

Stock Code: 002600

Stock Abbreviation: LY iTECH

Announcement No.: 2020-036

LINGYI iTECH (GUANGDONG) COMPANY

2019 Annual Report Summary

I. Important Notes

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

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

☐ Applicable ☒ N/A

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

Notes of non-standard audit opinion

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

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

☐ Yes ☒ N/A

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

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

☐ Applicable ☒ N/A

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

II. Basic Situation of the Company

1. Company Profile

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

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

2. Main Business or Product Introduction during the Reporting Period

LINGYI iTECH (GUANGDONG) COMPANY (hereinafter referred to as "LY iTECH") is dedicated to be a global leader on precision manufacturing and creatively offers 'one-stop' solutions to its customers. Product solutions of the Company span a wide range of categories, from basic materials to precision components to core devices and modules, satisfying a diverse of customer demands in a timely manner. Among which, basic materials include magnetic materials, die-cutting materials and ceramic applications; precision components include die-cutting, stamping, CNC, injection molding, printing, assembly, etc.; core devices and modules include linear motors, wireless charging, chargers, softgoods, keyboards, thermal modules, 5G RF devices, structural parts, etc. Related products are widely used in consumer electronics, vehicle-mounted industrial control, smart security, smart wear, smart home, new energy vehicles, medical, aerospace and other fields. With the mission of "Lead the world with intelligent manufacturing and exert to achieve dreams", the Company establishes the vision of "Managing with modern management concepts and continuous pursuit of excellence, we aim to become the world's leading precision intelligent manufacturing enterprise" and strives to build the Company's products to top three in the corresponding industry segments worldwide.

3. Major Financial Information

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

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

☐ Yes ☒ No

Unit: RMB

	2019	2018	Increasing or decreasing compared with the previous year	2017
Operating revenue	23,915,823,147.04	22,499,664,452.56	6.29%	9,636,635,646.34
Net profits attributable to shareholders of the parent company	1,894,179,510.15	-679,896,383.51	378.60%	1,682,500,604.11
Net profits attributable to shareholders of the parent company after deducting non-recurring gains and losses	906,772,872.82	-3,850,682.35	23,648.37%	1,608,390,437.03
Net cash flow from operating activities	2,997,104,502.13	1,532,292,457.49	95.60%	881,338,214.48
Basic earnings per share (RMB/share)	0.28	-0.10	380.00%	0.38

Diluted earnings per share (RMB/share)	0.27	-0.10	370.00%	0.38
Weighted average return on equity	17.49%	-6.90%	24.39%	51.09%
	At the end of 2019	At the end of 2018	Increasing or decreasing at the end of this year compared with the previous year	At the end of 2017
Total assets	27,317,778,001.39	22,122,169,181.25	23.49%	9,658,203,589.33
Net assets attributable to shareholders of the parent company	11,619,265,299.73	9,848,983,374.45	17.97%	4,105,607,029.77

(2) Major accounting data by quarter

Unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	4,642,375,376.42	4,953,878,203.31	6,666,334,606.17	7,653,234,961.14
Net profits attributable to shareholders of the parent company	602,046,496.11	512,262,587.28	985,009,922.54	-205,139,495.78
Net profits attributable to shareholders of the parent company after deducting non-recurring gains and losses	225,372,458.40	216,276,848.67	397,032,725.70	68,090,840.05
Net cash flow from operating activities	1,442,771,795.95	-88,382,083.61	660,658,308.50	982,056,481.29

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

☐ Yes ☒ No

4. Share Capital and Shareholders

(1) Number of common stockholders and preferred stockholders with voting rights restored and the shareholding conditions of the top 10 shareholders

Unit: Share

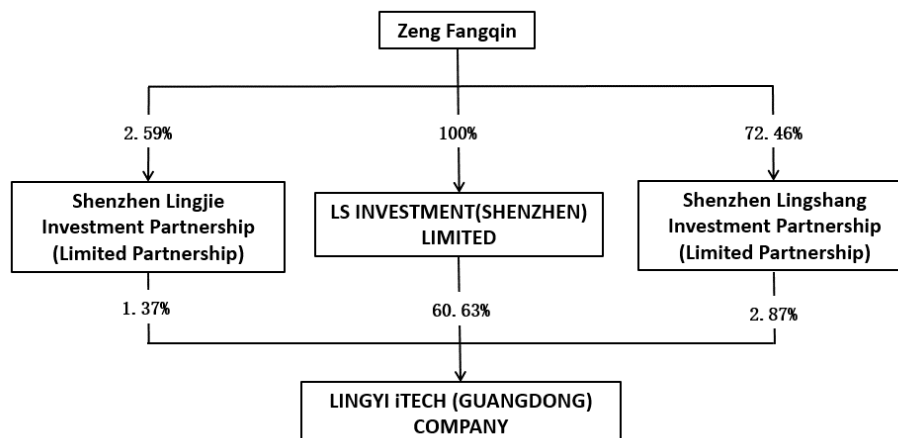
Total number of common shareholders at the end of the reporting period	171,070	Total number of common shareholders at the end of the month before the disclosure of the annual report	227,842	Total number of preferred shareholders with voting rights restored at the end of the reporting period	0	Total number of preferred shareholders whose voting rights were restored at the end of the month before the disclosure of the annual report	0
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Shareholdings of the Top 10 Shareholders						
Shareholder name	Shareholder nature	Shareholder ratio	Number of shareholder held	Number of shares held with limited sales conditions	Pledged or frozen	
					Statues of Shares	Amount
LS INVESTMENT (SHENZHEN) LIMITED	Domestic non-state legal person	60.63%	4,139,524,021	4,139,524,021	Pledged	458,740,000
Wang Nandong	Domestic nature person	4.94%	337,553,650	326,050,800	Frozen	337,553,650
Shenzhen Lingshang Investment Partnership (Limited Partnership)	Domestic non-state legal person	2.87%	196,103,812	196,103,812		
Cao Yun	Domestic nature person	2.22%	151,899,334	151,428,571	Pledged	151,428,571
Shenzhen Lingjie Investment Partnership (Limited Partnership)	Domestic non-state legal person	1.37%	93,859,344	93,859,344		
Hong Kong Securities Clearing Company Limited	Overseas legal person	1.10%	74,791,158	0		
Chen Guoshi	Domestic nature person	1.08%	73,848,768	73,848,768		
China Merchants Bank Co., Ltd.-Xingquan Heyi mixed securities investment fund with flexible allocation	Others	0.91%	61,787,406	0		
National Social Security Fund Portfolio 101	Others	0.69%	47,239,480	0		
China Merchants Bank Co., Ltd.-Xingquan Hetai mixed securities investment fund	Others	0.65%	44,410,577	0		
Description of the above-mentioned shareholder association or concerted action		Zeng Fangqin is the actual controller of LS INVESTMENT (SHENZHEN) LIMITED and has significant influence on Shenzhen Lingshang Investment Partnership (Limited Partnership) and Shenzhen Lingjie Investment Partnership (Limited Partnership). LS INVESTMENT (SHENZHEN) LIMITED, Shenzhen Lingshang Investment Partnership (Limited Partnership) and Shenzhen Lingjie Investment Partnership (Limited Partnership) constitute a concerted action relationship. There is no association between Wang Nandong, Cao Yun, and Chen Guoshi. Save for the above, it is not aware that any other above-mentioned shareholders are persons acting in concert. It is also not aware that any other above-mentioned shareholders have association with each other.				
Shareholders involving margin business (if		N/A				

applicable)

(2) The total number of preferred shareholders and the top 10 preferred shareholders' shareholdings of the Company□ Applicable ☒ N/A

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

(3) The property rights and controlling interest between the Company and the actual controller are disclosed in block diagram below**5. Corporate Bond**

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

No

III. Discussion and Analysis of Business Operation**1. Overview of Business Operation during the Reporting Period**

During the reporting period, the Company achieved the operating revenue of RMB 23,915.82 million in business, an increase of 6.29% comparing with the same period of previous year; the total profit is RMB 2,201.51 million, an increase of 448.09% comparing with the same period of previous year; the net profits attributable to shareholders of the parent company is RMB 1,894.18 million, an increase of 378.60% comparing with the same period of previous year. Among which, Lingyi Technology (Shenzhen) Co.,Ltd and its subsidiaries achieved the net profit attributable to the owner of the parent company in an amount of RMB 2,463.52 million, an increase of 23.45% comparing with the same period of previous year; after deducting the non-recurring gains and losses, the net profit attributable to the owner of the parent company is in an amount of RMB 2,412.01 million, with the amount of RMB 551.06 million more than the year 2019 performance commitment RMB 1,860.95 million under the valuation adjustment mechanism (VAM) originally made at the completion of reverse IPO. The year 2019 performance commitment completion rate therefore is 129.61%.

LY ITECH transforms the world's most advanced technology into the driving force of China's intelligent manufacturing. It utilizes artificial intelligence, robot R&D, automated production into a whole industrial solutions, combining various types of self-developed multi-functional numerical control, automation equipment to build an internationally advanced and domestically leading intelligent production plant, resulting in a technical equipped efficient and modern smart factory. The

Company realizes a real-time monitoring of the operating status of the production equipment through MES (Manufacturing Execution System) and QMS (Quality Management System), with automatic fault alarm and diagnosis, analysis functions, and achieves product manufacturing intelligence.

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

☐ Yes ☒ No

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

☒ Applicable ☐ N/A

Unit: RMB

Name of Product	Operating Revenue	Operating Profit	Gross Profit Margin	Changes in Operating Revenue	Changes in Operating Profit	Changes in Gross Profit Margin
Precision functional and structural parts	16,931,950,598.63	4,440,471,598.37	26.23%	17.94%	19.10%	0.26%
Display and touch panel	3,981,691,064.90	525,493,489.53	13.20%	-16.81%	-6.23%	1.49%

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

☐ Yes ☒ No

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

☒ Applicable ☐ N/A

In 2019, the Company achieved an operating revenue of RMB 23,915.82 million, an increase of 6.29% over the same period of previous year. In 2019, the Company ceased business in commodities trading and its associated logistics. Excluding the impact on the revenue of commodity trading logistics, the current period operating revenue increased by 16.15% compared with the previous period.

In 2019, the Company generates the net profit in an amount of RMB 1,998.43 million from the manufacturing business, an increase of 23.00% compared with the previous period's amount of RMB 1,624.72 million. Affected by the following factors, the Company's net profit attributable to the shareholders of the listed company is in an amount of RMB 1,894.18 million, 378.60%'s increase compared with the same period of previous year's net profit in an amount of RMB -679.90 million. The details are as follows:

1. The subsidiary SHENZHEN DONGFANG LIANGCAI PRECISION TECHNOLOGY CO., LTD. (hereinafter referred to as "DFLC") was failed in meet with its performance commitment for year 2017. Certain shares of the Company that should have been compensated by the original shareholders of DFLC are still under pledge and the redemption of the aforesaid shares has not been completed ("Redemption Shares"). The Company booked the Redemption Shares in the "Transactional financial assets" according to the accounting standards, and the changes in its fair value into the "Gains arising from changes in fair value". During the reporting period, the amount as booked in the "Gains arising from changes in fair value" was RMB 954.55 million, as a result of stock price rising. In the same period of year 2018, the Company's stock

price fell, resulting the amount of RMB -735.60 million;

2. On the balance sheet date, the Company performed goodwill impairment assessment, and the provision for impairment of goodwill was RMB 662.43 million;

3. The Company plans to dispose all the equity of its subsidiary Shenzhen DJN Optronics Technology Co., LTD. and its subsidiaries (excluding the equity of Salcomp Plc and its subsidiaries) and the equity of Guangdong JP Hi-tech Industrial Park co., Ltd. in order to adjust the industrial structures and focus on the industries with the most development potential. In the process of divestiture, the total loss such as the difference between the selling price of fixed assets and its net assets is about RMB 354.71 million (this amount does not include the provision for impairment of goodwill);

4. In current period, the disposal of subsidiaries Jiangmen Jpmf Electrical Co., Ltd., Guangdong Zhong'an Holding Co., Ltd. and its subsidiaries, Shenzhen City Heli Electronics Co.,Ltd., Foshan Shunde Jiangfen Baling Magnetic Material Co., Ltd. generated a total investment loss of RMB 41.66 million.

6. Conditions of suspension and termination of listing

☐ Applicable ☒ N/A

7. Matters related to financial statements

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

☒ Applicable ☐ N/A

The Ministry of Finance revised sets of standards for financial instruments including "Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments" (Cai Kuai [2017] No. 7), "Accounting Standards for Business Enterprises No. 23—Transfer of Financial Assets" (Cai Kuai [2017] No. 8) and "Accounting Standards for Business Enterprises No. 24—Hedge Accounting" (Cai Kuai [2017] No. 9) and "Accounting Standards for Business Enterprises No. 37—Presentation of Financial Instruments" (Cai Kuai [2017] No. 14) in 2017. Companies should classify and measure financial assets in accordance with the Standards.

According to the requirements of the above standards, the Company reclassifies the original "Financial assets measured at fair value and whose changes are included in current profits and losses" into "Transactional financial assets" and "Available-for-sale financial assets" into "Other equity instruments investment".

2. According to the "Notice of the Ministry of Finance on the Revision and Issuance of the Format of 2019 General Enterprise Financial Statements" (Cai Kuai [2019] No. 6) issued by the Ministry of Finance on April 30, 2019, the Company adjusted the presentation of financial statements and the comparative data in the comparable periods.

(1) On the Balance Sheet, the original "Notes Receivable and Accounts Receivable" item is separated into "Accounts Receivable" and "Notes Receivable".

(2) On the Balance Sheet, the original "Notes payable and Accounts payable" item is separated into "Notes payable" and "Accounts payable".

(3) On the Income Statement, the items of "Impairment losses of assets" and "Impairment losses of creditability" are moved to the position after "Gains from changes in fair value".

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

☐ Applicable ☒ N/A

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

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

☒ Applicable ☐ N/A

The Company established subsidiaries of LY Precision Technology (Suzhou) Co.,Ltd, Leading Technology(Dongtai) Co.,Ltd., LingYi iTech Investment(HK) Limited, Salcomp Technologies India Private Limited.

The Company acquired following subsidiaries through equity acquisition: Salcomp Plc and its subsidiaries, LITE-ON MOBILE INDIA PRIVATE LIMITED, Mianyang Weiqi Electornics Technology Co.,Ltd., Mian Yang Wei Lian Technology Co.,Ltd., Chengdu Weilian Technology Co., Ltd.

During the reporting period, the Company transferred all the equity of Jiangmen Jpmf Electrical Co., Ltd., Guangdong Zhong'an Holding Co., Ltd. and its subsidiaries, Shenzhen City Heli Electronics Co.,Ltd. and Foshan Shunde Jiangfen Baling Magnetic Material Co., Ltd.

In addition, LS Technology (SuZhou) Co.,Ltd., Dongtai Fuyanxin Hardware products Co.,LTD., Shenzhen Lingyi nano intelligent manufacturing Co., Ltd. and Shenzhen Qianhai Qiangui Internet Financial Services Co., Ltd were cancelled during the reporting period.