



Guangdong Topstar Technology Co., Ltd.

Annual Report of Year 2019

Announcement No.: 2020-016

April 2020

Section I Important Notes, Contents, and Explanations

The Board of Directors, the Board of Supervisors as well as the directors, supervisors and senior managers of the company shall ensure that the contents of the annual report are true, accurate and complete, free from false records, misleading statements or major omissions, and shall bear individual and joint legal liabilities.

Wu Fengli, the head of the company, Zhou Yongchong, the head of accounting, and Li Kui, the head of the accounting institution (accountant in charge), declare that the financial reports in the annual report are true, accurate and complete.

All directors have attended the board meeting in which the Report was considered.

The company is faced with the risks of macroeconomic fluctuations and cyclical changes in the downstream industry, the risks of accounts receivable, the risks of product substitution, the management risks brought by the expansion of business scale, and the risks of talent shortage with the rapid development of the company, thus a wide range of investors is requested to pay attention to the investment risks. For details, please refer to the risk factors that the company may face, which are described in IX. Outlook of the Company's Future Development, Section IV Discussion and Analysis of Business Condition

The company's profit distribution plan approved at the board meeting is as follows: Based on the total capital stock of the company on the date of equity registration for profit distribution, a cash dividend of RMB 3.5 (tax-inclusive) shall be distributed to all shareholders per 10 shares, 0 bonus shares shall be presented (tax-inclusive), and 8 shares shall be increased per 10 shares to all shareholders by converting capital reserve into capital stock.

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Explanations

Items to be explained	Refer to	Explanations
Topstar, the joint-stock company, the company	Refer to	Guangdong Topstar Technology Co., Ltd.
Industrial automation	Refer to	Realization of information processing and process control, such as measurement and manipulation, according to the expected goals without direct manual intervention in the machine equipment or production process
Industrial robot	Refer to	A kind of mechanical device that is programmed to automatically complete an operation or mobile operation
Cartesian coordinate robot	Refer to	Also known as the manipulator, the automatic operating device which can imitate some of the movements and functions of the human hand and arm to grab and move objects or operate tools according to a fixed program. Cartesian coordinate robot can achieve automatic control, repeatable programming and spatial right-angle relation between degrees of freedom of motion. It is generally composed of linear motion unit and its combination, drive motor, control system and end effector.
Multi-joint robot	Refer to	Multi-joint robot is one of the most common forms of industrial robot in the industrial field. It is mainly composed of degrees of freedom of turn and rotation, and usually with a high degree of freedom (4-6 axis).
Gear reducer	Refer to	Generally used in low-speed and high-torque transmission equipment, in which the motor, internal combustion engine or other high-speed running power is used to achieve the purpose of slowdown in a way that the gear with fewer teeth on the input shaft of the reducer engages the large gear on the output shaft. The gear reducer plays the role of matching speed of rotation and transmitting torque between the prime mover and the operating machine or actuator.
Servo driver	Refer to	Also known as “servo controller”, “servo amplifier”, it is a kind of controller used to control servo motor. With the function similar to that of the transducer acting on the common AC motor, it is a part of the servo system and is mainly used in the high-precision positioning system. In general, the servo motor is controlled by position, speed and torque, so as to achieve high precision positioning of the transmission system.
Vision algorithm	Refer to	Visual algorithm is a process in which help is offered for the computer to understand the image through mathematical model, and extract useful information in the image according to the demand, the computer is

		informed of the current relevant data, then the compute gives corresponding command, and the mechanism performs the defined action.
Industry 4.0	Refer to	Industry 4.0 aims to transform the manufacturing industry into an intelligent one, improve the intelligentization level of the manufacturing industry, build intelligent factories with adaptability, resource efficiency and human factor engineering, and integrate customers and business partners in the business process and value process by making full use of the combination of information and communication technology and cyberspace virtual system, i.e., Cyber-Physical System.
Industrial Internet	Refer to	The industry and application ecology formed by the comprehensive and deep integration of the Internet, a new generation of information technology and the industrial system is the key integrated information infrastructure for the development of industrial intelligence. Its essence is based on the the network interconnection among machines, raw materials, control systems, information systems, products and people, through the comprehensive deep perception of industrial data, real-time transmission and exchange, rapid computing and advanced modeling analysis, to achieve intelligent control, operation optimization and the change of production organization mode.
Human-computer interaction	Refer to	In essence, the interaction between human and machine refers to the interaction between human and computer. In practical application scenarios, it mostly refers to the interaction between human and “machine containing computer”.
System integration	Refer to	Through structured generic cabling system and computer network technology, each separate equipment, function and information are integrated into the interrelated, unified and coordinated system, so that the resources can be fully shared and subject to centralized, efficient and convenient management.
Intelligent manufacturing equipment	Refer to	With the functions of perception, analysis, reasoning, decision-making and control, the manufacturing equipment is the deep integration of advanced manufacturing technology, information technology and intelligent technology.
ISO 9001	Refer to	International quality management standard system
BIM	Refer to	Abbreviation of “Building Information Model”. BIM is the digital representation of the physical and functional characteristics of a facility. BIM is a new tool in architecture, engineering and civil engineering. Based on the relevant information data of construction projects, building models are established and the real information of buildings is simulated through digital information simulation. It has five characteristics, that is, visualization, coordination, simulation, optimization and availability for plotting.

Injection molding machine	Refer to	A type of plastic machinery, it is the main molding equipment for plastic products of various shapes made of thermoplastic or thermosetting plastics by the mould for plastics.
Auxiliary equipment of injection molding machine	Refer to	Auxiliary equipment of injection molding machine and its peripheral equipment
Runner	Refer to	Special term for injection molding, it refers to the joint of the frame and parts formed when pouring the mould at the factory, which is the inlet and outlet of thermalized liquid plastics, and the melted plastic flows into the mould cavity through the runner.
MES	Refer to	MES(Manufacturing Execution System) refers to the manufacturing execution system of a manufacturing enterprise. It is a set of manufacturing information management system for the execution of the workshop of a manufacturing enterprise. MES can provide the enterprise with the management modules including manufacturing data management, planning and scheduling management, production scheduling management, inventory management, quality management, human resource management, work center/equipment management, tooling management, procurement management, cost management, project Kanban management, production process control, underlying data integration analysis, upper data integration and decomposition, etc., and build a solid, reliable, comprehensive and feasible manufacturing collaborative management platform for the enterprise.
IPD	Refer to	Integrated Product Development (IPD for short) is a set of models, concepts and methods of product development. The IPD frame structure is an end-to-end management process for the full life cycle from the beginning of market demand to the completion of product development. The management process involves the close cooperation of market, R&D, supply, production, after-sales service, maintenance and other links, so as to ensure the high-quality delivery of products to customers.
5G	Refer to	The 5 th generation mobile networks or the 5 th generation wireless sytems, 5 th -Generation (5G or 5G networks for short) is the latest generation of cellular mobile communication technology, which is also an extension of 4G (LTE-A, WiMax), 3G (UMTS, LTE) and 2G (GSM) systems. The performance goals for 5G focus on high data rate, reduced latency, energy savings, cost reduction, increased system capacity and large-scale device connectivity.
MTL	Refer to	MTL process refers to the process of obtaining accurate customer portrait through brand building and marketing based on customer requirement survey.
LTC	Refer to	LTC is the whole process from business opportunity to payment collection. It is the end-to-end process of “obtaining sales leads - cultivating business opportunities - transforming business opportunities

		into orders - managing order execution/payment collection”.
ITR	Refer to	Process from the occurrence of customer problem to the final solution, including three sub-processes, that is, problem acceptance, problem handling and problem closure.
Jiangsu Topstar	Refer to	Jiangsu Topstar Robotics Co., Ltd.
Shenzhen Toplink	Refer to	Shenzhen Toplink Intelligent Information Technology Co., Ltd.
Server Industrial Control	Refer to	Dongguan Server Industrial Control Technology Co. Ltd.
Noda Intelligence	Refer to	Dongguan Noda Intelligent Equipment Co. Ltd.
Topstar Technology	Refer to	Dongguan Topstar Technology Co., Ltd.
Kunshan Topstar	Refer to	Kunshan Topstar Robot Technology Co., Ltd.
Ningbo Tuochen	Refer to	Ningbo Tuochen Robot Technology Co., Ltd.
Guangzhou Topstar	Refer to	Guangzhou Topstar Robot Technology Co., Ltd.
Guangdong Shiwei	Refer to	Guangdong Shiwei Technology Co., Ltd.
Topstar Intelligent Cleaning	Refer to	Dongguan Topstar Intelligent Clean Technology Co., Ltd.
Topstar (Vietnam)	Refer to	Topstar (Vietnam) Technology Co., Ltd.
Topstar Worldwide	Refer to	Topstar Worldwide Group Limited
Wuhan JoTong	Refer to	Wuhan JoTong Intelligent Technology Co., Ltd.
Topstar Intelligent Environment	Refer to	Dongguan Topstar Intelligent Environmental Technology Co. Ltd.
Best Topstar	Refer to	Dongguan Best Topstar Energy Saving Technology Co., Ltd.
Henan Topstar	Refer to	Henan Topstar Automation Equipment Co., Ltd.
ZhiAo Technology	Refer to	ZhiAo (Shanghai) Robot Technology Co., Ltd.
Changshu Topstar	Refer	Changshu Topstar Intelligent Equipment Co. Ltd.

	to	
Dongguan Topstar	Refer to	Dongguan Topstar Robotics Co., Ltd.
Tuotuo Technology	Refer to	Guangdong Tuotuo Network Technology Co., Ltd.
Yongxin Dachen	Refer to	Yongxin County Dachen Enterprise Management Consulting Center (Limited partnership)
Securities Law	Refer to	Securities Law of the People's Republic of China
Company Law	Refer to	Company Law of the People's Republic of China
Articles of Association	Refer to	Articles of Association of Guangdong Topstar Technology Co., Ltd
CSRC	Refer to	China Securities Regulatory Commission
SZSE	Refer to	Shenzhen Stock Exchange
A share or stock	Refer to	RMB common stocks listed in China with the par value of 1.00 yuan per share
Yuan, ten thousand yuan	Refer to	CNY(Yuan), Ten thousand yuan

Section II Company Profile and Key Financial Indices

I. Company information

Stock abbreviation	Topstar	Stock code	300607
Chinese name of the company	Guangdong Topstar Technology Co., Ltd.		
Chinese abbreviation of the company	Topstar		
English name of the company (if any)	Guangdong Topstar Technology Co.,Ltd.		
Legal representative of the company	Wu Fengli		
Registered address	No.2, Datanglang Innovation Road, Dalingshan Town, Dongguan City		
Postal code of the registered address	523811		
Office address	No.2, Datanglang Innovation Road, Dalingshan Town, Dongguan City		
Postal code of the office address	523811		
Internet address of the company	http://www.topstarltd.com		
E-mail	topstar@topstarltd.com		

II. Contact person and contact information

	Board Secretary	Securities Representative
Name	Quan Heng	Fu Rongting
Contact address	No.2, Datanglang Innovation Road, Dalingshan Town, Dongguan City	No.2, Datanglang Innovation Road, Dalingshan Town, Dongguan City
Tel	86-769-82893316	86-769-82893316
Fax	86-769-85845562	86-769-85845562
E-mail	topstar@topstarltd.com	topstar@topstarltd.com

III. Information disclosure and place of preparation

Name of information disclosure media selected by the company	Securities Times, Securities Daily, China Securities Journal, Shanghai Securities News
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Website designated by CSRC for the publication of annual report	www.cninfo.com.cn
Place of preparation for annual report of the company	Corporate Securities Department

IV. Other relevant information

Accounting firm engaged by the company

Name of accounting firm	BDO Shu Lun Pan Certified Public Accountants LLP
Office address of accounting firm	4F, No.61, East Nanjing Road, Huangpu District, Shanghai
Name of the accountants who affix signature	Li Min, Ni Wanjie

The sponsor engaged by the company to continuously play the supervisory role during the reporting period

☒Applicable ☐Not applicable

Name of sponsor	Office address of sponsor	Name of sponsor representative	Period for continuous supervision
China Merchants Securities Co., Ltd.	No. 111, 1 st Fuhua Road, Futian Street, Futian District, Shenzhen	Cai Xiaodan, Xu Lei	November 18, 2018 to December 31, 2021

Note: on November 18, 2018, the company engaged China Merchants Securities Co., Ltd. to act as the sponsor of the company's A-share stock subject to public offering. China Merchants Securities took the place of the original IPO sponsor to perform the supervision duties. According to the relevant requirements of refinancing, the continuous supervision period is from November 18, 2018 to December 31, 2021.

Financial advisor engaged by the company to perform the duty of continuous supervision during the reporting period

☐Applicable ☒Not applicable

V. Key accounting data and financial indices

Does the company need to retroactively adjust or restate the accounting data of previous years?

☐ Yes ☒ No

	Year 2019	Year 2018	Increase or decrease of this year compared with that of the previous year	Year 2017
Operating revenue (yuan)	1,660,363,365.82	1,198,098,144.60	38.58%	764,422,959.92
Net profits attributable to shareholders of the listed company (yuan)	186,573,823.78	171,826,384.01	8.58%	138,021,877.16
Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses (yuan)	183,320,939.38	155,820,537.95	17.65%	126,353,312.17
Net cash flow from operating activities	122,201,250.28	115,214,741.51	6.06%	7,278,548.77

(yuan)				
Basic earnings per share (yuan/share)	1.41	1.32	6.82%	1.34
Diluted earnings per share (yuan/share)	1.41	1.32	6.82%	1.34
Weighted average return on equity	18.07%	20.56%	-2.49%	21.21%
	End of Year 2019	End of Year 2018	Increase or decrease at the end of this year compared with that at the end of the previous year	End of Year 2017
Total assets (yuan)	2,667,901,506.44	1,707,998,776.65	56.20%	1,164,663,524.32
Net assets attributable to shareholders of the listed company (yuan)	1,672,491,825.96	911,018,705.16	83.58%	765,031,279.01

VI.Key financial indices by quarter

Unit: Yuan

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	322,950,229.96	402,875,174.14	363,460,823.11	571,077,138.61
Net profits attributable to shareholders of the listed company	38,589,677.45	47,338,575.07	57,232,960.09	43,412,611.17
Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses	37,574,614.74	46,892,315.11	57,236,984.51	41,617,025.02
Net cash flow from operating activities	-53,802,647.30	-7,584,860.69	95,236,691.60	88,352,066.67

Is there any significant difference between the above financial indices or the total sum of them and the relevant financial indices in the quarterly reports and semi-annual reports which have been disclosed by the company?

☐ Yes ☒ No

VII.Accounting data differences under domestic and foreign accounting standards

1. Differences in net profits and net assets in the financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

There is no difference in net profits and net assets in the financial reports disclosed in accordance with international accounting standards and Chinese accounting standards during the company's reporting period.

2. Differences in net profits and net assets in the financial reports disclosed in accordance with overseas accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

There is no difference in net profits and net assets in the financial reports disclosed in accordance with overseas accounting standards and Chinese accounting standards during the company's reporting period.

VIII. Non-recurring profit and loss items and amount

☒ Applicable ☐ Not applicable

Unit: Yuan

Item	Amount in 2019	Amount in 2018	Amount in 2017	Notes
Profit and loss on disposal of non-current assets (including the write-off part of the provision for impairment of assets)	168,332.99	869.19	-134,953.41	
Government subsidies included in current profits and losses (closely related to the business of the enterprise, except for the government subsidies enjoyed according to the unified national standard quota or ration)	4,273,918.91	14,271,220.59	6,485,161.80	
In addition to the effective hedging business related to the normal operation of the company, the profit and loss on fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments		2,548,974.53	5,192,985.45	
Reversal of provision for impairment of receivables and contract assets subject to separate impairment test		1,384,648.16	511,100.00	
Other non-operating income and expenditure in addition to the above items	-651,197.63	548,302.15	1,658,363.18	
Less: Amount affected by income tax	538,376.64	2,748,175.81	2,044,092.03	
Amount affected by minority shareholders' equity (after tax)	-206.77	-7.25		
Total	3,252,884.40	16,005,846.06	11,668,564.99	--

For the non-recurring profit and loss items defined by the company in accordance with the Explanatory Announcement No. 1 on Information Disclosure of Companies for Public Offering of Securities – Non-recurring Profit and Loss, and the non-recurring profit and loss items listed in the Explanatory Announcement No. 1 on Information Disclosure of Companies for Public Offering of Securities – Non-recurring Profit and Loss but defined by the company as recurring profit and loss items, the reasons shall be explained.

☐ Applicable ☒ Not applicable

During the company's reporting period, there is no such situation as defining non-recurring profit and loss items defined and listed in the Explanatory Announcement No. 1 on Information Disclosure of Companies for Public Offering of Securities – Non-recurring Profit and Loss as recurring profit and loss items.

Section III Corporate Business Profile

I. Main business of the company during the reporting period

The company shall comply with the disclosure requirements in the Guidelines for Shenzhen Stock Exchange GEM Industry Information Disclosure No. 11 - Listed Companies Engaged in the Industrial Robot Industry Chain Related Business.

Main business, main products and their use, business model of the company

(I) Main business of the company

As a state-level high-tech enterprise and a backbone robot enterprise in Guangdong Province, the company focuses on the whole industrial chain of R&D, manufacturing, planning and application of hardware and software of intelligent equipment such as industrial robot. Adhering to the corporate mission of “making industrial manufacturing better”, the company provides intelligent equipment with industrial robot as the core, industrial IoT software system represented by control system and MES, automation application based on industrial robot and overall plan of intelligent environment. The company has served more than 6000 customers in China, including Biel Crystal, Luxshare, Jabil Green Point, BYD, Great Wall Motors, TCL, Foxconn and other well-known enterprises. It is committed to becoming an integrated intelligent manufacturing service provider of system integration, robot (equipment) manufacturing, software development and industrial Internet, and continuously building a healthy intelligent manufacturing ecosystem.

(II) The company's main products and their use

Taking “Substitution of machine for human” as the entry point, the company builds a product system focusing on the whole plant automation of modern factory construction, and provides the overall solution of industrial automation for the downstream manufacturing customers. The products are widely used in 3C, new energy, auto parts manufacturing, 5G, optoelectronics, home appliances and other fields, and gradually extended to the entire manufacturing industry.

The company's main products and services include industrial robot and automation application system, injection molding machine, supporting equipment and automatic feeding system, intelligent energy and environmental management system, and the details are as follows:

1. Industrial robot and automation application system

(1) Stand-alone industrial robot

Industrial robot is a kind of automatic mechanical system developed after the 20th century, which can imitate some actions and control functions of human, operate tools and achieve multiple operations according to variable predetermined procedures, trajectories and other requirements. Industrial robot is a multi-joint robot or multi-degree-of-freedom machine unit oriented to the industrial field. With the capability to conduct work automatically, it is a kind of machine that realizes various functions by its own power and control ability. The company's stand-alone industrial robot products mainly include multi-joint robot and Cartesian coordinate robot

- 1) Description of multi-joint robot products: A mechanical device capable of handling materials, parts, tools, or implementing various operating functions. With a high degree of freedom, the multi-joint robot can reproduce human movements and functions with its movements. The difference from the traditional automata is that it has greater “versatility” and multi-purpose use, and can repeatedly achieve different

functions and complete different operations. The company has a wide range of industrial robots such as six-axis robot, four-axis robot and parallel robot, and has developed and expanded independent core technologies in the fields of controller, servo drive and visual algorithm.

New products during the reporting period: During the reporting period, the company developed and launched two new SCARA robot products, TXC I and II, at the new product launch on July 21, 2019. TXC I is a four-axis SCARA robot with a standard cycle period of 0.38 seconds, maximum motion speed of 9160mm/s, and repeated positioning accuracy of $\pm 0.01\text{mm}$. With the drive-control integration, the volume of control box is reduced by 20%. The product performance has reached the international level, with the advantages of fast speed, high precision and small volume. TXC II SCARA robot is a product which can realize automatic locking (tightening) and withdrawing (loosening) of screws developed by the company relying on the company's TXC series four-axis SCARA robot system technology in order to realize the transformation of 5G production line linear module equipment. Its maximum load reaches up to 30kg, which realizes the breakthrough of high load under the condition of high speed and high precision based on the technology platform of TXC series. In September 2019, the company launched the independently developed TXH I parallel robot. The machine has a rated load of 8kg, with a maximum load of 15kg, a cylinder motion range of 1200 mm in diameter, a cylinder height of 245mm, a small round table motion diameter of 800mm, a height of 105mm, standard cycle time of 0.27 seconds, and a protection grade of IP65, which can be used for rapid sorting and widely used in the medical and food industries.



Figure 1: Some of the company's multi-joint robot products

- 2) Description of Cartesian coordinate robot products: Cartesian coordinate robot, also known as manipulator, it is a manipulator which can realize automatic control, repeatable programming, spatial right-angle relationship between the degrees of freedom of motion and multiple purposes. The Cartesian coordinate robot independently developed and produced by the company is driven by servo motor, transmitted by the belt, gear and rack, and equipped with high-precision linear sliding rail to guide the operation, so that the product has the characteristics of precise positioning, fast motion speed, stable operation, etc., which can be applied to the straight, plane and three-dimensional workpiece handling and transfer, detection and positioning, automatic assembly and other processes.

New products during the reporting period: HQ series Cartesian coordinate robots developed by the company during the reporting period and launched on the market in May 2019. HQ series has improved equipment standardization, greatly reduced material categories, equipment models, customization dimensions, etc. Through large-scale sales, technical support and supply chain integration, product prices have become transparent and

production costs have been simultaneously reduced. While the competitiveness and profit margin of its own products are guaranteed, the market competition pattern has also been reshaped.



Figure 2: XYZ three-way servo control five-axis manipulator

(2) Industrial robot automation application solution

The company has planned a complete set of solutions with auxiliary equipment such as vision system, sensor, laser machine, linear motor and transmission belt equipped for industrial robot, so as to reduce labor, reduce production costs and improve production efficiency. With many advantages such as flexible and convenient operation, diversified functions, sustainable development and upgrading, the industrial robot automation application system can meet the production process requirements and actual production needs of customers.

At present, the industrial robot automation application program designed by the company has a good universality. The products are widely used in 3C, new energy, auto parts manufacturing, 5G, optoelectronics, household appliances and other fields. The application scenarios are as follows

1) Application of industrial robot in the 3C product manufacturing industry

With higher requirements for production efficiency and precision in the 3C product manufacturing industry, agile manufacturing, flexible manufacturing and lean manufacturing are the development direction of 3C product manufacturing enterprises. The characteristics of industrial robots meet the requirements for high precision and flexibility. The 3C product automated production line includes three major links, that is, parts processing in the front segment, module packaging in the middle segment and complete machine assembly in the rear segment. At present, the industrial robot automation program is mainly used in spraying, feeding and blanking, welding, injection molding, stamping, testing, assembly, gluing, grinding and other technological links.

2) Application of industrial robot in the new energy industry

With the rapid development of technology innovation in the new energy industry, the traditional production and manufacturing methods of new energy products have been unable to meet the requirements of production process, forcing enterprises in the industry to improve automation rate to meet the requirements of new technologies and new products on the process. At present, the industrial robot automation program is mainly used in assembly, welding, testing, dispensing, feeding and blanking, tiling, embedding and other technological links.

3) Application of industrial robot in the auto parts manufacturing industry

Auto parts are the basis of the automobile industry, while automobile manufacturing is one of the technology fields in which industrial robot application is most widely used in the most mature way. The automated production line of auto parts greatly improves the production efficiency and quality of the products through the effective integration of the overall optimization design and system integration of the equipment, information monitoring

and traceability data management, optimal control and online fault diagnosis of the assembly system, precise positioning and force position hybrid servo control in the automatic assembly. At present, the industrial robot automation program is mainly used in welding, cutting, assembly, spraying, coding, testing and other technological links.

4) Application of industrial robot in other industries

The industrial robot can be widely used in many fields that have rigid demands for industrial automation due to rising labor costs, poor comfort in production environment, or pressure from technological progress and upgrading, e.g., some emerging fields such as 5G communication and traditional industries such as packaging, shoes and clothing, food processing, etc. At present, industrial robot automation is widely used in dust-free production environment, screw assembly, module assembly, product testing, packaging, dispensing processing and other technological links in these industries.

2. Injection molding machine, supporting equipment and automatic feeding system

The production equipment of the company mainly includes multiple series of products such as injection molding machine, three-in-one machine and mould temperature controller, etc. The product uses cover the main links such as raw material dehumidification and drying, raw material transportation, mould temperature control and injection molding production.

The injection molding machine owned by the company mainly includes five series, that is, MEVH-special injection molding machine for civil product containers, EVH-fully automatic servo energy-saving hydraulic clamping injection molding machine, EVA-fully automatic servo energy-saving hinged clamping injection molding machine, EMVH-multi-material co-injection molding machine, EEA-fully electric precision injection molding machine.

SEVH special injection molding machine for civil product containers: The company develops and produces the machine for civil products as a whole series of standard machine, and standardizes the combination of mould clamping and launch pad; The two-plate direct pressing type central mould clamping structure provides the maximum mould opening stroke, which can meet the production needs of large-size and deep-cavity products, and meet the demand of automated pick-up; With the two-plate direct pressing type central mould clamping structure, the clamping force is evenly distributed on the projection surface of the mould, which can reduce the deformation of the machine board and the burr of the product, make the wall thickness even, and prolong the lifespan of the mould; The special screw design achieves good plasticizing effect; The special machine design helps enterprises improve production efficiency.

EVH series hydraulic clamping injection molding machine: EVH direct pressing servo energy-saving precision injection molding machine series adopt direct pressing type clamping structure, which makes the clamping force constant, the template free from deformation, and the product have high repetition precision; Low-pressure mould protection can achieve high sensitivity, is beneficial to mould protection, and prolong the service life; No mould adjustment and longer mould opening stroke are conducive to the production of deep-cavity products; Clamping and thimble are installed with high precision electronic ruler, which can achieve high precision at the position of clamping and thimble. It is widely used in home appliance industry, environmental sanitation technology, medical industry, precision electronics and automobile industry, with outstanding advantages especially in thin-walled and multi-cavity products.

EVA series hinged servo energy-saving injection molding machine: The company's EVA series machine hinged servo energy-saving injection molding machine adopts five-point hinged clamping. Through the finite element analysis of the template, it is firm and durable, with high precision. It features high cost performance, very fast

mould clamping, stable products, meeting the production of ordinary precision products and so on. In addition, The standard configuration of servo motor and gear pump can save energy by up to 50%.

EMVH series multi-material co-injection molding machine: The company's multicolor injection molding machine, with outstanding cost performance, its performance reaches up to European standards, which can meet the customer's demand for multicolor multi-material injection molding machine. The product models include L type, V type, PV type, P type, 3-color to 6-color machine, the models can be matched at will according to the customer's demand, the multi-color product programs are available. The one-stop turnkey services are provided, including product design, injection molding process, machine manufacturing, mould technology consulting.

EEA series fully electric injection molding machine: EEA series fully electric injection molding machine is a direct drive injection molding machine for glue injection and mould clamping, and the efficiency is 20% higher than belt drive. With high-end controller and five-axis servo control system, it can produce equipment with 80 tons to 360 tons of mould clamping.

The supporting equipment of injection molding machine produced by the company mainly includes three-in-one machine, mould temperature controller and other series of products. The product uses cover the main links of injection molding production such as raw material dehumidification and drying, raw material transportation, mould temperature control, etc.

The automatic feeding system is an overall solution of the production workshop designed by the company according to the customer's workshop environment, on-site machine placement and on-site raw material consumption, combined with various special injection molding machines, supporting equipment and cartesian coordinate robots produced by the company, which can realize the unmanned uninterrupted operation of the whole plant. The system adopts industrial computer to carry out automatic centralized control to all machines, which has realized 24-hour continuous automated feeding operation for all material application units, in cooperation with the different functions of various injection molding machines in the system, the whole-process automated production of "raw material → storage → measurement → drying → transportation → molding → logistics" is realized.



Figure 3: Some of the company's injection molding machine products

New products during the reporting period: The HT system mould temperature controller developed and marketed by the company during the reporting period uses water as the heat transfer medium to achieve heat exchange in a direct way, which has the advantages of high conduction efficiency, less pollution and low cost. HT series mould temperature controller is equipped with ultrasonic flowmeter, which can dynamically display the return media flow. It is conducive to the flow monitoring in actual use of customers, accurate control of pressure relief valve and booster pump actuation, greatly improving the temperature control accuracy, and reducing the fault caused by overpressure and overheating; Indirect heating achieves faster heating, better protection and longer service life; The pipeline structure is modularized and there is no welding point, which can effectively handle the corrosion of

pipeline welding point and facilitate the maintenance of customers.

3. Intelligent energy and environmental management system

The intelligent energy and environment management system adopts a hierarchical and distributed system architecture to collect and process the classified data of electric power, gas, water, storage materials, finished products, etc. of the production system, analyze the energy and resource consumption in the project operation, decompose them into unit products, so as to carry out energy consumption analysis, realize energy online monitoring, energy-saving reconstruction, industrial upgrading and industrial interconnection of resources.

With food, medicine, semiconductor, new energy, 3C products and other industries as the main line, products and services are expanded to the entire manufacturing industry. The company has an experienced design team which closely combines the production process requirements and layout planning of customers to customize the integrated programs of air conditioning system, power and lighting system, monitoring, alarming, fire fighting and communication system of working environment parameters, traffic and cargo flow system, process pipeline system, normal and low temperature process water system, etc. for them. The integrated pipeline design is carried out through BIM to realize the integration of the centralized supporting supply system of the workshop, real-time monitoring of temperature and humidity, cleanliness, pressure, material reserves and other control indexes, and the corresponding facilities are controlled through feedback calculation to achieve optimal operation, so that products can be manufactured in an environmental space with good conditions and high stability.

Through energy and resource planning, monitoring, statistics, consumption analysis, key equipment energy consumption management, energy metering equipment management and other means, the enterprise managers can accurately grasp the proportion of energy cost, the rationality of resource utilization, the development trend and operation status of the enterprise, and can decompose the energy consumption plan tasks of the enterprise to each production department, so as to make the responsibilities of energy conservation clear and promote the efficient development of the enterprise.

New products during the reporting period: The TXY I product upgraded and developed by the company during the reporting period, i.e. the intelligent whole plant visual simulation system, can present the customers' whole plant equipment through the simulation system. Data collection and analysis are conducted towards the running plant equipment to make plant management data-based and visualized, so as to help managers find out and solve problems, and achieve the purpose of optimizing process and production. In addition, according to the status of equipment operation, the better production plan is made to provide data basis for the energy-saving program. Through the simulation system, the monitoring and record of energy consumption, equipment operation, equipment maintenance and production management can be conducted in the plant, and finally the customer's plant operation can be presented accurately, so as to realize the intelligent management of energy consumption, equipment maintenance, production and security. Simulation system is the beginning of automation, which enables customers to have an intuitive understanding of automation transformation; It is also the operation of automation plant, which collects and transmits the real-time information of automation equipment and system; It is especially the result of automation, which makes plant management data-based and visualized and practically helps the operation management.

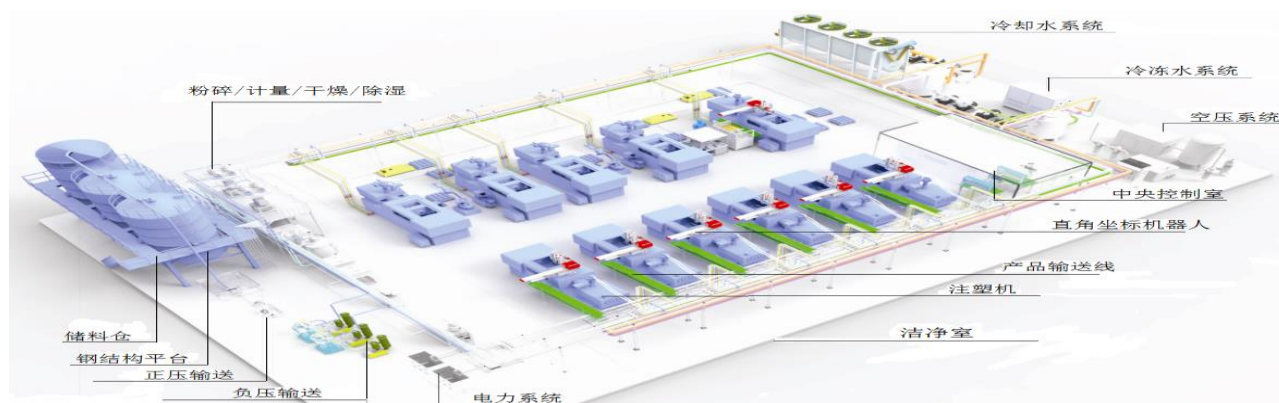


Figure 4: Schematic diagram of intelligent energy and environmental management system

(III) Business model

1. Profit model

Guided by the liberation of low-end labor force, oriented to the creation of an intelligent production environment, based on the integrated application of industrial robot, centered on the personalized program customization of industry applications, and relying on the large-scale production of relevant equipment, the company comprehensively meets the intelligent production needs of customers and provides competitive intelligent manufacturing solutions and services. Through the independent research and development to the independent robot production of the robot core underlying technology control system, servo system and visual algorithm, the company provides customers with program integration business, and provides customers and end users with business consulting, technical support and training and other comprehensive services. Relying on rich industry experience, the company optimizes standardized process workstation, adopts the marketing mode in which direct selling of stand-alone robot and process workstation, customized service for key accounts and recruitment of agents in some regions are combined to face the real needs of end customers directly, conducts design, manufacturing and sales of related products based on customer demand, conducts sales of standardized products or customized programs focusing on different customer groups, saves costs in each link and forms multiple profit sources so as to obtain profits and have prominent competitive advantages.

2. Purchasing mode

(1) Purchasing process management

The company makes the purchasing plan according to the sales and operation plan and based on the advanced SAP management system,. All purchasing activities are carried out by the purchasing department. The purchasing procedures are implemented in accordance with the ISO9001 quality management system and risk control management requirements. The settlement with suppliers is mainly made via bank transfer or acceptance bill.

According to the different types of procurement, the materials purchased by the company can be divided into production materials and fixed assets, as follows:

1) Production material procurement: production material procurement can be divided into general procurement and strategic procurement. Among them, general procurement mainly covers stainless steel plate, stainless steel pipe, square tube, fastener and other hardware materials, as well as general cable, fan, pump, sensor and other electrical and hydraulic materials. Such kind of materials features strong universality and short delivery period. The purchasing department makes purchases based on the purchase requisition (generated by the sales order through MRP calculation) in the SAP management system; Strategic procurement generally refers to the bulk

purchase of materials with long delivery period or large usage. Under normal circumstances, in order to ensure the production and delivery cycle of the company's products, or to enjoy the preferential price of bulk purchase, the planning and material control department will make the purchase plan based on the order forecast, and then submit the plan to the deputy general manager in charge and general manager for approval. Upon approval, the purchase order is made for the implementation of purchase.

2) Purchase of fixed assets: The purchase of fixed assets is submitted by the department applying for use in the OA system. According to the different purchase amount, it is submitted to the purchase department for purchase after being approved by the department head, financial director or general manager. Fixed assets with large amount are purchased through bidding or strategic cooperation.

(2) Qualified supplier management

The company implements the qualified supplier management system, in which the purchasing department, together with the technical department and the quality management department conduct development, evaluation and management of the suppliers. The company will evaluate and inspect the qualification of new suppliers, test and verify the sample materials according to the controlled management procedures, and include them into the qualified suppliers after confirmation. The company has established a complete list of qualified suppliers and carried out classified management of suppliers to ensure that the procurement work can meet the needs of the company's development.

During the procurement, the company will follow the basic principle of inquiry, price comparison and price negotiation, and select multiple qualified suppliers to determine the purchasing object through comprehensive comparison of their product quality, price, delivery period and other factors. If the company's customer has separate requirements on the brand and specification of electrical parts, the company will purchase from the designated supplier according to the contract or order signed with the customer.

3. Production mode

(1) Production organization mode

The production of the company is in the charge of the manufacturing center. The production process is mainly divided into two parts, that is, parts production and general assembly, in which the parts production includes sheet metal processing, hardware precision processing, communication wire processing, etc. the general assembly process is to assemble all kinds of components and conduct the complete machine software test and operation performance test. For standard products, the planning and material control department will issue production tasks according to sales orders or sales forecasts, the manufacturing center will organize production according to production tasks; For non-standard products, the business unit will design plans according to the actual needs of the customer, issue the bill of materials, the planning and material control department will issue production tasks, and the manufacturing center will organize production according to the production tasks. Quality inspection will be conducted on the finished products to verify the functions and stability of the products, and the procedures for warehousing will be handled after the inspection is passed.

After the products are delivered to the customer's site, if they are subject to installation and debugging, the company will carry out installation and debugging at the customer's site, and conduct operation training for the customer. After the completion of site installation and debugging, the acceptance inspection will be arranged.

(2) Outsourcing

When the company's production capacity is insufficient or the comprehensive cost is relatively high, in order to shorten the production cycle and improve the product cost competitiveness, the company can use the supplier

resources to meet the order demand through outsourcing. Common outsourcing covers customized parts processing, surface treatment, PCBA, etc. Customized parts mainly include the complete machine equipment ordered according to the company's standards and hardware parts processed and manufactured according to the company's design drawings.

The processes for which the company adopts outsourcing are all auxiliary links, which do not involve the core technologies relied on in the company's R&D, production, sales and other links. Therefore, outsourcing adopted by the company in the relevant processes will not affect the company's continuous operation due to technology leakage.

4. Sales model

The company's sales is in the charge of the marketing center and key account development department. The marketing center is composed of each sales area and marketing center, mainly responsible for the sales of stand-alone products, process workstations and small-scale programs. Each sales area sells products directly to customers. The marketing center is responsible for the formulation of the overall sales strategy, the output of sales tools and the after-sales service of products; The key account department is mainly responsible for the sales of large-scale program products. The sales activities are handled by the Iron Triangle, that is, customer manager, program manager and delivery manager. The program manager designs and determines the solution through communication with the customer according to the customer information provided by the customer manager, and then the delivery manager completes the delivery of the whole program.

The company carries out market promotion through participation in industry exhibitions and industry forums, e-commerce network promotion, advertising on mainstream industry media, customer recommendation, recommendation and cooperation of industry main engine manufacturers, arrangement of customer field visits, direct door-to-door visits, Star Shine, Global Customer Open Day, etc.

The company generally adopts bank transfer and bank acceptance for sales payment settlement, and accepts commercial acceptance bill for individual large enterprises.

(IV) Driving factors of major achievements

In terms of marketing and business development, the company's products are widely used in 3C, new energy, auto parts manufacturing, 5G, optoelectronics, home appliances and other fields. These industries, due to rising labor costs, poor comfort in production environment, or pressure from technological progress and upgrading, have a growing demand for industrial automation.

At present, the global economy is facing great uncertainty. Small and medium-sized manufacturing enterprises are more conservative and cautious about capital expenditure. In addition, the head effect of various industries is increasingly obvious, and more and more resources are gathered to the leading enterprises. In response to the complex and changing market environment, the company continues to strengthen the services for small and medium-sized customers and further tap the market share of small and medium-sized customers. In the first quarter of 2019, the company launched "Warm Spring Action" to actively provide on-site equipment maintenance for customers; in the second quarter, the company held a press conference for the first time, launched "Benefit Enterprise Benefit Action" and held several sessions of "investment promotion conference". Through technology upgrading and supply chain integration, the company launched a series of preferential enterprise special machines (HQ series Cartesian coordinate robot launched through the combination of independent core technology and supply chain integration) on the market, rewarded new and old customers with preferential price and further tapped potential customers. In addition to the key direct selling areas, the company recruited excellent agents to further expand the coverage of the company's products; In the third quarter, the company held the "Global

Customer Open Day” activity, in which more than 500 customers and more than 200 suppliers from all over the world were invited for participation. With the theme of “smart manufacturing in the future, intelligence in the future”, the basic testing laboratory, robot production line, automation application production line, etc. were open to the public for the first time, and the first new product launch was held. Besides, the value supplier conference of “expanding supply for the future” was held, in which dialogue with experts, as well as extensive exchanges in macroeconomics, capital, technology, manufacturing and other fields output constructive ideas for intelligent construction of manufacturing enterprises; In addition, during the reporting period, the company held the 12th Star Shine for 13 sessions covering the whole country, participated in nearly 10 large-scale exhibitions, such as Chinaplas, China International Industry Fair, Kshow 2019, etc., demonstrated and delivered the company’s products and brand concept to the domestic and foreign markets, and won various industry honors around intelligent manufacturing, such as Capek Robotics Summit, High-tech Golden Globe Award, Demonstration Base for Mass Entrepreneurship and Innovation in the Greater Bay Area, etc.

On the other hand, the company’s key account strategy has made effective progress. In terms of customer development, the company concentrated its efforts on tapping into the needs of the leading customers with large-scale automation applications in the downstream industry. It has effectively expanded the demands of Biel Crystal, Luxshare, BYD, Sunwoda, etc., extending its businesses from the cooperation of injection molding related business to industrial robot and automation business. In addition, new industries and new customers were also developed. In terms of market application of its own technology, the company actively conducted R&D of platform-based products according to its own technology accumulation, technology mastery and in combination with the application of industry scenarios. For example, as for TXC I and II, which were developed during the reporting period and have been launched on the market at present, TXC I is a universal four-axis robot with various parameters up to the international level, which can be widely used in multiple processes of various downstream industries; TXC II is a robot product developed by the company relying on the four-axis SCARA robot system technology of TXC series in order to realize the transformation of linear module equipment in 5G production line, which can realize multiple functions in 5G production line, such as screw tightening, gluing, etc. At present, TXC I and II SCARA robots have entered the production line of downstream customers.

In terms of its own competitive advantages, (1) the company has increased the introduction of R&D talents and actively promoted the IPD integrated product development system. During the reporting period, the company has introduced a number of core R&D talents and further improved the team for R&D of core components and parts; (2) The company continued to increase R&D investment, with R&D expenses of RMB 36.5295 Million, RMB 59.638 Million and RMB 69.9136 Million in 2017, 2018 and 2019, respectively. The amount of R&D investment has been increased year by year; (3) The company has independently developed and mastered the core control technology, servo drive and visual algorithm of industrial robot, which enables the company to carry out personalized customization of industrial robot, design and realize the differentiated control functions of industrial robot according to different processing technologies and use environments of different industries, and meet the processes with high visual requirements; (4) With rich experience in integrated automation solutions, relying on its deep understanding of the manufacturing industry, as well as its R&D and application advantages in the field of industrial robot, taking “overall automation solutions + automation equipment” as the product, the company provides customers with one-stop service in the whole process including demand communication, program design, product research and development, equipment manufacturing, system installation, spare parts supply, later maintenance, etc. (5) The company has a large number of potential customers and a stable customer base. The company has mastered a large number of customer data, with more than 6000 customers served, stable sources of revenue and promising market prospects; (6) The company has a strong and effective governance mechanism and organizational ability. The core values of the company are to serve customers wholeheartedly, and jointly strive

for group success. The company proposes to build the certainty of organizational growth to cope with the uncertainty of external environment and the industry.

(V) Basic information and market position of the company's industry during the reporting period

1. Basic information of the industry

According to the Guide to the Current Key Areas of High-tech Industrialization for Priority Development (Year 2011) jointly revised by the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Commerce and the State Intellectual Property Office, the company belongs to the industrial automation industry in the advanced manufacturing industry. Industrial automation equipment belongs to the category of intelligent equipment, which is a strategic emerging industry subject to key support and development by the state. According to the Industry Classification Guidelines for Listed Companies (Revised in 2012) and the Industry Classification of National Economy (GB/T 4754-2017), the company's complete industrial robot business belongs to "C3491 Industrial robot manufacturing" in "C34 general equipment manufacturing industry"; The company's industrial robot automation business belongs to "C35 special equipment manufacturing industry".

The German government took the lead in proposing the concept of Industry 4.0 in 2013. The United States, Japan, France and other developed industrial countries in the world have successively put forward the development strategies such as industrial IoT, rejuvenation strategy and new industrial France, etc. With the tide of iterative upgrading of intelligent manufacturing technology sweeping the globe, the manufacturing industry has been gradually transformed from labor-intensive and low -value-added products to automated, intelligent and integrated products. Under the guidance of a new round of global industrial revolution, China has made clear the upgrading trend of the manufacturing industry. With industrial production automation and informatization as the main line, the process level and product quality of industrial automation and its supporting industries have been improved, intelligent manufacturing and green manufacturing have been promoted. With the continuous rise of the average wage of manufacturing workers in China, and the continuous decline of the cost of automation equipment represented by industrial robot, the "scissors difference" effect of the two is becoming more and more obvious. With the change of population structure and labor supply conditions, China's labor cost has been significantly increased, and the "substitution of machine for human" is an inevitable trend in the manufacturing industry.

2. Major companies in the same industry

1) ABB

ABB is headquartered in Zurich, Switzerland. Its main businesses include electrical specialty, industrial automation, motion control, robotics and discrete automation, as well as ABB Ability™ digital platform for general use. The industrial robot produced by ABB is widely used in welding, assembly, casting, sealing and gluing, material processing, packaging, spraying, water jet cutting and other fields.

2) YASKAWA

Established in 1915 and headquartered in Kitakyushu, Japan, Yaskawa Electric Co., Ltd. started with key component servo and motion controller. The main products of Yaskawa include mechanical controller, frequency converter, industrial robot and other series of products.

3) FANUC

Established in 1956 and headquartered in Yamanashi, Japan, Fanuc specializes in the production of professional CNC system. Fanuc industrial robot features high precision, more convenient process control, smaller base size of the same type of industrial robot, more unique arm design, and obvious advantages of miniaturized industrial

robot.

4) KUKA

KUKA is headquartered in Bavaria, Germany. KUKA's industrial robots are widely used in material handling, processing, spot welding and arc welding, involving automobile, automation, metal processing, food and plastics and other industries. Midea Group acquired 94.55% of KUKA's equity in January 2017.

5) STAR SEIKI (STAR SEIKI for short)

Established in 1976, STAR SEIKI specializes in the production of special mechanical arm for injection molding and peripheral automation equipment. Its main products include manipulator matched with injection molding machine, conveyor belt, permutation machine, plug-in feeder, sprue shear device, fixture plate for product removal and other equipment.

6) Siasun Robot & Automation Co., Ltd. (Securities referred to as "Robot", securities code "300024")

Since 2000, Siasun Robot & Automation Co., Ltd. has been engaged in the research and development and application of robots. Its product lines cover industrial robot, mobile robot, cleaning robot, service robot and special robot. Its downstream industries involve industry, civil and military industries, and its application fields include automobiles, 3C, kitchen and bathroom, new energy, etc.

7) Estun Automation Co., Ltd. (Securities referred to as "Estun", securities code "002747")

Since 1993, Estun has started the study on the numerical control system of metal forming machine tools, and then entered the field of electro-hydraulic servo system and AC servo system. In 2012, Estun entered the field of industrial robot, and developed robot complete machine based on independent operation and control technology; Successively acquired TRIO (motion control), Yangzhou Shuguang (military integration) and MAI (system integration) in the period from 2016 to 2017.

8) Shenzhen Colibri Technologies Co., Ltd. (Securities referred to as "Colibri Technologies", securities code "002957")

Shenzhen Colibri Technologies Co., Ltd. is mainly engaged in the R&D, design, production, sales and technical services of industrial automation equipment, as well as the manufacturing business of precision parts. Its products mainly include automated testing equipment and automated assembly equipment, automation equipment accessories, precision parts, and the products are mainly used in mobile terminal, new energy, electronic cigarette, automobile, hard disk, medical health, logistics and other industries.

9) BOZHON Precision Industry Technology Co., Ltd.

BOZHON Precision Industry Technology Co., Ltd. provides customers with the overall solution of digital factory from industrial automation equipment, automated production line, tooling fixture(jig), intelligent three-dimensional warehousing and logistics, information-based products to total system integration, covering consumer electronics, automobile, new energy and other business areas. According to the needs of different industries, integrating motion control, image optics, manipulator application, informatization, precision mounting and precision pressing and other technologies, it provides customers with highly competitive products and services on its own software development platform.

10) EFORT Intelligent Equipment Co., Ltd.

EFORT Intelligent Equipment Co., Ltd. is a domestic industrial robot enterprise, which can provide customers with industrial robot products and cross-industry intelligent manufacturing solutions. EFORT provides partners with turnkey solutions in the fields of automotive welding process equipment, automated conveying equipment,

coating process equipment, robot integrated application, etc.

3. Market shares and changes of domestic products in the industry:

Compared with the developed countries, China's industrial automation started relatively late. There is still a big gap with foreign leading enterprises in terms of technology and product performance stability, and core technologies and high-end equipment are highly dependent on foreign countries. ABB, FANUC, Yaskawa and KUKA have basically monopolized the high-end market of domestic industrial robots and applications, but domestic products continue to break through technical barriers and expand market shares, with significant advantages especially in system integration.

(1) Conditions of industrial robot in the global market

According to the statistics of IFR (International Federation of Robotics), the number of industrial robots installed in the world increased from 178,100 units in 2013 to 422,300 units in 2018, with a compound annual growth rate of 19%; The ownership also maintained a rapid rising trend, with a compound annual growth rate of 13% from 2013 to 2018. According to the statistics of IFR, in 2018, due to the slowdown in the growth rate of Asia, the growth rate of global industrial robot installation slowed down to 5.66%, which is mainly attributed to the decline or slowdown in sales volume of automobile, 3C and other industries in the world, especially in Asia, resulting in the slow growth of industrial robot sales. The density of industrial robots represents the level of production automation in a country's manufacturing industry. According to the statistics of IFR, the global average industrial robot density in 2018 is 99 sets/10000 employees. In 2018, the industrial robot density reached 831 sets/10,000 employees in Singapore, ranking first in the world.

According to the forecast of IFR, the number of industrial robots installed globally will maintain an overall growth trend from 2019 to 2021, and will reach 583,500 units by 2022. According to the general industry assumption, the market scale of industrial robot system integration is three times that of the complete machine (data source: IFR). By 2022, the market scale of complete machine and system integration of global industrial robots will reach 71.128 billion US dollars.

(2) Market capacity of the industrial robot industry chain in China

Since 2013, China has become the world's largest industrial robot market. According to the statistics of IFR, the number of industrial robots installed in China from 2015 to 2018 was 68,500 units, 96,500 units, 156,200 units and 154,000 units respectively. In terms of industrial robot itself, the market share of domestic and foreign robots (calculated by number of units) in the domestic market is shown in the following table:

Year	2015	2016	2017	2018	2019
Proportion of foreign enterprises (%)	81.4%	76.5%	76.9%	72.3%	70.3%
Proportion of domestic enterprises (%)	18.6%	23.5%	23.1%	27.7%	29.7%

Data source: MIR

Through analysis according to the Analysis Report of China's Robot Industry (2018) prepared by Harbin

University of Technology robot group and other units, the market scale of system integration of China's industrial robot in 2017 is RMB 74.5 Billion, and by 2020, the market scale will reach RMB 104.2 Billion, with a compound growth rate of up to 11.8%.

The system integration of the four processes of vehicle manufacturing in the automobile industry, that is, stamping, welding, coating and general assembly is dominated by foreign capital. Based on the advantages of local services, domestic integrators began to seek breakthroughs in welding process and gradually involved other processes, and a number of large-scale domestic integrators emerged.

The 3C electronics industry has very diversified demands for robots, mainly small-scale robots with relatively low technical difficulty, focusing on cost and service, it is difficult for foreign capital to directly transfer the absolute advantage of large-scale robot applications in the automobile industry. Based on local advantages and price advantages, domestic integrators compete with foreign brands on the same platform. At present, the market share of domestic integrators is not less than that of foreign brands, and a number of large-scale domestic integrators have emerged.

Traditional industries such as new energy, food and beverage, medical care and logistics also have diversified demands for robots. With a high degree of customization and low magnitude of value compared with automobile, it is hard for foreign capital to have full coverage, and domestic integrators take the leading advantage in these fields.

4. Market position and technical level of the company's products

The industrial automation industry to which the company belongs is the fully competitive industry. According to the category of products provided, enterprises in the industry can be divided into manufacturers of key parts of automation equipment, independent manufacturers of automation equipment and integrators of automation solutions.

International manufacturers represented by ABB, KUKA, FANUC, Yaskawa, Siemens and GE have occupied a large market share of high-end automation equipment market by virtue of their leading advantages in the manufacturing field of key parts and robots. Automation solution integrators need to have product design ability and project management experience, and provide personalized equipment that can adapt to different application scenarios on the basis of deep understanding of the user industry process.

Starting from the business of injection molding machine supporting equipment, the company launched the automated feeding and water, electricity and gas supply system in 2009, providing customers with the program for the whole plant automatic feeding, water, electricity and gas supply of the injection molding production line. Since 2011, the company has successfully launched Cartesian coordinate robot, multi-joint robot, and various integrated automation solutions based on industrial robot applications on the market. The company has basically completed the successful transformation from a single field equipment manufacturer to an industrial automation solution service provider. With the in-depth understanding of the production process of relevant industries, control software with independent intellectual property rights, rich experience in on-site debugging and installation, thoughtful customized program design and large-scale production capacity of relevant intelligent equipment, the company's performance in the past three years has achieved rapid growth. With the compound annual growth rate of operating revenue as high as 56.51% in the last three years, the company has indicated a good growth potential. In the context of the gradual disappearance of demographic dividend and the sharp rise in labor cost, with the continuous growth of downstream manufacturing enterprises' demand for production automation, the market will be more inclined to choose products with cost-effective advantages and high degree of customization, and the company's market share will be further increased.

At present, the company has mastered the control technology, servo drive technology, visual algorithm and other core technologies of industrial robot through independent research and development.

The control technology includes motion planning, trajectory interpolation, motor control, driver control, distributed IO control, EtherCAT bus communication, sensor technology and so on, some of which are at the leading level in China. The independent key control technologies are mastered, so that the company has the ability to carry out personalized customization of industrial robots, and design and realize the differentiated control functions of industrial robots according to different production processes and use environments of different industries; To master the independent key control technology is also the basis for the company's robot products to realize function expansion. Based on the independent control technology, the company's robot products can make a variety of peripheral interfaces available, integrate the external equipment into the robot control system, and realize integrated control; Or plug-in wireless module is made to realize remote monitoring and facilitate integrated management, which has laid a technical foundation for the company's industrial robot products to achieve personalized application, broke the situation that the standardized products do not match the personalized needs of downstream customers, and become one of the core competitiveness of the company's rapid growth in performance.

As the core power component of automation equipment such as robot, servo driver directly gets involved in the control of position, speed, torque and other states of moving parts, which is the key link to affect the stability and accuracy of the equipment. The company has independently developed the robot servo system, which integrates the cutting-edge servo control technology. According to the application demand of the robot field, through continuous research and improvement, the control algorithm and parameters have the characteristics of high positioning accuracy, fast response speed, high reliability, and strong expandability. Breakthroughs have been made in the algorithms of torque compensation and feedforward, vibration suppression, multi-stage filter, high-performance demagnetization, high-efficiency parameter setting, etc., and the key performance of the robot, such as high dynamic response, compliance control, and saturation acceleration, have been improved. The company has independently developed a four-axis robot drive and control integrated controller, which is equipped with high-performance heterogeneous multi-core processor to achieve a high degree of integration of control technology and drive technology. With bus interaction of large data volume and high throughput as well as powerful computing performance, real-time intercommunication, multi-axis synchronization, compliant motion interpolation, accurate positioning and fast response of control and servo drive have been achieved. The company has independently developed a special servo drive system, which can make independent adjustments and give quick response according to the application process requirements of different industries, so as to provide customers with efficient and complete solutions.

Visual algorithm is the process in which the computer is assisted to understand the image through mathematical model, and extract useful information from the image according to the needs, the computer is informed of the current relevant data, the computer issues the corresponding command, and the mechanism performs the determined action. In principle, vision technology can be divided into image acquisition, image display or output, image analysis. Through the camera, the real physical information of the detected object is converted into analog voltage signal, which is converted into digital signal through A/D converter, and then transmitted to the image processing software through the image acquisition card, and image recognition is realized according to image pixel, feature and other information. Vision technology has become the most fruitful emerging field in the detection industry, which is mainly used in industrial monitoring, quality inspection and control, robot vision system and other industries which are not suitable for manual operation, have high visual requirements or large-scale assembly line operation. In 2016, the company set up a robot vision research and development team,

which has mastered image processing, robot calibration, defect detection, vision positioning, vision measurement and other technologies, and successfully transplanted them to the robot control system, realizing the seamless connection between robot and machine vision, effectively enhancing the competitiveness of the robot.

II. Significant changes in major assets

1. Significant changes in major assets

Major assets	Description of significant changes
Equity assets	Long-term equity investment decreased by RMB 7.2191 Million, down 42.76%, mainly due to the provision for impairment of RMB 7.0416 Million for Wuhan JoTong.
Fixed assets	No significant change has taken place in current period.
Intangible assets	No significant change has taken place in current period.
Construction in progress	Construction in progress increased by RMB 25.7256 Million, mainly due to the increased investment in Jiangsu Topstar's projects such as robot and automated intelligent equipment.
Monetary funds	Monetary funds increased by RMB 483.104 Million, an increase of 114.88%, mainly due to the receipt of funds raised through additional public offerings.
Trading financial assets	Trading financial assets increased by RMB 200.0121 Million, mainly for the use of idle funds to purchase structural deposits.
Accounts receivable	Accounts receivable increased by RMB 329.5603 Million, an increase of 71.78%, mainly due to the increase of accounts receivable with the expansion of business scale of the company.
Advance payment	The advance payment increased by RMB 15.1477 Million, an increase of 36.67%, mainly due to the increased demand for material procurement for project implementation.
Deferred income tax assets	Deferred income tax assets increased by RMB 4.4181 Million, an increase of 67.61%, mainly due to the increase in deferred income and the increase in the impairment of accounts receivable.

2. Major overseas assets

√ Applicable □ Not applicable

Specific content of assets	Cause of formation	Asset size	Location	Operation mode	Control measures to ensure the safety of assets	Income status	Proportion of overseas assets in the company's net assets	Whether there is any significant impairment risk
Equity assets	Investment in the wholly-owned subsidiary Topstar Worldwide	RMB 121.5787 Million	Hong Kong	Trade	100% ownership, full control	In 2019, the company made a net profit of RMB 34.194 Million	7.26%	No

Other information	In 2019, the company's monetary funds increased by RMB 57.5156 Million, an increase of 3,564.28%, and its accounts receivable increased by RMB 62.2941 Million, mainly due to the implementation of Luxshare (Vietnam) project, the project progress payment received and the completion acceptance of some projects, resulting in the increase of monetary funds and accounts receivable.
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III. Analysis of core competitiveness

The company shall comply with the disclosure requirements in the Guidelines for Shenzhen Stock Exchange GEM Industry Information Disclosure No. 11 - Listed Companies Engaged in the Industrial Robot Industry Chain Related Business

The company has been committed to the innovation and application of industrial production automation. In the process of development, the company has continuously strengthened the R&D investment in industrial robots and their underlying core technologies. In addition, it has accumulated rich industry experience in production technology, product process and application practice. With the accurate command of the market, the profound understanding of the industry, and years of accumulation of high-quality customer resources, the company has established a good brand image in the industry, with relatively prominent competitive advantages. The details are as follows:

1. R&D advantages

The R&D of the company is divided into basic technology R&D and application development. Basic technology R&D include the research and development of control, servo, vision and other underlying technologies. Application development mainly focuses on industrial robot products and automation solutions. After actively promoting the integrated product development (IPD) system, faster and more efficient delivery is made available under the premise of ensuring product quality. In terms of basic research and development, the underlying technologies such as controller, servo system and visual algorithm are the basis of intelligent manufacturing. Based on these basic technologies and industry processes, products are developed.

At present, the company has independently developed and mastered the underlying technologies of core components such as controller, servo system and machine vision in the field of industrial robot and automation. The controller acts as the “brain” of the robot, which is responsible for planning and sending out command signals; the servo system acts as the “nervous and muscular system” of the robot, which is responsible for receiving and executing the command of the controller; the vision system acts as the “eye” of the robot, which is responsible for collecting work environment information. The company has mastered these underlying technologies, which is conducive to providing customers with more flexible solutions and developing platform-based products based on application scenarios.

Since its establishment, the company has always regarded R&D as its lifeline. With the completion and application of the “industrial robot and automation application technology R&D center construction project”, one of the fund-raising projects of the company's initial public offering of shares, a solid foundation has been laid for the establishment of the company's R&D center platform and the setup of the R&D team of underlying technologies of core components, an increasingly complete R&D system has been built and a good R&D mechanism has been formed. During the reporting period, the company increased the introduction of technical talents and introduced a number of core R&D talents. In each core technology field, the chief scientist PhD took the lead in promoting various R&D work, further improved and promoted the R&D team of underlying technologies of core components. In addition, the company actively promoted the integrated product development (IPD) system, under the premise of maintaining the “market-oriented” R&D concept, effectively improved the quality and efficiency of product R&D, shortened the R&D cycle, and improved the market competitiveness of

products.

Topstar product R&D center focuses on the vision, servo, control technology and product R&D in the field of industrial robot automation. The core members of the technology and management team have many years of working experience in well-known companies in the industry, with rich theoretical and practical experience. Vision, servo and control are three main research directions, which are led by industry doctoral experts with comprehensive background of research institute and industry. The research directions cover path planning, motion control, image processing, process integration, network communication, human-computer interaction, etc. The product R&D center carries out scientific management and control of R&D projects with IPD process, under the guidance of the team values of success, perfection, innovation and cooperation, the R&D center continuously enhances its R&D strength, and continuously launches independent products with market competitiveness, which has become an important step of corporate strategies driven by both channels and technologies.

2. Market advantages

The company adheres to the business philosophy of “taking science and technology as the driving force, taking the market as the guide, striving for survival on the basis of quality and promoting development with brand” to develop business in the market. In terms of marketing and sales of standard products such as injection molding machine, supporting equipment, stand-alone industrial robot, etc., the company owns a ground sales team of nearly 400 people in 32 offices across the country, facing a large number of downstream small and medium-sized customers all year round to develop new customers, maintain old customers and tap into their demands. In terms of automation solution business, the company has more than 30 senior key account project managers, and it is also equipped with an experienced program design team and delivery team to form an Iron Triangle camp, responsible for the whole process of customer development, program design and optimization, material procurement, manufacturing, on-site installation and debugging, customer personnel training, etc., so as to ensure that customer needs can be fully and accurately met. The company has served more than 6000 customers, including Biel Crystal, Luxshare, Jabil Green Point, BYD, Great Wall Motors, TCL, Foxconn and other well-known enterprises, covering 3C, new energy, auto parts manufacturing, 5G, optoelectronics, home appliances and many other fields. After years of development, the company has accumulated rich successful experience in integrated application of industrial robots, industrial automation program design and automation equipment manufacturing, and can provide customers with a full range of intelligent manufacturing services. Effective progress has been made since the key account strategy was put forward. The company concentrates its efforts to tap into the needs of large-scale new and old customers and expand the scope of services.

3. Standardized solution advantages

With the increasingly strong demand of manufacturing enterprises for the automation of production process, relying on its deep understanding of the manufacturing industry, as well as its R&D and application advantages in the field of industrial robots, in the “1+N” mode of robot and process equipment, the company provides customers with one-stop services in the whole process including demand communication, program design, product R&D, equipment manufacturing, system installation, spare parts supply, later maintenance, etc. In addition, through product modularization, the company is made to have the ability to realize program customization on standardized underlying products.

On the one hand, the company has a huge team of professional talents engaged in R&D, sales, service, etc., and has been deeply rooted in manufacturing and industrial automation for many years. It has a profound understanding of the production process, product characteristics and application scenarios of production enterprises. In addition, with rich practical experience in automation application, it can design personalized

overall solutions most in line with the customer's own characteristics according to various requirements presented by the customer. Different from the way that many manufacturers provide standardized equipment to customers and form industrial production lines through integration, the company, as an overall solution provider, provides the downstream manufacturing customers with overall automation solutions, which can effectively avoid many suppliers' differences and deficiencies in technical level, design concept, manufacturing standards, technical support, product connection and after-sales service, and greatly reduce the customer's cost in communication, coordination and maintenance management, so as to meet the all-round needs of customers in real sense. Therefore, the company has the obvious advantage in the customization of overall automation solutions, which has also become one of the core competitiveness of the company for its development and expansion.

On the other hand, relying on its own controller, servo drive, visual algorithm and other underlying technologies, combined with the company's profound solution experience and industry application process, the company builds a strong middle platform system, constantly draws materials while serving customers, develops a modularized and standardized automation solution underlying toolkit, and then combines the customer's application scenarios to select the corresponding modules from the underlying toolkit to form a specific solution. Therefore, the company not only better realizes the "end-to-end" customized service, but also forms a platform-based product system on the basis of customization, which has promoted the gradual realization of the standardization of the company's own production, improved and optimized the efficiency of the company's service, production and operation, and further enhanced the company's market competitiveness.

4. Organization advantages

The company has a vigorous, pragmatic and capable management team with rich industry experience and forward-looking vision, which can grasp the development trend of the industry in a timely and accurate manner and keenly grasp the market opportunities.

The core values of the company are "serving customers wholeheartedly, striving for the group and achieving the group success". Only by serving customers wholeheartedly, can the win-win situation of customer value (customer value added), corporate value (enterprise development) and individual value (individual growth) be achieved. Similarly, the company is more willing to let the strivers share the achievements brought by the company's development. Since its establishment, the company has successively implemented employee stock ownership plan and equity incentive plan, which reflects the company's sharing culture. The management team is highly consistent in its recognition of the company's core values, corporate culture and business philosophy. The core management personnel are complementary in their specialties, with a clear division of responsibilities. The management team has very strong cohesion and execution.

During the reporting period, the company has established the HRBP and financial BP systems in each major business unit, which enables human resources and finance to penetrate into the business department and promotes the implementation of strategies. Based on its own growth gene and management philosophy, the company has introduced a group of management and technical talents with more than ten years' experience in leading domestic manufacturing enterprises in key departments such as R&D, marketing, quality and IT, and gradually got them integrated. Besides, the company actively promotes the transformation of MTL, LTC, ITR and other process systems. In the future, the management of all departments of the company will be more process-oriented and institutionalized, so as to further improve the management efficiency of the company.

5. The key technologies or performance indexes of the company's core products fully meet customer needs

(1) Category, application field, load, repeatability accuracy and other technical indexes of industrial robot

The company's industrial robots include six-axis multi-joint robot, SCARA robot, parallel robot, Cartesian

coordinate robot and other series, with a variety of products and a complete range of models, which can fully cover the downstream customers' demand for universal automation upgrading and transformation.

1) Six-axis multi-joint robot

The company has six main models of six-axis multi-joint robot, namely TSR 090-05, TSR 070-07, TSR 140-10, TSR 170-20, TSR 210-50 and TSR 260-220. The relevant parameters and applications are as follows:

TSR 090-05, with a rated load of 5kg, a motion radius of 901mm, repeated positioning accuracy of ± 0.03 , protection grade of IP54, and a weight of 40kg, it is mainly used in assembly, handling, dispensing, feeding and blanking, welding and grinding.

TSR 070-07, with a rated load of 7kg, a motion radius of 708mm, repeated positioning accuracy of ± 0.03 , protection grade of IP54, and a weight of 38kg, it is mainly used in assembly, handling, dispensing, feeding and blanking, welding and grinding.

TSR 140-10, with a rated load of 10kg, a motion radius of 1470mm, repeated positioning accuracy of ± 0.05 , protection grade of IP54, and a weight of 170kg, it is mainly used in welding, grinding, stamping, feeding and blanking, palletizing and spraying.

TSR 170-20, with a rated load of 20kg, a motion radius of 1776mm, repeated positioning accuracy of ± 0.05 , protection grade of IP54, and a weight of 270kg, it is mainly used in welding, grinding, stamping, feeding and blanking, palletizing and spraying.

TSR210-50, with a rated load of 50kg, a motion radius of 2146mm, repeated positioning accuracy of ± 0.15 , protection grade of IP54, and a weight of 550kg, it is mainly used in welding, grinding, stamping, feeding and blanking, palletizing and spraying.

TSR260-220, with a rated load of 220kg, a motion radius of 2674mm, repeated positioning accuracy of ± 0.2 , protection grade of IP54, and a weight of 1110kg, it is mainly used in welding, grinding, stamping, feeding and blanking, palletizing and spraying.

2) Planar four-axis robot (SCARA)

The company has four main models of planar four-axis robot (SCARA), namely TS450-01-A, TS650-03-A, TXC I and TXC II. The relevant parameters and applications are as follows:

TS450-01-A, with a rated load of 1kg, a maximum load of 3kg, a motion radius of 450mm, repeated positioning accuracy of ± 0.02 , protection grade of IP40, and a weight of 16kg, it is mainly used in assembly, handling, dispensing, feeding and blanking, welding and grinding.

TS650-03-A, with a rated load of 3kg, a maximum load of 5kg, a motion radius of 650mm, repeated positioning accuracy of ± 0.02 , protection grade of IP40, and a weight of 40kg, it is mainly used in assembly, handling, dispensing, feeding and blanking, welding and grinding.

TXC I, with a rated load of 2kg, a maximum load of 6kg, a motion radius of 600mm, repeated positioning accuracy of ± 0.015 , protection grade of IP54, and a weight of 20kg, it is mainly used in assembly, handling, dispensing, feeding and blanking, welding and grinding.

TXC II, with a rated load of 15kg, a maximum load of 30kg, a motion radius of 600mm, repeated positioning accuracy of ± 0.015 , protection grade of IP54, and a weight of 51kg, it is mainly used in screw tightening (loosening), dispensing.

3) Parallel robot (Delta)

The company has five main models of parallel robot (Delta), namely TSP080-03-A, TSP120-08-A, TSP160-08-A, TSP180-15-A and TXH I. The relevant parameters and applications are as follows:

TSP080-03-A, with a rated load of 3kg, a motion space of $\phi 800 \times 300$, repeated positioning accuracy of $\pm 0.1\text{mm}$, angular repeated accuracy of $\pm 0.4^\circ$, end rotation angle of 360° , takt time of 0.28s, and a weight of 66kg, it is mainly used in the rapid sorting of food, medicine, daily chemicals, 3C, logistics, warehousing, tobacco and other industries.

TSP120-08-A, with a rated load of 8kg, a motion space of $\phi 1200 \times 300$, repeated positioning accuracy of $\pm 0.1\text{mm}$, angular repeated accuracy of $\pm 0.4^\circ$, end rotation angle of 360° , takt time of 0.3s, and a weight of 95kg, it is mainly used in the rapid sorting of food, medicine, daily chemicals, 3C, logistics, warehousing, tobacco and other industries.

TSP160-08-A, with a rated load of 8kg, a motion space of $\phi 1600 \times 300$, repeated positioning accuracy of $\pm 0.1\text{mm}$, angular repeated accuracy of $\pm 0.4^\circ$, end rotation angle of 360° , takt time of 0.3s, and a weight of 105kg, it is mainly used in the rapid sorting of food, medicine, daily chemicals, 3C, logistics, warehousing, tobacco and other industries.

TSP180-15-A, with a rated load of 15kg, a motion space of $\phi 800 \times 300$, repeated positioning accuracy of $\pm 0.1\text{mm}$, angular repeated accuracy of $\pm 0.4^\circ$, end rotation angle of 360° , takt time of 0.3s, and a weight of 105kg, it is mainly used in the rapid sorting of food, medicine, daily chemicals, 3C, logistics, warehousing, tobacco and other industries.

During the reporting period, the company independently developed and launched a parallel robot TXH I, the model of which is PP1200, with a rated load of 8kg, a maximum load of 15kg, a cylinder motion range of 1200 mm in diameter, a cylinder height of 245mm, a small round table motion diameter of 800mm, a height of 105mm, standard cycle time of 0.27 seconds, and a protection grade of IP65, which can be used for rapid sorting and widely used in the medical and food industries.

4) AGV mobile robot

The company has three main models of mobile robot, namely TMMA200, TMMA500 and TMMA1000. The relevant parameters and applications are as follows:

TMMA200, with a maximum load of 200kg, the navigation mode of laser navigation, butt-joint accuracy of $\pm 2\text{mm}$, motion speed of 1.5m/s, charging time of 3h, endurance time of 8h, a weight of 100kg, it is mainly used in warehousing, logistics, handling, navigation and other fields.

TMMA500, with a maximum load of 500kg, the navigation mode of laser navigation, butt-joint accuracy of $\pm 5\text{mm}$, motion speed of 1m/s, charging time of 3h, endurance time of 8h, a weight of 200kg, it is mainly used in warehousing, logistics, handling, navigation and other fields.

TMMA1000, with a maximum load of 1000kg, the navigation mode of laser navigation, butt-joint accuracy of $\pm 5\text{mm}$, motion speed of 0.6m/s, charging time of 3h, endurance time of 8h, a weight of 250kg, it is mainly used in warehousing, logistics, handling, navigation and other fields.

5) Cartesian coordinate robot

Cartesian coordinate robot, also known as manipulator, it is a manipulator which can realize automatic control, repeatable programming, spatial right-angle relationship between the degrees of freedom of motion and multiple

purposes. The Cartesian coordinate robot independently developed and produced by the company is driven by servo motor, transmitted by the belt, gear and rack, and equipped with high-precision linear sliding rail to guide the operation, so that the product has the characteristics of precise positioning, fast motion speed, stable operation, etc., which can be applied to the straight, planar and three-dimensional workpiece handling and transfer, detection and positioning, automatic assembly and other processes. The vertical stroke of single-section manipulator is 600/800/900mm, and the vertical stroke of double-section manipulator is 900/1100/1500/1700mm. It is mainly used in various horizontal injection molding machines of 75-1300 tons, and used in the removal of finished products with high requirements of appearance and accuracy and runner. With ultra high-speed removal, high rigid sliding rail transmission, combined with the open servo positioning control system, high-precision removal can be achieved.

(2) Requirements for application function, process and performance of industrial robot system integration equipment or solutions

The main application processes of the company's industrial robot system integration include spraying, handling, feeding and blanking, welding, grinding, injection molding, stamping, assembly, testing, gluing, etc. The following are the specific requirements for the process and performance of some workstations:

Spraying workstation: The main products of spraying are three series of intelligent surface treatment equipment, industrial robots and complete sets of automation equipment, environmental protection equipment, guided by the liberation of low-end labor force and improvement of harmful working environment, based on the integrated application of industrial robots, centered on the customization of personalized programs for industry applications, the business fields range from top-quality toys, home appliances, hardware, 3C products, automobile, auto parts, heavy industry, military industry, aviation, new energy and other industries. The robot spraying system is mainly composed of product identification and information transmission system, position tracking system, automatic spray gun components, robot motion control system, central process data processing center, etc. Its main function is to substitute artificial spraying, conduct intelligent data-based spraying management, product beautification, etc.

SCARA+Delta disordered handling: TXC I SCARA robot and its integrated drive and control technology, the Delta robot are comined with the vision system for operation. Firstly, the SCARA robot places the workpiece into the conveyor belt, and the vision system is installed above the conveyor belt. At this time, the arrangement of the workpiece is still in a disordered state. After the workpiece enters the vision system identification area, the vision system will quickly identify the offset angle of the workpiece, and then the Delta robot will grab the workpiece at an ultra-high speed, correct the position of the workpiece and arrange it in order. The SCARA robot device has a repeated positioning accuracy of 0.01mm, cycle time of 0.38s. The Delta robot has a motion range of 1200mm, standard cycle time of 0.27s, a rated load of 8kg and a maximum load of 15kg. The workstation can be used in medical treatment, food, toy, entertainment and other industries.

Quick handling of SCARA robot: The SCARA robot is used for quick handling operations, which covers less floor space, can be operated in a narrow space, and facilitate large-scale layout in the workshop. With the vision system, the on-site scene can be quickly identified and immediately transmitted to the robot, helping the robot realize synchronous grab. The equipment has a repeated positioning accuracy of up to 0.02mm, a stroke of 600mm, a rated load of 6kg and a maximum load of 10kg.

Screw machine workstation: The SCARA robot is used with the vision system. Firstly, the position of screw hole is located by the vision system, and the positioning data is transmitted to the robot. After receiving the data, the robot will process the data according to the preset control system, and then move to the corresponding position to complete the screwing operation. M3 to M12 screws can be tightened according to the needs of customers on site,

which can cover most of the screw tightening requirements in 3C, electronics and other industries. With the ability to set the torque, the locking efficiency is 5 to 30 times higher than that of manual tightening, which can greatly improve the production efficiency. The equipment has a repeated positioning accuracy of 0.025mm and a stroke of 650mm.

Stamping workstation: The robot stamping system is mainly composed of robot and end gripper, double-position feeding system, sheet stock separation system, automated oiling system, correction system, flipping system, servo lathe edge processing system, automatic material receiving system and centralized control system. The main function is to substitute manual operation to complete automated feeding, oiling, punch feeding and blanking, deburring through lathe edge processing system, material collection and transportation, so as to achieve safety production. The main process is to complete automatic feeding of hardware parts, automatic oiling correction, stamping of feeding and blanking, flipping correction, continuous stamping of feeding and blanking, metal burr removal through lathe processing, material receiving and palletizing. The main advantages of the company's robot stamping system are reflected in the availability of human-computer interaction, APP application and auxiliary systems, big data analysis(such as preventive maintenance), real-time monitoring, intelligent tools, material traceability, real-time monitoring of system status, simulation, etc., which can meet the needs of information-based production. In addition, with the characteristics of flexibility and high efficiency, multiple robots can be connected via bus communication, so as to achieve seamless connection, greatly improve the production safety level, improve the production efficiency, and reduce the production cost.

Plastic welding workstation: The company's plastic welding workstation is mainly used to solve the welding assembly of automobile interior and exterior decoration products. The main products include ultrasonic welding equipment, hot riveting and fusion equipment, infrared welding equipment, laser welding equipment, hot plate welding equipment, vibration friction welding equipment. The main process is to control the ultrasonic generator to generate waves through PLC. The energy conversion of the transducer makes the welding head produce mechanical vibration with low amplitude and high frequency. When the welding head contacts with the product, high temperature will be generated locally, and certain pressure will be applied to integrate the products at the upper and lower parts. The ultrasonic output energy, welding time, welding pressure, holding time and welding depth are controlled and adjusted by PLC to achieve a perfect welding state. The main advantages of the company's plastic welding workstation lie in independent innovation, the use of independent R&D control system, plus advanced laser system, makes the equipment have the functions of intelligent judgment, data collection, process tracking, with the repeated positioning and welding depth accuracy $\leq 0.1\text{mm}$, and single welding time $\leq 3\text{S}$.

Welding workstation: With the preset control program of six-axis robot, the welding head or welding machine is installed at the front end of the robot for spot welding or arc welding, combining with the on-site application scenarios, various welding operations can be completed, with the welding speed from 5 mm/s to 50mm/s, the position of the welding gun can be adjusted freely, realizing various complex welding curve displacement. It is mostly used in automobile, engineering machinery, electric elevator and other industries, which can substitute more than 80% of welding stations, with repeated positioning accuracy of 0.05mm and a stroke of 1410mm.

Mobile phone and sheet metal grinding workstation: With the preset control program of six-axis robot, the clamping fixture is installed at the front end of the robot, which will directly clamp the workpiece to be grinded, and conduct the grinding operation near the grinder according to the preset procedure. With the repeated positioning accuracy of 0.05mm, a stroke of 1410 mm, a rated load of 10kg, a maximum load is 12kg, it is widely used in the grinding process of mobile phone and sheet metal parts, which can greatly save labor and reduce the requirement for the proficiency of workers.

Robot packaging and palletizing workstation: It is mainly used for packaging, handling, palletizing and other operations for products of bag, can, bottle and other shapes. The packaging and palletizing of robot is mainly used in food, fertilizer, hardware, electronics, steel materials and other industries, mainly focusing on packing, handling, palletizing and other operations for bagged, canned, bottled products, etc. The robot has the following advantages for packaging and palletizing: Low failure rate, packaging and stacking robot features low failure rate, reliable performance, simple maintenance and repair, and small type of spare parts inventory; With strong applicability, when the size, volume, shape of the customer's products and the overall dimension of the pallet change, it only needs to make a little modification on the touch screen, which will not affect the normal production of the customer; With high stability, the products packed and palletized by the robot are orderly and standardized, which is more convenient for ex-warehouse and being put in storage, and the promotion of intelligent warehousing; Saving more labor force, a palletizing robot can substitute three or four workers for their workload; With less floor space, a packaging and palletizing robot covers less floor space, which is conducive to the placement of production lines in the customer's workshop; With low energy consumption, the energy consumption of a packaging robot is more than 50% less than that of conventional packaging machinery, which greatly reduces the operation cost.

Injection molding workstation: The robot injection molding application system is an automation solution for the injection molding industry, which is mainly composed of robot and end gripper, insert feeding system, shear trimming system, laser marking system, visual inspection system, automatic packing and conveying system and centralized control system. The main functions are to complete the assembly and grab of the embedded parts in the injection molding process, embed the inserts into the mould, take out the products, shear the sprue, remove the burr, grind the stress marks, correct deformation, conduct quality inspection, packing, etc. The main advantages of the company's injection molding station lie in the availability of human-computer interaction, APP application and auxiliary systems, big data analysis(such as preventive maintenance), real-time monitoring, intelligent tools, material traceability, real-time monitoring of system status, simulation, etc., which can meet the information-based needs. In addition, the robot can carry out the changes of position with multiple degrees of freedom after pick-up, especially in the complex working conditions such as trimming of the workpiece and cutting of the runner, so as to make the pick-up system more flexible and meet the customer's demand for rapid upgrading of products. Besides, it can also effectively avoid the surface pollution caused by manual operation and reduce the defect rate in the process of product surface treatment, so as to improve the production efficiency of injection molding machine, stabilize product quality, reduce rejection rate, reduce production costs, and enhance the competitiveness of enterprises.

Assembly workstation: For robot assembly, the robot is mainly substituted for manual operation in product production and assembly, so that the production line is mainly used in various electrical manufacturing (including the assembly of computer, mobile phone, tablet, refrigerator, washing machine, TV, vacuum cleaner and other mechanical and electrical products and their components). The main processes involved are lamination, plug-in, locking, dispensing, etc. The main advantages lie in strong applicability, the robot can meet the needs of multiple batches and small quantities of rapid production transfer of the production line, and fast switching can be only realized only through simple programming and tooling substitution; High repeatability, high precision of the robot ensures the consistency of the assembled products, and improves the product yield; Low loss rate, with the torque control technology, the jamming and damage of parts assembly can be avoided; High accuracy, with the machine vision technology, the robot is guided to correctly identify and grab the workpiece, and improve the assembly accuracy to 0.05mm.

Detection workstation: Automatic detection is mainly to judge the functions and characteristics of products before,

during and after the manufacturing process with the help of visual algorithm and gauge. The main processes include size detection, color detection, air tightness detection, electrical performance detection, packaging detection, weight detection, etc. The main advantages lie in high efficiency and high speed. The equipment adopts automatic feeding and blanking mode, which can greatly improve the quantity of parts judged per unit time. With low misjudgment rate, the equipment makes judgment according to the sensor and specific logic algorithm, which avoids the judgment error caused by subjective ideas. With high stability, the equipment can perform judgment tasks stably and continuously for a long time, but it is difficult for human to make continuous identification for a long time towards the same object.

Gluing workstation: The six-axis robot combined with the 3D vision system are used for operation. The vision system locates the operation object and transmits the running route to the robot after calculation. After processing the data sent back by the vision system according to the preset program, the robot spreads glue on the operation object quickly and evenly, thus improving the production efficiency, saving time for feeding and blanking, and greatly improving output. The equipment has a repeated positioning accuracy of 0.03mm, a stroke of 900mm, a rated load of 5kg and a maximum load of 7kg.

Section IV Discussion and Analysis of Business Situation

I. Overview

In 2019, under the circumstances that China's manufacturing sector faced continued uncertainty in the global economy and continued friction in international trade, science and technology, the Board of Directors and management of the company led all the staff to actively deal with various difficulties and challenges, focused on the demand of global manufacturing on intelligentization, to provide customers with competitive intelligent manufacturing solutions and services, and the company's business performance continued to develop steadily during the reporting period.

During the reporting period, the operating revenue reached RMB 1.6603634 Billion, an increase of 38.58% over the same period last year; The net profits attributable to the shareholders of the listed company after the deduction of the non-recurring profit and loss reached RMB 183.3209 Million, a year-on-year growth of 17.65%; As of December 31, 2019, the company's total assets reached RMB 2.6679015 Billion, an increase of 56.20% over the previous year; Shareholders' equity attributable to the parent company amounted to RMB 1.6724918 Billion, an increase of 83.58% over the previous year.

During the reporting period, the company took multiple measures to ensure the stable development of the company's business performance through the establishment of new research and development platforms, talent introduction, new product research and development, business expansion and the active implementation of key account strategy. During the reporting period, the company set up a large platform of R&D center serving the whole business module. The R&D center actively introduced the IPD integrated product development system for management, carried out various R&D activities centering on the robot core technology field, continuously increased R&D investment, and made certain breakthroughs in both products and technologies. During the reporting period, the company introduced the HQ series Cartesian coordinate robot, TXC I, TXC II, TXY I, TXH I and other new products, which has further consolidated the company's market competitiveness in terms of products and services. In addition, the company actively promoted the key account strategy and achieved very significant results: We have newly developed the key account in the food packaging manufacturing industry, Guangdong Shaoneng Group Co., Ltd., and the customer in the new energy industry, NVT, etc., and effectively expanded the demands of Biel Crystal, Luxshare (Luxshare Precision Industry Co., Ltd.), BYD, Sunwoda, Foxconn and other customers. In recent years, the company has delivered more than 70 automation projects to Biel Crystal, realized the automation transformation of multiple processes, and deeply integrated into the customer's automation development and production efficiency improvement. Luxshare is a leading precision manufacturing enterprise. The company has undertaken its intelligent energy and environmental management system business related to the construction of automatic production environment in the front end of Luxshare's automatic production. As can be seen from the above, the company's automation business competitiveness is formed from multiple perspectives including the successful development of leading customers in multiple industries and the deep understanding, penetration and integration of customer automation; Its core is jointly constructed with the company's autonomous and controllable underlying technology as the basis, with the efforts to build a center for product standardization and modularization as the support, and in combination with standardized and flexible products based on technology and industrial process application.

1. Marketing

During the reporting period, the main business modules maintained a healthy development momentum, among which the business of industrial robot and automation application system realized a revenue of RMB 800.1562 Million, a year-on-year growth of 13.43%; The two main business modules, that is, injection molding machine,

supporting equipment and automatic feeding system, intelligent energy and environmental management system also maintained a continuous growth trend, among which the business of injection molding machine, supporting equipment and automatic feeding system realized a revenue of RMB 260.8643 Million, a year-on-year growth of 13.8%; The business of intelligent energy and environmental management system realized a revenue of RMB 560.3941 Million, a year-on-year growth of 137.9%.

During the reporting period, the company's key account strategy achieved good results. The company concentrated its efforts to dig deep into the demands of customers with large-scale automation application in the downstream industry, effectively expanded the demands of Biel Crystal, Luxshare, BYD, Sunwoda, Foxconn and other customers, extended cooperation from the injection molding related business to the industrial robot and automation business, expanded new customers in new industries, e.g., the company developed the industry leading customer Shaoneng, and expanded the automation business of the packaging manufacturing industry with high standards of production environment and production efficiency. The marketing and service network construction project, one of the initial public offering fund raising projects of the company, has played a positive role in the configuration of the company's ground marketing team, the setup of the marketing center, the collection and analysis of marketing data, the rapid implementation and promotion of key account strategy and the realization of operating revenue in 2019.

2. Technical research and development

During the reporting period, the company integrated R&D resources, improved the comprehensive R&D ability, and set up the big R&D center platform serving the entire business module. The R&D center actively introduces the IPD integrated product development system for management, focuses on the robot core technology fields to carry out various research and development activities, continues to increase investment in R&D, and has made some breakthroughs in products and technologies. The company introduced the products including TXC I, TXC II, TXY I, TXH I. TXC I is a product developed by combining the control and servo technology with industrial processes(handling, dispensing, screw screw locking, assembly, detection and sorting), which has the advantages of fast speed, high precision and small size. TXC II SCARA robot is a product which can realize locking (tightening) and withdrawing (loosening) of screws developed by the company relying on the company's TXC series four-axis SCARA robot system technology in order to realize the transformation of 5G production line linear module equipment. TXY I, i.e. the intelligent whole plant visual simulation system, can present the customer's whole plant equipment through the simulation system. Data collection and analysis are conducted towards the running plant equipment to make plant management data-based and visualized, so as to help managers find out and solve problems, and achieve the purpose of optimizing process and production. TXH I, is a new generation of parallel robot independently developed and launched by the company, the model of which is PP1200, with a rated load of 8kg, a maximum load of 15kg, a cylinder motion range of 1200mm in diameter, a cylinder height of 245mm, a small round table motion diameter of 800mm, a height of 105mm, standard cycle time of 0.27 seconds, and a protection grade of IP65, which can be used for rapid sorting and widely used in the medical and food industries.

During the reporting period, the company's R&D cost was RMB 69.9136 Million, an increase of 17.23% over the same period last year. As of December 31, 2019, the company has obtained 230 authorized patents, including 13 patents for invention, and 88 patents for invention in the trial stage, and 50 software copyrights of various types. In addition, in 2019, the company further strengthened the application for patents and software works, and applied for 321 intellectual property rights.

3. Supply chain management

During the reporting period, in order to further improve the overall capacity of the supply chain, the purchasing

department has improved the response efficiency by shortening internal and external communication links, integrating relevant human resources, and quickly connecting customer demand with cooperative suppliers. In addition, through the integration of demand, the centralized procurement function has been further strengthened to obtain more favorable market bargaining power. The procurement cost has been significantly reduced, and the level of supplier management has also been significantly improved.

During the reporting period, the company reorganized the strategic positioning of the internal production parts supply organization, managed it as the market-oriented independent business entity, treated and managed it together with other external suppliers, stimulated the vitality of the internal production organization, broke the original relatively fixed production and supply mode, and effectively improved the supply chain management ability.

Through the further integration of external suppliers and the further improvement of internal supply chain management capabilities, the company's gross profit margin of various main businesses has been further improved during the reporting period. For example, the green energy business division of the company launched annual bidding in 2019, confirmed strategic cooperation suppliers, signed strategic agreements, and realized cost reduction and efficiency increase of large-scale procurement.

During the reporting period, the production management level was further improved and 6S production management standard was strictly implemented to promote the continuous improvement of efficiency. Production is an important link throughout the whole process from raw material processing to finished product delivery. According to the company's requirements for lean management, the company actively improved the standardized process flow of production system, strengthened performance assessment, implemented lean production, optimized the production management system in many aspects, and greatly improved product quality, production capacity and production efficiency.

4. Foreign investment

During the reporting period, the company raised a net amount of about RMB 600 Million through public offering for the construction of robot and intelligent automation equipment projects of Jiangsu Topstar Robot Co., Ltd. At present, the underground construction phase of the project is about to be completed, and the above-ground construction phase is about to begin, which is expected to be completed and put into use in 2021.

During the reporting period, the company's intelligent energy and environmental management business and automation solution business enjoyed rapid development, and the key account strategy was effectively promoted. In order to further improve the service capability and service stickiness and broaden the service scope, the company has set up a holding subsidiary Guangdong Shiwei Technology Co., Ltd. to precisely meet the needs of automation solution services for customers in the new energy industry, set up Dongguan Topstar Intelligent Clean Technology Co., Ltd. to provide key materials for intelligent energy and environmental management business in a better and more timely manner, and set up a wholly-owned overseas subsidiary Topstar (Vietnam) Technology Co., Ltd. to provide services for overseas business of key accounts and further develop broad overseas market.

In 2020, the company will further expand the product line in the field of injection molding, acquire some assets related to the injection molding machine brand Elite, establish its own R&D team, open the business line of injection molding machine, and provide customers with the overall solution to injection molding business in combination with the injection molding auxiliary machine, Cartesian coordinate robot, automatic feeding system and other business segments.

In addition, during the reporting period, the company actively laid out the Internet field of the industrial manufacturing industry, and jointly established Guangdong Tuotuo Network Technology Co., Ltd. together with

the controlling shareholder, the actual controller Mr. Wu Fengli and the operation team. Tuotuo is an industrial networking platform positioned in the industrial manufacturing field. Based on the industrial equipment transaction and maintenance services, it provides the buyer and the seller with equipment management system services, through the accumulation and application of industrial data, the integration and efficient matching of industrial resources are carried out to provide industrial enterprises with lower cost and more efficient operation services, help industrial enterprises to achieve more lightweight transformation and upgrading, and promote industrial transformation and upgrading..

The company shall comply with the disclosure requirements in the Guidelines for Shenzhen Stock Exchange GEM Industry Information Disclosure No. 11 - Listed Companies Engaged in the Industrial Robot Industry Chain Related Business:

Engaged in industrial robot system integration equipment or solutions

☒ Applicable ☐ Not applicable

1. Main functions and application fields of the company's industrial automation solutions during the reporting period

During the reporting period, the company's industrial automation solutions are mainly concentrated in 3C related fields, with the main products, product functions and main application fields as shown in the table below:

No.	Product name	Main functions	Main application fields
1	Solar chip copper wire winding machine	This device is mainly used for the production of solar thin film cell chips. Its main functions are to conduct high-speed winding and folding of copper wire and conduct conductive hot pressing with APA film to form IOTC chip, and conduct chip detection and material receiving through the tail receiving shaft.	Thin film solar cell industry
2	Post-welding PCM automatic line	Integrate the automatic feeding and blanking of the protection plate in the lithium battery post-welding process workshop, conduct welding and cooling, and scan QR code for information traceback towards the lithium battery protection plate, test the function of the battery protection plate, conduct detection and sorting, carry out automatic quality inspection and elimination, compare it with the MES database, store product information, carry out automatic dispensing and solidification protection, and realize automated production.	New energy industry, all lithium battery protection plate production lines
3	Automatic punch machineII	Integrate the automatic feeding and blanking of the protection plate in the lithium battery post-welding process workshop, carry out the slitting process of the lithium battery protection plate, scan QR code for information traceback, conduct detection and sorting, carry out automatic quality inspection and elimination, compare it with the MES database, store product information and realize automated production.	New energy industry, all lithium battery protection plate production lines
4	Lithium battery pack assembly line project	Conduct trimming, welding, bending, gluing, testing and packaging of the soft cored cell; The line body is compatible with all kinds of digital batteries such as mobile phone soft pack battery, Bluetooth soft pack battery, etc.; Each unit equipment of the line body has the characteristics of strong interchangeability, small area, large compatibility range, quick	Battery PACK assembly of mobile phone, tablet and other terminals, headset, watch and other smart wearable products

		changeover, etc.	
5	Bluetooth battery automatic line device	Tray feeding and blanking, electric core lug shaping, OCV test, adhesive wrapping, wrapping and winding, laser welding, PCM feeding into the disc, electric core post-welding shape detection, QR code scanning function test, blanking into the tray.	Consumer battery, process pack back segment
6	Glass thickness detection sorting machine	Conduct glass thickness detection after the plate cleaning process, and then receive materials in 6 bins respectively.	Wearable optical glass, 3C and other optical glass industries
7	Automatic glass laminating machine	Rotate the variable pitch gripper, turn the glass by 90 ° and keep a certain distance; In the double-layer lifting and feeding system, manually put the full frame glass into the upper layer, after taking the glass, the lifting mechanism will send the empty frame into the lower layer for discharge; Secondary positioning can locate multiple pieces of glass with high precision at one time; The separator mechanism is available for placing hundreds of separators at a time and get them separated one by one; Rotating clamping mechanism: The clamping mechanism can clamp 4 stacks of glass and separators at a time, and then rotate by 180° for manual blanking upon the completion of the lamination.	Mobile phone glass industry
8	Smart watch front cover glass transferred to the rigid frame	The front cover glass of the smart watch is transferred from the tray to the rigid frame. Through the automatic up and down of the tray, the XYZ axis reclaiming module automatically mounts the glass, and the glass two-way precise positioning mechanism is realized; The vision control system automatically recognizes the shape, size and position of the rack, and judges whether the gear shape is NG or not according to the set standard. The six-axis robot accurately inserts the glass between the two racks according to the coordinate information provided by the vision system; Reinforced frame fixing mechanism and manual reclaiming drawer sliding rail buffer device.	Wearable optical glass, 3C and other optical glass industry
9	AOI detection automatic blanking sorting machine	Integrate the cleaning machine and AOI detection equipment, and realize the functions of automatic feeding and blanking, cleaning, detection and intelligent sorting of OK/RW/NG/CI/RI and other products entering tray and cassette accurately through real-time communication between the cleaning machine, AOI detection equipment, robot, tray machine and other workstations.	Pad glass, mobile phone glass, tablet display, etc.; the incoming materials are for the feeding at the front section of the cleaning machine, the tracking and sorting at the back section of the AOI
10	Mobile phone glass radium code stress testing machine	Realize the thickness and stress detection of mobile phone glass, upload the product information to the server, and save the information on the glass through the laser QR code, so as to facilitate the subsequent process query.	Mobile phone glass, 3C and other optical glass industries

		The main body of the configuration is multi-joint robot, CCD product positioning, complete the track displacement change according to the preset program (including speed, direction, positioning, duration and other elements). It can reduce heavy physical labor, improve working conditions, improve production efficiency, guarantee product quality and reduce production costs.	
11	Mobile phone 3D glass automatic insert reinforced frame machine	The equipment includes glass tray feeding equipment, four-axis feeding robot, visual secondary positioning structure, six-axis robot, XY module vision device, reinforced frame sliding-out device and control device; The equipment realizes automatic transfer of glass from the tray to the reinforced frame, unmanned operation, and improves the efficiency and accuracy that glass pieces are inserted into the reinforced frame.	Mobile phone glass, watch glass, 3C and other optical glass industries
12	Automatic spraying line	Substitute manual spraying; Conduct intelligent data-based spraying management; save paint, realize energy saving and environmental protection; improve spraying quality and production capacity.	Mainly used in surface treatment of automobile, 3C, furniture, hardware, glass and other industries
13	VW416 Instrument panel welding	Integral film changing and welding of automobile interior and exterior trim. Many kinds of products can be produced on the same equipment by changing the mould tooling.	Welding of automotive interior and exterior trims
14	d359 Bumper flexible punching and bonding	The equipment is composed of a six-axis robot, a set of tool storage units and two mould stations. The robot grabs the punching unit to realize the punching of two sets of products.	Punching of automobile trim bumper and bonding of radar bracket
15	C62X bumper ultrasonic punching machine	Ultrasonic fully automatic punching and welding of automobile interior and exterior trims such as bumper.	Front and rear bumper
16	D359 Door panel assembly line	Carry out welding, screwing and assembly of buckle for the door panel of automobile; Be able to process four types of door panels at the same time, or process one type of door panel separately; It has the function of changing mould for different types of door panel.	Welding of automotive interior trims
17	Six-axis robot welding equipment for P33A bumper	The whole welding of interior and exterior trims of the automobile by changing the mould. Many products can meet the production requirements by changing the mould tooling on the same equipment.	Welding of automotive interior and exterior trims
18	Six-axis robot welding equipment	It can realize ultrasonic welding from different angles and in different directions on the same product, which is more intelligent than ordinary welding machine. The welding time, pressure and blowing cooling time of each welding point can be controlled independently. It can be designed to be available for the substitution of the welding head or the mould according to the requirements.	Ultrasonic welding field of automotive interior trims and plastic parts

2. Changes in the proportion of independent production, external procurement and outsourcing of core parts of the company's main products during the reporting period

Industrial robot, servo system, controller, reducer, visual system are the core parts of the integrated system. During the reporting period, homemade robot in the company's system integration application accounted for 46.2%. Compared with that in 2018, the proportion of homemade robot increased and the proportion of purchased robot decreased. The controller was completely independently developed and produced; the servo system software and algorithm were developed by the company, the hardware was independently designed, and the components were basically purchased; the reducer was totally purchased; the visual system software and some algorithms were independently developed, and the hardware was basically purchased.

3. Ending balance of accounts receivable of the company's products classified according to the terminal application market during the reporting period

During the reporting period, the ending balance of accounts receivable of the 3C industry in the terminal application market was RMB 123.3299 Million, accounting for 50.70%; that of the automobile industry was RMB 69.5829 Million, accounting for 28.61%; that of the new energy industry was RMB 21.9266 Million, accounting for 9.01%; that of other industries was RMB 28.3925 Million, accounting for 11.68%.

4. R&D investment and R&D progress of main reserved technologies during the reporting period

During the reporting period, the company's R&D expenses were RMB 69.9136 Million, a year-on-year growth of 17.23%. The main R&D progress of main reserved technologies is shown in the table below:

No.	Product name	Main functions	Main application fields	R&D progress
1	Five-in-one servo driver	The product realizes five-axis integration of the servo driver, supports the maximum power of 850W, and the maximum current of driver of 4.7A for single axis, supports standard bus communication network, CAN bus interface, CANopen communication protocol, supports single axis interpolation calculation – the servo realizes single-axis interpolation for the command position. With the functions of absolute point motion control and control state feedback, rapid positioning, back to the origin, system alarm monitoring, basic motion parameter management, etc., it has relatively high control performance, repeated positioning accuracy of 0.05mm, and dry cycle time < 5.6s.	Professional application of point-to-point control in the injection molding machine industry	At present, the product is in the stage of prototyping development, and it is expected to be delivered in mass production in the third quarter of 2020.
2	Small and medium-sized servo hinged injection molding machine	TM series are widely used in the plastic products processing industry, including TM90, TM130, TM170, TM260, TM330, TM400, TM470 and TMTM560, a total of 8 models. By heating and melting the plastic raw materials, injecting the glue stock into the closed mould cavity at a controllable speed and pressure, the plastic products are finally formed after cooling. The machine adopts advanced injection control mode, stable hinged mould structure, efficient servo drive system and human-oriented computer control to ensure the production	Mainly used in the manufacturing of plastic products in automobile, communication, electronics, lighting, home appliances, packaging, decoration, toys,	TM170 is in the process of R&D

		process of plastic products, and the machine is energy-saving, efficient, fast and stable, reliable and durable.	food, building materials, daily necessities and other industries.	
3	Mobile phone back cover & auxiliary sticking material all-in-one machine	The equipment realizes the fully automatic assembly of the mobile phone back cover and auxiliary materials for the planning of the line. The specific implementation method is as follows: The mobile phone back cover is transferred to the feeder through the manual tray, the robot puts the back cover into the assembly line and it flows into the assembly station. The assembly station is mainly fed by the auxiliary material coil feeder automatically, the robot grabs the auxiliary material, the CCD vision locates the position of the back cover and the film, and sends the absolute coordinates to the robot. The robot corrects and fits it according to the visual coordinates, which is efficient, fast and stable; after the fitting, the air cylinder keeps pressure, the servo module strips the release paper, the auxiliary material flows out of the back cover material from the assembly line after the assembly, the robot automatically receives the material and puts it into the tray machine, and reminds OP to stack the tray after the material is full.	The assembly line of auxiliary sticking materials for the back cover of the mobile phone is compatible with the equipment of 4"-6.5" multiple sizes of fully automatic fitting, pressure keeping, and release paper stripping integrated equipment.	The 3 rd generation of the machine is in the process of R&D
4	Mobile phone AR film coating turntable machine	The equipment mainly realizes the automated production of PVD and AR film coating of optical glass. Its functions include automatic feeding, automatic blanking, automatic detection, CCD visual positioning, high-speed and high-precision transplantation and deviation correction, etc.	Mobile phone glass film coating, wearable optical glass, 3C and other optical glass industries	The 1 st generation of the machine is in the process of R&D
5	Mobile phone glass panel automatic testing all-in-one machine	The equipment mainly realizes the function of detecting and classifying glass once processing is completed, including high-precision pick & place of glass, high-precision detection, synchronous transfer of glass, automatic feeding and blanking of robot, material tray receiving, data collection and analysis of IPC. It can completely substitute manual feeding and blanking, screen detection and data analysis.	Mobile phone glass, 3C and other optical glass industries	The 1 st generation of the machine is in the process of R&D
6	Sheet glass cleaning transferred to reinforced frame machine	After the mobile phone glass is reinforced and hardened, through manual feeding, assembly line moving and positioning, air drying, glass jacking, visual photography is used on the glass top edge and side top edge, coordinate value is calculated and converted, then the robot is informed to move its position along the coordinate, extracts glass from the steel frame, makes it for 4 times in turn, transfers it to the upper part of the cleaning machine and puts it into the flow channel for cleaning. The device can automatically take out the glass from the	Mobile phone glass, 3C and other optical glass industries	The 1 st generation of the machine is in the process of R&D

		reinforced frame, improve the efficiency and yield in glass sheet intensive cleaning, and reduce labor intensity.		
7	Intelligent watch glass testing and sorting machine	After the watch glass is cleaned from the washing machine, the feeding detection of the transfer module is realized. According to the detection results, the watch glass with different thickness is divided into 52 categories, and then the robot conducts blanking to the tray to realize the whole line automation; The manual detection of thickness is completely substituted; The tray conducts feeding separately, the transfer module conducts automatic feeding and blanking, with high-precision detector and modularized independent receiving mechanism, IPC conducts data collection and classification of watch glass with different thickness; The brand new industrial design is introduced, which conforms to ergonomics; The GRR certification of test results can meet European standards, both transparent and opaque glass can be measured; With high detection accuracy, fast measurement speed, stable data and good consistency, secondary pollution to glass can be avoided to the greatest extent.	Wearable optical glass, 3C and other optical glass industries	The 1 st generation of the machine is in the process of R&D
8	Mobile phone glass laminating and slitting machine	It mainly focuses on how to realize the whole line automation of glass after cleaning, which is to take the material from the machine and get it laminated on the laminating machine, scan QR code on the conveyor belt, and then classify the OK and NG products for blanking.	Mobile screen assembly line is compatible with cleaning and laminating of various sizes of screen, and is able to conduct automatic plating	The 1 st generation of the machine is in the process of R&D
9	Plate PVD coating automation line	After the tablet glass is cleaned from the cleaning machine, the 6-axis robot is used for feeding, and the glass is put into the fixture plate according to the results of the visual photography. With high feeding accuracy, unmanned feeding and blanking for glass coating, good consistency, it is conducive to the consistency of the product coating. The equipment can substitute the labor, reduce the labor cost, reduce the secondary pollution of glass, improve the production capacity, and realize the overall automation of the whole line; it can comprehensively substitute the labor for feeding, and carry out automatic accurate visual identification, with pick-up and discharge technology.	Pad glass, mobile phone glass, tablet display, etc.	The 1 st generation of the machine is in the process of R&D
10	Automatic wiping machine for tablet glass	The tray is available for fully automatic feeding and blanking. The tray loaded with glass passes through the circulation line of the equipment. Feeding is from the lower layer and the empty tray is recycled from the upper layer (reverse operation can be	Pad glass, mobile phone glass, tablet display, etc.	The 1 st generation of the machine is in the

		carried out according to the customer's demand). The tray positioning is carried out at the reclaiming position of the four-axis mechanical module. The glass is automatically positioned by the motor, and the four-axis robot takes materials from the positioning mechanism and wipes them.		process of R&D
11	Pad printing automation line	For the printing ink of glass cover window frame or logo of smart phones, watches, intelligent wearable products, etc., printing is conducted through soft rubber head; It can realize automatic pad printing, multi-layer pad printing and polychrome printing for multiple times; It can realize the surface printing of special shaped curved surface.	Photoelectric display industry, electronic industry, ceramic industry, etc.	3D curved surface pad printing and high-precision pad printing are in the R&D process.
12	Automatic feeding and blanking of the chip mounter	The semi -automatic polarizer chip mounter is transformed for automatic feeding and blanking.	Polarizer attachment in the LCD industry	Non-standard customized transformation
13	Fully automatic auxiliary material precision fitting equipment	Auxiliary material fitting, pressure keeping, stripping and testing of the middle frame, back cover, decorative parts and lens glass of mobile phone	Assembly line of tablet, computer, mobile phone middle frame and back cover	Program design stage
14	Automatic single- and double-sided film laminating machine for glass cover (including 2D, 2.5D, 3D)	It mainly realizes the automatic lamination of the protective film or the ex-factory protective film of the front and rear glass cover of the mobile phone and the glass cover of the intelligent tablet computer in various production processes.	Photoelectric display glass cover industry	The prototype has been subject to successful trial production
15	A new generation of pad linear screen printing machine	Ink printing for the frame of large-size glass cover; The equipment has the function of product size measurement and wrong size sorting.	Photoelectric display industry: Flat panel display glass cover, smart tablet, touch TV	The prototype has been subject to successful trial production
16	Online assembly and attachment machine	Carry out online attachment of auxiliary materials	3C, electronics, LCD and other industries	Initial stage
17	Five-axis dispensing machine	Carry out dispensing of any point, line and surface in the space	3C, acoustics, LCD and other industries	Rapid development stage
18	Research and development of injection molding machine process intelligent production line for the soft pack	The electric core is automatically fed and photographed for accurate positioning, with FPC bending, opening and closed mould.	Mobile phone soft pack lithium battery	New process development, currently in trial production

	lithium battery industry			
19	R & D and modularized development of intelligent automation line for soft pack battery	The equipment is mainly responsible for the industrial process of the encapsulated cell, completing the production process of the soft pack cell, such as the trimming of cell lug, voltage test, lug shaping, silicon film pasting, laser welding of PCM control board, nickel sheet gluing and bending, lug pasting and bending, battery cell code spraying, finished cell product detection, FPC bending, connector appearance detection, code scanning and blanking, etc.	Used in the manufacturing process of 3C type lithium battery cell	The 1 st generation of the machine has been put into production
20	CTP automatic gluing machine	The equipment is mainly used in the gluing process of power battery pack and module production line, and the battery cell in series is used for bonding and buffering.	Power battery pack, module assembly process	The 1 st generation of the machine is in the process of R&D

If the company is engaged in core parts or industrial robot related business, the average market price of the company's products in this quarter is changed by more than 30% compared with that in the same period last year.

☐ Applicable ☒ Not applicable

For those engaged in industrial robot system integration equipment or solution business, the purchase price of core parts in this quarter has changed by more than 30% compared with that in the same period last year

☐ Applicable ☒ Not applicable

II. Main business analysis

1. Overview

Please refer to "I. Overview" in "Discussion and Analysis of Business Situation".

2. Revenue and cost

(1) Composition of operating revenue

Overall situation of operating revenue

Unit: Yuan

	Year 2019		Year 2018		Year-on-year increase and decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	1,660,363,365.82	100%	1,198,098,144.60	100%	38.58%
By industry					
General equipment	1,660,363,365.82	100.00%	1,198,098,144.60	100.00%	38.58%

manufacturing					
By product					
Industrial robot and automation application system	800,156,233.68	48.19%	705,402,695.96	58.88%	13.43%
Injection molding machine, supporting equipment and automatic feeding system	260,864,344.30	15.71%	229,232,694.03	19.13%	13.80%
Intelligent energy and environmental management system	560,394,077.19	33.75%	235,561,900.93	19.66%	137.90%
Others	38,948,710.65	2.35%	27,900,853.68	2.33%	39.60%
By region					
South China	747,544,744.97	45.02%	631,290,661.85	52.69%	18.42%
East China	554,886,902.76	33.42%	354,069,834.37	29.55%	56.72%
Southwest China	25,181,976.23	1.52%	43,789,460.11	3.65%	-42.49%
North China	73,679,108.13	4.44%	31,976,584.42	2.67%	130.42%
Central China	59,510,108.40	3.58%	76,925,841.71	6.42%	-22.64%
Overseas	175,390,271.47	10.56%	35,024,265.24	2.92%	400.77%
Northeast China	20,952,792.25	1.26%	15,518,123.61	1.30%	35.02%
Northwest China	3,217,461.61	0.19%	9,503,373.29	0.79%	-66.14%

The company shall comply with the disclosure requirements in the Guidelines for Shenzhen Stock Exchange GEM Industry Information Disclosure No. 11 - Listed Companies Engaged in the Industrial Robot Industry Chain Related Business

Product name	Nominal production capacity	Actual production capacity	Output	sales volume
Robot (Set)	8516	8351	8351	9436
Automation solution (Set)	1080	1080	1080	1080

Note: The production capacity (including nominal production capacity and actual production capacity), production capacity, sales volume, etc. of the products (projects) sold during the reporting period; If it is difficult to accurately calculate the production and sales volume of related products by statistical units such as unit (set), the amount can be used for disclosure.

Product name	Name of main customers	Industry
Robot	First	Others
	Second	Others
	Third	Others
	Fourth	Others

	Fifth	Others
Automation solution	First	3C industry
	Second	3C industry
	Third	3C industry
	Fourth	Others
	Fifth	Others

Unit: Yuan

Product name	New orders		Orders with confirmed revenue		Orders in hand at the end of the period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Robot	3,735	388,092,187.70	3,126	371,152,027.04	314	82,839,775.69
Automation solution	570	394,436,365.06	429	429,004,206.64	363	186,981,597.30

Note: The data caliber for statistics of the quantity of new orders, orders with confirmed revenue and orders in hand at the end of the period is the contract order quantity.

Engaged in industrial robot business

√ Applicable □ Not applicable

According to product category and product source category

Unit: Yuan

Product category	Sales revenue	Gross profit margin	Increase or decrease of sales revenue over the same period of last year	Increase or decrease of gross profit margin over the same period of last year
Homemade	264,464,014.90	39.05%	8.53%	-2.41%
Trade	106,688,012.14	10.85%	-0.92%	-7.53%

Engaged in robot system integration business

√ Applicable □ Not applicable

By terminal application market

Product category	2019		2018		Year-on-year increase or decrease of sales revenue	Year-on-year increase or decrease of gross profit margin
	Sales revenue	Gross profit margin	Sales revenue	Gross profit margin		
3C industry	273,038,897.13	40.80%	259,573,109.35	—	5.19%	—
Automobile industry	74,309,121.46	57.57%	60,569,770.99	—	22.68%	—
New energy industry	25,137,477.64	41.19%	477,777.78	—	5161.33%	—

Other industries	56,518,710.41	24.96%	37,220,571.74	—	51.85%	—
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Note: In 2018, the gross profit margin was not broken down according to the terminal application market.

(3) Industry, product or region accounting for more than 10% of the company's operating revenue or operating profit

√ Applicable □ Not applicable

Unit: Yuan

	Operating revenue	Operating cost	Gross profit margin	Increase or decrease of operating revenue over the same period of last year	Increase or decrease of operating cost over the same period of last year	Increase or decrease of gross profit margin over the same period of last year
By industry						
General equipment manufacturing	1,660,363,365.82	1,095,202,334.92	34.04%	38.58%	43.08%	-2.07%
By product						
Industrial robot and automation application system	800,156,233.68	506,662,719.92	36.68%	13.43%	20.55%	-3.74%
Injection molding machine, supporting equipment and automatic feeding system	260,864,344.30	142,762,235.60	45.27%	13.80%	6.50%	3.75%
Intelligent energy and environmental management system	560,394,077.19	422,893,823.08	24.54%	137.90%	112.71%	8.94%
By region						
South China	747,544,744.97	462,400,050.55	38.14%	18.42%	21.59%	-1.61%
East China	554,886,902.76	406,553,676.58	26.73%	56.72%	67.04%	-4.53%
Overseas	175,390,271.47	104,918,842.97	40.18%	400.77%	471.73%	-7.42%

In case of adjustment of the statistical caliber of the company's main business data during the reporting period, the company's main business data adjusted according to the caliber at the end of the reporting period in the recent one year

□ Applicable √ Not applicable

(3) Is the company's physical sales revenue is greater than the service revenue?√ Yes ☐ No

Industry category	Item	Unit	2019	2018	Year-on-year increase or decrease
Industrial robot and automation application system	Sales volume	Set	10,516	8,592	18.89%
	Production quantity	Set	9,431	8,863	6.41%
	Inventory	Set	973	1,942	-49.90%
Injection molding machine, supporting equipment and central feeding system	Sales volume	Set	17,525	17,379	0.84%
	Production quantity	Set	15,984	18,405	-11.42%
	Inventory	Set	1,264	3,458	-63.45%
Intelligent energy and environmental management system	Sales volume	Set	274	261	4.98%
	Production quantity	Set	274	238	15.13%
	Inventory	Set	52	45	15.56%

Reasons for more than 30% of change of relevant data on a year-on-year basis

√ Applicable ☐ Not applicable

The inventory of industrial robot and automation application system declined by 49.90%, and that of injection molding machine, supporting equipment and central feeding system declined by 63.45%, which is mainly because the company strengthened the construction of the supply chain system in 2019, conducted production on demand and controlled the purchase quantity, and incorporated the inventory control target into the evaluation index, so as to improve business turnover and reduce capital occupation. Therefore, the company's inventory declined significantly in 2019.

(4) Performance of major sales contracts signed by the company as of the reporting period☐ Applicable ☒ Not applicable**(5) Composition of operating costs**

Unit: Yuan

Product catalog	Item	2019		2018		Year-on-year increase or decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Industrial robot and automation application system	Operating cost	506,662,719.92	46.26%	420,297,332.12	54.91%	20.55%
Injection molding machine, supporting	Operating cost	142,762,235.60	13.04%	134,046,086.24	17.51%	6.50%

equipment and automatic feeding system						
Intelligent energy and environmental management system	Operating cost	422,893,823.08	38.61%	198,813,461.73	25.97%	112.71%
Others	Operating cost	22,883,556.32	2.09%	12,290,803.61	1.61%	86.18%

(6) Has the scope of consolidation changed during the reporting period?√ Yes ☐ No

In the current period, 3 units have been merged. A wholly-owned subsidiary, Topstar (Vietnam) Technology Co., Ltd., two holding subsidiaries, Guangdong Shiwei Technology Co., Ltd., and Dongguan Topstar Intelligent Cleaning Technology Co., Ltd., were established through investment in the current period, and the details are as follows:

(1) On November 29, 2019, the company set up a wholly-owned subsidiary Topstar (Vietnam) Technology Co., Ltd., with a subscribed capital of 100,000 US dollars, accounting for 100% of the subscribed capital contribution. As of December 31, 2019, the company has not actually contributed capital.

(2) On September 5, 2019, Topstar Technology, a subsidiary of the company, established Guangdong Shiwei Technology Co., Ltd., a holding subsidiary. Topstar Technology subscribed a capital contribution of RMB 27.5 Million, accounting for 61.11% of the total subscribed capital contribution. As of December 31, 2019, Topstar Technology has actually contributed RMB 2.75 Million.

(3) On December 20, 2019, Topstar Technology, a subsidiary of the company, established Dongguan Topstar Intelligent Cleaning Technology Co., Ltd., a holding subsidiary. Topstar Technology subscribed a capital contribution of RMB 3.5 Million, accounting for 70% of the subscribed capital contribution. As of December 31, 2019, Topstar Technology has not actually contributed capital.

In the current period, there was a decrease of one merged unit, because Guangzhou Topstar Robot Co., Ltd., a subsidiary was cancelled in the current period.

(7) Major changes or adjustments to the company's business, products or services during the reporting period☐ Applicable ☒ Not applicable**(8) Main sales customers and main suppliers**

Main sales customers of the company

Total sales amount of top 5 customers (yuan)	686,772,254.53
Proportion of total sales amount of top 5 customers in total annual sales	41.36%
Proportion of sales volume of top 5 customers from related parties in total annual sales	0.00%

Information of top 5 customers of the company

No.	Customer name	Sales volume (yuan)	Proportion in total annual sales
1	First	278,550,187.49	16.78%
2	Second	230,304,750.45	13.87%
3	Third	110,577,981.65	6.66%
4	Fourth	47,305,840.71	2.85%
5	Fifth	20,033,494.23	1.21%
Total	--	686,772,254.53	41.36%

Other information of main customers

☐ Applicable ☒ Not applicable

Main suppliers of the company

Total purchase amount of top 5 suppliers (yuan)	205,252,448.74
Proportion of total purchase amount of top 5 suppliers in total annual purchase	21.43%
Proportion of purchase amount of top 5 suppliers from related parties in total annual purchase	0.00%

Top 5 suppliers of the company

No.	Supplier name	Purchase amount (yuan)	Proportion in total annual purchase
1	First	90,504,826.93	9.45%
2	Second	33,580,260.71	3.51%
3	Third	32,068,820.41	3.35%
4	Fourth	27,851,508.58	2.91%
5	Fifth	21,247,032.11	2.22%
Total	--	205,252,448.74	21.43%

Other information of main suppliers

☐ Applicable ☒ Not applicable

3. Costs

Unit: Yuan

	2019	2018	Year-on-year increase or decrease	Description of major changes
Selling expenses	153,344,629.36	120,844,462.57	26.89%	
Management expenses	75,534,027.32	58,139,051.16	29.92%	
Financial expenses	9,483,867.38	4,569,943.22	107.53%	Mainly due to the increase of bank loan interest expenses
R&D expenses	69,913,617.24	59,638,004.23	17.23%	

4. R&D investment

√ Applicable □ Not applicable

In order to further consolidate the company's underlying core technology R&D capability, improve the proportion of independent production of core parts and robot, and further reduce costs, during the reporting period, the company introduced a large number of core R&D talents, built a core R&D team, intensified the research and industrialization of core parts control system, servo system and machine vision, and increased the research and development of robot and related intelligent equipment products, integrated and refined the invested products in order to meet the increasingly improved technical requirements and personalized needs of manufacturing customers. Upon the completion of relevant R&D projects, a positive impact will be exerted on the future development of the company.

Amount of the company's investment in R&D and its proportion in operating revenue in the past three years

	2019	2018	2017
Number of R&D personnel (person)	602	466	290
Proportion of R&D personnel	34.72%	27.12%	20.79%
R&D investment amount (yuan)	69,913,617.24	67,958,122.67	43,458,960.23
Proportion of R&D investment in operating revenue	4.21%	5.67%	5.69%
Capitalized amount of R&D expenditure (yuan)	0.00	0.00	0.00
Proportion of capitalized R&D expenditure in R&D investment	0.00%	0.00%	0.00%
Proportion of capitalized R&D expenditure in current net profit	0.00%	0.00%	0.00%

Reasons for significant changes in the proportion of total R&D investment in operating revenue over the previous year

□ Applicable √ Not applicable

Reasons for the great change of the capitalization rate of R&D investment and explanation for its rationality

□ Applicable √ Not applicable

5. Cash flow

Unit: Yuan

Item	2019	2018	Year-on-year increase or decrease
Subtotal of cash inflow from operating activities	1,278,371,226.58	1,197,873,265.06	6.72%
Subtotal of cash outflow from operating activities	1,156,169,976.30	1,082,658,523.55	6.79%
Net cash flow from operating activities	122,201,250.28	115,214,741.51	6.06%
Subtotal of cash inflow from investment activities	329,480.00	284,336,465.67	-99.88%

Subtotal of cash outflow from investment activities	341,029,094.29	295,587,717.93	15.37%
Net cash flow from investment activities	-340,699,614.29	-11,251,252.26	-2,928.10%
Subtotal of cash inflow from financing activities	942,232,429.16	295,138,074.08	219.25%
Subtotal of cash outflow from financing activities	378,754,992.64	147,818,989.20	156.23%
Net cash flow from financing activities	563,477,436.52	147,319,084.88	282.49%
Net increase in cash and cash equivalents	345,716,451.87	253,305,255.05	36.48%

Description of main influencing factors of significant changes in relevant data on a year-on-year basis

√ Applicable □ Not applicable

1. The net cash flow from investment activities decreased by 2,928.1% on a year-on-year basis, mainly due to the recovery of investment and financing principal in the same period of last year and the increase of expenditure in purchasing financial products this year.

2. The net cash flow from financing activities increased by 282.49% on a year-on-year basis, mainly due to the public offering of raised funds.

Reasons for significant difference between the net cash flow from operating activities of the company and the net profit of the year during the reporting period

√ Applicable □ Not applicable

The company's net profit is RMB 186.5738 Million, the net cash flow from operating activities is RMB 122.2013 Million, with a difference of RMB 64.3725 Million, which is mainly occupied by accounts receivable and inventory funds.

III. Non-main business

√ Applicable □ Not applicable

Unit: Yuan

	Amount	Proportion in total profit	Cause description	Is it sustainable?
Income from investment	-177,456.33	-0.08%	Investment income recognized for Wuhan JoTong and Tuotuo under the equity method	Yes
Profit and loss from changes in fair value	12,083.33	0.01%	Interest income from purchase of structured deposits	No
Assets impairment	-11,670,640.77	-5.28%	Accrued assets impairment loss	Yes
Non-operating revenue	909,691.96	0.41%	Mainly including the received sponsorship funds and supplier default payment, etc.	No
Non-operating expenses	1,560,889.59	0.71%	Mainly including payment of liquidated damages, external	No

			donation and loss of non-current asset retirement, etc.	
Credit impairment loss	-17,334,078.64	-7.84%	Accrued credit impairment loss	Yes
Income from disposal of assets	168,332.99	0.08%	Income from disposal of non-current assets	No
Other income	6,906,126.37	3.12%	Government subsidies received	No

IV.Assets and liabilities

1. Major changes in asset composition

Since 2019, the company has implemented new financial instrument standards, new income standards or new lease standards for the first time, and adjusted and implemented relevant items of financial statements at the beginning of the year

√ Applicable □ Not applicable

Unit: Yuan

	At the end of 2019		At the beginning of 2019		Proportion on increase or decrease	Description of major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary fund	903,647,650.10	33.87%	420,543,634.63	24.62%	9.25%	Mainly for public offering of raised funds to the account
Accounts receivable	788,681,866.49	29.56%	459,121,586.79	26.88%	2.68%	Mainly due to the increase of accounts receivable with the expansion of business scale of the company
Inventory	207,208,323.59	7.77%	288,686,203.47	16.90%	-9.13%	The company has strengthened the construction of supply chain system and the digestion of inventory
Long-term equity investment	9,665,477.97	0.36%	16,884,565.00	0.99%	-0.63%	Mainly due to the provision for impairment of RMB 7.0416 Million for Wuhan JoTong
Fixed assets	212,645,513.26	7.97%	223,474,963.99	13.08%	-5.11%	
Construction in progress	25,725,616.97	0.96%		0.00%	0.96%	Mainly due to the increase of front-end investment in the robot and automation intelligent

						equipment project of Jiangsu Topstar
Short-term borrowings	151,500,000.00	5.68%	164,578,221.74	9.64%	-3.96%	
Long-term borrowings	115,239,122.31	4.32%	124,281,752.46	7.28%	-2.96%	

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: Yuan

Item	Opening balance	Profit and loss from changes in fair value in the current period	Changes in accumulated fair value included in equity	Impairment accrued in the current period	Purchase amount in the current period	Amount sold in the current period	Other changes	Closing balance
Financial assets								
1. Trading financial assets (excluding derivative financial assets)		12,083.33	12,083.33		200,000,000.00			200,012,083.33
Total of the above	0.00	12,083.33	12,083.33		200,000,000.00			200,012,083.33
Financial liabilities	0.00							0.00

Other changes

Have the measurement attributes of the company's major assets changed significantly during the reporting period?

□ Yes √ No

3. Restrictions on asset rights as of the end of the reporting period

Item	Closing book value	Reason for restrictions
Monetary fund	214,417,796.97	Bank acceptance bill and loan deposit
Notes receivable	2,655,269.30	Pledge is used for issuing bank acceptance bill
Fixed assets – Machinery equipment	7,254,588.02	After-sale leaseback forms financial leasing
Total	224,327,654.29	

V. Investment analysis

1. General situation

☒ Applicable ☐ Not applicable

Investment amount during the reporting period (yuan)	Investment amount in the same period of last year (yuan)	Range of changes
3,000,004.00	129,000,000.00	-97.67%
Note: RMB 3 Million has been subscribed to Tuotuo, but as of December 31, 2019, no actual capital has been contributed, and the equity of RMB 4 has been purchased from minority shareholders of Toplink		

2. Significant equity investment obtained during the report period

☐ Applicable ☒ Not applicable

3. Significant non-equity investment in progress during the reporting period

☐ Applicable ☒ Not applicable

4. Financial assets measured at fair value

☒ Applicable ☐ Not applicable

Unit: Yuan

Asset category	Initial investment cost	Profit and loss from changes in fair value in the current period	Changes in accumulated fair value included in equity	Purchase amount during the reporting period	Amount sold during the report period	Accumulated investment income	Closing amount	Source of funds
Others	200,000,000.00	12,083.33	12,083.33	200,000,000.00	0.00		200,012,083.33	Idle raised funds
Total	200,000,000.00	12,083.33	12,083.33	200,000,000.00	0.00		200,012,083.33	--

5. Use of raised funds

☒ Applicable ☐ Not applicable

(1) Overall use of raised funds

☒ Applicable ☐ Not applicable

Unit: 10,000 yuan

Year of raising funds	Method of raising funds	Total amount of raised funds	Total amount of raised funds used in the current period	Total amount of raised funds used accumulatively	Total amount of raised funds changed in use during the reporting period	Total amount of raised funds with accumulated purpose change	Proportion of total amount of raised funds with accumulated purpose change	Total amount of unused raised funds	Purpose and arrangement of unused raised funds	Amount of raised funds idle for more than two years
2017	Initial public offering	30,084.44	1,003.77	28,215.01	0	0	0.00%	0	Supplementary working capital	0
2019	Public offering	60,917.06			0	0	0.00%	60,917.06	Demand deposits	0
Total	--	91,001.5	1,003.77	28,215.01	0	0	0.00%	60,917.06	--	0
Description of general use of the raised funds										
<p>As of December 31, 2019, the company has invested RMB 282.1501 Million in the fund-raising projects for the following purposes: RMB 206.1322 Million in the construction project of industrial robot and intelligent equipment production base, RMB 51.2687 Million in the construction project of industrial robot and automation application technology research and development center, and RMB24.7492 Million in the construction project of marketing and service network. During the reporting period, the above three projects have been completed.</p> <p>As of December 31, 2019, RMB 0 has been invested in the public offering project of Jiangsu Topstar robot and automation intelligent equipment project, and the initial self-owned capital RMB 25.443 Million has been invested.</p>										

(2) Projects committed to the use of raised funds

√ Applicable □ Not applicable

Unit: 10,000 yuan

Investment projects and investment direction of over raised funds	Whether the project has been changed (including some changes)	Total investment committed to the use of raised funds	Total amount of investment after adjustment (1)	Amount invested during the reporting period	Accumulated investment as of the end of the period (2)	Investment progress as of the end of the period (3) = (2)/(1)	Date when the project reaches the expected serviceable condition	Benefits achieved during the reporting period	Accumulated benefits achieved as of the reporting period	Whether the expected benefits are achieved	Whether there is any major change in project feasibility
Committed investment projects											
IPO: Industrial	No	21,917.23	21,917.23	1,003.77	20,613.22	94.05%	October 31, 2018	16,953.86	29,783.59	Yes	No

robot and intelligent equipment production base construction project											
IPO: Industrial robot and automation application technology R&D center construction project	No	5,143.22	5,143.22		5,126.87	99.68%	October 31, 2018			Not applicable	No
IPO: Marketing and service network construction project	No	3,023.99	3,023.99		2,474.92	81.84%	October 31, 2018			Not applicable	No
Public offering: Robot and intelligent automation equipment project of Jiangsu Topstar Robot Co., Ltd.	No	60,917.06	60,917.06				Not completed			Not applicable	No
Subtotal of committed investment projects	--	91,001.5	91,001.5	1,003.77	28,215.01	--	--	16,953.86	29,783.59	--	--
Investment direction of over raised funds											
None	No										
Total	--	91,001.5	91,001.5	1,003.77	28,215.01	--	--	16,953.86	29,783.59	--	--
Situation	There has been no change in the planned progress or expected income during the reporting period.										

and reasons for the failure to reach the planned progress or expected income (subject to specific projects)	
Description of major changes in project feasibility	There has been no change in project feasibility during the reporting period
Amount, purpose and use progress of over raised funds	Not applicable
Change of implementation on location of the project invested with raised funds	Not applicable
Adjustment of implementation on mode of the project invested with raised funds	Not applicable
Advance investment and substitution of the project	Applicable During the reporting period, the company's IPO projects have been completed, and the public offering projects have been invested by the company with its own funds or self- raised funds before the raised funds were actually in place. As of March 31, 2020, RMB 25,443,019.86 has been invested and raised from the company's self-raised funds for the project invested with the raised funds in advance, and the above-mentioned advance investment is subject to substitution after

invested with raised funds	corresponding review procedures are performed.
Temporary replenishment of working capital with idle raised funds	Not applicable
Amount and reason of the balance of raised funds in the implementation of the project	<p>Applicable</p> <p>(1) On February 13, 2019, the company held the 14th meeting of the second session of the Board of Directors and the 11th meeting of the second session of the Board of Supervisors, in which the Proposal on the Completion of Some Projects Invested in Initial Public Offering and the Permanent Replenishment of Working Capital with Surplus Raised Funds was reviewed and passed. In view of the completion of the projects invested with the IPO raised funds, “the construction project of industrial robot and automation application technology research and development center” and “the construction project of marketing and service network”, in order to use the raised funds more reasonably and improve the utilization efficiency of the raised funds, the company has decided to close the above-mentioned two projects invested with the raised funds. On February 27, 2019 and April 22, 2019, the company permanently replenished working capital with the project surplus raised funds (including interest income) totaling RMB 8.1414 Million for daily production and operation of the company.</p> <p>(2) On October 28, 2019, the company held the 23rd meeting of the second session of the Board of Directors and the 19th meeting of the second session of the Board of Supervisors, in which the Proposal on Closing the IPO Fund-raising Projects and Permanently Replenishing Working Capital with Surplus Raised Funds. In view of the completion of the projects invested with the IPO raised funds, “the construction project of industrial robot and intelligent equipment production base”, in order to use the raised funds more reasonably and improve the use efficiency of the raised funds, the company decided to close the above-mentioned projects invested with the raised funds. On October 31, 2019, the company permanently replenished working capital with the project surplus raised funds (including interest income) totaling RMB 18.7299 Million for daily production and operation of the company.</p>
Purpose and arrangement of unused raised funds	As of December 31, 2019, RMB 0 has been invested in the public offering project, Jiangsu Topstar robot and automation intelligent equipment project in total from the raised funds, and RMB 25.443 Million has been invested from the self-owned funds at early stage. The unused public offering raised funds have been deposited in the special account for raised funds in accordance with the relevant rules.
Problems or other situations in the use and disclosure of raised funds	The use of the company’s raised funds in all major aspects complies with the Regulatory Guidelines for Listed Companies No. 2 - Regulatory Requirements for the Management and Use of Raised Funds of Listed Companies (CSRC Announcement [2012] No. 44), the Guidelines for the Standardized Operation of Listed Companies on the Growth Enterprise Market of Shenzhen Stock Exchange as well as the relevant format guidelines, and truthfully reflects the actual storage and use of the raised funds of Topstar in all major aspects in 2019.

(3) Change of items for the raised funds

☐ Applicable ☒ Not applicable

During the reporting period, there was no change of items for the raised funds.

VI. Sale of significant assets and equity**1. Sale of significant assets**

☐ Applicable ☒ Not applicable

The company did not sell significant assets during the reporting period.

2. Sale of significant equity

☐ Applicable ☒ Not applicable

VII. Analysis of major holding and joint-stock companies

☒ Applicable ☐ Not applicable

Major subsidiaries and joint-stock companies with more than 10% impact on the company's net profit

Unit: Yuan

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	operating profit	Net profit
Dongguan Noda Intelligent Equipment Co. Ltd.	Subsidiary	Note 1	7,002,700.00	116,710,835.65	57,368,287.78	115,358,551.27	24,549,590.01	21,691,435.37
Dongguan Topstar Intelligent Environmental Technology Co., Ltd.	Subsidiary	Note 2	20,000,000.00	138,857,855.15	36,036,589.07	130,425,219.64	25,408,803.50	19,577,812.60
Topstar Worldwide Group Limited	Subsidiary	Note 3	4,415,559.04	121,578,742.64	34,395,352.90	121,312,899.78	41,330,387.92	34,194,008.36

Note 1: R&D, manufacturing and sales: Industrial robots, unmanned workshop design solution system, intelligent welding equipment, intelligent automation production line, infrared equipment, testing equipment, packaging and printing equipment, intelligent assembly equipment, ultrasonic equipment, hot riveting and fusion equipment, laser equipment, vibration welding equipment, cutting and stamping equipment, and related accessories and moulds Class I medical devices, Class II medical devices, daily masks (for non-medical use), labor protection appliances; import and export of goods or technologies (except for those prohibited by the state or

involving administrative approval)

Note 2: Clean room, aseptic purification, HVAC, water treatment, industrial informatization and control, R&D, production and sales of mechanical and electrical equipment and electronic intelligent equipment; building construction; consulting, design and construction of environmental protection engineering, mechanical and electrical installation engineering, air purification engineering, building decoration engineering, fire protection engineering and steel structure engineering.

Note 3: Import and export trade, R&D and promotion of industrial robot, manipulator, automation equipment and other intelligent equipment and technology.

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company name	Ways of acquiring and disposing subsidiaries during the reporting period	Impact on overall production, operation and performance
Guangdong Shiwei Technology Co., Ltd	Newly established	During the reporting period, the operating revenue reached RMB 14.8673 Million, and the net profit reached RMB 4.3545 Million.
Dongguan Topstar Intelligent Clean Technology Co., Ltd.	Newly established	None
Topstar (Vietname) Technology Co., Ltd.	Newly established	During the reporting period, the operating revenue reached RMB 9.1539 Million, and the net profit reached RMB 7.2499 Million.
Guangzhou Topstar Robotics Co., Ltd.	Cancelled	None
Guangdong Topstar Technology Co., Ltd. Kunshan Branch	Cancelled	None
Guangdong Topstar Technology Co., Ltd. Ningbo Branch	Cancelled	None

VIII. Structured entities controlled by the company

□ Applicable √ Not applicable

IX. Prospects for future development of the company

(I) Industry development trend

Compared with developed countries, China's industrial automation started relatively late. There is still a big gap with foreign leading enterprises in terms of technology and product performance stability, and core technologies and high-end equipment are highly dependent on foreign countries. ABB, FANUC, Yaskawa and KUKA have basically monopolized the high-end market of domestic industrial robots and applications, but domestic products continue to break through technical barriers and expand market shares, with significant advantages especially in system integration.

(1) Conditions of industrial robot and system integration in the global market

According to the statistics of IFR (International Federation of Robotics), the number of industrial robots installed in the world increased from 178,100 units in 2013 to 422,300 units in 2018, with a compound annual growth rate of 19%; The ownership also maintained a rapid rising trend, with a compound annual growth rate of 13% from 2013 to 2018. According to the statistics of IFR, in 2018, due to the slowdown in the growth rate of Asia, the growth rate of global industrial robot installation slowed down to 5.66%, which is mainly attributed to the decline or slowdown in sales volume of automobile, 3C and other industries in the world, especially in Asia, resulting in the slow growth of industrial robot sales. The density of industrial robots represents the level of production automation in a country's manufacturing industry. According to the statistics of IFR, the global average industrial robot density in 2018 is 99 sets/10000 employees. In 2018, the industrial robot density reached 831 sets/10,000 employees in Singapore, ranking first in the world.

According to the forecast of IFR, the number of industrial robots installed globally will maintain an overall growth trend from 2019 to 2021, and will reach 583,500 units by 2022. According to the general industry assumption, the market scale of industrial robot system integration is three times that of the complete machine (data source: IFR). By 2022, the market scale of complete machine and system integration of global industrial robots will reach 71.128 billion US dollars.

(2) Market capacity of the industrial robot industry chain in China

Since 2013, China has become the world's largest industrial robot market. According to the statistics of IFR, the number of industrial robots installed in China from 2015 to 2018 was 68,500 units, 96,500 units, 156,200 units and 154,000 units respectively. In terms of industrial robot itself, the market share of domestic and foreign robots (calculated by number of units) in the domestic market is shown in the following table:

Year	2015	2016	2017	2018	2019
Proportion of foreign enterprises (%)	81.4%	76.5%	76.9%	72.3%	70.3%
Proportion of domestic enterprises (%)	18.6%	23.5%	23.1%	27.7%	29.7%

Data source: MIR

Through analysis according to the Analysis Report of China's Robot Industry (2018) prepared by Harbin University of Technology robot group and other units, the market scale of system integration of China's industrial robot in 2017 is RMB 74.5 Billion, and by 2020, the market scale will reach RMB 104.2 Billion, with a compound growth rate of up to 11.8%.

As for system integration, the system integration of the four processes of vehicle manufacturing in the automobile industry, that is, stamping, welding, coating and general assembly is dominated by foreign capital. Based on the advantages of local services, domestic integrators began to seek breakthroughs in welding process and gradually involved other processes, and a number of large-scale domestic integrators emerged.

The 3C electronics industry has very diversified demands for robots, mainly small-scale robots with relatively low technical difficulty, focusing on cost and service, it is difficult for foreign capital to directly transfer the absolute advantage of large-scale robot applications in the automobile industry. Based on local advantages and price advantages, domestic integrators compete with foreign brands on the same platform. At present, the market share of domestic integrators is not less than that of foreign brands, and a number of large-scale domestic integrators

have emerged.

Traditional industries such as new energy, food and beverage, medical care and logistics also have diversified demands for robots. With a high degree of customization and low magnitude of value compared with automobile, it is hard for foreign capital to have full coverage, and domestic integrators take the leading advantage in these fields.

4. Market position and technical level of the company's products

The industrial automation industry to which the company belongs is the fully competitive industry. According to the category of products provided, enterprises in the industry can be divided into manufacturers of key parts of automation equipment, independent manufacturers of automation equipment and integrators of automation solutions.

International manufacturers represented by ABB, KUKA, FANUC, Yaskawa, Siemens and GE have occupied a large market share of high-end automation equipment market by virtue of their leading advantages in the manufacturing field of key parts and robots. Automation solution integrators need to have product design ability and project management experience, and provide personalized equipment that can adapt to different application scenarios on the basis of deep understanding of the user industry process.

Starting from the business of injection molding machine supporting equipment, the company launched the automated feeding and water, electricity and gas supply system in 2009, providing customers with the program for the whole plant automatic feeding, water, electricity and gas supply of the injection molding production line. Since 2011, the company has successfully launched Cartesian coordinate robot, multi-joint robot, and various integrated automation solutions based on industrial robot applications on the market. The company has basically completed the successful transformation from a single field equipment manufacturer to an industrial automation solution service provider. With the in-depth understanding of the production process of relevant industries, control software with independent intellectual property rights, rich experience in on-site debugging and installation, thoughtful customized program design and large-scale production capacity of relevant intelligent equipment, the company's performance in the past three years has achieved rapid growth. With the compound annual growth rate of operating revenue as high as 56.51% in the last three years, the company has indicated a good growth potential. In the context of the gradual disappearance of demographic dividend and the sharp rise in labor cost, with the continuous growth of downstream manufacturing enterprises' demand for production automation, the market will be more inclined to choose products with cost-effective advantages and high degree of customization, and the company's market share will be further increased.

(II) Corporate development strategy

The company continues to adhere to the core values of "serving customers wholeheartedly and striving for group success", focusing on building a comprehensive service ecosystem of intelligent manufacturing such as industrial robots and industrial automation solutions, adapting to the changes of enterprise development and market environment as well as the needs of the downstream market through timely adjustment of business policies, and through exptaxial extension of the product line strongly related to the existing main business, further expanding the scope of intelligent manufacturing comprehensive service ecosystem, so as to consolidate and further expand the influence of the company in the domestic market, the main businesses are related to each other to work together and play a greater role; In addition, the company will continue to fulfill the corporate mission of "making industrial manufacturing better", seize the opportunity of developing business with key accounts, and increase overseas market expansion, adhere to the "customer-oriented" R&D direction, pay attention to the introduction and training of high-end basic R&D talents, enhance the depth of R&D team, build a large R&D platform serving

each main business module, form a healthy development mode of “mutual influence, complementary and mutual promotion” for procurement, manufacturing, marketing and R&D, and promote its own sustainable and rapid development. In addition, it aims to actively make the layout of the Internet field of industrial manufacturing industry, provide equipment management system services for both the buyer and the seller with the help of the good business form of domestic Internet development, based on the industrial equipment transaction and maintenance services, realize integration and efficient matching of the industrial resources through the accumulation and application of industrial data, and provide more low-cost and efficient operation services for industrial enterprises, help industrial enterprises achieve more lightweight transformation and upgrading, and promote industrial transformation and upgrading.

(III) Business plan for 2020

1. Promote the construction of robot and automatic intelligent equipment projects of Jiangsu Topstar Robotics Co., Ltd. In November 2019, the company has raised the funds needed for the project construction through public offering, and relevant approval items for construction land have been completed, and the underground construction of the project is coming to an end. In 2020, the company will accelerate the construction of above-ground construction and related supporting projects, and strive to put them into use within 2020. Upon the completion of the project, it will be able to serve the East China and North China markets faster and better, shorten the service radius and reduce the service cost.

2. Adhere to “R&D is the top priority”, increase investment in basic technology research and new product R&D, enhance the R&D strength of the company, promote the implementation of the company’s intelligent manufacturing development strategy in the field of industrial robots, and reserve the company’s innovation technology of artificial intelligence.

Firstly, put emphasis on the study on robot software control technology (including motion planning, PID control algorithm, dynamics, intelligent control), servo drive and machine vision; Secondly, organize R&D strength to increase research in the relevant fields of the industrial Internet of Things (IoT), aiming to connect the components of the intelligent manufacturing ecosystem such as stand-alone industrial robot, standard process workstation and automation solutions, and create a more intelligent, efficient and customer-oriented intelligent solution to the industrial Internet IoT; III. Further improve the application of the IPD R&D management system in the R&D Center

3. Conduct in-depth implementation of key account strategy. After more than one year of strategic implementation, the key account strategy has been highly effective. In 2020, the company will further implement the key account strategy, set up a special system department for key customers, equip a fixed service team, deeply understand customer technology, accurately connect and continuously tap into customer demand.

4. Strengthen supply chain integration. Through the management of internal business processes, realize effective and efficient logistics, information flow, capital flow, value flow and business flow management, continuously optimize strategic cooperation among supply chain partners, and provide high cost-effective robot + automation application program for customers, so as to create maximum value for customers with low cost and rapid response.

5. Strengthen the construction of talent team. Further increase the introduction of high-level R&D and management talents and the support of relevant incentive mechanism, and improve the R&D and management level of the company by strengthening the construction of corporate culture and ensuring the efficient operation of HR system.

(IV) Risk factors and corresponding measures

1. Risk of macroeconomic fluctuation and periodic changes in downstream industries

The company's main products and services include industrial robot and automation application system, injection molding machine, supporting equipment and automatic feeding system, intelligent energy and environmental management system. The products are widely used in 3C, new energy, auto parts manufacturing, 5G, optoelectronics, home appliances and other fields. The development of manufacturing industry is closely related to the trend of national macroeconomic operation. Therefore, the production and operation of the company will be affected by macroeconomic fluctuations and periodic changes in downstream industries. From 2017 to 2019, China's GDP growth rate was 6.9%, 6.6% and 6.1% respectively. The growth rate of macro-economy has slowed down, and the fixed asset investment in manufacturing industry has been affected to some extent. If there is a large and comprehensive fluctuation in the domestic macro-economy or periodic change in the downstream industry, a certain impact will be exerted on the market demand of the company's products, resulting in the risk of decline in the company's current operating performance. Countermeasures: The company insists on increasing R&D investment, continues to attract outstanding R&D talents, continuously improves the level of independent technological innovation and the R&D ability of new products, implements the key account strategy in an in-depth way, actively expands new intelligent and automatic application fields while tapping into the new needs of existing downstream customers, actively expands new product lines, expands the scope of downstream services, consolidates and strengthens the comprehensive competitive advantages.

2. Risk of accounts receivable

At the end of each period from 2017 to 2019, the book value of the company's accounts receivable was RMB 254.5618 Million, 459.1216 Million and 788.6819 Million respectively, accounting for 21.86%, 26.88% and 29.56% of the total assets respectively. Among them, the book balance of accounts receivable aged within one year is RMB 235.0112 Million, RMB 357.0237 Million and RMB 673.4801 Million respectively, accounting for 86.65%, 74.49% and 82.30% of the balance of accounts receivable respectively, which are the main components of accounts receivable. The main reason for the continuously increased amount of the company's accounts receivable is the continuously increased scale of the company's operating revenue. Although the company has always attached great importance to the recovery and risk control of accounts receivable, and conducted strict supervision of accounts receivable and strict implementation of urging for payment, but with the rapid development of the company's business, there is still the possibility that accounts receivable cannot be recovered in time, which may exert a certain impact on the company's performance. Countermeasures: In order to reduce the risk of accounts receivable, the company not only actively implements the original measures, such as making fund collection plan, making timely evaluation on the credit rating of new and old customers, increasing the payment proportion of acceptance bill and other tools, but also further increases the development of high-quality customers, reduces the payment proportion of customers using commercial bills, and eliminates customers with poor payment ability and low credit.

3. Risk of product substitution and technology leakage

The industry of the company belongs to a technology intensive industry, and the level of technology directly affects the competitiveness of the company. Under the guidance of a new round of global industrial revolution, China's manufacturing industry, especially the discrete manufacturing industry, has begun to transform from labor-intensive and low value-added products to artificially substituted, automated, intelligent and integrated products. A large number of manufacturing businesses with labor-intensive OEM as the core are facing many challenges, such as the rapid rise of labor costs, product localization, the aggravation of environmental impact,

and the upgrading of manufacturing capacity. Enterprise production needs to change from mass standardization to customized flexible production, forming a wave of “substitution of machine for human”. With the rapid development of the industry, more and more advanced technologies have been widely used. If the company fails to further improve the technical level and develop products that meet the market needs in time according to the market changes, the existing products and technologies of the company are at risk of being substituted. In addition, in case of a large-scale loss of technical personnel or leakage of the company’s core technology due to other reasons, this will also exert an adverse impact on the company’s operation. Countermeasures: The company adheres to market-oriented technology R&D and technological innovation, actively integrates R&D resources, increases the introduction of R&D talents year by year, adopts the IPD integrated product development system for the whole-process R&D management, significantly improves the R&D efficiency, quickly introduces new products into the market to meet customer needs, seizes the market opportunity, and minimizes the risk of missing market opportunities due to resource mismatch.

4. Management risks brought by the expansion of business scale

Since its establishment, the company has been developing at a rapid speed, and its business scale and business scope have been continuously expanded. Since the company was listed, the business, assets and personnel scale of the company have been expanded on a large scale, which has put forward higher requirements for the management of the company. If the company fails to adjust the original operation management system and improve the management level in time, establish and effectively operate the operation mechanism to meet the requirements of the capital market and the company’s business development, a direct impact will be exerted on the company’s operation efficiency, development speed and performance level. Countermeasures: In view of the problems encountered in its development, the company continuously establishes and improves various management systems, gradually establishes internal operation and supervision mechanism adapting to the actual situation of the company, and promote the healthy, orderly and scientific development.

5. Risk of talent shortage with which the rapid development of the company is faced

As a high-tech enterprise, high-quality talents are very important for the future development of the company. The company’s products have a high technical content, involving multiple technical fields such as electrical automation, numerical control technology, computer application, engineering machinery, materials and mechanical manufacturing. The company has a great demand for inter-disciplinary talents with various professional backgrounds such as technology research and development, product design, product process, industry application, etc.; In addition, the company also needs a large number of management talents and marketing talents who have deep understanding of customer demand, downstream manufacturing industry production process and product characteristics and rich project implementation experience; Besides, the company also needs a certain number of skilled welders, sheet metal workers, fitters and other production workers. After the completion of the IPO project, the demand for managers, R&D personnel, marketing personnel and production personnel with the above background will increase significantly. At present, the domestic professional talent resources with the above background are limited, while it takes some time for enterprises to cultivate corresponding talents. Under the background of rapid development of industrial automation, companies in the industry have increasingly strong demand for excellent talents with the above background. If the company cannot establish a platform suitable for career development of excellent talents, it may be faced with the risk of talent shortage, which will exert a negative impact on the company’s production and operation. Countermeasures: In order to attract and retain talents, the company has formulated a competitive salary system, strengthened employees’ skills training, safety training and career development training for employees, improved their comprehensive quality, established a comprehensive high-quality talent echelon, and provided strong impetus for the rapid development of the

company.

X. Registration form of reception, research, communication, interview and other activities

1. Registration form of reception, research, communication, interview and other activities during the reporting period

√ Applicable ☐ Not applicable

Date of reception	Mode of reception	Type of reception object	Basic information index of investigation and research
January 23, 2019	Field research	Institution	www.cninfo.com.cn
May 16, 2019	Field research	Institution	www.cninfo.com.cn
July 29, 2019	Field research	Institution	www.cninfo.com.cn

Section V Important Matters

I. Profit distribution of common shares of the company and conversion of capital reserve into capital stock

Formulation, implementation or adjustment of the profit distribution policy of common shares, especially the cash dividend policy during the reporting period

☒ Applicable ☐ Not applicable

During the reporting period, the company implemented the profit distribution plan in strict accordance with the relevant profit distribution policies and review procedures of the Articles of Association, with clear dividend standard and proportion, complete relevant decision-making procedures and mechanism, relevant proposals were submitted to the general meeting of shareholders for review after being reviewed and approved by the Board of Directors and the Board of Supervisors, and independent directors expressed their independent opinions, and they were implemented within the specified time upon review and approval, which has effectively guaranteed the interests of all shareholders. On May 7, 2019, the company's annual general meeting of shareholders in 2018 reviewed and passed the Proposal on the Company's Annual Profit Distribution Plan in 2018. Based on the company's capital stock of 130,442,088 shares at the end of 2018, the company shall distribute a cash dividend of RMB 3.00 (tax-inclusive) to all shareholders per 10 shares, 0 bonus shares (tax-inclusive) shall be presented per 10 shares, and 0 share (tax-inclusive) shall be increased to all shareholders per 10 shares with capital reserve. As the company completed the granting registration of the 2019 restricted stock incentive plan on June 21, 2019, the total capital stock of the company was changed from 130,442,088 shares to 131,869,088 shares. According to the principle of "If the capital stock of the company changes during the implementation of the profit distribution plan, the distribution plan will be adjusted according to the principle that the total amount of distribution will not change", the distribution plan was adjusted as follows: Based on the company's existing total capital stock of 131,869,088 shares, RMB 2.967536 in cash (tax-inclusive) was distributed to all shareholders per 10 shares, with a total cash dividend of RMB 39,132,626.59 (tax-inclusive) (Since only 6 decimal places can be reserved per 10 shares in the amount distributed after adjustment, the total amount of cash dividend distribution is RMB 0.19 more than RMB 39,132,626.4 in the original plan), with 0 bonus shares, 0 share shall be increased to all shareholders per 10 shares with capital reserve. On June 26, 2019, the company published the Announcement on the Implementation of Annual Equity Distribution of Guangdong Topstar Technology Co., Ltd. in 2018 on cninfo. The equity registration date of the equity distribution is July 2, 2019, and the ex-right and ex-dividend date is July 3, 2019.

Special description of the cash dividend policy	
Does it comply with the provisions of the Articles of Association or the requirements of the resolution of the general meeting of shareholders:	Yes
Is the dividend standard and proportion specific and clear?	Yes
Are relevant decision-making procedures and mechanisms are complete?	Yes
Have the independent directors performed their duties and played	Yes

their due roles?	
Do the minority shareholders have the chance to fully express their opinions and demands, and have their legitimate rights and interests been fully protected?	Yes
If the cash dividend policy is adjusted or changed, are the conditions and procedures compliant and transparent?	Not applicable

The company's profit distribution plan and the plan for converting capital reserve into capital stock during the reporting period are consistent with the relevant provisions of the Articles of Association and the measures for dividend management

☒ Yes ☐ No ☐ Not applicable

The company's profit distribution plan and the plan for converting capital reserve into capital stock during the reporting period conform to the relevant provisions of the Articles of Association.

Profit distribution and conversion of capital reserve into capital stock in the current year

Number of bonus shares presented per 10 shares (share)	0
Dividend per 10 shares (yuan) (tax-inclusive)	3.5
Number of increase by conversion per 10 shares (share)	8
Equity base of distribution plan (share)	147,934,337
Cash dividend amount (yuan) (tax-inclusive)	44,380,301.10
Cash dividends in other ways (such as share buyback) (yuan)	0.00
Total cash dividends (including those in other ways) (yuan)	44,380,301.10
Distributable profit (yuan)	495,654,134.97
Proportion of total cash dividends (including those in other ways) in total profit distribution	23.79%

Cash dividend this time

If the company is in the growth period for its development and there are major capital expenditure arrangements, the minimum proportion of cash dividends in the profit distribution shall reach up to 20% when profit distribution is carried out.

Detailed description of profit distribution or capital reserve conversion plan

According to the audit of BDO Shu Lun Pan Certified Public Accountants LLP, as of December 31, 2019, the profit available for distribution in the company's consolidated statements was RMB 495,654,134.97, the balance of the company's capital reserve at the end of the year was RMB 998,874,199.96, and the surplus reserve was RMB 62,597,637.25. As of December 31, 2019, the distributable profit of the parent company was RMB 406,203,188.85, the balance of capital reserve at the end of the year was RMB 1,001,359,790.89, and the surplus reserve was RMB 62,597,637.25. According to the relevant guiding spirit of CSRC and the Articles of Association formulated by the company, the dividend return plan of shareholders and other documents, the company fully considered the future fund arrangement and normal operation demand, and the profit distribution plan in 2019 is as follows: Based on the total capital stock of the company on the date of equity registration for profit distribution, a cash dividend of RMB 3.5 (tax-inclusive) shall be distributed to all shareholders per 10 shares, with a total of RMB 44,380,301.10 (tax-inclusive) distributed;

8 shares shall be increased to all shareholders per 10 shares by converting capital reserve into capital stock.

The company's common stock dividend distribution plan and the plan for converting capital reserve into capital stock in the last 3 years (including the reporting period)

The annual profit distribution plan in 2017 was successively reviewed and approved in the 7th meeting of the second session of the Board of Directors held on April 23, 2018 and the 2017 annual general meeting of shareholders held on May 21, 2018: Based on the total capital stock of 130,442,088 shares, a cash dividend of RMB 2 (tax-inclusive) shall be distributed to all shareholders per 10 shares, with a total of cash dividends of RMB 26,088,417.60 (tax-inclusive) distributed, 0 bonus shares shall be presented, and 0 share shall be increased to all shareholders per 10 shares by converting capital reserve into capital stock.

The annual profit distribution plan in 2017 was successively reviewed and approved in the 17th meeting of the second session of the Board of Directors held on April 15, 2019 and the 2018 annual general meeting of shareholders held on May 7, 2019: Based on the total capital stock of 130,442,088 shares, a cash dividend of RMB 3 (tax-inclusive) shall be distributed to all shareholders per 10 shares, with a total of cash dividends of RMB 39,132,626.40 (tax-inclusive) distributed, 0 bonus shares shall be presented, and 0 share shall be increased to all shareholders per 10 shares by converting capital reserve into capital stock.

The annual profit distribution plan in 2019 was reviewed and approved in the 25th meeting of the second session of the Board of Directors held on April 21, 2020: Based on the total capital stock of the company on the date of equity registration for profit distribution, a cash dividend of RMB 3.5 (tax-inclusive) shall be distributed to all shareholders per 10 shares, 0 bonus shares shall be presented, and 8 shares shall be increased to all shareholders per 10 shares by converting capital reserve into capital stock. The plan will come into effect after being reviewed and approved by the general meeting of shareholders in 2019.

Cash dividends of common shares of the company in the last three years (including the reporting period)

Unit: Yuan

Dividend year	Cash dividend amount (tax-inclusive)	Net profit attributable to common shareholders of the listed company in the consolidated statement of the dividend year	Ratio of cash dividend amount to the net profit attributable to common shareholders of the listed company in the consolidated statement	Amount of cash dividends in other ways (such as share buyback)	Proportion of cash dividends in other ways to the net profit attributable to common shareholders of the listed company in the consolidated statement	Total cash dividends (including those in other ways)	Ratio of total cash dividends (including those in other ways) to the net profit attributable to common shareholders of the listed company in the consolidated statement
2019	44,380,301.10	186,573,823.78	23.79%	0.00	0.00%	44,380,301.10	23.79%
2018	39,132,626.40	171,826,384.01	22.77%	0.00	0.00%	39,132,626.40	22.77%
2017	26,088,417.60	138,021,877.16	18.90%	0.00	0.00%	26,088,417.60	18.90%

During the reporting period, the company was profitable and the profit that the parent company could distribute to common shareholders was positive, but no plan for cash dividend distribution of common shares was put forward.

☐ Applicable ☒ Not applicable

II. Performance condition of commitment issues

1. The actual controller of the Company, shareholders, related parties, the acquirer and company. etc. promise related parties to fulfill commitments and the commitments by the end of the reporting period which has not been fulfilled.

☒ Applicable ☐ Not applicable

Commitment source	Commitment party	Commitment type	Commitment contents	Commitment time	Commitment period	Performance
Commitments as specified in the acquisition report or right changes report.						
Commitments during the assets reorganization						
Commitments during the initial public offering or refinancing	Wu Fengli	Commitment for restricted sales of stock	Note 1	February 09, 2017	36 months	During the reporting period, the commitments were normally implemented.
	Yang Shuangbao	Commitment for restricted sales of stock	Note 2	February 09, 2017	12 months	During the reporting period, the commitments were normally implemented.
	Huang Daibo	Commitment for restricted sales of stock	Note 3	February 09, 2017	12 months	During the reporting period, the commitments were normally implemented.
	Fujian Xingzheng Strategic Venture Capital Enterprise (Limited Partnership)	Commitment for restricted sales of stock	Note 4	February 09, 2017	12 months	During the reporting period, the commitments were normally implemented.
	Dongguan Dacheng Equity Investment Partnership (Limited Partnership)	Commitment for restricted sales of stock	Note 5	February 09, 2017	36 months	During the reporting period, the commitments were

	Partnership)					normally implemented.
	Guangdong Topstar Technology Co., Ltd.	Commitment to dividends	Note 6	February 09, 2017	36 months	During the reporting period, the commitments were normally implemented.
	Wu Fengli	Commitments on Inter-bank Competition, Related Party Transactions and Capital Occupation	Note 7	November 18, 2016	Long-term	During the reporting period, the commitments were normally implemented.
	Guangdong Topstar Technology Co., Ltd.	IPO stabilized stock price commitment	Note 8	February 09, 2017	36 months	During the reporting period, the commitments were normally implemented.
	Wu Fengli	IPO stabilized stock price commitment	Note 9	February 09, 2017	36 months	During the reporting period, the commitments were normally implemented.
	Yang Shuangbao; Huang Daibo; Qiu Lele; Ren Junzhao; Yin Jianqiao; Zhu Liang; Zhou Yongchong	IPO stabilized stock price commitment	Note 10	February 09, 2017	36 months	During the reporting period, the commitments were normally implemented.
	Wu Fengli	Other commitments	Note 11	November 18, 2016	Long-term	During the reporting period, the commitments were normally implemented.
	Wu Fengli	Other commitments	Note 12	November 18, 2016	Long-term	During the reporting period, the commitments were normally implemented.
Equity Incentive Commitment						

Other commitments which are made for the medium and small shareholders.						
Whether the commitments are performed promptly	Yes					
In case of failing to complete performance of the promise and exceeding the time limit, specify detailed reason for uncompleted performance and next work plan.	Not applicable					

Note 1: Within 36 months from the date of public offering and listing of the Company, I shall not transfer or entrust others to manage the shares I hold that were issued before the Company's public offering, nor will let the Company buy back the shares I hold. During the period when I or my near relatives serve as directors, supervisors and senior management personnel of the Company, the total shares I transfer shall be no more than 25% each year, and I shall not transfer any shares I held within six months after leaving office; In 12 months after leaving the Company for six months, the number of shares sold through listing on the Shenzhen Stock Exchange shall not exceed 50% of the total number of issuer shares held. At the same time, if I declare resignation within 6 months from the date of listing, I shall not transfer any share of the Company I hold within 18 months from the date of declaring the resignation; If I declares the resignation within the 7th month to the 12th month from the date of listing, I shall not transfer any share of the Company I hold within 12 months from the date of declaration. After the aforesaid circulation restrictions are removed, if I or my near relatives are still elected and serving as directors, supervisors or senior management personnel of the Company at that time, then the shares I hold shall continue to be subject to the circulation restrictions stipulated herein. If the closing price of the Company's shares is lower than the issue price for 20 consecutive trading days within 6 months after listing of the Company, or the closing price is lower than the issue price at the end of 6 months after listing of the Company, the lock-up period will be automatically extended for 6 months. If I reduces shares within two years after meeting the above-mentioned locking period, the reduction price shall not be lower than the issue price of the Company's initial public offering of shares, and the number reduced each year shall not exceed 25% of the issuer's shares at that time. The reduction methods include agreement-based transfer, bulk transaction or secondary market, etc., and the reduction shall be announced through the Company three trading days before the reduction.

Note 2: Within 12 months from the date when the joint stock Company publicly issues shares and goes public, I shall not transfer or entrust others to manage the shares of the Company I hold, or let the Company buy back the shares I hold. If the closing price of the Company's shares is lower than the issue price of the initial public offering for than 20 consecutive trading days within the six months after the listing of the Company, or the closing price at the end of the six months after the listing is lower than the issue price of the initial public offering, then the lock-up period for holding the Company's shares will be automatically extended for six months, and I will still abide by this promise even if there is job change or resignation. During the period when I or my near relatives serve as directors, supervisors and senior management personnel of the Company, the total shares I transfer shall be no more than 25% each year, and I shall not transfer any shares I held within six months after leaving office; In 12 months after leaving the Company for six months, the number of shares sold through listing on the Shenzhen Stock Exchange shall not exceed 50% of the total number of issuer shares held. At the same time, if I declare resignation within 6 months from the date of listing, I shall not

transfer any share of the Company I hold within 18 months from the date of declaring the resignation; If I declares the resignation within the 7th month to the 12th month from the date of listing, I shall not transfer any share of the Company I hold within 12 months from the date of declaration. After the aforesaid lock-up period expires, if I am going to reduce the shares I hold, I will earnestly abide by the relevant regulations of the China Securities Regulatory Commission and Shenzhen Stock Exchange on the reduction of shareholders and announce it three trading days in advance, and perform the obligations on information disclosure in a timely and accurate manner in accordance with the rules of the Stock Exchange. Within two years after the lock-up period expires, the accumulated amount of shares I reduced may reach 100% of the amount of shares I hold in the Company, specific reduction ratio should be determined by me according to the actual situation. If I am going to reduce the shares of the Company I hold within two years after the above-mentioned lock-up period expires, the reduction price shall not be lower than the issue price at the time of the Company's initial public offering. The reduction methods include agreement transfer, bulk transaction or secondary market, etc. If there is any circumstance of ex-right and ex-interest, corresponding adjustment will be made. If I fail to fulfill the above public promise, I promise the following constraint measures: (1) The lock-up period of shares I hold will be automatically extended for 12 months. (2) If the price of shares I hold is lower than the issue price, I will voluntarily pay the difference between the issue price and the reduction price multiplied by the number of shares to be reduced to the Company in cash. (3) I shall not be the object of equity incentive of the Company or adjust the exercise list of the equity incentive scheme that has been implemented; The Company may, depending on the seriousness of the case, take punishment measures such as deduction of performance pay, salary reduction, demotion, suspension, dismissal, etc. on me. (4) If I were investigated by the regulatory agency or subject to relevant punishment, I will actively assist and cooperate with the investigation by the regulatory agency or assist in the implementation of relevant punishment.

Note 3: Within 12 months from the date when the joint stock Company publicly issues shares and goes public, I shall not transfer or entrust others to manage the shares of the Company I hold, or let the Company buy back the shares I hold. If the closing price of the Company's shares is lower than the issue price of the initial public offering for than 20 consecutive trading days within the six months after the listing of the Company, or the closing price at the end of the six months after the listing is lower than the issue price of the initial public offering, then the lock-up period for holding the Company's shares will be automatically extended for six months, and I will still abide by this promise even if there is job change or resignation. During the period when I or my near relatives serve as directors, supervisors and senior management personnel of the Company, the total shares I transfer shall be no more than 25% each year, and I shall not transfer any shares I held within six months after leaving office; In 12 months after leaving the Company for six months, the number of shares sold through listing on the Shenzhen Stock Exchange shall not exceed 50% of the total number of issuer shares held. At the same time, if I declare resignation within 6 months from the date of listing, I shall not transfer any share of the Company I hold within 18 months from the date of declaring the resignation; If I declares the resignation within the 7th month to the 12th month from the date of listing, I shall not transfer any share of the Company I hold within 12 months from the date of declaration. After the aforesaid lock-up period expires, if I am going to reduce the shares I hold, I will earnestly abide by the relevant regulations of the China Securities Regulatory Commission and Shenzhen Stock Exchange on the reduction of shareholders and announce it three trading days in advance, and perform the obligations on information disclosure in a timely and accurate manner in accordance with the rules of the Stock Exchange. Within two years after the lock-up period expires, the accumulated amount of shares I reduced may reach 100% of the amount of shares I hold in the Company, specific reduction ratio should be determined by me according to the actual situation. If I am going to reduce the shares of the Company I hold within two years after the above-mentioned lock-up period expires, the reduction price shall not be lower than the issue price at the time of the Company's initial public offering. The reduction methods include agreement transfer, bulk transaction or secondary market, etc. If there is any circumstance of ex-right and ex-interest, corresponding adjustment will be made. If I fail to fulfill the above public promise, I promise the following constraint measures: (1) The lock-up period of shares I hold will be automatically extended for 12 months. (2) If the price of shares I hold is lower than the issue price, I will voluntarily pay the difference between the issue price and the reduction price multiplied by the number of shares to be reduced to the Company in cash. (3) I shall not be the object of equity incentive of the Company or adjust the exercise list of the equity incentive scheme that has been implemented; The Company may,

depending on the seriousness of the case, take punishment measures such as deduction of performance pay, salary reduction, demotion, suspension, dismissal, etc. on me. (4) If I were investigated by the regulatory agency or subject to relevant punishment, I will actively assist and cooperate with the investigation by the regulatory agency or assist in the implementation of relevant punishment.

Note 4: Within 12 months from the date when the joint stock Company publicly issues shares and goes public, I shall not transfer or entrust others to manage the shares of the Company I hold, or let the Company buy back the shares I hold. After the aforesaid lock-up period expires, if the Company intends to reduce its shares, if the shares it holds is more than 5% of the Company's total share capital, then the Company will earnestly abide by the relevant regulations of the China Securities Regulatory Commission and Shenzhen Stock Exchange on the reduction of shareholdings and announce it three trading days in advance, and perform the Company's obligations on information disclosure in a timely and accurate manner in accordance with the rules of the Stock Exchange. Within two years after the lock-up period expires, the accumulated amount of shares the Company reduced may reach 100% of the amount of shares the Company hold in the Company, specific reduction ratio should be determined by the Company according to the actual situation. If the Company fails to fulfill the above public commitments, the Company will make a public explanation on the specific reasons for the failure on the shareholders' meeting and the disclosure media designated by the China Securities Regulatory Commission, and apologize to shareholders of the Company and social public investors, and will voluntarily accept the regulatory measures or penalties given by the stock exchange and other regulatory authorities in accordance with relevant regulations.

Note 5: Within 36 months from the date when the joint stock Company publicly issues shares and goes public, I shall not transfer or entrust others to manage the shares of the Company I hold, or let the Company buy back the shares I hold. After the aforesaid lock-up period expires, if the Company intends to reduce its shares, if the shares it holds is more than 5% of the Company's total share capital, then the Company will earnestly abide by the relevant regulations of the China Securities Regulatory Commission and Shenzhen Stock Exchange on the reduction of shareholdings and announce it three trading days in advance, and perform the Company's obligations on information disclosure in a timely and accurate manner in accordance with the rules of the Stock Exchange. Within two years after the lock-up period expires, the accumulated amount of shares the Company reduced may reach 100% of the amount of shares the Company hold in the Company, specific reduction ratio should be determined by the Company according to the actual situation. If the Company fails to fulfill the above public commitments, the Company will make a public explanation on the specific reasons for the failure on the shareholders' meeting and the disclosure media designated by the China Securities Regulatory Commission, and apologize to shareholders of the Company and social public investors, and will voluntarily accept the regulatory measures or penalties given by the stock exchange and other regulatory authorities in accordance with relevant regulations.

Note 6: Upon resolution of the Company's third interim shareholders' meeting in 2015, the Company's accumulated profits as of the completion of A-share issue will be shared by new and old shareholders after this issue. (II) Dividend distribution policy after listing. In order to further refine the clauses on dividend distribution in the Company's Articles of Association (Draft), increase the transparency and operability of dividend distribution decisions, clarify the returns to new and old shareholders after listing, and facilitate shareholders to supervise the Company's operation and dividend distribution, the Company, through a comprehensive analysis on the current and future profit patterns, cash flow status, development stage, project investment funds and other requirements, formulated "Dividend Return Plan for Three Consecutive Years (Inclusive) after the Listing of the Company" and the "Profit Distribution Policy after the Listing" according to laws, regulations, normative documents and the Articles of Association (Draft) of Guangdong Topstar Technology Co., Ltd., with details as follows: 1. Guiding Principles for Profit Distribution (1) The Company's profit distribution should take into account the reasonable return on investment to investors and take into account the Company's sustainable development, establish a sustainable, stable and scientific return mechanism for investors on the premise of considering the Company's profit situation, development goals, actual needs of development strategies, external financing costs and financing environment. The Company's profit distribution policy should maintain continuity and stability. (2) The Company may distribute profits by cash, combination of cash and stock or stock, depending on the actual situation, laws, regulations, normative documents and relevant provisions of the Articles of Association. The Company may carry out medium-term cash dividends according to the Company's profit and capital demand. (3) The Company will give priority to cash dividends for profit distribution. If

the Company distributes profits by stock dividends, it should consider the real and reasonable factors such as the Company's growth, diluted net asset value per share, etc. 2. Conditions and proportion of profit distribution (1) When the Company makes profits in the current year and meets the capital demand of the Company's normal production and operation, the Company shall distribute dividends in cash, and the proportion of profit distributed in cash shall not be less than 20% of the distributable profit realized in the current year. (2) The Company's Board of Directors shall comprehensively consider industrial characteristics, development stage, business model, profit level and whether there's major capital expenditure arrangement and other factors to distinguish following circumstances and propose differentiated cash dividend policy according to procedures provided in the Articles of Association: ① When the Company intends to distribute profits during its mature period of development stage with no arrangement for major capital expenditures, the minimum proportion of cash dividend in such profit distribution shall reach 80%; ② When the Company intends to distribute profits during its mature period of development stage with arrangement for major capital expenditures, the minimum proportion of cash dividend in such profit distribution shall reach 40%; ③ When the Company intends to distribute profits during its mature period of development stage with arrangement for major capital expenditures, the minimum proportion of cash dividend in such profit distribution shall reach 20%; If the development stage of the Company is difficult to be identified but has the arrangement for major capital expenditures, the preceding paragraph shall be applicable. The above-mentioned "major capital expenditure arrangement" refers to that, the accumulative expenditure of the Company in its planned foreign investment, asset acquisition or equipment purchase in the next 12 months is expected to reach or exceed 10% of the Company's latest audited net assets and exceed RMB 50 million. 3. In case of any of the following circumstances, the Company will not pay cash dividends: (1) The undistributed profit of the Company is negative; (2) The asset-liability ratio of the Company at the end of the year exceeded 75%; (3) The audit institution has issued a non-standard audit report with unqualified opinions for the annual financial report for that year of the Company; Under the above circumstances, the Company shall disclose the specific reasons why it cannot determine the profit distribution plan for the current year according to the established cash dividend policy or the minimum cash dividend ratio and the clear opinions of independent directors in its annual report. The Company's profit distribution plan for the current year shall be passed with affirmative votes of shareholders holding more than two thirds of the voting rights and attending the Shareholders' Meeting. (III) Decision-making Procedure for Profit Distribution 1. The Company's specific profit distribution plan shall be submitted to the shareholders' meeting for deliberation after being examined and approved by the board of directors and the board of supervisors. The board of directors shall explain the use plan of retained undistributed profits in the profit distribution plan submitted to the shareholders' meeting for consideration. The independent directors and the board of supervisors shall comment on the profit distribution plan. The Company shall announce the opinions of the independent directors and the board of supervisors when issuing the notice of convening the shareholders' meeting.

Note: Commitment on avoiding horizontal competition 1. The Company, as of the date of issuance of this commitment letter, has not directly or indirectly engaged in or participated in any business or activity that competes or may compete with the Company's current main business in any way (including but not limited to independent operation, joint venture, ownership of shares or interests of the Company or enterprise, etc.). 2. The Company, as of the date of issuance of this commitment letter, will not directly or indirectly engage in or participate in any business or activity that competes or may compete with the Company's current main business in any way (including but not limited to independent operation, joint venture, ownership of shares or interests of the Company or enterprise, etc.). 3. As of the date of issuance of this commitment letter, if the Company intends to further develop its products and business scope, it will not directly or indirectly engage in or participate in any business or activity that competes or may compete with the Company's current main business in any way (including but not limited to independent operation, joint venture, ownership of shares or interests of the Company or enterprise, etc.). If the Company or other companies or firms under its control has engaged any business or activities that competes with the expanded main business of the Company, then the Company or other companies or firms under its control will quit by the following methods: A. Cease the production of products that are or may be competitive; B. Cease the operation of business that are or may be competitive; C. Incorporate the competitive business to the Company for operation; D. Transfer the competitive business to third parties that are not affiliated. 4. If this letter of commitment is proved to be untrue or not complied with, all direct or indirect losses caused thereby will be compensated to the Company.

Commitment on regulating and reducing related transactions (1) From the date of issuance of this commitment letter, I and other enterprises under my control will try to avoid related party transactions with the Company and the enterprises under my control; Related party transactions that are really necessary and unavoidable shall be conducted in accordance with the principles of openness, fairness, justice and marketization, and shall strictly comply with the provisions of relevant laws, administrative regulations, departmental rules, normative documents, articles of association of both parties to the transaction and internal systems to perform the transaction approval procedures and information disclosure obligations (if applicable) to ensure fair, legal and effective transactions. (2) If the Company suffers losses due to violation of the above commitments by myself or other enterprises under my control, I will bear individual and joint liability for compensation. Promise on capital exchange and illegal guarantee: (1) I and the affiliated enterprises under my control will strictly limit the occupation of the Company's funds in the business capital transactions with the Company. (2) I and the affiliated enterprises under my control shall not require the Company to advance salary, welfare, insurance, advertising and other expenses, nor shall they require the Company to bear the costs and other expenses. (3) I and affiliated enterprises under my control do not seek to directly or indirectly provide Company funds to me and affiliated enterprises under my control in the following ways, including: A. Borrowing the Company's funds for use by himself and affiliated enterprises under his control, whether paid or unpaid; B. Providing entrusted loans to me and affiliated enterprises under my control through banks or non-bank financial institutions; C. Entrusting me and the affiliated enterprises under my control to carry out investment activities; D. Issuing commercial acceptance bills without real transaction background for myself and affiliated enterprises under my control; E. Repaying debts on my behalf and on behalf of affiliated enterprises under my control; F. Other means approved by the CSRC. (4) The Company shall not be required to provide guarantee for illegal activities by itself and affiliated enterprises under its control.

Note 8: When Wu Fengli, the controlling shareholder and actual controller of the Company, completes the plan of increasing the Company's shares and the Company's share price is still lower than the latest net asset per share, the board of directors shall, within 10 trading days, determine the repurchase price and quantity range according to the Company's share price performance and in combination with the Company's operating conditions, and draw up a repurchase plan. Within 60 trading days after the repurchase plan is reviewed and approved by the shareholders' meeting, the Company shall repurchase the Company's shares in the secondary market in accordance with relevant regulations. The funds used to buy back the shares shall be the issuer's own funds, which shall not exceed 30% of the net profit attributable to the shareholders of the listed Company in the previous year. The board of directors of the Company shall determine the maximum amount of funds to buy back the shares in combination with the Company's current financial and operating conditions. The repurchased shares will be cancelled, and the repurchased results shall not cause the Company's equity distribution and equity scale not to meet the listing conditions. During the repurchase period, in case of ex-rights and ex-interest, the repurchase price shall be adjusted accordingly. Repurchase strictly complies with the relevant provisions of the Company Law, Securities Law and other laws and regulations. If the above promise is not fulfilled, the Company shall announce the relevant information within 3 trading days after the fact that the stock price stabilization measure has not been fulfilled is confirmed, and the Company will make a public explanation in the newspaper designated by the CSRC and apologize to the investors.

Note 9: (1) If the Company's share price is lower than the latest net asset per share for 20 trading days within 3 years after listing, the Company will draw up an overweight plan within 10 trading days of the occurrence of the situation, specify the amount, method and duration of overweight, make a public announcement, and complete the overweight plan within 60 trading days after the announcement. The amount of capital used for the increase of shares shall not be less than 50% of the total after-tax cash dividends received from the issuer in the previous fiscal year (except that the actual amount of increased shares is lower than the above standard due to the suspension of stock price stabilization measures); After increasing the stakes, the distribution of the Company's equity shall meet the listing conditions; The increase of shares and information disclosure shall comply with the Company Law, Securities Law and other relevant laws and administrative regulations. (2) On the meeting of board of directors and shareholders' meeting on which the Company deliberates on the specific plan for stabilizing the stock price, I will vote in favor of the relevant resolutions of the Company on the specific plan for stabilizing the stock price that conforms to the provisions of the stock price stabilization plan. (3) When the preconditions for launching the stock price stabilization measures are met, if I fail to take specific measures to stabilize the stock price by the above plans and commitments, then the cash dividend income of the listed Company of the current year (no

more than 50% of the total after-tax cash dividend received from the issuer in the previous fiscal year) attributable to me will be owned by the listed Company.

Note 10: (1) When Wu Fengli, the controlling shareholder and actual controller of the Company, has completed the plan to increase the Company's shares and buy back the Company's shares, and the Company's share price is still lower than the latest net assets per share, the Company shall, within 10 trading days after the situation occurs, formulate the plan to increase the shares, specify the quantity, method and period of increase, make a public announcement, and complete the plan within 60 trading days after the announcement. The amount of capital used for the increase of shares shall not be less than 20% of the total after-tax cash dividends received from the issuer in the previous fiscal year (except that the actual amount of increased shares is lower than the above standard due to the suspension of stock price stabilization measures); After increasing the stakes, the distribution of issuer's equity shall meet the listing conditions; The increase of shares and information disclosure shall comply with the Company Law, Securities Law and other relevant laws and administrative regulations. (2) On the meeting of board of directors and shareholders' meeting on which the Company deliberates on the specific plan for stabilizing the stock price, I will vote in favor of the relevant resolutions of the Company on the specific plan for stabilizing the stock price that conforms to the provisions of the stock price stabilization plan. (3) When the preconditions for launching the stock price stabilization measures are met, if I fail to take specific measures to stabilize the stock price by the above plans and commitments, then the cash dividend income of the listed Company and the remuneration of the current year (no more than 20% of the total after-tax cash dividend received from the issuer in the previous fiscal year) attributable to me will be owned by the listed Company.

Note 11: In November 2010, Wu Fengli, the controlling shareholder and actual controller of the Company, bought a 10,300 square meter factory building and other ground buildings located at No.90 Xintang New Road, Dalingshan Town, Dongguan City from Taiwanese firm as the Company's main production and business premises for free use. The land occupied by the real estate is leased to Xintang Village Committee. Due to the inability to handle the above-mentioned procedures for land transfer and factory building, Wu Fengli signed an Asset Transfer Agreement with Xintang No.1, No.3, No.4 and No.6 Joint-Stock Economic Cooperative in Dalingshan Town, Dongguan City on August 31, 2012, transferring the above-mentioned real estate to Xintang No.1, No.3, No.4 and No.6 Joint-Stock Economic Cooperative in Dalingshan Town, Dongguan City at a price of RMB 7.3 million. In view of the fact that the Company has already started production and operation on this plot and has no relocation plan in the short term, on the same day, the Company signed a "Plant Lease Contract" with Xintang No.1, No.3, No.4 and No.6 Joint-Stock Economic Cooperative in Dalingshan Town, Dongguan City, the Company continued to use the original plant and plant by leasing to Xintang No.1, No.3, No.4 and No.6 Joint-Stock Economic Cooperative in Dalingshan Town, Dongguan City, with leased plant area of 10,300 square meters, the monthly rent of 103,000 Yuan, the rent increasing by 8% every five years, and the lease period is from September 1, 2012 to August 31, 2032. On August 1, 2014, the Company signed a "Plant Lease Contract" with Xintang No.1, No.3, No.4 and No.6 Joint-Stock Economic Cooperative in Dalingshan Town, Dongguan City, agreeing that the Company will lease its 7,663 square meter factory building located at no 90 xintang new road, Dalingshan Town, Dongguan City as a production workshop. The building is a newly expanded ground building in the Company's original factory, with a monthly rent of 84,293 Yuan, and the rent will be increased by 10% every five years. And the lease period will start from October 1, 2014 and ends on July 31, 2024. On July 1, 2015, the Company signed a "House Lease Contract" with a natural person Wu Shaomeng, agreeing that the Company will lease its 4,000-square-meter plant located at Yongjun Road, Shuilang Industrial Zone, Dalingshan Town, Dongguan City, for the establishment of a branch office at a monthly rent of 42,400 Yuan, with the lease period starting from July 1, 2015 to August 31, 2017. There are legal flaws in the construction procedures of the above-mentioned three leased properties. Among them, the two leased properties located at No.90 Xintang New Road, Dalingshan Town, Dongguan City have already gone through the internal voting procedures of the collective economic organizations, conform to the relevant provisions of the Administrative Measures of Guangdong Province on the Circulation of the Right to Use Collective Construction Land and the Administrative Measures of Dongguan City on the Circulation of the Right to Use Collective Construction Land, and can be circulated according to law for the establishment of various industrial and commercial enterprises. At present, due to the fact that Xintang Village Committee and Wu Shaomeng, the land users of the land where the above-mentioned three leased properties are located, have not gone through the

construction procedures for the buildings on the relevant plots, and the factory buildings and office buildings leased by the Company have not yet obtained certificates such as construction project planning permit, construction project construction permit, and house ownership certificate, the construction procedures for the above-mentioned leased properties have legal defects. Therefore, the relevant house lease contract signed by the Company and the lessor may be deemed invalid or unable to be performed normally, and the Company faces the risk of relocation of the factory building in the future, thus affecting the normal production and operation. In response to this risk, actual controller Wu Fengli promised: "If the lease contract for the above-mentioned three properties by Topstar and Shuilang Branch is invalid or there is any dispute, resulting in Topstar having to rent another production and operation site for relocation, or being fined by relevant competent government departments, or being claimed by relevant parties, I will fully compensate Topstar for its relocation expenses, losses caused by production stagnation and other expenses, so as to ensure that Topstar will not suffer any losses."

Note 12: Commitment on Social Security and Provident Fund for Employees of the Company from January 2012 to June 2016: "I will be jointly and severally liable for any future social insurance fees and housing accumulation fund that any competent authority requires to repay all or part of the unpaid social insurance fees and housing accumulation fund, or for any penalty or economic losses incurred therefrom, or I will promptly compensate Topstar in full if Topstar has to pay such fees in advance, so as to ensure that Topstar will not suffer any losses."

2. The Company will make explanation for the capitals or the original profit forecast and main reasons when the Company's capitals or projects are promising to make profits and the Company is still in the profit predication period within the reporting period.

☐ Applicable ☒ Not applicable

III. Non-operating capital occupation conditions of holding shareholders and other affiliated parties in the listed Company

☐ Applicable ☒ Not applicable

The holding shareholders and affiliated parties have not occupied the non-operating capitals in the listed Company within the reporting period.

IV. Instructions by the Board of Directors on the related situation of the latest issue of "Non-standard Audit Report"

☐ Applicable ☒ Not applicable

V. Instructions by Board of Directors, Board of Supervisors and independent directors (if any) on the reporting period of "Non-standard Audit Report" of the accounting firm

☐ Applicable ☒ Not applicable

VI. Explanation of accounting policy, accounting estimate change or significant accounting errors correction by the Board of Directors in the report period

☒ Applicable ☐ Not applicable

1. Implement the Notice of the Ministry of Finance on Revising and Issuing the Format of 2019 Financial

Statements of General Enterprises and the Notice on Revising and Issuing the Format of 2019 Consolidated Financial Statements

On April 30, 2019 and September 19, 2019, respectively, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of 2019 Financial Statements of General Enterprises (CK [2019] No.6) and the Notice on Revising and Issuing the Format of 2019 Consolidated Financial Statements (CK [2019] No.16), revising the format of general enterprise financial statements. Main influences incurred by implementation of such provisions by the Company are as follows:

The Company adjusts the listing of the following financial statement items and makes corresponding adjustments to the comparative data of comparable accounting periods:

- (1) The item "notes receivable and accounts receivable" in the balance sheet is divided into "notes receivable" and "accounts receivable" for listing; the item "notes payable and accounts payable" is divided into "notes payable" and "accounts payable" for listing;
- (2) Add a new item, "wherein: income from derecognition of financial assets measured by amortized cost", under investment income in the profit statement.
- (3) Add "Credit Impairment Loss" to the Income Statement;

2. Implement the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (revised in 2017). The Ministry of Finance revised Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments in 2017. The revised Standards stipulate that for financial instruments that have not been derecognized on the first implementation date, if the previous recognition and measurement are inconsistent with the requirements of the revised Standards, they shall be adjusted retroactively. If the data of the previous comparative financial statements are inconsistent with the requirements of the revised standards, no adjustment is required. The Company will adjust the retained earnings and other comprehensive income at the beginning of the year due to the cumulative impact of retrospective adjustment.

Based on the balance at the end of last year in accordance with the provisions of CK [2019] No.6 and CK [2019] No.16, the main impacts of implementing the above new financial instrument standards are as follows:

- (1) Due to the change of the name of the statement item, "financial assets (liabilities) measured at fair value and whose changes are included in the current profits and losses" are reclassified to " trading financial asset (liabilities)";
- (2) Re-classify the available-for-sale equity instrument investments as "financial assets measured at fair value and changes included in current profits and losses";
- (3) Designate the non-transactional available-for-sale equity instrument investments as "financial assets measured at fair value and whose changes are included in other comprehensive income";
- (4) Re-classify the available-for-sale debt instrument investments as "financial assets measured at fair value and changes included in other comprehensive income";
- (5) Re-classify the available-for-sale debt instrument investments as "financial assets measured in amortized cost";
- (6) Re-classify the held-to-maturity investments as "financial assets measured in amortized cost";
- (7) Reclassify some "account receivables" to "financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income";

(8) Make provision for expected credit losses for "financial assets measured at amortized cost" and "financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income"; This change in the Company's accounting policy only involves the presentation and adjustment of financial statements. Apart from the impact of the changes in the above items, there is no retroactive adjustment, which will not have any substantial impact on the Company's total assets, total liabilities, net assets, operating income and net profit.

VII. Instructions on scope changes of consolidated statements compared with the last year's financial report

☒ Applicable ☐ Not applicable

In the current period, the number of newly merged units is 3, due to: In the current period, a wholly-owned subsidiary company Topstar (Vietnam) Technology Co., Ltd., two holding subsidiaries Guangdong Shiwei Technology Co., Ltd. and Dongguan Topstar Intelligent Cleaning Technology Co., Ltd. were established through investment. The details are as follows:

(1) on November 29, 2019, the Company set up a wholly-owned subsidiary, Topstar(Vietnam) technology co., ltd. the Company subscribed US\$100,000 and the subscribed contribution ratio was 100%. As of December 31, 2019, the Company has not actually contributed.

(2) On September 5, 2019, the subsidiary company Topstar Technology established its holding subsidiary company Guangdong Shiwei Technology Co., Ltd. Topstar Technology subscribed RMB 27.5 million and the subscribed contribution ratio was 61.11%. As of December 31, 2019, Topstar Technology has actually contributed RMB 2.75 million.

(3) On December 20, 2019, the subsidiary company Topstar Technology set up its holding subsidiary Company Dongguan Topstar Intelligent Cleaning Technology Co., Ltd., Topstar Technology subscribed RMB 3.5 million, and the subscribed contribution ratio was 70%. As of December 31, 2019, Topstar Technology has not actually contributed.

In the current period, the number of merged units decreased by 1, due to: In current period, a subsidiary company is cancelled, Guangzhou Topstar Robot Co., Ltd.

VIII. Appointment and dismissal of the accounting firm

Accounting firm currently appointed

Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership)
Remuneration of domestic accounting firm (RMB ten thousand)	50
Continuous years of audit service by domestic accounting firm	9
Certified public accountant name of domestic accounting firm	Li Min and Ni Wanjie
Continuous years of audit service provided by domestic accounting firm	2

Whether to employ another accounting firm

☐ Yes ☒ No

Situation of employing internal control audit accounting firm, financial consultant or sponsor

☐ Applicable ☒ Not applicable

IX. Suspension and termination of listing after disclosing annual report

☐ Applicable ☒ Not applicable

X. Related issues of bankruptcy and reorganization

☐ Applicable ☒ Not applicable

The Company involves no related matters of bankruptcy reorganization in the reporting period.

XI. Important matters of lawsuit and arbitration

☐ Applicable ☒ Not applicable

The Company has no major lawsuits and arbitrations this year

XII. Punishment and rectification

☐ Applicable ☒ Not applicable

The Company involves no punishment and rectification in the reporting period.

XIV. Credit conditions of the Company, its dominant stockholder and actual controller

☐ Applicable ☒ Not applicable

XIV. Implementation of the Company equity incentive plan, employee stock ownership plan or incentive measures of other employees

☒ Applicable ☐ Not applicable

(I) Employee stock ownership plan

1. On May 17, 2017, the Company held the 29th meeting of the first board of directors and the 15th meeting of the first board of supervisors to review and approve the "Guangdong Topstar Technology Co., Ltd. First Phase Employee Stock Ownership Plan (Draft) and its Abstract", taking the Company and key employees (excluding directors, supervisors and senior managers) of wholly-owned subsidiaries or holding subsidiaries of the Company as objects, raising funds not exceeding RMB 40 million, and purchasing shares of the Company in the secondary market, with a holding period not exceeding 24 months.

2. On June 5, 2017, the aforementioned proposal was submitted to the Third Extraordinary General Meeting in 2017 for deliberation and approval.

3. On June 28, 2017, the Company disclosed the Announcement on the Completion of the Purchase of the First Phase of the Employee Stock Ownership Plan (Announcement No: 2017-062), as of June 28, 2017, the Company had bought 406,300 shares of the Company's shares through competitive bidding in the secondary market.

4. On July 10, 2017, the Company implemented the 2016 equity allocation plan to transfer 8 shares per 10 shares from the capital reserve fund to all shareholders. After the implementation of the plan, the number of shares

held by the employee stock ownership plan was correspondingly adjusted to 731,340 shares.

5. On December 28, 2018, the Company issued the "suggestive announcement on the expiration of the duration of the first phase of employee stock ownership plan" (Announcement No: 2018-095) on the gem information disclosure website designated by the China securities regulatory Commission.

6. on January 25, 2019, the Company held the 13th meeting of the second board of directors and the 10th meeting of the second board of supervisors, and deliberated and passed the Proposal on Amendment of the Management Measures for the First Phase of the Employee Stock Ownership Plan of Guangdong Topstar Technology Co., Ltd. and the First Phase of the Employee Stock Ownership Plan (draft) of Guangdong Topstar Technology Co., Ltd., adjusting the management measures and draft of the first phase of the employee stock ownership plan. for details, please refer to the announcement issued by the Company on the gem information disclosure website designated by the China Securities Regulatory Commission for details.

7. On May 24, 2019, the Company disclosed the Announcement on Termination of the First Phase of ESOP (AnnouncementNo.: 2019-059), and the ESOP was completed and terminated.

(II) Equity incentive plan

1. On February 26, 2019, the 15th meeting of the Company's second board of directors deliberated and approved the "2019 Stock Option and Restricted Stock Incentive Plan of Guangdong Topstar Technology Co., Ltd. (Draft)" (hereinafter referred to as "incentive plan") and its abstract, the "Measures for Assessment and Management of Implementation of 2019 Stock Option and Restricted Stock Incentive Plan" and various proposals related to this incentive plan; On the 12th meeting of the Company's second board of supervisors, the above matters were deliberated and approved, and the list of incentive objects in this incentive plan was verified with verification opinions issued. Independent directors of the Company commented on the incentive plan and agreed with its implementation.

2. On February 27, 2019, the Company announced the "Incentive Plan" and its abstract on CNINFO (www.cninfo.com.cn), and publicized the "List of Incentive Objects for Stock Options and Restricted Stock Incentive Plans in 2019" through the internal publicity system for the period from February 27, 2019 to March 8, 2019, announcing the names and positions of incentive objects. During the publicity period, the board of supervisors of the Company did not receive any objection to the incentive objects. On March 9, 2019, the board of supervisors of the Company issued "The Board of Supervisors' Review Opinions on the List of Incentive Objects for Stock Options and Restricted Stock Incentive Plans in 2019 and Explanations to its Publicity".

3. On March 14, 2019, the Company's Second Interim Shareholders' Meeting in 2019 deliberated and passed the "Proposal on the Company's <2019 Stock Option and Restricted Stock Incentive Plan (Draft) and Its Abstract>" Proposal on the Company's <Measures for Assessment and Management of Implementation of 2019 Stock Option and Restricted Stock Incentive Plan>"; "Proposal on Requesting the Shareholders' Meeting to Authorize the Board of Directors To Handle Matters Related To Stock Incentive, and disclosed the "Self-examination Report on the Trading Company Stock Behaviors of Insiders and Incentive Objects of 2019 Stock Options and Restricted Stock Incentive Plan of Guangdong Topstar Technology Co., Ltd.".

4. On May 13, 2019, the 19th meeting of the Company's second board of directors and the 16th meeting of the second board of supervisors deliberated and passed the "Proposal on Adjusting the List and Quantity of Incentive Objects to be Granted in 2019 Stock Option and Restricted Stock Incentive Plan" and the "Proposal on Granting Stock Option and Restricted Stock to Incentive Objects". In this regard, independent directors of the Company expressed their independent opinions of approval.

5. On June 19, 2019, the Company's 2019 restricted stock incentive plan was registered for grant. On June 21, 2019, the Company completed the registration of grant of the 2019 stock option incentive plan.

6. on August 23, 2019, the 22nd meeting of the Company's second board of directors and the 18th meeting of the second board of supervisors deliberated and passed the bill on the adjustment of exercise price of stock options involved in the Company's 2019 stock option incentive plan. since the Company implemented the 2018 profit distribution plan on July 3, 2019, according to the provisions of the Company's 2019 restricted stock and stock option incentive plan, During the period from the announcement date of this equity incentive plan to the completion of restricted stock registration or exercise of stock options by the incentive object, if the Company has such matters as capital reserve conversion into capital stock, distribution of stock dividends, share splitting or reduction, allotment of shares, dividend distribution, etc., the number of restricted stocks and stock options granted and the total number of underlying stocks involved or the grant price/exercise price will be adjusted accordingly according to this equity incentive plan. Therefore, according to relevant regulations and the authorization of the Company's shareholders' meeting, the price of the stock option first granted by the 2019 stock option incentive plan is adjusted from 38.29 Yuan per share to 37.99 Yuan per share.

XV. Significant related transaction

1. Related transaction relating to daily operations

☐ Applicable ☒ Not applicable

Related transaction relating to daily operations do not occur at the end of reporting period.

2. Related transaction caused by asset or stock rights acquisition and sale

☐ Applicable ☒ Not applicable

Affiliated transactions relating to the assets or equity acquisition and sales do not occur at the end of reporting period.

3. Related transaction of common foreign investment

☒ Applicable ☐ Not applicable

Co-investor	Association relationship	Name of invested enterprise	Main business of the invested enterprise	Registered capital of the invested enterprise	Total assets of the invested enterprise (ten thousand Yuan)	Net assets of the invested enterprise (ten thousand Yuan)	Net profits of the invested enterprise (ten thousand Yuan)
Wu Fengli	Chairman of Board of Directors, controlling shareholder and actual controller	Guangdong Tuotuo Network Technology Co., Ltd.	Note	RMB 15 million	91.3	88.08	-6.92
Zhang Jian	In the past 12 months, he has served as an	Guangdong Tuotuo Network	Note	RMB 15 million	91.3	88.08	-6.92

	executive of the Company	Technology Co., Ltd.					
Xiang Xinfeng	In the past 12 months, he has served as an executive of the Company	Guangdong Tuotuo Network Technology Co., Ltd.	Note	RMB 15 million	91.3	88.08	-6.92
Progress of significant project under construction of invested enterprise (if any)		Not applicable					

Note: Computer software and hardware technology, network information technology development, technical consultation, technical service, technology transfer and technology application; R&D: Computer software and hardware, electronic products, multimedia equipment; system integration design and technical services; economic information consultation; sales and maintenance of general mechanical equipment and accessories.

4. Related dealings of creditor and debt

☐ Applicable ☒ Not applicable

There are no affiliated dealings of creditor and debt during the reporting period.

5. Other significant related transaction

☐ Applicable ☒ Not applicable

There are no other significant related transaction during the reporting period of the Company.

XVI. Significant contracts and performance situation

1. Trusteeship, contracting and lease condition

(1) Trusteeship condition

☐ Applicable ☒ Not applicable

The Company involves no custody in the reporting period.

(2) Contracting condition

☐ Applicable ☒ Not applicable

The Company involves no contracting in the reporting period.

(3) Lease conditions

☒ Applicable ☐ Not applicable

Description of lease condition

Operating lease:

(1) On August 31, 2012, the Company signed a Plant Lease Contract with Dongguan Dalingshan Town Xintang No.1 Co-operative, Dongguan Dalingshan Town Xintang No.3 Co-operative, Dongguan Dalingshan Town Xintang No.4 Co-operative and Dongguan Dalingshan Town Xintang No.6 Co-operative (lessor), agreed that, the lessor leases its plant, dormitory building and other buildings located at No.90 Xintang Road, Xintang Village, Dalingshan Town, Dongguan City with an area of 10,300 approximately to the Company at a total monthly rent of RMB 103,000.00, with the rent increasing by 8% every 5 years; In addition, the comprehensive service fee is 3,000 Yuan per month, increasing by 10% every 5 years, and the garbage removal fee is 400 Yuan per month, increasing by 10% every 5 years. The lease term is from September 1, 2012 to August 31, 2032.

(1) On August 1, 2014, the Company signed a Plant Lease Contract with Dongguan Dalingshan Town Xintang No.1 Co-operative, Dongguan Dalingshan Town Xintang No.3 Co-operative, Dongguan Dalingshan Town Xintang No.4 Co-operative and Dongguan Dalingshan Town Xintang No.6 Co-operative (lessor), agreed that, the lessor leases its newly expanded leased properties located at No.90 Xintang Road, Xintang Village, Dalingshan Town, Dongguan City at current status with an area of 7663 approximately to the Company at a total monthly rent of RMB 84,293.00Yuan, with the rent increasing by 10% every 5 years; In addition, the comprehensive service fee is calculated on the basis of the number of employees in the factory, and is 15 Yuan per person per month. The lease period starts from October 1, 2014 to July 31, 2024 (from August 1, 2014 to September 30, 2014 is the renovation rent-free period).

(3) On April 23, 2018, the Company and Wuzhong Comprehensive Free Trade Zone Administration and Suzhou Xinzhi Garden Precision Metal Parts Co., Ltd. entered into a "House Lease Contract (Factory Building)", stipulating that the Company will lease one factory building in Phase III of Dingmin, No.818 Wusong Road, Guoxiang Street, Wuzhong Economic Development Zone, for Jiangsu Tuoda production site, with a lease area of 8250 square meters, a monthly rent of 15 Yuan/month/square meter, a property management fee of 3 Yuan/month/square meter, and a lease period from May 1, 2018 to April 30, 2021 (May 1, 2018 to April 30, 2019) as rent-free period

Financial leasing:

On May 2, 2018, the Company and Far East International Leasing Co., Ltd. signed the "After-sale Leasing Contract" and the "Ownership Transfer Agreement", taking a batch of machinery and equipment (with an original value of 13,000,965.34 Yuan) as financing targets to obtain the after-sale leaseback of 12 million Yuan. According to the agreement in the contract and related agreements, the lease period is 3 years, the Company pays 367,782.13 Yuan per month, and the remaining purchase price of relevant machinery and equipment upon the expiration of the lease period is 1,000.00 Yuan.

Projects that bring profit and loss which exceed 10% of the Company's profit total amount in reporting period.

☐ Applicable ☒ Not applicable

During the reporting period, there are no leasing items that bring profits and losses of the Company to more than 10% of the total profits of the Company during the reporting period.

2. Significant guarantee

☐ Applicable ☒ Not applicable

The Company has no guarantee during the reporting period.

3. Situation of cash assets management by others entrusted

(1) Entrusted finance management

☐ Applicable ☒ Not applicable

The Company involves no entrusted finance management in the reporting period.

(2) Conditions of entrust loan conditions

☐ Applicable ☒ Not applicable

The Company involves no entrusted loan during the reporting period.

4. Other significant contracts

☐ Applicable ☒ Not applicable

The Company involves no other significant contract in the reporting period.

XVII. Situation of social responsibility

1. Implementation of Social Responsibility

None

2. Performance of social responsibility of targeted poverty alleviation

(1) Targeted poverty alleviation plan

None

(2) Summary of annual targeted poverty alleviation

(3) Effects of targeted poverty alleviation

(4) Follow-up targeted poverty alleviation plan

None

3. Environmental protection related situation

Whether the listed company and its subsidiaries belong to key pollution discharge units published by the Department of Environmental Protection

No

None

XVIII. Description for Other Major Events

☐ Applicable ☒ Not applicable

The Company has no other major events to be explained during the reporting period.

XIX. Major events of subsidiaries

☒ Applicable ☐ Not applicable

1. Noda Intelligent

During the reporting period, as the address name and house number of the Company's domicile were re-planned in accordance with relevant provisions of the "Administrative Measures of Dongguan Municipality on Gate Cards", the address of Noda Intelligent, a subsidiary of the Company, was also changed accordingly. After handling the industrial and commercial change registration, the address was changed as: Room 101, Block 4, No.2, Datanglang Innovation Road, Dalingshan Town, Dongguan City, Guangdong Province.

2. Jiangsu Topstar

During the reporting period, due to the adjustment of government planning, the address of the subsidiary Jiangsu Topstar was adjusted accordingly. at the same time, according to the needs of production and operation, the business scope was also adjusted, and the industrial and commercial change registration was also handled. Jiangsu Topstar 's changed address is: The third floor of Building 1, Fumin Phase III, No.818 Wusong Road, Guoxiang Street, Wuzhong Economic Development Zone, Suzhou; The altered business scope of the Company is: R&D, manufacturing and sales of robots, automatic control systems and intelligent equipment; Self-operation and agency of import and export of commodities and technologies.

3. Topstar Technology

During the reporting period, due to the needs of business development, the subsidiary Topstar Technology changed its registered address and handled the industrial and commercial changes registration. The address after the change of Topstar Technology is: Room 402, Building 1, No.2, Keji Ninth Road, Songshanhu Park, Dongguan City, Guangdong Province.

4. Topstar Intelligent Environment

During the reporting period, as the address name and house number of the Company's domicile were re-planned in accordance with relevant provisions of the "Administrative Measures of Dongguan Municipality on Gate Cards", the address of Topstar Intelligent Environmental, a subsidiary of the Company, was also changed accordingly. After handling the industrial and commercial change registration, the address was changed as: Room 401, Block 1, No.2, Datanglang Innovation Road, Dalingshan Town, Dongguan City, Guangdong Province.

5. Guangzhou Topstar

During the reporting period, due to the need of business development, the Company cancelled its subsidiary company Guangzhou Topstar, and completed the cancellation formalities of business tax registration on July 31, 2019.

6. Server Industrial Control

During the reporting period, as the address name and house number of the Company's domicile were re-planned in accordance with relevant provisions of the "Administrative Measures of Dongguan Municipality on

Gate Cards", the address of Server Industrial Control, a subsidiary of the Company, was also changed accordingly. After handling the industrial and commercial change registration, the address was changed as: Room 301, Block 2, No.2, Datanglang Innovation Road, Dalingshan Town, Dongguan City, Guangdong Province.

7. Best Topstar

During the reporting period, due to the needs of business development, the subsidiary Best Topstar changed its registered address and handled the industrial and commercial changes registration. The address after the change of Topstar Technology is: Room 215, No.90, Xintang New Road, Dalingshan Town, Dongguan City, Guangdong Province.

8. Guangdong Shiwei

During the reporting period, due to the needs of business development, the subsidiary company of the Company, Topstar Technology, jointly set up a controlling subsidiary company, Guangdong Shiwei Technology Co., Ltd., together with the natural person Tan Yuan, with a subscribed capital contribution of RMB 27.5 million and a shareholding ratio of 61.11%. The business scope of Guangdong Shiwei is as follows: Research and development, production, sales and system integration of automation equipment and electronic products.

9. Topstar Intelligent Cleaning

During the reporting period, due to the needs of business development, the Company's subsidiary Topstar Technology, together with natural persons Yang Jing, Wang Jiankai and Dong Chaoyou, jointly set up a controlling subsidiary Dongguan Topstar Intelligent Cleaning Technology Co., Ltd. with a subscribed capital contribution of RMB 3.5 million and a shareholding ratio of 70%. The business scope of Topstar Intelligent Cleaning is: Intelligent air purification technology equipment and automatic control system design, production, sales, technical consulting services.

10. Vietnam Topstar

During the reporting period, due to the needs of overseas business development, the Company's subsidiary Hong Kong Topstar set up a wholly-owned subsidiary Topstar (Vietnam) Technology Co., Ltd. with a registered capital of US\$ 100,000. The business scope of Vietnam Topstar is as follows: Equipment, machinery repair and maintenance (excluding ships, aircraft and other transportation equipment or vehicles) engineering assembly and tower, installation services, engineering perfection and engineering construction.

11. Changshu Topstar

During the reporting period, due to the needs of business development, the Company's subsidiary Topstar Technology set up a wholly-owned subsidiary Changshu Topstar Intelligent Equipment Co., Ltd. with registered capital: RMB 30 million. The business scope of Changshu Topstar is: Manufacturing of industrial robot; Manufacturing of general equipment (excluding manufacturing of special equipment); Manufacturing of special equipment for plastic processing, Manufacturing of moulds, Manufacturing of special equipment for rubber processing; Sales of intelligent robots; Research and development of intelligent robots; Sales of artificial intelligence hardware; Manufacturing of industrial automatic control system device; Sales of intelligent storage equipment; Sales of intelligent material handling equipment.

12. Shenzhen Toplink

During the reporting period, due to the needs of business development, the controlling subsidiary Shenzhen Toplink changed its shareholders and went through the registration of industrial and commercial changes. Shenzhen Toplink became a wholly-owned subsidiary.

Section VI Share Changes and Shareholder Information

I. Changes in shares

1. Changes in shares

Unit: Share

	Before this change		Increase and decrease of this change (+, -)					After this change	
	Quantity	Proportion	New issue of shares	Stock dividend	Provident fund converted into share capital	Miscellaneous	Subtotal	Quantity	Proportion
I. Shares with conditions of restriction on sales	73,082,520	56.03%	1,427,000	0	0	-221,175	1,205,825	74,288,345	50.22%
1. Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
2. Stated-owned legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shareholdings	73,082,520	56.03%	1,427,000	0	0	-225,000	1,202,000	74,284,520	50.22%
Of which: Shares held by the domestic legal person	6,551,100	5.02%	0	0	0	0	0	6,551,100	4.43%
Shares held by domestic natural persons	66,531,420	51.01%	1,427,000	0	0	-225,000	1,202,000	67,733,420	45.79%
4. Shares held by foreign capitals	0	0.00%	0	0	0	3,825	3,825	3,825	0.00%
Of which: Shares held by the overseas legal person	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by the overseas natural persons	0	0.00%	0	0	0	3,825	3,825	3,825	0.00%
II. Shares with no condition of restriction on sales	57,359,568	43.97%	16,065,249	0	0	221,175	16,286,424	73,645,992	49.78%
1. RMB common shares	57,359,568	43.97%	16,065,249	0	0	221,175	16,286,424	73,645,992	49.78%
2. Domestically-listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%

2. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Sum of shares	130,442,088	100.00%	17,492,249	0	0	0	17,492,249	147,934,337	100.00%

Reason for change in shares

√ Applicable □ Not applicable

1. On February 26, 2019, the 15th meeting of the Company's second board of directors deliberated and approved the "2019 Stock Option and Restricted Stock Incentive Plan of Guangdong Topstar Technology Co., Ltd. (Draft)" (hereinafter referred to as "incentive plan") and its abstract, the "Measures for Assessment and Management of Implementation of 2019 Stock Option and Restricted Stock Incentive Plan" (hereinafter referred to as "Measures for Assessment and Management") and various proposals related to this incentive plan; On the 12th meeting of the Company's second board of supervisors, the above matters were deliberated and approved, and the list of incentive objects in this incentive plan was verified with verification opinions issued. Independent directors of the Company commented on the incentive plan and agreed with its implementation. Among them, the restricted stock incentive plan is implemented by issuing additional shares to the incentive target.

2. Mr. Yang Shuangbao, the major shareholder of the Company, reduced 300,000 shares of his outstanding shares in 2018. The number of shares locked by senior management had changed at the beginning of this year, reducing by $300,000 * 75\% = 225,000$ shares.

3. Mr. Yang Hai, former vice president of the Company and secretary of the board of directors, increased 3,825 shares of the Company through the secondary market during the reporting period (the category of shares held is that held by overseas natural persons). According to relevant regulations, he still has to abide by the relevant regulations on senior management locking during his original term of office after leaving, and his increased 3,825 shares of the Company are locked into restricted shares.

4. On October 8, 2018, the 11th meeting of the second board of directors held by the Company deliberated and approved the "Plan for Additional Share Offering of A Share of Guangdong Topstar Technology Co., Ltd." and various proposals related to this additional share offering, which were deliberated and approved on the 2018 third extraordinary shareholders' meeting held on November 30, 2018. On June 14, 2019, the Company obtained the approval document issued by China Securities Regulatory Commission on May 29, 2019 (with approval number: ZJXK [2019] 963); On November 11, 2019, the Company disclosed the online and offline public announcement of additional share offering to officially launch the offering; On November 28, 2019, the Company's additional shares publicly issued were listed.

Approval of change in shares

√ Applicable □ Not applicable

1. On February 26, 2019, the 15th meeting of the Company's second board of directors deliberated and approved the "2019 Stock Option and Restricted Stock Incentive Plan of Guangdong Topstar Technology Co., Ltd. (Draft)" (hereinafter referred to as "incentive plan") and its abstract, the "Measures for Assessment and Management of Implementation of 2019 Stock Option and Restricted Stock Incentive Plan" (hereinafter referred to as "Measures for Assessment and Management") and various proposals related to this incentive plan; On the 12th meeting of the Company's second board of supervisors, the above matters were deliberated and approved, and the list of incentive objects in this incentive plan was verified with verification opinions issued. Independent directors

of the Company commented on the incentive plan and agreed with its implementation.

On February 27, 2019, the Company announced the "Incentive Plan" and its abstract on CNINFO (www.cninfo.com.cn), and publicized the "List of Incentive Objects for Stock Options and Restricted Stock Incentive Plans in 2019" through the internal publicity system for the period from February 27, 2019 to March 8, 2019, announcing the names and positions of incentive objects. During the publicity period, the board of supervisors of the Company did not receive any objection to the incentive objects. On March 9, 2019, the board of supervisors of the Company issued "The Board of Supervisors' Review Opinions on the List of Incentive Objects for Stock Options and Restricted Stock Incentive Plans in 2019 and Explanations to its Publicity".

On March 14, 2019, the Company's Second Interim Shareholders' Meeting in 2019 deliberated and passed the "Proposal on the Company's <2019 Stock Option and Restricted Stock Incentive Plan (Draft) and Its Abstract>" Proposal on the Company's <Measures for Assessment and Management of Implementation of 2019 Stock Option and Restricted Stock Incentive Plan>"; "Proposal on Requesting the Shareholders' Meeting to Authorize the Board of Directors To Handle Matters Related To Stock Incentive, and disclosed the "Self-examination Report on the Trading Company Stock Behaviors of Insiders and Incentive Objects of 2019 Stock Options and Restricted Stock Incentive Plan of Guangdong Topstar Technology Co., Ltd.".

2. On October 8, 2018, the 11th meeting of the second board of directors held by the Company deliberated and approved the "Plan for Additional Share Offering of A Share of Guangdong Topstar Technology Co., Ltd." and various proposals related to this additional share offering, which were deliberated and approved on the 2018 third extraordinary shareholders' meeting held on November 30, 2018. On December 13, 2018, the Company issued the application documents for additional share offering for CSRC acceptance. On June 14, 2019, the Company obtained the approval document issued by China Securities Regulatory Commission on May 29, 2019 (with approval number: ZJXK [2019] 963).

Approval of transfer of shares

☒ Applicable ☐ Not applicable

1. During the reporting period, the Company granted 1,427,000 restricted shares to 33 incentive objects according to its 2019 restricted stock equity incentive plan, and handled the securities grant registration formalities for all of the shares in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

2. During the reporting period, the Company publicly issued 16,065,249 shares of A-shares, which were registered in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and listed on November 28, 2019.

Progress of share repurchase

☐ Applicable ☒ Not applicable

Progress of centralized bidding to reduce share repurchase

☐ Applicable ☒ Not applicable

The influence of the change in stocks in basic earnings per share of last year and the recent issuance, diluted earnings per share, net asset value per share belonging to the Company's common shareholders and other financial indexes

☒ Applicable ☐ Not applicable

During the reporting period, the Company's 2019 restricted stock equity incentive plan granted 1,427,000 restricted shares to 33 incentive targets, and issued 16,065,249 shares of A-share shares publicly. After the grant and issuance, the total share capital of the Company was 147,934,337 shares. After registration, calculated based on the dilution of 147,934,337 new shares, the Company's basic earnings per share in 2019 was 1.41, diluted

earnings per share was 1.41, and the net assets per share attributable to the Company's common shareholders were 11.31 Yuan.

Other contents whose disclosure is necessary in the opinion of the Company or required by securities regulator

☐ Applicable ☒ Not applicable

2. Changes in restricted stocks

☒ Applicable ☐ Not applicable

Unit: Share

Name of shareholder	Quantity of restricted stocks at the beginning of the period	Quantity of restricted stocks increased in current period	Quantity of stocks removed with restrictions on sales in current period	Quantity of restricted stocks at the end of the period	Reason for restriction on sales	Date of cancellation of the restriction
Wu Fengli	52,235,460	0	0	52,235,460	Restricted sales during IPO	February 8, 2020
Yang Shuangbao	8,055,315	0	225,000	7,830,315	Locking of senior executives	During the term of office, the number of shares reduced each year shall not exceed 25% of the total number of shares he holds.
Huang Daibo	6,240,645	0	0	6,240,645	Locking of senior executives	During the term of office, the number of shares reduced each year shall not exceed 25% of the total number of shares he holds.
Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	6,551,100	0	0	6,551,100	Restricted sales during IPO	February 8, 2020
Restricted Stock Incentive Objects in 2019	0	1,427,000		1,427,000	Equity incentive restricted shares	Implement unlocking according to the relevant provisions of the

(33)						Company's 2019 Restricted Stock Incentive Plan (Draft)
Yang Hai	0	3,825		3,825	Locked by the outgoing executives before term expires	December 5, 2020
Total	73,082,520	1,430,825	225,000	74,288,345	--	--

II. Securities issuance and listing

1. Securities issuance (excluding preferred stocks) within the reporting period

√ Applicable □ Not applicable

Name of stock and its derivative securities	Issued date	Issuing price (or interest rate)	Issuing number	Listing date	Quantity approved to be listed and transacted	Expiry date of transaction
Stock						
Restricted stock	May 13, 2019	22.61 Yuan/share	1,427,000	June 21, 2019	1,427,000	
Unlimited sale of ordinary shares of a shares in circulation	November 11, 2019	40.46 Yuan per share	16,065,249	November 28, 2019	16,065,249	
Convertible bonds, convertible bonds separately transacted and other derivative securities of corporate bond						
Other derivative securities						

Explanation to securities issuance (excluding preferred stocks) within the reporting period

1. On May 13, 2019, the 19th meeting of the Company's second board of directors and the 16th meeting of the second board of supervisors deliberated and passed the "Proposal on Adjusting the List and Quantity of Incentive Objects to be Granted in 2019 Stock Option and Restricted Stock Incentive Plan" and the "Proposal on Granting Stock Option and Restricted Stock to Incentive Objects". In this regard, independent directors of the Company expressed their independent opinions of approval. On June 19, 2019, the Company completed the grant registration of restricted shares. On June 21, 2019, the Company completed the listing of restricted shares.

2. On October 8, 2018, the 11th meeting of the second board of directors held by the Company deliberated and approved the "Plan for Additional Share Offering of A Share of Guangdong Topstar Technology Co., Ltd." and various proposals related to this additional share offering, which were deliberated and approved on the 2018 third extraordinary shareholders' meeting held on November 30, 2018. On June 14, 2019, the Company obtained the approval document issued by China Securities Regulatory Commission on May 29, 2019 (with approval number: ZJXK [2019] 963); On November 11, 2019, the Company disclosed the online and offline public announcement of additional share offering to officially launch the offering; On November 28, 2019, the Company's additional shares publicly issued were listed.

2. Description for Company's total shares, change in Company's shareholder structure as well as changes in Company's assets and liability composition

√ Applicable □ Not applicable

1. At the beginning of the report, the total share capital of the Company was 130,442,088 shares. On February 26, 2019, the 15th meeting of the Company's second board of directors, the 12th meeting of the second board of supervisors and the 2019 second extraordinary shareholders' meeting held on March 14, 2019 reviewed and approved the "2019 Stock Option and Restricted Stock Incentive Plan of Guangdong Topstar Technology Co., Ltd. (Draft)". On May 13, 2019, the 19th meeting of the Company's second board of directors and the 16th meeting of the second board of supervisors deliberated and passed the "Proposal on Adjusting the List and Quantity of Incentive Objects to be Granted in 2019 Stock Option and Restricted Stock Incentive Plan" and the "Proposal on Granting Stock Option and Restricted Stock to Incentive Objects". On June 19, 2019, the Company completed the grant registration of 1,427,000 restricted shares. On June 21, 2019, the Company completed the listing of restricted shares. After the above restricted shares were listed, the total share capital of the Company was changed to 131,869,088 shares.

2. During the reporting period, on June 14, 2019, the Company obtained the approval document issued by China Securities Regulatory Commission on May 29, 2019 (with approval number: ZJXK [2019] 963); On November 11, 2019, the Company disclosed the online and offline public announcement of additional share offering to officially launch the offering; On November 28, 2019, the Company issued 16,065,249 additional shares for public listing. The total share capital of the Company was changed from 131,869,088 shares to 147,934,337 shares, of which 74,288,345 shares were restricted for sale, accounting for 50.22% of the total shares; there were 73,645,992 shares with unlimited sale conditions, accounting for 49.78% of the total number of shares.

3. Situation of existing internal employee stocks

√ Applicable □ Not applicable

III. Shareholders and actual controllers

1. Number of shareholders and shareholding situation of the Company

Unit: Share

Total number of common shareholders at the end of reporting period	11,329	Total number of common shareholders at the end of last month prior to disclosure date of the annual report	10,339	Total number of preferred stock shareholders whose voting right is recovered at the end of reporting period (if any) (refer to Note 9)	0	Total number of preferred stock shareholders whose voting right is recovered at the end of last month prior to disclosure date of annual report (if any) (refer to Note 9)	0
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Shareholding situation regarding shareholders holding more than 5% of stocks or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding proportion	Amount of holding shares at the end of the reporting period	Increase or decrease within the reporting period	Shareholding quantity with limited conditions of sale	Shareholding quantity with unlimited conditions of sale	Pledge or frozen situation	
							Stock status	Quantity
Wu Fengli	Domestic natural person	36.21%	53,564,000	899,540	52,235,460	1,328,540	Pledge	22,515,331
Yang Shuangbao	Domestic natural person	7.06%	10,440,420	0	7,830,315	2,610,105		
Huang Daibo	Domestic natural person	5.62%	8,320,860	0	6,240,645	2,080,215	Pledge	811,999
Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Non-domestic state-owned legal person outside territory	4.43%	6,551,100	0	6,551,100	0		
Beijing Chengtong Jinkong Investment Co., Ltd.	State-owned legal person	2.56%	3,786,869	3,786,869	0	3,786,869		
North Industrial Group Investment Management Company Ltd.	State-owned legal person	2.50%	3,700,000	3,700,000	0	3,700,000		
Zhu Hai	Domestic natural person	1.58%	2,340,066	-130,054	0	2,340,066		
Dongguan Sanzheng Financial Investment Co.,	Non-domestic state-owned legal person outside	1.32%	1,956,523	0	0	1,956,523		

Ltd.	territory							
Ni Zhanggen	Domestic natural person	1.19%	1,759,970	103,076	0	1,759,970		
Industrial Securities Assets Management-Industrial Bank-Industrial Assets Management Xinzhong No. 80 Collective Assets Management Plan	Miscellaneous	1.17%	1,723,610	0	0	1,723,610		
Strategic investors or general legal persons become top 10 shareholders due to right issue (if any) (see Note 4)		Not applicable						
Description of associated relationships or concerted action of the above shareholders		Wu Fengli, the controlling shareholder and actual controller of the Company, is a general partner of Yongxin Darchen and has a brother relationship with Wu Fengyi, a limited partner of Yongxin Darchen, a cousin relationship with Luo Xiaomin, a limited partner of Yongxin Darchen, and a cousin relationship with Wu Qiufeng and Wu Xuefeng, limited partners of Yongxin Darchen. Yang Shuangbao, shareholder of the Company, is brother-in-law of Zheng Weizhi, partner of Yongxin Dacheng Co., Ltd.; Wu Shengfeng and Wu Yunfeng are brothers, who are partners of Yongxin Dacheng Limited. Besides this, the Company does not know whether other shareholders of the Company are related or belong to the persons acting in concert as specified in the Measures for the Administration of Acquisition of Listed Companies.						
Shareholding situation regarding top 10 shareholders without restricted conditions								
Name of shareholder	Quantity of stocks without restricted conditions held at the end of reporting period					Stock class		
						Stock class	Quantity	
Beijing Chengtong Jinkong Investment Co., Ltd.	3,786,869					Common share in RMB	3,786,869	
North Industrial Group Investment Management Company Ltd.	3,700,000					Common share in RMB	3,700,000	
Yang Shuangbao	2,610,105					Common share in RMB	2,610,105	
Zhu Hai	2,340,066					Common share in RMB	2,340,066	

Huang Daibo	2,080,215	Common share in RMB	2,080,215
Dongguan Sanzheng Financial Investment Co., Ltd.	1,956,523	Common share in RMB	1,956,523
Ni Zhanggen	1,759,970	Common share in RMB	1,759,970
Industrial Securities Assets Management-Industrial Bank-Industrial Assets Management Xinzhong No. 80 Collective Assets Management Plan	1,723,610	Common share in RMB	1,723,610
Li Li	1,566,219	Common share in RMB	1,566,219
Wu Fengli	1,328,540	Common share in RMB	1,328,540
Description for relationship or concerted action between top 10 common stock shareholders without restricted conditions as well as between top 10 common stock shareholders without restricted conditions and top 10 shareholders	The Company does not know whether the top 10 ordinary shareholders with unlimited selling conditions are related or whether they belong to the person acting in concert as stipulated in the Measures for the Administration of Acquisition of Listed Companies.		
Explanation about shareholders participating in financing and securities loan businesses (if any) (refer to Note 5)	Shareholder Li Li holds 1,566,219 shares through the customer credit transaction guarantee securities account of guangfa securities co., ltd., actually holding a total of 1,566,219 shares.		

Whether top ten common shareholder and top ten common shareholder without restricted conditions in the Company carry out agreed
repurchase transaction within the reporting period

☐Yes ☒No

Whether top ten common shareholder and top ten common shareholder without restricted conditions in the Company carry out agreed
repurchase transaction within the reporting period

2. Controlling shareholder of the Company

Nature of controlling shareholder: Natural person controlling

Type of controlling shareholder: Natural person

Name of controlling shareholders	Nationality	Whether right of residence in other country or region is gained
Wu Fengli	China	No

Primary occupation and position	Chairman, CEO
Equity Information of other domestic and overseas listed companies holding and participating within the reporting period	None

Change in the controlling shareholder with Within the reporting period

☐ Applicable ☒ Not applicable

the Company's controlling shareholder doesn't change within the reporting period.

3. Company's actual controller and its concerted action

Nature of actual controller: Domestic natural person

Nature of actual controller: Natural person

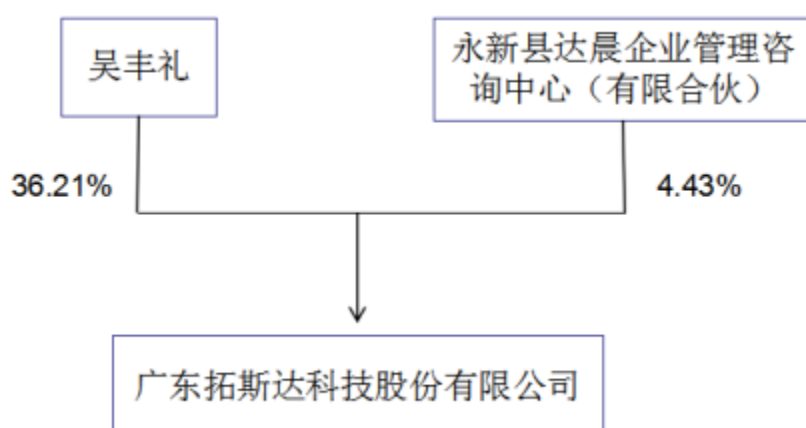
Name of actual controller	Relationship with the enterprise actual controller	Nationality	Whether right of residence in other country or region is gained
Wu Fengli	In person	China	No
Primary occupation and position	Chairman, CEO		
Domestic and overseas listed companies held once in the past ten years	None		

Change in actual controller within the reporting period

☐ Applicable ☒ Not applicable

No change in actual controller of the Company in the reporting period

A block diagram of the property right and control relationship between the Company and the actual controllers



吴丰礼	Wu Fengli
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永新县达晨企业管理咨询中心（有限合伙）	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)
广东拓斯达科技股份有限公司	Guangdong Topstar Technology Co., Ltd.

Actual controllers control the Company by virtue of trust or other assets management method

☐ Applicable ☒ Not applicable

4. Legal person shareholders holding over 10% equities

☐ Applicable ☒ Not applicable

5. Share restriction and reduction of share regarding dominant stockholder, actual controller, restructuring party and other commitment subject

☒ Applicable ☐ Not applicable

Wu Fengli, the controlling shareholder and actual controller of the Company, promised as follows:

(1) Within 36 months from the date of public offering and listing of the Company, I shall not transfer or entrust others to manage the shares I hold that were issued before the Company's public offering, nor will let the Company buy back the shares I hold. This commitment will be fulfilled on February 20, 2020.

(2) During the period when I or my near relatives serve as directors, supervisors and senior management personnel of the Company, the total shares I transfer shall be no more than 25% each year, and I shall not transfer any shares I held within six months after leaving office; In 12 months after leaving the Company for six months, the number of shares sold through listing on the Shenzhen Stock Exchange shall not exceed 50% of the total number of issuer shares held. At the same time, if I declare resignation within 6 months from the date of listing, I shall not transfer any share of the Company I hold within 18 months from the date of declaring the resignation; If I declares the resignation within the 7th month to the 12th month from the date of listing, I shall not transfer any share of the Company I hold within 12 months from the date of declaration. After the aforesaid circulation restrictions are removed, if I or my near relatives are still elected and serving as directors, supervisors or senior management personnel of the Company at that time, then the shares I hold shall continue to be subject to the circulation restrictions stipulated herein. If the closing price of the Company's shares is lower than the issue price for 20 consecutive trading days within 6 months after listing of the Company, or the closing price is lower than the issue price at the end of 6 months after listing of the Company, the lock-up period will be automatically extended for 6 months. If I reduces shares within two years after meeting the above-mentioned locking period, the reduction price shall not be lower than the issue price of the Company's initial public offering of shares, and the number reduced each year shall not exceed 25% of the issuer's shares at that time. The reduction methods include agreement-based transfer, bulk transaction or secondary market, etc., and the reduction shall be announced through the Company three trading days before the reduction.

Section VII Preferred Stock

☐ Applicable ☒ Not applicable

The Company has no preferred stocks in the reporting period.

Section VIII Convertible Corporate Bonds

☐ Applicable ☒ Not applicable

There were no convertible corporate bonds in the reporting period.

Section IX Directors, Supervisors, Senior Managers and Employees

I. Change in shareholding by directors, supervisors and senior executives

Name	Title	Status	Gender	Age	Starting date of tenure	Ending date of tenure	Number of shares held at the beginning of the period (shares)	Number of increased shares in current period (shares)	Number of decreased shares in current period (shares)	Other increase/decrease or decrease (shares)	Number of shares held at the end of the period (shares)
Wu Fengli	Chairman President	Current position	Male	40	March 24, 2014	June 4, 2020	52,664,460	899,540	0	0	53,564,000
Yang Shuangbao	Director Vice President	Current position	Male	43	March 24, 2014	June 4, 2020	10,440,420	0	0	0	10,440,420
Huang Daibo	Director Vice President	Current position	Male	41	March 24, 2014	June 4, 2020	8,320,860	0	0	0	8,320,860
Yin Jianqiao	Director	Current position	Male	43	March 24, 2014	June 4, 2020	0	0	0	190,000	190,000
Zhang Peng	Director	Current position	Male	36	February 13, 2019	June 4, 2020	0	0	0	100,000	100,000
Lan Haitao	Director	Current position	Male	40	February 13, 2019	June 4, 2020	0	0	0	60,000	60,000
Zhou Runshu	Independent director	Current position	Male	57	January 23, 2015	June 4, 2020	0	0	0	0	0

Zhong Chunbiao	Independent director	Current position	Male	45	January 23, 2015	June 4, 2020	0	0	0	0	0
Li Di	Independent director	Current position	Female	55	August 03, 2016	June 4, 2020	0	0	0	0	0
Wu Shengfeng	President of the Board of Supervisors	Current position	Male	32	January 23, 2015	June 4, 2020	0	0	0	0	0
Yang Shairu	Supervisor	Current position	Male	36	February 23, 2015	June 4, 2020	0	0	0	0	0
Tang Bo	Supervisor	Current position	Male	36	February 13, 2019	June 4, 2020	0	0	0	0	0
Zuo Yunguang	Vice President	Current position	Male	46	January 25, 2019	June 4, 2020	0	0	0	20,000	20,000
Xu Biye	Vice President	Current position	Male	41	January 25, 2019	June 4, 2020	0	0	0	80,000	80,000
Zhou Yongchong	Chief financial officer	Current position	Male	44	March 24, 2014	June 4, 2020	0	0	0	100,000	100,000
Quan Heng	Vice President, Secretary of the board of directors	Current position	Male	41	June 24, 2019	June 4, 2020	0	0	0	0	0
Liu	Vice	Current	Mal	41	August 24,	June 4, 2020	0	0	0	215,000	215,000

Juejun	President	nt position	e		2018						
Zhang Jian	Vice President	Quit	Male	39	August 24, 2018	August 13, 2019	0	0	0	0	0
Xiang Xinfeng	Vice President	Quit	Male	41	January 25, 2019	August 13, 2019	0	0	0	0	0
Chen Xiang	Vice President	Quit	Male	38	January 25, 2019	June 3, 2019	0	0	0	0	0
Fang Xianli	Vice President, Secretary of the board of directors	Quit	Female	48	February 26, 2019	June 17, 2019	0	0	0	0	0
Zhu Liang	Director	Quit	Male	40	January 23, 2015	February 13, 2019	0	0	0	0	0
Ren Junzhao	Director	Quit	Male	44	February 09, 2017	February 13, 2019	0	0	0	0	0
Chen Xuan	Supervisor	Quit	Male	41	February 09, 2017	February 13, 2019	0	0	0	0	0
Total	--	--	--	--	--	--	71,425,740	899,540	0	765,000	73,090,280

II. Changes of the directors, supervisors and senior executives

√ Applicable □ Not applicable

Name	Position held	Type	Date	Reasons
Zhu Liang	Director	Quit	January 25, 2019	Resigned for personal reason,
Ren Junzhao	Director	Quit	January 25, 2019	Resigned for personal reason,
Chen Xuan	Supervisor	Quit	January 25, 2019	Resigned for personal reason,
Chen Xiang	Vice President	Quit	June 3, 2019	Resigned for personal reason,
Fang Xianli	Vice President, Secretary of the board of directors	Quit	June 17, 2019	Resigned for personal reason,
Zhang Jian	Vice President	Quit	August 13, 2019	To hold a position in a joint-stock Company

Xiang Xinfeng	Vice President	Quit	August 13, 2019	To hold a position in a joint-stock Company
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III. Occupation situation

Professional background, main work experience and main responsibility of the current directors, supervisors, senior executives of the Company

(I) Directors

1. Mr. Wu Fengli, Chairman of the Board of Directors, was born in October 1980, Chinese nationality, has no right of abode abroad, EMBA in Tsinghua University, graduated from technical secondary school. From 2001 to 2004, he worked in Dongguan Taide Machinery Manufacturing Co., Ltd., from 2004 to 2007, he worked in Dongguan Chang 'an Tuopu Plastic Machinery Operation Department, and in June 2007, he founded Topstar Manufacturing and successively served as supervisor, executive director and general manager. Since February 2014, he has been the chairman and president of the Company.

2. Mr. Yang Shuangbao, director, born in September 1977, Chinese nationality, with no right of abode abroad, graduated from a junior college. From 2000 to 2004, he worked in Dongguan Taide Machinery Manufacturing Co., Ltd., from 2004 to 2007, he worked in Dongguan Chang 'an Tuopu Plastic Machinery Operation Department together with Wu Fengli, and in June 2007, he co-founded Topstar Manufacturing together with Wu Fengli and successively served as director, manager, executive director and plant director etc. He served as director of the Company since February 2014 and a vice president of the Company since March 2014.

3. Mr. Huang Daibo, director, born in May 1979, Chinese nationality, with no right of abode abroad, graduated from a technical secondary school. From 2000 to 2005, he worked in Dongguan Xingrui Lighting Co., Ltd, from 2005 to 2007, he worked as a trade agent, and in December 2007, he joined Topstar manufacturing as a marketing director. Since February 2014, he has been a director and vice president of the Company.

4. Mr. Yin Jianqiao, director, born in September 1977, Chinese nationality, with no right of abode abroad, graduated from a junior college. ' From 2001 to 2005, he was the business manager of Hongkong Jiali Technology Co., Ltd. From 2005 to 2010, he worked as a trade agent. In May 2010, he joined Topstar and served as deputy director of marketing department, director and general manager of marketing center. He is currently the director of the Company and vice president of marketing in North District.

5. Mr. Zhang Peng, director, born in April 1984, Chinese nationality, with no right of abode abroad, bachelor degree. From 2004 to 2008, he studied in the School of Mechanical Engineering of Hunan Xiangtan University. From 2008 to 2017, he worked as a sales engineer, sales section chief, regional manager, general manager of South China Region, general manager of Robotics Department and other positions of Topstar. He is currently a director of the Company and a special assistant to the general manager of Key Client Department.

6. Mr. Lan Haitao, director, born in November 1980, Chinese nationality, with no right of abode abroad, bachelor degree. From 2003 to 2009, he served as an engineer and senior engineer of Star Keiki (Shenzhen) Co., Ltd from 2009 to 2010, he served as department head and class head of Star Keiki (Xiangyang) Co., Ltd. in May 2011, he joined Topstar and served as manager, director and general manager of Mechanical Arm Department. he is currently the general manager of Injection Molding Equipment Department. Since February 13, 2019, he has been a director of the Company .

7. Mr. Zhou Runshu, independent director, born in December 1963, Chinese nationality, with no right of abode abroad, master degree, master tutor. From July 1985 to August 1997, he was assistant professor and lecturer of Anhui Jianzhu University. From September 1997 to July 2002, he worked as an accountant in Xiamen Branch of

China Construction Bank. From August 2002 to January 2006, he was lecturer and associate professor of Huizhou University, director of the Financial Accounting Teaching and Research Section and deputy director of the Audit Department (presiding). From February 2006 until now, he has been an associate professor, professor, master's tutor and member of the academic committee of Dongguan Institute of Technology. Since January 2015, He has served as the independent director of the Company ;

8. Mr. Zhong Chunbiao, director, born in June 1975, Chinese nationality, with no right of abode abroad, bachelor degree. From July 1995 to November 2006, he was the teacher and principal of Guangxi Fuchuan Fuyang Central School, from December 2006 to October 2012, he was the lawyer of Guangdong Changzheng Law Firm, and from November 2012 until now he has been the chief lawyer of Guangdong Qixuan Law Firm. Since January 2015, He has served as the independent director of the Company.

9. Ms. Li Di, independent director, born in June 1965, Chinese nationality, with no right of abode abroad, doctoral degree. From June 1988 to September 1990, she worked as assistant engineer of the Institute of Shipbuilding and Electric Engineering of Beihai Shipyard of China Shipbuilding Corporation. From July 1993 to January 1999, she was a lecturer and associate professor in the Department of Electrical Engineering of Guangdong University of Technology. From January 1999 until now, she has been an associate professor and professor in the School of Mechanical and Automotive Engineering of South China University of Technology. Since August 2016, she has served as the independent director of the Company ;

10. Mr. Zhu Liang, born in March 1980, Chinese nationality, with no right of abode abroad, master degree. From November 2000 to July 2011, he successively worked in Northeast Securities, Shanghai Broadband Technology and Hualong Securities. From August 2011 to now, he has been the investment director of Industrial Innovative Capital Management Co., Ltd. From January 2015 and February 2019, he served as director of the Company.

11. Mr. Ren Junzhao, born in October 1976, Chinese nationality, with no right of abode abroad, master degree. From August 2000 to December 2001, he was the secretary to the chairman of Anhui Huabei Group, from January 2002 to February 2003, he was an employee of Shanghai Rongxi Trading Co., Ltd, from March 2003 to November 2003, he was the sales director of Shanghai Huaqi Information Technology Co., Ltd, from September 2004 to January 2007, he studied in Fudan University's Master of Business Administration. From May 2007 to April 2011, he worked as investment manager of Shenzhen Han's Laser Technology Co., Ltd., the investment director of Shenzhen Fortune Capital Co., Ltd. from May 2011 to the present, the director of Shenzhen Zhongyi Energy Storage New Materials Co., Ltd. from January 2013 to the present, the supervisor of Shenzhen Auteltech Technology Co., Ltd. from June 2014 to the present, and the director of Shenzhen Shinry Technology Co., Ltd. from April 2015 to the present. Since November 2016, he served as director of Shenzhen Dongfang Coolhear Information Technology Co., Ltd., director of Shenzhen Huazhi Intelligent Technology Co., Ltd. Since October 2017, he worded as director of Shenzhen Leishen Laser Intelligent System Co., Ltd. Since August 2018, he worked as director of Beijing Shuangjisha Technology Co., Ltd. Since June 2016, he worked as supervisor of the Company from January 2015 to June 2017, and director of the Company from June 2017 to February 2019.

(II) Supervisors

1. Mr. Wu Shengfeng, chairman of the board of supervisors and employee supervisor, born in April 1988, Chinese nationality, with no right of abode abroad, graduated from technical secondary school. In 2007, he joined Topstar Manufacturing and served as assembler, team leader, director of factory affairs department, warehouse supervisor, quality supervisor, deputy manager, etc. He is currently chairman of the board of supervisors of the Company and chief procurement officer of Green Energy Division.

2. Mr. Yang Shairu, director, born in April 1984, Chinese nationality, with no right of abode abroad, graduated from a junior college. From February 2007 to March 2008, he served as an engineer of Suzhou Jiuteng Electronics Co., Ltd. In April 2008, he joined Topstar Manufacturing and worked as salesman, business leader, section chief, manager, deputy director of direct sales department, director, deputy general manager of Marketing Center, etc. Currently, he served as the supervisor of the Company and vice president of Marketing in Southern District.

3. Mr. Tang Bo, supervisor, born in September 1984, Chinese nationality, with no right of abode abroad, graduated from a technical secondary school. From 2003 to 2006, he worked as technician and technical director of Dongguan Taiya Refrigeration Technology Co., Ltd. In March 2007, he joined Topstar and worked as technician, sales specialist, sales manager, sales director, director of automation division, general manager and other positions. He is currently the director of Jiangsu Topstar and served as supervisor of the Company since February 2019.

4. Mr. Hsuanchan, born in October 1979, has Chinese nationality, no right of abode abroad and a master's degree. He worked in Shanghai PetroChina Energy Holding Co., Ltd. from February 2009 to May 2013, Shanghai Film Co., Ltd. from October 2013 to April 2014, and has worked in Huarong Tianze Investment Co., Ltd. since April 2014. From June 2017 to February 2019, he served as director of the Company.

(III) Senior Executives

1. Mr. Wu Fengli, the current president of the Company, please refer to "(I) Directors" for details.

2. Mr. Yang Shuangbao, the current president of the Company, please refer to "(I) Directors" for details.

3. Mr. Huang Daibo, the current president of the Company, please refer to "(I) Directors" for details.

4. Mr. Zuo Yunguang, vice president, born in March 1974, Chinese nationality, with no right of abode abroad, graduated from the Department of International Economics of Hunan University of Finance and Economics with a bachelor's degree, a master's degree in economics from University of International Business and Economics, economist. From 1997 to 2017, he worked in Dongguan Central Sub-branch of the People's Bank of China and successively served as deputy director of the business department, chief of the internal audit department and director of the post supervision Center, chief of the anti-money laundering department, member of the Party committee, secretary of the discipline inspection commission, deputy researcher, etc. In October 2017, he was appointed as the Deputy General Manager of Dongguan Kanghua Group. From October 2018 to the present, he has served as the general manager of CEO office, from January 2019 to the present, he has served as the vice president of the Company.

5. Mr. Xu biye, vice president, born in July 1979, Chinese nationality, with no right of abode abroad, graduated from Jilin university with a bachelor's degree. From 2003 to 2018, he worked in Huawei Technologies Co., Ltd. and successively worked in Huawei's 2012 laboratory, Huawei's IT product line and other departments, and successively served as engineer, project manager, department manager and senior project manager and other positions. From January 2019 to the present, he has served as the general manager of R&D Center, from January 2019 to the present, he has served as the vice president of the Company.

6. Mr. Zhou Yongchong, chief financial officer, born in February 1976, Chinese nationality, with no right of abode abroad, junior college degree, with an intermediate professional title, certified public accountant, certified tax accountant. From December 1996 to November 2003, he served as the accountant of the Bishan Grain and Oil Management Station in Pingchang County, Sichuan Province, from November 2003 to December 2006, he served as the auditor and project manager of Dongguan Hualian Certified Public Accountants, from December 2006 to July 2010, he served as the department manager of Dongguan Xincheng Certified Public Accountants, from July 2010 to November 2011, he served as the manager of Dongguan Hehui Certified Public Accountants, and in November

2011 he joined Topstar Co., Ltd. and served as the financial manager. Since February 2014, he has served as the Company's chief financial officer.

7. Mr. Quan Heng, vice president and secretary of the board of directors, born in 1979, Chinese nationality, with no permanent right of abode abroad, bachelor's degree in economics from University of International Business and Economics and MBA from Tsinghua University. He has obtained the Qualification Certificate for Secretary of the Board of Directors. From 2000 to 2008, he successively served as futures analyst of China Nonferrous Metals Industry Corporation, securities analyst of Haitian Investment Co., Ltd. and assistant to the chairman of Huaxia International Investment Group. From 2008 to 2016, he was a director, vice president and secretary of the board of directors of Shenzhen Hybio Pharmaceutical Co., Ltd. From 2016 to 2018, he served as deputy general manager, chief financial officer and secretary of the board of directors of Nations Technologies Inc. Since 2013, he has won many awards such as the New Fortune Gold Medal Secretary, Hexun Gold Medal Secretary, Golden Bull Award Best Secretary, Tianma Award Excellent Secretary, Golden Shield Award Excellent Secretary, and the Listed Company's Reputation List Best Secretary. In May 2019, he joined the Company and has served as vice president and board secretary of the Company since June.

8. Mr. Liu Xiaojun, vice president, was born in July 1979 and graduated from Nanjing University of Posts and Telecommunications with a bachelor's degree. From 2001 to 2018, he worked in Huawei Technologies Co., Ltd. and successively worked in Huawei's wireless product line, Huawei's IT product line and other departments and successively served as engineer, project manager, department manager, HRBP, senior human resources manager, BMT HRD and other positions. In June 2018, he joined Topstar as the general manager of HR Center and has been the vice president of the Company since August 2018.

9. Mr. Chen Xiang, born in November 1982, Chinese nationality and no right of abode abroad, graduated from Changsha university of technology and MBA from Manchester university. From 2010 to 2017, he worked in Huawei Technologies Co., Ltd. and successively worked in Southeast Asia Regional Department, Major Projects Department and other departments, successively served as senior customer manager, sales director and company-level major project director. From December 2018 until now, he has been the general manager of Key Clients Department and vice president of the Company from January 2019 to June 2019.

10. Ms. Fang Xianli, born in September 1972, Chinese nationality, with no right of abode abroad, PhD in economics from Fudan University and EMBA from China Europe International Business School. She has the qualification of certified public accountant and legal practice. From August 2003 to December 2011, he served as chief of the foreign cooperation department of SAIC Motor Corporation Limited, assistant to the general manager of Jinqiao Project Team, assistant to the group cadre minister, assistant to the general manager and director of the office, assistant to the executive director of the Capital Operation Department, etc. Since August 2011, he has been the general manager and executive director of Shanghai Homeland Asset Management Co.,Ltd.; From January 2014 to November 2015, he served as deputy general manager and secretary of the board of directors of Kailong High Tech Co., Ltd. Since November 2015, he has been a director of ZENT Construction Machinery Co., Ltd. From June 2016 to September 2018, he served as secretary of the board of directors of Shanghai La Chapelle Fashion Co.,Ltd. Since October 2018, he has served as an independent director of Bestway Marine & Energy Technology Co.,Ltd; From February 2019 to June 2019, he served as vice president and secretary of the board of directors of the Company.

11. Mr Zhang Jian, born in February 1981, bachelor degree from Peking university, MBA and postgraduate degree from Communication University. From 2005 to 2006, he worked in Beijing Ifensi Technology Co., Ltd. From 2007 to 2009, he worked in Suirui Group Co., Ltd. and served as a vice president, responsible for the Company's subordinate website operation and integrated marketing operation. From 2009 to 2018, he worked for

Alibaba, and successively served as the head of the northern region market and the general manager of the northern region background. From August 2018 to August 2019, he served as vice president of the Company. Currently, he acts as CEO of Tuotuo Technology, a Company in which the Company holds shares.

12. Mr. Xiang Xinfeng, born in December 1979, Chinese nationality, with no right of abode abroad, graduated from Qilu University of Technology with a bachelor's degree. In 2002, he worked in Shandong Silicate Research and Design Institute, in 2005, he joined Alibaba (China) Network Technology Co., Ltd. China Supply Tiejun, worked in Qingdao Regional Sales Front Line and successively served as sales director, regional manager, regional vice president and other positions and later transferred to several markets in the northern region and the central and western regions. From January 2019 to August 2019, served as vice President of the Company. Currently acting as COO of Tuotuo Technology, a company in which the Company holds shares.

Positions in the shareholders' units

☐ Applicable ☒ Not applicable

Positions in other units

☒ Applicable ☐ Not applicable

Name of office staff	Name of other units	Position in other units	Starting date of tenure	Ending date of tenure	Whether remuneration and allowance have been received at other unit
Wu Fengli	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Executive partner	October 17, 2013	March 10, 2020	No
Wu Fengli	Laibin Chenda Trade Center (Limited Partnership)	Limited partner	Dec. 4, 2019		No
Wu Fengli	Laibin Tuoyu Trade Center (Limited Partnership)	Limited partner	December 05, 2019		No
Wu Fengli	Dongguan Tuochen Industrial Investment Co., Ltd.	Executive director	February 09, 2017		No
Wu Fengli	Guangdong Tuotuo Network Technology Co., Ltd.	Executive director and manager	September 18, 2019		No
Yang Shuangbao	Dongguan Yee Intelligent Equipment Co., Ltd.	Supervisor	March 20, 2018		No
Yin Jianqiao	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Limited partner	October 17, 2013	March 10, 2020	No
Yin Jianqiao	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Executive partner	March 11, 2020		No

Yin Jianqiao	Laibin Tuoyu Trade Center (Limited Partnership)	Executive partner	December 05, 2019		Yes
Yang Shairu	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Limited partner	October 17, 2013	March 10, 2020	No
Yang Shairu	Laibin Chenda Trade Center (Limited Partnership)	Executive partner	Dec. 4, 2019		
Yang Shairu	Wuhan JoTong Intelligent Technology Co., Ltd.	Director	November 24, 2017		
Wu Shengfeng	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Limited partner	October 17, 2013	March 10, 2020	Yes
Wu Shengfeng	Laibin Tuoyu Trade Center (Limited Partnership)	Limited partner	December 05, 2019		Yes
Tang Bo	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Limited partner	October 17, 2013	March 10, 2020	Yes
Tang Bo	Laibin Chenda Trade Center (Limited Partnership)	Limited partner	Dec. 4, 2019		Yes
Zhang Peng	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Limited partner	October 17, 2013	March 10, 2020	Yes
Zhang Peng	Laibin Tuoyu Trade Center (Limited Partnership)	Limited partner	December 05, 2019		Yes
Lan Haitao	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Limited partner	October 17, 2013	March 10, 2020	Yes
Lan Haitao	Laibin Tuoyu Trade Center (Limited Partnership)	Limited partner	December 05, 2019		No
Zhou Yongchong	Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Limited partner	October 17, 2013	March 10, 2020	No
Zhou Yongchong	Laibin Tuoyu Trade Center (Limited Partnership)	Limited partner	December 05, 2019		No
Xu Biye	Shenzhen Pengqimeng Technology Co., Ltd.	Executive director and manager	July 29, 2014	October 24, 2019	No
Li Di	School of Mechanical and	Professor and	December 01, 2001		No

	Automotive Engineering, South China University of Technology	Master's supervisor			
Li Di	Jiahe Intelligent Technology Co., Ltd.	Independent director	November 8, 2017		No
Zhou Runshu	School of Business Administration, Dongguan Institute of Technology	Professor of Accounting and a Master's Tutor	February 14, 2006		Yes
Zhou Runshu	East Group Co., Ltd.	Independent director	April 12, 2016		Yes
Zhou Runshu	Dongguan Securities Co., Ltd	Independent director	December 26, 2016		Yes
Zhou Runshu	Autel Intelligent Technology Corp., Ltd.	Independent director	February 09, 2017		Yes
Zhou Runshu	Sanyou Corporation Limited	Independent director	October 23, 2017		Yes
Zhong Chunbiao	Guangdong Changzheng Law Firm	Director	December 01, 2016		Yes

Punishment against directors, supervisors and senior executive who works for the Company now or have left their post within the reporting period by securities' regulator in recent three years

☐ Applicable ☒ Not applicable

IV. Remuneration of the directors, supervisors and senior executives

Decision-making process, confirmation basis and actual payment of remuneration of directors, supervisors and senior executives

Decision-making procedure of remunerations of directors, supervisors and senior executives	According to the Company's articles of association and the Company's relevant remuneration management rules, the remuneration of the directors and supervisors of the Company is proposed by the Company's remuneration and appraisal Committee and submitted to the board of directors for deliberation and determination.
The basis of determining the remuneration of the directors, supervisors and senior executives	According to the actual situation of the Company's operating scale and the salary level of the industry, it was approved by the 17th meeting of the second board of directors and the 2018 annual general meeting of shareholders.
Actual payment of remunerations of the directors, supervisors and senior executives	The remuneration of directors, supervisors and senior management of the Company has been paid in full according to the performance appraisal results and the remuneration standard.

Remuneration to company's directors, supervisors and senior executives with Within the reporting period.

Unit: RMB 10,000

Name	Title	Gender	Age	Status	Total amount of pre-tax remuneration from the	Whether the remuneration is gained from the affiliated
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					Company	parties of the Company
Wu Fengli	Chairman, CEO	Male	40	Current position	45.76	No
Yang Shuangbao	Director, Vice President	Male	43	Current position	37.67	No
Huang Daibo	Director, Vice President	Male	41	Current position	40.09	No
Yin Jianqiao	Director	Male	43	Current position	45.85	No
Zhang Peng	Director	Male	36	Current position	33.4	No
Lan Haitao	Director	Male	40	Current position	55.71	No
Zhou Runshu	Independent director	Female	57	Current position	3.57	No
Zhong Chunbiao	Independent director	Male	45	Current position	3.57	No
Li Di	Independent director	Male	55	Current position	3	No
Wu Shengfeng	President of the Board of Supervisors	Male	32	Current position	12.61	Yes
Yang Shairu	Supervisor	Male	36	Current position	84.08	No
Tang Bo	Supervisor	Male	36	Current position	49.11	No
Zuo Yunguang	Vice President	Male	46	Current position	64.87	No
Xu Biye	Vice President	Male	41	Current position	59.86	No
Zhou Yongchong	Chief financial officer	Male	44	Current position	65.34	No
Quan Heng	Vice President, secretary of the board of directors	Male	41	Current position	100.88	No
Liu Juejun	Vice President	Male	41	Current position	90.38	No
Zhang Jian	Vice President	Male	39	Quit	83.3	No
Xiang Xinfeng	Vice President	Male	41	Quit	79.28	No

Chen Xiang	Vice President	Male	38	Quit	38.39	No
Fang Xianli	Vice President, secretary of the board of directors	Female	48	Quit	16.76	No
Zhu Liang	Director	Male	40	Quit	0	Yes
Ren Junzhao	Director	Male	44	Quit	0	Yes
Chen Xuan	Supervisor	Male	41	Quit	0	No
Total	--	--	--	--	1,013.48	--

Situation of equity incentive against Company's directors, senior executives within the reporting period

√ Applicable □ Not applicable

Unit: Share

Name	Title	Quantity of vesting shares with Within the reporting period	Quantity of shares of which rights have been exercised during the reporting period	Exercise price of the exercised stocks in the report period (RMB/stoc k)	Market price at the end of the report period (RMB/stoc k)	Quantity of restricted stock held at the beginning of the period	Number of shares unlocked in this period	Quantity of new restricted stock granted within the reporting period	Grant price of the restricted stocks (Yuan/stoc k)	Quantity of restricted stocks held at the end of the period
Yin Jianqiao	Director	0		0	47.80	0	0	190,000	22.61	190,000
Zhang Peng	Director	0	0	0	47.80	0	0	100,000	22.61	100,000
Lan Haitao	Director	0	0	0	47.80	0	0	60,000	22.61	60,000
Zhou Yongchong	Chief financial officer	0	0	0	47.80	0	0	100,000	22.61	100,000
Xu Biye	Vice President	0	0	0	47.80	0	0	80,000	22.61	80,000
Zuo Yunguang	Vice President	0	0	0	47.80	0	0	20,000	22.61	20,000
Liu Juejun	Vice President	0	0	0	47.80	0	0	215,000	22.61	215,000
Total	--	0	0	--	--	0	0	765,000	--	765,000
Remarks (if any)	Not applicable									

V. Situation of the company personnel

1. Employees' quantity, major composition as well as educational status

Quantity of staff on active duty in the parent company (person)	1,215
Quantity of staff on active duty in subsidiary company (person)	519
Total quantity of staff on active duty (person)	1,734
Total number of staff gaining the remuneration in the current period (person)	1,798
The number of retired workers whose expenses shall be undertaken by parent company and main subsidiaries (person)	11
Professional composition	
Professional composition category	The number of persons of professional composition(person)
Production staff	341
Sales Personnel	256
Technical personnel	747
Financial personnel	40
Administration personnel	350
Total	1,734
Educational background	
Education degree category	Quantity (person)
Postgraduate	37
Bachelor	513
Junior college student	564
Secondary/High School and Below	620
Total	1,734

2. Remuneration policy

In accordance with the Labor Contract Law of the People's Republic of China and other relevant national and local labor laws and regulations, the Company signs labor contracts with employees in accordance with the principles of legality, equality and voluntariness, and carries out the performance, modification, dissolution and termination of labor contracts according to law. The Company strictly implements relevant national labor and social security rules and regulations, and pays five insurances and one fund for employees in accordance with national regulations. Based on business strategy, the Company has established a comprehensive incentive and reward system, further improved and optimized the Company's salary system, including establishing a staff rank management system, grading by post, grading by salary, and matching the salary with the responsibilities and contributions of staff positions. Continue to optimize the performance bonus distribution plan, tilt to the employees with excellent performance and strivers, and encourage more work and more gain; Plan the equity

incentive plan, carry out equity incentive for senior executives and core cadres, and keep core employees. Through the establishment of a comprehensive reward system, employees will be provided with a certain competitive salary reward in the industry, which will encourage and stimulate employees, enhance the cohesion of the Company, enhance the sense of ownership of employees, and reach a common vision of organizations and individuals, thus contributing to the sustainable and healthy development of the Company. At the same time, through the optimization of the salary scheme, it also provides a guarantee for attracting high-end talents in the industry. In 2019, the Company successively introduced a number of high-end talents in the industry, further enriching the talent echelon of the Company and strengthening the organizational capacity.

3. Training plan

The Company will continue to pay close attention to the implementation of various training work in 2019, on the premise of maintaining the original hierarchical training system. During the reporting period, the training of management cadres will be highlighted. During the reporting period, it took three quarters to set up and improve the cadre training system. The high, middle and grass-roots cadres were trained and promoted at different levels. Corresponding training programs were matched. The senior management eagle plan, middle-level eagle plan and grass-roots eagle plan were set up respectively. The thickness of management cadres was continuously improved, and the quality of cadres, their management thinking/management ability/overall view were forged and improved. For management cadres, a quarter-long role awareness training was held, leading departments to sort out and clarify the role of management cadres, and to promote publicity to better clarify the appointment standards and development channels of management cadres, so as to build a targeted cadre training mechanism. Using a quarter of time, through the portrait of high-potential talents and scientific evaluation system, young, highly educated, high-performance and high-potential talents are selected from among the excellent personnel in various departments of the Company to build a follow-up talent echelon for the management cadre team of the Company. The Company firmly believes that employees are the greatest wealth of the organization. The Company will continue to increase training efforts, continuously improve the capabilities of all cadres and employees, build a learning organization, and strengthen organizational capabilities to adapt to more uncertainties in the future.

4. Labor outsourcing condition

☐ Applicable ☒ Not applicable

Section X Corporate Governance

I. Overview of company governance

In strict accordance with the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies, the Shenzhen Stock Exchange GEM Listing Rules, the Shenzhen Stock Exchange GEM Listing Company Standard Operating Guidelines and other laws and regulations as well as the requirements of relevant laws and regulations of the China Securities Regulatory Commission, the Company has determined the hierarchical governance structure of the shareholders' meeting, the board of directors, the board of supervisors and the management level, continuously improved the corporate governance structure, established and improved the internal control system of the Company, further standardized the operation of the Company and improved the corporate governance level. All aspects of corporate governance basically meet the requirements of the "Guidelines for the Governance of Listed Companies" and the "Guidelines for the Standardized Operation of Listed Companies on the Growth Enterprise Market of Shenzhen Stock Exchange".

(I) Shareholders and Shareholders' Meeting

The shareholders' meeting is the highest authority of the Company, deciding on the Company's operating policies and investment plans, examining and approving the reports of the board of directors and the board of supervisors, examining and approving the Company's annual financial and final accounts plan, etc. The Company convenes and convenes shareholders' meetings in strict accordance with the Rules of Shareholders' Meetings of Listed Companies, the Articles of Association of the Company and the Rules of Procedure for Shareholders' Meetings. All previous shareholders' meetings of the Company strictly abide by the relevant provisions on voting matters and voting procedures, and create favorable conditions for shareholders' meetings. Sufficient time is set for shareholders to express their opinions on each item to be considered, ensuring that all shareholders fully exercise their rights and safeguarding the legitimate rights and interests of the Company and shareholders. During the reporting period, a total of 4 shareholders' meetings were held. In addition, shareholders can contact the Company through the telephone of the securities department during working hours, and can also contact and communicate with the Company through designated e-mail and the Shenzhen exchange investor relations interactive platform.

(II) Controlling shareholders of the Company

The Company's governance structure is improving day by day, the construction of internal control system is continuously strengthened, and it has independent and complete main business and independent operation ability. It is independent of controlling shareholders and actual controllers in personnel, assets, business, management organization and financial accounting system. The board of directors, board of supervisors and internal institutions of the Company operate independently, ensuring the independent operation, independent operation, independent responsibility and risks of the Company. The controlling shareholders and actual controllers of the Company strictly regulate their own behaviors. No behaviors beyond the authorization authority of the shareholders' meeting and the board of directors, direct or indirect interference in the Company's decision-making and business activities and infringement of the interests of other shareholders by using their control positions have occurred. They have no adverse impact on the Company's governance structure, independence, etc. There is no situation where the controlling shareholders occupy funds or the Company provides guarantees for the controlling shareholders.

(III) Directors and Board of Directors

According to the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, the board of directors of the Company is composed of 9 directors, including 3 independent directors. Company directors are not allowed to serve as Company directors as stipulated in Article 147 of the Company law. their appointment and removal strictly follow the approval procedures of the board of directors and the shareholders' meeting. there is no conflict with the articles of association of the Company and relevant laws and regulations. The Company's selection of directors and the number, composition and qualifications of the board of directors comply with the provisions of laws, regulations and Company rules. The board of directors of the Company is convened and held in strict accordance with the procedures of the Articles of Association and the Rules of Procedure of the Board of Directors. The directors of the Company can carry out their work in accordance with the "Rules of Procedure of the Board of Directors", "Work System for Independent Directors" and "Guidelines for Standardized Operation of Listed Companies on the Growth Enterprise Market of Shenzhen Stock Exchange", attend the board of directors and shareholders' meetings, exercise their functions and powers in accordance with the law, perform their duties and obligations diligently and dutifully, continuously pay attention to the Company's operating conditions, actively participate in board meetings, give full play to their respective professional expertise, make careful decisions, and safeguard the interests of the Company and the majority of shareholders. At the same time, directors actively participate in relevant training and are familiar with relevant laws and regulations. The Company has formulated the "Rules of Procedure of the Board of Directors" to strictly regulate the method of procedure and decision-making level of the board of directors, to urge the directors and the board of directors to effectively perform their duties, and to improve the standard operation and scientific decision-making level of the board of directors. During the reporting period, the Company held 12 meeting of the Board of Directors.

(IV) Supervisors and Supervisory Committee

The board of supervisors of the Company has three supervisors, including one employee supervisor. The number and composition of the board of supervisors of the Company meet the requirements of laws and regulations. Company supervisors are not allowed to serve as Company supervisors as stipulated in article 147 of the Company law. Their appointment and removal strictly comply with the Company's Articles of Association, the approval procedures of the board of supervisors, the shareholders' meeting and the approval procedures of relevant laws and regulations in the meeting. There is no conflict with the Company's articles of association and relevant laws and regulations. The Company has formulated the "Rules of Procedure of the Board of Supervisors" and other systems to ensure that the Board of Supervisors is accountable to all shareholders, effectively supervise the Company's finance and the legality and compliance of the Company's directors, managers and other senior management personnel in performing their duties, and safeguard the legitimate rights and interests of the Company and shareholders. The Company has taken effective measures to protect supervisors' right to know, enabling them to independently and effectively exercise supervision over directors, managers and other senior management personnel. During the reporting period, the Company held 11 meeting of the Board of Supervisors.

(V) Information disclosure and transparency

The Company strictly complies with relevant laws and regulations such as the "Shenzhen Stock Exchange GEM Listing Rules", "Measures for the Administration of Information Disclosure of Listed Companies" and the Company's "Information Disclosure Management System" to fulfill its information disclosure obligations in a timely manner. The Company has established a registration management mechanism for insider information insiders to strictly control the scope of insider information insiders. The Company has designated the Securities Times, Securities Daily, china securities journal, shanghai securities news and Cninfo (www.cninfo.com.cn) as its

designated information disclosure media. Since the listing of the Company, the Company has continuously adhered to standardized operation, and there are no irregularities such as disclosure of inside information to ensure the fairness of all shareholders' access to information.

(VI) About stakeholders

The Company fully respects and protects the legitimate rights and interests of relevant stakeholders, actively promotes cooperation with relevant stakeholders, strengthens communication with all parties, realizes the coordination and balance of interests of shareholders, employees, society and other parties, and jointly promotes the sustainable, stable and healthy development of the Company.

(VII) Company and Investors

The Company attaches great importance to investor relations and investor relations management. The securities department is the Company's investor relations management department, and the secretary of the board of directors is fully responsible for the Company's information disclosure and investor relations management. During the reporting period, the Company effectively carried out investor relations management and actively strengthened communication with investors through various means such as the annual report online briefing, receiving investors' on-site research, timely answering questions raised on the investor interaction platform, answering investors' phone calls, etc. At the same time, in strict accordance with relevant regulations, the Company requires investors participating in the on-site investigation to sign the undertaking and disclose the records of the on-site investigation activities in a timely manner, and has not disclosed any unpublished major information in violation of regulations in the investor relationship management activities.

Whether the actual status for Company governance has a major difference with the normative documents related to the listed Company governance released by China Securities Regulatory Commission.

☐Yes ☒No

The actual status for Company governance has a major difference with the normative documents related to the listed Company governance released by China Securities Regulatory Commission.

II. Independent conditions of the Company in terms of business, personnel, assets, institution and finance compared with dominant stockholder

The Company operates in accordance with the requirements of listed companies, has a complete business system and the ability to operate independently in the market, and is independent of controlling shareholders, i.e. actual controllers and other enterprises controlled by them in terms of assets, personnel, finance, institutions and businesses, as follows:

(I) Asset integrity

The Company has the equipment and facilities required for independent operation and the supporting facilities related to operation required for independent operation. The Company has complete and legal property ownership certificates and actual possession of the equipment, trademarks, patents and software copyrights required for operation. The Company does not have assets controlled and occupied by controlling shareholders and actual controllers and other enterprises controlled by them. The trademark rights, patent rights and software copyrights required for the Company to engage in existing business are within the term of rights. The Company has an independent procurement and product sales system.

(II) Personnel independence

Senior management personnel such as the president, vice president, chief financial officer and secretary of the board of directors of the Company do not hold other positions other than directors and supervisors in the controlling shareholder and actual controller and other enterprises controlled by the controlling shareholder and actual controller and other enterprises controlled by the controlling shareholder and actual controller and other enterprises controlled by the controlling shareholder and actual controller. The Company's financial personnel do not work part-time in the controlling shareholder and actual controller and other enterprises controlled by them. The Company's sales and purchasing personnel are independent of the controlling shareholder and actual controller and other enterprises controlled by them. The Company's employees' labor, personnel, salary and corresponding social security are managed independently.

(III) Financial independence

The Company has set up an independent financial accounting department, an independent financial accounting system, and a standardized financial accounting system and financial management system. The Company makes financial decisions independently, opens accounts in banks independently and pays taxes independently. There is no sharing of bank accounts with controlling shareholders, actual controllers and other enterprises controlled by them. The Company has an independent fund management system, accepts bank credit independently, and has independent accounts in terms of social security, salary, etc.

(IV) Institutional Independence

The Company has a sound internal operation and management organization, which is completely separate and independent from the controlling shareholders and actual controllers and other enterprises controlled by them. There is no mixed operation and co-location of offices. The Company has full autonomy in organizational setup and independent management. The Company's sales and procurement-related organizations are set up independently of the controlling shareholders and actual controllers and other enterprises under their control.

(V) business independence

There is no upstream-downstream relationship between the Company's business scope and actual business and the controlling shareholders and actual controllers and other enterprises controlled by them. The Company has a complete business process and an independent procurement and sales system. The Company's business is independent of the controlling shareholders and actual controllers and other enterprises under their control. There is no inter-bank competition or related transactions in obviously unfair between the Company and the controlling shareholder and actual controller and other enterprises controlled by the Company.

III. Horizontal competition situation

☐ Applicable ☒ Not applicable

IV. Relevant circumstances about the annual general meeting of stockholders and the Extraordinary Shareholders' Meeting held within the reporting period

1. Circumstances about the Shareholders' Meeting of stockholders the reporting period

Session of meeting	Type of meeting	Participation proportion of investors	Convening date	Disclosure date	Disclosure index

The first extraordinary shareholders' meeting in 2019	Extraordinary Shareholders' Meeting	59.90%	February 13, 2019	February 13, 2019	cninfo, announcement name: Announcement on the Resolution of the First Extraordinary Shareholders' General Meeting in 2019, announcement number: 2019-014
The second extraordinary shareholders' meeting in 2019	Extraordinary shareholders' meeting	59.88%	March 14, 2019	March 14, 2019	cninfo, announcement name: Announcement on the Resolution of the Second Extraordinary Shareholders' General Meeting in 2019, announcement number: 2019-030
Annual Shareholders' Meeting in 2018	Annual Shareholders' Meeting	59.81%	May 7, 2019	May 7, 2019	cninfo, announcement name: Announcement on the Resolution of the Shareholders' General Meeting in 2018, announcement number: 2019-054
The third extraordinary shareholders' meeting in 2019	Extraordinary Shareholders' Meeting	59.69%	August 30, 2019	August 30, 2019	cninfo, announcement name: Announcement on the Resolution of the Third Extraordinary Shareholders' General Meeting in 2019, announcement number: 2019-087

2. The preferred stock shareholders recovering voting rights request asking the Extraordinary Shareholders' Meeting

☐ Applicable ☒ Not applicable

V. Performance of duties by independent directors within the reporting period

1. Conditions of attending the meeting of the Board of Directors and Shareholders' Meeting of independent directors

Conditions of attending the meeting of the Board of Directors and Shareholders' Meeting of independent directors

Names of independent directors	Number of attendance in the meeting of the Board of Directors during the reporting period	Number of on-site attendance in the meeting of the Board of Directors	Number of attendance by communication mode	Number of attendance by proxy in the meeting of the Board of Directors	Number of absences in the meeting of the Board of Directors	Whether absent in the meeting of the Board of Directors for two times successively	Number of attendance in shareholder's meeting
Zhou Runshu	12	1	11	0	0	No	1
Zhong Chunbiao	12	1	11	0	0	No	2
Li Di	12	1	11	0	0	No	0

Description for failing to attend two successive meetings of the board of directors himself or herself is

2. Conditions of independent directors raising an objection towards related matters of the Company

Whether independent directors have raised an objection towards related matters of the Company

☐ Yes ☒ No

Independent directors do not raise an objection towards related matters of the Company within the reporting period

3. Other descriptions of performance of duties by independent directors

Whether suggestions proposed by independent directors have been adopted.

☒ Yes ☐ No

Statements about whether suggestions proposed by independent directors have been adopted or not

During the reporting period, independent directors of the Company expressed independent opinions on major issues of the Company in accordance with relevant regulations such as the Shenzhen Stock Exchange GEM Listing Rules and the Shenzhen Stock Exchange GEM Listing Company Standard Operating Guidelines. The opinions of independent directors have been adopted by the Company.

VI. Performance of duties of a special committee under board of directors within the reporting period

(1) Audit Committee

The members of the audit committee of the board of directors of the Company shall exercise their functions and powers in strict accordance with the Audit Committee Work Rules. During the reporting period, the audit Committee held four meetings to review the Company's regular reports and the development of internal audit work, and put forward reasonable suggestions, strictly review the Company's internal control system, actively understand and supervise the work of the Company's internal audit department, and check the independence of the audit institutions employed by the Company.

(2) Compensation and Assessment Committee

The directors of the remuneration and assessment Committee of the board of directors of the Company shall

exercise their functions and powers in strict accordance with the provisions of the Remuneration and Assessment Committee Work Rules. During the reporting period, the Remuneration and Evaluation Committee held a total of 1 meeting to formulate and review the remuneration and evaluation plan for directors and senior management of the Company, evaluate and review the work of directors and senior management according to the Company's performance evaluation standards, and put forward reasonable suggestions.

(3) Strategy Committee

The members of the strategy committee of the board of directors of the Company shall exercise their functions and powers in strict accordance with the Strategy Committee Work Rules. During the reporting period, the Strategy Committee held a total of 1 meeting and put forward reasonable suggestions on the Company's development strategy and major investment decisions based on the Company's situation and the development of the industry.

(4) Nomination Committee

The Nomination Committee of the Board of Directors of the Company exercises its powers strictly in accordance with the "Nomination Committee Work Rules". During the reporting period, the Nomination Committee held three meetings and put forward reasonable suggestions on the appointment of senior management personnel and other matters.

VII. Work conditions of board of supervisors

The board of supervisors shall find if the Company is under any risk during the monitoring activity within the reporting period

☐ Yes ☒ No

Board of supervisors commonly consent the monitoring matters within the reporting period.

VIII. Evaluation and incentive conditions of senior executives

Senior management personnel of the Company are appointed by the board of directors, and the remuneration and evaluation Committee of the board of directors is responsible for evaluating the working ability, performance of duties and completion of responsibility objectives of the Company's senior management personnel. During the reporting period, according to the annual business plan, the Company conducted a comprehensive evaluation of the professional skills, management ability and target performance of the Company's senior management personnel.

IX. Internal Control Appraisal Report

1. The specific circumstances of the internal control of significant defects found within the reporting period

☐ Yes ☒ No

2. Internal control self-assessment report

Disclosure date of full internal control appraisal report	April 23, 2020
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Disclosure and index of full text of internal control appraisal report	Cninf (http://www.cninfo.com.cn)	
Proportion of the evaluation unit assets in the total assets of the Company's consolidated financial statements	100.00%	
Proportion of operating income which is included in the evaluation accounted for the Company's consolidated financial statements operating income	100.00%	
Defect identification standard		
Category	Financial report	Non-financial Report
Qualitative standard	1. Signs of significant defect in non-financial reporting include: ① The directors, supervisors and senior management of the Company commit major fraud; ② The supervision of the Audit Committee of the Company and the internal audit structure of the Company on its internal control is ineffective; ③ The Company has made significant corrections to the published financial report; ④ The certified public accountant finds that there is a material misstatement in the current financial report, but the internal control fails to find the misstatement in the process of operation; ⑤ The Company's supervision on internal control is invalid. 2. Signs of major defects in non-financial reporting include: ① Failure to select and apply accounting policies in accordance with generally accepted accounting standards, failure to establish anti-fraud procedures and control measures; ② No corresponding control mechanism for the financial treatment of non-regular or special trades is established, or no corresponding supplementary control is implemented and established. ③ One or more defect(s) was/were existed for the process control of financial report at end of period, and the accuracy and completeness of financial report cannot be guaranteed reasonably. 3. Signs of general defect in financial report include: Other internal	In case of any of the following circumstances, it can be identified as a significant defect, and other circumstances are respectively identified as an major defects or a general defect according to the degree of influence: ① the Company lacks democratic decision-making procedures, such as the lack of collective decision-making procedures; ② the Company's decision-making process is unscientific, such as decision-making mistakes; ③ violation of national laws and regulations, such as major production safety or environmental pollution accidents; ④ management personnel or key positions of technical personnel have lost; ⑤ the results of internal control evaluation, especially the significant or major defects, have not been rectify; ⑥ important business lacks system control or the system is failure.

	control defects rather than a significant defect or major defect.	
Quantitative criterion	After considering compensatory control measures and actual deviation rate, misstatements with an amount exceeding 1% of the total assets are identified as significant defect, misstatements with an amount exceeding 0.5% of the total assets are identified as major defects, and the rest are general defects.	After considering compensatory control measures and actual deviation rate, taking the amount involved as the standard, the direct property loss accounting for 1% of the Company's total assets is a significant defect, the direct property loss accounting for 0.5% of the Company's total assets is a major defects, and the rest is a general defect.
Number of significant defects in financial report (Nr.)	0	
Number of significant defects in non-financial report (Nr.)	0	
Number of major defects in financial report (Nr.)	0	
Number of major defects in non-financial report (Nr.)	0	

X. Internal Control Audit Report or Verification Report

Not applicable

Section XI Corporate Bonds

Whether the Company has corporate bonds that are publicly issued and listed on the stock exchange and are not due or not paid in full on the date of approval of the annual report

No

Section XII Financial Report

I. Audit report

Type of audit opinion	Standard opinion without reserve
Signing date of the audit report	April 21, 2020
Name of audit institution	BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership)
Document number of the audit report	XKSB ZI [2020] No. ZI 10156
Names of the CPA	Li Min and Ni Wanjie

Main body of the audit report

Audit report

XKSB ZI [2020] No. ZI 10156

All shareholders of Guangdong Topstar Technology Co., Ltd.

1. Audit Opinions

We audited the notes to financial statements of Guangdong Topstar Technology Co., Ltd. (hereinafter referred to as "Topstar"), including the balance sheet of the parent company as of December 31, 2019, the consolidated profit statement and profit statement of the parent company for the 2019 then ended, and consolidated and parent company cash flow statements, consolidated statement of changes in shareholders' equity and statement of changes in owners' equity of parent company, and other notes to financial statements.

In our opinion, the attached financial statements have been prepared in accordance with the accounting standards for business enterprises in all major aspects. It fairly reflects the consolidated and parent company's financial position as of Topstar on December 31, 2019, and the consolidated and parent company's operating results and cash flow in 2019.

2. Basis of forming audit opinions

We conducted our audit in accordance with Auditing Standard for Chinese Certified Public Accountants. The part of "CPA's responsibility for the audit of financial statements" in the audit report further elaborates our responsibilities under these standards. We are independent of Topstar in accordance with the Code of Professional Conduct and Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for our audit opinion.

3. Key audit matters

Key audit matter means the matter that we consider as most important for auditing the financial statements

according to our professional judgments. The response to these matters is based on the audit of the financial statements as a whole and the formation of audit opinions. We do not express opinions on these matters separately. We confirm that the following items are the key audit matters which shall be provided in the audit report.

Key audit matter	How to deal with the matter in audit
(I) Income confirmation	
Topstar's sales revenue mainly comes from sales of industrial robots and automatic application systems, injection molding machines, supporting equipment and automatic feeding systems, and intelligent energy and environmental management systems. For details of accounting policies for revenue recognition, please refer to the accounting policies described in Note "V. Important Accounting Policies and Accounting Estimates" (30) of the consolidated financial statements and Note "VII. Items of the consolidated financial statements (47)", and the total operating revenue of the Company for 2019 is 1,660,363,365.82 Yuan. The Company's operating income increased by 38.58% compared with the previous period. The amount is significant and is a key financial indicator. There is an inherent risk that the management will manipulate the timing of revenue recognition in order to achieve specific goals or meet expectations. Therefore, revenue recognition is regarded as a key audit matter.	For revenue recognition, our audit procedures include but are not limited to: (1) Understand and evaluate Topstar's revenue recognition policy and confirm whether it has been implemented consistently; (2) Understand and test the internal control related to income, and judge whether it can be relied on; (3) Perform analysis procedures on income to judge whether there is abnormal fluctuation in the current income amount; (4) Select samples from the sales records, check the relevant delivery records and customer confirmation acceptance forms, and cross-check with the corresponding sales contracts and accounting vouchers; (5) Carry out confirmation procedures for current sales revenue and ending accounts receivable balance; (6) Review the revenue recognition basis before and after the balance sheet date and pay attention to whether the sales revenue is recognized in the appropriate period.
(II) Impairment of goodwill	
As shown in "VII. Notes to Items in Consolidated Financial Statements (24)" in the consolidated financial statements, as of December 31, 2019, the book value of the goodwill of Topstar was 114,203,969.22 Yuan, with the balance of impairment reserve 0 Yuan. Goodwill impairment test is conducted at the end of each year. the management employs external valuation experts to evaluate the recoverable amount of the asset group of Dongguan Yee Intelligent Equipment Co., Ltd. using discounted cash flow model. Key assumptions include income growth rate, sustainable growth rate, discount rate, etc. As the selection of evaluation methods and parameters involves management's judgment and may be influenced by management's risk preference, we take goodwill impairment test as the key audit item of Topstar 2019.	Our audit procedures for the goodwill impairment test mainly include: (1) Review the management's determination of the asset group and the allocation method of goodwill; (2) Discuss with the management of the Company on the rationality of the methods used in the goodwill impairment test, assumptions of key evaluation, selection of parameters, prediction of future income and discount rate of cash flow, etc.; (3) Discuss the rationality of the methods used in the goodwill impairment test of major asset group portfolios, the assumptions of key evaluations, the selection of parameters, the prediction of future income and the discount rate of cash flows, etc. with experts from external evaluation agencies employed by the management of the Company; (4) Evaluate the independence, objectivity, experience and qualifications of the external assessment organization hired by the management;

	<p>(5) Test whether the calculation of future cash flow net present value is accurate;</p> <p>(6) Assess whether the management's disclosure of goodwill, its impairment estimation results and financial statements on December 31, 2019 is appropriate.</p>
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4. Other information

The management layer of Topstar (hereafter referred to as the Management) is responsible for other information. Other information includes the information contained annual report 2019 of Topstar, but excludes financial statements and our audit report.

Our audit opinions on the financial statements do not cover other information, and we also do not provide any form of expert conclusion on other information.

In connection with our audit of the financial statements, it is our responsibility to read other information, and in the process, to consider whether it is materially inconsistent with or appears to be materially misstatement of the financial statements or the information we have learned in the course of the audit.

Based on what we have done, we should report this fact if we determine that there are material misstatements of other information. We have nothing to report in this regard.

5. Responsibilities of the management layer and the governance layer for financial statements

The management layer is responsible for preparing financial statements in accordance with provisions of Accounting Standards for Business Enterprises to realize a fair presentation, and also for designing, implementing as well as maintaining necessary internal control to avoid the material misstatements in the financial statements caused by fraud or mistakes. During preparing financial statements, the management is responsible for assessing going-concern capacity of Topstar, disclosing matters related to going concern (if applicable) and applying the going concern assumption, unless planning to liquidate and terminate operation or there is no other realistic choice. The management level is responsible for supervising the financial reporting process of Topstar.

6. Responsibilities of certified public accountant for the audit of financial statement

Our objective is to obtain reasonable assurance about whether there is no misstatement in overall financial statements caused by fraud or error, and issue the audit report containing audit opinions. A reasonable assurance is a high standard assurance, however, it could not ensure an audit comply with audit standards could always detect an existed material misstatement. Misstatement may be caused by frauds or errors. If it is reasonably expected that misstatement, individually or collectively, may affect the economic decisions made by users of financial statements based on the financial statements, which is generally considered significant.

During our audit under audit standards, we would apply our professional judgement, and maintain professional skepticism, as well as performing following procedure: Meanwhile, we also perform the following work:

(1) Identify and assess material misstatement risks of the financial statement caused by fraud or errors, design and implement audit procedures to deal with these risks, and obtain adequate, proper audit evidence as the basis for expressing audit opinion. As fraud could involve collaboration, falsifying, intentional omission, false statement or override of internal control, the risk of unable to identify material misstatement due to fraud is higher than unable to identify material misstatement due to error.

(2) Understand the internal control related to audit matters to design proper auditing procedures, but it doesn't mean to present opinions on the effectiveness of internal control.

(3) Evaluate the appropriateness of the accounting policies adopted by the management layer and the reasonableness of accounting estimation and related disclosure.

(4) Draw a conclusion about the appropriateness of the management layer's using the going-concern assumption. At the same time, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Topstar's ability to continue as a going concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If the disclosure is not sufficient, we should issue a non unqualified opinion. Our conclusions are based on the information available as of the audit report date. Thus, future matters and situation may result in Topstar cannot afford continuous operation.

(5) Evaluate the overall presentation (including disclosure), structure and content of financial statements and evaluate whether the financial statements present fairly the relevant transactions and events.

(6) Obtain sufficient and appropriate audit evidence for the financial information in the entity or business activities of Topstar to make an audit opinion on the consolidated financial statements. We are responsible for the guidance, supervision and execution of the group audit, and take full responsibility for the audit opinion.

We communicate with the governance regarding the audit scope and schedule and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the governance with a statement of compliance with ethical requirements relating to our independence and communicate with the governance all relationships and other matters that may reasonably be considered to affect our independence, as well as relevant precautions (if applicable).

From the matters communicated with the governance, we determine which matters are most important to the audit of the current financial statements and therefore constitute key audit matters. We describe these matters in our audit reports unless laws and regulations prohibit public disclosure of these matters or, in rare cases, we determine that a matter should not be communicated in an audit report if it is reasonably expected that the adverse consequences of communicating the matter in the audit report outweigh the benefits in the public interest.

BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership)
Chinese Certified Public Accountant: Li Min (Project Partner)

Chinese Certified Public Accountant: Ni Wanjie

Shanghai, China

April 21, 2020

II. Financial statement

The unit of the statements in the financial notes is: Yuan

1. Consolidated Balance Sheet

Prepared by: Guangdong Topstar Technology Co., Ltd.

Unit: Yuan

Item	December 31, 2019	December 31, 2018
Current assets:		
Monetary capital	903,647,650.10	420,543,634.63
Deposit reservation for balance		
Lending funds		
Trading financial assets	200,012,083.33	
Financial assets measured at the fair value and whose changes are reckoned in current profits and losses		
Derivative financial assets		
Notes receivable	41,328,868.42	39,981,851.40
Accounts receivable	788,681,866.49	459,121,586.79
Funds raised from accounts receivable		
Advance payment	56,450,466.42	41,302,754.36
Premiums receivable		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	13,775,303.87	15,329,220.27
Of which: Interests receivable		
Dividends receivable		
Recoursable financial assets acquired		
Inventory	207,208,323.59	288,686,203.47
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		

Other current assets	11,137,964.48	7,761,988.77
Total current assets	2,222,242,526.70	1,272,727,239.69
Non-current assets:		
Make loans and advance payments		
Creditor's investment		
Available-for-sale financial assets		
Other creditor's investments		
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	9,665,477.97	16,884,565.00
Other equity instrument investments		
Other non-current financial assets		
Investment real estate		
Fixed assets	212,645,513.26	223,474,963.99
Construction in progress	25,725,616.97	
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	61,836,728.45	63,809,164.55
Development expenditures		
Reputation	114,203,969.22	114,203,969.22
Long-term unamortized expenses	10,370,758.19	10,222,458.33
Deferred income tax assets	10,953,003.68	6,534,906.44
Other non-current assets	257,912.00	141,509.43
Total non-current assets	445,658,979.74	435,271,536.96
Total assets	2,667,901,506.44	1,707,998,776.65
Current liabilities:		
Short-term borrowings	151,500,000.00	164,578,221.74
Borrowing from Central Bank		
Borrowing funds		
Trading financial liabilities		
Financial liabilities measured at the fair value with changes reckoned in current profits and losses		
Derivative financial liabilities		

Notes payable	250,391,010.64	82,484,963.18
Accounts payable	262,871,772.96	156,802,272.52
Advance collections	79,429,581.78	172,876,868.51
Contract liabilities		
Funds from financial assets repurchased for sale		
Deposit taking and deposit of inter-bank		
Receiving from vicariously traded securities		
Funds from underwriting securities agency		
Employee remuneration payables	22,400,870.12	20,066,390.08
Taxes and dues payable	36,681,657.93	41,399,252.63
Other payables	39,016,786.94	9,708,285.23
Of which: Interests payable	735,069.49	735,069.51
Dividends payable		
Service charges and commissions payable		
Reinsurance accounts payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	11,870,946.89	9,440,792.89
Other current liabilities	5,916,599.13	52,606.88
Total current liabilities	860,079,226.39	657,409,653.66
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings	115,239,122.31	124,281,752.46
Bonds payable		
Of which: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	1,809,406.83	5,957,723.56
Long-term employee remuneration payables		
Estimated liabilities	2,454,928.20	1,683,546.42
Deferred incomes	12,642,185.57	5,966,213.91
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	132,145,642.91	137,889,236.35
Total liabilities	992,224,869.30	795,298,890.01

Owner's equity:		
Share capital	147,934,337.00	130,442,088.00
Other equity instruments		
Of which: Preferred shares		
Perpetual bonds		
Capital reserves	998,874,199.96	369,722,021.69
Minus: Treasury stock	32,264,470.00	
Other comprehensive incomes	-304,013.22	42,458.54
Special reserves		
Surplus reserves	62,597,637.25	52,133,139.66
General risk reserves		
Undistributed profits	495,654,134.97	358,678,997.27
Total owners' equities attributable to the parent Company	1,672,491,825.96	911,018,705.16
Minority shareholders' rights and interests	3,184,811.18	1,681,181.48
Total owners' equities	1,675,676,637.14	912,699,886.64
Total liabilities and owners' equities	2,667,901,506.44	1,707,998,776.65

Legal representative: Wu Fengli

head of accounting work: Zhou Yongchong

Accounting agency principal: Li Kui

2. Balance sheet of parent Company

Unit: Yuan

Item	December 31, 2019	December 31, 2018
Current assets:		
Monetary capital	581,690,462.68	404,116,714.28
Trading financial assets		
Financial assets measured at the fair value and whose changes are reckoned in current profits and losses		
Derivative financial assets		
Notes receivable	32,363,708.31	37,810,449.95
Accounts receivable	670,763,762.47	401,859,715.66
Funds raised from accounts receivable		
Advance payment	50,063,297.16	38,630,296.42
Other receivables	83,795,243.60	38,925,304.25

Of which: Interests receivable	1,627,908.36	323,408.15
Dividends receivable		
Inventory	165,450,883.32	247,861,424.63
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	1,900,553.91	3,007,618.48
Total current assets	1,586,027,911.45	1,172,211,523.67
Non-current assets:		
Creditor's investment		
Available-for-sale financial assets		
Other creditor's investments		
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	661,711,443.42	205,590,526.45
Other equity instrument investments		
Other non-current financial assets		
Investment real estate		
Fixed assets	210,356,810.21	220,877,124.90
Construction in progress	283,018.86	
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	29,647,764.82	30,523,675.81
Development expenditures		
Reputation		
Long-term unamortized expenses	9,273,781.11	8,706,547.21
Deferred income tax assets	9,235,029.99	5,705,047.27
Other non-current assets	172,900.00	141,509.43
Total non-current assets	920,680,748.41	471,544,431.07
Total assets	2,506,708,659.86	1,643,755,954.74
Current liabilities:		
Short-term borrowings	151,500,000.00	164,578,221.74
Trading financial liabilities		

Financial liabilities measured at the fair value with changes reckoned in current profits and losses		
Derivative financial liabilities		
Notes payable	233,236,442.91	82,484,963.18
Accounts payable	274,391,637.67	142,309,590.56
Advance collections	60,951,420.04	153,191,357.28
Contract liabilities		
Employee remuneration payables	14,547,386.75	14,413,251.50
Taxes and dues payable	7,324,432.29	32,113,785.56
Other payables	37,365,194.61	7,796,762.93
Of which: Interests payable	1,768,194.49	1,043,194.51
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	11,870,946.89	8,528,183.65
Other current liabilities		
Total current liabilities	791,187,461.16	605,416,116.40
Non-current liabilities:		
Long-term borrowings	115,239,122.31	122,961,752.46
Bonds payable		
Of which: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	1,809,406.83	5,957,723.56
Long-term employee remuneration payables		
Estimated liabilities		
Deferred incomes	12,642,185.57	5,966,213.91
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	129,690,714.71	134,885,689.93
Total liabilities	920,878,175.87	740,301,806.33
Owner's equity:		
Share capital	147,934,337.00	130,442,088.00
Other equity instruments		
Of which: Preferred shares		

Perpetual bonds		
Capital reserves	1,001,359,790.89	369,722,021.69
Minus: Treasury stock	32,264,470.00	
Other comprehensive incomes		
Special reserves		
Surplus reserves	62,597,637.25	52,133,139.66
Undistributed profits	406,203,188.85	351,156,899.06
Total owners' equities	1,585,830,483.99	903,454,148.41
Total liabilities and owners' equities	2,506,708,659.86	1,643,755,954.74

3. Consolidated profit statement

Unit: Yuan

Item	2019	2018
I. Total operating incomes	1,660,363,365.82	1,198,098,144.60
Of which: Operating incomes	1,660,363,365.82	1,198,098,144.60
Interest incomes		
Earned premiums		
Commission charges and commission incomes		
II. Total operating costs	1,416,577,888.49	1,019,158,934.82
Of which: Operating costs	1,095,202,334.92	765,447,683.70
Interest expenditures		
Commission charges and commission incomes		
Surrender value		
Net payment for insurance claims		
Net allotted insurance contract reserves		
Bond insurance expense		
Reinsurance expenses		
Taxes and surcharges	13,099,412.27	10,519,789.94
Sales expenses	153,344,629.36	120,844,462.57
Management expenses	75,534,027.32	58,139,051.16
R&D expenses	69,913,617.24	59,638,004.23
Financial expenses	9,483,867.38	4,569,943.22

Of which: Interest expenses	13,544,214.83	8,130,390.54
Interest incomes	2,673,061.56	1,551,284.10
Plus: Other incomes	6,906,126.37	31,063,257.41
Income from investment ("-" for loss)	-177,456.33	1,444,401.69
Of which: Incomes from investments in associated enterprises and joint ventures	-177,456.33	-1,104,572.84
Incomes from derecognition of financial assets measured by amortized costs		
Income from exchange ("-" for loss)		
Income from net exposure hedging ("-" for loss)		
Incomes from changes in fair value ("-" for loss)	12,083.33	
Credit impairment loss ("-" for loss)	-17,334,078.64	
Assets impairment loss ("-" for loss)	-11,670,640.77	-14,773,207.97
Income from asset disposal ("-" for loss)	168,332.99	869.19
III. Operating profit ("-" for loss)	221,689,844.28	196,674,530.10
Plus: Non-operating income	909,691.96	1,505,141.05
Minus: Non-operating expenses	1,560,889.59	956,838.90
IV. Total profit ("-" for total loss)	221,038,646.65	197,222,832.25
Minus: Income tax expenses	32,996,780.10	26,797,458.37
V. Net profits ("-" for net loss)	188,041,866.55	170,425,373.88
(I) Classify by business continuity		
1. Net profits from continuing operation ("-" for net loss)	188,041,866.55	170,425,373.88
2. Net profits from discontinued operation ("-" for net loss)		
(II) Classify by attribution of the ownership		
1. Net profits attributable to the owner of the parent Company	186,573,823.78	171,826,384.01
2. Minority shareholder's profit and loss	1,468,042.77	-1,401,010.13
VI. After-tax net amount of other comprehensive incomes	-346,471.76	42,458.54
Net of tax from other comprehensive income attributed to the parent Company owner	-346,471.76	42,458.54
(I) Other comprehensive incomes that cannot be		

reclassified into profits and losses		
1. Re-measurement of changed amount in the defined benefit plan		
2. Other comprehensive incomes that cannot be transferred into profit and loss under equity method		
3. Changes in fair value of other equity instrument investment		
4. Changes in fair value of enterprise credit risk		
5. Others		
(II) Other comprehensive incomes that will be reclassified into profit and loss	-346,471.76	42,458.54
1. Other comprehensive incomes that can be transferred into profit and loss under equity method		
2. Changes in fair value of other creditor's right investment		
3. Profits and losses from fair value changes of available-for-sale financial assets		
4. Amount of financial assets reclassified into other comprehensive incomes		
5. Profits and losses of available-for-sale financial assets reclassified from held-to-maturity investment		
6. Credit impairment provision of other creditor's investment		
7. Cash flow hedge reserve		
8. Foreign currency financial statement translate balance	-346,471.76	42,458.54
9. Others		
Net of tax from other comprehensive incomes attributable to minority shareholders		
VII. Total Comprehensive Incomes	187,695,394.79	170,467,832.42
Total comprehensive incomes attributable to owners of parent Company	186,227,352.02	171,868,842.55
Total comprehensive income attributable to minority shareholders	1,468,042.77	-1,401,010.13
VIII. Earnings per share:		

(I) Basic earnings per share	1.41	1.32
(II) Diluted income per share	1.41	1.32

As for the business combination under the same control in the current period, net profit achieved by the combined party before the combination is: 0.00 Yuan, and the net profit achieved by the combined party for the last period is: 0.00 Yuan

Legal representative: Wu Fengli

head of accounting work: Zhou Yongchong

Accounting agency principal: Li Kui

4. Profit statement of the parent Company

Unit: Yuan

Item	2019	2018
I. Operating incomes	1,430,794,007.84	1,132,662,191.45
Minus: Operating costs	1,024,564,871.18	739,941,002.43
Taxes and surcharges	9,950,360.13	9,571,054.82
Sales expense	136,011,393.53	100,204,614.19
Management expenses	58,704,921.00	49,481,668.42
R&D expenses	54,419,554.56	52,827,819.69
Financial expenses	8,634,013.69	4,171,237.43
Of which: Interest expenses	13,310,885.30	7,985,924.86
Interest incomes	3,808,302.30	1,821,402.90
Plus: Other incomes	4,864,804.77	30,998,544.46
Income from investment ("-" for loss)	-177,456.33	3,373,091.93
Of which: Incomes from investments in associated enterprises and joint ventures	-177,456.33	824,117.40
Income from derecognition of financial assets measured by amortized cost ("-" for loss)		
Income from net exposure hedging ("-" for loss)		
Incomes from changes in fair value ("-" for loss)		
Credit impairment loss ("-" for loss)	-13,864,615.68	
Assets impairment loss (the loss is expressed with "-")	-11,142,261.50	-13,906,889.83
Income from asset disposal("-" for loss)	168,332.99	869.19
II. Operating profit (loss is expressed with "-")	118,357,698.00	196,930,410.22
Plus: Non-operating income	409,239.08	1,479,191.05

Minus: Non-operating expenses	787,089.06	850,335.41
III. Total profit ("-" for total losses)	117,979,848.02	197,559,265.86
Minus: Income tax expenses	13,334,872.15	23,837,344.47
IV. Net profits ("-" for net loss)	104,644,975.87	173,721,921.39
(I) Net profits from continuing operation ("-" for net loss)	104,644,975.87	173,721,921.39
(II) Net profits from discontinued operation ("-" for net loss)		
V. After-tax net amount of other comprehensive incomes		
(I) Other comprehensive incomes that cannot be reclassified into profits and losses		
1. Re-measurement of changed amount in the defined benefit plan		
2. Other comprehensive incomes that cannot be transferred into profit and loss under equity method		
3. Changes in fair value of other equity instrument investment		
4. Changes in fair value of enterprise credit risk		
5. Others		
(II) Other comprehensive incomes that will be reclassified into profit and loss		
1. Other comprehensive incomes that can be transferred into profit and loss under equity method		
2. Changes in fair value of other creditor's right investment		
3. Profits and losses from fair value changes of available-for-sale financial assets		
4. Amount of financial assets reclassified into other comprehensive incomes		
5. Profits and losses of available-for-sale financial assets reclassified from held-to-maturity investment		
6. Credit impairment provision of other creditor's investment		
7. Cash flow hedge reserve		

8. Foreign currency financial statement translate balance		
9. Others		
VI. Total Comprehensive Incomes	104,644,975.87	173,721,921.39
VII. Earnings per share:		
(I) Basic earnings per share	0.71	1.33
(II) Diluted income per share	0.71	1.33

5. Consolidated Cash Flow Statement

Unit: Yuan

Item	2019	2018
I. Cash flow generated from operating activities		
Cash received from sales of goods or rendering of services	1,241,051,190.59	1,160,812,816.43
Net increased amount of deposits from customers and interbank		
Net increased amount of borrowings from Central Bank		
Net increased amount of borrowing funds from other financial institutions		
Cashes obtained from receiving premiums of the original insurance contract		
Net cash received from reinsurance premiums		
Net increased amount of policy holder deposits and investments		
Cash received from interests, commission charges and commissions		
Net increased amount of borrowing funds		
Net increased amount of repurchasing business funds		
Net cash received from vicariously traded securities		
Tax refunds received	758,846.53	367,351.56
Other cash received related to operating activities	36,561,189.46	36,693,097.07
Subtotal of cash inflows from operating activities	1,278,371,226.58	1,197,873,265.06
Cash paid for goods purchased and labor services	689,992,975.81	771,266,450.79

received		
Net increased amount of customer loans and advances		
Net increased amount of deposits in Central Bank and interbank deposits		
Cashes paid for compensation payments under the original insurance contract		
Net increase in lending funds		
Cash paid for interest, handling fee and commission		
Cashes paid for policy dividends		
Cash payments to and on behalf of employees	221,417,205.72	170,024,624.70
Payments of all types of taxes	137,525,839.50	75,787,749.84
Other cash paid related to operating activities	107,233,955.27	65,579,698.22
Subtotal of cash outflows from operating activities	1,156,169,976.30	1,082,658,523.55
Net cash flow generated from operating activities	122,201,250.28	115,214,741.51
II. Cash flow generated from investment activities:		
Cash received from withdrawing investment		281,500,000.00
Cash received from obtaining investment incomes		2,756,546.58
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	329,480.00	79,919.09
Net cash received from disposal of subsidiaries and other business entity		
Other cash received related to investment activities		
Subtotal of cash inflows from investment activities	329,480.00	284,336,465.67
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	41,029,090.29	92,259,795.53
Cash paid for investment	300,000,004.00	79,000,000.00
Net increased amount of pledge loans		
Net cash paid for disposal of subsidiaries and other business entity		119,327,922.40
Other cash paid related to investment activities		5,000,000.00
Subtotal of cash outflows from investment activities	341,029,094.29	295,587,717.93
Net cash flow generated from investment activities	-340,699,614.29	-11,251,252.26
III. Cash flow generated from fund-raising activities:		

Cash received from attracting investment	646,905,387.94	790,000.00
Of which: Cash received by subsidiaries from absorption of investment of minority shareholders	490,000.00	790,000.00
Cash received from borrowings	193,471,177.51	254,578,221.74
Other cash received related to fund-raising activities	101,855,863.71	39,769,852.34
Subtotal of cash inflows from fund-raising activities	942,232,429.16	295,138,074.08
Cash paid for debt repayment	213,422,215.78	17,749,862.52
Cash paid for distribution of dividends, profits or interest repayment	53,189,013.00	34,974,508.46
Of which: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash paid related to fund-raising activities	112,143,763.86	95,094,618.22
Subtotal of cash outflows from fund-raising activities	378,754,992.64	147,818,989.20
Net cash flow generated from fund-raising activities	563,477,436.52	147,319,084.88
IV. Effect of change in exchange rate on cash and cash equivalents	737,379.36	2,022,680.92
V. Net increases in cash and cash equivalents	345,716,451.87	253,305,255.05
Plus: Beginning balance of cash and cash equivalents	343,513,401.26	90,208,146.21
VI. Balance of cash and cash equivalents at the end of period	689,229,853.13	343,513,401.26

6. Cash flow statement of parent Company

Unit: Yuan

Item	2019	2018
I. Cash flow generated from operating activities:		
Cash received from sales of goods or rendering of services	1,055,726,637.23	1,091,776,408.19
Tax refunds received	758,771.53	367,351.56
Other cash received related to operating activities	26,527,936.02	43,934,781.43
Subtotal of cash inflows from operating activities	1,083,013,344.78	1,136,078,541.18
Cash paid for goods purchased and labor services received	625,700,573.59	727,577,054.24
Cash payments to and on behalf of employees	191,743,113.62	155,828,237.93
Payments of all types of taxes	115,155,588.80	68,050,582.59
Other cash paid related to operating activities	98,614,648.47	65,773,861.62

Subtotal of cash outflows from operating activities	1,031,213,924.48	1,017,229,736.38
Net cash flow generated from operating activities	51,799,420.30	118,848,804.80
II. Cash flow generated from investment activities:		
Cash received from withdrawing investment		281,500,000.00
Other cash received from obtaining income from investment		2,756,546.58
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	329,480.00	79,919.09
Net cash received from disposal of subsidiaries and other business entity		
Other cash received related to investment activities		
Subtotal of cash inflows from investment activities	329,480.00	284,336,465.67
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	15,670,276.07	67,632,839.64
Cash paid for investment	463,340,004.00	231,717,271.21
Net cash paid for disposal of subsidiaries and other business entity		
Other cash paid related to investment activities		5,000,000.00
Subtotal of cash outflows from investment activities	479,010,280.07	304,350,110.85
Net cash flow generated from investment activities	-478,680,800.07	-20,013,645.18
III. Cash flow generated from fund-raising activities:		
Cash received from attracting investment	646,415,387.94	
Cash received from borrowings	193,471,177.51	254,578,221.74
Other cash received related to fund-raising activities	101,605,863.71	39,769,852.34
Subtotal of cash inflows from fund-raising activities	941,492,429.16	294,348,074.08
Cash paid for debt repayment	211,189,606.54	17,269,862.52
Cash paid for distribution of dividends, profits or interest repayment	52,373,081.80	34,562,123.95
Other cash paid related to fund-raising activities	101,472,096.12	95,094,618.22
Subtotal of cash outflows from fund-raising activities	365,034,784.46	146,926,604.69
Net cash flow generated from fund-raising activities	576,457,644.70	147,421,469.39
IV. Effect of change in exchange rate on cash and cash equivalents	1,051,313.64	1,942,775.94

V. Net increases in cash and cash equivalents	150,627,578.57	248,199,404.95
Plus: Beginning balance of cash and cash equivalents	327,336,480.91	79,137,075.96
VI. Balance of cash and cash equivalents at the end of period	477,964,059.48	327,336,480.91

7. Consolidated statement of changes in owners' equities

Amount of the current period

Item	2019														
	Owners' equities attributable to the parent Company													Minority shareholders' rights and interests	Total owners' equities
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Miscellaneous	Subtotal		
		Preferred shares	Perpetual bonds	Miscellaneous											
I. Ending balance of the last year	130,442,088.00				369,722,021.69		42,458.54		52,133,139.66		358,678,997.27		911,018,705.16	1,681,181.48	912,699,886.64
Plus: Changes in accounting policies															
Prior-period errors correction															
Enterprise combination under the common control															
Others															
II. Beginning balance of this year	130,442,088.00				369,722,021.69		42,458.54		52,133,139.66		358,678,997.27		911,018,705.16	1,681,181.48	912,699,886.64

III. Increase/decrease in the current period ("-" for decrease)	17,492,249.00				629,152,178.27	32,264,470.00	-346,471.76		10,464,497.59		136,975,137.70		761,473,120.80	1,503,629.70	762,976,750.50
(I) Total comprehensive incomes							-346,471.76				186,573,823.78		186,227,352.02	1,468,042.77	187,695,394.79
(II) Invested and reduced capitals of the owner	17,492,249.00				629,152,178.27	32,264,470.00							614,379,957.27	35,586.93	614,415,544.20
1. Ordinary shares invested by owner	17,492,249.00				623,942,868.00								641,435,117.00	490,000.00	641,925,117.00
2. Invested capital of other equity instruments holders															
3. Amount of share-based payment included into owners' equities					7,694,901.20	32,264,470.00							-24,569,568.80		-24,569,568.80
4. Others					-2,485,590.93								-2,485,590.93	-454,413.07	-2,940,004.00
(III) Profit distribution									10,464,497.59		-49,598,686.08		-39,134,188.49		-39,134,188.49
1. Withdrawal of surplus reserves									10,464,497.59		-10,464,497.59				
2. Withdraw of general risk reserves															

3. Distribution to owners (or shareholders)											-39,134,188.49		-39,134,188.49		-39,134,188.49
4. Others															
(IV) Internal carry-over of owners' equities															
1. Paid-in capital (or share capital) transferred from capital reserves															
2. Paid-in capital (or share capital) transferred from surplus reserves															
3. Recovery of losses by surplus reserves															
4. Retained revenue of the changed amount carry-over in the defined benefit plan															
5. Retained revenue of the changed amount carry-over in other comprehensive income															
6. Others															
(V) Special reserves															

1. Withdrawal in the current period															
2. Use in the current period															
(VI) Others															
IV. Ending balance of the current period	147,934,337.00				998,874,199.96	32,264,470.00	-304,013.22		62,597,637.25		495,654,134.97		1,672,491,825.96	3,184,811.18	1,675,676,637.14

Unit: Yuan

Amount of the previous period

Unit: Yuan

Item	2018														
														Minority shareholder s' rights and interests	Total owners' equities
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehe nsive incomes	Special reserves	Surplus reserves	General risk reserves	Undistribut ed profits	Miscellan eous	Subtotal		
Preferre d shares		Perpetu al bonds	Miscella neous												
I. Ending balance of the last year	130,442,088.00				369,515,020.49				34,760,947.52		230,313,223.00		765,031,279.01	2,292,191.61	767,323,470.62
Plus: Changes in accounting policies															
Prior-period errors correction															
Enterprise combination under the common control															

Others															
II. Beginning balance of this year	130,442,088.00				369,515,020.49				34,760,947.52		230,313,223.00		765,031,279.01	2,292,191.61	767,323,470.62
III. Increase/decrease in the current period ("-" for decrease)					207,001.20		42,458.54		17,372,192.14		128,365,774.27		145,987,426.15	-611,010.13	145,376,416.02
(I) Total comprehensive incomes							42,458.54				171,826,384.01		171,868,842.55	-1,401,010.13	170,467,832.42
(II) Invested and reduced capitals of the owner					207,001.20								207,001.20	790,000.00	997,001.20
1. Ordinary shares invested by owner															
2. Invested capital of other equity instruments holders															
3. Amount of share-based payment included into owners' equities					207,001.20								207,001.20		207,001.20
4. Others														790,000.00	790,000.00
(III) Profit distribution									17,372,192.14		-43,460,609.74		-26,088,417.60		-26,088,417.60

1. Withdrawal of surplus reserves									17,372,192.14		-17,372,192.14				
2. Withdraw of general risk reserves															
3. Distribution to owners (or shareholders)											-26,088,417.60		-26,088,417.60		-26,088,417.60
4. Others															
(IV) Internal carry-over of owners' equities															
1. Paid-in capital (or share capital) transferred from capital reserves															
2. Paid-in capital (or share capital) transferred from surplus reserves															
3. Recovery of losses by surplus reserves															
4. Retained revenue of the changed amount carry-over in the defined benefit plan															

5. Retained revenue of the changed amount carry-over in other comprehensive income															
6. Others															
(V) Special reserves															
1. Withdrawal in the current period															
2. Use in the current period															
(VI) Others															
IV. Ending balance of the current period	130,442,088.00				369,722,021.69		42,458.54		52,133,139.66		358,678,997.27		911,018,705.16	1,681,181.48	912,699,886.64

8. Statement of changes in the owners' equities of the parent company

Amount of the current period

Unit: Yuan

Item	2019											
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Miscellaneous	Total owners' equities
		Preferred shares	Perpetual bonds	Miscellaneous								
I. Ending balance of the last year	130,442,088.00				369,722,021.69				52,133,139.66	351,156,899.06		903,454,148.41
Plus: Changes in												

accounting policies												
Prior-period errors correction												
Others												
II. Beginning balance of this year	130,442,088.00				369,722,021.69				52,133,139.66	351,156,899.06		903,454,148.41
III. Increase/decrease in the current period ("-" for decrease)	17,492,249.00				631,637,769.20	32,264,470.00			10,464,497.59	55,046,289.79		682,376,335.58
(I) Total comprehensive incomes										104,644,975.87		104,644,975.87
(II) Invested and reduced capitals of the owner	17,492,249.00				631,637,769.20	32,264,470.00						616,865,548.20
1. Ordinary shares invested by owner	17,492,249.00				623,942,868.00							641,435,117.00
2. Invested capital of other equity instruments holders												
3. Amount of share-based payment included into owners' equities					7,694,901.20	32,264,470.00						-24,569,568.80
4. Others												
(III) Profit distribution									10,464,497.59	-49,598,686.08		-39,134,188.49
1. Withdrawal of surplus reserves									10,464,497.59	-10,464,497.59		

2. Distribution to owners (or shareholders)											-39,134,188.49		-39,134,188.49
3. Others													
(IV) Internal carry-over of owners' equities													
1. Paid-in capital (or share capital) transferred from capital reserves													
2. Paid-in capital (or share capital) transferred from surplus reserves													
3. Recovery of losses by surplus reserves													
4. Retained revenue of the changed amount carry-over in the defined benefit plan													
5. Retained revenue of the changed amount carry-over in other comprehensive income													
6. Others													
(V) Special reserves													
1. Withdrawal in the current period													
2. Use in the current period													

(VI) Others												
IV. Ending balance of the current period	147,934,337.00				1,001,359,790.89	32,264,470.00			62,597,637.25	406,203,188.85		1,585,830,483.99

Amount of the previous period

Unit: Yuan

Item	2018											
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Miscellaneous	Total owners' equities
		Preferred shares	Perpetual bonds	Miscellaneous								
I. Ending balance of the last year	130,442,088.00				369,515,020.49				34,760,947.52	220,895,587.41		755,613,643.42
Plus: Changes in accounting policies												
Prior-period errors correction												
Others												
II. Beginning balance of this year	130,442,088.00				369,515,020.49				34,760,947.52	220,895,587.41		755,613,643.42
III. Increase/decrease in the current period ("-" for decrease)					207,001.20				17,372,192.14	130,261,311.65		147,840,504.99
(I) Total comprehensive incomes										173,721,921.39		173,721,921.39
(II) Invested and reduced capitals of the					207,001.20							207,001.20

owner												
1. Ordinary shares invested by owner												
2. Invested capital of other equity instruments holders												
3. Amount of share-based payment included into owners' equities					207,001.20							207,001.20
4. Others												
(III) Profit distribution									17,372,192.14	-43,460,609.74		-26,088,417.60
1. Withdrawal of surplus reserves									17,372,192.14	-17,372,192.14		
2. Distribution to owners (or shareholders)										-26,088,417.60		-26,088,417.60
3. Others												
(IV) Internal carry-over of owners' equities												
1. Paid-in capital (or share capital) transferred from capital reserves												
2. Paid-in capital (or share capital)												

transferred from surplus reserves												
3. Recovery of losses by surplus reserves												
4. Retained revenue of the changed amount carry-over in the defined benefit plan												
5. Retained revenue of the changed amount carry-over in other comprehensive income												
6. Others												
(V) Special reserves												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others												
IV. Ending balance of the current period	130,442,088.00				369,722,021.69				52,133,139.66	351,156,899.06		903,454,148.41

III. Basic Information of the Company

1. Company profile

Guangdong Topstar Technology Co., Ltd. is a company limited by shares (hereinafter referred to as "Topstar", "the Company" or "Company") which was approved by Dongguan Administration for Industry and Commerce on March 24, 2014, which was set up through whole change of Dongguan Topstar Machinery Technology Co., Ltd. The Company was listed on the Growth Enterprise Market of Shenzhen Stock Exchange in February 2017. The securities are referred to as "Topstar" for short and the securities code is 300607. It belongs to the general equipment manufacturing industry.

As of December 31, 2019, the total issued share capital of the Company was 14,793.4337shares, with a registered capital of RMB 147,934,337. The Company's social unified credit code is 91441900663034451G, the Company's domicile is No.2, Datanglang Innovation Road, Dalingshan Town, Dongguan City, Guangdong Province, and its legal representative is Wu Fengli.

The major operating activities of the Company include: Research and development, design, production and marketing of intelligent equipment such as industrial robots and manipulators, hardware and mold machinery, automatic equipment and plastic machinery such as automatic feeding, mixing metering, dehumidification and drying, crushing and recycling, and refrigeration equipment; Software and hardware development and sales of automatic control system; Import & export of goods and technologies; Technical development in the field of rapid prototyping, research and development, production, processing and sales of rubber products and plastic products such as printing equipment and printing equipment consumables; Engaged in mechanical and electrical installation engineering, air purification engineering, piping engineering, container installation engineering design, construction, consulting. Engaged in the production and assembly of dust-free and aseptic purification systems, equipment and peripheral electromechanical and instrument control products.

The actual controller of the Company is Wu Fengli.

The financial statement was approved and reported by the board of directors of the Company on April 21, 2020.

2. Scope of combined financial statement

As of December 31, 2019, the subsidiary corporations within the range of the combined financial statement included:

Name of subsidiary
Dongguan Server Industrial Control Technology Co., Ltd. (hereinafter referred to as "Server Industrial Control")
Shenzhen Toplink Intelligent Information Technology Co., Ltd. (hereinafter referred to as "Shenzhen Toplink")
Jiangsu Topstar Robot Co., Ltd. (hereinafter referred to as "Jiangsu Topstar")
Kunshan Topstar Robot Technology Co., Ltd. (hereinafter referred to as "Kunshan Topstar")
Ningbo tuochen Robot Technology Co., Ltd. (hereinafter referred to as "Ningbo tuochen")
Dongguan Topstar Technology Co., Ltd. (hereinafter referred to as "Topstar Technology")
Dongguan Best Topstar Energy Saving Technology Co., Ltd. (hereinafter referred to as "Dongguan Best Topstar")
Henan Topstar Automation Equipment Co., Ltd. (hereinafter referred to as "Henan Topstar")
Guangdong Shiwei Technology Co., Ltd. (hereinafter referred to as "Guangdong Shiwei")
Dongguan Topstar Intelligent Cleaning Technology Co., Ltd. (hereinafter referred to as "Topstar Intelligent Cleaning")
Topstar Worldwide Group Limited(hereinafter referred to as "Topstar Worldwide")

Topstar (Vietnam) Technology Co., Ltd. (hereinafter referred to as "Tadashi Vietnam")
Dongguan Yee Intelligent Equipment Co., Ltd. (hereinafter referred to as "Yee Intelligent")
Dongguan Topstar Intelligent Environmental Technology Co., Ltd.(hereinafter referred to as "Topstar Intelligent Environmental")
Dongguan Topstar Robot Co., Ltd. (hereinafter referred to as "Dongguan Topstar Robot")
Zhiao (Shanghai) Robot Technology Co., Ltd. (hereinafter referred to as "Zhiao Robot")

Please refer to the annotation "VIII. Combined range alternation" and "IX. Rights and interests in other subjects" for the combined financial statement range and its alternation conditions.

IV. Basis for preparation of the financial statements

1. Preparation basis

The Company prepares the financial statement in accordance with Accounting Standards for Business Enterprises - Basic Standards issued by the Ministry of Finance and specific accounting standards, guidelines for application of enterprise accounting standards, explanation of enterprise accounting standards and other related regulations (hereinafter referred to "Accounting Standards for Business Enterprises"), as well as the disclosure regulation of Preparation Rule No. 15 on Information Disclosure for Companies Offering their Securities to the Public - General Regulations of Financial Report issued by China Securities Regulatory Commission, on the basis of continuous operation and actually occurring transaction and matters.

2. Going-concern

The Company has no matters affecting its ability to continue operations and is expected to have the ability to continue operations within the next 12 months. The Company's financial statements are prepared on the assumption of continuing operations.

V. Significant Accounting Policies and Accounting Estimation

Prompt for specific accounting policies and accounting estimates:

The following disclosure contents have covered the specific accounting policy and accounting estimate which are specially formulated by the Company according to the actual production and operation features.

1. Declaration of complying with the accounting standards for business enterprises

The financial statements conform to the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the company's merger on December 31, 2019 and the financial situation of the parent company, as well as the merger in 2019 and the operating results and cash flows of the parent company.

2. Accounting period

An accounting year begins on January 1 and ends on December 31 of the calendar year.

3. Operating cycle

The Company's business period is 12 months.

4. Recording currency

RMB is adopted as recording currency by the Company.

5. Accounting treatment methods for enterprise merger under under common control and under uncommon control

Business merger under the unitary control: Assets and liabilities acquired in the business merger are measured by the book value of the combined party's assets and liabilities (including business goodwill generated from the acquisition of the combined party by ultimate controlling party) reflected in ultimate controlling party's consolidated financial statements on the combination date. Share capital premium in the capital reserves is adjusted based on the difference between the book value of net assets and that of the paid consideration of combination obtained in the combination (or total face value of the issued share). If the stock premium of capital reserve is insufficient for offset, the retained revenue will be adjusted.

Business merger under not same control: The acquirer shall, on the acquisition date, measure the assets given as the business merger consideration and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the difference between them and their book values into the current profits and losses. Where the consolidation cost is larger than the difference of fair value share of the acquiree's net identifiable assets during the consolidation, it shall be recognized as goodwill; Where the consolidation cost is less than the difference of fair value share of the acquiree's net identifiable assets during the consolidation, it shall be included into current profits and losses.

Direct related expenses caused by the business merger will be counted into the current profits and losses during the occurrence. The transaction expenses in issuing rights and interests equity or debt securities as the business merger shall be included in the initial recognition amount of equity or debt securities.

6. Methods for preparing consolidated financial statements

1. Scope of combination

Based on the control, the combination range on the consolidated financial statement shall be determined, including the Company and all subsidiaries.

2. Combination procedures

Based on financial statements of the Company and all its subsidiaries and according to other relevant information, the consolidated financial statements of the Company are prepared. The consolidated financial statements prepared by the Company treat the whole enterprise group as the accounting subject and reflect overall financial conditions, operating results and cash flow of the enterprise group in accordance with the relevant requirements for confirmation, measurement and reporting in the Accounting Standards for Business Enterprises and its centralized accounting policies.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the Company. If the accounting policy and the accounting periods and accounting period adopted by the subsidiaries are inconsistent with those of the Company, they shall be adjusted during the preparation of consolidated financial statements when necessary

according to those of the Company. For the subsidiaries that are obtained the business merger under the non-unitary control, the financial statements will be adjusted on the basis of the fair value of the net identifiable assets on the acquisition date. For subsidiaries that are obtained from business merger under the unitary control, the financial statements will be adjusted on the basis of book value of assets and liabilities (including the goodwill formed due to the acquisition of the subsidiary by the final controlled party) in the financial statement of the final controlled party.

Owners' equities, current net profit and loss, and shares of minority shareholders in the current comprehensive income of the subsidiaries are listed in the item of owner's equity in the consolidated balance sheet, item of net profit and item of total comprehensive income in the consolidated profit statement respectively. The balance of current loss shared by the minority shareholders of the subsidiaries deducting the share in the initial owners' equities enjoyed by the minority shareholders of the subsidiaries shall be used to offset the rights and interests of minority shareholders.

(1) Increase the subsidiaries corporations or business

In the reporting period, if the subsidiaries or business are increased for the business merger under the unitary control, the opening balance in the consolidated balance sheet shall be adjusted; The incomes, expenses and profits of the subsidiaries or businesses from the beginning of the current consolidation period to the end of the reporting period will be included into the consolidated profit statement; The cash flow of subsidiaries or businesses from the beginning of the current merger period to the end of the reporting period shall be included into the consolidated statement of cash flow, and relevant items in the comparative statement shall be adjusted. The consolidated report subject shall be deemed as existing from the time point when the final controlling party starts controlling.

When the Company can exert control on the invested party under the unitary control due to additional investment and other reasons, the participating parties will be considered to make an adjustment under the current state when the final controlling party starts its control. For the equity investment which is held before the merged party's control right is obtained, the changes in related profit and loss, other comprehensive incomes and other net assets which has been confirmed since the acquisition date of the original equity, or the date that the merging party and merged party are under the unitary control (whichever is later) to the merger date, will be used for offsetting the initial retained revenue or the current profits and losses during the comparative statement period.

In the reporting period, if the subsidiaries or business are increased for the business merger under the unitary control, the opening balance in the consolidated balance sheet shall not be adjusted; The incomes, expenses and profits of the subsidiaries or businesses from the date of purchase to the end of the reporting period will be included into the consolidated profit statement; The cash flows of the subsidiaries or business from the acquisition date to the end of the reporting period will be included into the consolidated statement of cash flow.

In case the control can be applied to the invested party under the non-unitary control due to the additional investment and other reasons, the held equity of the acquired party before acquisition date will be remeasured as per its fair value on the acquisition date by the Company, then, the difference between the fair value and book value will be included into the current investment incomes. Other comprehensive incomes of the acquiree which are held and related to the accounting under equity method before acquisition date, the changes in other owner's equities except for net profit and loss, other comprehensive incomes and profit distribution, as well as the related other comprehensive incomes and other owners' equities shall be transferred into the current investment income on the acquisition date, except for other comprehensive profits which are generated by the changes in the liabilities or net assets due to the invested party's re-measurement and resetting of defined benefit plan.

(2) Dispose subsidiaries or business

① General disposal method

If the Company disposes its subsidiaries or businesses in the reporting period, the incomes, expenses, and profits of the subsidiaries from the beginning of the business period to the date of disposal shall be included into the Consolidated Profit Statement; the cash flow of the subsidiaries or business from the beginning of the period to the disposal date shall be included into the consolidated statement of cash flow.

In case of losing the controlling right on the invested party due to disposal of partial equity investment or other reasons, the disposed residual equity investment shall be remeasured by the Company as per the fair value on the day losing the controlling right. The sum of the consideration from equity disposal and fair value of residual equity, deducting the difference between the shares of net asset continuously calculated from the acquisition date or consolidation date of original subsidiary as per the original shareholding proportion and the goodwill, is recorded in the current profits and losses on investments when the control right is lost. Other comprehensive incomes related to the equity investment in the original subsidiaries or other changes in owners' equities except for net profit and loss, other comprehensive incomes and profit distribution shall be transferred to current investment income when the control right is lost, except for other comprehensive incomes resulting from changes in net liabilities or net assets for the invested party's re-measurement and resetting of the defined benefit plan.

In case the control right is lost due to the reduction of the Company's shareholding proportion because of the capital increment to the subsidiaries by other investors, the accounting treatment shall be applied according to the foregoing principles.

② Step-by-step disposal of subsidiaries

It generally indicates that it would be better to consider multiple transaction matters as the package deal for accounting treatment when the Company disposes the equity investment of the subsidiaries step by step until losing the control right, and the articles, conditions and economic effects related to the equity investment transaction of subsidiaries comply with one or multiple following conditions:

- i. These transactions are concluded at the same time or made in the case of considering their mutual influence;
- ii. These transactions as a whole can reach a complete business result;
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- iv. One transaction alone is not economical, but when being considered together with other transactions, it is economical.

In case the transaction for disposing the equity investment of the subsidiaries until losing control right is considered to be the package deal, the Company will make the accounting treatment by considering various transactions as one transaction related to subsidiaries disposal and losing the controlling right; However, the difference between each disposal price and the subsidiary's net asset share enjoyed corresponding to disposing investment before loss of control right shall be recognized as other comprehensive income in the consolidated financial statements, which will be transferred into the current investment profits and losses on investments of losing the control right when the control right is lost.

When the transactions related to the disposal of equity investment of the subsidiaries until the control right is lost are not considered to be the package deal, before the control right is lost, the accounting treatment shall be applied according to the related policies to the partial disposal of the equity investment of the subsidiaries when the control right is not lost; When the controlling right is deprived, the accounting treatment shall be applied according to the common treatment method of the subsidiaries.

(3) Purchase of the minority equity of the subsidiaries

The difference between the long-term equity investment obtained by the Company due to acquiring the minority equities, and the net assets share of subsidiaries that shall be enjoyed through calculating with the newly added shareholding proportion and continuously calculated since the acquisition date (or merger date), will be

used to adjust the share capital premium in the capital reserve of the consolidated balance sheet; in case the capital stock premium in the capital reserve is insufficient to offset, the retained revenue will be adjusted.

(4) Part of disposal of the equity investment in the subsidiaries when the control right has not been deprived.

Given no deprivation of controlling right, concerning difference between disposal cost acquired for partial disposal of long-term equity investment of the subsidiaries and share of net assets of the subsidiaries corresponding to disposal of long-term equity investment which shall be enjoyed and calculated in the sustainable way from the acquisition date or merger date, the share capital premium in capital reserves of the consolidated balance sheet shall be adjusted and combined; in case the capital stock premium in capital reserves is insufficient in offset, the retained revenue shall be adjusted.

7. Classification of joint-operation arrangement and accountant arrangement method of joint management

The business merger of the Company is divided into joint operation and joint ventures.

In case the Company is the cooperative enterprise based on joint operation as well as enjoys related assets related to the arrangement and bears related liabilities related to the arrangement, it shall be deemed as joint operation.

The Company confirms the following items related to interest shares in its joint operation and shall make accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises:

(1) Recognize the assets held by the Company separately; the assets jointly held in accordance with the Company's share

(2) Confirm the liabilities borne by the Company alone and the liabilities jointly borne according to the Company's shares;

(3) Recognize the income generated from the sale of the Company's share of the output of joint operation;

(4) Recognize the income of joint operation generated from the sale of the output in accordance with shares of the Company;

(5) Recognize the expenses incurred separately; the expenses incurred in the joint operation in accordance with shares of the Company.

8. Determining standard of cash and cash equivalents

When preparing the cash flow statement, the Company's cash on hand and deposits that can be used for payment at any time are recognized as cash. The investment which shall have short term (generally due within three months from the acquisition date), high fluidity, and be readily convertible to known cash and low risk of value changes shall be confirmed as the cash equivalents.

9. Foreign currency business and conversion of foreign currency statement

1. Foreign currency transaction

The spot exchange rate applied in foreign currency operations on the transaction date is used as exchange rate to convert the amount of foreign currency into RMB for accounting.

On the balance sheet date, the balance of foreign currency monetary item shall be converted according to the spot exchange rate of the balance sheet date. Except the resulting difference of exchange incurred by the foreign currency special borrowings and losses related to the acquisition and construction of assets complying with capitalization conditions shall be subject to the principle of borrowing cost capitalization, difference of exchange difference generated shall be recorded into the current profits and losses.

2. Translation of Financial Statements of foreign currency

The assets and liabilities in the balance sheet shall be converted based on the spot rate on the balance sheet date; all items other than "undistributed profits" in owners' equities are converted at the spot exchange rate of occurrence of other items. The revenue and expenses items in the profit statement shall be converted by the spot rate on the date of transaction occurrence.

For overseas businesses, the translation balance of the foreign currency financial statement related to the overseas businesses shall be transferred from the item of owners' equities into the disposal of current profits and losses.

10. Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments:

Applicable accounting policies since January 1, 2019

According to the Company's business model for managing financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified as: financial asset measured at amortized cost, financial asset (debt instrument) measured at the fair value with its changes included into other comprehensive incomes, and financial asset measured at the fair value with its changes included into the current profits and losses.

The business model is aimed at collecting contract cash flow and the contract cash flow is only the payment of principal and interest based on the amount of outstanding principal, which is classified as financial assets measured by amortized cost. If the business model aims at both collecting the contract cash flow and selling the financial asset, and the contract cash flow is only the payment of principal and interest based on the amount of outstanding principal, it is classified as financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income; other financial assets are classified as financial assets measured at fair value and whose changes are included in the current profits and losses.

For non-trading equity instrument investment, the Company may, at initial confirmation, irrevocably designate it as the financial asset (equity instrument) measured at the fair value with its changes included into other comprehensive incomes. At the time of the initial recognition, to eliminate or significantly decrease the accounting mismatch, the Company specifies partial financial assets as the financial assets measured at the fair value and changes of which are included into the current profits and losses.

At initial confirmation, financial liabilities are classified as: Financial liabilities measured at the fair value with changes reckoned in current profits and losses, and those measured at amortized cost.

Only meeting one of the following conditions, the financial liabilities measured at the fair value with changes reckoned in current profits and losses can be included in the financial liabilities of current profits and losses:

1) This designation eliminates or significantly reduces accounting mismatches.

2) According to the enterprise risk management or investment strategy stated in the formal written documents, the fair value-based financial liability portfolio or financial assets and financial liability portfolio shall be used for management and performance evaluation, and the report shall be made to key management personnel within the enterprise on this basis.

3) The financial liabilities include embedded derivatives that need to be separated separately.

Applicable accounting policies before January 1, 2019

During the initial recognition, the financial assets and liabilities are classified as: financial assets or liabilities

which are measured at the fair value with the changes included into the current profits and losses include trading financial asset or liabilities and those financial assets or liabilities specified to be measured at the fair value with the changes included into the current profits and losses; Held-to-maturity investments; Receivables; Available-for-sale financial assets; Other financial liabilities, etc.

2. Recognition basis and measurement method of financial instruments

Applicable accounting policies since January 1, 2019

(1) Financial assets measured by the amortized costs

Financial assets measured at amortized cost include bills receivables and accounts receivable, other receivables, long-term receivables, and creditor's investment, are initially measured at fair value, and related handling charges are included into the amount of initial confirmation; accounts receivable not containing significant financing part and those that the Company does not consider for financing part of no more than one year are initially measured at the contractual transaction price.

During the holding period, interests calculated by the effective interest method are included into the current profits and losses.

At the time of recovery or disposal, the difference between the price obtained and the book value of the financial asset shall be recorded in current profits and losses;

(2) Financial asset (debt instrument) measured at the fair value with its changes included into other comprehensive incomes

Financial asset (debt instrument) measured at the fair value with its changes included into other comprehensive incomes includes receivables financing, other creditors' investment, etc. and are initially measured at fair value, and related handling charges are included into the amount of initial confirmation. The financial assets are in subsequent measurement at fair value. Fair value changes are included into other comprehensive incomes except for interests, impairment losses or gains and exchange profits and losses calculated by the effective interest method.

Upon derecognition, the accumulated gain or loss previously included into other comprehensive incomes is transferred from other comprehensive incomes and included into current profits and losses.

(3) Financial asset (equity instrument) measured at the fair value with its changes included into other comprehensive incomes

Financial asset (equity instrument) measured at the fair value with its changes included into other comprehensive incomes includes other equity instruments etc. and are initially measured at fair value, and related handling charges are included into the amount of initial confirmation. The financial assets are in subsequent measurement at fair value, and fair value changes are included into other comprehensive profits and losses. The dividends obtained are included into the current profits and losses.

Upon derecognition, the accumulated gain or loss previously included into other comprehensive incomes is transferred from other comprehensive incomes and included into retained profits.

(4) Financial assets measured at their fair values and of which the variation is recorded into the profits and losses of the current period)

Financial assets measured at fair value and whose changes are included in the profits and losses of the current period include transactional financial assets, derivative financial assets and other non-current financial assets, which are initially measured at fair value, and relevant transaction costs are included in the profits and losses of the current period. The financial assets are in subsequent measurement at fair value, and fair value changes are included into other current profits and losses.

(5) Financial liabilities measured at the fair value with changes reckoned in current profits and losses

Financial liabilities measured at the fair value with changes reckoned in current profits and losses include trading financial liabilities, derivative financial liabilities, etc., which are initially measured at fair value, and related handling charges are included into the current profits and losses. The financial liabilities are in subsequent measurement at fair value, and fair value changes are included into other current profits and losses.

The difference between the book value of the part to be derecognized and the consideration paid shall be reckoned into current profits and losses.

(6) Financial liabilities measured by the amortized costs

Financial liabilities measured at amortized cost include short-term loans, notes payable and accounts payable, other payables, long-term loans, bonds payable, and long-term payables, which are initially measured at fair value, and related handling charges are included into the amount of initial confirmation.

During the holding period, interests calculated by the effective interest method are included into the current profits and losses.

Upon derecognition, the difference between paid consideration and book value of the financial liabilities is included into the current profits and losses.

Applicable accounting policies before January 1, 2019

(1) Financial assets (financial liabilities) measured at their fair values with changes included in the current profits and losses

The fair value shall be regarded as initial confirmation amount (deducting the announced but non-released cash dividends, or non-received bond interest with expired interest payment period) at the time of acquisition. Relevant handling charges will be included into the current profits and losses.

The obtained interests or cash dividends shall be recognized as the investment income in the holding period; the changes in fair value shall be included in the current profits and losses at the end of the period.

The difference between the fair value and initial entry amount shall be recognized as investment income upon disposal, and at the same time, the changes in profits and losses from fair value shall be adjusted.

(2) Held-to-maturity investments

The sum of fair value (deducting the due but not received bond interest) and relevant transaction expenses will be deemed as the initial recognition amount upon obtaining.

The interest income shall be calculated according to amortized cost and actual interest rate in the holding period (If the difference between actual interest rate and nominal interest rate is small, the nominal interest rate shall prevail.), which is included in investment income. The actual interest rate shall be determined upon obtaining, which shall keep constant during the expected duration or shorter applicable period.

During the disposal, the difference between the obtained price and the book value of investment shall be included in the investment income.

(3) Receivables

For the receivable creditor's rights resulting from Company's external sales of goods or service rendering and creditor's rights of other enterprises held by the Company (excluding debt instruments with quotations on the active market), including accounts receivable and other accounts receivable, the contract or agreement price receivable to the buyer shall be taken as the initial confirmation amount; for those of financing property, it will be initially recognized by the present value thereof.

At the time of recovery or disposal, the difference between the price obtained and the book value of the account receivables shall be recorded in current profits and losses;

(4) Available-for-sale financial assets

At the time of acquisition, the sum of the fair value (deducting the declared but not yet distributed cash dividends, or the non-received bond interest with expired interest payment period) and the related handling

charges will be taken as the initial confirmation amount.

The obtained interests or cash dividends shall be deemed as the investment income in the holding period. They will be measured based on fair value and changes in the fair value shall be included into other comprehensive income at the end of the period. However, the equity instrument investment for which there is no quotation in the active market and fair value of which cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of the costs thereof.

At the time of disposal, the difference between the obtained price and the book value of the financial asset shall be included in the investment profit and loss; meanwhile, the amount of the disposed part corresponding to the accumulated amount of changes in fair value of those directly and originally included into other comprehensive income shall be transferred out and included into the current profits and losses.

(5) Other financial liabilities

The sum of fair value and relevant transaction expenses shall be deemed as the initial recognition amount. Subsequent measurement shall be performed by the amortized cost.

3. Reorganization and measurement of financial asset transfer

If, at the time of the transfer of financial assets, almost all the risks and rewards in the ownership of the financial asset have been transferred to the transferee, the recognition of the financial asset shall be terminated; if almost all the risks and rewards in the ownership of the financial asset have been retained, the recognition of the financial asset shall not be terminated.

In determining whether the transfer of financial assets meets the conditions for the termination of the above-mentioned financial assets, the principle of substance over form is adopted.

The Company divides the transfer of financial assets into the whole transfer of financial assets and the partial transfer of financial assets. Where the overall transfer of a financial asset satisfies the conditions for derecognition, the difference between the following two amounts shall be recorded into the current profits and losses:

(1) Book value of the transferred financial asset;

(2) The sum of the consideration received due to the transfer and the accumulated amount of changes in fair value originally directly included in the owner's equity (financial assets involved in the transfer are financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income and available-for-sale financial assets).

Where the partial transfer of financial assets that meets the termination conditions, the overall book value of the transferred financial assets shall be allocated as per their own relative fair value between the derecognized part and the part that are not derecognized, and the balance between the following two amounts shall be included in the current profit and loss:

(1) The book value of the derecognition part:

(2) The consideration for the derecognized portion is the sum of the amount corresponding to the derecognized portion of the accumulated amount of changes in fair value originally directly included in the owner's equity (financial assets involved in transfer are financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income and available-for-sale financial assets).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

4. Termination conditions of financial liabilities

If the current obligations of a financial liability have been discharged in whole or in part, the Company shall terminate the recognition of the financial liability or part thereof; Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of new financial liability, and if the

contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall recognize the new financial liability at the same time.

Where the Company makes substantial revisions to some or all of the contractual stipulations of the existing financial liabilities, it shall terminate the recognition of the existing financial liabilities or part of it, and recognize the financial liabilities after revising the contractual stipulations as a new financial liability at the same time.

When a financial liability ceases to be recognized in whole or in part, the difference between the book value of the financial liability and the consideration paid (including the transferred non-cash assets or new financial liabilities) shall be recorded in the current profits and losses.

If the Company repurchases a portion of its financial liabilities, the book value of the financial liabilities as a whole shall be distributed on the date of repurchase according to the relative fair value of the continuing recognition part and the derecognition part. The difference between the book value assigned to the derecognition part and the consideration paid (including transferred non-cash assets or new financial liabilities taken) shall be recorded in the current profits and losses.

5. Determination methods of fair value of financial assets and liabilities

For financial instruments with active market, their fair value shall be determined by quotations. For financial instruments without active market, their fair value shall be determined by valuation techniques. During the valuation, the Company adopts applicable valuation techniques supported by sufficient utilizable data and other information in current circumstances, selects input values consistent with asset or liability characteristics which are considered by market participators in relevant asset or liability transactions and use relevant observable input values preferentially. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

6. Test method and accounting treatment method of financial asset impairment

Applicable accounting policies since January 1, 2019

The Company takes all reasonable and well-founded information into account, including forward-looking information, and the expected credit losses of financial assets measured at amortized cost and those (debt instruments) measured at the fair value with its changes included into other comprehensive income are estimated on the single or portfolio basis. The measurement of expected credit losses depends on whether the financial assets have increased significantly since the initial confirmation.

In the event that the credit risk of the financial instrument has increased significantly since the initial confirmation, the Company measures its loss provision according to the amount of expected credit loss corresponding to the entire duration of the financial instrument; In the event that the credit risk of the financial instrument has increased significantly since the initial confirmation, the Company measures its loss provision according to the amount of expected credit loss corresponding to the next 12 months of the financial instrument; The increased or reserved amount therefrom of loss provision will be included into the current profits and losses as impairment loss or gain.

Usually, if it is overdue for more than 30 days, the Company believes that the credit risk of the financial instrument has increased significantly, unless it is sufficiently proved that the credit risk of the financial instrument has not increased significantly since the initial confirmation.

If the credit risk of financial instruments at the balance sheet date is low, the Company believes that the credit risk of the financial instrument has not increased significantly since the initial confirmation.

Determination method of credit losses of all kinds of financial assets

(1) Bank acceptance notes have a relatively low credit risk, for which, the Company does not withdraw expected credit losses based on its experience of historical credit losses and considering the current situation and

forecast of future economic situation. For commercial acceptance notes, the company withdraws credit impairment reserves according to the principle of continuous aging of accounts receivable or by single item; If a commercial acceptance note cannot be accepted when it expires, it shall be converted into accounts receivable, credit impairment provision shall be withdrawn according to the principle of continuous aging of accounts receivable or by single item.

(2) For accounts receivable, whether it contains significant financing part or not, the Company always measures its loss provision based on the amount of expected credit losses within the entire duration, and the increased or reserved amount therefrom of loss provision will be included into the current profits and losses as impairment loss or gain.

The other accounts receivables other than individual credit risk assessment are divided into different combinations based on their credit risk characteristics:

Item	Basis for portfolio determination
Portfolio 1: Aging risk portfolio	This combination takes the aging of accounts receivable as the credit risk characteristic.
Portfolio 2: Portfolio without credit risk	This combination is related party funds within the scope of consolidation

For the accounts receivable of the above combination, the Company refers to the historical credit loss experience, and estimates the accrual proportion of bad debt provision for the accounts receivable based on the current situation and the forecast of the future economic situation as follows:

Account age	Withdrawal proportion (%)
Within 1 year (inclusive)	
Of which: 1-6 months (inclusive)	1.00
6 months - 1 year (inclusive)	5.00
1-2 years (inclusive)	10.00
2-3 years (inclusive)	20.00
3-4 years (inclusive)	50.00
4-5 years (inclusive)	80.00
Over 5 years	100.00

(3) Other receivables

For the impairment loss measurement of receivables other than receivables (including other receivables, long-term receivables, etc.), the Company chooses to measure the loss reserve according to whether the credit risk has significantly increased since initial confirmation, and according to the expected credit loss equivalent to the next 12 months (Phase I) or the expected credit loss throughout the duration (Phase II and Phase III), respectively.

Applicable accounting policies before January 1, 2019

Excluding the financial assets measured at the fair value with its changes included into the current profits and losses, the Company shall check the book value of financial assets on the balance sheet date. If there is objective evidence showing the impairment of certain financial assets, the impairment provision shall be withdrawn.

(1) Provision for impairment of available-for-sale financial assets:

At the end of the period, in case the fair value of equity instruments available for sale has dramatic decline, or after overall consideration of all kinds of factors, it is estimated that such decline is not temporary, impairment thereof shall be confirmed, and the accumulated loss formed from the decline of fair value which is directly

included into the owners' equities shall be transferred out, and the impairment loss will be confirmed.

For debt instrument available for sale of which the impairment loss has been recognized, if the fair value increases in the subsequent accounting period, and the increase is objectively related to events occurred after the original impairment losses are confirmed, the initially recognized impairment losses shall be reversed and included into current profits and losses.

The impairment loss occurred to the investment of the equity instrument available for sale shall not be reversed through the profits and losses.

(2) Bad debt reserves of receivables:

① Receivables with significant single amount and provision for bad debts separately:

The basis of judgment or amount standard of significant single amount: It accounts for more than 10% of the balance of receivables and the amount is more than 3 million Yuan.

Withdrawing methods of significant single amount and singly withdrawn bad debt provision:

Make impairment test separately. In case that there is objective evidence showing that the impairment has occurred, withdraw the bad debt provision as per the difference when the future cash flow present value is lower than the book value, and include it in the current profits and losses. Separately test receivables without impairment and include them in the portfolio for withdrawing bad debt provision.

② Receivables of bad debt provision withdrawn based on credit risk characteristic portfolio:

Withdrawal method of bad-debt provision as per portfolios	
Portfolio 1	Aging portfolio (other transactions except consolidated related parties)
Portfolio 2	Affiliates in the same merger range
Withdrawal method of bad-debt provision as per portfolios	
Portfolio 1	Account age analysis method
Portfolio 2	Not withdraw for bad debt provision

The bad debt provisions are accrued by the account age analysis method in the portfolio:

Account age	Withdrawal ratio of accounts receivable (%)	Withdrawal ratio of other receivables (%)
1-6 months (inclusive)	1.00	1.00
4-12 months (inclusive)	5.00	5.00
1-2 years (inclusive)	10.00	10.00
2-3 years (inclusive)	20.00	20.00
3-4 years (inclusive)	50.00	50.00
4-5 years (inclusive)	80.00	80.00
Over 5 years	100.00	100.00

③ Receivables of insignificant single amount but singly withdrawn bad debt provision:

The reasons of singly withdrawn bad-debt provision:

There is objective evidence that receivables with insignificant single amount at the end of the year suffered impairment.

Accrual method of bad debt provision:

Make provisions for bad debts shall be made according to the difference between the present value of the estimated future cash flow and its book value and include it in the current profits and losses. Accounts receivable and other receivables that have not suffered impairment are tested separately, and bad debt reserves are accrued based on aging analysis with aging as the credit risk characteristic.

(3) Provision for impairment of held-to-maturity investment:

The impairment loss of held-to-maturity investment shall be measured according to that of receivable.

11. Notes receivable

For details, please refer to "V. 10. Financial Instruments" in this note.

12. Accounts receivable

For details, please refer to "V. 10. Financial Instruments" in this note.

13. Funds raised from accounts receivable

For details, please refer to "V. 10. Financial Instruments" in this note.

14. Other receivables

For details, please refer to "V. 10. Financial Instruments" in this note.

15. Inventory

1. Inventory classification

Inventory is classified into: Raw materials, turnover materials, semi-finished products, commissioned processing materials, in-process products, inventory goods, issued goods, etc.

2. Valuation method for inventory delivery

When the inventory is issued, it is valued by the weighted average method.

3. Basis of determining net realizable value for different classes of Inventory

In the normal production and operation, the net realizable value of good inventories directly used for sale, such as finished products, stored goods and materials used for sale, shall be determined based on the estimated selling price of the inventory minus the estimated selling cost and relevant taxes and taxes. In the normal production and operation process, the net realizable value of the material inventory to be processed shall be determined by the amount of the estimated selling price of the finished product minus the estimated cost to be incurred, the estimated selling expenses and the relevant taxes and fees at the time of completion; The net realizable value of inventories held for the implementation of sales contracts or labor contracts shall be calculated on the basis of the contract price. If the quantity of inventories held exceeds the quantity ordered in the sales contracts, the net realizable value of the excess inventories shall be calculated on the basis of the general sales price.

At the end of the period, the inventory depreciation reserve is calculated according to individual inventory items. However, for inventories with large quantity and low unit price, the inventory depreciation reserve shall be calculated according to the inventory category; Inventories that are related to a series of products produced and

sold in the same area and have the same or similar end-use or purpose, and are difficult to be measured separately from other items, the inventory depreciation reserve shall be accrued together.

Unless there is clear evidence of abnormal market prices on the balance sheet date, the net realizable value of an inventory item is determined on the basis of the market price on the balance sheet date.

The net realizable value of inventory items at the end of the period is determined based on the market price on the balance sheet date.

4. Inventory system

Adopt a perpetual inventory system.

5. Amortization method of low-value consumables and packing materials

- (1) Low-value consumables adopt one-off write-off method;
- (2) Packaging adopts write-off method.

16. Held-for-sale assets

Non-current assets or disposal groups that meet the following conditions at the same time are divided into held-for-sale:

(1) According to the practice for selling such assets or disposal groups in similar transactions, they can be immediately sold under the present condition.

(2) Great sale probability: the company has made decision for a sales plan and obtained the confirmed purchase commitment, and such sale is predicted to be completed within one year. Where it is required in the relevant regulations to be sold after being approved by relevant authorities or supervision department of the Company, such approval has been obtained.

17. Long-term equity investment

1. Judgment criteria for joint control and significant impact

Joint control refers to the common control over an arrangement in accordance with relevant agreements, and the relevant activities of the arrangement can only be agreed upon after the consensus of the participants sharing the control right. Where the Company, together with other cooperative enterprise parties, exercises joint control over the invested entity and has the right to the net assets of the invested entity. The invested entity shall be the cooperative enterprise of the Company.

Significant influence refers to the right to participate in the decision-making of an enterprise's financial and operational decisions, but not to control or co-control the decision-making of these policies with other parties. Where the Company is capable of exerting a significant influence on the invested entity, the invested entity shall be a joint venture of the Company.

2. Determination of initial investment cost

- (1) Long-term equity investment formed by the business merger

Business merger under the unitary control: Where the Company pays cash, transfers non cash assets or assumes debts, and issues equity securities as the consideration for the merger, the initial investment cost of the long-term equity investment shall be the share of the book value of the owners' equities of the merged party acquired in the consolidated financial statements of the final controlling party on the date of merger. If control can be implemented for the invested entity under the unitary control due to additional investment, initial investment costs of long-term equity investment will be confirmed according to the book value shares of net assets of the merged party in the consolidated financial statement of the final controlling party after merger on the merger date.

For the difference between the initial investment amount and the sum of the book value of the long-term equity investments before the consolidation and the book value of the new consideration paid to further gain share on the consolidation date, adjust the stock premium. If the stock premium is insufficient for the offset, use retained incomes for the offset.

Business merger under not same control: the Company takes the merger cost confirmed on the acquisition date as the initial investment costs of long-term equity investment. If the invested entity under non-unitary control can be controlled due to additional investment and other reasons, the sum of the book value of the equity investment originally held plus the new investment cost shall be taken as the initial investment cost calculated according to the cost method.

(2) Long-term equity investments obtained by other means

For the long-term equity investment obtained by cash payment, the purchase price actually paid shall be taken as the initial investment cost.

For the long-term equity investment obtained by issuing equity securities, the fair value of the equity securities issued shall be taken as the initial investment cost.

When the exchange of non-monetary assets has commercial essence and the fair value of the assets received or the assets surrendered can be reliably measured, it shall be measured on the basis of fair value. If the fair value of the assets received and the assets surrendered can be reliably measured, for the received long-term equity investments, the fair value of the assets surrendered and the relevant taxes payable shall be taken as the initial investment cost of the received long-term equity investment, unless there is conclusive evidence that the fair value of the assets received is more reliable. If the exchange of non-monetary assets has no commercial essence, or the fair values of the assets received and the assets surrendered cannot be reliably measured, for the received long-term equity investments, the book value of the assets surrendered and the relevant taxes payable shall be taken as the initial investment cost of the received long-term equity investments.

For long-term equity investments obtained through debt restructuring, the entry value is determined by the fair value of the waived creditor's rights and other costs such as taxes directly attributable to the assets, and the difference between the fair value and book value of the waived creditor's rights is included in the current profits and losses.

3. Recognition method for the subsequent measurement and profit and loss

(1) Long-term equity investment accounted for by cost method

The long-term equity investment of the Company to the subsidiaries shall be accounted by the cost method. In addition to the actual amount paid or the cash dividends or profits declared but not yet distributed included in the consideration in the acquisition of investment, the Company shall recognize the current investment income in accordance with the cash dividend or profit declared and distributed by the invested entity.

(2) Long-term equity investment accounted for by equity method

The long-term equity investment in joint venture and cooperative enterprise shall be accounted by the equity method. When the initial investment cost is greater than the investment, the Company shall enjoy the difference of the fair value share of the net identifiable assets of the invested entity, and shall not adjust the initial investment cost of the long-term equity investment. the initial investment cost less than the difference of the shares of the fair value of recognizable net assets of the invested entity during investment to be enjoyed shall be recorded into the current profit and loss.

The Company shall recognize the investment income and other comprehensive incomes respectively according to the shares of net profit and loss and other comprehensive income realized by the invested entity to be enjoyed or shared, and at the same time adjust the book value of long-term equity investment. The part to be enjoyed shall be calculated according to the profit or cash dividend declared to be distributed by the invested

entity, and the book value of the long-term equity investment shall be reduced. For other changes in the owners' equities of the invested entity other than net profit and loss, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and included in the owners' equities.

In recognition of the share of the net profit and loss of the invested entity to be enjoyed, it shall be based on the fair value of the net identifiable assets of the invested entity in acquisition of investment, and the net profit of the invested entity shall be adjusted and confirmed in accordance with the accounting policies and accounting periods of the Company. During holding investment, if the invested entity prepares the consolidated financial statement, accounting shall be made based on the amount of net profits, other comprehensive incomes and changes of other owners' equities attributable to the invested entity.

Profit and loss of unrealized internal transactions between the Company and joint venture and cooperative enterprise that belong to the Company shall be calculated in accordance with the proportion to be enjoyed and offset, on which investment income are confirmed. Unrealized internal transaction loss incurred with the invested entity is confirmed in full amount, if belonging to asset impairment losses. If the transaction of transferring or the selling asset occurs among the Company, joint venture and cooperative enterprise and the asset constitutes business, it shall conduct accounting treatment as per relevant policies disclosed in "III (V) Accounting Treatment Method for Business Merger under the Unitary and Non-unitary Control" and "III (VI) Preparation Method of Consolidated Financial Statements" of this note.

Losses of the invested entity to be shared confirmed by the Company shall be processed in the following sequence: first, offset book value of the long-term equity investment. Second, if the book value of the long-term equity investment is insufficient to offset, the investment loss shall be continuously recognized within the limit of the book value of the long-term equities that substantially constitutes the net investment in the invested entity, and the book value of the long-term receivables shall be offset. Finally, after the above-mentioned treatment, if the enterprise still assumes additional obligations in accordance with the investment contract or agreement, the estimated liabilities shall be recognized according to the estimated obligations and recorded into the current investment losses.

(3) Disposition of long-term equity investment

When disposing a long-term equity investment, the difference between its book value and the actual purchase price shall be included into the profits and losses in the current period.

For long-term equity investment calculated with equity method, use the same basis as the invested entity directly handling with relevant assets and liabilities to handle with the investment, and proceed with accounting treatment for the parts originally counted into other comprehensive incomes at the corresponding proportion. The owners' equities recognized due to changes of other owners' equities of the invested entity other than net profit and loss, other comprehensive incomes and profit distribution, are transferred into current profits and losses according to the proportion, except other comprehensive incomes arising out of changes in net liability and net assets of the redefined benefit plan of the invested party.

If the Company loses joint control or significance on the invested entity due to disposal of part of equity investment and other reasons, the residual equity after disposal shall be accounted according to recognition and measurement standards of financial instruments. The difference between the fair value and book value will be recorded into the current profits and losses on the date losing joint control or significance. For other comprehensive incomes confirmed by the equity method for original equity investment, when the equity method is stopped to be used, the incomes shall conduct accounting treatment in the same method as that of the invested entity for disposing the underlying assets or liabilities directly. The owners' equities recognized due to changes in other owners' equities of the invested party other than net profit and loss, other comprehensive incomes and profit distribution, are transferred to the current profits and losses upon termination of the equity method for accounting.

In case of loss of control over the invested entity due to the disposal of part of the equity investment or the decrease of the shareholding proportion of the Company as a result of the increase of the capital invested by other investors to the subsidiaries, if, in the preparation of the individual financial statements, the residual equity that can exercise joint control or have a significant impact on the invested entity shall be measured based on the equity method, which shall be deemed to be adjusted upon obtaining. If the residual equity cannot exercise joint control or have a significant impact on the invested entity, the accounting treatment shall be carried out in accordance with relevant provisions of the recognition and measurement standards of financial instruments, and the difference between the fair value and the book value on the date of loss of control shall be recorded into the current profits and losses.

The disposed equity is acquired through business merger due to additional investment and other reasons. In the preparation of some individual financial statements, the residual equity after disposal is accounted by cost method or equity method. Other comprehensive incomes and other owners' equities recognized by the equity method for equity investment held before the acquisition date are carried forward in proportion. If the residual equity after disposal is to be conducted with accounting treatment in accordance with the recognition and measurement standards of financial instruments, other comprehensive income and other owners' equities shall be carried forward.

18. Fixed assets

(1) Confirmation condition

Fixed assets refer to tangible assets held for producing goods, providing labor services, renting or operating management, with service life exceeding one accounting year. Fixed assets shall be recognized when simultaneously meeting all the following conditions: (1) Economic benefits related to the fixed asset may flow into enterprises; (2) The cost of the fixed asset can be reliably calculated.

(2) Depreciation method

Category	Depreciation method	Depreciation life	Residuals ratio	Annual depreciation rate
Houses and buildings	Straight-line method	30	5.00	3.17
Machinery equipment	Straight-line method	5-10	5.00	9.50-19.00
Transport equipment	Straight-line method	4	5.00	23.75
Electronic devices	Straight-line method	3-5	5.00	19.00-31.67
Other equipment	Straight-line method	3-5	5.00	19.00-31.67

Depreciation of fixed assets is withdrawn in classifications with straight-line method, and the depreciation rate is confirmed based on category of fixed assets, expected service life and expected net residual rate. If the service life of each component of a fixed asset is different or the economic benefits are provided to the enterprise in different ways, different depreciation rates or depreciation methods shall be selected and depreciation shall be calculated respectively.

For the fixed assets rented by means of financial lease, if it can be reasonably determined that the ownership of the leased assets will be acquired at the end of the lease term, depreciation shall be accrued within the remaining service life of the leased assets; if it is impossible to reasonably confirm that the ownership of leased assets will be obtained when the lease term expires, such assets shall be depreciated within the lease term or the

service years of the leased assets, whichever is shorter.

(3) Identification basis, valuation and depreciation method of fixed assets under financing lease

If one of the following conditions is specified in the lease agreement between the Company and the leasee, it is confirmed as financing rented assets: (1) After the expiration of the lease term, the ownership of the leased assets belongs to the Company; (2) The Company has an option to purchase an asset, and the purchase price is far lower than the fair value of the assets when the option is exercised; (3) The lease term accounts for the majority of the useful life of the leased assets; (4) There is no significant difference between the present value of the minimum lease payment on the lease start date and the fair value of the asset. The company will, at the lease starting date, take the fair value of leased assets or current value of the minimum lease payment (whichever is lower) as the entry value of the leased asset, the minimum lease payment as entry value of long-term payable and the difference as unconfirmed financing charge.

19. Project in process

The project in progress is taken as the entry value of fixed assets based on necessary expenses spent to enable the construction asset to reach the preset using condition. If project under construction of constructed fixed asset have reached the preset using conditions, but have not been dealt with final settlement of completion, they shall be transferred into fixed asset since the date of reaching the preset using conditions as per estimated value based on project budget, construction cost or actual cost of the project, and depreciation of the fixed asset shall be withdrawn based on the Company's fixed asset depreciation policies. The original estimated value shall be adjusted based on the actual cost after the final settlement of completion, without adjusting originally withdrawn depreciation amount.

20. Borrowing expenses

1. Recognition principles for the capitalization of loan expenses

Borrowing costs, including interest on the loan, amortization of the discount or premium, auxiliary expenses and foreign exchange difference arising from foreign currency borrowing, etc.

Borrowing cost which the Company can be directly attributed to capital acquisition and construction or production meeting capitalization conditions shall be capitalized and counted into relevant asset costs; other borrowing costs are confirmed as expenses based on accrual during the occurrence and counted into the current profits and losses.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventory and other assets that need a long time for acquisition and construction or production to reach a predetermined or saleable state.

Borrowing cost shall be capitalized after meeting all the following conditions simultaneously:

(1) Expenditure on assets has occurred, including expenses incurred in the form of cash payments, transfer of non-cash assets or taking on interest-bearing liabilities for the purchase, construction or production of assets subject to capitalization;

(2) Borrowing costs have occurred:

(3) The purchase, construction or production activities necessary to make the assets ready for use or sale have already begun.

2. The time for the capitalization of loan expenses

The capitalization period refers to the period from the time point when the borrowing costs begin to be

capitalized to the time point when the capitalization stops, excluding the period when the borrowing costs are suspended from being capitalized.

The borrowing cost ceases to be capitalized when acquisition and construction or production of assets that meet the capitalization requirements reach a predetermined usable or saleable state.

When some projects of assets acquired and purchased or produced subject to capitalization are completed separately and can be used separately, the capitalization of the borrowing costs of such assets shall be stopped.

If each part to be acquired and constructed or produced are completed separately but cannot be used or sold until the whole work is completed, the capitalization of borrowing costs shall be ceased upon completion of the asset as a whole.

3. During the period of suspending capitalization

If acquisition and construction or production of assets eligible for capitalization is interrupted abnormally for more than 3 consecutive months, the capitalization of borrowing costs will be suspended; in case of an interruption, the borrowing cost shall continue to be capitalized if the asset acquired and constructed or produced meets the procedures necessary for the intended use or sale of the asset. The borrowing costs incurred during the interruption shall be recognized as current profits and losses until acquisition and construction of the assets or the re-start of the production activities, and the borrowing costs shall continue to be capitalized.

4. Calculation method for capitalization rate and capitalization amount of loan costs

For special borrowings borrowed for the acquisition and construction or production of assets eligible for capitalization, the capitalization amount of the borrowing expenses shall be determined by borrowing the actual borrowing expenses incurred in the current period, minus the amount of interest income obtained from the deposit of the outstanding borrowing funds into the bank or the investment income derived from the temporary investment.

For general borrowings used for acquisition and construction or production of assets meeting capitalization conditions, the amount of general borrowings to be capitalized shall be calculated and determined by multiplying the capitalization rate of used general borrowing with the weighted average of the asset expenditure of the part that the accumulated asset expenditure exceeds the special borrowings. The capitalization rate shall be determined according to the weighted average interest rate of general borrowing.

21. Intangible asset

(1) Valuation method, service life, impairment test

1. Valuation method for intangible asset

(1) The intangible asset obtained by the Company will be measured initially according to costs;

The cost of purchasing an intangible asset, including the purchase price, related taxes and expenses, and other expenses directly attributable to the acquisition of the asset for its intended purpose. If the price of purchasing intangible assets exceeds deferred payment under normal credit conditions and is of financing nature, the cost of intangible assets is determined based on the current value of the purchase price.

The intangible assets acquired by the debtor for debt repayment through debt restructuring shall be accounted for at the fair value of the abandoned creditor's rights and other costs such as taxes that can be directly attributed to the intended use of the assets, and the difference between the fair value of the abandoned creditor's rights and the book value shall be accounted into the current profits and losses.

When the exchange of non-monetary assets has commercial essence and the fair value of the assets received or the assets surrendered can be reliably measured, it shall be measured on the basis of fair value. If the fair value

of the exchanged assets and the exchanged assets can be measured reliably, the fair value of the exchanged assets and relevant taxes payable shall be taken as the initial investment cost of the exchanged intangible assets, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable. If the exchange of non-monetary assets has no commercial substance, or the fair value of the exchanged assets and the exchanged assets cannot be reliably measured, the book value of the exchanged assets and the relevant taxes payable shall be taken as the initial investment cost of the exchanged intangible assets.

(2) Subsequent measurement

Analyze and judge the service life of intangible assets when they are acquired.

Intangible assets with a limited service life shall be amortized according to the straight-line method within the time limit for bringing economic benefits to the enterprise; intangible assets with uncertain service life shall not be amortized if the period of bringing economic benefits to the enterprise cannot be predicted.

2. Conditions of estimation about service life of intangible asset with limited service life

Item	Estimated service life	Amortization method	Basis
Land use right	50-70 years	Profit term	Land use right
Software	5-10 years	Profit term	Software
Patent use right	20-50 years	Profit term	Patent use right

3. Judgment basis for intangible asset whose service life is uncertain and procedure for rechecking its service life

Up to the balance sheet date, the Company does not have any intangible assets whose service life is not confirmed.

(2) Accounting policy in internal research and development expenditures

1. Specific standards for classifying research stage and development stage

The internal R&D project expenditure of the Company is divided into research stage expenditure and development stage expenditure.

Research stage: The stage of original and planned investigation, research, etc. in order to acquire and understand new scientific or technical knowledge.

Development stage: The stage of applying research results or other knowledge is applied to a project or design to produce new or substantially improved materials, installations, products, etc. before commercial production or use.

2. Specific conditions of expenditure capitalization during the development stage

Expenditures of internal R&D projects in the development stage shall be recognized as intangible assets when the following conditions are met simultaneously:

- (1) It is technically feasible to complete the intangible assets so that they can be used or sold;
- (2) Have the intention of completing the intangible asset and using or selling it;
- (3) Ways in which intangible assets generate economic benefits include the ability to prove that the products by such intangible assets exist in the market or that the intangible assets themselves exist in the market, and that the intangible assets will be used internally to prove their usefulness;
- (4) Have sufficient technical, financial and other resources to support the development of the intangible asset

and to be able to use or sell the intangible asset;

(5) Expenditures attributable to the development phase of the intangible asset can be reliably measured.

If the expenditure in the development stage does not meet the above conditions, it shall be included in the current profit and loss when it occurs. The expenditure in research stage shall be included into current profits and losses upon occurrence.

22. Impairment of long-term assets

In case of signs of impairment happening to long-term assets such as long-term equity investment, fixed assets, construction in process and intangible assets whose service life is limited on the balance sheet date, impairment test shall be performed. If the impairment test result shows that the recoverable amount of assets is lower than the book value thereof, impairment reserve shall be accrued according to the difference and included into impairment losses. The recoverable amount shall be the net amount of fair value of the assets minus the disposal expenses or the present value of expected future cash flow of assets, whichever is higher. The impairment reserve shall be calculated and recognized on the basis of the single asset. If it is hard to assess the recoverable amount of the single asset, the recoverable amount of the asset group shall be determined according to the asset group including the assets. Asset group refers to the minimum asset portfolio that is capable of generating cash inflow independently.

Goodwill, intangible assets with uncertain service life and intangible assets that have not yet reached the usable state shall be tested for impairment at least at the end of each year.

The Company carries out the goodwill impairment test. For the book value of goodwill resulting from the merger of enterprises, it shall be apportioned to relevant asset groups in a reasonable manner from the acquisition date; if it is difficult to apportion to relevant asset groups, it shall be apportioned to relevant asset group portfolios. When the Company allocates the book value of goodwill, it allocates it according to the relative benefits that the relevant asset groups or asset group portfolios can obtain from the synergy effect of business merger, and conducts the goodwill impairment test on this basis.

In case of conducting impairment tests to relevant asset groups or asset group portfolios containing goodwill, and if there exist impairment signs for asset groups or asset group portfolios related to goodwill, it is required to firstly conduct impairment test to asset groups or asset group portfolios not containing the goodwill, then, calculate recoverable amount, and confirm the corresponding impairment loss with the comparison of relevant book values. Then conduct the impairment test to asset groups or asset group portfolios containing goodwill, compare the book values of these relevant asset groups or asset group portfolios, including the amortized book value of goodwill, with their recoverable amounts. If the recoverable amount of relevant asset groups or asset group portfolios is lower than its book value, the impairment loss of goodwill can be determined. The above asset impairment losses will not be reversed in subsequent accounting periods once confirmed.

23. Long-term unamortized expenses

Long-term deferred expenses are all expenses which are amortized in more than one year during the current period and following periods. The Company's long-term deferred expenses include repair fees, etc.

1. Amortization methods

Long-term deferred expenses are amortized on average in the benefit period.

2. Amortization term

Item	Estimated service life	Basis
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Decoration fee	5-10 years	Reasonable estimation by profit term
Miscellaneous	3-5 years	Reasonable estimation by profit term

24. Contract liabilities

25. Employee payment

(1) Accounting treatment method short-term remuneration

During the accounting period when in-service employees provide services to the Company, the Company shall recognize the actual short-term remuneration as liabilities and include in the current profits and losses or related asset costs.

Concerning social insurance expenses and housing provident funds paid by the Company for its employees and labor union dues and employee education funds withdrawn by the Company as stipulated, corresponding amount of employee remuneration shall be calculated and determined based on the specified base and proportion of withdrawal during the accounting period in which in-service employees provide services for the Company.

In case that the employee welfare expense is the non-monetary employee welfare, it shall be measured by their fair value if they can be reliably measured.

(2) Accounting treatment method for welfare after demission

(1) Defined contribution plan

The Company shall pay the basic endowment insurance and unemployment insurance for in-service employees in accordance with relevant regulations of the local government. During the accounting period during which in-service employees provide services to the Company, the amount to be paid shall be calculated according to the payment base and proportion prescribed by the local government, and recognized as liabilities, and recorded into the current profits and losses or relevant asset costs.

In addition to the basic endowment insurance, the Company also established the enterprise annuity payment system (supplementary endowment insurance) / enterprise annuity plan in accordance with the relevant policies of the national enterprise annuity system. The Company shall pay the contributions to the local social insurance institution / annuity plan in a certain proportion of the total wages of the employees, and the corresponding expenses shall be recorded into the current profits and losses or relevant asset costs.

(2) Defined benefit plan

According to the formula determined by the expected cumulative benefit unit method, the benefit obligations arising from the defined benefit plan shall be attributed to the period during which employees provide service, and shall be included in the current profits and losses or relevant asset costs.

The deficit or surplus formed through deducting the fair value of assets in the defined benefit plan from the present value of obligations in the defined benefit plan is recognized as a net liability or asset of defined benefit plan. Where there is a surplus in a defined benefit plan, the Company shall set the net assets of the benefit plan by measuring the lower of the surplus and the upper limit of the assets of the benefit plan.

All defined benefit plan obligations, including those expected to be paid within 12 months of the end of the in-service employees' annual reporting period for the provision of services, are discounted by the market rate of return on treasury bonds or high-quality corporate bonds in the active market that matches the duration and

currency of the defined benefit plan obligations on the balance sheet date.

Service cost of defined benefit plan and net interest accrued by net asset or liability of the defined benefit plan are included in current profits and losses or relevant asset costs; Changes in net liabilities or net assets generated by the re-measurement of the defined benefit plan are included into other comprehensive income, and are not reversed to profit or loss in subsequent accounting periods. When the original defined benefit plan is terminated, all the parts within the scope of equity that are originally included into other comprehensive income will be carried forward to the undistributed profits.

During the settlement of defined benefit plan, the settlement profit or loss shall be recognized according to the difference between the present value of the benefit plan obligation and the settlement price determined on the settlement date.

(3) Accounting treatment method for dismissal welfare

The Company shall, when it is unable to unilaterally withdraw the dismissal benefits provided by the termination plan or the reduction proposal, or when it recognizes the costs or expenses associated with the reorganization involving the payment of the dismissal benefits (whichever is earlier), recognize the liabilities of employee remuneration resulting from the dismissal benefits and record them in the current profits and losses.

(4) Accountant arrangement method of other long-term employee welfares

26. Lease liabilities

27. Estimated liabilities

1. Recognition criteria for estimated liabilities

In case obligations related to lawsuit, debt guarantee, loss contract, restructuring or other contingencies meet the following conditions simultaneously, the Company shall be confirm them as estimated liabilities:

- (1) The obligation is the current obligation undertaken by the Company;
- (2) The performance of this obligation is very likely to cause the outflow of economic benefits of the Company;
- (3) The amount of the obligation can be measured reliably.

2. Measurement methods for the various estimated liabilities

The Company's estimated liabilities are initially measured on the basis of the best estimate of the expenditures required to meet the relevant current obligations.

In determining the best estimates, the Company takes into account such factors as risk, uncertainty and time value of money in relation to contingent matters. In the event of significant impact on the time value of money, the best estimate is determined by discounting the relevant future cash outflows.

The best estimates shall be conducted in accordance with the following situation:

Where there is a continuous range (or interval) of expenditure and the likelihood of the occurrence of various outcomes within that range is the same, the best estimates are based on the median of that range, i.e., the average of the upper and lower limits.

Where there is not a continuous range (or interval) of expenditure required, or where there is a continuous range but the likelihood of a variety of outcomes within that range is different, the best estimates are based on the amount most likely to occur if there is a single item involved, or if there is a number of items involved, the best estimates are based on various possible results and related probabilities.

Where all or part of the expenses incurred by the Company in liquidating the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized as an asset separately when it is basically determined to be received, and the amount of compensation recognized shall not exceed the book value of the anticipated liabilities.

28. Payment for shares

Share-based payment of the Company refers to a transaction, in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties.. The share-based payment of the Company is divided into share-based payment settled by rights and interests and stock payment share-based payment settled by cash.

Share-based payment settled with equity and equity instruments

The share-based payment settled with equity in return for employees' service shall be measured at the fair value of the equity instruments granted to the employees. Where the Company pays for its shares in restricted stocks, the employee subscribes for the stocks, and the stocks shall not be listed, circulated or transferred until the conditions for unlocking are met. If the unlocking conditions stipulated in the final equity incentive plan are not met, the Company will repurchase the stocks at the pre-agreed price. When the Company obtains payment from employees subscribing for restricted stocks, it confirms the share capital and capital reserve (share capital premium) according to the subscription money obtained, and at the same time, it confirms a liability in full on the repurchase obligation to an item of liability and confirms the stock in stock. During the waiting period for each balance sheet date, the Company based on the following information, including "feasible change of employees' number" and "whether it meets the specified performance conditions", makes the best estimates on vesting the number of equity instruments. On this basis, in accordance with the fair value of the grant date, the services obtained in the current period will be included in the relevant costs or expenses, correspondingly to increase capital reserve. After the vesting date, the determined relevant cost or expenses and total amount of owners' equities shall not be adjusted. If the instrument is exercisable after conferring, it will be included in the costs or expenses based on the fair value of equity instrument on conferring date and the capital reserve will be increased.

For the exercise of the shares eventually failed to pay, do not confirm the costs or expenses, unless the exercise conditions are market conditions or non-vesting conditions. At that time, whether meet the market conditions or non-vesting conditions, as long as non-market conditions of all vesting conditions are met, that is deemed vesting.

If the terms of the equity settled share payment are amended, service shall be confirmed at least in accordance with the provisions of the unmodified. In addition, any amendment in the fair value of the equity instrument granted or any change in the worker's benefit at the revision date is recognized as an increase in the acquisition of services.

If the equity settled share payment is canceled, accelerated exercise shall be conducted on the cancel date, and the unconfirmed amount shall be confirmed immediately. Employees or other parties choose to meet the non-vesting conditions but not meet in the waiting period, as to cancel the payment processing to equity settled share. However, if new equity instruments to the employees are authorized, and confirm that new equity instruments on the new equity instrument authorization day are used for replacing the cancelled equity instruments. Dispose the replaced equity instruments authorized in the same method to dispose the original equity instrument articles and conditions.

2. Share-based payment settled with cash and equity instruments

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated

and confirmed based on the shares or other equity instruments undertaken by the Company. The initially adopted model is measured according to the fair value on the grant date, and the terms and conditions for granting equity instruments are considered. For details, please refer to "XI. Share-based Payment" in this note. If the rights can be exercised immediately after the grant, the fair value of liabilities which are assumed at the grant date shall be included in costs or expenses and the liabilities will be increased correspondingly; If the rights can be exercised after meeting the services in the waiting period or reaching the specified performance conditions, based on the best estimate of vesting rights in the waiting period and the fair value of liabilities, the costs or expenses are included and the corresponding liabilities are added according to the services obtained in this period. The fair value of the liability is re-measured at the balance sheet date and the balance sheet date before the settlement of the related liabilities, and the change is included in the current gains and losses.

29. Other financial instruments such as preferred stock, perpetual capital securities, etc.

30. Income

Has the new income criterion been implemented

☐ Yes ☒ No

1. General principle for recognition of commodity sales revenue

(1) The main risks and rewards of the commodity ownership have been transferred to the buyer by the Company;

(2) The Company has neither retained the continuous management right usually associated with the ownership, nor exercised the effective control over the goods sold;

(3) The income amount can be measured reliably;

(4) Relevant economic interests probably flow into the Company;

(5) The relevant costs incurred or to be incurred can be measured reliably.

2. Specific principles

Confirmation standard for income of the Company from selling commodity and specific judgment standard for income confirmation time:

The Company's sales are divided into domestic sales and overseas sales. The specific methods for confirming the sales revenue are as follows:

(1) Domestic sales

The Company's domestic sales mode is a combination of direct selling and distribution. The specific time points for revenue recognition under the two sales modes are:

1) Under the direct selling mode, if the Company needs to install all kinds of equipment sold in the country as stipulated in the contract, the product shall be shipped to the customer's site, the commissioning and acceptance shall be completed, and the equipment acceptance report signed by the customer or other documents that can prove that the installation and commissioning have been completed shall be taken as the transfer time of risk compensation and the sales revenue shall be confirmed; If the contract stipulates that installation is not required, the customer sign-in receipts shall be taken as the transfer time of risk compensation and the sales revenue shall be confirmed.

2) In the distribution mode, after the goods are delivered to the designated place of the distributor, the sales department will make a statement according to the delivery model, quantity and unit price of the corresponding order recorded in the delivery note confirmed by the customer, and the financial department will issue a sales invoice to confirm the sales revenue after both parties confirm it is correct.

(2) Foreign sales

For foreign sales contracts, the sales revenue is confirmed when the products are shipped offshore and the export customs clearance formalities are completed.

3. Basis for confirmation of revenue from abalienating of right to use assets

The economic interests related to the transaction are likely to flow into the enterprise; and the amount of the income can be measured reliably. Under the following situations, the amount of income from the transfer of the assets use right shall be confirmed:

- (1) The amount of interest income should be measured and confirmed in accordance with the length of time for which the enterprise's currency capital is used by others and the actual interest rate;
- (2) The amount of royalty revenue shall be measured and confirmed in accordance with the time and method of charging as stipulated in the relevant contract or agreement.

4. When confirming the income for providing labor service and construction contract income as per percentage of completion method, determine the basis and method of schedule of contracted project

If the transaction result of the labor service can be evaluated reliably on the balance sheet date, the income from provision of labor service shall be confirmed through percentage of completion method. The completion schedule of the transaction of the labor service shall be measured and confirmed as per the completed work.

Excluding those not allowed in the contract or agreement price that are received or shall be received, the total income from provision of labor service shall be determined as per the contract or agreement price that are received or shall be received. The amount after deducting the income from provision of labor service accumulative confirmed in the former accounting period by the product of total income from provision of labor service and the completion schedule on the balance sheet date will be confirmed as the income from provision of labor service; At the same time, the amount after deducting the accumulative confirmed labor cost in the former accounting period by the product of the total estimated cost of the provision of labor service and completion schedule will be transferred to the cost of current labor service.

On the balance sheet date, the transaction result of services rendering that cannot be estimated reliably shall be handled separately according to the following conditions:

- (1) If the cost of labor service occurred is expected to be compensated, the revenue from rendering of services shall be confirmed in accordance with the amount of the cost of labor services occurred, and the cost of labor services shall be carried forward at the same amount.
- (2) If the incurred labor costs are not expected to be compensated, the incurred labor cost should be included into current profits and losses, and the revenue from rendering of services should not be confirmed.

31. Government subsidies

1. Type:

Government subsidies are the monetary and non-monetary assets that the Company obtains from the government for free, including government subsidies related to assets and incomes.

Government subsidies related to assets refer to the government subsidies obtained by the Company used for acquisition and construction, or forming long-term assets by other ways. Government subsidies related to incomes refer to all government subsidies except those related to assets.

The Company's specific standard on attributing government subsidies to those related to assets is: If it is agreed in the relevant documents signed with the government that the subsidies obtained by the Company need to be used for purchase and construction or other forms of long-term assets, they shall be recognized as government subsidies related to the assets.

The Company's specific standard on attributing government subsidies to those related to income is: If the

relevant documents signed with the government stipulate that the government subsidy obtained by the Company is used for expenses other than the purchase of long-term assets, it shall be recognized as government subsidy related to income.

If the subsidy object is not clear in the government document, the judgment basis of the Company for classifying the government subsidies into that of assets-related or incomes-related is: According to the actual expenditure categories of research and development projects related to the subsidy, they are divided into asset-related or revenue-related.

2. Confirmation time point

The Company takes the actual receipt of government subsidy as the confirmation time point.

3. Accounting arrangement

The government subsidies related to assets shall offset the book value of the underlying assets or be recognized as deferred incomes. The government subsidies related to assets recognized as deferred incomes shall, pursuant to a reasonable, systemic method, be recorded in the current profits and losses by stages within the service life of relevant assets (those related to daily activities of the Company shall be recorded in other income while those not related to daily activities shall be recorded in non-operating incomes).

The government subsidies related to incomes, if used to compensate the future related cost and expense or losses of the Company, shall be recognized as deferred incomes and be recorded in the current profits and losses during the recognition of related costs and expenses or losses (those related to daily activities of the Company shall be recorded in other income while those not related to daily activities shall be recorded in non-operating incomes) or offsetting related cost or loss. Subsidies that are used to compensate relevant costs, expenditures or losses generated by the Company shall be directly recorded in the current profits and losses (those related to daily activities of the Company shall be recorded in other income while those not related to daily activities shall be recorded in non-operating incomes) or offset relevant costs, expenditures or losses.

The policy preferential loan interest subsidy acquired by the Company is divided into the following two cases and conducted by the accounting treatment separately:

- (1) The finance department will appropriate funds with interest subsidy to the loan bank which provides the company with the loan based on the policy-type preferential interest rate, the company takes the loan amount actually received as the entry value of the loan and calculates related loan expenses in accordance with loan principal and the policy-type preferential interest rate.
- (2) In case of the government directly appropriating funds with interest subsidy, the company shall write down related loan expenses with corresponding interest subsidy.

32. Deferred income tax assets /deferred income tax liabilities

For deferred income tax assets that are confirmed with the deductible temporary differences, the taxable income obtained and can be used for deducting the deductible temporary differences in the future is regarded as the limit. For deductible losses and tax deductions that can be carried down in subsequent years, the corresponding deferred income tax assets shall be recognized with the limit of the future taxable income which is likely to be obtained for deducting the deductible losses and tax deduction.

For taxable temporary differences, except in special circumstances, the deferred income tax liabilities are confirmed.

Special situations where deferred income tax assets or deferred income tax liabilities are not confirmed: the initial recognition of goodwill; except for business merger, other transactions or matters which have no influence on accounting profits or taxable income amount (or deductible loss).

When it has the legal right for carry out settlement at a net amount and intends to make settlement at a net amount and obtains assets or paying off liabilities simultaneously, the current income tax assets and current income tax liabilities shall be listed at a net amount after the offset.

When it has the legal right for settling the current income tax assets and current income tax liabilities at a net amount, and the deferred tax assets and deferred income tax liabilities are related to income tax rate levied to the same taxpaying bodies by the same administrative department of tax collection or are related to different taxpaying bodies, but in each important period of deferred income tax assets and liabilities returning in the future, when involved taxpaying bodies intend to settle the current income tax assets and liabilities at a net amount or obtain assets and pay off the liabilities at the same time, deferred income tax assets and deferred income tax liabilities will be listed at a net amount after the offset.

33. Leases

(1) Accountant arrangement method of operating leases

(1) The lease fee paid by the Company on leased assets is directly shared based on the straight-line method and included in the current cost in the whole lease term without deducting the rent-free period. The initial direct expenses related to lease transaction paid by the Company are included in the current expenses.

In case the lessor of the assets bears the expenses related to the lease that shall be undertaken by the Company, the Company shall deduct such expenses from the total rent, and allocate the deducted lease expenses within the lease term, and then include them to the current expense.

(2) The rental fee from renting out assets is shared based on the method of line and confirmed as the rental income in the whole lease term without deducting rent-free period. The initial direct expenses related to lease transaction paid by the Company are included in the current expenses; if the amount is comparatively large, then capitalization is necessary. During the whole lease term, the current revenues shall be recorded by stage in accordance with the same basis with rental income.

When the Company bears the expenses related to lease that shall be undertaken by the lessee, the Company shall deduct such expenses from the total rental income and allocate the deducted rental expenses in the lease term.

(2) Accountant arrangement method of finance leases

(1) Asset rented in for financing lease: The company will, at the lease starting date, take the fair value of leased assets or current value of the minimum lease payment (whichever is lower) as the entry value of the leased asset, the minimum lease payment as entry value of long-term payable and the difference as unconfirmed financing charge. In case the Company takes the effective interest method for the amortization of unrecognized financial charges within the asset lease term, such unrecognized financial charges shall be included into the financial expenses. The initial direct expense of the Company shall be counted into the value of leasing assets.

(1) Asset rent out for financing lease: The Company shall confirm the difference between the sum of the financial lease receivables and the unguaranteed residual value and its present value as unrealized financing income on the lease commencement date, and confirm it as leasing income within each period of receiving rent in the future. The initial direct expense related to lease transaction of the Company will be included into the initial measurement of receivable financial lease outlay, and revenue confirmed in the lease term shall be reduced.

34. Other significant accounting policies and accounting estimates

The company has no other important accounting policies and accounting estimates that need to be disclosed.

35. Significant accounting policies and accounting estimate changes

(1) Changes in significant accounting policies

√ Applicable □ Not applicable

(1). Implement the Notice of the Ministry of Finance on Revising and Issuing the Format of 2019 Financial Statements of General Enterprises and the Notice on Revising and Issuing the Format of 2019 Consolidated Financial Statements

On April 30, 2019 and September 19, 2019, respectively, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of 2019 Financial Statements of General Enterprises (CK [2019] No.6) and the Notice on Revising and Issuing the Format of 2019 Consolidated Financial Statements (CK [2019] No.16), revising the format of general enterprise financial statements. Main influences incurred by implementation of such provisions by the Company are as follows:

Content and reasons for changes in accounting policies	Approval procedure	Name and amount of affected statement item	
		Consolidation	Parent company
(1) The item "notes receivable and accounts receivable" in the balance sheet is divided into "notes receivable" and "accounts receivable" for listing; the item "notes payable and accounts payable" is divided into "notes payable" and "accounts payable" for presentation; Comparative data shall be adjusted accordingly.	Board of Directors	The item "notes receivable and accounts receivable" is divided into "notes receivable" and "accounts receivable". The balance of "notes receivable" at the end of last year is RMB 39,981,851.40, and the balance of "accounts receivable" at the end of last year is RMB 459,121,586.79; The item "notes payable and accounts payable" is divided into "notes payable" and "accounts payable". The balance of "notes payable" at the end of last year is RMB 82,484,963.18, and the balance of "accounts payable" at the end of last year is RMB 156,802,272.52.	The item "notes receivable and accounts receivable" is divided into "notes receivable" and "accounts receivable". The balance of "notes receivable" at the end of last year is RMB 37,810,449.95, and the balance of "accounts receivable" at the end of last year is RMB 401,859,715.66; The item "notes payable and accounts payable" is divided into "notes payable" and "accounts payable". The balance of "notes payable" at the end of last year is RMB 82,484,963.18, and the balance of "accounts payable" at the end of last year is RMB 142,309,590.56.
(2) Add "Credit Impairment Loss" to the Income Statement. Comparative data shall be adjusted.	Board of Directors	The current amount of "credit impairment loss" is -17,334,078.64 Yuan.	The current amount of "credit impairment loss" is -13,864,615.68 Yuan.

(2) Implement the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (revised in 2017). The Ministry of Finance revised

Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments in 2017. The revised Standards stipulate that for financial instruments that have not been derecognized on the first implementation date, if the previous recognition and measurement are inconsistent with the requirements of the revised Standards, they shall be adjusted retroactively. If the data of the previous comparative financial statements are inconsistent with the requirements of the revised standards, no adjustment is required. The Company will adjust the retained earnings and other comprehensive income at the beginning of the year due to the cumulative impact of retrospective adjustment.

Based on the balance at the end of last year adjusted in accordance with the provisions of CK [2019] No.6 and CK [2019] No.16, various financial assets and financial liabilities are classified and the measurement results are compared as follows:

Consolidation

Original rules for financial instruments			New rules for financial instruments		
Listed and reported items	Measurement category	Book value	Listed and reported items	Measurement category	Book value
Monetary capital	Amortised cost	420,543,634.63	Monetary capital	Amortised cost	420,543,634.63
Notes receivable	Amortised cost	39,981,851.40	Notes receivable	Amortised cost	39,981,851.40
			Financing of receivables	Measured at fair value with change included in other comprehensive incomes	
Accounts receivable	Amortised cost	459,121,586.79	Accounts receivable	Amortised cost	459,121,586.79
			Financing of receivables	Measured at fair value with change included in other comprehensive incomes	
Other receivables	Amortised cost	15,329,220.27	Other receivables	Amortised cost	15,329,220.27

Parent company

Original rules for financial instruments			New rules for financial instruments		
Listed and reported items	Measurement category	Book value	Listed and reported items	Measurement category	Book value
Monetary capital	Amortised cost	404,116,714.28	Monetary capital	Amortised cost	404,116,714.28
Notes receivable	Amortised cost	37,810,449.95	Notes receivable	Amortised cost	37,810,449.95
			Financing of receivables	Measured at fair value with change included in other comprehensive incomes	
Accounts receivable	Amortised cost	401,859,715.66	Accounts receivable	Amortised cost	401,859,715.66
			Financing of receivables	Measured at fair value with change included in other comprehensive incomes	

Other receivables	Amortised cost	38,925,304.25	Other receivables	Amortised cost	38,925,304.25
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(3) Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets (revised in 2019)

On May 9, 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises No.7-Exchange of Non-monetary Assets (Revised in 2019) (CK [2019] No.8). The revised standards will take effect on June 10, 2019, and the exchange of non-monetary assets occurred between January 1, 2019 and the implementation date of the Standards shall be adjusted according to the Standards. The exchange of non-monetary assets before January 1, 2019 does not need to be retroactively adjusted in accordance with the provisions of the Standards. The Company's implementation of the above standards had no significant impact during the reporting period.

(4) Implement "Accounting Standards for Business Enterprises No.12-Debt Restructuring" (Revised in 2019)

On May 16, 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises No.12-Debt Restructuring (Revised in 2019) (CK [2019] No.9). The revised standards will take effect on June 17, 2019, and the debt restructuring occurred between January 1, 2019 and the implementation date of the Standards shall be adjusted according to the Standards. The debt restructuring before January 1, 2019 does not need to be retroactively adjusted in accordance with the provisions of the Standards. The Company's implementation of the above standards had no significant impact during the reporting period.

(2) Changes in major accounting estimates

☐ Applicable ☒ Not applicable

(3) The implementation of new financial instruments standards, new income standards or new lease standards from 2019 to adjust the implementation of the financial statements at the beginning of the year

☒ Applicable ☐ Not applicable

Consolidated Balance Sheet

Unit: Yuan

Item	Dec. 31, 2018	January 1, 2019	Adjusted amount
Current assets:			
Monetary capital	420,543,634.63	420,543,634.63	
Deposit reservation for balance			
Lending funds			
Trading financial assets			
Financial assets measured at the fair value and whose changes are reckoned in current profits and losses			
Derivative financial assets			

Notes receivable	39,981,851.40	39,981,851.40	
Accounts receivable	459,121,586.79	459,121,586.79	
Funds raised from accounts receivable			
Advance payment	41,302,754.36	41,302,754.36	
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables	15,329,220.27	15,329,220.27	
Of which: Interests receivable			
Dividends receivable			
Recoursable financial assets acquired			
Inventory	288,686,203.47	288,686,203.47	
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	7,761,988.77	7,761,988.77	
Total current assets	1,272,727,239.69	1,272,727,239.69	
Non-current assets:			
Make loans and advance payments			
Creditor's investment			
Available-for-sale financial assets			
Other creditor's investments			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	16,884,565.00	16,884,565.00	
Other equity instrument investments			

Other non-current financial assets			
Investment real estate			
Fixed assets	223,474,963.99	223,474,963.99	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	63,809,164.55	63,809,164.55	
Development expenditures			
Reputation	114,203,969.22	114,203,969.22	
Long-term unamortized expenses	10,222,458.33	10,222,458.33	
Deferred income tax assets	6,534,906.44	6,534,906.44	
Other non-current assets	141,509.43	141,509.43	
Total non-current assets	435,271,536.96	435,271,536.96	
Total assets	1,707,998,776.65	1,707,998,776.65	
Current liabilities:			
Short-term borrowings	164,578,221.74	164,578,221.74	
Borrowing from Central Bank			
Borrowing funds			
Trading financial liabilities			
Financial liabilities measured at the fair value with changes reckoned in current profits and losses			
Derivative financial liabilities			
Notes payable	82,484,963.18	82,484,963.18	
Accounts payable	156,802,272.52	156,802,272.52	
Advance collections	172,876,868.51	172,876,868.51	
Contract liabilities			
Funds from financial assets repurchased for sale			
Deposit taking and deposit of			

inter-bank			
Receiving from vicariously traded securities			
Funds from underwriting securities agency			
Employee remuneration payables	20,066,390.08	20,066,390.08	
Taxes and dues payable	41,399,252.63	41,399,252.63	
Other payables	9,708,285.23	9,708,285.23	
Of which: Interests payable	735,069.51	735,069.51	
Dividends payable			
Service charges and commissions payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	9,440,792.89	9,440,792.89	
Other current liabilities	52,606.88	52,606.88	
Total current liabilities	657,409,653.66	657,409,653.66	
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings	124,281,752.46	124,281,752.46	
Bonds payable			
Of which: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	5,957,723.56	5,957,723.56	
Long-term employee remuneration payables			
Estimated liabilities	1,683,546.42	1,683,546.42	
Deferred incomes	5,966,213.91	5,966,213.91	
Deferred income tax liabilities			
Other non-current liabilities			

Total non-current liabilities	137,889,236.35	137,889,236.35	
Total liabilities	795,298,890.01	795,298,890.01	
Owner's equity:			
Share capital	130,442,088.00	130,442,088.00	
Other equity instruments			
Of which: Preferred shares			
Perpetual bonds			
Capital reserves	369,722,021.69	369,722,021.69	
Minus: Treasury stock			
Other comprehensive incomes	42,458.54	42,458.54	
Special reserves			
Surplus reserves	52,133,139.66	52,133,139.66	
General risk reserves			
Undistributed profits	358,678,997.27	358,678,997.27	
Total owners' equities attributable to the parent company	911,018,705.16	911,018,705.16	
Minority shareholders' rights and interests	1,681,181.48	1,681,181.48	
Total owners' equities	912,699,886.64	912,699,886.64	
Total liabilities and owners' equities	1,707,998,776.65	1,707,998,776.65	

Statement of adjustment

In March 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments (CK [2017] No.7), Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets (CK [2017] No.8), Accounting Standards for Business Enterprises No.24-Hedge Accounting (CK [2017] No.9), Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (CK [2017] No.14), requiring domestic listed enterprises to implement new accounting standards for financial instruments from January 1, 2019.

This accounting policy change was reviewed and approved by the 17th meeting of the second board of directors, and the company will implement the above standards from January 1, 2019.

Balance sheet of parent company

Unit: Yuan

Item	December 31, 2018	January 1, 2019	Adjusted amount
Current assets:			
Monetary capital	404,116,714.28	404,116,714.28	

Trading financial assets			
Financial assets measured at the fair value and whose changes are reckoned in current profits and losses			
Derivative financial assets			
Notes receivable	37,810,449.95	37,810,449.95	
Accounts receivable	401,859,715.66	401,859,715.66	
Funds raised from accounts receivable			
Advance payment	38,630,296.42	38,630,296.42	
Other receivables	38,925,304.25	38,925,304.25	
Of which: Interests receivable	323,408.15	323,408.15	
Dividends receivable			
Inventory	247,861,424.63	247,861,424.63	
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	3,007,618.48	3,007,618.48	
Total current assets	1,172,211,523.67	1,172,211,523.67	
Non-current assets:			
Creditor's investment			
Available-for-sale financial assets			
Other creditor's investments			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	205,590,526.45	205,590,526.45	
Other equity instrument investments			
Other non-current financial assets			
Investment real estate			
Fixed assets	220,877,124.90	220,877,124.90	
Construction in progress			
Productive biological assets			
Oil and gas assets			

Right-of-use assets			
Intangible assets	30,523,675.81	30,523,675.81	
Development expenditures			
Reputation			
Long-term unamortized expenses	8,706,547.21	8,706,547.21	
Deferred income tax assets	5,705,047.27	5,705,047.27	
Other non-current assets	141,509.43	141,509.43	
Total non-current assets	471,544,431.07	471,544,431.07	
Total assets	1,643,755,954.74	1,643,755,954.74	
Current liabilities:			
Short-term borrowings	164,578,221.74	164,578,221.74	
Trading financial liabilities			
Financial liabilities measured at the fair value with changes reckoned in current profits and losses			
Derivative financial liabilities			
Notes payable	82,484,963.18	82,484,963.18	
Accounts payable	142,309,590.56	142,309,590.56	
Advance collections	153,191,357.28	153,191,357.28	
Contract liabilities			
Employee remuneration payables	14,413,251.50	14,413,251.50	
Taxes and dues payable	32,113,785.56	32,113,785.56	
Other payables	7,796,762.93	7,796,762.93	
Of which: Interests payable	1,043,194.51	1,043,194.51	
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	8,528,183.65	8,528,183.65	
Other current liabilities			
Total current liabilities	605,416,116.40	605,416,116.40	
Non-current liabilities:			
Long-term borrowings	122,961,752.46	122,961,752.46	
Bonds payable			
Of which: Preferred shares			
Perpetual bonds			

Lease liabilities			
Long-term payables	5,957,723.56	5,957,723.56	
Long-term employee remuneration payables			
Estimated liabilities			
Deferred incomes	5,966,213.91	5,966,213.91	
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	134,885,689.93	134,885,689.93	
Total liabilities	740,301,806.33	740,301,806.33	
Owner's equity:			
Share capital	130,442,088.00	130,442,088.00	
Other equity instruments			
Of which: Preferred shares			
Perpetual bonds			
Capital reserves	369,722,021.69	369,722,021.69	
Minus: Treasury stock			
Other comprehensive incomes			
Special reserves			
Surplus reserves	52,133,139.66	52,133,139.66	
Undistributed profits	351,156,899.06	351,156,899.06	
Total owners' equities	903,454,148.41	903,454,148.41	
Total liabilities and owners' equities	1,643,755,954.74	1,643,755,954.74	

Statement of adjustment

In March 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments (CK [2017] No.7), Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets (CK [2017] No.8), Accounting Standards for Business Enterprises No.24-Hedge Accounting (CK [2017] No.9), Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (CK [2017] No.14), requiring domestic listed enterprises to implement new accounting standards for financial instruments from January 1, 2019.

This accounting policy change was reviewed and approved by the 17th meeting of the second board of directors, and the company will implement the above standards from January 1, 2019.

(4) Implementation of new financial instruments standards or new lease standards from 2019 to retroactively adjust the comparative data of the previous period

☐ Applicable ☒ Not applicable

36. Others**VI. Taxes****1. Main tax categories and tax rates**

Tax type	Taxation basis	Tax rate
VAT	The incomes from sales of goods and taxable services which are calculated based on the provision of tax law will be the basically calculated value-added tax on sales, and after deducting the input value-added tax allowed to be deducted during the current period with such value-added tax on sales, the difference will be the payable value-added tax.	6%、9%、10%、11%、13%、16%
Urban maintenance and construction taxes	Levying on the actual paid value-added tax and consumption tax	5%、7%
Enterprise income tax	Levying on the basis of taxable income	15%、16.5%、25%
Educational surcharges	Levying on the actual paid value-added tax and consumption tax	3%
Local educational surcharges	Levying on the actual paid value-added tax and consumption tax	2%

Disclosure of the situation where a taxpaying body involves different enterprise income tax rates.

Name of taxpaying body	Income tax rate
Guangdong Topstar Technology Co., Ltd.	15%
Topstar Worldwide Group Limited	16.5%
Topstar (Vietnam) Technology Co., Ltd.	20%
Dongguan Yee Intelligent Equipment Co., Ltd.	15%
Other taxpayers	25%

2. Tax preference**1. The Company enjoys preferential tax policies for high-tech enterprises**

According to Article 28 of the "Enterprise Income Tax Law of the People's Republic of China" promulgated on March 16, 2007, for high-tech enterprises that the state needs to give priority support, the enterprise income tax shall be levied at a reduced rate of 15%.

According to the Notice of Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance, and Guangdong Provincial Tax Bureau of the State Administration of Taxation on Announcing the List of High-tech Enterprises in Guangdong Province in 2018 jointly issued by Guangdong Science and Technology Department, Guangdong Provincial Department of Finance, and Guangdong Provincial Tax Bureau of the State Administration of Taxation on April 25, 2019, the Company enjoys preferential income

tax policies for high-tech enterprises from January 1, 2018 to December 31, 2020 and the company's high-tech enterprise number is: GR201844002768.

2. The subsidiary Server Industrial Control Co., Ltd. enjoys the preferential policy of VAT collection and refund for software enterprises that meet the conditions.

Server Industrial Control, a subsidiary, has obtained the Software Product Registration Certificate, which meets the accreditation standards of software enterprises. According to the provisions of Article 5 of the Circular on Several Policies to Encourage the Development of Software Industry and Integrated Circuit Industry (GF [2000] No.18) issued by the State Council and Article 1 of the Circular on Tax Policy Issues Related to Encouraging the Development of Software Industry and Integrated Circuit Industry (CS [2000] No.25) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, for the sale of software products developed and produced on their own, the value-added tax shall be levied according to the statutory tax rate, and the preferential policy of immediate refund shall be implemented for those parts that enjoy VAT actual tax burden exceeding 3%.

3. Subsidiary Server Industrial Control enjoys the preferential tax policies for qualified software enterprises

The subsidiary Server Industrial Control Company has obtained the Software Product Registration Certificate, which meets the accreditation standards for software enterprises. According to the provisions of Article 1 of the Notice on Tax Policy Issues Concerning Encouraging the Development of Software Industry and Integrated Circuit Industry (Caishui [2000] No.25) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, newly established software production enterprises in China will be exempted from enterprise income tax in the first and second years starting from the profit-making year, halved from the third to the fifth years, and halved from the 2019 year.

4. Subsidiary Noda Intelligent Enjoy Preferential Tax Policies for High-tech Enterprises

On December 9, 2016, the subsidiary Noda Intelligent obtained the High-tech Enterprise Certificate No. GR201644004662. According to the "Notice of Guangdong Provincial Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong Provincial State Taxation Bureau and Guangdong Provincial Local Taxation Bureau on Announcing the List of High-tech Enterprises in 2016" (YKGZI [2017] No. 6) jointly issued by Guangdong Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong Provincial State Taxation Bureau and Guangdong Provincial Local Taxation Bureau on February 23, 2017, the issuer enjoys preferential income tax policies for high-tech enterprises, with the period from January 1, 2016 to December 31, 2018. Noda Intelligent has re-submitted the identification data of high-tech enterprises in 2019, and announced it in the "Notice on Publicizing the List of the Second Batch of High-tech Enterprises to be Identified in Guangdong Province in 2019" issued by the Office of the National High-tech Enterprise Identification Management Leading Group on December 2, 2019. The income tax calculation for 2019 is temporarily implemented at 15%.

3. Others

VII. Item Notes for Consolidated Financial Statement

1. Monetary funds

Unit: Yuan

Item	Ending balance	Beginning balance
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Cash on hand	67,373.83	32,880.15
Bank deposit	688,886,381.28	343,480,521.11
Other monetary funds	214,693,894.99	77,030,233.37
Total	903,647,650.10	420,543,634.63
Wherein: Total amount of payments deposited overseas	59,129,290.12	1,613,667.62

Other descriptions

Among other monetary funds, the balance of unrestricted monetary funds deposited on Alipay platform is 276,098.02 Yuan.

Monetary capital details that are restricted due to the service restrictions from mortgage, pledge or freezing and restricted from remitting overseas are as follows:

Item	Ending balance	Balance at the end of last year
Bank acceptance margin	111,203,070.94	36,780,233.37
Deposits of letter of guarantee	2,795,000.00	
Loan margin	400,000.00	40,000,000.00
Financial products with guaranteed capital and income	100,019,726.03	
Fixed deposit and call deposit used for the guarantee		250,000.00
Total	214,417,796.97	77,030,233.37

Notes:

As of December 31, 2019, RMB 111,203,070.94 in other monetary funds of the Company was guarantee deposit when the Company applied with the bank to issue bank acceptance draft.

As of December 31, 2019, RMB 2,795,000.00 in other monetary funds of the Company was the margin deposit for security when the Company applies to the bank for issuing unconditional and irrevocable letter of guarantee;

As of December 31, 2019, the company has obtained a short-term loan of RMB 40,000,000.00 (Dongguan Branch of China Construction Bank) with a deposit of RMB 400,000.00 as pledge, with the period from August 9, 2019 to August 8, 2020. for details, please refer to "VII. 28. Short-term loan" in this note.

As of December 31, 2019, RMB 100,019,726.03 in other monetary funds is the financial products purchased by the Company with guaranteed income and accrued interest income, of which the principal amount is RMB 100,000,000.00.

2. Trading financial assets

Unit: Yuan

Item	Ending balance	Beginning balance
Financial assets measured at the fair value and whose changes are reckoned in current profits and losses	200,012,083.33	
Wherein:		

Miscellaneous	200,012,083.33	
Total	200,012,083.33	

3. Derivative financial assets

4. Notes receivable

(1) Notes receivable listed by category

Unit: Yuan

Item	Ending balance	Beginning balance
Bank acceptance bill	32,997,926.64	37,692,575.40
Commercial acceptance notes	8,330,941.78	2,289,276.00
Total	41,328,868.42	39,981,851.40

Unit: Yuan

Category	Ending balance					Beginning balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Notes Receivable with Bad Debt Provision Accrued by Combination	41,962,141.08	100.00%	633,272.66	1.51%	41,328,868.42	40,004,975.40	100.00%	23,124.00	0.06%	39,981,851.40
Wherein:										
Portfolio 1: Aging risk portfolio	8,964,214.44	21.36%	633,272.66	7.06%	8,330,941.78	2,312,400.00	5.78%	23,124.00	1.00%	2,289,276.00
Portfolio 2: Portfolio without credit risk	32,997,926.64	78.64%			32,997,926.64	37,692,575.40	94.22%			37,692,575.40
Total	41,962,141.08	100.00%	633,272.66	1.51%	41,328,868.42	40,004,975.40	100.00%	23,124.00	0.06%	39,981,851.40

Withdrawal of bad debt provision by portfolio:

Unit: Yuan

Name	Ending balance		
	Book balance	Bad debt reserves	Withdrawal proportion
Within 1 year			
Of which: 1-6 months	2,936,264.21	29,362.64	1.00%

Of which: 6-12 months	601,000.00	30,050.00	5.00%
Within 1 year (inclusive)	3,537,264.21	59,412.64	1.68%
1-2 years (inclusive)	5,371,300.23	537,130.02	10.00%
2-3 years (inclusive)	23,650.00	4,730.00	20.00%
3-4 years (inclusive)			
4-5 years (inclusive)			
Over 5 years	32,000.00	32,000.00	100.00%
Total	8,964,214.44	633,272.66	--

Withdrawal of bad debt provision by portfolio:

Unit: Yuan

Name	Ending balance		
	Book balance	Bad debt reserves	Withdrawal proportion
Bank acceptance bill	32,997,926.64		
Total	32,997,926.64		

Explanation of the basis for determining such portfolio:

If the bad debt provision for notes receivable is accrued according to the general model of expected credit loss, please refer to other disclosure methods of other receivables to disclose relevant information of bad debt provision:

☐ Applicable ☒ Not applicable

(2) Bad debt reserves calculated and withdrawn, recovered or returned in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: Yuan

Category	Beginning balance	Amount changed in the current period				Ending balance
		Withdrawal	Recovery or reverse	Cancelling after verification	Miscellaneous	
Notes receivable	23,124.00	633,272.66	23,124.00			633,272.66
Total	23,124.00	633,272.66	23,124.00			633,272.66

Wherein, important amounts of bad debt reserves transferring back or retrieved in the current period:

☐ Applicable ☒ Not applicable

(3) Notes receivables that the company has pledged at the end of the period

Unit: Yuan

Item	Pledged amount at the ending of the period
Bank acceptance bill	2,655,269.30
Total	2,655,269.30

(4) Notes receivable that have been endowed or discounted and not due on balance sheet date at the end of the period

Unit: Yuan

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bill	65,008,467.58	
Commercial acceptance notes		1,709,983.85
Total	65,008,467.58	1,709,983.85

5. Accounts receivable**(1) Classified disclosure of accounts receivable**

Unit: Yuan

Category	Ending balance					Beginning balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Account receivables with singly withdrawn bad-debt provision	10,692,255.04	1.29%	7,796,220.94	72.91%	2,896,034.10	8,392,361.29	1.72%	7,486,527.84	89.21%	905,833.45
Of which:										
Not have major provision according to single amount	10,692,255.04	1.29%	7,796,220.94	72.91%	2,896,034.10	8,392,361.29	1.72%	7,486,527.84	89.21%	905,833.45
Account Receivable with Bad Debt Provision Accrued by Combination	818,285,193.92	98.71%	32,499,361.53	3.97%	785,785,832.39	479,283,931.54	98.28%	21,068,178.20	4.40%	458,215,753.34
Of which:										
Portfolio of account age	818,285,193.92	98.71%	32,499,361.53	3.97%	785,785,832.39	479,283,931.54	98.28%	21,068,178.20	4.40%	458,215,753.34
Total	828,977,448.96	100.00%	40,295,582.47		788,681,866.49	487,676,292.83	100.00%	28,554,706.04		459,121,586.79

Withdrawal of bad debt reserve by single item:

Unit: Yuan

Name	Ending balance			
	Book balance	Bad debt reserves	Withdrawal proportion	Withdrawal reason
Guangdong Longshine Technology Co., Ltd.	4,228,339.22	2,114,169.62	50.00%	Recovery is difficult
Datong Machinery (Dongguan) Sales Co., Ltd.	2,169,132.23	2,169,132.23	100.00%	It is expected to be uncollectible
Other customers	4,294,783.59	3,512,919.09	81.80%	It is estimated that the possibility of recovery is low.
Total	10,692,255.04	7,796,220.94	--	--

Description of withdrawal of bad debt reserve by single item:

Note 1: Guangdong Longshine Technology Co., Ltd.: The aging is relatively long, and the Company expects that the possibility of full recovery is relatively low. Based on the principle of prudence, the bad debt reserve is withdrawn at 50%.

Note 2: Datong Machinery (Dongguan) Sales Co., Ltd. Due to a long aging period, the Company is expected to be unable to recover. Based on the principle of prudence, the bad debt reserve is withdrawn at 100%.

Note 3: For other customers whose single amount is not significant, it is estimated that it is difficult or impossible to recover the money from these customers. Based on the principle of prudence, the bad debt reserve is withdrawn at 50% or 100%.

Withdrawal of bad debt provision by portfolio:

Unit: Yuan

Name	Ending balance		
	Book balance	Bad debt reserves	Withdrawal proportion
Subtotal classification within 1 year			
Of which: 1-6 months	543,600,669.85	5,436,006.71	1.00%
Of which: 6-12 months	129,879,462.15	6,493,973.10	5.00%
Within 1 year (inclusive)	673,480,132.00	11,929,979.81	1.77%
1-2 years (including 2 years)	95,028,054.15	9,502,805.42	10.00%
2-3 years (including 3 years)	47,055,910.97	9,411,182.20	20.00%
3-4 years (including 4 years)	1,738,277.80	869,138.90	50.00%
4-5 years (including 5 years)	982,819.00	786,255.20	80.00%
Over 5 years			
Total	818,285,193.92	32,499,361.53	--

Disclosure by account age

Unit: Yuan

Account age	Book balance
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Within 1 year (inclusive)	673,493,382.00
Of which: 1-6 months	543,613,919.85
Of which: 6-12 months	129,879,462.15
1-2 years	97,458,541.00
2-3 years	50,117,499.07
Over 3 years	7,908,026.89
3-4 years	3,703,796.25
4-5 years	1,812,561.41
Over 5 years	2,391,669.23
Total	828,977,448.96

(2) Bad debt reserves calculated and withdrawn, recovered or returned in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: Yuan

Category	Beginning balance	Amount changed in the current period				Ending balance
		Withdrawal	Recovery or reverse	Cancelling after verification	Miscellaneous	
Accounts receivable	28,554,706.04	26,004,424.82	10,023,066.38	4,240,482.01		40,295,582.47
Total	28,554,706.04	26,004,424.82	10,023,066.38	4,240,482.01		40,295,582.47

(3) Actual write-off account receivables in the current period

Unit: Yuan

Item	Write-off amount
Actual write-off accounts receivable	4,240,482.01

wherein, write-off condition of important accounts receivable:

Unit: Yuan

Unit Name	Nature of accounts receivable	Write-off amount	Reason for cancelling after verification	Procedures of cancelling after verification performed	Whether the fund generates from related transaction
Chongqing Nanxin Zhizao Electronic Technology Co., Ltd.	Goods payment	1,651,700.00	Unable to be reversed	Board of Directors	No
Shenzhen Fosunny Electronic	Goods payment	581,266.65	Unable to be reversed	Board of Directors	No

Technology Co., Ltd					
Total	--	2,232,966.65	--	--	--

Instructions for write-off of accounts receivable:

(4) Accounts receivable of top five ending balances collected by the debtor

Unit: Yuan

Unit Name	Ending balance of accounts receivable	Proportion of the total ending balance of accounts receivable	Ending balance of bad debt provision
Ranking 1st	67,943,480.00	8.20%	815,321.76
Raning 2nd	66,087,607.90	7.97%	1,918,287.27
Ranking 3rd	62,188,671.67	7.50%	746,264.06
Ranking 4th	57,401,666.52	6.92%	688,820.00
Ranking 5th	39,786,169.81	4.80%	3,470,007.88
Total	293,407,595.90	35.39%	

6. Funds raised from accounts receivable

Changes in Increase or Decrease and Changes in Fair Value of Receivables Financing in Current Period

☐ Applicable ☒ Not applicable

If provision for impairment of receivables financing is made according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on impairment provision:

☐ Applicable ☒ Not applicable

Other descriptions:

7. Advance payment

(1) Advance payment list by account age

Unit: Yuan

Account age	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	55,005,039.92	97.44%	40,267,736.63	97.49%
1-2 years	529,940.77	0.94%	1,035,017.73	2.51%
2-3 years	915,485.73	1.62%		
Total	56,450,466.42	--	41,302,754.36	--

(2) Advance payment of the top five among ending balances collected by advance payment object.

Object in advance	Ending balance	Proportion (%) in the total number of ending balance of advance payments
Ranking 1 st	34,157,294.88	60.51
Ranking 2 nd	6,349,557.52	11.25
Ranking 3 rd	2,009,044.22	3.56
Ranking 4 th	981,238.94	1.74
Ranking 5 th	789,088.50	1.40
Total	44,286,224.06	78.46

8. Other receivables

Unit: Yuan

Item	Ending balance	Beginning balance
Other receivables	13,775,303.87	15,329,220.27
Total	13,775,303.87	15,329,220.27

Unit: Yuan

(1) Interests receivable**(2) Dividends receivable****(3) Other receivables****1) Classification of other receivables according to the nature of payment**

Unit: Yuan

Nature of payment	Ending book balance	Beginning book balance
Deposit for Recognizance	13,344,674.99	11,714,863.88
Employee reserve fund loan	1,087,000.00	680,317.89
Prepaid taxes and fees	980,012.46	879,850.54
Due from minority shareholders for subscribed equity		2,940,000.00
Total	15,411,687.45	16,215,032.31

2) Withdrawal situations of bad debt provision

Unit: Yuan

Bad debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss throughout the entire duration (credit impairment has not occurred)	Expected credit losses throughout the entire duration (credit impairment has occurred)	
Balance on January 1, 2019	885,812.04			885,812.04
Balance on Jan. 1, 2019 in current period	—	—	—	—
Withdrawal of the current period	1,025,290.30			1,025,290.30
Reversion of the current period	274,718.76			274,718.76
Balance on Dec. 31, 2019	1,636,383.58			1,636,383.58

Changes in book balances with significant changes in loss reserves for the current period

☐ Applicable ☒ Not applicable

Disclosure by account age

Unit: Yuan

Account age	Book balance
Within 1 year (inclusive)	5,604,660.45
Of which: 1-6 months	4,071,490.45
Of which: 6-12 months	1,533,170.00
1-2 years	8,806,440.00
2-3 years	384,901.00
Over 3 years	615,686.00
3-4 years	89,600.00
4-5 years	47,500.00
Over 5 years	478,586.00
Total	15,411,687.45

3) Bad debt reserves calculated and withdrawn, recovered or returned in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: Yuan

Category	Beginning balance	Amount changed in the current period				Ending balance
		Withdrawal	Recovery or reverse	Cancelling after verification	Miscellaneous	
Other receivables	885,812.04	1,025,290.30	274,718.76			1,636,383.58

Total	885,812.04	1,025,290.30	274,718.76			1,636,383.58
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4) Other receivables of top five ending balances collected by the debtor

Unit: Yuan

Unit Name	Nature of payment	Ending balance	Account age	Proportion of the total ending balance of other accounts receivable	Ending balance of bad debt provision
Ranking st	Deposit and guarantee deposit	5,000,000.00	1-2 years, RMB 5,000,000.00	32.44%	500,000.00
Ranking 2nd	Deposit and guarantee deposit	2,000,000.00	1-2 years, RMB 2,000,000.00	12.98%	200,000.00
Ranking 3 rd	Deposit and guarantee deposit	1,100,000.00	7-12 months, RMB 1,000,000.00; 1-2 years, RMB 100,000.00	7.14%	60,000.00
Ranking 4th	Deposit and guarantee deposit	851,000.00	1-6 months, RMB 851,000.00	5.52%	8,510.00
Ranking 5th	Deposit and guarantee deposit	751,231.00	7-12 months, RMB 56,970.00; 1-2 years, RMB 322,660.00; 2-3 years, RMB 371,601.00;	4.87%	109,434.70
Total	--	9,702,231.00	--	62.95%	877,944.70

5) Amounts of assets and liabilities due to transferring other receivable and continuous involvement

Other descriptions: At current period, there is no amounts of assets and liabilities formed due to transferring other receivables and continued involvement.

9. Inventory

Has the new income criterion been implemented

☐ Yes ☒ No

(1) Inventory classification

Unit: Yuan

Item	Ending balance	Beginning balance
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	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	73,244,080.53	1,552,144.87	71,691,935.66	70,557,890.70	1,184,246.89	69,373,643.81
Goods in process	86,762,135.09	1,379,567.46	85,382,567.63	121,976,573.93	1,138,739.60	120,837,834.33
Inventory goods	15,050,044.32	2,176,175.59	12,873,868.73	30,857,776.50	2,311,582.51	28,546,193.99
Revolving materials	1,369,277.19	189,384.63	1,179,892.56	1,103,924.51	167,274.70	936,649.81
Goods in transit	17,223,292.20		17,223,292.20	43,004,647.84		43,004,647.84
Semi-finished products	19,984,652.75	1,127,885.94	18,856,766.81	27,023,760.91	1,079,203.44	25,944,557.47
Consigned processing materials				42,676.22		42,676.22
Total	213,633,482.08	6,425,158.49	207,208,323.59	294,567,250.61	5,881,047.14	288,686,203.47

(2) Inventory falling price reserves

Unit: Yuan

Item	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Withdrawal	Miscellaneous	Reversion or write-off	Miscellaneous	
Raw materials	1,184,246.89	1,423,104.81		1,055,206.83		1,552,144.87
Semi-finished products	1,079,203.44	843,791.83		795,109.33		1,127,885.94
Goods in process	1,138,739.60	240,827.86				1,379,567.46
Inventory goods	2,311,582.51	1,978,706.52		2,114,113.44		2,176,175.59
Revolving materials	167,274.70	142,579.05		120,469.12		189,384.63
Total	5,881,047.14	4,629,010.07		4,084,898.72		6,425,158.49

(3) Unsettled assets in completed construction contract at the end of the period

Other descriptions: There is no unsettled assets in completed construction contract at the end of the period

10. Contract assets**11. Held-for-sale assets****12. Non-current assets due within one year****13. Other current assets**

Has the new income criterion been implemented

☐ Yes ☒ No

Unit: Yuan

Item	Ending balance	Beginning balance
Deductible VAT input tax	8,479,612.43	4,139,617.40
Tax retained of VAT	1,240,206.97	3,615,478.04
Prepaid corporate income tax	1,418,145.08	6,893.33
Total	11,137,964.48	7,761,988.77

14. Creditors' investment**15. Other creditors' investment****16. Long-term receivables****17. Long-term equity investment**

Unit: Yuan

Invested unit	Opening balance (book value)	Increase and decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Negative investment	Profits and losses on investments confirmed by equity method	Adjustments of other comprehensive incomes	Changes in other equities	Declared and distributed cash dividends or profits	Withdrawn impairment provision	Miscellaneous		
I. Joint enterprises											
II. Joint ventures											
Wuhan JoTong Intelligent	16,884,565.00			-163,614.30				-7,041,630.70		9,679,320.00	7,041,630.70

Technology Co., Ltd.											
Guangdong Tuotuo Network Technology Co., Ltd.				-13,842.03						-13,842.03	
Subtotal	16,884,565.00			-177,456.33				-7,041,630.70		9,665,477.97	7,041,630.70
Total	16,884,565.00			-177,456.33				-7,041,630.70		9,665,477.97	7,041,630.70

Other descriptions

(1) On August 14, 2019, the Company convened the 21st meeting of the second board of directors, agreed to sign the Joint Venture Framework Agreement with the controlling shareholder and actual controller Wu Fengli (hereinafter referred to as the "founder"), as well as Zhang Jian, Xiang Xinfeng, Wang Chao, Li Chuanshi and Fei Shifan (hereinafter referred to as the "original shareholder" except Wu Fengli) to jointly invest in the establishment of Guangdong Tuotuo Network Technology Co., Ltd. (hereinafter referred to as the "Tuotuo Network") as the development platform for new businesses such as platform e-commerce, online advertising and SaaS services and the domestic equity subject of round-trip investment. The total registered capital of Tuotuo Network is RMB 15 million, of which Wu Fengli contributed RMB 7.8 million, accounting for 52% of the registered capital. The Company contributed RMB 3 million, accounting for 20% of the registered capital. Zhang Jian contributed RMB 2.25 million, accounting for 15% of the registered capital; Xiang Xinfeng contributed RMB 1.5 million, accounting for 10% of the registered capital; Wang Chao contributed RMB 150,000, accounting for 1% of the registered capital; Li Chuanshi contributed RMB 150,000, accounting for 1% of the registered capital; Fei Shifan contributed RMB 150,000, accounting for 1% of the registered capital. The investment prices of all parties are registered capital of 1 Yuan /1 Yuan. As of December 31, 2019, the Company has not yet made any contribution, and the Company confirmed that the profit and loss of investment in Tuotuo Network in 2019 was -13,842.03 Yuan.

(2) Based on the evaluation conducted by Yinxin Appraisal and the valuation report of report No. YXZB ZI [2020] Hu No.180 issued accordingly, the total equity value of the shareholders of Wuhan JoTong Intelligent Technology Co., Ltd. (hereinafter referred to as "Wuhan JoTong") was 32,624,400 Yuan as of December 31, 2019, and the impairment provision made by the Company for Wuhan JoTong was 7,041,630.70 Yuan.

18. Other equity instrument investments**19. Other non-current financial assets****20. Investment real estates****(1) Investment property measured in cost method**

☐ Applicable ☒ Not applicable

(2) Investment real estate calculated by fair value

☐ Applicable ☒ Not applicable

(3) Conditions of investment real estate without property right certificate**21. Fixed assets**

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed assets	212,645,513.26	223,474,963.99
Total	212,645,513.26	223,474,963.99

(1) Condition of fixed assets

Unit: Yuan

Item	Houses and buildings	Machinery equipment	Transport equipment	Electronic devices	Office equipment and others	Total
I. Original book value:						
1. Opening balance	190,208,048.25	27,150,018.27	13,291,418.05	7,323,079.22	10,325,713.49	248,298,277.28
2. Increased amount in the current period		1,747,661.93		1,415,683.93	1,113,715.63	4,277,061.49
(1) Acquisition		1,747,661.93		1,415,683.93	1,113,715.63	4,277,061.49
(2) Transfer-in of Project in process						
(3) Increase in enterprise merger						
3. Decreased amount in the current period		331,497.19	1,195,111.38	11,157.11	560,274.90	2,098,040.58
(1) Disposal or		331,497.19	1,195,111.38	11,157.11	560,274.90	2,098,040.58

scrapping						
4. Ending balance	190,208,048.25	28,566,183.01	12,096,306.67	8,727,606.04	10,879,154.22	250,477,298.19
II. Accumulated depreciation						
1. Opening balance	5,451,059.97	5,505,083.15	7,808,871.54	3,324,657.49	2,733,641.14	24,823,313.29
2. Increased amount in the current period	6,011,234.75	2,714,397.31	1,766,628.70	1,649,647.67	2,305,220.19	14,447,128.62
(1) Calculation and withdrawal	6,011,234.75	2,714,397.31	1,766,628.70	1,649,647.67	2,305,220.19	14,447,128.62
3. Decreased amount in the current period		221,579.07	1,029,854.75	8,589.62	178,633.54	1,438,656.98
(1) Disposal or scrapping		221,579.07	1,029,854.75	8,589.62	178,633.54	1,438,656.98
4. Ending balance	11,462,294.72	7,997,901.39	8,545,645.49	4,965,715.54	4,860,227.79	37,831,784.93
III. Impairment Reserve						
1. Opening balance						
2. Increased amount in the current period						
(1) Calculation and withdrawal						
3. Decreased amount in the current period						
(1) Disposal or scrapping						
4. Ending balance						
IV. Book Value						
1. Ending book value	178,745,753.53	20,568,281.62	3,550,661.18	3,761,890.50	6,018,926.43	212,645,513.26
2. Beginning book value	184,756,988.28	21,644,935.12	5,482,546.51	3,998,421.73	7,592,072.35	223,474,963.99

(2) Fixed assets by financing lease

Unit: Yuan

Item	Book value	Accumulated depreciation	Impairment reserves	Book value
Machinery equipment	11,511,715.02	4,257,127.00		7,254,588.02
Total	11,511,715.02	4,257,127.00		7,254,588.02

22. Project in process

Unit: Yuan

Item	Ending balance	Beginning balance
Construction in progress	25,725,616.97	
Total	25,725,616.97	

(1) Situation of project in process

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Jiangsu Topstar Robot Co., Ltd. robot and automation intelligent equipment and other projects	25,442,598.11		25,442,598.11			
CRM project	283,018.86		283,018.86			
Total	25,725,616.97		25,725,616.97			

(2) Changes of major project construction in progress in the current period

Unit: Yuan

Item name	Budget amount	Beginning balance	Amount increased in the current period	Transfer-in amount of fixed assets in the current period	Other decrease amount in current period	Ending balance	Proportion of accumulative engineering investment	Project schedule	Accumulated amount of interest capitalization	Of which: Amount of interest capitalization in	Rate of interest capitalization in the current	Source of funds
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			period			nt in budget		ation	the current period	period	
Jiangsu Topstar Robot Co., Ltd. Robot and automation intelligent equipment and other projects	800,000, 000.00		25,442,5 98.11			25,442,5 98.11	3.18%	Prelimin ary leveling and preparati on stage			Self-raised funds
Total	800,000, 000.00		25,442,5 98.11			25,442,5 98.11	--	--			--

23. Intangible asset

(1) Condition of intangible assets

Unit: Yuan

Item	Land use right	Patent right	Non-patent technology	Software	Other intangible assets	Total
I. Original Book Value:						
1. Opening balance	48,006,922.90	4,781,862.63		8,043,655.78	6,862,300.00	67,694,741.31
2. Increased amount in the current period				477,570.96		477,570.96
(1) Acquisition				477,570.96		477,570.96
(2) Internal research and development						
(3) Increase in enterprise merger						
3. Decreased amount in the current period				18,666.67		18,666.67
(1) Disposal				18,666.67		18,666.67
(4) Ending balance	48,006,922.90	4,781,862.63		8,502,560.07	6,862,300.00	68,153,645.60
II. Accumulated amortization						

1. Opening balance	2,219,419.68	415,814.14		1,250,342.94		3,885,576.76
2. Increased amount in the current period	960,138.46	623,721.24		858,303.06		2,442,162.76
(1) Calculation and withdrawal	960,138.46	623,721.24		858,303.06		2,442,162.76
3. Decreased amount in the current period				10,822.37		10,822.37
(1) Disposal				10,822.37		10,822.37
4. Ending balance	3,179,558.14	1,039,535.38		2,097,823.63		6,316,917.15
III. Impairment Reserve						
1. Opening balance						
2. Increased amount in the current period						
(1) Calculation and withdrawal						
3. Decreased amount in the current period						
(1) Disposal						
4. Ending balance						
IV. Book Value						
1. Ending book value	44,827,364.76	3,742,327.25		6,404,736.44	6,862,300.00	61,836,728.45
2. Beginning book value	45,787,503.22	4,366,048.49		6,793,312.84	6,862,300.00	63,809,164.55

0.00% proportion of intangible asset through internal research and development at end of period account for balance of intangible asset.

24. Goodwill

(1) Original book value of goodwill

Unit: Yuan

Name of the invested entity and events forming goodwill	Beginning balance	Increased amount in the current period		Decreased amount in the current period		Ending balance
		Resulted from business merger		Disposal		

Dongguan Yee Intelligent Equipment Co., Ltd.	114,203,969.22					114,203,969.22
Total	114,203,969.22					114,203,969.22

(2) Goodwill impairment reserve

Unit: Yuan

Name of the invested entity and events forming goodwill	Beginning balance	Increased amount in the current period		Decreased amount in the current period		Ending balance
		Withdrawal		Disposal		
Total						

Related information about the asset group or asset group combination in which the goodwill is located

In September 2017, the Company signed an equity transfer agreement with Xiong Shaolin and Dongguan Yee Intelligent Equipment Co., Ltd. (hereinafter referred to as "Noda Intelligent"), agreeing that Xiong Shaolin will transfer 20% of his equity in Noda Intelligent to the Company at RMB 30 million, with a registered capital of RMB 1.4054 million. After the equity transfer transaction is completed, the Company holds 20% equity of Noda Intelligent. The Company has great influence on Noda Intelligent and adopts the equity method for accounting.

On March 2, 2018, the Company held the sixth meeting of the second board of directors and agreed to pass the "bill on cash acquisition of shares in Dongguan Yee Intelligent Equipment Co., Ltd." On March 6, 2018, the Company formally signed the Equity Transfer Agreement and the Supplementary Equity Transfer Agreement with eight natural person shareholders including Xiong Shaolin and Chen Baoyu, agreeing that the Company would purchase 80% of Noda Intelligent's equity held by eight natural person shareholders including Xiong Shaolin and Chen Baoyu with a total price of RMB 120 million. After the completion of this equity transfer, Noda Intelligent has become a wholly-owned subsidiary of the Company.

As agreed in Article 3 "Performance Commitment and Compensation" of the Supplementary Agreement on Equity Transfer that, Xiong Shaolin promises that the audited net profit after tax for 2017-2019 of Noda Intelligent shall not be less than RMB 10 million, RMB 15 million and RMB 19.5 million, and net profit after deducting non-recurring gains and losses shall not be less than RMB 10 million, RMB 15 million and RMB 19.5 million.

Noda Intelligent's net profit after audit for 2019 is 21,691,435.37 Yuan, and it has fulfilled its performance promise for 2019.

The influence of the impairment test for goodwill

Other descriptions: At the end of 2019, the Company conducted an impairment test on the asset group related to goodwill. First, the goodwill was adjusted to the book value of the asset group, and then the adjusted book value of the asset group was compared with its recoverable amount to determine whether the asset group (including goodwill) was impaired. The Company uses the income method to evaluate Noda Intelligent, and uses the model as the discounted cash flow model to predict the future. The recoverable amount of the asset group portfolio is estimated based on the present value of its expected future cash flow. The discount rate is pre-tax

interest rate that can reflect the current market time value of money and specific risks of the asset group portfolio. Based on the impairment test results of goodwill of the Company, as of December 31, 2019, the recoverable present value of Noda Intelligent containing goodwill under the assumption of going concern is greater than the book value of the asset group containing goodwill. Therefore, there is no sign of impairment of goodwill obtained from the acquisition of Noda Intelligent, and no provision for impairment of goodwill is required on December 31, 2019.

25. Long-term unamortized expenses

Unit: Yuan

Item	Beginning balance	Amount increased in the current period	Current amortization amount	Other decreased amounts	Ending balance
Decoration fee	4,457,215.61	953,532.31	1,174,426.40		4,236,321.52
Miscellaneous	5,765,242.72	1,940,045.87	1,570,851.92		6,134,436.67
Total	10,222,458.33	2,893,578.18	2,745,278.32		10,370,758.19

Other descriptions

26. Deferred income tax assets /deferred income tax liabilities

(1) Deferred income tax assets without offset

Unit: Yuan

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Asset impairment reserve	55,713,871.53	8,495,603.33	35,211,449.56	5,274,572.52
Unrealized profits of internal transaction	1,285,555.18	192,833.28	752,465.83	112,869.87
Quality assurance of prepaid products	2,454,928.20	368,239.23	1,683,546.42	252,531.96
Deferred incomes	12,642,185.57	1,896,327.84	5,966,213.91	894,932.09
Total	72,096,540.48	10,953,003.68	43,613,675.72	6,534,906.44

(2) Deferred income tax assets or liabilities presented with net amount after offsetting

(3) Detail about unrecognized deferred income tax assets

Unit: Yuan

Item	Ending balance	Beginning balance
Deductible temporary differences	318,156.37	133,239.66

Deductible losses	34,340,831.25	23,842,540.70
Total	34,658,987.62	23,975,780.36

(4) Deductible losses of unconfirmed deferred income tax assets shall expire in the following years

Unit: Yuan

Year	Ending balance	Beginning balance	Remarks
2019			
2020			
2021			
2022	1,962,512.04	1,964,525.49	
2023	16,863,439.53	21,878,015.21	
2024	15,514,879.68		
Total	34,340,831.25	23,842,540.70	--

27. Other non-current assets

Has the new income criterion been implemented

☐ Yes ☒ No

Unit: Yuan

Item	Ending balance	Beginning balance
Prepayments for long-term assets	257,912.00	141,509.43
Total	257,912.00	141,509.43

Other descriptions:

28. Short-term borrowings**(1) Classification of short-term borrowings**

Unit: Yuan

Item	Ending balance	Beginning balance
Guaranteed loan	40,000,000.00	40,000,000.00
Credit loan	111,500,000.00	124,578,221.74
Total	151,500,000.00	164,578,221.74

Descriptions for short-term borrowing classification:

(1) On July 2, 2019, The Company signed the General Agreement on Online Credit Loan for Corporate Customers with Dongguan Dalingshan Sub-branch of Industrial and Commercial Bank of China Co., Ltd., with No. 0201000273-2019 (Agreement) 00001 and the Online Credit Loan Contract for Corporate Customers with No. 0201000273-2019 (Lingshan) No.00167, No.00168, No.00169, No.00171 and No.00172. The total loan amount is

RMB 42,900,000.00, which is used for the daily operation turnover of the enterprise. The loan period is 12 months, that is, from July 3, 2019 to July 2, 2020. As of December 31, 2019, the actual loan balance of the above contract was RMB 14,400,000.00.

(2) On June 10, 2019, the Company signed a "Liquid Capital Loan Contract" with Dongguan Branch of China Everbright Bank Co. Ltd, numbered DG Dai Zi 38902019013 with a loan amount of RMB 30,000,000.00. The loan is used to pay for the goods. The loan period is 12 months, from May 20, 2019 to May 19, 2020. As of December 31, 2019, the actual loan balance of the contract was RMB 30,000,000.00.

(3) On June 10, 2019, the Company and Dongguan Branch of China Construction Bank Corporation signed a "RMB Working Capital Loan Contract" numbered HTZ440770000LDZJ201900102, with a loan amount of RMB 30,000,000.00. The loan is used to pay for the goods. The loan period is 12 months, from June 13, 2019 to June 12, 2020. As of December 31, 2019, the actual loan balance of the contract was RMB 30,000,000.00.

(4) On June 19, 2019, the Company and Dongguan Branch of China Construction Bank Corporation signed a "RMB Working Capital Loan Contract" numbered HTZ440770000LDZJ201900106, with a loan amount of RMB 30,000,000.00. The loan is used to pay for the goods. The loan period is 12 months, from June 27, 2019 to June 26, 2020. As of December 31, 2019, the actual loan balance of the contract was RMB 30,000,000.00.

(3) On July 11, 2019, the Company and Dongguan Branch of China Construction Bank Corporation signed a "RMB Working Capital Loan Contract" numbered HTZ440770000LDZJ201900115, with a loan amount of RMB 40,000,000.00. The loan is used to pay for the goods. The loan period is 12 months, i.e. from August 19, 2019 to August 8, 2020. The above loan is guaranteed with a deposit of RMB 400,000.00 provided by the Company. As of December 31, 2019, the actual loan balance of the contract was RMB 40,000,000.00.

(6) On July 8, 2019, the Company signed a "bank credit" contract with the number HKB-2019-0705(PDE)AS with Hongkong branch of Industrial and Commercial Bank of China Limited to provide the Company with loans not exceeding RMB 48,300,000.00, which can be withdrawn by the Company by several times, with loan term till June 30, 2020. As of December 31, 2019, the actual loan balance of the contract was RMB 7,100,000.00.

29. Notes payable

Unit: Yuan

Category	Ending balance	Beginning balance
Trade acceptance bill	40,246,916.71	
Bank acceptance bill	210,144,093.93	82,484,963.18
Total	250,391,010.64	82,484,963.18

The amount of due unpaid notes payable is RMB0.00 at the end of the current period.

30. Accounts payable

(1) Presentation of accounts payable

Unit: Yuan

Item	Ending balance	Beginning balance
Within 1 year (inclusive)	253,576,682.32	152,997,315.20
1-2 years (including 2 years)	6,178,769.77	3,800,247.66

2-3 years (including 3 years)	3,114,769.64	4,709.66
Over 3 years	1,551.23	
Total	262,871,772.96	156,802,272.52

31. Advance collections

Has the new income criterion been implemented

☐ Yes ☒ No

(1) Presentation of advance collections

Unit: Yuan

Item	Ending balance	Beginning balance
Within 1 year (inclusive)	64,593,493.16	156,653,274.03
1-2 years (including 2 years)	13,058,442.30	16,143,004.48
2-3 years (including 3 years)	1,727,652.15	13,190.00
Over 3 years	49,994.17	67,400.00
Total	79,429,581.78	172,876,868.51

32. Employee remuneration payables

(1) Presentation of employee remuneration payables

Unit: Yuan

Item	Beginning balance	Increased amount in the current period	Decreased amount in the current period	Ending balance
I. Short-term remuneration	19,974,021.14	212,613,416.91	210,246,195.47	22,341,242.58
II. Welfare after departure- defined contribution plan	92,368.94	10,920,041.55	10,952,782.95	59,627.54
III. Dismissal welfare		310,303.30	310,303.30	
Total	20,066,390.08	223,843,761.76	221,509,281.72	22,400,870.12

(2) Presentation of short-term employee remuneration

Unit: Yuan

Item	Beginning balance	Increased amount in the current period	Decreased amount in the current period	Ending balance
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1. Salary, bonus, allowance and subsidiary	19,805,016.91	199,114,837.35	196,836,452.69	22,083,401.57
2. Employee services and benefits		6,659,119.12	6,659,119.12	
3. Social insurance charges	-4,518.69	3,052,440.39	3,011,812.10	36,109.60
Of which: Medical insurance expense	-9,908.58	2,207,050.86	2,166,805.96	30,336.32
Work injury insurance premium	2,866.84	301,185.44	301,164.90	2,887.38
Maternity insurance premium	2,523.05	544,204.09	543,841.24	2,885.90
4. Housing provident fund	2,120.00	3,623,756.60	3,625,876.60	
5. Labor union dues and employee education funds		100,144.45	86,674.96	13,469.49
8. Others	171,402.92	63,119.00	26,260.00	208,261.92
Total	19,974,021.14	212,613,416.91	210,246,195.47	22,341,242.58

(3) Presentation of defined withdrawal plan

Unit: Yuan

Item	Beginning balance	Increased amount in the current period	Decreased amount in the current period	Ending balance
1. Basic pension insurance	88,453.59	10,571,424.64	10,602,165.07	57,713.16
2. Unemployment insurance premium	3,915.35	348,616.91	350,617.88	1,914.38
Total	92,368.94	10,920,041.55	10,952,782.95	59,627.54

Other descriptions:

33. Taxes payable

Unit: Yuan

Item	Ending balance	Beginning balance
VAT	14,667,124.93	32,502,743.91
Enterprise income tax	18,653,320.10	6,172,645.88

Personnel income tax	907,754.51	535,288.38
Urban maintenance and construction taxes	1,102,790.39	1,286,935.57
Educational surcharges	657,960.77	498,003.65
Local educational surcharges	438,640.53	332,002.42
Land use right	79,146.88	
Stamp taxes	173,879.82	71,632.82
Security for the disabled	1,040.00	
Total	36,681,657.93	41,399,252.63

Other descriptions:

34. Other accounts payable

Unit: Yuan

Item	Ending balance	Beginning balance
Interests payable	735,069.49	735,069.51
Other payables	38,281,717.45	8,973,215.72
Total	39,016,786.94	9,708,285.23

(1) Interests payable

Unit: Yuan

Item	Ending balance	Beginning balance
Interest for long-term loans on principal due for dividend payment	735,069.49	735,069.51
Total	735,069.49	735,069.51

(2) Other payables

1) Other accounts payable presented by the nature of funds

Unit: Yuan

Item	Ending balance	Beginning balance
Cash deposit and deposit	2,495,000.00	210,000.00
Unsettled expenses payable	3,485,139.73	8,711,674.62
Temporary loan payable	37,107.72	51,541.10
The repurchase obligation of restricted stock	32,264,470.00	
Total	38,281,717.45	8,973,215.72

35. Non-current liabilities due within one year

Unit: Yuan

Item	Ending balance	Beginning balance
Long-term loan due within one year	7,722,630.15	5,552,816.53
Long-term payables due within one year	4,148,316.74	3,887,976.36
Total	11,870,946.89	9,440,792.89

36. Other current liabilities

Has the new income criterion been implemented

☐ Yes ☒ No

Unit: Yuan

Item	Ending balance	Beginning balance
Sales tax to be written off	5,916,599.13	52,606.88
Total	5,916,599.13	52,606.88

37. Long-term borrowings**(1) Classification of long-term borrowings**

Unit: Yuan

Item	Ending balance	Beginning balance
Pledged loan	81,000,000.00	88,320,000.00
Guaranteed loan	5,239,122.31	6,961,752.46
Credit loan	29,000,000.00	29,000,000.00
Total	115,239,122.31	124,281,752.46

Descriptions for long-term borrowing classification:

1. According to the Reply of Dongguan Municipal Economic and Information Bureau on Approving the Equity Investment Plan for Industrial Robot Key Technology and Automation Application Research and Development and Industrialization Construction Project of Guangdong Topstar Technology Co., Ltd. (DJXF [2017]439) and with the agreement of all parties through consultation, in July 2017, the subsidiary Server Industrial Control and Dongguan Dongshi Venture Capital Co., Ltd. (hereinafter referred to as "Dongshi Venture Capital") signed the Capital Increase and Stock Expansion Agreement. Dongshi Venture Capital invested RMB 29 million in Server Industrial Control through capital increase and stock expansion, subscribed 425,100 Yuan of newly-increased registered capital of Sevo Industrial Control, and credited the remaining RMB 28.7549 million to the capital accumulation fund. The proceeds from this capital increase will be used for the Company's "research and development of key industrial robot technologies and automation applications and industrialization construction project" as originally planned. the investment period will be from August 2017 to July 2020. during the investment period, Server Industrial Control will pay dividends at an annual rate of return of 2.5% to eastreal

venture capital. This capital increase and stock expansion shall be regarded as a three-year special loan provided by Dongshichuang to the Company, with annual interest payment and repayment of principal once due. As of December 31, 2019, the loan balance under the contract was RMB 29,000,000.00.

2. On September 23, 2015, the Company and Dalingshan Sub-branch of Dongguan Agricultural Commercial Bank Co., Ltd. (hereinafter referred to as "Dalingshan Sub-branch of Dongguan Agricultural Commercial Bank") signed the Maximum Loan Contract, and Dalingshan Sub-branch of Dongguan Agricultural Commercial Bank will provide the Company with a loan with a loan principal not exceeding RMB 28 million, with the loan period from September 23, 2015 to September 22, 2023. Under the loan contract, Wu Fengli signed the "Maximum Guarantee Contract" with Dongguan Agricultural Commercial Bank Dalingshan Sub-branch on September 23, 2015 with the contract number of DB2015091700000058 to provide guarantee. On December 7, 2015 and January 25, 2016, the Company received loans of RMB 1,000,000.00 and RMB 10,538,455.00 respectively for the payment of project funds. As of December 31, 2019, the loan balance under the contract was RMB 6,961,752.46, of which the long-term loan due within one year was RMB 1,722,630.15.

3. On April 27, 2018, the Company and Dalingshan Sub-branch of Dongguan Agricultural Commercial Bank signed the "Merger and Acquisition Loan Contract" No. HT2018042700000076 with a loan amount of RMB 90,000,000.00. The loan is used for merger and acquisition transactions and expenses. The loan period is 7 years, that is, from April 27, 2018 to April 21, 2025. The above loan is guaranteed by the Company and Mr. Wu Fengli at the maximum amount. The Maximum Pledge Guarantee Contract No. DB20180427000000126 signed by Mr. Wu Fengli and Dalingshan Sub-branch of Dongguan Agricultural Commercial Bank takes the capital contribution of RMB 7.027 million of Dongguan Yee Intelligent Equipment Co., Ltd. held by the Company as pledge to provide pledge guarantee. As of December 31, 2019, the loan balance under the contract was RMB 87,000,000.00, of which the long-term loan due within one year was RMB 6,000,000.00.

38. Long-term payables

Unit: Yuan

Item	Ending balance	Beginning balance
Long-term payables	1,809,406.83	5,957,723.56
Total	1,809,406.83	5,957,723.56

(1) Long-term payables presented by the nature of funds

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed asset lease fee payable for financing lease	1,809,406.83	5,957,723.56
Of which: Unrealized financing expenses	-29,503.83	-294,572.65
Total	1,809,406.83	5,957,723.56

Other description:

On May 2, 2018, the Company and Far East International Leasing Co., Ltd. signed the "After-sale Leasing Contract" and the "Ownership Transfer Agreement", taking a batch of machinery and equipment (the equipment

values 13,000,965.34 Yuan in total) as financing targets to obtain the after-sale leaseback of 12 million Yuan; According to the agreement in the contract and related agreements, the financing lease period is 3 years, the Company pays 367,782.13 Yuan per month, and the remaining purchase price of relevant machinery and equipment upon the expiration of the lease period is 1,000.00 Yuan. As of December 31, 2019, the balance of the Company's payable financial lease amount was 5,957,723.57 Yuan, of which the long-term payable amount due within one year was 4,148,316.74 Yuan.

39. Estimated liabilities

Has the new income criterion been implemented

☐ Yes ☒ No

Unit: Yuan

Item	Ending balance	Beginning balance	Causes of formation
Product quality assurance	2,454,928.20	1,683,546.42	After-sale maintenance cost
Total	2,454,928.20	1,683,546.42	--

40. Deferred earnings

Unit: Yuan

Item	Beginning balance	Increased amount in the current period	Decreased amount in the current period	Ending balance	Causes of formation
Governmental subsidies	5,966,213.91	8,000,000.00	1,324,028.34	12,642,185.57	Received government subsidies, but the confirmation conditions have not been met
Total	5,966,213.91	8,000,000.00	1,324,028.34	12,642,185.57	--

Items involving governmental subsidies:

Unit: Yuan

Debt item	Beginning balance	Newly increased subsidy amount in the current period	Non-operating incomes in the current period	Other income amount in the current period	Write-down cost expenses of the current period	Other changes	Ending balance	Related to assets/incomes
"Full-automatic Injection Molding Demonstration Production Line Based on Intelligent Five-axis Servo Manipulator" Project	667,814.17			91,930.00			575,884.17	Related to assets

Research & development and industrialization of five-axis manipulator based on servo control system (Industry-University-Research Institute)	225,613.92			97,046.73			128,567.19	Related to assets
Research on Key Technologies of 6-DOF Robot Integration System for Injection Molding Industry and its Application	1,810,319.40			138,439.71			1,671,879.69	Related to assets
Development and Industrialization of Complete Products for Bus Control and Servo Drive System of Intelligent Robot (Innovation Team)	1,083,421.47			14,209.30			1,069,212.17	Related to assets
Development and Industrialization of High Precision Full Servo Five-axis Manipulator for Injection Molding Industry (NC Generation)	34,444.82			5,054.72			29,390.10	Related to assets
Key technology breakthrough and industrialization of bus robot control system based on intelligent perception	704,166.58			236,985.13			467,181.45	Related to assets
Subsidies for advanced manufacturing equipment manufacturing		8,000,000.00		508,600.00			7,491,400.00	Related to assets
Development and Industrialization of Complete Products for Bus Control and Servo Drive System of Intelligent Robot (Innovation Team)	1,440,433.55			231,762.75			1,208,670.80	Related to assets
Total	5,966,213.91	8,000,000.00		1,324,028.34			12,642,185.57	

Other descriptions:

41. Capital stock

Unit: Yuan

	Beginning balance	Increase or decrease of this time (+, -)					Ending balance
		Issue new shares	Stock dividend	Provident fund converted into share capital	Miscellaneous	Subtotal	
Total shares	130,442,088.00	17,492,249.00				17,492,249.00	147,934,337.00

Other descriptions:

1. According to the resolutions of the 15th meeting of the second board of directors in 2019, the 12th meeting of the second board of supervisors, the second interim shareholders' meeting, the 19th meeting of the second board of directors, the 16th meeting of the second board of supervisors and the revised articles of association, the Company has decided to implement the 2019 restricted stock and stock option incentive grant plan, in which the restricted stock grant plan applies for an additional registered capital of 1,427,000.00 Yuan, which shall be fully paid by 33 shareholders such as Liu Juejun, Yin Jianqiao and Zhang Peng before the industrial and commercial change registration. Each shareholder contributed 32,264,470.00 Yuan in cash, with an additional share capital of 1,427,000.00 Yuan and an additional capital reserve of 30,837,470.00 Yuan. The above newly increased registered capital and share capital have been verified by BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership) and the capital verification report (XKSB ZI [2019] ZI10570) was issued on June 17, 2019.

2. The Company publicly issues A-shares and lists them on the Growth Enterprise Market. Upon the approval of the China Securities Regulatory Commission by the Reply on Approval of Additional Shares Offering by Guangdong Topstar Technology Co., Ltd. (ZJXK [2019] 963), the lead underwriter China Merchants Securities Co., Ltd. (hereinafter referred to as "China Merchants Securities") publicly issues 16,065,249 common shares (A-shares) through a combination of prior placement by original shareholders and online and offline pricing issuance at a price of 40.46 Yuan per share. As of November 28, 2019, the Company has actually issued 16,065,249 common shares (A shares) to the public through this public offering, with a total raised capital of 649,999,974.54 Yuan. after deducting underwriting fees, sponsorship fees and other issuance fees of 40,829,327.54 Yuan from the total raised capital, the net actually raised capital is 609,170,647.00 Yuan, of which 16,065,249.00 Yuan is included in the share capital and 593,105,398.00 Yuan is included in the capital accumulation fund.

42. Capital reserves

Unit: Yuan

Item	Beginning balance	Increased amount in the current period	Decreased amount in the current period	Ending balance
Capital premium (share capital premium)	366,780,625.87	623,942,868.00	2,485,590.93	988,237,902.94
Other capital reserves	1,216,848.74			1,216,848.74
Capital reserve formed by share-based payment	1,724,547.08	7,694,901.20		9,419,448.28

Total	369,722,021.69	631,637,769.20	2,485,590.93	998,874,199.96
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Other descriptions, including the increase and decrease change condition and reason in the current period:

1. In the capital premium (equity premium), the capital reserve increased due to the implementation of 2019 restricted stock and stock option incentive grant plan is 30,837,470.00 Yuan, as shown in the relevant notes in "Notes VII. 41".

2. In the capital premium (equity premium), the capital reserve increased due to the public issuance of A shares and listing on the Growth Enterprise Market is 593,105,398.00 Yuan. For details, please refer to the relevant notes in "Notes VII. 41".

3. In the current period, the Company signed an equity transfer agreement with the minority shareholders of Shenzhen Toplink to purchase 49% equity of Shenzhen Toplink held by the minority shareholders in 4 Yuan. Shenzhen Toplink Intelligent Information Technology Co., Ltd. will become a wholly-owned subsidiary of the Company from April 1, 2019. Capital premium (equity premium) decreased by 2,485,590.93 Yuan.

4. The capital reserve formed by share-based payment increased by 7,694,901.20 Yuan due to equity-based share-based payment. For details, please refer to "Note XIII, Share-based Payment".

43. Treasury stock

Unit: Yuan

Item	Beginning balance	Increased amount in the current period	Decreased amount in the current period	Ending balance
Repurchase obligation formed by restrictive stock incentive		32,264,470.00		32,264,470.00
Total		32,264,470.00		32,264,470.00

Other descriptions, including the increase and decrease change condition and reason in the current period:

In 2019, the obligation to repurchase 1,427,000 shares of restricted stocks under equity incentive resulted in an increase of 32,264,470.00 Yuan in stock shares.

44. Other comprehensive incomes

Unit: Yuan

Item	Beginning balance	Amount incurred in current period						Ending balance
		Pre-tax income of current period	Minus: current transfer-in profits and losses included into other comprehensive incomes in the prior	Minus: Current transfer-in retained profits included into other comprehensive incomes in	Minus: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	

			period	the prior period				
II. Other comprehensive incomes that will be reclassified into profit and loss	42,458.54	-346,471.76				-346,471.76		-304,013.22
Foreign currency financial statement translate balance	42,458.54	-346,471.76				-346,471.76		-304,013.22
Total of other comprehensive incomes	42,458.54	-346,471.76				-346,471.76		-304,013.22

45. Surplus reserves

Unit: Yuan

Item	Beginning balance	Increased amount in the current period	Decreased amount in the current period	Ending balance
Statutory surplus reserves	52,133,139.66	10,464,497.59		62,597,637.25
Total	52,133,139.66	10,464,497.59		62,597,637.25

Description for surplus reserves, including the increase and decrease change condition and reason in the current period:

According to the Company's Articles of Association, in 2019, the surplus reserves will be calculated and withdrawn by 10% of the parent company's net profit.

46. Undistributed profits

Unit: Yuan

Item	Current period	Previous period
Profits undistributed of the end of previous period before adjustment	358,678,997.27	230,313,223.00
Beginning undistributed profit after adjustment	358,678,997.27	230,313,223.00
Plus: Net profits attributable to the owner of the parent company	186,573,823.78	171,826,384.01
Minus: Withdrawal of statutory surplus reserves	10,464,497.59	17,372,192.14
Common stock dividends payable	39,134,188.49	26,088,417.60
Undistributed profits at the ending period	495,654,134.97	358,678,997.27

Details of undistributed profit at the beginning of the period during adjustment period:

1). Due to retroactive adjustment for the Accounting Standards for Business Enterprises and its related new regulations, the affected undistributed profit at the beginning of the period is Yuan;

2). The affected undistributed profit at the beginning of the period is RMB Yuan due to changes of

accounting policy.

3). The affected undistributed profit at the beginning of the period is RMB Yuan due to correction of significant accounting error.

4). The affected undistributed profit at the beginning of the period is RMB Yuan due to the changes of merger range under the common control

5). The affected undistributed profit at the beginning of the period is RMB Yuan due to other adjustments

47. Operating income and operating cost

Unit: Yuan

Item	Amount incurred in current period		Amount incurred in last period	
	Revenue	Cost	Revenue	Cost
Main business	1,658,839,439.44	1,093,908,027.18	1,196,669,423.86	765,374,374.42
Other business	1,523,926.38	1,294,307.74	1,428,720.74	73,309.28
Total	1,660,363,365.82	1,095,202,334.92	1,198,098,144.60	765,447,683.70

Has the new income criterion been implemented

☐ Yes ☒ No

48. Taxes and surcharges

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Urban maintenance and construction taxes	4,704,036.43	3,337,696.21
Educational surcharges	2,798,601.04	1,999,945.83
Real estate tax	1,810,443.53	1,659,573.23
Land use tax	468,099.82	151,904.60
Vehicle and vessel use tax	25,727.36	23,246.52
Stamp taxes	951,974.62	776,901.65
Local educational surcharges	1,865,734.97	1,333,297.20
Security for the disabled	474,794.50	1,237,224.70
Total	13,099,412.27	10,519,789.94

49. Sales expenses

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Employee remuneration	74,823,228.31	51,672,007.04
Freight	6,553,306.86	7,340,364.58

Travel expenses	13,144,746.80	11,358,587.23
Service fees	44,295,049.36	36,336,072.21
Advertising expenses for publicity and exhibition	4,752,589.00	5,184,108.74
Business entertainment expenses	3,656,167.95	3,801,060.78
Office expenses	4,466,941.69	3,226,622.20
Miscellaneous	1,652,599.39	1,925,639.79
Total	153,344,629.36	120,844,462.57

50. Management expenses

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Employee remuneration	38,878,669.05	28,767,496.19
Office expenses	9,664,590.47	9,094,517.71
Fees for hiring intermediary services	3,948,690.34	7,419,825.01
Share-based payment	7,694,901.20	207,001.20
Business entertainment expenses	1,164,012.09	1,952,050.44
Depreciation and amortization	9,339,771.50	6,810,364.70
Miscellaneous	4,843,392.67	3,887,795.91
Total	75,534,027.32	58,139,051.16

51. Research and development expenses

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Salary and expense of personnel engaged in research and development activities	47,917,777.86	29,681,509.17
Fees of materials directly consumed for research and development activities	16,589,256.08	25,876,533.36
Fuel and power costs	268,822.52	234,640.56
Depreciation and amortization	1,112,128.38	681,486.16
Commissioned research and development expenses	1,296,576.67	2,207,078.78
Other related costs	2,729,055.73	956,756.20
Total	69,913,617.24	59,638,004.23

52. Financial expenses

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Interest expenses	13,544,214.83	8,130,390.54
Service charges	1,095,224.54	139,343.43
Minus: Interest incomes	2,673,061.56	1,551,284.10
Minus: Supplier discount	674,595.75	874,039.14
Exchange profits and losses	-1,807,914.68	-1,274,467.51
Total	9,483,867.38	4,569,943.22

53. Other revenues

Unit: Yuan

Source of other revenues	Amount incurred in current period	Amount incurred in last period
Governmental subsidies	5,945,936.19	30,901,220.59
Personal income tax withholding fee	23,330.97	162,036.82
Repayment of the disabled security fund	936,859.21	
Total	6,906,126.37	31,063,257.41

54. Investment income

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Long-term equity investment income calculated by the equity method	-177,456.33	-1,104,572.84
Investment revenue of held-to-maturity investment during the holding period		2,548,974.53
Total	-177,456.33	1,444,401.69

55. Revenues for changes in fair value

Unit: Yuan

Source of incomes from changes in fair value	Amount incurred in current period	Amount incurred in last period
Trading financial assets	12,083.33	
Total	12,083.33	

56. Credit impairment loss

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Bad debt loss of other receivables	-750,571.54	
Bad debt loss of notes receivable	-610,148.66	
Bad debt loss of accounts receivable	-15,973,358.44	
Total	-17,334,078.64	

57. Asset impairment loss

Has the new income criterion been implemented

☐Yes ☒No

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
I. Bad debt loss		-10,028,794.31
II. Inventory falling price loss	-4,629,010.07	-4,744,413.66
V. Impairment loss of long-term equity investment	-7,041,630.70	
Total	-11,670,640.77	-14,773,207.97

58. Income from asset disposal

Unit: Yuan

Source of incomes from assets disposal	Amount incurred in current period	Amount incurred in last period
Disposal profits from fixed assets	168,332.99	869.19
Total	168,332.99	869.19

59. Non-operating income

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period	Amounts included in current non-recurring profits and losses
Governmental subsidies	7,500.00		7,500.00
Penalty income	615,526.50	344,239.43	615,526.50
Income from sponsorship fees	44,100.00	1,111,376.00	44,100.00
Miscellaneous	242,565.46	49,525.62	242,565.46
Total	909,691.96	1,505,141.05	909,691.96

Government subsidies included in the current gains and losses:

Unit: Yuan

Subsidy items	Issuing subject	Issuing reason	Nature type	Does the subsidiary affect the profit and loss of the current year?	Whether it is the special subsidy	Amount incurred in current period	Amount incurred in the previous period	Related to assets/income s
Tax relief policy for veteran included in non-operating income						7,500.00		Related to incomes

60. Non-operating expense

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period	Amounts included in current non-recurring profits and losses
Outward donation	402,000.00	300,000.00	402,000.00
Losses due to damage and scrap of non-current assets	150,927.54	329,037.64	150,927.54
Overdue fines and penalties expenditures	240,626.95	106,703.49	240,626.95
Miscellaneous	767,335.10	221,097.77	767,335.10
Total	1,560,889.59	956,838.90	1,560,889.59

61. Income tax expenses**(1) Income tax expenses table**

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Current income tax expenses	37,414,877.34	28,465,634.93
Deferred income tax expenses	-4,418,097.24	-1,668,176.56
Total	32,996,780.10	26,797,458.37

(2) Adjustment process of accounting profit and income tax expenses

Unit: Yuan

Item	Amount incurred in current period
Total profits	221,038,646.65
Income tax expenses at statutory/applicable tax rate	33,155,797.03
Influence of subsidiary's application of different tax rates	2,506,969.68
Influence of income tax before the adjustment	271,732.30
Influence of non-deductible costs, expenses and losses	1,552,864.71
Influence from use of the deductible loss in unrecognized deferred income tax assets in the prior period	-190,843.52
Influence of deductible temporary difference or deductible loss in unrecognized deferred income tax assets in the current period	2,890,826.61
Plus, calculate and deduct by tax technology development fee specified by taxes	-7,190,566.71
Income tax expenses	32,996,780.10

62. Other comprehensive incomes

Refer to Notes for details.

63. Items of cash flow statement

(1) Other cash received related to operating activities

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Financial expenses - interest revenues	2,624,356.64	1,529,391.69
Recovery of intercourse funds and advance payments	3,415,911.33	4,827,313.14
Receive government subsidies (related to income, including deferred revenue)	13,130,507.85	28,090,903.49
Other non-operating income	331,440.00	
Receive security deposit and deposit	16,027,799.22	
Miscellaneous	1,031,174.42	2,245,488.75
Total	36,561,189.46	36,693,097.07

(2) Other cash paid related to operating activities

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
------	-----------------------------------	--------------------------------

Expenditures during the period	87,937,271.69	53,623,829.87
Pay intercourse funds and advance payments	3,516,073.25	6,615,841.22
Pay security deposit and deposit	15,372,610.33	4,853,182.63
Other expenditures	408,000.00	486,844.50
Total	107,233,955.27	65,579,698.22

(3) Other cash paid related to investment activities

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Pay deposit and deposit related to investment		5,000,000.00
Total		5,000,000.00

(4) Other cash received related to fund-raising activities

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Recovery of deposits for bank acceptance bill	61,605,863.71	26,529,695.66
Recovery of margin deposit of letter of guarantee	40,250,000.00	
Received financing outlay		13,240,156.68
Total	101,855,863.71	39,769,852.34

(5) Other cash paid related to fund-raising activities

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Pay deposits for bank acceptance bill	100,058,369.65	50,160,143.31
Pay guarantee deposit	2,795,000.00	
Pay loan guarantee	400,000.00	40,000,000.00
Pay financing or guarantee fees	4,413,385.56	4,934,474.91
Expenditures of listing expenses and other financing expenses	4,477,008.65	
Total	112,143,763.86	95,094,618.22

64. Supplementary materials of cash flow statement**(1) Supplementary materials of cash flow statement**

Unit: Yuan

Supplementary information	Amount of the current period	Amount of the previous period
1. Reconcile net profit to cash flow for operating activities:	--	--
Net profit	188,041,866.55	170,425,373.88
Plus: Asset impairment reserve	29,004,719.41	14,773,207.97
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	14,447,128.62	12,021,297.15
Amortization of intangible assets	2,442,162.76	1,312,586.23
Amortization of long-term deferred expenses	2,745,278.32	1,847,408.84
Loss of disposal of fixed assets, intangible assets and other long-term assets ("-" for income)	-168,332.99	-869.19
Loss on retirement of fixed assets ("-" for income)	150,927.54	329,037.64
Loss from changes in fair value ("-" for income)	-12,083.33	
Financial cost ("-" for income)	12,806,835.47	6,513,630.31
Losses from investment ("-" for income)	177,456.33	-1,444,401.69
Decrease of deferred income tax assets ("-" for increase)	-4,418,097.24	-1,668,176.56
Decrease in inventories ("-" for increase)	80,933,768.53	-42,673,196.08
Decrease in operating receivables ("-" for increase)	-360,978,664.72	-224,341,463.01
Increase in operating payables ("-" for decrease)	149,333,383.83	177,913,304.82
Others	7,694,901.20	207,001.20
Net cash flows generated from operating activities	122,201,250.28	115,214,741.51
2. Major investment and financing activities not involving the cash expenditure:	--	--
3. Net change condition of cash and cash equivalents:	--	--
Closing balance of cash	689,229,853.13	343,513,401.26
Minus: Beginning balance of cash	343,513,401.26	90,208,146.21
Net increases in cash and cash equivalents	345,716,451.87	253,305,255.05

(2) Composition of cash and cash equivalents

Unit: Yuan

Item	Ending balance	Beginning balance
I. Cash	689,229,853.13	343,513,401.26
Of which: Cash on hand	67,373.83	32,880.15
Deposit in bank payable at any time	688,886,381.28	343,480,521.11
Other monetary funds payable at any time	276,098.02	
III. Balance of cash and cash equivalents at the end of period	689,229,853.13	343,513,401.26

65. Assets whose ownership and right of use are limited

Unit: Yuan

Item	Ending book value	Reasons for constraints
Monetary capital	214,417,796.97	Bank acceptance bills and margin for short-term loan
Notes receivable	2,655,269.30	Issue Banker's acceptance bill under pledge condition
Fixed assets-machinery equipment	7,254,588.02	Leaseback finance leasing
Total	224,327,654.29	--

66. Foreign currency monetary item

(1) Monetary items of foreign currency

Unit: Yuan

Item	Ending balance of foreign currency	Conversion rate	Ending balance of converted RMB
Monetary capital	--	--	124,396,443.28
Of which: USD	17,686,875.02	6.9762	123,387,177.52
EUR	107,479.05	7.8155	840,002.52
HKD	188,952.04	0.8958	169,263.24
Accounts receivable	--	--	70,294,848.15
Of which: USD	8,764,225.11	6.9762	61,140,987.21
EUR			
HKD			
Vietnamese Dong	30,515,250,000.00	0.0003	9,153,860.94
Long-term borrowings	--	--	
Of which: USD			

EUR			
HKD			

Other descriptions:

(2) Description of the overseas business entity, including the important overseas business entity, indicated that its main overseas business entity, functional currency and selection basis, as well as the reasons for changes of functional currency shall be disclosed.

√ Applicable □ Not applicable

The overseas operating entities included in the consolidated financial statements for the current period are Topstar Worldwide Group Limited and Topstar (Vietnam) Technology Co., Ltd.

67. Government subsidies

(1) Basic information of governmental subsidies

Unit: Yuan

Category	Amount	Listed and reported items	Amount included in the current profits and losses
"Full-automatic Injection Molding Demonstration Production Line Based on Intelligent Five-axis Servo Manipulator" Project	870,000.00	Deferred incomes	91,930.00
Research & development and industrialization of five-axis manipulator based on servo control system (Industry-University-Research Institute)	400,000.00	Deferred incomes	97,046.73
Research on Key Technologies of -DOF Robot Integration System for Injection Molding Industry and its Application	2,000,000.00	Deferred incomes	138,439.71
Development and Industrialization of Complete Products for Bus Control and Servo Drive System of Intelligent Robot (Innovation Team)	5,000,000.00	Deferred incomes	245,972.05
Development and Industrialization of High Precision Full Servo Five-axis Manipulator for Injection Molding Industry (NC Generation)	47,414.29	Deferred incomes	5,054.72
Key Technology Breakthrough and Industrialization of Bus Robot Control	783,000.00	Deferred incomes	236,985.13

System Based on Intelligent Perception			
Subsidies for Advanced Manufacturing Equipment Manufacturing	8,000,000.00	Deferred incomes	508,600.00
Shenzhen's First Batch of Computer Software Copyright Registration Grants in 2018	1,800.00	Other incomes	1,800.00
The value-added tax of software enterprises shall be refunded upon collection.	1,750,074.03	Other incomes	1,750,074.03
Dongguan Municipal Bureau of Industry and Information Technology 0155 Small Promotion Award	100,000.00	Other incomes	100,000.00
Funding for Dongguan Patent Promotion Project	8,000.00	Other incomes	8,000.00
Guangdong Provincial Department of Industry and Information Technology Issued Special Funds for Promoting High-quality Economic Development in 2019	100,000.00	Other incomes	100,000.00
Dongguan Municipal Bureau of Quality and Technical Supervision 2018 Quality Award Subsidy	1,000,000.00	Other incomes	1,000,000.00
Dongguan Municipal Bureau of Science and Technology Large Industrial Enterprises Subsidiaries in 2017	80,000.00	Other incomes	80,000.00
The value-added tax of software enterprises shall be refunded upon collection.	574,443.04	Other incomes	574,443.04
Stamp duty on raised funds is halved	152,368.89	Other incomes	152,368.89
Special fund for 2019 doubling plan	50,000.00	Other incomes	50,000.00
Special Fund for Dongguan Economy and Informatization in 2019 (Industrial Internet Application Assessment Project)	300,000.00	Other incomes	300,000.00
Funds for 2018 Invention Patent Subsidy Project of Dongguan Market Supervision and Administration Bureau	20,000.00	Other incomes	20,000.00
Dongguan Special Fund for Promoting High Quality Development of Open Economy	100,000.00	Other incomes	100,000.00
Dongguan Municipal Science and Technology Bureau's Second Batch of Premium Subsidy for Enterprise Science	5,621.89	Other incomes	5,621.89

and Technology Insurance in 2019			
Dongguan Municipal Science and Technology Bureau Double Discount Loan for technology and finance Industry in the Second Quarter of 2018	200,407.83	Financial expenses	200,407.83
Dongguan Municipal Science and Technology Bureau Triple Fusion Discount Loan for technology and finance Industry in the Second Quarter of 2018	452,091.96	Financial expenses	452,091.96
Ministry of Industry and Information Technology Special Intelligent Manufacturing Project in 2017 "Standards and Test Verification for Interconnection and Interoperability of Injection Molding Equipment for Intelligent Manufacturing"	379,600.00	Other incomes	379,600.00

VIII. Changes of Consolidation Scope

1. Change of consolidation scope for other reasons

Describe the changes in the scope of consolidation (e.g. new subsidiaries, liquidation subsidiaries) caused by other reasons and the relevant information:

In the current period, the number of merged units increased by 3, due to: In the current period, a wholly-owned subsidiary company Topstar (Vietnam) Technology Co., Ltd., two holding subsidiaries Guangdong Shiwei Technology Co., Ltd. and Dongguan Topstar Intelligent Cleaning Technology Co., Ltd. were established through investment. The details are as follows:

(1) On November 29, 2019, the Company set up a wholly-owned subsidiary, Topstar(Vietnam) Technology Co., Ltd., the Company subscribed US\$100,000 with 100% subscribed contribution ratio. As of December 31, 2019, the Company has not actually contributed.

(2) On September 5, 2019, the subsidiary company Topstar Technology established its non-wholly-owned subsidiary company Guangdong Shiwei Technology Co., Ltd. Topstar Technology subscribed RMB 27.5 million, with 61.11% subscribed contribution ratio. As of December 31, 2019, Topstar Technology has actually contributed RMB 2.75 million.

(3) on December 20, 2019, the subsidiary company Topstar technology set up its non-wholly-owned subsidiary company Dongguan Topstar Intelligent Cleaning Technology Co., Ltd., Topstar Technology subscribed RMB 3.5 million, with 70% subscribed contribution ratio. As of December 31, 2019, Topstar Technology has not actually contributed.

In the current period, the number of merged units decreased by 1, due to: In current period, a subsidiary company is cancelled, Guangzhou Topstar Robot Co., Ltd.

IX. Equity in Other Entities

1. Equity in subsidiaries

(1) Constitution of Enterprise Group

Name of subsidiary	Main business place	Registration place	Business nature	Shareholding proportion		Acquisition method
				Direct	Indirect	
Dongguan Server Industrial Control Technology Co., Ltd.	Dongguan	Dongguan	Software industry	100.00%		Establishment
Jiangsu Topstar Robot Co., Ltd.	Suzhou	Suzhou	Manufacturing Industry	100.00%		Establishment
Shenzhen Toplink Intelligent Information Technology Co., Ltd.	Shenzhen	Shenzhen	Software industry	51.00%		Establishment
Dongguan Topstar Equity Investment Co., Ltd.	Dongguan	Dongguan	Equity investment	100.00%		Establishment
Kunshan Topstar Robot Technology Co., Ltd	Kunshan	Kunshan	Wholesale and retail industry	100.00%		Establishment
Guangzhou Topstar Robot Co., Ltd.	Guangzhou	Guangzhou	Technical service, wholesale and retail	100.00%		Establishment
Ningbo Tuochen Robot Technology Co., Ltd	Ningbo	Ningbo	Manufacturing Industry	100.00%		Establishment
Topstar Worldwide Group Limited	Hong Kong	Hong Kong	Import and export trade, investment, technology research and development and promotion	100.00%		Establishment
Topstar (Vietnam) Technology Co., Ltd.	Vietnam	Vietnam	Trade type (import and export right+wholesale),	100.00%		Establishment

			installation type			
Dongguan Topstar Robot Co., Ltd.	Dongguan	Dongguan	Manufacturing Industry	100.00%		Establishment
Dongguan Topstar Intelligent Environmental Technology Co., Ltd.	Dongguan	Dongguan	Manufacturing Industry	100.00%		Establishment
Dongguan Best Topstar Energy Saving Technology Co., Ltd.	Dongguan	Dongguan	Manufacturing Industry		70.00%	Establishment
Henan Topstar Automation Equipment Co., Ltd.	Zhengzhou	Zhengzhou	Wholesale and retail industry		51.00%	Establishment
Guangdong Shiwei Technology Co., Ltd.	Dongguan	Dongguan	Wholesale and retail industry		61.11%	Establishment
Dongguan Topstar Intelligent Cleaning Technology Co., Ltd.	Dongguan	Dongguan	Residential services, repairs and other services		70.00%	Establishment
Dongguan Yee Intelligent Equipment Co., Ltd.	Dongguan	Dongguan	Manufacturing Industry	100.00%		Consolidation under different control
ZhiAo (Shanghai) Robot Technology Co., Ltd.	Shanghai	Shanghai	Manufacturing Industry	100.00%		Establishment

(2) Important non-wholly owned subsidiary

Unit: Yuan

Name of subsidiary	Shareholding proportion of minority shareholders	Profits and losses belonging to minority shareholders in the current period	Dividends announced and distributed to minority shareholders in the current period	Equity balance of minority shareholders at the end of the period
Dongguan Best Topstar Energy Saving Technology Co., Ltd.	30.00%	441,572.51		649,959.59
Henan Topstar Automation Equipment	49.00%	-48,064.01		891,746.72

Co., Ltd.				
Guangdong Shiwei Technology Co., Ltd.	38.89%	1,693,468.15		1,693,468.15
Dongguan Topstar Intelligent Cleaning Technology Co., Ltd.	30.00%	-50,363.52		-50,363.52

(3) Main financial information of important non-wholly owned subsidiary companies

Unit: Yuan

Name of subsidiary	Ending balance						Beginning 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
Dongguan Best Topstar Energy Saving Technology Co., Ltd.	3,527,681.27	46,439.89	3,574,121.16	1,057,588.39		1,057,588.39	817,681.19	36055.06	853,736.25	159,112.66		159,112.66
Henan Topstar Automation Equipment Co., Ltd.	3,070,211.15	3,154.77	3,073,365.92	1,253,474.65		1,253,474.65	1,717,199.06		1,717,199.06	289217.97		289217.97
Guangdong Shiwei Technology Co., Ltd.	19,583,371.81	167,959.09	19,751,330.90	12,646,822.92		12,646,822.92						
Dongguan Topstar Intelligent Cleaning Technology Co., Ltd.	708.95		708.95	168,587.35		168,587.35						

Unit: Yuan

Name of subsidiary	Amount incurred in current period				Amount incurred in last period			
	Operating incomes	Net profits	Total comprehensive incomes	Cash flow from operating activities	Operating incomes	Net profits	Total comprehensive incomes	Cash flow from operating activities
Dongguan Best Topstar Energy Saving Technology	4,341,968.51	1,471,909.18	1,471,909.18	-369,131.65	44,837.93	-305,376.41	-305,376.41	-362,481.54

Co., Ltd.								
Henan Topstar Automation Equipment Co., Ltd.	2,041,854.73	-98,089.82	-98,089.82	157,957.93	230,948.29	-82,018.91	-82,018.91	117,023.92
Guangdong Shiwei Technology Co., Ltd.	14,867,256.64	4,354,507.98	4,354,507.98	-1,434,136.54				
Dongguan Topstar Intelligent Cleaning Technology Co., Ltd.		-167,878.40	-167,878.40					

2. Transactions caused changes of the Owners' equities share in subsidiaries, but the subsidiaries are still under control

(1) Description of changes of Owners' equities share in subsidiaries

In the current period, the Company signed an equity transfer agreement with the minority shareholders of Shenzhen Toplink, acquiring 49% equity of Shenzhen Toplink Intelligent Information Technology Co., Ltd. held by the minority shareholders in RMB 4 Yuan, and Shenzhen Toplink has become a wholly-owned subsidiary of the Company since April 1, 2019.

(2) Influence of transactions on the minority shareholders' equity and the Owners' equities attributed to the parent company

Unit: Yuan

Purchase cost/disposal consideration	4.00
--Cash	4.00
Total purchase cost/disposal consideration	4.00
Minus: Subsidiary net asset share calculated according to the proportion of acquired/disposed equity	-2,485,586.93
Difference	-2,485,586.93
Of which: Adjust capital reserve	-2,485,586.93

Other descriptions

3. Equity in joint arrangements or associates

(1) Major Joint Venture or Associated Enterprises

Names of joint venture or associated enterprise	Main business place	Registration place	Business nature	Shareholding proportion		Accounting treatment method of the investment to joint venture or associated enterprise
				Direct	Indirect	
Wuhan JoTong Intelligent Technology Co., Ltd.	Wuhan	Wuhan	Manufacturing Industry	30.00%		Equity method
Guangdong Tuotuo Network Technology Co., Ltd.	Dongguan	Dongguan	Network information technology	20.00%		Equity method

In a joint venture or associated enterprise, the shareholding ratio is different from the proportion of voting rights: The basis of having significance with 20% below voting rights, or having no significance with 20% or above voting rights:

(2) Main financial information of important joint ventures

	Ending balance/ Amount of current period	Balance at the end of last year/ amount of last period
	Wuhan JoTong Intelligent Technology Co., Ltd.	Wuhan JoTong Intelligent Technology Co., Ltd.
Current assets	14,896,323.25	14,402,523.99
Non-current assets	4,357,591.09	4,595,343.18
Total assets	19,253,914.34	18,997,867.17
Current liabilities	2,023,436.61	1,222,008.45
Non-current liabilities		
Total liabilities	2,023,436.61	1,222,008.45
Minority shareholders' rights and interests		
Equities attributable to shareholders' equity of parent company	17,230,477.73	17,775,858.72
Share of net assets calculated by	5,169,143.32	5,332,757.62

	Ending balance/ Amount of current period	Balance at the end of last year/ amount of last period
	Wuhan JoTong Intelligent Technology Co., Ltd.	Wuhan JoTong Intelligent Technology Co., Ltd.
shareholding ratio		
Adjusted events		
- Goodwill		
- Unrealized profits of internal transaction		
- Miscellaneous		
Book value of the equity investment for the cooperative enterprises	9,679,320.00	16,885,184.16
Fair value of the cooperative enterprises' equity investments with public offer		
Operating incomes	4,579,976.85	6,768,493.88
Net profits	-545,380.99	-260,853.55
Net profit from terminating operation		
Other comprehensive incomes		
Total comprehensive incomes	-545,380.99	-260,853.55
Dividends received from associated enterprise in the current period		

X. Risks related to financial instruments

Various financial risks coped by the Company in the operation process: Credit risk, market risk and liquidity risk. The board of directors of the Company will be comprehensively responsible for confirmation of risk management objective and policies and undertake final liability for risk management objective and policies. However, the board of directors has authorized relevant departments of the Company to design and implement procedures to guarantee risk management objective and policies can be effectively executed. The board of directors will review effectiveness of executed procedures and reasonability of risk management objective and policies based on monthly report submitted by financial director. Internal auditors of the Company shall also audit risk management policies and procedures and shall report relevant discovery to the audit committee.

Overall objective of the risk management of the Company is to formulate risk management policy that shall reduce risk as much as possible under the situation that competitiveness and response ability of the Company shall not be affected significantly.

1. Credit risks

Credit risks refer to the risks of financial loss encountered by the other party arising from the failure of performing obligations of either party of financial instruments. The Company mainly copes with credit risks of client due to credit sales. Before signing the new contract, the Company will conduct a credit risk assessment for a new client, including external credit ratings and bank credit in certain circumstances (when this information is available). The Company sets a credit limit for each client, which is the maximum amount requiring no additional

approvals.

The Company quarterly monitors the credit rating and monthly audits the accounts receivable account age analysis of the Company's existing clients to ensure that the Company's overall credit risk within the controllable range. When monitoring client credit risk, group them according to the client's credit feature. If the client was rated as "high risk" level, the client shall be listed in a restricted client list, and only under the premise of additional approval of the Company in the next period before their credit, or the client must pay the corresponding amount of its requirements in advance.

2. Market risk

Market risks of financial instrument refer to risks generated as the fluctuation of the fair value of the financial instrument or future cash flow due to change of market price including exchange rate risk, interest rate risk and other price risk.

(1) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to the changes of market interest rate. The Company mainly avoids the risk of market interest rate changes by signing fixed interest rate loans.

(2) Exchange rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to the changes of market interest rate. The Company will try to match the foreign currency income and foreign currency expense to reduce the exchange rate risks. Besides, the Company may sign a long-term foreign exchange contracts or currency exchange contracts to achieve the purpose of avoiding exchange rate risk. In the current period and last period, the Company didn't sign any forward foreign exchange contracts or currency swap contracts.

The exchange rate risk that the Company is faced with mainly comes from financial assets and liabilities priced with US dollars. The amount that foreign currency financial assets and liabilities converting into RMB are listed as follows:

Item	Ending balance			Balance at the end of last year		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Monetary capital	123,387,177.52	1,009,265.76	124,396,443.28	49,272,886.50	1,055,007.27	50,327,893.77
Accounts receivable	61,140,987.21	9,153,860.94	70,294,848.15	1,977,354.22	156.95	1,977,511.17
Accounts payable	1,199.20		1,199.20		1,453,759.41	1,453,759.41
Total	184,529,363.93	10,163,126.70	194,692,490.63	51,250,240.72	2,508,923.63	53,759,164.35

As of December 31, 2019, if the rate of RMB against USD rises or falls by 5% when all other variables remain unchanged, the net profit of the Company will increase or decrease RMB 8,533,691.18 (December 31, 2018: 2,152,111.64 Yuan). The management considers that 5% reasonably reflects the reasonable range that the rate of RMB against USD may happen in the next year.

3. Liquidity risk.

Liquidity risk refers to the risk of a shortage of funds in the performance of an obligation to settle cash or other financial asset. The policy of the Company is to ensure sufficient cash to repay the matured debts. The liquidity risk is under the centralized control of the Company's Financial Department. The Financial Department ensures that the Company owns sufficient capitals to repay debts under all reasonable predictions by monitoring

the cash balance, negotiable securities that can be realized at any time and rolling predicting the cash flow of the future 12 months.

On the balance sheet date, all financial liabilities of the Company are listed below as undiscounted contractual cash flow on the due date:

Item	Ending balance					
	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total
Notes payable	250,391,010.64					250,391,010.64
Accounts payable	262,871,772.96					262,871,772.96
Interests payable	735,069.49					735,069.49
Other payables	38,281,717.45					38,281,717.45
Long-term borrowings	7,722,630.15				115,239,122.31	122,961,752.46
Long-term payables	4,148,316.74				1,809,406.83	5,957,723.57
Total	564,150,517.43				117,048,529.14	681,199,046.57

Item	Balance at the end of last year					
	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total
Notes payable	82,484,963.18					82,484,963.18
Accounts payable	156,802,272.52					156,802,272.52
Interests payable	735,069.51					735,069.51
Other payables	8,973,215.72					8,973,215.72
Long-term borrowings	5,552,816.53				124,281,752.46	129,834,568.99
Long-term payables	5,957,723.56				3,887,976.36	9,845,699.92
Total	260,506,061.02				128,169,728.82	388,675,789.84

XI. Disclosure of fair value

1. Period-end fair value of assets and liabilities measured by fair value

Unit: Yuan

Item	Ending fair value of the period			
	Fair value measurement of the first level	Fair value measurement of the second level	Fair value measurement of the third level	Total
I. Continuous fair value measurement	--	--	--	--
(I) Trading financial assets		200,012,083.33		200,012,083.33
1. Financial assets measured at the fair value		200,012,083.33		200,012,083.33

and whose changes are reckoned in current profits and losses				
Total assets continuously measured as per fair value		200,012,083.33		200,012,083.33
II. Non-continuous fair value measurement	--	--	--	--

2. Basis of determining the market price of continuous and non-continuous level 1 fair value measurement project

3. Continuous and non-continuous level 2 fair value measurement item, using valuation technology and quantitative and qualitative information of important parameters

4. Continuous and non-continuous level 3 fair value measurement item, using valuation technology and quantitative and qualitative information of important parameters

5. Continuous level 3 fair value measurement item, adjustment of the book value between the beginning and the end of the paper and the sensitivity analysis of unobservable parameters

6. Continuous fair value measurement project, In case of transfer between different levels in this period, the reasons for the transformation and the policy to determine the transition point.

7. Changes in valuation technology and the causes in the current period

8. Fair value of the financial assets and financial liabilities not measured at fair value

9. Others

XII. Related parties and transactions

1. Parent company of the enterprise

Name of parent company	Registration place	Business nature	Registered capital	Shareholding proportion of the parent company to the enterprise	Voting right proportion of the parent company to the enterprise
Wu Fengli				37.0477%	37.0477%

Information of this enterprise's parent company

Mr. Wu Fengli directly holds 55.5604 million shares of the Company, with a direct shareholding ratio of 36.21%. At the same time, Mr. Wu Fengli holds 18.91% of the capital contribution of Yongxin Dacheng as a general partner, and indirectly controls 6.5511 million shares, or 4.43% of the Company's shares held by Yongxin Dacheng. Mr. Wu Fengli directly and indirectly controls 37.0477% of the Company's shares and is the controlling

shareholder and actual controller of the Company.

The ultimate controlling party of the enterprise is Mr. Wu Fengli.

2. Subsidiary company of the enterprise

The situation of subsidiaries of the Company is shown in the Annotation IX Equity in Other Entities.

3. Joint ventures and associates of the enterprise

Important cooperative enterprises or associates of the Company are shown in the footnote "IX equity in other entities".

Conditions of other cooperative enterprises or joint ventures having affiliated transactions with the Company and forming balances in the current period or in the prior period are shown as follows.

Name of joint venture or associated enterprise	Relationship with this enterprise
Wuhan JoTong Intelligent Technology Co., Ltd.	Cooperative enterprises
Guangdong Tuotuo Network Technology Co., Ltd.	Cooperative enterprises

Other descriptions

4. Conditions of other related parties

Names of other affiliated parties	Relationship between other related parties and the enterprise
Yang Shuangbao	Shareholders holding more than 5%
Huang Daibo	Shareholders holding more than 5%
Yongxin Dachen Enterprise Management Consulting Center (Limited Partnership)	Joint-stock shareholders
Dongguan Sanzheng Financial Investment Co., Ltd.	Joint-stock shareholders
Hubei Gaofuxin Venture Capital Co., Ltd.	Joint-stock shareholders
Yin Jianqiao	Director
Zhang Peng	Director
Lan Haitao	Director
Zhou Runshu	Independent director
Zhong Chunbiao	Independent director
Li Di	Independent director
Wu Shengfeng	President of the Board of Supervisors
Tang Bo	Supervisor
Yang Shairu	Supervisor
Zhou Yongchong	Chief financial officer
Liu Juejun	Deputy general manager
Zuo Yunguang	Deputy general manager

Xu Biye	Deputy general manager
Quan Heng	Vice general manager, secretary of the board of directors
Dongguan Tuo Chen Industrial Investment Co., Ltd.	The controlling shareholder and actual controller, Wu Fengli, holds 21% of its shares.
Dongguan Dacheng Equity Investment Partnership (Limited Partnership)	Wu Fengli, the controlling shareholder and actual controller, holds 18.91% of its capital contribution and serves as its executive partner.
Zhongshan Competent Automation Equipment Co., Ltd.	The controlling shareholder and actual controller, Wu Fengli, holds 21% of its shares.
East Group Co., Ltd.	Enterprise in which the independent director Zhou Runshu acts as independent director
Dongguan Securities Co., Ltd	Enterprise in which the independent director Zhou Runshu acts as independent director
Autel Intelligent Technology Corp., Ltd.	Enterprise in which the independent director Zhou Runshu acts as independent director
Sanyou Corporation Limited	Enterprise in which the independent director Zhou Runshu acts as independent director
Jiahe Intelligent Technology Co., Ltd.	Enterprise in which the independent director Li Di acts as independent director
Guangdong Changzheng Law Firm	Enterprise in which the independent director Zhong Chunbiao acts as director

Other descriptions

5. Related transaction situation

(1) Related transaction about the purchase and sale of commodities and the supply and acceptance of the labors

Table of commodity procurement/ labor acceptance

Unit: Yuan

Affiliated party	Contents of related-party transaction	Amount incurred in current period	Amount of approved transaction	Whether it has exceeded the transaction amount	Amount incurred in last period
Wuhan JoTong Intelligent Technology Co., Ltd.	Materials purchase	-82,987.85			2,322,436.32

(2) Affiliated guarantees situation

The Company acts as the secured party

Unit: Yuan

Guarantee	Guarantee amount	Starting date of guarantee	Maturity date of guarantee	Has the guarantee performance been completed
Controlling shareholder Wu Fengli provides guarantee [1]	28,000,000.00	September 23, 2015	September 22, 2023	No
Controlling shareholder Wu Fengli provides guarantee [2]	90,000,000.00	April 27, 2018	April 21, 2025	No

Descriptions of related guarantee situation

(1) On September 23, 2015, the Company and Dongguan Rural Commercial Bank signed the "Maximum Loan Contract" (Contract No HT2015091700000020), the "Maximum Guarantee Contract" (Contract No DB2015091700000058) and the "Maximum Mortgage Guarantee Contract" (Contract No DB2015091700000059), agreed that, Dalingshan branch of Dongguan Rural Commercial Bank Co., Ltd. would provide the Company with a loan amount of RMB 28 million, with guarantee provided by controlling shareholder Wu Fengli, with a loan term till September 22, 2023.

(2) On April 27, 2018, the Company and Dongguan Rural Commercial Bank signed the "Merger and Acquisition Loan Contract" (Contract No. HT2018042700000076), the "Maximum Pledge Guarantee Contract" (ContractNo. DB2018042700000126) and the "Maximum Pledge Guarantee Contract" (DB2018042700000127), agreed that, Dalingshan Sub-branch of Dongguan Rural Commercial Bank Co., Ltd. would provide RMB 90 million of merger and acquisition loan to the Company, with irrevocable joint and several guarantee liability assumed by Wu Fengli, and the pledge guarantee of RMB 7.027 million provided by Dongguan Yee Intelligent Equipment Co., Ltd..

(3) Remuneration of key management personnel

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Remuneration of key management personnel	10,134,890.66	8,109,824.70

6. Account receivables and payables of related parties**(1) Accounts receivable**

Unit: Yuan

Item name	Affiliated party	Ending balance		Beginning balance	
		Book balance	Bad debt reserves	Book balance	Bad debt

					reserves
Advance payment	Wuhan JoTong Intelligent Technology Co., Ltd.	99,383.29			

(2) Accounts payable

Unit: Yuan

Item name	Affiliated party	Ending book balance	Beginning book balance
Accounts payable	Wuhan JoTong Intelligent Technology Co., Ltd.		258,879.70

XIII. Share-based payment**1. Overall situation of share-based payment**

√ Applicable □ Not applicable

Unit: Yuan

Total equity instruments granted by the Company in the current period	2,404,000.00
Total equity instruments exercised of the Company in the current period	0.00
Total equity instruments invalid of the Company in the current period	0.00
The scope of the exercise price of the stock option and the remaining period of the contract at the end of the period	Not applicable

Other descriptions

1. According to the 2019 Restricted Stock and Stock Option Incentive Plan issued by the Company, the exercise price of the stock option plan is 38.29 Yuan/share. The remaining term of the contract is 3.42 years (a total of 4 years, which has been included in the assessment for 7 months).

The waiting periods for stock options granted under this equity incentive plan are 12 months, 24 months, 36 months and 48 months respectively from the date of completion of grant registration. The granted stock options can be exercised after 12 months from the date of completion of grant registration.

The stock options granted by the equity incentive plan shall be subject to performance appraisal in four fiscal years of the exercise period in parallel to achieve the performance appraisal target as the exercise condition of the incentive object. The performance appraisal objectives for the four exercise periods of stock options are: The first exercise period of stock options is based on the net profit in 2018 and the net profit growth rate in 2019 is not less than 20%. The second exercise period of stock options is based on the net profit in 2018 and the net profit growth rate in 2020 is not less than 44%. The third exercise period of stock options is based on the net profit in 2018 and the net profit growth rate in 2021 is not less than 72.8%. The fourth exercise period is based on the net profit in 2018, and the net profit growth rate in 2022 is not less than 107.36% (the "net profit" shall be based on the data contained in the Company's audit report for the fiscal year, and the net profit growth value shall be based on the audited net profit after deduction by the shareholders of the listed company and excluding the impact of the implementation of the company's incentive plan). The proportion of the first to the fourth exercise periods is 20%, 30%, 30% and 20% respectively.

2. The grant exercise price of restricted stock is 22.61 Yuan per share, that is, after the grant conditions are met,

the incentive object can purchase the restricted stock issued by the Company to the incentive object at 22.61 Yuan per share. The remaining term of the contract is 3.42 years (a total of 4 years, which has been included in the assessment for 7 months).

The restricted stock sales periods granted by this equity incentive plan are respectively 12 months, 24 months, 36 months and 48 months from the date when the registration of restricted stock granted to the incentive object is completed. After the expiration of the restricted stock sales period, the Company shall handle the cancellation of restricted stock sales for the incentive object satisfying the conditions for cancellation of restricted stock sales. The review year for lifting the sales restriction is 2019-2022, with one review for each fiscal year. The Company-level performance review objectives for each fiscal year are as follows: The first period for lifting the sales restriction is based on the net profit in 2018 and the net profit growth rate in 2019 is not less than 20%. The second period for lifting the sales restriction is based on the net profit of 2018,

and the growth rate of net profit in 2020 shall not be less than 44%; The third period of lifting the sales restriction is based on the net profit in 2018 and the net profit growth rate in 2021 is not less than 72.8%. The fourth period for lifting the restriction on sale is based on the net profit in 2018, and the net profit growth rate in 2022 is not less than 107.36% (the "net profit" shall be based on the data contained in the Company's audit report for the fiscal year, and the net profit growth value shall be based on the audited net profit after deduction by the shareholders of the listed company and excluding the impact of the implementation of the company's incentive plan). The proportion of the first to the fourth release periods is 20%, 30%, 30% and 20% respectively.

2. Share-based payment settled by equity

√ Applicable □ Not applicable

Unit: Yuan

Method for determining the fair value of equity instruments granted	<p>1. Stock Option Plan: The Company chooses Black-Scholes model to calculate the fair value of options. The Company shall determine the fair value of stock options on the grant date according to relevant valuation tools, and finally confirm the share payment fees of this equity incentive plan, which will be amortized during the waiting period according to the exercise proportion during the implementation of this equity incentive plan.</p> <p>2. Restricted Stock Plan: The Company shall measure the fair value of restricted stocks according to the difference between the closing stock price and the grant price on the grant date, namely: Fair value of each restricted stock = share price on grant date - grant price. In measurement, the difference between the Company's stock price and the grant price on the grant date is directly taken as the fair value of the restricted stock, and the fair value of the restricted stock is taken as the incentive cost of the restricted stock equity incentive plan to be allocated in the waiting period according to the unlocking ratio.</p>
Determination basis of the quantity of vesting equity instruments	<p>1. Stock Option Plan: According to the latest available follow-up information such as changes in the number of employees with feasible rights, the best estimate is made, and the number of equity instruments with expected feasible rights is revised.</p> <p>2. Restricted Stock Plan: The Company uses the product of the base number of restricted stock grants and the corresponding annual personal performance appraisal coefficient to determine.</p>

Reasons for the significant difference between the current estimate and the previous estimate	None
Equity-settled share-based payment is included in the accumulated amount of capital reserves	9,419,448.28
Total amount of expenses confirmed by equity-settle share-based payment in the current period	7,694,901.20

Other descriptions

1. On March 14, 2019, the Company convened the second extraordinary shareholders' meeting in 2019 and deliberated and passed the Proposal on Submitting to the Shareholders' General Meeting to Authorize the Board of Directors to Handle Matters Related to Equity Incentive. The Shareholders' General Meeting of the Company authorized the Board of Directors to determine the grant date of this incentive plan.

On May 13, 2019, the Company held the 19th meeting of the second board of directors in 2019, deliberated and passed the "Proposal on Adjusting the List and Number of Some Incentive Objects to be Granted in 2019 Stock Option and Restricted Stock Incentive Plan" and the "Proposal on Granting Stock Option and Restricted Stock to Incentive Objects", determined May 13, 2019 as the grant date, and agreed to grant 97.7 stock options to 99 incentive objects that meet the grant conditions; We will grant 1.927 million restricted shares to 34 eligible incentive objects. In the process of determining the payment of funds after the grant date, one incentive object gave up all subscription for personal reasons. Therefore, when the grant of the 2019 restricted stock incentive plan is completed, the list of incentive objects is changed to 33, and the actually granted shares are changed to 1.427 million shares, accounting for 1.09% of the total share capital of the Company at the grant date. The exercise price of stock option is determined to be 38.29 Yuan/share, and the grant price of restricted stock is: 22.61 Yuan/share. In 2019, the equity incentive fee for employees was confirmed to be 7,487,900.00 Yuan, which was included in the management fee and increased the capital reserve.

2. In January 2015, controlling shareholder Wu Fengli and 12 employees, including Wang Bingyan, signed an agreement on the transfer of the capital contribution share of Dongguan Dacheng Equity Investment Partnership (limited partnership). The 12 employees, including Wang Bingyan, received the capital contribution share of controlling shareholder's investment of RMB 283,516 in Dacheng at a transfer price of RMB 530,000. Both parties made an agreement in the contribution share transfer agreement that "employees shall continue to work in the Company for 5 years from the date of signing this agreement (hereinafter referred to as "service period"), and shall not terminate or terminate their labor relations with the company for personal reasons". During this share transfer, the staff converted the shares of Cheng Guangdong Topstar by the amount of shares invested by Dacheng Investment. The cost of each share is 4.78 Yuan. Referring to November 2014, PE Shenzhen Dacheng Chuangfeng Equity Investment Co., Ltd., Jiujiang Tonghui Investment Center (limited partnership), Dongguan Sanzheng Financial Investment Co., Ltd. and Hubei Gaofu Venture Investment Co., Ltd. paid 17.48 Yuan per share, and the total cost difference of employees' shares was 1,406,547.40 Yuan. The Company amortizes according to the 5-year service period, and confirms the equity incentive fee of 207,001.20 Yuan for employees in 2019, which is included in the management fee and increases the capital reserve.

3. Share-based payment settled by cash

☐ Applicable ☒ Not applicable

4. Modification and termination of share-based payment

There is no modification or termination of share-based payment in this period.

XIV. Commitments and contingencies**1. Important commitments**

Important commitments existing on the balance sheet date

1. Important commitments existing on the balance sheet date

(1) On August 31, 2012, the Company signed a Plant Lease Contract with Dongguan Dalingshan Town Xintang No.1 Co-operative, Dongguan Dalingshan Town Xintang No.3 Co-operative, Dongguan Dalingshan Town Xintang No.4 Co-operative and Dongguan Dalingshan Town Xintang No.6 Co-operative (lessor), agreed that, the lessor leases its plant, dormitory building and other buildings located at No.90 Xintang Road, Xintang Village, Dalingshan Town, Dongguan City with an area of 10,300 approximately to the Company at a total monthly rent of RMB 103,000.00, with the rent increasing by 8% every 5 years; In addition, the comprehensive service fee is 3,000 Yuan per month, increasing by 10% every 5 years, and the garbage removal fee is increased by 10% every 5 years in 400 Yuan every month. The lease term is from September 1, 2012 to August 31, 2032.

(2) On August 1, 2014, the Company signed a Plant Lease Contract with Dongguan Dalingshan Town Xintang No.1 Co-operative, Dongguan Dalingshan Town Xintang No.3 Co-operative, Dongguan Dalingshan Town Xintang No.4 Co-operative and Dongguan Dalingshan Town Xintang No.6 Co-operative (lessor), agreed that, the lessor leases its newly expanded leased properties located at No.90 Xintang Road, Xintang Village, Dalingshan Town, Dongguan City at current status with an area of 7663 approximately to the Company at a total monthly rent of RMB 84,293.00, with the rent increasing by 10% every 5 years; In addition, the comprehensive service fee is calculated on the basis of the number of employees in the factory, and is 15 Yuan per person per month. The lease period starts from October 1, 2014 to July 31, 2024 (from August 1, 2014 to September 30, 2014 is the renovation rent-free period).

(3) On April 23, 2018, Jiangsu Topstar and Wuzhong Comprehensive Free Trade Zone Administration and Suzhou Xinzhi Garden Precision Metal Parts Co., Ltd. entered into a "House Lease Contract (Factory Building)", stipulating that the Company will lease one factory building in Phase III of Dingmin, No.818 Wusong Road, Guoxiang Street, Wuzhong Economic Development Zone, for Jiangsu Tuoda production site, with a lease area of 8250 square meters, a monthly rent of 15 Yuan/month/square meter, a property management fee of 3 Yuan/month/square meter, and a lease period from May 1, 2018 to April 30, 2021 (May 1, 2018 to April 30, 2019) as rent-free period

2. Contingencies**(1) Important contingencies existing on the balance sheet date**

Balance Sheet Japanese companies do not have contingent liabilities arising from pending litigation or arbitration, nor do they have contingent liabilities arising from providing debt guarantees for other units.

(2) The Company shall also give the indication for no important contingencies to be disclosed.

The Company has no important contingencies to be disclosed.

3. Others

There are no contingencies to be disclosed during the reporting period.

XV. Events after the balance sheet date

1. Profit distribution situation

According to the resolution of the 25th meeting of the second board of directors held in April 2020 of the Company, based on the total share capital of date of record Company, a cash bonus of RMB 3.5 (including tax) is distributed to all shareholders for every 10 shares, 0 shares are distributed as bonus, and 8 shares are transferred from the capital reserve fund to all shareholders for every 10 shares.

2. Sales return

No significant sales returns occurred after the balance sheet date.

3. Other descriptions for matters after the balance sheet date

The Company doesn't have other matters after the balance sheet date which need disclosing.

XVI. Other important matters

1. Others

1. In order to meet the construction needs of projects such as robots and automatic intelligent equipment of Jiangsu Topstar Robot Co., Ltd., a wholly-owned subsidiary of the Company, and to improve the decision-making efficiency of the Company and its subsidiaries, the Company provides a guarantee amount of not more than RMB 600 million for Jiangsu Topstar to apply for bank loans according to its own financial situation and actual situation. On August 14, 2019, the Company held the 21st meeting of the second board of directors in 2019, deliberated and passed the "proposal on providing guarantee quota for wholly-owned subsidiary companies" and agreed that the Company would provide guarantee quota of not more than RMB 600 million for the wholly-owned subsidiary company Jiangsu Topstar Robot Co., Ltd. (hereinafter referred to as "Jiangsu Topstar").

2. According to the 21st meeting of the second board of directors held by the Company, the Proposal on Joint Investment with Related Parties and Related Party Transactions was reviewed and approved. The Company plans to establish Guangdong Tuotuo Network Technology Co., Ltd. (hereinafter referred to as "the joint venture") jointly with the controlling shareholders and actual controllers of the Company, Wu Fengli, Zhang Jian, Xiang Xinfeng, Wang Chao, Li Chuanshi and Fei Shifan (provisional name, subject to the approval of industrial and commercial registration). The total amount of 155 copies of the semi-annual report of Guangdong Topstar Technology Co.,

Ltd. for 2019 is RMB 15 million, of which Wu Fengli contributes RMB 7.8 million, accounting for 52% of the registered capital, and the Company contributes RMB 3 million, accounting for 20% of the registered capital. After the establishment of the joint venture company, Wu Fengli and other shareholders (except the Company) each set up a 100% holding company in the British Virgin Islands (hereinafter referred to as "BVI company") as its overseas holding platform, and each BVI company and its subsidiary company Topstar Worldwide Group Limited (hereinafter referred to as "Topstar Hong Kong") set up a company in the Cayman Islands (hereinafter referred to as "Cayman company") as shareholders. When the Cayman company was established, the shareholding ratio of each party in the Cayman company was the same as that in the joint venture company. Cayman company shall issue common shares to all shareholders, each of which shall have one voting right. Cayman company as the sole shareholder establishes a company in Hong Kong (hereinafter referred to as "Hong Kong Company") and Hong Kong Company as the sole shareholder establishes a wholly foreign-owned enterprise in China (hereinafter referred to as "WFOE") to realize WFOE's agreement control over the joint venture company through VIE agreement arrangements.

According to the relevant provisions of the "Shenzhen Stock Exchange GEM Listing Rules" (hereinafter referred to as the "Listing Rules"), Wu Fengli is a director and senior manager of the Company, a natural person affiliated to the Company. Zhang Jianxin and Xiang Xinfeng have served as senior managers of the Company in the past 12 months and are regarded as affiliated persons of the Company. Their joint investment and establishment of Tuotuo Technology constitutes an affiliated transaction. At the same time, BVI company to be established overseas by Wu Fengli, Zhang Jianli and Xiang Xinfeng will also belong to related parties of the Company, and the establishment of Cayman company through joint investment with Topstar Hong Kong will also constitute a related party transaction.

3. The Company publicly issues A-shares and lists them on the Growth Enterprise Market. Upon the approval of the China Securities Regulatory Commission by the Reply on Approval of Additional Shares Offering by Guangdong Topstar Technology Co., Ltd. (ZJXK [2019] 963), the lead underwriter China Merchants Securities Co., Ltd. (hereinafter referred to as "China Merchants Securities") publicly issues 16,065,249 common shares (A-shares) through a combination of prior placement by original shareholders and online and offline pricing issuance at a price of 40.46 Yuan per share. As of November 28, 2019, the Company has actually issued 16,065,249 common shares (a shares) to the public through this public offering, with a total raised capital of 649,999,974.54 Yuan. After deducting the underwriting fee, recommendation fee and other issuance fees of RMB 40,829,327.54 from the total amount of funds raised this time, the net amount of funds actually raised was RMB 609,170,647.00.

4. The Company held the 23rd meeting of the second board of directors and the 19th meeting of the second board of supervisors on October 28, 2019, and deliberated and passed the "Proposal on Closing Initial Public Offering Investment Projects and Permanently Replenishing Working Capital with Surplus Raised Funds". The Company's initial public offering of shares and listing on the Growth Enterprise Market (hereinafter referred to as "Partial Raised Investment Projects") have all reached the expected serviceable state. In order to improve the efficiency of the use of raised funds, In order to reduce the financial expenses, the Company decided to close down the raised and invested projects, and at the same time to permanently supplement the working capital with the total raised capital (including interest income) of 18,706,980.16 Yuan (the actual amount shall be subject to the balance of the special account on the day when the funds are transferred out) for the Company's daily production and operation.

XVII. The main item annotations of the parent company's financial statement**1. Accounts receivable****(1) Classified disclosure of accounts receivable**

Unit: Yuan

Category	Ending balance					Beginning balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Account receivables singly withdrawn bad-debt provision	10,692,255.04	1.52%	7,796,220.94	72.91%	2,896,034.10	8,392,361.29	1.96%	7,486,527.84	89.21%	905,833.45
Of which:										
Not have major provision according to single amount	10,692,255.04	1.52%	7,796,220.94	72.91%	2,896,034.10	8,392,361.29	1.96%	7,486,527.84	89.21%	905,833.45
Account receivables withdrawn bad-debt provision by combination	694,371,304.49	98.48%	26,503,576.12	3.82%	667,867,728.37	419,095,087.57	98.04%	18,141,205.36	4.33%	400,953,882.21
Of which:										
Combination as per consolidation of affiliates	35,445,901.14	5.03%			35,445,901.14	5,823,854.06	1.36%			5,823,854.06
portfolio of account age	658,925,403.35	93.46%	26,503,576.12	4.02%	632,421,827.23	413,271,233.51	96.67%	18,141,205.36	4.39%	395,130,028.15
Total	705,063,559.53	100.00%	34,299,797.06		670,763,762.47	427,487,448.86	100.00%	25,627,733.20		401,859,715.66

Withdrawal of bad debt reserve by single item:

Unit: Yuan

Name	Ending balance			
	Book balance	Bad debt reserves	Withdrawal proportion	Withdrawal reason
Guangdong Longshine Technology Co., Ltd.	4,228,339.22	2,114,169.62	50.00%	Recovery is difficult
Datong Machinery (Dongguan) Sales Co.,	2,169,132.23	2,169,132.23	100.00%	It is expected to be

Ltd.				uncollectible
Other customers	4,294,783.59	3,512,919.09	81.80%	It is expected to be uncollectible
Total	10,692,255.04	7,796,220.94	--	--

Notes:

Note 1: Guangdong Longshine Technology Co., Ltd.: The aging is relatively long, and the Company expects that the possibility of full recovery is relatively low. Based on the principle of prudence, the bad debt reserve is withdrawn at 50%.

Note 2: Datong Machinery (Dongguan) Sales Co., Ltd. The aging is relatively long, and the Company expects that the possibility of recovery is low. Based on the principle of prudence, the bad debt reserve is withdrawn at 100%.

Note 3: For other customers whose single amount is not significant, it is estimated that it is difficult or impossible to recover the money from these customers. Based on the principle of prudence, the bad debt reserve is withdrawn at 50% or 100%.

Withdrawal of bad debt provision by portfolio:

Unit: Yuan

Name	Ending balance		
	Book balance	Bad debt reserves	Withdrawal proportion
Subtotal classification within 1 year			
Of which: 1-6 months	437,697,570.00	4,376,975.70	1.00%
Of which: 6-12 months	105,038,777.06	5,251,938.85	5.00%
Within 1 year (inclusive)	542,736,347.06	9,628,914.55	1.77%
1-2 years (including 2 years)	73,092,683.35	7,309,268.34	10.00%
2-3 years (including 3 years)	40,788,463.14	8,157,692.63	20.00%
3-4 years (including 4 years)	1,462,090.80	731,045.40	50.00%
4-5 years (including 5 years)	845,819.00	676,655.20	80.00%
Over 5 years			
Total	658,925,403.35	26,503,576.12	--

Disclosure by account age

Unit: Yuan

Account age	Book balance
Within 1 year (inclusive)	578,195,498.20
Of which: 1-6 months	473,156,721.14
Of which: 6-12 months	105,038,777.06
1-2 years	75,523,170.20
2-3 years	43,850,051.24
Over 3 years	7,494,839.89
3-4 years	3,427,609.25

4-5 years	1,675,561.41
Over 5 years	2,391,669.23
Total	705,063,559.53

(2) Bad debt reserves calculated and withdrawn, recovered or returned in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: Yuan

Category	Beginning balance	Amount changed in the current period				Ending balance
		Withdrawal	Recovery or reverse	Cancelling after verification	Miscellaneous	
Accounts receivable	25,627,733.20	20,978,475.30	8,233,679.43	4,072,732.01		34,299,797.06
Total	25,627,733.20	20,978,475.30	8,233,679.43	4,072,732.01		34,299,797.06

(3) Actual write-off account receivables in the current period

Unit: Yuan

Item	Write-off amount
Actual write-off accounts receivable	4,072,732.01

Wherein, the conditions for write-off of important accounts receivable:

Unit: Yuan

Unit Name	Nature of accounts receivable	Write-off amount	Reason for cancelling after verification	Procedures of cancelling after verification performed	Whether the fund generates from related transaction
Chongqing Nanxin Zhizao Electronic Technology Co., Ltd.	Goods payment	1,651,700.00	Unable to be reversed	Board of Directors	No
Shenzhen Fosunny Electronic Technology Co., Ltd	Goods payment	581,266.65	Unable to be reversed	Board of Directors	No
Total	--	2,232,966.65	--	--	--

(4) Accounts receivable of top five ending balances collected by the debtor

Unit: Yuan

Unit Name	Ending balance of accounts receivable	Proportion of the total ending balance of accounts receivable	Ending balance of bad debt provision
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Ranking 1 st	84,120,385.97	11.93%	1,009,444.63
Ranking 2 nd	67,943,480.00	9.64%	815,321.76
Ranking 3 rd	66,087,607.90	9.37%	1,918,287.27
Ranking 4 th	39,786,169.81	5.64%	3,470,007.88
Ranking 5 th	19,487,450.00	2.76%	233,849.40
Total	277,425,093.68	39.34%	

2. Other receivables

Unit: Yuan

Item	Ending balance	Beginning balance
Interests receivable	1,627,908.36	323,408.15
Other receivables	82,167,335.24	38,601,896.10
Total	83,795,243.60	38,925,304.25

(1) Interests receivable

1) Classification of dividends receivable

Unit: Yuan

Item	Ending balance	Beginning balance
Inter-enterprise lending	1,627,908.36	323,408.15
Total	1,627,908.36	323,408.15

(2) Other receivables

1) Classification of other receivables according to the nature of payment

Unit: Yuan

Nature of payment	Ending book balance	Beginning book balance
A/R Consolidated Related Party Transactions	70,443,040.39	27,885,873.16
Deposit for Recognizance	11,453,204.99	10,233,862.75
Employee reserve fund loan	1,087,000.00	680,317.89
Prepaid taxes and fees	688,578.93	628,931.14
Total	83,671,824.31	39,428,984.94

2) Withdrawal situations of bad debt provision

Unit: Yuan

Bad debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit losses throughout the entire duration (Credit impairment has not occurred)	Expected credit losses throughout the entire duration (Credit impairment has occurred)	
Balance on Jan. 1, 2019	827,088.84			827,088.84
Balance on Jan. 1, 2019 in current period	—	—	—	—
Withdrawal of the current period	904,253.27			904,253.27
Reversion of the current period	226,853.04			226,853.04
Balance on Dec. 31, 2019	1,504,489.07			1,504,489.07

Changes in book balances with significant changes in loss reserves for the current period

☐ Applicable ☒ Not applicable

Disclosure by account age

Unit: Yuan

Account age	Book balance
Within 1 year (inclusive)	58,377,742.38
Of which: 1-6 months	36,401,828.15
Of which: 6-12 months	21,975,914.23
1-2 years	24,293,494.93
2-3 years	384,901.00
Over 3 years	615,686.00
3-4 years	89,600.00
4-5 years	47,500.00
Over 5 years	478,586.00
Total	83,671,824.31

3) Bad debt reserves calculated and withdrawn, recovered or returned in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: Yuan

Category	Beginning	Amount changed in the current period	Ending balance
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	balance	Withdrawal	Recovery or reverse	Cancelling after verification	Miscellaneous	
Other receivables	827,088.84	904,253.27	226,853.04			1,504,489.07
Total	827,088.84	904,253.27	226,853.04			1,504,489.07

Wherein, important amounts of bad debt reserves transferring back or retrieved in the current period:

Unit: Yuan

Unit Name	Transferring back or retrieved amount	Recovering method
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4) Other receivables of top five ending balances collected by the debtor

Unit: Yuan

Unit Name	Nature of payment	Ending balance	Account age	Proportion of the total ending balance of other accounts receivable	Ending balance of bad debt provision
Ranking st	Consolidated Related Party Transactions	22,985,719.26	789,021.76 Yuan for 1-6 months, 10,756,496.72 Yuan for 7-12 months, 11,440,200.78 Yuan for 1-2 years	27.47%	
Ranking 2nd	Consolidated Related Party Transactions	11,319,004.46	7,801,032.09 Yuan for 1-6 months; 2,438,318.41 Yuan for 7-12 months; 1,079,653.96 for 1-2 years	13.53%	
Ranking 3 rd	Consolidated Related Party Transactions	10,337,339.15	3,381,159.78 Yuan for 1-6 months; Ninety Yuan for three months; 3,095,565.71 for 1-2 years	12.35%	
Ranking 4th	Consolidated Related Party Transactions	9,732,921.73	7,013,391.31 Yuan for 1-6 months; 2,719,530.42 Yuan for 7-12 months	11.63%	
Ranking 5th	Consolidated Related Party Transactions	9,621,152.58	9,621,152.58 Yuan for 1-6 months	11.50%	
Total	--	63,996,137.18	--	76.48%	

3. Long-term equity investment

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Investment in subsidiaries	652,045,965.45		652,045,965.45	188,705,961.45		188,705,961.45
Investment in joint ventures and cooperative enterprises	16,707,108.67	7,041,630.70	9,665,477.97	16,884,565.00		16,884,565.00
Total	668,753,074.12	7,041,630.70	661,711,443.42	205,590,526.45		205,590,526.45

(1) Investment in subsidiaries

Unit: Yuan

Invested unit	Opening balance (Book Value)	Increase and decrease in the current period				Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Negative investment	Withdrawn impairment provision	Miscellaneous		
Dongguan Server Industrial Control Technology Co., Ltd.	1,000,000.00					1,000,000.00	
Shenzhen Toplink Intelligent Information Technology Co., Ltd.	3,060,000.00	2,940,004.00				6,000,004.00	
Dongguan Yee Intelligent Equipment Co., Ltd.	151,928,690.24					151,928,690.24	
Dongguan Topstar Robot Co., Ltd.	200,000.00					200,000.00	
Dongguan Topstar Technology Co., Ltd.	1,840,000.00	3,600,000.00				5,440,000.00	
Dongguan Topstar Intelligent Environmental Technology Co., Ltd.	1,100,000.00	16,000,000.00				17,100,000.00	
Jiangsu Topstar Robot Co., Ltd.	26,070,000.00	438,300,000.00				464,370,000.00	
Kunshan Topstar Robot Technology Co., Ltd.	1,000,000.00					1,000,000.00	
Ningbo Tuochen Robot Technology Co., Ltd.	1,000,000.00					1,000,000.00	
Topstar Worldwide Group Limited	507,271.21					507,271.21	

Zhiao (Shanghai) Robot Technology Co., Ltd.	1,000,000.00	2,500,000.00				3,500,000.00	
Total	188,705,961.45	463,340,004.00				652,045,965.45	

(2) Investment in joint venture and cooperative enterprise

Unit: Yuan

Invested unit	Beginning balance (book value)	Increase and decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Negative investment	Profits and losses on investments confirmed by equity method	Adjustments of other comprehensive incomes	Changes in other equities	Declared and distributed cash dividends or profits	Withdrawn impairment provision	Miscellaneous		
I. Joint enterprises											
II. Joint ventures											
Wuhan JoTong Intelligent Technology Co., Ltd.	16,884,565.00			-163,614.30				7,041,630.70		9,679,320.00	7,041,630.70
Guangdong Tuotuo Network Technology Co., Ltd.				-13,842.03						-13,842.03	
Subtotal	16,884,565.00			-177,456.33				7,041,630.70		9,665,477.97	7,041,630.70
Total	16,884,565.00			-177,456.33				7,041,630.70		9,665,477.97	7,041,630.70

(3) Other explanations

(1) On August 14, 2019, the Company convened the 21st meeting of the second board of directors, agreed to sign the Joint Venture Framework Agreement with the controlling shareholder and actual controller Wu Fengli (hereinafter referred to as the "founder"), as well as Zhang Jian, Xiang Xinfeng, Wang Chao, Li Chuanshi and Fei Shifan (hereinafter referred to as the "original shareholder" except Wu Fengli) to jointly invest in the establishment

of Guangdong Tuotuo Network Technology Co., Ltd. (hereinafter referred to as the "Tuotuo Network") as the development platform for new businesses such as platform e-commerce, online advertising and SaaS services and the domestic equity subject of round-trip investment. The total registered capital of Tuotuo Network is RMB 15 million, of which Wu Fengli contributed RMB 7.8 million, accounting for 52% of the registered capital. The Company contributed RMB 3 million, accounting for 20% of the registered capital. Zhang Jian contributed RMB 2.25 million, accounting for 15% of the registered capital; Xiang Xinfeng contributed RMB 1.5 million, accounting for 10% of the registered capital; Wang Chao contributed RMB 150,000, accounting for 1% of the registered capital; Li Chuanshi contributed RMB 150,000, accounting for 1% of the registered capital; Fei Shifan contributed RMB 150,000, accounting for 1% of the registered capital. The investment prices of all parties are registered capital of 1 Yuan /1 Yuan. As of December 31, 2019, the Company has not yet made any contribution, and the Company confirmed the profit and loss of investment in camel carrier network in 2019 -13,842.03 Yuan.

2) Based on the evaluation conducted by Yinxin Appraisal and the valuation report of report No. YXZB ZI [2020] Hu No.180 issued accordingly, the total equity value of the shareholders of Wuhan JoTong Intelligent Technology Co., Ltd. (hereinafter referred to as "Wuhan JoTong") was 32,624,400 Yuan as of December 31, 2019, and the impairment provision made by the Company for Wuhan JoTong was 7,041,630.70 Yuan.

4. Operating income and operating cost

Unit: Yuan

Item	Amount incurred in current period		Amount incurred in last period	
	Revenue	Cost	Revenue	Cost
Main business	1,428,050,756.20	1,024,061,126.54	1,130,455,651.70	739,596,492.51
Other business	2,743,251.64	503,744.64	2,206,539.75	344,509.92
Total	1,430,794,007.84	1,024,564,871.18	1,132,662,191.45	739,941,002.43

Has the new income criterion been implemented

☐Yes ☒No

Other descriptions:

5. Income from investment

Unit: Yuan

Item	Amount incurred in current period	Amount incurred in last period
Long-term equity investment income calculated by the equity method	-177,456.33	824,117.40
Investment income gained during the period when holding short-term financial management products		2,548,974.53
Total	-177,456.33	3,373,091.93

XVIII. Supplementary information**1. Current non-recurring profits and losses sheet**

√ Applicable □ Not applicable

Unit: Yuan

Item	Amount	Description
Profits and losses from the disposal of non-current assets	168,332.99	
Governmental subsidies included in the current profits and losses (closely related to enterprise business, except for governmental subsidies enjoyed in fixed amount or quantity according to uniform national standard)	4,273,918.91	
Other non-operating income and expenses in addition to the above items	-651,197.63	
Minus: Influenced amount of income tax	538,376.64	
Minority shareholders' equity impact amount	-206.77	
Total	3,252,884.40	--

For the non-recurring profits and losses defined in Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profits and Losses, and the items listed in Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profits and Losses defined as recurring profit and loss, please specify the reasons.

□ Applicable √Not applicable

2. Return on equity and earnings per share

Profits during the reporting period	Return on weighted average net assets	Earnings per share	
		Basic earnings per share (Yuan/ share)	Diluted earnings per share (Yuan/share)
Net profits attributable to the shareholders of the common share of the Company	18.07%	1.41	1.41
Net profits attributable to the shareholders of the common share of the Company after deducting non-recurring profits and losses	17.75%	1.38	1.38

3. Accounting Data Difference under Domestic and Foreign Accounting Standards

(1) Difference between net profits and net assets in the financial report disclosed in accordance with international accounting standards and the Chinese accounting standards.

☐ Applicable ☒ Not applicable

(2) Difference between net profits and net assets in the financial report disclosed in accordance with overseas accounting standards and the Chinese accounting standards.

☐ Applicable ☒ Not applicable

(3) The reason of accounting data difference under domestic and foreign accounting standard shall be explained. If the data audited by the foreign audit authority carries out the different adjustment, the name of foreign authority shall be indicated.

4. Others

Section XIII Reference File Directory

- I. The original of 2019 Annual Report bearing the signature of the Company's legal representatives;
- II. Financial statements containing the signatures and seals of the legal representative, the person in charge of finance and the person in charge of the accounting organization;
- III. The original of Audit Report bearing the signature and seal of the accounting firm and certified public accountant.
- IV. The original of all documents and original announcements publicly disclosed by the Company in the GEM information disclosure media designated by the CSRC during the reporting period;
- V. Other Documents for Future Reference