067,140.24 | 13,242,518.47 | | 476,309,658.71 | 12,827,792.79 |

(2). Investments in associates and joint ventures

√ Applicable □ N/A

| Investee | Opening balance | Changes for the current period | | | | | | | | Closing balance | Closing balance of provision for impairment |
|---|-----------------|--------------------------------|----------------------|---|--|----------------------|------------------------------------|--------------------------|--------|-----------------|---|
| | | Additional investment | Decreased investment | Investment profit or loss under equity method | Adjustment in other comprehensive income | Other equity changes | Declared cash dividends or profits | Provision for impairment | Others | | |
| I. Joint venture | | | | | | | | | | | |
| Subtotal | | | | | | | | | | | |
| II. Associates | | | | | | | | | | | |
| Shenzhen Zhongjian Technology Co., Ltd. | | 6,000,000.00 | | -163,837.89 | | | | | | | 5,836,162.11 |
| Subtotal | | 6,000,000.00 | | -163,837.89 | | | | | | | 5,836,162.11 |
| Total | | 6,000,000.00 | | -163,837.89 | | | | | | | 5,836,162.11 |

(3). Impairment test of long-term equity investments

□ Applicable √ N/A

Other information:

None

The recoverable amount is determined as the fair value net of disposal expenses

□ Applicable √ N/A

The recoverable amount is determined according to the present value of the estimated future cash flows

□ Applicable √ N/A

Reason for the obvious difference between the information above and the information used in the impairment test in previous years or external information

□ Applicable √ N/A

Reason for the obvious difference between the information used by the Company in the impairment test in previous years and the actual conditions of the corresponding year

□ Applicable √ N/A

Other information:

None

4. Operating income and operating costs

(1). Description of operating income and operating costs

Applicable N/A

In RMB

| Item | Current period | | Prior period | |
|----------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 1,120,351,462.42 | 781,792,429.91 | 1,345,923,616.67 | 910,770,517.27 |
| Other business | | | | |
| Total | 1,120,351,462.42 | 781,792,429.91 | 1,345,923,616.67 | 910,770,517.27 |

(2). Breakdown of operating income and operating costs

Applicable N/A

In RMB

| Category of contract | Total | |
|------------------------------------|-------------------------|-----------------------|
| | Operating income | Operating costs |
| By the type of goods | | |
| Laser optical engine | 505,638,401.86 | 361,036,393.60 |
| Complete laser projector | 464,885,063.12 | 286,912,380.33 |
| Others | 149,827,997.44 | 133,843,655.98 |
| By operating region | | |
| Domestic | 926,419,420.85 | 667,534,423.45 |
| Overseas | 193,932,041.57 | 114,258,006.46 |
| By the transfer time of goods | | |
| Revenue recognized at a time point | 1,120,351,462.42 | 781,792,429.91 |
| Total | 1,120,351,462.42 | 781,792,429.91 |

Other information

Applicable N/A

The revenue that was included in contract liability balance at the beginning of period is RMB 9,037,218.97.

(3). Description of performance obligations

Applicable N/A

(4). Description of allocation to remaining performance obligations

Applicable N/A

(5). Material contract changes or material adjustment in transaction prices

Applicable N/A

Other information:

None

5. Investment income

Applicable N/A

In RMB

| Item | Current period | Prior period |
|--|----------------|---------------|
| Gains from long-term equity investment accounted for using the cost method | 7,452,000.00 | 90,512,000.00 |
| Gains from long-term equity investment accounted for using the equity method | -163,837.89 | |
| Investment income from disposal of long-term equity investments | | |

| | | |
|---|----------------------|-----------------------|
| Investment income from held-for-trading financial assets during the holding period | | 200,000.00 |
| Dividend income from investment in other equity instruments during the holding period | | |
| Interest income from debt investments during the holding period | | |
| Interest income from other debt investments during the holding period | | |
| Investment income from disposal of held-for-trading financial assets | 12,364,698.33 | 12,322,950.62 |
| Investment income from disposal of investment in other equity instruments | | |
| Investment income from disposal of debt investments | | |
| Investment income from disposal of other debt investments | | |
| Profits from debt restructuring | | |
| Total | 19,652,860.44 | 103,034,950.62 |

Other information:

None

6. Others

Applicable N/A

XX. Supplementary information

1. Breakdown of non-recurring profit or loss for the current period

Applicable N/A

| In RMB | | |
|---|---------------|------------------|
| Item | Amount | Description |
| Gain or loss on disposal of non-current assets, including write-off of provision for asset impairment | -2,047,603.22 | |
| Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the business of the Company and are provided in accordance with established standards with continuous effects on the profit or loss of the Company according to the provisions of national policies) | 37,324,883.93 | Section X.XI |
| Profit or loss on changes in the fair value of financial assets and financial liabilities held by non-financial enterprises and profit or loss on the disposal of financial assets and financial liabilities, other than those used in the effective hedging activities related to normal operating business of the Company | 197,000.00 | Section X.VII.70 |
| Income earned from lending funds to non-financial institutions and recognized in profit or loss | | |
| Profit or loss on entrusted investments or assets management | 12,504,132.08 | Section X.VII.68 |
| Profit or loss on entrusted loans | | |
| Losses on assets due to force majeure events, e.g. natural disasters | | |
| Reversal of impairment loss on receivables tested for impairment individually | 701,851.05 | |
| The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures | | |
| Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination involving entities under common control | 28,971,469.98 | |
| Profit or loss on exchange of non-monetary assets | | |

| | | |
|--|----------------------|--|
| Profit or loss on debt restructuring | | |
| One-off expenses incurred by the enterprise for discontinued operating activities, such as expenditures for employee placement, etc. | | |
| One-off effect on the profit or loss for the current period due to an adjustment in taxation, accounting, and other laws and regulations | | |
| Share-based payment expenses recognized on a one-off basis for canceling or modifying an equity incentive plan | | |
| For cash-settled share-based payments, profit or loss from the change in fair value of employee benefits payable after the exercise date | | |
| Profit or loss on changes in the fair value of investment properties that are subsequently measured using the fair value model | | |
| Profit or loss attributable to the evidently unfair transaction price | | |
| Profit or loss arising from contingencies other than those related to normal operating business | | |
| Custodian fees earned from entrusted operation | | |
| Other non-operating income and expenses | -4,752,629.59 | |
| Other profits or losses meeting the definition of non-recurring profit or loss | | |
| Less: Effect of income taxes | 5,157,172.94 | |
| Effects attributable to minority interests (net of tax) | 6,219,685.09 | |
| Total | 61,522,246.20 | |

It is required to specify the reason for defining items not illustrated in the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss* as non-recurring profit or loss items of significant amounts, and reasons for defining non-recurring profit or loss items illustrated in the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss* as recurring profit or loss items.

Applicable N/A

Other information

Applicable N/A

| Item | Amount involved | Reason |
|---|-----------------|--------|
| Net non-recurring profit or loss attributable to owners of the parent company for 2022 | 54,627,639.75 | |
| Net non-recurring profit or loss attributable to owners of the parent company that is calculated in 2022 in accordance with the provision of the <i>Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss (Revision 2023)</i> | 53,119,319.32 | |
| Variance | 1,508,320.43 | |

2. Return on net assets and earnings per share

Applicable N/A

| Profit for the reporting period | Weighted average return on net assets (%) | Earnings per share | |
|--|---|--------------------------|----------------------------|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to ordinary shareholders of the Company | 3.81 | 0.23 | 0.22 |
| Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | 1.54 | 0.09 | 0.09 |

3. Differences in accounting data under Chinese accounting standards and overseas accounting standards

Applicable N/A

4. Others

Applicable N/A

Chairman: LI Yi

Approval for submission by the Board of Directors: April 25, 2024

Revision information

Applicable N/A