

**PANDA** Electronics

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Nanjing Panda Electronics Company Limited

**2020**  
**Annual**  
**Report**

(H Share Stock Code: 0 5 5 3)

(A Share Stock Code: 600775)

# Contents

SECTION I	DEFINITIONS . . . . .	2
SECTION II	COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS. . . . .	5
SECTION III	AN OVERVIEW OF COMPANY'S BUSINESS . . . . .	11
SECTION IV	DISCUSSION AND ANALYSIS OF THE OPERATION . . . . .	15
SECTION V	SIGNIFICANT EVENTS . . . . .	52
SECTION VI	CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS. . . . .	87
SECTION VII	PROFILES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF. . . . .	98
SECTION VIII	CORPORATE GOVERNANCE. . . . .	114
SECTION IX	FINANCIAL REPORT. . . . .	133
SECTION X	DOCUMENTS AVAILABLE FOR INSPECTION. . . . .	360

## IMPORTANT NOTICE

1. The board of directors (the "Board"), the supervisory committee and the directors, supervisors and senior management of the Company confirm that the information contained in this annual report is true, accurate and complete without any misrepresentation, misleading statements, or material omissions, and severally and jointly accept legal responsibility for the contents herein.
2. All directors of the Company attended the eighteenth meeting of the ninth session of the Board of the Company held on 26 March 2021.
3. BDO China Shu Lun Pan Certified Public Accountants LLP issued an unqualified auditors' report for the Company. The Company's financial statements for the year were prepared in accordance with the PRC Accounting Standards for Business Enterprises, and complied with the Hong Kong Companies Ordinance and the disclosure requirements of the Hong Kong Stock Exchange Listing Rules.
4. Mr. Xia Dechuan, the Company representative, Mr. Hu Dali, the chief accountant, and Ms. Liu Xianfang, the accounting supervisor (person in charge of accounting matters) of the Company, declared that they confirmed the truthfulness, accuracy and completeness of the financial report contained in this annual report.
5. Proposal for profit distribution or capitalization of capital reserves of the Company for the reporting period as considered by the Board: to distribute a cash dividend of RMB0.26 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2020, with the total cash dividend to be distributed amounting to RMB23,759,801.75, and the balance to be carried forward to next year. The Company would not make any capitalization of capital reserve.
6. Forward looking statements, including future plans and development strategies, contained in this annual report do not constitute a substantive commitment to investors by the Company. Investors are advised to pay attention to investment risks.
7. Neither the Company's controlling shareholder nor any of its related parties have misappropriated the Company's funds for non-operating purposes.
8. The Company did not provide external guarantees in violation of any specified decision-making procedures.
9. The situation where the majority of the directors cannot warrant the authenticity, accuracy and completeness of the information contained in the annual report does not exist.
10. Major risk warning: The Company has elaborated the potential risks in this annual report. For their details and the corresponding countermeasures, please refer to the paragraph headed "Potential Risks" under Section IV "Discussion and Analysis of the Operation" in this annual report.

# Definitions

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## I. Definitions

Unless the context otherwise requires, the following terms should have the following meanings in this report:

### Definitions of frequently-used terms

Company/Nanjing Panda	Nanjing Panda Electronics Company Limited (南京熊猫电子股份有限公司)
Group	Nanjing Panda Electronics Company Limited and its subsidiaries
PEGL	Panda Electronics Group Limited (熊猫电子集团有限公司)
PEGL Group	Panda Electronics Group Limited and its subsidiaries
NEIC	Nanjing Electronics Information Industrial Corporation (南京中电熊猫信息产业集团有限公司)
NEIC Group	Nanjing Electronics Information Industrial Corporation and its subsidiaries
CEC	China Electronics Corporation (中国电子信息产业集团有限公司)
CEC Group	China Electronics Corporation and its subsidiaries
Financial Company	China Electronics Financial Co., Ltd. (中国电子财务有限责任公司)
CEC Home Appliances	Nanjing CEC-Panda Home Appliances Co., Ltd. (南京中电熊猫家电有限公司)
ENC	Nanjing Ericsson Panda Communication Co., Ltd. (南京爱立信熊猫通信有限公司)
Shenzhen Jinghua	Shenzhen Jinghua Electronics Co., Ltd. (深圳市京华电子股份有限公司)
Electronics Equipment Company	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫电子装备有限公司)
Information Industry Company	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息产业有限公司)

## Definitions (Continued)

Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫电子製造有限公司)
Communications Technology Company	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司)
Technology Development Company	Nanjing Panda Electronic Technology Development Company Limited (南京熊猫电子科技發展有限公司)
Network Energy Company	an internal unincorporated entity under Nanjing Panda Electronics Company Limited
Huage Plastic	Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (南京華格電汽塑業有限公司)
China Huarong	China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)
the Ministry of Finance	the Ministry of Finance of the People's Republic of China
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
CSRC Jiangsu Bureau	Jiangsu Securities Regulatory Bureau of China Securities Regulatory Commission
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Nanjing Panda Electronics Company Limited
AFC	Auto Fare Collection
ACC	AFC Clearing Center
NCC	Network Control Center
EMS	Electronic Manufacturing Services

## Definitions (Continued)

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ODM	Original Design Manufacturer
MES system	Manufacturing Execution System, a management system of information based production aiming at execution on plant floors of manufacturers
LTE/Tetra	LTE: Long Term Evolution, the standard for 4G wireless broadband technology  Tetra: Terrestrial Trunked Radio
ERP	Enterprise Resource Planning, providing a management platform of decision-making operation solutions for enterprise management team and employees with systematic management idea on the basis of the information technology
SAP-ERP	SAP (System Applications and Products), a software company in Germany; SAP-ERP, generally referring to the ERP products under SAP

# Company Profile and Major Financial Indicators

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## I. Company Information

Chinese name of the Company	南京熊猫电子股份有限公司
Abbreviation of the Chinese name	南京熊猫
English name of the Company	Nanjing Panda Electronics Company Limited
Abbreviation of the English name	NPEC
Legal representative of the Company	Xia Dechuan (Executive Director and General Manager)

## II. Contact Persons and Contact Information

	<b>Secretary to the Board</b>	<b>Securities Affairs Representative</b>
Name	Wang Dongdong	Wang Dongdong
Correspondence address	7 Jingtian Road, Nanjing, the People's Republic of China	7 Jingtian Road, Nanjing, the People's Republic of China
Telephone	(86 25) 84801144	(86 25) 84801144
Facsimile	(86 25) 84820729	(86 25) 84820729
Email	dms@panda.cn	dms@panda.cn

## III. Basic Information

Registered address	Room 1701, 301 Zhongshan East Road, Xuanwu District, Nanjing, Jiangsu Province, the People's Republic of China
Postal code of the registered address	210002
Office address	7 Jingtian Road, Nanjing, the People's Republic of China
Postal code of the office address	210033
Website of the Company	<a href="http://www.panda.cn">http://www.panda.cn</a>
Email	dms@panda.cn

## Company Profile and Major Financial Indicators (Continued)

### IV. Places for Information Disclosure and Inspection

Designated media for information disclosure	Shanghai Securities News, China Securities Journal
International websites for the publication of the Company's annual report and information disclosure	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>
Place for inspection of the Company's annual report	Office of the Secretary to the Board, 7 Jingtian Road, Nanjing, the People's Republic of China

### V. Information of the Company's Shares

#### Overview of the Company's shares

Class of shares	Stock exchange on which the shares are listed	Stock abbreviation	Stock code	Stock abbreviation before change
A shares	Shanghai Stock Exchange	Nanjing Panda	600775	N/A
H shares	Hong Kong Stock Exchange	Nanjing Panda	00553	N/A

### VI. Other Relevant Information

Domestic auditors of the Company	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
	Office address	19/F, Block A, China Overseas International Center, Building No. 7, Court No. 5, An Ding Road, Chaoyang District, Beijing, the PRC
	Name of signing accountants	Xu Peimei, Gu Xin
Overseas auditors of the Company	Name	N/A
	Office address	N/A
	Name of signing accountants	N/A
Long-term domestic legal advisers	Name	Grandall Law Firm (Nanjing)
	Office address	7th-8th Floor, Building B, No.309 Hanzhong Gate Avenue, Nanjing
Long-term overseas legal advisers	Name	Philip K. H. Wong, Kennedy Y. H. Wong & Co., Solicitors
	Office address	23rd Floor, Admiralty Centre Tower II, 18 Harcourt Road, Queensway, Hong Kong

## Company Profile and Major Financial Indicators (Continued)

### VI. Other Relevant Information (Continued)

Share Registrars and Transfer Office (A shares)	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, the PRC
Share Registrars and Transfer Office (H shares)	Name	Hong Kong Registrars Limited
	Office address	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principle Bankers		Bank of Communications, Shanghai Pudong Development Bank, China Merchants Bank, Ping An Bank

### VII. Major accounting data and financial indicators (prepared in accordance with the PRC Accounting Standards of Business Enterprises)

#### (I) Principle accounting data

Unit: Yuan Currency: RMB

Principle accounting data	2020	2019	Year-on-year increase/decrease (%)	2018	2017	2016
Operating income	<b>3,952,265,022.15</b>	4,660,047,001.92	-15.19	4,500,505,653.14	4,191,928,908.95	3,702,763,356.54
Net profit attributable to shareholders of the Company	<b>77,318,175.74</b>	52,657,894.58	46.83	161,959,568.48	107,382,077.64	119,240,512.92
Net profit attributable to shareholders of the Company after extraordinary items	<b>18,254,992.01</b>	25,447,136.36	-28.26	113,580,264.77	72,409,859.11	40,497,347.32
Net cash flow from operating activities	<b>534,653,617.28</b>	-341,233,848.13	N/A	45,563,017.57	157,549,565.01	53,146,796.65

	As of the end of 2020	As of the end of 2019	year-on-year increase/decrease (%)	As of the end of 2018	As of the end of 2017	As of the end of 2016
Net assets attributable to shareholders of the Company	<b>3,509,430,717.97</b>	3,448,072,752.25	1.78	3,468,424,299.40	3,363,593,136.77	3,320,270,553.39
Total assets	<b>6,001,947,699.44</b>	6,020,147,479.47	-0.30	6,184,619,023.98	5,665,503,486.59	5,239,976,417.98



## Company Profile and Major Financial Indicators (Continued)

### VII. Major accounting data and financial indicators (prepared in accordance with the PRC Accounting Standards of Business Enterprises) (Continued)

#### (II) Key financial indicators

Key financial indicators	2020	2019	Year-on-year increase/decrease (%)	2018	2017	2016
Basic earnings per share (RMB/share)	<b>0.0846</b>	0.0576	-67.49	0.1772	0.1175	0.1305
Diluted earnings per share (RMB/share)	<b>0.0846</b>	0.0576	-67.49	0.1772	0.1175	0.1305
Basic earnings per share after extraordinary items (RMB/share)	<b>0.0200</b>	0.0278	-77.63	0.1243	0.0792	0.0443
Weighted average return on net assets (%)	<b>2.22</b>	1.49	Increased by 0.73 percentage point	4.73	3.20	3.67
Weighted average return on net assets after extraordinary items (%)	<b>0.52</b>	0.72	Decreased by 0.20 percentage point	3.32	2.17	1.25

Explanations on major accounting data and financial indicators as at the end of the Reporting Period:

The increase in net profit attributable to shareholders of the Company as compared to the same period of the previous year was mainly due to the increase in extraordinary profit and loss as a result of the deduction of part of social insurance due to the COVID-19 pandemic for the period. The decrease in the net profit attributable to shareholders of the Company after deducting extraordinary profit and loss as compared to the same period of the previous year was mainly due to the decrease in revenue from smart manufacturing business and the further decline in its benefits of the Company for the period as a result of the impact of the COVID-19 pandemic and the adjustments of business structure.

### VIII. Differences between accounting data prepared under overseas and domestic accounting standards

- (I) Differences in the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed under the International Accounting Standards and the PRC GAAP: N/A
- (II) Difference in the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed under the foreign accounting standards and the PRC GAAP: N/A
- (III) Explanations on differences under the foreign and domestic accounting standards: N/A

## Company Profile and Major Financial Indicators (Continued)

### IX. Major quarterly accounting data in 2020

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating Revenue	710,912,672.84	1,003,242,341.52	1,050,856,587.79	1,187,253,420.00
Net profit attributable to shareholders of the Company	-40,709,426.01	53,392,580.92	10,821,625.29	53,813,395.54
Net profit attributable to shareholders of the Company after extraordinary items	-48,805,178.21	49,733,796.87	8,802,433.30	8,523,940.05
Net cash flows from operating activities	58,601,652.23	29,676,653.05	165,401,875.41	280,973,436.59

Explanation on difference between quarterly data and data disclosed in regular reports: N/A

### X. Extraordinary items and amounts

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2020	Amount for 2019	Amount for 2018
Gains and losses from disposal of non-current assets	<b>-8,251.55</b>	54,505.88	-1,065,209.62
Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) included in gains and losses for the period	<b>10,525,947.19</b>	19,562,047.54	3,090,100.00
Investment income arising from gain or loss resulted from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except those arising from the effective hedging activities related to the Company's normal operation.	<b>8,927,949.79</b>	15,854,818.29	16,213,159.50

## Company Profile and Major Financial Indicators (Continued)

### X. Extraordinary items and amounts (Continued)

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2020	Amount for 2019	Amount for 2018
Reversal of impairment provision for receivables and contract assets subject to individual impairment test	<b>6,421,843.06</b>	3,235,791.21	5,298,868.58
Other non-operating income and expenses other than the aforesaid items	<b>11,564,203.24</b>	958,279.17	28,603,080.39
Other items of gain or loss in accordance with the definition of extraordinary profit and loss	<b>36,793,614.66</b>		
Affected minority interests	<b>-2,496,168.98</b>	-4,243,897.11	-613,214.04
Affected income tax amount	<b>-12,665,953.68</b>	-8,210,786.76	-3,147,481.10
Total	<b>59,063,183.73</b>	27,210,758.22	48,379,303.71

Note: The decrease in government grants included into the current profit and loss, except for those closely related to the ordinary operation of the Company and received constantly at a fixed amount or quantity according to certain standard based on state policies was mainly due to the decrease in government grants recognized in the period; the decrease in Investment income arising from gain or loss resulted from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except those arising from the effective hedging activities related to the Company's normal operation was mainly due to the year-on-year decrease in the investment income from wealth management products of banks; the increase in other non-operating income and expenses other than the aforesaid items was mainly due to the tax refund received from the tax bureau during the period; other items of gain or loss in accordance with the definition of extraordinary profit and loss was mainly due to the deduction and exemption of part of social insurance because of the COVID-19 pandemic.

### XI. Items measured at fair value

Unit: Yuan Currency: RMB

Names	Opening balance	Closing balance	Changes in current period	Amounts that affect the profit of the current period
Financing receivables	347,259,336.87	<b>144,969,078.62</b>	-202,290,258.25	
Financial assets held for trading	300,469,826.49	<b>501,356,576.18</b>	200,886,749.69	886,749.69
Other investments in equity instruments	4,035,539.29	<b>4,074,939.80</b>	39,400.51	
Total	651,764,702.65	<b>650,400,594.60</b>	-1,364,108.05	886,749.69

Note: The decrease in financing receivables was mainly due to the decrease in notes receivable measured at fair value and whose changes are included in other comprehensive income; the increase in financial assets held for trading was mainly due to the increase in undue wealth management products of banks at the end of the period.

# An Overview of Company's Business

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## I. Information on principal activities, operating model and industry overview during the Reporting Period

### (I) Principal activities

The Company takes smart city, intelligent manufacturing and electronic manufacturing services as its three main businesses. In the field of smart city, the Company develops business including smart transportation and safe city by using technologies such as big data, cloud computing, artificial intelligence and 5G; in the field of intelligent manufacturing, it committed to providing core equipment of intelligent manufacturing and overall solutions proposals based on industrial internet, providing overall planning for enterprises to achieve industrial automation transformation, reshaping the core competitiveness of manufacturing enterprises and achieving sustainable innovation and growth; in the field of electronic manufacturing services, it provides research and development and electronic manufacturing service for 3C, new display module components, white electricity man-machine interaction display and control assembly, automotive electronics and communication equipment and other electronic products for domestic and overseas brand manufacturers through smart, flexible and lean management.

### (II) Operating model

Guided by market and customers demands, the Company enhances its core competitiveness through innovation on technological research and development innovation, business model innovation, incentive model innovation and talent training model innovation, and consolidates its development foundation by overall lean management to build a new pattern of innovation and development.

The Company deployed business areas related to smart city, intelligent manufacturing and electronic manufacturing services, organized research, development and production based on market and customer demands, and finally realized the delivery of an overall solution for core equipment products and system as well as system engineering projects. Through providing integrated services to customer, the Company continuously strengthens the depth and breadth of cooperation with customers, creates more value for them and ultimately achieves development for both the Company and customers.

### (III) Industry overview

In 2020, the added value of electronic information manufacturing industries above designated size increased by 7.7% year-on-year, and growth rate dropped by 1.6 percentage points compared to last year. Operating revenue of electronic information manufacturing industries above designated size increased by 8.3% year-on-year, representing an increase of 3.8 percentage points on its growth rate compared to last year. Total profit increased by 17.2% year-on-year, representing an increase of 14.1 percentage points on its growth rate compared to last year. The profit margin of operating revenue was 4.89% and the operating costs increased by 8.1% year-on-year.

# An Overview of Company's Business (Continued)

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## I. Information on principal activities, operating model and industry overview during the Reporting Period (Continued)

### (III) Industry overview (Continued)

The concept of new infrastructure has been deepening and refining continuously since 2020, mainly including seven major areas of 5G, big data centre, artificial intelligence, industrial internet, ultra-high voltage, new energy vehicle charging piles and urban rail transit, which significantly promoted the rapid development of smart city, intelligent manufacturing and electronic manufacturing services. The 2020 Government Work Report of the State Council proposed to focus on supporting the construction of new infrastructure.

Smart city is gradually moving towards a stage of high-quality construction and development, and is playing an important role in application scenarios such as smart transportation, smart governance, smart livelihood and smart applications. Among them, in respect of urban rail transit, in 2020, 39 urban rail transit lines were newly added, with an additional operational mileage of 1,240.3 km, representing an increase of 20.1% compared to last year. As at 31 December 2020, 233 urban rail transit lines have been opened and operated in 44 cities in China (excluding Hong Kong, Macao and Taiwan), with an operational mileage of 7,545.5 km, 4,660 stations, 25.28 million trains operated and passenger capacities reached 17.59 billion. Urban rail transit has become an important application vehicle for smart transportation.

Intelligent manufacturing engineering has become an important aspect for China to build itself as a strong manufacturing state, and intelligent manufacturing equipment industry system has also formed its initial shape. In 2020, the total amount of investment and financing on the intelligent manufacturing industry of our country amounted to USD25,261 million, representing a significant increase as compared with that of 2019. Meanwhile, the 2020 Government Work Report clearly pointed out that it is necessary to promote the upgrading of the manufacturing industry and the development of newly emerging industries, which includes the development of the industrial internet and the promotion of intelligent manufacturing, and the industrial internet will be fully integrated with 5G technology in the future, becoming an important application scenario in the 5G era.

With the continuous enhancement of the overall competitiveness of the electronic information manufacturing industry in China, and under the influence of the strategic objectives of improving quality and efficiency and sustainable development, many brand owners are focusing more on branding as well as research and development, and the mode of entrusting EMS companies with the processing and manufacturing of products is becoming prevalent. Professional electronics manufacturing service enterprises have continuously improved their process, efficiency, quality and supply chain services in face of the market demand for the electronic product manufacturing industry, which had a profound impact on the adjustment of the electronic information industry, the layout of the supply chain and the management of the value chain. After years of development, a relatively stable division of labour and cooperation has been formed between brand owners and EMS companies. The upstream and downstream supporting industry chains for consumer electronics, communications equipment, computers and network equipment have become mature, and professional electronics manufacturers have become core participants in the electronic information industry chain.

# An Overview of Company's Business (Continued)

## II. Explanation on substantial changes of major assets of the Company during the Reporting Period

As at 31 December 2020, total assets of the Company was RMB6,001,947,700, total liabilities of the Company was RMB2,255,567,600 and asset-liability ratio of the Company was 37.58%. Compared with those of 31 December 2019, total assets represent a decreased of 0.3%, asset-liability ratio decreased by 1.15 percentage points. The total assets declined slightly, of which the overseas assets amounted to RMB122,376,700, representing 2.04% of total assets. Moreover, for the details of the changes in major assets items of the Company, please refer to the Section IV "Analysis of assets and liabilities" in this report. Save as the aforesaid, there were no substantial changes in major assets of the Company.

## III. Analysis of core competitiveness during the Reporting Period

1. Guided by market demand and customer-oriented, the Company optimizes industrial structure, promotes technological innovation and strives to enhance the core competitiveness of the enterprise, laying the foundation for the high-quality and sustainable development of the Company. Adhering to the strategic principle of independent innovation-driven industrial development, the Company set up an industrial technology research office at the Company's headquarters in 2020, which strengthened industrial planning and structural adjustment; the Company enhanced the construction of the scientific research management system and the incentive system for scientific research personnel, forming a scientific research management and guarantee mechanism where the Company's headquarters and subsidiaries connect with and supplement each other, so as to ensure that the scientific and technological resources are concentrated towards the core industry. The Company further increased the investment in scientific research, cultivated and improved the independent innovation capabilities of scientific research institutions at all levels, deployed and coordinated the scientific research strength across the Company to build a collaborative innovation platform, strive for breakthroughs in key common technologies and thus improve the core competitiveness of the Company. The Company now has nearly 700 R&D personnel and seven provincial-level R&D centers, which have closely integrated with the current industrial development direction of the Company and have strong ability of digestion, absorption and re-innovation. While satisfying the development of the industry, it actively tracks the cutting-edge technologies in the industry and conducts technical pre-research and prediction.

The Company further established and improved the mechanism and system of technological innovation, and stimulated the vitality of innovation and creativity of the enterprise. Following the market development trend closely, the Company strived to enhance the ability of independent innovation and integrated innovation, and increased the investment in science and technology, with the investment in science and technology of RMB249 million in 2020, and the investment ratio in R&D was 6.30%. In 2020, the Company added two research and technology centers at or above municipal-level, namely "Nanjing Industrial Production Line Intelligent Engineering Research Center" established by Electronics Equipment Company with the approval of Nanjing Development and Reform Commission and "Technology Center of Nanjing Panda Information Industry Co. Ltd." identified by Nanjing Municipal Bureau of Industry and Information Technology; two additional postgraduate workstations approved by Jiangsu Education Department were jointly established by Electronics Equipment Company in cooperation with Nanjing Medical University and by Information Industry Company in cooperation with Nanjing University of Aeronautics and Astronautics, respectively. At present, the Company has 8 platforms (engineering technology research centers and engineering research centers) of scientific and technological institutions above the municipal level, 4 enterprise technology centers and 4 postgraduate workstations in Jiangsu Province, laying a sound foundation for attracting, retaining and cultivating talents.

# An Overview of Company's Business (Continued)

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## III. Analysis of core competitiveness during the Reporting Period (Continued)

In 2020, eight scientific and technological achievements of the Company won the Science and Technology Awards of provincial and municipal governments, industry associations and CEC, including three Jiangsu Provincial Science and Technology Awards, which were the first, second and third prize, respectively; "Key Technologies and Applications of Ultra-high Temporal-spatial Resolution Cognitive Display" won the first prize of Jiangsu Provincial Science and Technology Award, and also won the best innovation award from Jiangsu Internet Association (江蘇省互聯網協會). A total of 13 projects passed the technical accreditation above the corporate-level, the project of "LTE IPH Passenger Emergency Call Equipment for Urban Rail Transit" was evaluated as an international advanced level by China Electronic Science and Technology Commission, which enhanced the core competitiveness of the Company and provided strong momentum for the high-quality development of the Company.

2. The Company made new progress in brand promotion and further increased its brand awareness and influence. Information Industry Company with Panda Rail Transit AFC/ACC system and equipment as its main business was recognized as a "Small Giant" enterprise (manufacturing category) in Jiangsu Province in 2020; Panda Ticket Checker was recognized as a product of "Specialty, Excellency, Uniqueness and Innovation" in Jiangsu Province in 2020. The Company signed a partnership agreement with Nanjing Mobile and Nanjing Metro for the metro 5G industry chain, gave full play to their respective innovation advantages in business scenarios in the field of 5G to cooperate in cultivating and facilitating the 5G industry chain and contributing to the development of the industry. The Company signed a strategic cooperation agreement with Jiangsu Tieta (江蘇鐵塔) to jointly promote the application of technology innovation in various information infrastructure construction business areas. The Company participated in Nanjing's "Four New" action plan to integrate into the 5G industry chain and contribute to the "New Infrastructure" with the power of Panda.
3. The Company has made rapid breakthroughs in the application and use of intellectual property rights, and the patent pool for intelligent manufacturing and smart cities has been expanding and improving. In 2020, the Company applied for 85 accepted patents, including 43 accepted invention patents, with the proportion of invention patent applications being about 50%; 74 authorized patents, including 18 authorized invention patents, with the proportion of authorized invention patents being about 30%; and 36 software copyrights. In 2020, the Company applied for 7 registered trademarks. By the end of 2020, the Company owned 171 valid invention patents and 348 software copyrights. In recent years, the Company has participated in and undertaken 8 national and industry standards formulation tasks. The Company vigorously promoted the intellectual property strategy and brand strategy, eliminated "low-value" patents and "dormant" patents, increased the proportion of basic patents and core patents, and placed equal emphasis on the quantity and quality of intellectual property rights, thus won more development initiatives for the Company.
4. The Company attached great importance to the quality of products, always adhered to the concept of quality for survival, firmly established the awareness of quality first. The Company has ISO9001 quality management system, ISO14001 environmental management system and ISO45001 occupational health and safety management system certification, and continues to promote and improve.

# Discussion and Analysis of the Operation

## I. Discussion and analysis of the operation

In 2020, the Company continued to seek for progress while maintaining stability, insisted on high-quality development, focused on pandemic prevention and control on the one hand and the production and operation on the other. Guided by problem-oriented and market-oriented, the Company continuously optimized the industrial structure, promoted scientific research and innovation, advanced lean management, strengthened team building and effectively prevented risks, and made every effort to fight against the pandemic for prevention and control, reduce costs and increase efficiency, and defend operation targets.

In accordance with the PRC Accounting Standards for Business Enterprises, the Company recorded operating revenue of RMB3,952,265,000, total profit of RMB151,969,900 and net profit of RMB117,781,200 for the year 2020.

In 2020, the Company won many honors and awards. The Company was rated as an advanced unit of the "Seventh Five-Year Plan" for general legal education in Jiangsu Province; Electronic Manufacture Company won the national-level China Technology Market Association Golden Bridge Award (國家級中國技術市場協會金橋獎), and "Key Technologies and Applications of Ultra-high Temporal-spatial Resolution Cognitive Display" won the first prize of the 2020 Jiangsu Provincial Science and Technology Award; the "Urban Rail Transit LTE IPH Passenger Emergency Call Equipment Project" of Information Industry Company and the "Panda Provincial Emergency Broadcasting Platform Project" of Network Energy Company won the third prize in the 2020 China Electronic Civil Products Science and Technology Award (中國電子民品科技獎); Information Industry Company and Nanjing Panda Electromechanical Instrument Technology Co., Ltd were recognized as Jiangsu provincial "Small Giant" enterprises of "Specialty, Excellency, Uniqueness and Innovation"; Information Industry Company was awarded as a key enterprise in the field of smart transportation in Jiangsu Province, one of the top 100 installation enterprises in Jiangsu Province and a municipal enterprise technology center in Nanjing; Electronics Equipment Company was assessed as an engineering research center for intelligent upgrading of industrial production lines in Nanjing.

In 2020, the Company took initiative to promote the preparation of the "14th Five-Year Plan". The Company analyzed the shortcomings and problems of the "13th Five-Year Plan" and implemented optimization and improvement measures. The Company established the R&D Center of Smart City and the R&D Center of AI; reorganized the organizational structure of Network Energy Company to create a flatter and highly efficient operation system; held more than 20 planning seminars and had in-depth exchanges with many relevant authorities, industry units and research institutes; on the basis of a series of surveys and discussions, the Company reached a consensus on the development of the main industry, positioning, path and measures for the "14th Five-Year Plan". The Company takes modern digital cities, industrial internet and intelligent manufacturing, and service-oriented electronic manufacturing as its core businesses of the "14th Five-Year Plan".

In 2020, the Company continued to deepen its scientific and technological innovation with an annual investment amount of RMB248,868,200 in science and technology, and received RMB10 million in various types of supporting funds throughout the year. The Company mainly completed research on the application of technologies such as 5G, cloud platform, face recognition, mobile payment integration in the field of rail transit, and completed the design and development of the prototype system of the key technology research and application project of AFC system based on the integration of multiple payment methods and successfully put into operation. Eight scientific and technological achievements were awarded by the government, industry associations and CEC, and 85 patents were applied for and 74 patents licensed throughout the year.



# Discussion and Analysis of the Operation (Continued)

## I. Discussion and analysis of the operation (Continued)

In 2020, the Company continued to implement lean management in an all-round way. Through continuous summarization of experience, the Company has formed and optimized a set of comprehensive lean management work methods, assessment and evaluation and selection system, and the awareness of lean management has been deeply rooted in people's hearts, forming a cultural atmosphere of full lean and comprehensive lean. The Company vigorously implemented information management, optimized office procedures and launched SAP-ERP system phase II, and has basically established an information management system with SAP-ERP as the center and multiple systems parallel.

In 2020, the Company strengthened the construction of talent team and improved the incentive and assessment system. The Company revised and improved the management system such as Guidance on Technical Position System Construction (Trial) (《技術崗位體系建設指導意見(試行)》), Regulations on Technical Position Series (《技術職位系列規定》) and Regulations on Management Position Series (《管理職位系列規定》), improved the mechanism of "being able to accept promotion or demotion, and being able to decide whether to stay at or leave" of the mid-level staff, and completed the comprehensive evaluation of the three-year tenure of the mid-level staff at each level of the Company. One Jiangsu Craftsman, one Nanjing Craftsman and one "May Day Innovation Expert" in Jiangsu were newly added. Throughout the year, the Company organized 456 training courses in different forms for 10,856 employees. 132 personnel with titles in various types were newly added throughout the year, and the staff training coverage ratio was 100%. The Company further improved the salary incentive system and assessment and evaluation system, and promoted the success of the pilot project of "bonus for position" of Information Industry Company (a subsidiary of the Company).

In 2020, the Company continued to strengthen its risk control management. The Company organized the revision of the Compilation of Company Rules and Regulations (《公司規章制度匯編》) to improve the risk control and internal control system. The legal review rate of the Company's contracts reached 100%, and the Company fought for legal rights and interests or avoided economic losses of about RMB9.07 million.

In 2020, the Company effectively fulfilled its social responsibilities. It prepared the "Three-Year Action Plan for Special Rectification of Safety Production of the Company", maintained a high degree of vigilance on safety production, strengthened the awareness of safety production among all employees, and implemented safety production responsibilities at all levels. The Company organized 59 safety production inspections, 16 safety emergency drills, and insisted on conducting various safety education and training activities. There were no major or above safety accidents, property losses and personal casualties throughout the year. The Company actively carried out activities such as the provision of assistance for people in difficulties, holiday condolences, special subsidies and love assistance, and issued a total of more than RMB1.6 million in love assistance funds, subsidies for difficulties and golden autumn scholarships throughout the year. The Company was awarded the "Golden Bee 2020 Outstanding CSR Report - Community Responsibility Information Disclosure Award (金蜜蜂2020優秀企業社會責任報告·社區責任信息披露獎)".

In 2020, the Company actively explored the market and achieved industrial upgrading. Firstly, key projects were carried out in an orderly manner: the project acceptance of Chengdu Panda Electronics Manufacturing Project (成都熊貓電子製造項目) was completed and it achieved full production, realizing revenue of nearly RMB500 million for the year; the dormitory building of Panda Electronics Equipment Park (熊貓電子裝備園) was completed and delivered for use. Secondly, the main business went on stable and orderly: the intelligent manufacturing industry completed project identification, enhanced core technology capabilities, and won and signed a number of new projects; the smart city industry innovated new technology application research in the field of rail transit, won new bids for a number of projects in different places, achieving a breakthrough in the business of big data center from nothing; the electronic manufacturing service industry accelerated the transformation from parts to components, and expanded from the field of brown goods to white goods and automotive electronics fields.

## Discussion and Analysis of the Operation (Continued)

### II. Principal operations during the reporting period

In 2020, in response to the complicated situation of significantly increasing risks and challenges in every aspect, the Company accelerated the promotion of industry transformation and upgrade, deepened the implementation of comprehensive lean management, strengthened the quality enhancement, cost deduction and efficiency improvement, focused on building its core competitiveness, advanced the high-quality and sustainable development of the Company.

#### (I) Analysis of principal operations

##### 1. Analysis of changes in related items in the income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Amount for the period	Amount for the same period last year	Change (%)
Operating income	<b>3,952,265,022.15</b>	4,660,047,001.92	-15.19
Operating costs	<b>3,346,686,684.89</b>	3,955,938,472.70	-15.40
Cost of sales	<b>45,876,049.49</b>	54,111,280.14	-15.22
Administrative expenses	<b>257,745,539.77</b>	270,036,371.18	-4.55
R&D expenses	<b>205,817,437.26</b>	239,196,398.72	-13.95
Financial expenses	<b>-5,690,663.20</b>	2,504,014.29	-327.26
Net cash flows from operating activities	<b>534,653,617.28</b>	-341,233,848.13	N/A
Net cash flows from investing activities	<b>-212,816,988.07</b>	-43,461,006.56	N/A
Net cash flows from financing activities	<b>-27,761,914.27</b>	-43,865,208.11	N/A
Gain or loss from fair value changes	<b>886,749.69</b>	469,826.49	88.74
Assets impairment losses	<b>-13,955,982.11</b>	-43,308,217.26	N/A
Gain from the disposal of assets	<b>-50,820.75</b>	383,216.04	-113.26
Non-operating income	<b>12,947,404.25</b>	4,932,373.77	162.50

Note:

Decrease of financial expenses: due to the decrease in exchange losses during the period resulting from changes in RMB exchange rate;

Increase of net cash flows from operating activities: due to cash received from sales of goods during the period;

Decrease of net cash flows from investing activities: due to outstanding bank wealth management products purchased from banks;

Increase of net cash flows from financing activities: due to the decrease in dividends paid on ordinary shares for the period;

Increase of gain or loss from fair value changes: due to the gains on changes in fair value of financial assets for trading for the period;

# Discussion and Analysis of the Operation (Continued)

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## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

1. Analysis of changes in related items in the income statement and cash flow statement (Continued)

*Note: (Continued)*

Decrease of assets impairment losses: mainly due to the provision for impairment in long-term equity investments for the previous period;

Decrease of gain from the disposal of assets: mainly due to the decrease of gains from the disposal of non-current assets;

Increase of non-operating income: mainly due to the recovery of prepayment of tax for the previous period.

2. Analysis on revenue and cost

During the reporting period, the Company's operating income and operating cost decreased by 15.19% and 15.40% respectively over the previous period. The proportion of decrease in the operating income and operating cost of the Company is close. The decline in operating income and operating cost of intelligent manufacturing business and related products is larger than that of operating costs, and the gross profit margin of the related products has declined. The decline in operating income of smart city business and related products is smaller than that of operating costs, and the gross profit margin of the related products has increased slightly. The increase in operating income of electronic manufacturing services business and related products is smaller than that of operating costs, and the gross profit margin of the related products has declined slightly.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

#### 2. Analysis on revenue and cost (Continued)

##### (1) Principal operations by business sector, product and geographical regions

Unit: Yuan Currency: RMB

By sector	Principal operations by business sector					
	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operation income from the same period last year (%)	Increase/decrease in operation cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Intelligent manufacturing industry	166,203,899.56	193,355,994.69	-16.34	-73.37	-67.11	Decreased by 22.13 percentage points
Smart city industry	1,807,435,895.41	1,492,319,695.01	17.43	-14.77	-16.92	Increased by 2.13 percentage points
Electronic manufacturing services	1,916,817,250.45	1,637,813,986.58	14.56	4.96	6.55	Decreased by 1.28 percentage points
Others	30,075,886.05	17,026,746.59	43.39	1.44	-39.34	Increased by 38.07 percentage points

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

#### 2. Analysis on revenue and cost (Continued)

##### (1) Principal operations by business sector, product and geographical regions (Continued)

By sector	Principal operations by products			Increase/decrease in operation income from the same period last year (%)	Increase/decrease in operation cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
	Operating income	Operating cost	Gross profit margin (%)			
Industrial robots	17,896,031.00	20,466,061.86	-14.36	-55.52	-45.12	Decreased by 21.67 percentage points
Intelligent factories and systems	88,168,757.57	110,488,496.38	-25.31	-83.44	-77.75	Decreased by 32.03 percentage points
Core components of smart manufacturing	60,139,110.99	62,401,436.45	-3.76	16.63	15.16	Increased by 1.32 percentage points
Intelligent transportation	553,906,021.41	402,909,832.58	27.26	7.21	3.58	Increased by 2.55 percentage points
Safe city	638,250,665.78	567,438,219.81	11.09	-21.45	-20.61	Decreased by 0.95 percentage points
Information network equipment	615,279,208.22	521,971,642.62	15.17	-22.27	-24.63	Increased by 2.66 percentage points
Electronic manufacturing services	1,749,379,737.00	1,544,770,807.96	11.70	6.48	7.75	Decreased by 1.04 percentage points
Modern service industry	167,437,513.45	93,043,178.62	44.43	-8.69	-10.05	Increased by 0.84 percentage point
Others	30,075,886.05	17,026,746.59	43.39	1.44	-39.34	Increased by 38.07 percentage points

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

#### 2. Analysis on revenue and cost (Continued)

##### (1) Principal operations by business sector, product and geographical regions (Continued)

By sector	Principal operations by geographical regions					
	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operation income from the same period last year (%)	Increase/decrease in operation cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Nanjing	3,297,358,586.67	2,854,728,362.44	13.42	-12.42	-13.09	Increased by 0.66 percentage point
Shenzhen	623,174,344.80	485,788,060.43	22.05	-25.43	-26.94	Increased by 1.61 percentage points

Principal operations by business sector, product and geographical regions:

Principal subsidiaries of the Company are all engaged in smart manufacturing, smart city, electronic manufacturing services and related industries. The operating income from smart manufacturing decreased by 73.37% over the same period of last year as a result of the decrease in operating revenue related to industrial robots, intelligent factories and system projects related business caused by the business structure adjustment and the relatively great impact of the COVID-19 pandemic. The operating income from smart city business decreased by 14.77% over the same period of last year as a result of the decrease in income from safe city and information network equipment because of the scheduled business progress being affected by the COVID-19 pandemic.

During the reporting period, sales of industrial robots in major products of the Company fell short of expectations, but the investment of materials increased and gross profit margin decreased significantly over the same period of the previous year. Due to intensified market competition, the intelligent factories and systems and related business saw its operating income decreased by 83.44% over the same period of the previous year due to the decrease in operating income related to intelligent factories and system projects related business. The operating income of the safe city business decreased by 30.74% over the same period of the previous year due to the impact of the project settlement schedule.

The principal operations of the Company were primarily distributed in Nanjing and Shenzhen. During the reporting period, the operating income of Nanjing decreased by 12.42% over the same period of last year as a result of the decrease in operating income related to intelligent factories and system projects related business; the operating income of Shenzhen decreased by 25.43% over the same period of last year due to the decrease in the number of orders for export products resulting from the impact of the pandemic overseas, shortages of key raw materials and price increasing, etc.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

2. Analysis on revenue and cost (Continued)
  - (2) Analysis of volume of production and sales

During the reporting period, volume of production and sales of the Company's principal products (other than engineering and project related businesses):

Principal products	Unit	Production		Stock	Increase/ decrease in production output from the same period last year	Increase/ decrease in sales volume from the same period last year	Increase/ decrease in stock from the same period last year
		output	Sales volume		(%)	(%)	(%)
Surface mounting	10 thousand points	5,841.91	5,859.85	222.07	13.49	17.17	-7.47
Intelligent transportation equipment and others	set	3,699	5,149	134	-49.26	-13.43	-91.54
Information network equipment and others	set	1,273,423	1,255,570	98,578	-30.11	-31.62	22.12

Explanation on the volume of production and sales:

For the surface mounting, the Company recorded a slight increase in production and sales volume as compared with the same period last year attributable to increased orders. For smart transportation equipment and other products, the Company recorded a decrease in production and sales volume as compared with the same period last year due to the decrease in orders of automatic ticket vending and checking machine products during the period; for products such as information network equipment, the Company recorded a year-on-year decrease in production and sales volume attributable to the decrease in orders of selling abroad resulting from the impact of the pandemic abroad and the shortage and the increase in price of key raw materials.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

#### 2. Analysis on revenue and cost (Continued)

##### (3) Cost analysis

Unit: Yuan Currency: RMB

#### By sector

By sector	Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
Smart manufacturing	Material cost	122,419,507.90	63.31	496,877,953.14	84.51	-75.36	
	Labor cost	18,035,349.56	9.33	18,068,672.80	3.07	-0.18	
	Manufacturing costs	52,901,137.23	27.36	73,029,181.87	12.42	-27.56	
Smart city	Material cost	1,345,906,068.51	90.19	1,608,574,215.43	89.55	-16.33	
	Labor cost	91,914,679.37	6.16	131,408,333.56	7.32	-30.05	
	Manufacturing costs	54,498,947.13	3.65	56,289,999.61	3.13	-3.18	
Electronic manufacturing services	Material cost	1,175,360,178.40	71.76	1,150,811,239.38	74.87	2.13	
	Labor cost	63,517,569.46	3.88	65,109,812.22	4.23	-2.45	
	Manufacturing costs	398,936,238.72	24.36	321,170,900.47	20.89	24.21	
Others	Material cost	3,666,624.10	21.53	4,860,731.80	17.32	-24.57	
	Labor cost	1,071,870.79	6.30	1,455,552.08	5.19	-26.36	
	Other expenses	12,288,251.70	72.17	21,754,742.94	77.49	-43.51	

#### By product

Unit: Yuan Currency: RMB

By product	Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
Industrial robots	Material cost	20,133,133.07	98.37	35,871,809.53	96.20	-43.87	
	Labor cost	210,910.44	1.03	322,203.86	0.86	-34.54	
	Manufacturing costs	122,018.35	0.60	1,096,166.03	2.94	-88.87	



# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

#### 2. Analysis on revenue and cost (Continued)

#### (3) Cost analysis (Continued)

Unit: Yuan Currency: RMB

By product	Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
Intelligent factories and systems	Material cost	77,591,444.84	70.23	441,870,579.38	89.00	-82.44	
	Labor cost	8,868,559.79	8.03	9,426,216.35	1.90	-5.92	
	Manufacturing costs	24,028,491.75	21.75	45,203,675.29	9.10	-46.84	
Core components of smart manufacturing	Material cost	24,694,929.99	39.57	19,135,564.23	35.32	29.05	
	Labor cost	8,955,879.33	14.35	8,320,252.59	15.36	7.64	
	Manufacturing costs	28,750,627.13	46.07	26,729,340.55	49.33	7.56	
Intelligent transportation	Material cost	383,492,059.88	95.18	377,168,740.99	96.97	1.68	
	Labor cost	9,444,799.35	2.34	5,621,358.81	1.44	68.02	
	Manufacturing costs	9,972,973.35	2.48	6,177,269.12	1.59	61.45	
Safe city	Material cost	499,361,375.14	88.00	609,225,826.05	93.72	-18.03	
	Labor cost	60,443,285.87	10.65	98,425,698.60	0.00	-38.59	
	Manufacturing costs	7,633,558.80	1.35	7,088,336.86	6.28	7.69	
Information network equipment	Material cost	463,052,633.49	88.71	622,179,648.39	89.84	-25.58	
	Labor cost	22,026,594.15	4.22	27,361,276.15	3.95	-19.50	
	Manufacturing costs	36,892,414.98	7.07	43,024,393.63	6.20	-14.25	
Electronic manufacturing services	Material cost	1,148,250,881.17	74.33	1,121,204,355.67	78.21	2.41	
	Labor cost	44,423,457.99	2.88	46,632,225.42	3.25	-4.74	
	Other expenses	352,096,468.80	22.79	265,814,082.60	18.54	32.46	
Modern service industry	Material cost	27,109,297.23	29.14	29,606,883.71	28.62	-8.44	
	Labor cost	19,094,111.47	20.52	18,477,586.80	17.86	3.34	
	Other expenses	46,839,769.92	50.34	55,356,817.87	53.52	-15.39	
Others	Material cost	3,666,624.10	21.53	4,860,731.80	17.32	-24.57	
	Labor cost	1,071,870.79	6.30	1,455,552.08	5.18	-26.36	
	Other expenses	12,288,251.70	72.17	21,754,742.94	77.50	-43.51	

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

#### 2. Analysis on revenue and cost (Continued)

##### (4) Sales to major customers and purchases from major suppliers

During the reporting period, sales to the top five customers amounted to RMB1,635,095,500, representing 41.37% of the total sales in 2020, of which sales to connected parties amounted to RMB1,517,592,400, representing 38.40% of the total sales in 2020.

During the reporting period, the aggregate amount of purchase from the top five suppliers of the Company amounted to RMB588,466,900, accounting for 18.33% of the total amount of purchase made by the Company in 2020. There were no connected parties in the top five suppliers.

#### 3. Expenses

During the reporting period, the selling expenses decreased by RMB8,235,200 or 15.22%, which was mainly due to the year-on-year decrease in advertising and exhibition costs during the period as a result of the impact of the COVID-19 pandemic; the management expenses decreased by 4.55% over the same period of last year, which was mainly due to the year-on-year decrease of labor costs as a result of the deduction of part of social insurance because of COVID-19; and the finance cost decreased by 327.26% over the same period of last year, which was mainly due to the decrease in exchange losses during the period resulting from changes in RMB exchange rate.

#### 4. R&D Investment

##### Particulars of R&D expenses

Unit: Yuan Currency: RMB

R&D expenses for the period	205,817,437.26
Capitalized R&D expenses for the period	43,050,731.22
Total R&D expenses	248,868,168.48
The percentage of total R&D expenses over operating income (%)	6.30
The number of R&D personnel	743
The percentage of R&D personnel over total number of staff of the Company (%)	22.88
The percentage of capitalized R&D expenses (%)	17.30

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

#### 4. R&D Investment (Continued)

Description:

The Company strived to improve its independent innovation and integrated innovation capabilities, increased the investment in science and technology, the scientific and technological innovation achievements constantly emerged, the scientific research ability improved significantly, and its core competitive advantage was further strengthened. In recent years, it grasped the development opportunities of digital economy and new generation of information technology. Guided by the market, based on the three leading businesses of new smart city, smart manufacturing and electronic manufacturing services, it has accelerated the improvement of scientific and technological innovation system, promoted the transformation of scientific and technological achievements, and provided support to further improve the quality of scientific research platform construction, enhance its independent innovation ability and strengthen its core competitiveness. Moreover, the Company adheres to the combination of scientific and technological innovation and innovation of institutional mechanisms, reforms the management method of scientific and technological innovation projects, as well as emphasizes scientificity of project approval, rationality of the budget, seriousness of the implementation plan so as to maintain the effective investment in scientific research projects, and ensure that research projects are more forward-looking, closer to the market and more operational. In addition, it focused on input for and output from scientific research, paid attention to the quality and management of research results, and coordinated reporting and assesses activities for research results conducted by various subsidiaries. In 2020, the Company's eight scientific and technological achievements won the Science and Technology Awards of provincial and municipal governments, industry associations and China Electronics, including three Jiangsu Provincial Science and Technology Awards, which were the first, second and third prize, respectively; a total of 13 projects passed the corporate-level higher technical accreditation, providing strong momentum for the Company's high-quality development.

The Company strengthened in-depth cooperation with universities to promote the transformation and implementation of scientific and technological achievements with the guidance of the market. It strengthened the cultivation of long-term technical competence, increased the investment in technology research and development, promoted the adjustment of product structure and formulated the innovation synergy in the joint innovation with universities and scientific research institutes. In 2020, the Company cooperated with Southeast University in scientific research project "Key Technologies and Applications of Ultra-high Temporal-spatial Resolution Cognitive Display" and Nanjing University of Posts and Telecommunications in scientific research project "Key Technologies and Applications of 5G Heterogeneous Wireless Access Network Converged Packet Network". In the field of the relevant technology of FOS detection system, it cooperated closely with Nanjing University and Nanjing University of Aeronautics and Astronautics, and coordinated with Nanjing University of Posts and Telecommunications and Nanjing Institute of Mobile Communication and Computing Innovation of Institute of Computing Technology of Chinese Academy of Sciences to study "The Cooperative Control Equipment and Key Technologies of New Edge Network", and entered into the project technology development contract "Research and Development of Flame Retardant and Low Temperature Impact Resistant Modified Polycarbonate Materials" with Nanjing Tech University, so as to promote the deep integration of industry, university and research, make breakthroughs in key technologies, strengthen innovation guidance and accelerate the transformation and upgrading of enterprises.

The Company improved the management system and mechanism of intellectual property, and realized the standardization and systematization of the management process of intellectual property. It greatly increased the number and quality of patent applications in the fields of smart manufacturing, smart city and other industries. Moreover, it expanded and improved the patent pool of smart manufacturing and smart city, and strived to have some patents enter the fields of national and industrial basic patents, core patents, key patents and high-value patents.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (I) Analysis of principal operations (Continued)

#### 4. R&D Investment (Continued)

The Company has 7 provincial-level R & D centers, which have closely integrated with the current industrial development direction of the Company, and have strong ability of digestion, absorption and re-innovation. While satisfying the development of the industry, it actively tracks the cutting-edge technologies in the industry and conducts technical pre-research and prediction.

#### 5. Cash flow

During the Reporting Period, the increase of net cash flows from operating activities is mainly due to cash received from sales of goods during the period; the decrease of net cash flows from investment activities is mainly due to the outstanding bank wealth management products purchased from banks; and the increase of net cash flows from financing activities is mainly due to the decrease in dividends paid on ordinary shares for the period.

### (II) Explanation on material changes of profit from non-major business: N/A

### (III) Analysis of assets and liabilities

#### 1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Explanation
Financial assets held for trading	501,356,576.18	8.35	300,469,826.49	4.99	66.86	Due to the increase of the outstanding bank wealth management products at the end of the period
Notes receivable	35,394,835.82	0.59	21,780,418.49	0.36	62.51	Mainly due to the increase in sales of goods settled by bills for the period
Receivables financing	144,969,078.62	2.42	347,259,336.87	5.77	-58.25	Mainly due to the decrease in notes receivable measured at fair value with changes included in other comprehensive income
Contract assets	76,231,842.63	1.27	541,978,173.94	9.00	-85.93	Mainly due to the contract assets recognised at the beginning of the period were included in receivables during the period

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (III) Analysis of assets and liabilities (Continued)

#### 1. Assets and liabilities (Continued)

Unit: Yuan Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Explanation
Other current assets	28,763,433.11	0.48	55,089,857.84	0.92	-47.79	Mainly due to the receipt of the incremental retention tax credit refunded in the period and others under 2019 No. 39 of Ministry of Finance
Investment properties	235,008,179.80	3.92	21,096,325.77	0.35	1,013.98	Mainly due to the increase in operating leased buildings during the period
Construction in progress	7,346,214.86	0.12	31,407,899.18	0.52	-76.61	Mainly due to the current phase of construction in progress transformed into fixed assets
Intangible assets	157,943,967.01	2.63	109,121,914.00	1.81	44.74	Mainly due to the increase in intangible assets of the internal research and development during the period
Other non-current assets	81,767,440.76	1.36	55,275,624.94	0.92	47.93	Mainly due to the increase in the project quality guarantee deposit with guarantee period over one year
Short-term borrowings	0.00	0.00	50,000,000.00	0.83	-100.00	Due to the repayment of bank short-term loans during the period
Advance receipts from customers	3,394,006.00	0.06	2,581,558.74	0.04	31.47	Mainly due to the increase in prepayments of service charges and others
Taxes payable	30,758,945.68	0.51	21,404,214.61	0.36	43.71	Mainly due to the refunds of incremental retention tax credits received during the period and the transferring out of input VAT
Non-current liabilities due within one year	8,170,178.10	0.14	3,451,972.08	0.06	136.68	Due to the increase in lease liabilities due within one year
Deferred income tax liabilities	326,863.37	0.01	107,441.42	0.00	204.22	Mainly due to deferred income tax liabilities arising from changes in fair value of financial assets held for trading

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (III) Analysis of assets and liabilities (Continued)

2. Main restrictions on assets as at the end of the reporting period:

Unit: Yuan Currency: RMB

Item	Closing carrying amount	The reason
Cash and bank equivalents	166,674,020.39	Deposits of acceptance, performance, guarantee, letter of credit
Notes receivables	19,000,000.00	Deposits of bank acceptance issued at notes pool
Total	185,674,020.39	

### (IV) Analysis of industry operational information

1. Intelligent urban rail transit

In recent years, as the Chinese government has vigorously promoted the smart city planning and construction, along with the coordinated promotion by various sectors and the continuous innovation and practice at various regions, China has made remarkable progress in the construction of new smart cities, with more than 300 pilot smart cities. In the future, the scope of application and market scale of smart city development will be further expanded, which will be integrated into all aspects of social life.

As an important part of smart city, urban rail transit will enter a transition period, featured being from "construction-oriented" to "simultaneous development of operation and management", from high-speed development to high-quality development. It is estimated that by 2025, 65 cities in mainland China will open or construct urban rail transit lines, with a total operating mileage exceeding 13,000 km. Recently, 16 cities including Beijing, Shanghai, Shenzhen, Nanjing and Qingdao have successively announced investment plans for key projects for 2021, including 108 urban rail transit lines, with a total investment of RMB204 trillion.

The Company is dedicated to the construction of demonstration projects of smart urban rails and provision of a series of solutions from project construction to operation. The research for application of 5G, cloud platform, face recognition, mobile payment integration and other technologies in the field of urban rail transit, and the design and development of the prototype system for the key technology research and development project of the AFC system based on the integration of multiple payment methods have been completed. Furthermore, we have won the bid for the communication and automatic fare collection project of Nanjing Metro Ningju Line, the clearing and payment platform project of Wuxi subway, the automatic fare collection project of Nantong Metro Line 1, the low voltage electricity system project of Shenzhen Urban Rail Line 20 and the data center integration project of Nanjing Metro Line 7, which achieved a breakthrough in big data center business from scratch.

# Discussion and Analysis of the Operation (Continued)

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## II. Principal operations during the reporting period (Continued)

### (IV) Analysis of industry operational information (Continued)

#### 2. Safe city

China attaches great importance to the development of the emergency industry in safe city. According to the “Opinions on Accelerating the Development of the Emergency Industry”, the emergency industry is cultivated as a new economic growth point, to vigorously promote the modernization of the urban emergency management system and capacity in China. The scale of emergency industry has expanded significantly and the emergency industry system has been basically developed, which provides strong support for the prevention and treatment of emergencies, and has become an important driving force for the development of safe city.

As new technologies such as information and communication technology, new materials, artificial intelligence and big data are deeply integrated with traditional industries, the emergency industry is bound to usher in unprecedented opportunities in terms of new technologies, new products, new business forms and new models. According to the overall planning of the State Council, 47 units above sub-provincial level will deploy emergency platform. In addition, 240 medium-scale prefecture-level cities and more than 2,200 districts and counties will invest in emergency platform construction. The annual market capacity of the emergency platform and relevant emergency software is expected to be about tens of billions in RMB based on the market capacity of new emergency software platform and new emergency equipment with interconnectivity functions. Up to now, more than 30 units above sub-provincial level have preliminarily completed the construction of emergency platforms, but the emergency platforms in prefecture-level cities, districts and counties are still under construction, the market is still booming. As the foundation of the emergency industry, in recent years, domestic public security, emergency management, railways, civil air defense, petroleum and petrochemical, electric power, metallurgy, civil aviation, radio and television and other fields have begun to build emergency command and communication systems. The market’s development momentum is strong, and the scale of domestic emergency communication industry exceeded RMB10 billion in 2020.

In addition, in the process of urban transformation and development, the construction of digital parks is entering a period of rapid growth. It has multiple effects in advancing urban digitization, realizing enterprise agglomeration, industrial upgrading, economic development, and community upgrading, etc. Among which, residential areas, commercial parks, industrial real estate industrial parks, and government-led industrial parks are the key directions for digital park investment and construction.

# Discussion and Analysis of the Operation (Continued)

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## II. Principal operations during the reporting period (Continued)

### (IV) Analysis of industry operational information (Continued)

#### 2. Safe city (Continued)

In terms of safe city, the Company firmly grasps the industrial direction of emergency communications, emergency broadcasting, digital parks and so on, and strives for development with core competence, and improves the industrial capabilities and profitability. In 2020, breakthroughs were made in the sales of satellite communication emergency terminals and time-frequency products, and we won four more bids for mobile video surveillance products. In addition, the field tests of UAV visual-range measurement and control system was completed and the products were delivered successfully, the human-vehicle positioning (Beidou) management system project was commenced, and 4G probe has been applied to intelligent management for highway. The Company won the bid for the "Phase III Construction Project of Star Network Project" and the Digital TV transmitter project of State Grid, and the acceptance work for the project of "Procurement of Terrestrial Digital TV Coverage Network Transmission System in Jiangsu Province" has been completed, laying a solid foundation for the layout of new products. The emergency broadcast system has played an important role in the prevention and control of the pandemic and been critically acclaimed. It has won the bids for projects in Jiangsu, Anhui, Hainan and other places; its civil air defense emergency power supply products, bidirectional inverters, EPS UPS and PFC power modules have begun to take shape and continuously obtains orders from the market. In terms of digital parks business, the Company owns a series of qualifications for building intellectualization, information system integration and services. In 2020, a number of digital park construction projects were awarded with the national quality engineering and provincial and municipal quality engineering awards.

#### 3. Intelligent manufacturing equipment

China supports high-quality development of the manufacturing industry, promotes the emerging industries such as intelligent manufacturing and industrial Internet, intends to create new advantages in the digital economy. Digital transformation has become a new driving force for the upgrading of intelligent manufacturing. In March 2020, the "Notice on Promoting the Accelerated Development of the Industrial Internet" was issued by the Ministry of Industry and Information Technology, which provides a guidance for accelerating the innovation and development of the industrial Internet in China. The construction of the industrial Internet network system is accelerating, which has covered 300 cities and connected 180,000 industrial enterprises currently, more than 1,100 "5G+ Industrial Internet" projects are under construction, and the total number of industrial apps has reached 350,000. The fusion application has accelerated its penetration into various vertical industries, and have been implemented in more than 30 key industries of the national economy, including steel, petrochemicals, automobiles, clothing, and electronic information.



# Discussion and Analysis of the Operation (Continued)

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## II. Principal operations during the reporting period (Continued)

### (IV) Analysis of industry operational information (Continued)

#### 3. Intelligent manufacturing equipment (Continued)

The IRICO overflow method G8.5+ substrate glass production line industrialization project, which was intelligently manufactured by the Company, has passed the appraisal, and the Company has become the first and only domestic manufacturer of advanced-lines overflow method substrate glass production line equipment. The projects of Xianyang glass cassette, Shaoyang cover plate glass, IRICO Hefei G7.5 and G8.5 liquid crystal glass substrate production line were newly entered into. And the Company has been actively exploring new market segments such as shoemaking, new energy, high-tech equipment, and has completed the design and implementation of intelligent production solutions and key intelligent equipment for cement shoe manufacturing plants. The high-speed and high-precision robots which the Company developed independently have reached the domestic advanced level. The industrial robot manufacturing digital factory project has successfully applied for or been granted a number of invention patents, and all indexes have reached the international advanced level, which has fully strengthened the Company's core competence. The Company implements the "intelligent" development strategy of building a strong country, and its new independently innovated products, technologies and results of 5G application made their debut at the 2020 Changsha Cybersecurity-Intelligent Manufacturing Conference, which attracted wide attention.

#### 4. Electronic manufacturing services

The main applications of EMS include mobile phones, computers, wearables, communications, automotive electronics and other fields. With the industrial transfer, the Asia-Pacific region represented by China currently accounts for about 71% of the global market share, the upgrading of electronic products and technological innovation continue to accelerate, and the new electronic segments continue to emerge. The scale of EMS market has been expanding, and the scale of global market has reached RMB4 trillion by 2020. With the increasingly enhancement of the overall competitiveness of the electronic manufacturing industry in China and the huge demand in the electronic products consumer market, leading electronic brand owners in the world are advancing into China, transferring the manufacturing to the Yangtze River Delta, the Pearl River Delta and the Bohai Rim in China due to the advantage of industrial chain agglomeration.

The Electronic Manufacture Company focus on their principal activities and actively respond to market changes. While stabilizing their principal activities, it continues to explore new markets. While completing the LCD panel T-CON board business with quality and quantity assurance, it has also expanded the fields of automotive electronics and white goods, and has achieved new results in new fields. Electronic Manufacture Company produced 30 million pcs of LCD supporting T-CON boards throughout the year, the volume increased by 20% year-on-year. With high-quality services guaranteed, it also completed the production of 400,000 sets of automotive electronic products.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (V) Analysis of investment

#### 1. Overall analysis of external investment

In 2020, the Company cautiously made investments in accordance with the capital expenditure plan and the progress of key projects.

- (1) Material equity investment: N/A
- (2) Substantial non-equity investment: N/A
- (3) Financial assets measured at fair value: please refer to the “Items Measured at Fair Value” in Section II of this report for details.

### (VI) Disposal of material assets and equity Interest: N/A

### (VII) Analysis of major invested companies

#### 1. Analysis of major subsidiaries

In 2020, the Company further optimized its corporate structure and resource allocation, deregistered Nanjing Panda Instrument and Apparatus Co. Ltd (南京熊猫儀器儀表有限公司), which had no impact on the overall operations and performance of the Company.

The overview of major subsidiaries is set out below:

Unit: 0'000 Currency: RMB

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Electronics Equipment Company	Manufacturing and sales of automatic transmission equipment and industrial robot	19,000	61,473.90	20,926.15	18,849.33	-9,766.71	-9,637.01
Information Industry Company	Manufacturing and sales of railway transit AFC and ACC system, equipment, building intellectualization products and system integration	USD3194.6435	145,981.41	49,887.47	110,554.72	6,013.26	5,693.26
Electronic Manufacture Company	EMS services	USD2,000	100,610.90	50,892.92	133,520.82	7,512.19	6,735.91
Communications Technology Company	Manufacture and sales mobile communications, digital communication and network communications systems and products	10,000	25,746.03	17,483.47	14,363.46	934.23	955.07

## Discussion and Analysis of the Operation (Continued)

### II. Principal operations during the reporting period (Continued)

#### (VII) Analysis of major invested companies (Continued)

##### 1. Analysis of major subsidiaries (Continued)

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Technology Development Company	Manufacture of general purpose equipment, software development, and property management	70,000	66,444.44	59,098.27	2,002.13	-1,012.18	-974.58
Shenzhen Jinghua	Research and development, manufacture and sales of communications equipments and digital products	11,507	54,812.91	38,218.87	63,017.26	8,070.74	6,567.53
Nanjing Panda Xinxing Industrial Co., Ltd.	Supply of property management and catering services	2,000	7,742.52	5,154.76	12,736.99	710.64	730.87
Chengdu Panda Electronic Technology Co., Ltd.	Electronic manufacturing	2,000	42,380.36	5,044.25	49,399.15	3,373.36	2,853.28

Changes in net profit of major subsidiaries are as follows:

Unit: 0'000 Currency: RMB

Subsidiary	Net profit		
	2020	2019	Change (%)
Electronics Equipment Company	<b>-9,637.01</b>	-5,784.01	N/A
Information Industry Company	<b>5,693.26</b>	5,303.19	7.36%
Electronic Manufacture Company	<b>6,735.91</b>	8,256.02	-18.41%
Communications Technology Company	<b>955.07</b>	1,035.38	-7.76%
Technology Development Company	<b>-974.58</b>	-1,656.68	N/A
Shenzhen Jinghua	<b>6,567.53</b>	9,490.72	-30.80%
Nanjing Panda Xinxing Industrial Co., Ltd.	<b>730.87</b>	465.86	56.89%
Chengdu Panda Electronic Technology Co., Ltd.	<b>2,853.28</b>	219.15	1,201.98%

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (VII) Analysis of major invested companies (Continued)

#### 1. Analysis of major subsidiaries (Continued)

Description of changes:

Affected by the pandemic, some projects of Information Industry Company were delayed, and the operating income decreased by 13.16% year-on-year. Due to the batch delivery of major projects, its net profit increased by 7.36% year-on-year. The operating income of Electronic Manufacture Company decreased by 18.20% year-on-year and the net profit decreased by 18.41% year-on-year due to the decrease in market orders. The operating income of Shenzhen Jinghua decreased by 25.28% year-on-year and the net profit decreased by 30.80% year-on-year due to the decrease in export orders. The orders of Electronics Equipment Company declined due to the impact of the pandemic and market changes, and the operating income decreased by 72.53% year-on-year with the increase in loss. Chengdu Panda Electronic Technology Co., Ltd. officially started operation in December 2019, and its operating income and net profit increased significantly year-on-year.

#### 2. Analysis of major invested companies

Unit: 0'000 Yuan Currency: RMB

Invested companies	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
Nanjing Ericsson Panda Communication Co., Ltd.	1,007,168.35	24,188.55	27%	6,727.09

ENC was set up on 15 September 1992 with a total investment of US\$40.88 million and a registered capital of US\$20.9 million. ENC is held as to 27% by the Company, 51% by Ericsson (China) Company Limited, 20% by China Potevio Co., Ltd., and 2% by Yung Shing Enterprise, Hong Kong. ENC mainly engages in production of mobile telecommunication system equipment and network communications system equipment, etc. As the biggest production and supply center of Ericsson in the world, ENC is now mainly in charge of the industrialization and mass production of the products that Ericsson Company Limited developed and provides delivery and shipment to customers worldwide.

# Discussion and Analysis of the Operation (Continued)

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## II. Principal operations during the reporting period (Continued)

### (VII) Analysis of major invested companies (Continued)

#### 2. Analysis of major invested companies (Continued)

In 2020, after adjustment according to the new standards, the operating income of ENC amounted to RMB10,071,683,500, representing a year-on-year increase of 8.12%; net profit amounted to RMB241,885,500, representing a year-on-year increase of 41.66%. Reason(s) for changes in the main indicators: the increase in market orders and a year-on-year increase in revenue; the decrease in bank loans, the fluctuation of US dollar exchange rate and the decrease of financial expenses, resulting in a year-on-year increase in net profit.

### (VIII) Structured entities controlled by the Company

During the reporting period, there were no structured entities that were controlled by the Company.

# Discussion and Analysis of the Operation (Continued)

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## III. Discussion and Analysis of the Company over the Company's Future Development

### (I) Industrial landscape and trend

In 2020, facing the complex environment, the electronic information manufacturing industries in China maintained a steady and rapid growth, with all the main indicators turning positive in May, and therefore became the mainstay of China's industrial economic growth. The added value of electronic information manufacturing industries above designated size increased by 7.7% year-on-year, and growth rate dropped by 1.6 percentage points compared to last year. Operating revenue increased by 8.3% year-on-year, representing an increase of 3.8 percentage points on its growth rate compared to last year. Total profit increased by 17.2% year-on-year, representing an increase of 14.1 percentage points on its growth rate compared to last year. The profit margin of operating revenue was 4.89% and the operating costs increased by 8.1% year-on-year. Looking forward to 2021, China's development is still experiencing an important period of strategic opportunities; new generation of information technology will accelerate the integrated development of industries in China; the digital economy will become a significant driving force for economic growth. The electronic information manufacturing industries will keep a stable or even faster growth. It is expected that the growth rate of added value of the industries will remain in the range of 5% to 10%. Under the guidance of the new development pattern of unimpeded domestic circulation, such fields as electronic components, electronic materials and electronic equipment are expected to achieve accelerated growth, and the basic capabilities of the industries will continue to be strengthened. The electronic information industries in China will, starting from a point, gradually form a network system covering every aspect.

During the "14th Five-Year Plan" period, the construction of smart cities in China will be combined with the characteristics of urban capabilities, to deepen digital infrastructure, improve service levels, accelerate data governance and build coordination mechanisms, in order to serve the end users, that is, the key needs of the public. And it will improve the level of urban services comprehensively with the aid of diversified "micro-scenes" under the guidance of solutions to actual problems and provision of convenient and intelligent services. During the "14th Five-Year Plan" period, the construction of smart cities is highly aligned with the investment in new infrastructure and the development of digital economy. As the carrier of digital technology innovation and economic development, investments in digital infrastructure, digital government, urban governance, public services, economic development of smart city have been increasing, and the subjects of the construction include smart cities, smart counties and smart parks. During the "14th Five-Year Plan" period, the average annual investment in the smart city IT market is expected to exceed RMB200 billion, with a total investment of not less than RMB1 trillion.

# Discussion and Analysis of the Operation (Continued)

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## III. Discussion and Analysis of the Company over the Company's Future Development (Continued)

### (I) Industrial landscape and trend (Continued)

In the field of intelligent manufacturing, industrial Internet has been taken as the key development direction of the strategy in advanced manufacturing countries, and the global industrial Internet platform market continues to show a trend of rapid growth. The development of industrial Internet in China started at almost the same time as that of the United States, Germany, Japan and other developed countries, and each has its own advantages and characteristics. Under the guidance of government, the diversified development trend with various kinds of companies such as manufacturing companies, automation companies, ICT companies, Internet companies in China are relying on massive industrial data and rich application scenarios to provide scientific and technological service solutions. Intelligent manufacturing equipment is a core step for the transformation and upgrading of the economic structure of China, and an important support for the national economy and defense construction, as well as a key driving force to promote industrial transformation and upgrading. In recent years, "Made in China 2025", "Guiding Opinions on How to Boost the Coordinated Development between Manufacturing and the Internet" (《關於深化製造業與互聯網融合發展的指導意見》), "Guiding Opinions on Deepening "Internet + Advanced Manufacturing" and Developing Industrial Internet" (《關於深化「互聯網+先進製造業」發展工業互聯網的指導意見》) and other significant strategy documents have been introduced successively in China, providing a powerful institutional guarantee for intelligent manufacturing development. Technologies such as the industrial Internet, robotics, digital twin, and augmented reality will provide technical support for the upgrade of intelligent manufacturing. Digital factories, robots, intelligent equipment, and intelligent products will be the development direction of intelligent manufacturing in the future, and these segments have broad development space and huge market potential.

# Discussion and Analysis of the Operation (Continued)

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## III. Discussion and Analysis of the Company over the Company's Future Development (Continued)

### (II) Development strategies of the Company

#### 1. Discussion and analysis on the future development of the Company

Facing with the increasingly complex and severe situation, the Company will focus on high-quality development, give full play to the platform functions as a listed company, aim at the new development pattern of international and domestic dual circulation, optimize the industrial structure, implement the "industry + capital" dual-wheel driving, and vigorously promote key tasks such as the optimization of industrial product structure, improvement of scientific research capabilities, overall lean management and talent team building. We will build a technology innovation system which is market-oriented and, with the Company as the main body, deeply integrates industry, university with research. Furthermore, we will continuously increase efforts in scientific research to promote industrial transformation and upgrade, enhance the competitiveness of the Company with technological innovation as the core, and make the brand of Panda far more well-known and influential, so as to achieve high-quality development. The Company will accelerate the implementation of the extended development strategy; continue to deepen the overall lean management, reduce costs and increase efficiency, and improve its profitability; effectively prevent various operating risks, and ensure work concerning safety, environmental protection, confidentiality, and stability. The Company will focus on long-term development and seize the general trend, plan the development of the "14th Five-Year Plan" with high standards and high quality, and strive to achieve new breakthroughs in the first year of the 14th Five-Year Plan.

#### 2. Development strategy of the Company

The year 2020 is the last year of the 13th Five-Year Plan. During the year, the Company continued to implement the development strategy of the 13th Five-Year Plan: strived to build itself into a domestic top-notch leading enterprise in electronic information industry, which can control the proprietary key technologies; constantly increase its brand value and overall enterprise value; continually enhancing abilities to generate investment returns, and provide the core product and system solution for new smart cities, the industry leading core equipment and system solution to smart manufacturing, as well as green and advanced electronic manufacturing services.

Looking forward to the future, the Company will plan the industrial development strategy of the 14th Five-Year Plan with high standards and high quality, and firmly seize the national strategy of "accelerating digital development and building a digital China", vigorously develop modern digital cities, industrial Internet, service-oriented manufacturing and other related industries, comprehensively promote industrial strategic transformation and management innovation, and strive to present new actions on a new starting point and make new achievements.



# Discussion and Analysis of the Operation (Continued)

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## III. Discussion and Analysis of the Company over the Company's Future Development (Continued)

### (II) Development strategies of the Company (Continued)

3. Changes in the operating model and business pattern, management style and strategic measures

As a state-owned and controlled listed company engaged in electronic information under the central enterprise, the Company will fully focus on the cultivation of its basic capabilities and advantages, make appropriate strategic choices, and identify the key point for making breakthroughs in the industry with the guidance of national policies. And the original development plan will be adjusted accordingly, key investments will be made in industries with relatively high gross profit such as system integration supported by core products and in line with the national strategies, to integrate with CEC's core product elements and industrial system, and thus an industrial ecology with prominent main business and limited diversities will be gradually formed. Furthermore, we will further unify our thinking and explore new measures in terms of technological innovation, business model, capital operation and incentive mechanism to achieve "decentralization", "management" and "service" for the management system of the Company, so as to deeply serve the operation and development of subordinate industrial companies. And reform on the personnel, technology, management, market and other systems of the Company will be implemented, in order to realize the performance assessment of R&D institution platform according to industrialization and industry status, and form an integrated industrial market promotion program by optimization and integration of various manufacturing processes of the Company. We will fully implement and improve the modern corporate system and mechanism of the Company, actively carry out industrial integration development, and enhance the independent innovation and creativity capabilities of the Company, promote the quality priority and high-quality development, and improve the brand competitiveness of the Company, so as to accelerate the realization of the "three transformations", and strive to achieve the annual operating objectives of the Company, and lay a solid foundation for the new development of the "14th Five-Year Plan".

# Discussion and Analysis of the Operation (Continued)

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## III. Discussion and Analysis of the Company over the Company's Future Development (Continued)

### (II) Development strategies of the Company (Continued)

4. Discussion and analysis on future development direction of technology and product
  - (1) Building a new generation of smart rail transit NCC/AFC/ACC system operation and maintenance platform based on the application of big data, cloud computing, Internet and artificial intelligence; building a rail transit cluster communication system; expand smart park business.
  - (2) Developing emergency communication products, UAV communication products, Beidou timing system and other products based on converged communication technology.
  - (3) Providing intelligent manufacturing system solutions for various industries based on the application of 5G/industrial Internet/industrial robots/fieldbus/edge computing and other technologies; improving existing MES systems and realizing smart factory cloud service through researching and developing customer management systems, supply chain systems and intelligent decision-making systems.
  - (4) Building an EMS smart system, improve the capabilities of electronic processing services, and providing high-quality integrated ODM service solutions.

### (III) Business plan

1. The progress of development strategies and business plan during the reporting period

In 2020, faced with the severe and complex internal and external environment and the impact of the global pandemic, the Company has optimized the industrial structure, adjusted the business structure, optimized the allocation of resources, actively promoted industrial development, implemented overall lean management, continued to strengthen the construction of the talent team, enhanced corporate governance in accordance with laws and risk control, earnestly fulfilled social responsibilities, improved the corporate image and brand influence, and maintained high-quality development of the Company.

The operating targets of the Company in 2020 were to achieve a revenue of RMB4,500,000,000 and total profit of RMB105,000,000. Based on the audited financial report, the operating revenue of the Company in 2020 was RMB3,952,260,000 and total profit was RMB151,969,900.

# Discussion and Analysis of the Operation (Continued)

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## III. Discussion and Analysis of the Company over the Company's Future Development (Continued)

### (III) Business plan (Continued)

#### 2. 2021 operating plan

The operating targets of the Company in 2021 are to achieve an operating income of RMB4,000 million and total profit of RMB120 million. 2021 is the first year of the "14th Five-Year Plan". The Company will continue to focus on the theme of high-quality development, vigorously promote key tasks such as the optimization of industrial product structure, improvement of scientific research capabilities, overall lean management and talent team building, and accelerate the systematic innovation of scientific research and development, business model, incentive model and talent training model, so as to further enhance the core competitiveness of the Company and build Nanjing Panda as a listed company with high-quality development.

The Board has formulated the above operating targets based on the overall economic situation at home and abroad, taking into full account the developments of the industry segments in which the Company operates and the actual conditions of the Company. Although the Company may be subject to many uncertainties in its daily course of operations, it will insist on pragmatic approaches and seek progress while maintaining stability in an effort to achieve its operating targets.

- (1) The Company will improve the "14th Five-Year" development plan and expand the modern digital city business. It will accelerate the transformation to a system integration and solution general contractor with comprehensive plan and major projects driven. It will achieve the 2021 annual objectives and tasks layer by layer of accurately in a timely manner, so that the goals are measurable, responsibility and personnel are matched, and assessments are in place, so as to ensure the completion of the goals and tasks throughout the year.
- (2) The Company will focus on building a new pattern of innovation and development based on four innovations. It will accelerate scientific and technological research and innovation, make breakthroughs in and master key core technologies, integrate and upgrade existing scientific and technological innovation forces, strengthen the construction of technology center platform, and form a new situation in which R&D driven by applications and demand through industry-university-research cooperation. It will accelerate business model innovation, utilize the technical and platform advantages of the Company, and actively participate in market competition for turnkey projects in the digital city business. It will accelerate the innovation of incentive models, improve the salary incentive system and evaluation system of the Company, and establish a talent salary and incentive mechanism that is in line with the market. It will accelerate the innovation of talent training model, cultivate talents with multiple forms and channels through school-enterprise cooperation, reserve talent resources, and enhance the enterprise development strength of the Company.

# Discussion and Analysis of the Operation (Continued)

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## III. Discussion and Analysis of the Company over the Company's Future Development (Continued)

### (III) Business plan (Continued)

2. 2021 operating plan (Continued)
  - (3) The Company will give full play to the advantages of the platform and accelerate the implementation of the external expansion strategy. It will strengthen the capital operation, improve the industrial ecology of the Company through strategic investments and mergers and acquisitions, expand and strengthen the principal operations, and enhance the comprehensive competitiveness.
  - (4) The Company will deepen the comprehensive lean management, insist on problem-oriented development, focus on accurate implementation of measures, further carry out special activities to turn losses into gains, and help enterprises improve the quality of operation. It will insist on target-oriented development, identify the key areas for enterprise development, formulate reform and innovation measures, and improve operational efficiency in the whole process of management. It will insist on taking information construction as the starting point to promote the deep integration of operation and management with digitalization, and inject new momentum into the transformation and upgrading of enterprises.
  - (5) The Company will effectively prevent various types of operational risks, strengthen the analysis of and response to special risks, timely implement prevention and control measures, and strictly implement pandemic prevention and control measures. It will firmly ensure work concerning safety, environmental protection, confidentiality and stability, strictly implement the responsibility system and fulfill its duties and responsibilities, and seriously investigate the risks and weaknesses in safety, environmental protection, confidentiality and stability, so as to promote the sustainable and healthy development of the Company.
  - (6) The Company will adhere to combination of the leadership of the Party and the improvement of corporate governance, continuously improve its political capacity, and promote the deep integration of Party building and business work in a pragmatic manner. It will further implement the rectification of problems and improve the clean governance construction and the work mechanism of "one position with two responsibilities" to ensure the implementation of responsibilities.

# Discussion and Analysis of the Operation (Continued)

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## III. Discussion and Analysis of the Company over the Company's Future Development (Continued)

### (IV) Potential risks

#### 1. Enterprise transformation risks

Nowadays, the world is experiencing the greatest change ever seen in a century. As a member of the industry, the Company is facing risks and challenges as well as opportunities during the critical period when China vigorously develops the real economy and promotes high-quality development of the manufacturing industry. The Company will pay attention to the industrial development policy in a timely manner, and will, under the deployment of continuously comprehensive lean management as well as quality and efficiency improvement, further stimulate the internal growth of the Company's intelligent manufacturing, smart city and electronic manufacturing service industry to enhance its core competitiveness by optimizing the allocation of capital, human resources, technology, information and other production factors; secondly, the Company will seriously find out gaps within the industry and make up for shortcomings to promote the research and development of new technologies and the upgrading of traditional technologies. It will enhance industrial empowerment as driven by technological innovation, and realize the transformation from "price war" to "quality war".

#### 2. Technology upgrade risks

As core technologies of international intelligent manufacturing such as communication, big data and control algorithm are mainly under the control of foreign companies, the Company is still seeking for breakthroughs in independent core technology and following emerging technologies at the present stage, and is highly dependent on the international market in terms of certain key and critical components and parts. Considering its current actual condition, the Company will continue to increase input in the facilities, materials, funds and personnel for the R&D of the existing technologies, and prepare materials in advance and alternative use of home-made products; as the change of the main asset of the cooperative unit has caused an uncertain impact on the operating income of catering and properties, and the Company is actively initiating business negotiations with new customers to strive for the next round of long-term cooperation; for the existing overdue accounts receivable, the Company will implement and strengthen various measures such as the setting of the Company's assessment indicators, the continuous tracking of accounts receivable and the related enterprises, and the ultimate legal remedies in an effort to keep the scale of accounts receivable within the Company's target range.

# Discussion and Analysis of the Operation (Continued)

## IV. Explanations on Facts not Disclosed in accordance with the Inapplicability of Standards or Special Reasons including state secrets or trade secrets: N/A

## V. Other Disclosures

### (I) Information on Board meetings

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolutions	Date of disclosure
13th meeting of the 9th session of the Board	2020-2-7	China Securities Journal, Shanghai Securities News	The resolution in relation to the Nomination of Candidates for Directors of the 9th Session of the Board was considered and approved	2020-2-8
Extraordinary meeting of the 9th session of the Board	2020-3-10	/	The resolutions in relation to the Proposal of the Amendments to the Articles of Association and the Amendments to the Rules of Procedure of General Meeting were considered and approved	/
14th meeting of the 9th session of the Board	2020-3-30	China Securities Journal, Shanghai Securities News	The resolutions in relation to the following matters were considered and approved: the 2019 Work Report of the Board, the 2019 Work Report of General Manager, the 2019 Final Account Report, the 2020 Financial Budget Report, the 2019 Profit Distribution Plan, the Appointment of Auditor for 2020, the Election of Members of the Remuneration and Appraisal Committee of the 9th Session of the Board of the Company, the Remuneration Plan for Directors and Senior Management in 2019, the Adjustment of the Annual Remuneration Limit for the Company's Senior Management, the 2019 Annual Report of the Company and its Summary, the Report of the Independent Directors of the Company for 2019, the Report on Performance of Duties of the Audit Committee for 2019, the 2019 Corporate Social Responsibility Report, the 2019 Internal Control Evaluation Report, the Risk Assessment Report on China Electronics Financial Co., Ltd., the Capital Expenditure Project Budget Draft for 2020, the Change in Accounting Policies of the Company and Relevant Matters, the Implementation Rules for the Management of the Performance Wage and Business Expenses for Company-Level Leaders, the Convening of 2019 Annual General Meeting	2020-3-31
15th meeting of the 9th session of the Board	2020-4-9	/	The 2020 First Quarterly Report was considered and approved	/
Extraordinary meeting of the 9th session of the Board	2020-5-8	China Securities Journal, Shanghai Securities News	The resolution in relation to the guarantee amount provided by the Company to its subsidiaries was considered and approved	2020-5-12
Extraordinary meeting of the 9th session of the Board	2020-5-26	/	The resolution in relation to the Receipt of Commercial Acceptance Bills by Relevant Subsidiaries and Relevant Matters was considered and approved	/
Extraordinary meeting of the 9th session of the Board	2020-6-19	/	The resolution in relation to the Amendments to the Acceptance Bills Management Regulations of the Company was considered and approved	/
Extraordinary meeting of the 9th session of the Board	2020-8-5	/	The resolution in relation to the Increase in Comprehensive Credit Line of the Company was considered and approved	/
16th meeting of the 9th session of the Board	2020-8-27	/	The 2020 interim report of the Company and its summary, and Risk Assessment Report on China Electronics Financial Co., Ltd.	/
17th meeting of the 9th session of the Board	2020-10-29	/	The 2020 third quarterly report of the Company was considered and approved	/
Extraordinary meeting of the 9th session of the Board	2020-11-6	China Securities Journal, Shanghai Securities News	The resolution in relation to Using Idle Funds for Cash Management was considered and approved	2020-11-7

# Discussion and Analysis of the Operation (Continued)

## V. Other Disclosures (Continued)

### (II) Liquidity of Capital

In accordance with the Accounting Standards for Business Enterprises of China, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 37.58%, RMB2,215,834,100, 1.90 and 1.50 respectively as at 31 December 2020 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB1,149,052,800 as at 31 December 2020 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans and other loans amounted to RMB0 as at 31 December 2020 as shown in the consolidated financial statements of the Company.

According to the Announcement [2019] No. 15 of the People's Bank of China, since 20 August 2019, the People's Bank of China authorized the National Interbank Funding Center to promulgate the loan prime rate (LPR) at 9:30 a.m. on the 20th of each month (postponed in case of holidays). The loan prime rate can be available for public inspection at websites of the National Interbank Funding Center and the People's Bank of China. As of 21 December 2020, the LPR for 1-year was 3.85%, and the LPR for more than 5-year was 4.65%; as of 22 March 2021, the LPR for 1-year was 3.85%, and the LPR for more than 5-year was 4.65%.

### (III) Purchase, Sale or Redemption of the Company's Listed Securities

The Group had not purchased, sold or redeemed any of the Company's listed securities during the reporting period.

### (IV) Pre-emptive Rights

There is no provision for pre-emptive rights according to the relevant laws of the PRC and the Articles of Association of the Company.

### (V) Highest Paid Individuals

The five highest paid individuals of the Company during the year were operators of the Company and its subsidiaries, details of which are provided in the notes to the financial statements prepared in accordance with the accounting standards of PRC enterprises.

### (VI) Arrangements for Purchase of Shares or Debentures by Directors, Supervisors and Senior Management Staff

At no time during the year had the Company become a party to any arrangements which enabled the Directors, Supervisors and senior management staff or any of their spouses or children under 18 to acquire benefits by means of the acquisition of shares or debentures of the Company or any other corporate bodies.

### (VII) Interests in Contracts of Directors, Supervisors and Senior Management Staff

At no time during the year had the Group entered into any contract of significance in which a Director, Supervisor or senior management staff of the Company was materially interested. None of Directors, Supervisors, and Senior Management Staff of the Company has engaged in the operating activities which compete with the business of our Group.

# Discussion and Analysis of the Operation (Continued)

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## V. Other Disclosures (Continued)

### (VIII) Service Agreements of Directors and Supervisors

The Company's executive Directors were Zhou Guixiang, Lu Qing and Xia Dechuan, respectively, the non-executive Directors were Shen Jianlong, Deng Weiming and Li Changjiang, respectively, and the independent non-executive Directors were Du Jie, Zhang Chun and Gao Yajun, respectively. The members of the Supervisory Committee were Zhao Ji, Fu Yuanyuan and Zhou Yuxin, respectively. For the main work experience, remuneration and shareholding in the Company of the Directors and Supervisors of the Company, please refer to "Section VII Profiles of Directors, Supervisors, Senior Management and Staff" in the report for details.

Each of the Directors and Supervisors has entered into service agreements with the Company for a term of three years. None of the Directors or Supervisors has entered into any contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### (IX) Liability insurance for its Directors, Supervisors and Senior Management

During the reporting period, the Company purchased liability insurance for its Directors, supervisors and senior management in compliance with the relevant regulations of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

### (X) Privileges of Directors, Supervisors and Senior Management Staff

During the reporting period, no privileges were enjoyed by the Directors, Supervisors and senior management staff of the Company.

### (XI) Interested Relations with Suppliers and Customers

Nanjing China Electronics Panda Panel Display Technology Co., Ltd., Chengdu China Electronics Panda Display Technology Co., Ltd., Nanjing Panda Handa Technology Co., Ltd and Nanjing CEC Panda LCD Technology Co., Ltd. are the connected legal persons of the Company. They were listed as the top five customers of the Company in 2020.

Save as disclosed above, during the year, neither the Directors, Supervisors, nor their close associates or shareholders (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had any interest in the five largest customers or suppliers of the Company.

### (XII) Contracts of Significance

Particulars of the contracts of significance under paragraph 16 of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries, or for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries, are set out in the paragraph headed "Material Connected Transactions" under Section V "Significant Events" of this report.



# Discussion and Analysis of the Operation (Continued)

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## V. Other Disclosures (Continued)

### (XIII) Enter into Material Contracts

Besides the daily business, the material contracts entered into by the Company were to provide financing guarantees for its subsidiaries and carry out wealth management with its idle funds. The contracts for financing guarantee provided by the Company for its subsidiaries and wealth management with its idle funds were disclosed on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

### (XIV) Convertible Securities, Options, Warrants or Similar Rights

The Company had not issued or granted any convertible securities, options, warrants or similar rights as at 31 December 2020.

### (XV) Reserves

As calculated in accordance with the applicable laws of the PRC where the Company is incorporated, the distributable reserves of the Company as at 31 December 2020 amounted to RMB171,272,061.28.

### (XVI) Pension Scheme

The Company participated in a pension scheme established by the government. In accordance with the terms of the scheme, the annual contributions made by the Company should be equivalent to around 16% of the salaries of its employees. According to the said scheme, the pension of present and retired employees of the Company is protected by Nanjing Human Resources and Social Security Bureau.

### (XVII) Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the Company's business were entered into by the Company or existed during the year.

### (XVIII) Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2020 are set out in the notes to the financial statements prepared under the PRC accounting standards.

### (XIX) Changes in Owners' Equity

Particulars of changes in owners' equity of the Group during the year are set out in the statement of changes in owners' equity prepared under the PRC accounting standards.

### (XX) Fixed Assets

Details of the movements in the fixed assets of the Group during the year are set out in the notes to the financial statements prepared under the PRC accounting standards.

# Discussion and Analysis of the Operation (Continued)

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## V. Other Disclosures (Continued)

### (XXI) Subsidiaries

Information on the subsidiaries of the Company is set out in the notes to the financial statements prepared under the PRC accounting standards.

### (XXII) The Company's Code of Corporate Governance and Model Code

During the reporting period, the Company has adopted and complied with the Corporate Governance Code as set out in Appendix 14 and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

### (XXIII) Confirmation by Independent Non-executive Directors on Related Transactions

The Independent Non-executive Directors of the Company, within their scope of duties, have reviewed the "Related party relationship and transactions" set out in the notes to the financial statements of the Company for 2020 prepared under the Accounting Standards for Business Enterprises of China, as well as the relevant letter of the auditors, and confirmed that:

1. Such transactions were entered into in the ordinary and usual course of business of the Group;
2. Such transactions were (1) on normal commercial terms or better or (2) on terms no less favourable to the Company than those available to or from independent third parties, if there were no applicable comparables;
3. Such transactions were carried out in accordance with relevant agreements governing such transactions, and the terms of such transactions were fair and reasonable and in the interests of the Company's shareholders as a whole; and
4. Such transactions did not exceed the relevant caps disclosed previously.

For details of the related transactions and continuing related transaction of the Company, please refer to the sub-section headed "Material related transactions" under Section V "Significant Events" of this report.

### (XXIV) Contingencies

Details of contingent events of the Group during the year are set out in the notes to the financial statements prepared under the PRC accounting standards.

# Discussion and Analysis of the Operation (Continued)

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## V. Other Disclosures (Continued)

### (XXV) Environmental, Social and Governance Report

The Group is committed to supporting the sustainable development of the environment and is subject to various national laws and regulations in relation to environmental protection promulgated by the PRC. The Group has set up compliance procedures to ensure compliance with relevant laws, rules and regulations in relation to environmental protection. In addition, the employees and operating units concerned have paid attention to changes in relevant laws, rules and regulations from time to time. The Group has always been devoted to maintaining well-observed standards regarding environmental protection and the society and safeguarding the sustainable development of our business.

During the reporting period, in accordance with the requirements under the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange, the Company has prepared the 2020 Annual Social Responsibility Report covering strategy and governance, social responsibility management, professional advantages to serve the needs of social development, the joint creation of value with stakeholders and other aspects. In preparation of the report, the Company followed the reporting principles of materiality, quantitative, balance and consistency to the greatest possible extent. The report, which has been considered and approved by the 18th meeting of the 9th session of the Board, gives an account of the management approach, objectives, measures and results achieved in respect of environmental, social and governance areas of the Company and its subsidiaries during the period from 1 January 2020 to 31 December 2020. The report is also in compliance with the requirements of the Guidelines for the Preparation of the Report on the Performance of Corporate Social Responsibility (《〈公司履行社會責任的報告〉編制指引》) and the Notice on Further Improving the Information Disclosure of Listed Companies on Poverty Alleviation (《關於進一步完善上市公司扶貧工作信息披露的通知》) issued by Shanghai Stock Exchange. The 2020 Social Responsibility Report of the Company was published on the website of Shanghai Stock Exchange on 27 March 2021.

### (XXVI) Others

1. For the principal operations of the Group, please refer to “Section III An Overview of Company’s Business” in this report for details.
2. The Board of the Company considered and approved the profit distribution proposal to distribute cash dividend for 2020, the details of which are set out in “Section V Significant Events” in this report.
3. Taxation policies applicable to the shareholders in respect of the cash dividend received for the shares held by them in the Company shall follow the laws and regulations as revised from time to time by the State, details in relation thereto will be otherwise announced by the Company.
4. As at the date of this report, based on the information announced by the Company and within the knowledge of the Directors, the Company has complied with the continuous requirements of Hong Kong Stock Exchange in relation to the sufficiency of public float.

# Discussion and Analysis of the Operation (Continued)

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## V. Other Disclosures (Continued)

### (XXVI) Others (Continued)

5. During the year, the Company donated RMB80,000 to support impoverished families and help the children of school age to go to school.

### (XXVII) Annual General Meeting

The Board proposes to convene the 2020 annual general meeting of the Company before 30 June 2021, the announcement of which will be made separately.

By order of the Board

**Zhou Guixiang**

*Chairman*

Nanjing, the PRC, 26 March 2021

# Significant Events

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## I. Plan for Profit Distribution of Ordinary Shares or Capitalization of Capital Reserve

### (I) Formulation, implementation or adjustment of cash dividend distribution policy

Pursuant to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) promulgated by the CSRC and the Guidelines on Cash Dividends Distribution of Listed Companies (《上市公司現金分紅指引》) published by the Shanghai Stock Exchange, proposals on the decision-making procedures and policy of profit distribution in the Articles of Association were considered and approved on the extraordinary meeting of the seventh session of the Board on 22 January 2014 and on the first extraordinary general meeting in 2014 on 12 March 2014, respectively. The amended profit distribution policy is in line with the requirements of the Articles of Association and the consideration procedures, legitimate rights and interests of minority investors were adequately protected and independent directors expressed their consent. The profit distribution criteria and distribution ratios were clarified and conditions and procedures of adjustment or changes in profit distribution policy were in compliance with regulations and transparent. Cash dividend policy and related matters are the key contents of decision-making process and policy changes and improved cash dividend policy are in line with the requirements of the Articles of Association and the resolutions at the general meeting. The dividend criteria and ratios are clear and distinct and the relevant decision-making procedures and mechanism are complete. Independent directors discharged their duty and played their due role, the opportunity for minority shareholders to fully express their views and aspirations are guaranteed, and the legitimate rights and interests of minority shareholders are adequately protected.

On 28 March 2019, the “Shareholders’ Return Plan of Nanjing Panda (2019–2021)” (《南京熊貓股東回報規劃(2019–2021)》) was considered and approved at the fourth meeting of the ninth session of the Board of the Company. The revised Shareholders’ Return Plan maintains continuity and stability of the profit distribution policy. The amendments further refined the decision-making procedures and supervision mechanism for profit distribution, clarified the priority of cash dividend in the way of profit distribution, strengthened the rationality, stability and transparency of cash dividend policies. The relevant decision-making procedures of profit distribution are in line with the requirement of relevant laws, regulations and the Articles of Association. The contents reflect the reasonable return to investors, fully safeguard the legitimate interests of minority shareholders and maintain the sustainable development of the Company.

During the reporting period, the Company did not adjust the profit distribution policy for ordinary shares. The Company strictly performed the decision making procedures for profit distribution and profit distribution policies in accordance with the relevant requirements of the CSRC and the Shanghai Stock Exchange and the relevant provisions under the Articles of Association.

## Significant Events (Continued)

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### I. Plan for Profit Distribution of Ordinary Shares or Capitalization of Capital Reserve (Continued)

#### (I) Formulation, implementation or adjustment of cash dividend distribution policy (Continued)

In 2020, the Company (as parent company) achieved a net profit of RMB90,347,533.41. Given the cash dividend of RMB15,992,174.26 distributed to shareholders in 2019 and the statutory surplus reserve of RMB9,034,753.34 appropriated in 2020, and the undistributed profit at the beginning of the period of RMB105,949,041.61 and refund of overdue unclaimed dividends of RMB2,413.86 allocated in previous years, the actual distributable profit to shareholders this year amounted to RMB171,272,061.28. In accordance with the Articles of Association of the Company and the relevant requirements of Shanghai Stock Exchange, it was proposed to distribute a cash dividend of RMB0.26 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2020, with the total cash dividend to be distributed amounting to RMB23,759,801.75, and the remaining part to be carried forward to next year. The Company will not transfer capital reserve into share capital. This proposal was considered and approved at the 18th meeting of the ninth session of the Board of the Company, and was agreed to be submitted to the annual general meeting for consideration.

The proposal for distribution of cash dividend is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on or before 30 June 2021 and the dividend is expected to be paid to the shareholders of H Shares of the Company on or before 10 August 2021. The Company will announce in due course the date of the AGM and the closure of its register of members in relation to the right to attend and vote at the AGM. The Company will announce the record date for the distribution of H Share dividend, the closure date of its register of members, the implementation measures, and the withholding of income tax for dividends in due course. The Company will comply with the relevant laws and regulations in respect of withholding and waiver of income tax for dividends.

## Significant Events (Continued)

### I. Plan for Profit Distribution of Ordinary Shares or Capitalization of Capital Reserve (Continued)

- (II) Plan or proposal for profit distribution of ordinary shares or transfer of capital reserves into share capital of the Company in the previous three years (including the reporting period)

Unit: yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares <i>(share)</i>	Amount of dividend for every 10 shares (tax included) <i>(RMB) (tax inclusive)</i>	Number of shares transferred for every 10 shares <i>(share)</i>	Amount of cash dividends (tax included) <i>(tax inclusive)</i>	Net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement <i>(%)</i>
2020	-	0.26		23,759,801.75	77,318,175.74	30.73
2019	-	0.175		15,992,174.26	52,657,894.58	30.37
2018	-	0.80		73,107,082.32	161,959,568.48	45.14

- (III) Repurchase of shares under cash offer included in cash dividend: N/A
- (IV) If the Company records profits and the parent company records a positive undistributed profit during the reporting period but there is no resolution for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in details: N/A

# Significant Events (Continued)

## II. Fulfillment of Commitments

### (I) Commitments of the ultimate controller, shareholders, connected parties, acquirers and the Company and other related parties during the reporting period or continued to the reporting period

Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
Undertakings made in acquisition reports or equity change reports	Avoidance of horizontal competition	CEC	Prior to this acquisition, CEC and its controlled enterprises had no projects or assets which constituted horizontal competition with the principal operations of the Company. Upon completion of this acquisition, CEC and its controlled enterprises would not be directly or indirectly engaged in business which constitutes horizontal competition with the principal operations of the Company, nor invest in enterprises or projects which have direct or indirect competition with the principal operations of the Company.	Time: 25 April 2012; Term: effective for as long as CEC is the ultimate controller of the Company.	Yes	Yes	N/A	N/A
	Standardization and avoidance of connected transactions	CEC	Upon completion of the acquisition, CEC undertook to take the following measures to standardize potential connected transactions: (1) try to avoid or reduce connected transactions with the Company and its subsidiaries; (2) as for those that cannot be avoided or exist for reasonable reasons, standard connected transaction agreements shall be entered into with the Company according to law, and approval procedures shall be performed in accordance with relevant laws, rules, regulations, other regulatory documents and the Articles of Association. The price of such connected transactions shall be determined on the pricing principle of "reference to the market price and no less than the price of non-connected transactions then", so as to ensure the fairness of connected transaction prices; undertake to perform information disclosure obligation in compliance with relevant requirements of laws, regulations and the Articles of Association; (3) undertake not to illegally transfer the capital or profit of the Company, or harm the interest of the Company and its non-connected shareholders through connected transactions.	Time: 25 April 2012; Term: effective for as long as CEC is the ultimate controller of the Company.	Yes	Yes	N/A	N/A
	Ensuring the Company's independence	CEC	Upon completion of the acquisition, CEC and the Company would maintain the independence of their respective staff, integrity of assets and financial independence; ensure the independent operation capability of the Company, the independence in respect of procurement, production, sales, and intellectual property rights, and protection of the interest of minority shareholders.	Time: 25 April 2012; Term: effective for as long as CEC is the ultimate controller of the Company.	Yes	Yes	N/A	N/A



# Significant Events (Continued)

## II. Fulfillment of Commitments (Continued)

### (I) Commitments of the ultimate controller, shareholders, connected parties, acquirers and the Company and other related parties during the reporting period or continued to the reporting period (Continued)

Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
Undertakings relating to refinancing	Avoidance of horizontal competition	PEGL	<p>(1) PEGL and its subsidiaries have no projects or assets which constitute horizontal competition with the principal operations of the Company.</p> <p>(2) PEGL and its subsidiaries would not engage in the same or similar business as that of the Company and its subsidiaries in any form (including such forms as investment, acquisition, operation, merger and entrusted operation inside or outside the PRC).</p> <p>(3) In the event of business competition with the Company and its subsidiaries, the PEGL and its subsidiaries would terminate production and operation, or integrate such competing business into the Company, or transfer such competing business to non-related third parties to avoid horizontal competition.</p> <p>(4) If any business opportunity is provided to PEGL and its subsidiaries by third parties or by PEGL and its subsidiaries to third parties, and such business directly or indirectly constitutes competition with the Company, or the Company is able to and intends to undertake such business, PEGL and its subsidiaries shall immediately inform the Company of such opportunity and facilitate the undertaking of such business by the Company on reasonable terms and conditions.</p> <p>(5) If the Company or the relevant regulatory authorities believe(s) there exists horizontal competition between the business of PEGL and its subsidiaries is engaging in or will engage in PEGL and its subsidiaries will timely transfer or terminate such business upon objection by the Company. If the Company further requests to acquire such business, PEGL and its subsidiaries will, unconditionally, transfer the aforesaid business and assets to the Company with priority based on the fair price as audited or appraised by agencies qualified to deal in securities and futures related business.</p> <p>(6) If this letter of commitment proves to be untrue or not observed, PEGL will indemnify the Company and its subsidiaries for all direct and indirect losses.</p> <p>(7) PEGL confirms that each commitment contained in this letter of commitment is independently executable, and any one commitment, if deemed invalid or terminated, shall not affect the validity of other commitments.</p> <p>(8) This letter of commitment is effective from the date of signing.</p>	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A

# Significant Events (Continued)

## II. Fulfillment of Commitments (Continued)

### (I) Commitments of the ultimate controller, shareholders, connected parties, acquirers and the Company and other related parties during the reporting period or continued to the reporting period (Continued)

Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
	Avoidance of horizontal competition	NEIC	The same contents as that of PEGL for "avoidance of horizontal competition"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
	Standardization and avoidance of connected transactions	PEGL	(1) As long as PEGL is a shareholder of the Company, PEGL and its subsidiaries shall try to reduce and standardize connected transactions with the Company. (2) As for the connected transactions that cannot be avoided, PEGL shall enter into agreements with the Company in compliance and in accordance with relevant laws, regulations, regulatory documents and the articles of association of the Company, perform relevant approval procedures and the information disclosure obligation in accordance with statutory procedures, and refrain or abstain from voting at board meetings and/or general meetings, so as to procure such connected transaction can be conducted in compliance with the principle of "fairness, justice and openness" and normal commercial terms and conditions, and ensure such connected transactions will not harm the legitimate interests and rights of the Company and other shareholders.	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
	Standardization and avoidance of connected transactions	NEIC	The same contents as that of PEGL for "standardization and avoidance of connected transactions"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
Other undertakings	Others	CEC	Due to the abnormal fluctuation of the domestic stock market, the Company received declaration documents from CEC as follows: (1) as a responsible shareholder, CEC will proactively take social responsibilities and will not decrease its shareholding in the listed company during the abnormal fluctuation period in stock markets. (2) CEC made commitment to actively explore and execute measures including repurchase, increasing shares, etc. within the permitted scope of law and regulations; to increase shareholding of shares in the listed company when the stock price considerably deviates from its share value, in order to protect the benefit of investors. (3) CEC will continue to improve the quality of the listed company through asset restructuring and capital injection, supporting the economic structural adjustment and industrial transformation and equip the listed company with an upgraded healthy and comprehensive long-term reward mechanism to achieve continuous improvement of the return level of investors.	Time: 9 July 2015; Term: effective from the date of signing.	Yes	Yes	N/A	N/A

As of the reporting date, CEC, NEIC and PEGL confirmed that undertakings had been strictly fulfilled by each of the parties.

## Significant Events (Continued)

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### II. Fulfillment of Commitments (Continued)

- (II) The Company has profit forecasts on assets or projects, and the reporting period was within the term of profit forecasts. The Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor: N/A
- (III) The fulfillment of result commitments and its impact on impairment test to goodwill: N/A

### III. Appropriation of Funds and Repayment of Debt during the Reporting Period: N/A

### IV. Explanation of the Company on the “Non-standard Opinions” given by the Accounting Firm: N/A

### V. Analysis and explanation of the Company on the reasons and impact of the change in accounting policy, accounting estimation or the correction to material accounting errors

- (I) Analysis and explanation of the Company on the reasons and impact of the change in accounting policy and accounting estimation:

The resolution on Changes in the Company’s Accounting Policies and Relevant Matters was considered and approved at the fourteenth meeting of the ninth session of the Board of the Company on 30 March 2020. In accordance with the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Version) (《關於修訂印發合併財務報表格式(2019版)的通知》) (Cai Kuai [2019] No. 16), the Accounting Standards for Business Enterprises No. 7 – Non-monetary Asset Exchange (2019 Revision) (Cai Kuai [2019] No.8) and the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring (2019 Revision) (Cai Kuai [2019] No.9) issued by the Ministry of Finance, the Company made corresponding changes in relevant accounting policies and implemented the corresponding accounting treatments at the commencement date stipulated in the above document. The change in accounting policies was made on reasonable basis according to the relevant regulation issued by the Ministry of Finance, which was in line with the Accounting Standards for Business Enterprises and the relevant regulations. The decision-making process for this change in accounting policies is in compliance with relevant laws and regulations and the Articles of Association. The changes in accounting policies has no material impact on the current financial conditions and operating results of the Company, nor does it involve retrospective adjustments in prior years. For details of the change in accounting policies, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2020-021) published on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 31 March 2020 and on the website of the Hong Kong Stock Exchange on 30 March 2020.

## Significant Events (Continued)

### V. Analysis and explanation of the Company on the reasons and impact of the change in accounting policy, accounting estimation or the correction to material accounting errors (Continued)

(II) Analysis and explanation of the Company on the reasons and impact of the correction to material errors: N/A

(III) Communication with the Previous Accounting Firm: N/A

### VI. Appointment and Dismissal of Accounting Firms

Unit: 0'000 Currency: RMB

Currently appointed	
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration for the domestic accounting firm	162
Audit years of the domestic accounting firm	5 years
Name of the overseas accounting firm	N/A
Remuneration for the overseas accounting firm	N/A
Audit years of the overseas accounting firm	N/A

Unit: 0'000 Currency: RMB

Name	Remuneration
Accounting firm for audit of internal control	BDO China Shu Lun Pan Certified Public Accountants LLP 48

#### Explanations on appointment and dismissal of accounting firms:

The fourth meeting of the ninth session of the Board of the Company considered and approved the Resolution related to the Appointment of the Auditor for 2020, and proposed the reappointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's international auditor, PRC auditor and internal control auditor for 2020 and the determination of the auditor's remuneration within the limit of the total amount of RMB2,100,000. The meeting also agreed to submit the resolution for consideration and approval at the 2019 annual general meeting.

At the 2019 annual general meeting of the Company, the reappointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's international auditor, PRC auditor and internal control auditor for 2020 was considered and approved, and the Board was authorized to determine the auditor's remuneration within the limit of the total amount of RMB2,100,000.

For details, please refer to the relevant announcements published by the Company in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 31 March 2020 and 30 June 2020 and on the website of the Hong Kong Stock Exchange on 30 March 2020 and 29 June 2020.

#### Explanations on change of appointment of accounting firms during the audit period: N/A

## Significant Events (Continued)

VII. The Company was not exposed to any risk of suspension of listing

VIII. Possible delisting and reason therefor: N/A

IX. Bankruptcy and restructuring related matter: N/A

X. Material Litigation and Arbitration

(I) Litigation and arbitration disclosed in interim announcements with no subsequent developments: N/A

(II) Information on litigation and arbitration not disclosed in the interim announcement or with subsequent events

Unit: 0'000 Currency: RMB

During the reporting period:

Suitor (sue)	Defendant (respondent)	Party with joint liability	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Nanjing Panda Information Industry Co., Ltd.	Hangzhou Guoxin Vision Technology Co., Ltd.	Nil	Litigation	In January 2018, Information Industry Company and Hangzhou Guoxin Vision Technology Co., Ltd. entered into "3256 (Village to Village Special Type) Purchase and Sales Contract". However, Hangzhou Guoxin Vision Technology Co., Ltd. failed to deliver goods according to the time specified in the contract, causing the cancellation of the contract by the customer of Information Industry Company.	1,463.04	N/A		Nanjing Qixia District People's Court hold a hearing on 19 November 2020, and the plaintiff and the defendant exchanged cross-examination opinions with respect to the evidence of the case with each other, awaiting a notice on the next hearing from the court.	

XI. Punishment and rectification to the listed Company, its directors, supervisors, senior management, controlling shareholder, ultimate controller and acquirers: N/A

XII. Explanation on credibility status of the Company, its controlling shareholder and ultimate controller during the reporting period

During the reporting period, there was no occurrence of non-compliance with court ruling in effect or default of any material overdue debt by the Company, its controlling shareholders or ultimate controller.

XIII. Share incentive scheme, employee shareholding scheme and other employee incentives and their impacts: N/A

# Significant Events (Continued)

## XIV. Material Connected Transactions

### (I) Connected transactions relating to day-to-day operation

1. Matters disclosed in interim announcements with no progress or change in the follow-up implementation: N/A
2. Matters disclosed in interim announcements with progress or change in the follow-up implementation

On 7 November 2018, the renewing of the existing continuing connected transactions and the cap between the Group and Financial Company was considered and approved at the extraordinary meeting of the ninth session of the Board, at which the directors or senior management of the Company were authorised to enter into the Financial Cooperation Agreement. It was stipulated that the cap for the fund settlement balance (deposit services) of the Group with Financial Company maintained at RMB500,000,000 and the cap for the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group maintained at RMB600,000,000. The agreement was effective from obtaining approval of independent shareholders at the extraordinary general meeting for a term of three years. The entering into of the Financial Cooperation Agreement was in compliance with relevant state and industry regulations and on the principle of openness, fairness and justice, without prejudice to the interest of the Company and minority shareholders of the Company. Additionally, the Company has made the Emergency Risk Management Plan for the Deposits Placed with Financial Company which guaranteed the safety and liquidity of the funds. The connected directors has abstained from voting; and non-connected directors, independent non-executive directors and the Audit Committee approved such continuing connected transaction, considering that such continuing connect transaction was in the interests of the Company and its shareholders as a whole. This continuing connect transaction was considered and approved at the 2018 first extraordinary general meeting of the Company on 28 December 2018. For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange respectively on 8 November and 29 December 2018 and H share circular despatched on 11 December 2018.

At the eighteenth meeting and the sixteenth meeting of the ninth session of the Board convened on 26 March 2021 and 27 August 2020 respectively, the resolution in relation to the Risk Assessment Report on China Electronics Financial Co., Ltd. (《關於中國電子財務有限責任公司風險評估報告》) was considered and approved, to assess the risks related to the funds deposited with Financial Company. After review, there were no material defects found in the risk control system in respect of funds, credit, intermediate business, investment, audit and information management regarding the financial statements of Financial Company as at 30 June 2020 and 31 December 2020. For details, please refer to the relevant announcements of the Company published on the website of the Shanghai Stock Exchange on 27 March 2021 and 28 August 2020 and on the website of the Hong Kong Stock Exchange on 31 August 2020 and 26 March 2021.

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

#### (I) Connected transactions relating to day-to-day operation (Continued)

- Matters disclosed in interim announcements with progress or change in the follow-up implementation (Continued)

As at 31 December 2020, the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group amounted to RMB14,160,000 and the fund settlement balance (deposit services) of the Group with Financial Company amounted to RMB495,770,000. As at 25 March 2021, the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group amounted to RMB20,101,900 and the fund settlement balance (deposit services) of the Group with Financial Company amounted to RMB263,293,800. The connected transactions between the Group and Financial Company were also confirmed by the independent non-executive directors and the comprehensive credit balance and fund settlement balance did not exceed the approved annual caps.

- Matters not disclosed in interim announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
China Electronics Equipment International Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1,885.20	0.62			
Feisheng (Shanghai) Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1,469.42	0.48			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1,182.75	0.39			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				431.85	0.14			
Nanjing IRICO New Energy Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				269.26	0.09			
Nanjing Zhenhua Packing Material Factory	Subsidiary owned by shareholders	Purchase of goods				205.89	0.07			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				94.95	0.03			
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				75.31	0.02			

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

#### (I) Connected transactions relating to day-to-day operation (Continued)

##### 3. Matters not disclosed in interim announcements (Continued)

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shenzhen China Electronics Investment Company	Subsidiary owned by shareholders	Purchase of goods				46.96	0.02			
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				15.55	0.01			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				14.17	0.00			
China Electronics Import and Export Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				12.19	0.00			
China Zhenhua Group Yunke Electronics Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				12.13	0.00			
Chengdu China Electronic Panda Display Technology Co., Ltd.	Other related parties	Purchase of goods				7.55	0.00			
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd.	Subsidiary owned by shareholders	Purchase of goods				3.29	0.00			
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1.30	0.00			
Nanjing Panda Dasheng Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				0.96	0.00			
Nanjing Panda Electronic Import and Export Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				0.49	0.00			
Shenzhen China Electronics International Information Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				0.17	0.00			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				642.58	4.48			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				378.76	2.64			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other related parties	Receipt of services				170.80	1.19			



# Significant Events (Continued)

## XIV. Material Connected Transactions (Continued)

### (I) Connected transactions relating to day-to-day operation (Continued)

#### 3. Matters not disclosed in interim announcements (Continued)

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Xianyang China Electronics Irco Group Holding Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				75.47	0.53			
Nanjing Huadong Electronic Group Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				56.37	0.39			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				50.11	0.35			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				15.57	0.11			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Receipt of services				14.66	0.10			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				68,376.80	18.56			
Chengdu China Electronic Panda Display Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				53,693.84	14.57			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				15,207.91	4.13			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				14,480.69	3.93			
Shenzhen China Electronics Investment Company	Subsidiary owned by shareholders	Sale of goods				5,668.17	1.54			
Gansu Changfeng Electronic Technology Co. Ltd. (甘肃长风电子科技有限公司)	Subsidiary owned by shareholders	Sale of goods				2,414.98	0.66			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Sale of goods				2,144.84	0.58			
Feisheng (Shanghai) Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1,259.41	0.34			
Caihong Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1,078.40	0.29			

# Significant Events (Continued)

## XIV. Material Connected Transactions (Continued)

### (I) Connected transactions relating to day-to-day operation (Continued)

#### 3. Matters not disclosed in interim announcements (Continued)

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing Panda Electronic Import and Export Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				700.41	0.19			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Sale of goods				475.82	0.13			
IRICO (Hefei) LCD Glass Co., Ltd.	Other related parties	Sale of goods				323.89	0.09			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Other related parties	Sale of goods				318.16	0.09			
China Greatwall Technology Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				292.09	0.08			
Fairwit Hong Kong Co., Ltd. (智成興業(香港)有限公司)	Subsidiary owned by shareholders	Sale of goods				273.43	0.07			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				205.09	0.06			
Nanjing CEC Panda Illumination Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				146.79	0.04			
China Electronic Material Suzhe Company	Subsidiary owned by shareholders	Sale of goods				81.59	0.02			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				64.56	0.02			
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder	Sale of goods				44.12	0.01			
Panda Electronics Group Limited	Controlling shareholder	Sale of goods				22.28	0.01			
Wuhan Zhongyuan Communications Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				19.38	0.01			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				15.51	0.00			
Nanjing Huadong Electronic Information Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				10.73	0.00			

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

#### (I) Connected transactions relating to day-to-day operation (Continued)

##### 3. Matters not disclosed in interim announcements (Continued)

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shenzhen China Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				7.97	0.00			
CEC Pengcheng Intelligent Equipment Co., Ltd. (中電鵬程智能裝備有限公司)	Subsidiary owned by shareholders	Sale of goods				2.26	0.00			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2.03	0.00			
Nanjing China Electronics Modern Service Industry Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1.91	0.00			
Nanjing Panda Dasheng Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1.24	0.00			
Nanjing China Electronics Panda Trade Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				0.63	0.00			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				1,646.17	8.59			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Other related parties	Rendering of services				1,477.49	7.71			
Panda Electronics Group Limited	Controlling shareholder	Rendering of services				1,087.75	5.67			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				840.42	4.38			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				400.30	2.09			
Liyang Panda Cuizhuyuan Hotel Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				302.06	1.58			
CEC Industrial Internet Co. Ltd. (中電工業互聯網有限公司)	Subsidiary owned by shareholders	Rendering of services				221.59	1.16			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				79.65	0.42			

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

#### (I) Connected transactions relating to day-to-day operation (Continued)

##### 3. Matters not disclosed in interim announcements (Continued)

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Wuhan Zhongyuan Communications Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				60.00	0.31			
Nanjing Lejin Panda Electrical Appliance Co., Ltd. (南京樂金熊摺電器有限公司)	Other related parties	Rendering of services				43.08	0.22			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				43.01	0.22			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				38.74	0.20			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				31.64	0.17			
Nanjing Panda Electronic Import and Export Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				13.29	0.07			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Rendering of services				0.58	0.00			
The Fourth Construction Co., Ltd. of China Electronics System Engineering (中國電子系統工程第四建設有限公司)	Subsidiary owned by shareholders	Rendering of services				0.17	0.00			
Nanjing IRICO New Energy Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				0.09	0.00			
Nanjing Panda Electronic Import and Export Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				24.73	0.33			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				15.74	0.21			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				22.83	0.31			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				118.68	1.59			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				66.84	0.90			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Leasing of assets				4.50	0.06			

# Significant Events (Continued)

## XIV. Material Connected Transactions (Continued)

### (I) Connected transactions relating to day-to-day operation (Continued)

#### 3. Matters not disclosed in interim announcements (Continued)

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of the same type transactions (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other related parties	Leasing of assets				52.27	0.70			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Assets leased				0.57	0.10			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Assets leased				2.87	0.51			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Trademark licensing				28.30	16.68			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Trademark licensing				18.87	11.12			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Trademark licensing				18.70	11.02			
Total				/	/	181,129.57		/	/	/
<b>Details on return of bulk sales</b>			N/A							
<b>Explanation on connected transactions</b>			<p>During the reporting period, the continuing connected transactions conducted between the Group, and CEC Group (including Financial Company), NEIC Group and CEC Home Appliances (the continuing connected transactions which were conducted in the usual course of business and on normal commercial terms) were considered and approved at the extraordinary meeting of the ninth session of the Board of the Company and were approved by independent shareholders at the first extraordinary general meeting of 2018, the procedures of which were in compliance with relevant requirements. For details please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange respectively on 8 November and 29 December 2018 and the H share circular dispatched on 11 December 2018. In addition, on 1 January 2020, the Company signed Trademark License Contracts with Nanjing China Electronics Panda Panel Display Technology Co., Ltd. and Nanjing CEC Panda LCD Technology Co., Ltd., subsidiaries of the NEIC, with contract amount of RMB300,000 and RMB200,000, respectively. All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.</p> <p>These continuing connected transactions were conducive to the stability of the Group's production and operation. In addition, the terms of these continuing connected transactions were fair and reasonable with fair pricing and had performed approval procedures in accordance with relevant requirements and these continuing connected transactions were conducted in the usual course of business and on normal commercial terms, were in the benefit of the Company and the shareholders as a whole and did not affect the Company's independence.</p>							

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

#### (I) Connected transactions relating to day-to-day operation (Continued)

##### 3. Matters not disclosed in interim announcements (Continued)

For details of the continuing connected transactions between the Group and CEC Group (including Financial Company), NEIC Group and CEC Home Appliances during the reporting period, please refer to the section headed "Related party relationship and transactions" in the notes to the financial statements of the 2020 annual report of the Company, summaries of which are as follows:

Unit: 0'000 Currency: RMB

Serial No.	Categories of the Continuing Connected Transaction	Pricing Principle	Actual Amount
(A)	Provision of sub-contracting services and composite services by the Group to the CEC Group	Market price, government guidance rate	4,765
(B)	Provision of sub-contracting services and composite services by the CEC Group to the Group	Market price, government guidance rate	1,234
(C)	Sale of materials, components and parts by the Group to the CEC Group	Market price, cost plus	164,072
(D)	Purchase of materials, components and parts by the Group from the CEC Group	Market price	5,729
(E)	Lease of premises and relevant equipment by the Group to the NEIC Group	Market price	249
(F)	Lease of premises and relevant equipment by the NEIC Group to the Group	Market price	3
(G)	Licensing of Trademark by the Group to CEC Home Appliances	Market price	19
(H)	The fund settlement balance of the Group with Financial Company (receipt and payment of transaction amount, settlement and sale of foreign exchange, deposits taking, and handling time deposits, call deposits, agreement deposit, etc.)	Market price	49,577
(I)	Provision of comprehensive credit balance by Financial Company to the Group (loans in local and foreign currencies, external guarantees, finance leasing, acceptance and discount of commercial acceptance bills, factoring of accounts receivable, letter of guarantee, etc.)	Market price	1,416
(J)	Licensing of Trademark by the Group to Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Market price	28
(K)	Licensing of Trademark by the Group to Nanjing CEC Panda LCD Technology Co., Ltd.	Market price	19

Note: (H), (I) were the fund settlement balance and comprehensive credit balance of the Group with the Financial Company under CEC as at 31 December 2020. During the reporting period, both of the fund settlement balance and comprehensive credit balance of the Group with the Financial Company did not exceed the approved annual caps.

# Significant Events (Continued)

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## XIV. Material Connected Transactions (Continued)

### (I) Connected transactions relating to day-to-day operation (Continued)

#### 3. Matters not disclosed in interim announcements (Continued)

As for such continuing connected transactions, the Company entered into agreements with each of CEC, NEIC, Financial Company, CEC Home Appliances, Nanjing China Panda Electronics Panel Display Technology Co., Ltd. and Nanjing CEC Panda LCD Technology Co., Ltd. in compliance with the requirements of relevant laws, regulations, the Articles of Association, and performed relevant procedures for reporting and approval and the information disclosure obligation according to the law. PEGL and its connected persons abstained from voting at the Board meetings and general meetings of the Company to procure the compliance of such continuing connected transactions with the principle of “fairness, justice and openness” and normal business transaction rules, and ensure the legitimate rights and interests of the Company and other shareholders are not prejudiced. Therefore, such continuing connected transactions will not have any impact on the independence of the Company.

Related Party Transactions: During the reporting year, the Group entered into certain transactions with parties regarded as “related parties” under applicable accounting principles.

Except for the “Related party relationship and transactions” as set out in notes to the financial statements and the connected transactions disclosed below, which constituted connected transactions and/or continuing connected transactions under the Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, no other transactions constituted “connected transaction” or “continuing connected transaction” under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The Company has complied with relevant requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

- (a) the material related party transactions entered into between the Group and the intermediate holding company, the Group and the immediate holding company and between the Group and fellow subsidiaries; and
- (b) as at 31 December 2020, the Group’s deposits with a fellow subsidiary of the Company, being a financial institution in the PRC, was RMB495,770,000 and the balance of the loans and other credit financing services provided by the fellow subsidiary to the Group was RMB14,160,000.

# Significant Events (Continued)

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## XIV. Material Connected Transactions (Continued)

### (I) Connected transactions relating to day-to-day operation (Continued)

#### 3. Matters not disclosed in interim announcements (Continued)

The auditors of the Company were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have issued the letter containing the work result in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Main Board Listing Rules, a copy of which has been provided to the Hong Kong Stock Exchange.

### (II) No connected transactions in respect of asset or equity acquisition or disposal of the Company existed during the reporting period.

### (III) During the reporting period, the Company had no material connected transactions in respect of joint external investment.



## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

#### (IV) Transactions relating to creditor's rights and debts

##### 1. Matters not disclosed in interim announcements

Unit: yuan Currency: RMB

Connected parties	Connected relationship	Provision of funds to connected parties			Provision of funds to the Company by connected parties		
		Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Panda Electronics Group Limited	Controlling shareholder				6,743,156.84	157,177.22	<b>6,900,334.06</b>
Nanjing Panda Transport Co., Ltd	Subsidiary owned by shareholders				74,057.25	824,401.72	<b>898,458.97</b>
China Electronics Import/Export Corporation	Subsidiary owned by shareholders				195,539.62	-	<b>195,539.62</b>
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder				86,700.00	-86,700.00	
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders				22,907.00	-	<b>22,907.00</b>
Nanjing Panda Technology Park Development Company Limited	Subsidiary owned by shareholders				20,000.00	-	<b>20,000.00</b>
Liyang Panda Bamboo Garden Hotel Co., Ltd.	Subsidiary owned by shareholders				5,880.00	1,142.00	<b>7,022.00</b>
Total					<u>7,148,240.71</u>	<u>896,020.94</u>	<b><u>8,044,261.65</u></b>
Reason of creditor's rights and debts							
Influence of creditor's rights and debts to the Company							

## Significant Events (Continued)

### XV. Material Contracts and Their Execution

(I) Matters relating to trust, contract and lease: N/A

(II) Guarantees

Unit: 0'000 Currency: RMB

Guarantees made by the Company (excluding those in favour of subsidiaries)													
Guarantor	Relationship between guarantor and the listed company		Secured party	Guaranteed amount	Date of guarantee (agreement execution date)	Commencement date	Expiry date	Type of guarantee	Whether the guarantee has been fulfilled	Overdue amount	Counter guarantee available	Guarantee provided to the related parties	Relationship
Total amount of guarantees during the reporting period (excluding those in favour of subsidiaries)													0
Total balance of the amount of guarantees at the end of the reporting period (A) (excluding those provided to subsidiaries)													0
<b>Guarantees in favour of subsidiaries provided by the Company and its subsidiaries</b>													
Total amount of guarantees provided to subsidiaries during the reporting period													95,500.00
Total balance of the amount of guarantees provided to subsidiaries at the end of the reporting period (B)													26,078.30
<b>Total amount of guarantees made by the Company (including those in favour of subsidiaries)</b>													
Total amount of guarantees (A+B)													26,078.30
Percentage of total guarantee amount in net assets of the Company (%)													7.43
Including:													
Amount of guarantees provided to shareholders, de facto controller and other related parties (C)													0
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70% (D)													0
Amount of total guarantees in excess of 50% of net assets value (E)													0
Total amount of the above three items (C+D+E)													0
Statement on the contingent joint and several liability in connection with unexpired guarantee													
Statement on guarantee													

## Significant Events (Continued)

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### XV. Material Contracts and Their Execution (Continued)

#### (II) Guarantees (Continued)

Except Chengdu Panda Electronic Technology Co., Ltd., the gearing ratio of the above subsidiaries receiving guarantees was below 70%. The Company did not provide any guarantee to any independent third parties other than its subsidiaries, nor to its controlling shareholder, de facto controller or their connected parties. For details about the guarantees provided by the Company to its subsidiaries, please refer to “Related-party guarantees” in notes to the financial statements of 2020.

On 28 June 2019, the Company convened the annual general meeting of 2018, at which it was approved that the Company could provide a guarantee for the financing amount of no more than RMB1,030,000,000 in total for the relevant subsidiaries, with effective term from 1 July 2019 to the date of the annual general meeting of 2019, and the General Manager would be authorized to handle the specific matter regarding the provision of a guarantee for the financing of the subsidiaries during the effective term.

On 29 June 2020, the Company convened the annual general meeting of 2019, at which it was approved that the Company could provide a guarantee for the financing amount of no more than RMB955,000,000 in total for the relevant subsidiaries, with effective term from date after the conclusion of the annual general meeting of 2019 to the date of the annual general meeting of 2020, and the General Manager would be authorized to handle the specific matter regarding the provision of a guarantee for the financing of the subsidiaries during the effective term.

The independent Directors of the Company have expressed their independent opinions on the above external guarantees as follows: all the above-mentioned guarantees had been considered and approved by the Board and approved by shareholders at general meetings, and relevant procedures were in compliance with applicable rules. Other than its subsidiaries, the Company and its subsidiaries did not provide any guarantee to any independent third parties nor to its controlling shareholder, de facto controller or their connected parties. All guarantee receivers were subsidiaries of the Company, over which the Company has actual control and thus the risk of guarantee is under control. The Company can strictly control the external guarantee risks. Providing guarantees for the financing of subsidiaries will not affect the Company’s ability to continue as a going concern or damage the interests of minority shareholders. Providing guarantees for the financing of related subsidiaries is conducive to promoting their business expansion and undertaking various engineering projects, and in the interests of the Company and the shareholders as a whole. The guaranteed amounts match their production and operation and capital requirements. And thereby the Company is agreed to provide guarantees for the financing of related subsidiaries. The Company is required to carefully study the external guarantee requirements for listed companies of the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange to ensure that the procedures of external guarantees stay in compliance with applicable rules and that sufficient information and risk disclosures are made.

## Significant Events (Continued)

### XV. Material Contracts and Their Execution (Continued)

#### (III) Entrusted cash assets management

##### 1. Entrusted wealth management

##### (1) Overall condition of entrusted wealth management

Unit: 0'000 Currency: RMB

Type	Source of Funds	Amount Incurred	Balance not yet due	Amount Overdue but yet to recovery
Wealth management products of banks	Internal funds	144,500.00	50,000.00	0

Other conditions:

At the extraordinary meeting of the ninth session of the Board of the Company convened on 8 November 2019, the resolution concerning the Use of Temporarily Idle Fund for Cash Management was considered and approved. It was agreed that the internal periodically idle fund of no more than RMB300,000,000 (inclusive) could be used to invest in low-risk wealth management products with principal guaranteed terms for a term not exceeding 12 months. The resolution would remain effective for one year from the date of approval by the Board. During the effective term of the resolution, the aforesaid amount can be used for investment on cyclic and rolling basis. The General Manager shall be authorized to deal with relevant matters within the amount limit and during the effective term of the resolution. For details, please refer to the Announcement on Use of Internal fund for Cash Management of Nanjing Panda Electronics Company Limited (Lin 2019-059) (《南京熊猫關於使用自有資金進行現金管理的公告》(臨2019-059)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 9 November 2019.

At the extraordinary meeting of the ninth session of the Board of the Company convened on 6 November 2020, the resolution concerning the Use of Temporarily Idle Fund for Cash Management was considered and approved. It was agreed that the internal periodically idle fund of no more than RMB500,000,000 (inclusive) could be used to invest in low-risk wealth management products with principal guaranteed terms for a term not exceeding 12 months. The resolution would remain effective for one year from the date of approval by the Board. During the effective term of the resolution, the aforesaid amount can be used for investment on cyclic and rolling basis. The General Manager shall be authorized to deal with relevant matters within the amount limit and during the effective term of the resolution. For details, please refer to the Announcement on Use of Internal fund for Cash Management of Nanjing Panda Electronics Company Limited (Lin 2020-043) (《南京熊猫關於使用自有資金進行現金管理的公告》(臨2020-043)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 7 November 2020.

# Significant Events (Continued)

## XV. Material Contracts and Their Execution (Continued)

### (III) Entrusted cash assets management (Continued)

#### 1. Entrusted wealth management (Continued)

##### (1) Overall condition of entrusted wealth management (Continued)

During the reporting period, the balance used to purchase the wealth management products of banks with internal temporarily idle fund of the Group was within the limit approved by the Board. As at 31 December 2020, the balance used to purchase wealth management products with internal temporarily idle fund by the Group amounted to RMB500,000,000 and as at 26 March 2021, the balance thereof amounted to RMB500,000,000.

##### (2) Single entrusted wealth management

Unit: 0'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual income or loss	Actual amount recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
Industrial and Commercial Bank of China Limited	Principal guaranteed floating	5,000.00	2020.2.20	2020.5.25	Internal fund			3.05%	37.45	5,000.00	Yes		N/A	
Bank of Nanjing Co., Ltd.	Principal guaranteed	10,000.00	2020.2.21	2020.4.20	Internal fund			3.90%	61.40	10,000.00	Yes		N/A	
China Merchants Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.2.26	2020.5.27	Internal fund			3.75%	44.10	5,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	2,000.00	2020.2.28	2020.5.28	Internal fund			3.85%	18.16	2,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	2,500.00	2020.4.1	2020.7.1	Internal fund			3.80%	23.49	2,500.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.4.7	2020.7.6	Internal fund			3.80%	44.31	5,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	10,000.00	2020.4.26	2020.5.26	Internal fund			3.45%	27.12	10,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	7,000.00	2020.5.27	2020.6.27	Internal fund			3.25%	17.89	7,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	4,000.00	2020.5.28	2020.8.27	Internal fund			3.40%	31.72	4,000.00	Yes		N/A	

## Significant Events (Continued)

### XV. Material Contracts and Their Execution (Continued)

#### (III) Entrusted cash assets management (Continued)

##### 1. Entrusted wealth management (Continued)

##### (2) Single entrusted wealth management

Unit: 0'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual income or loss	Actual amount recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
Industrial and Commercial Bank of China Limited	Principal guaranteed with floating returns	5,000.00	2020.5.28	2020.9.1	Internal fund			2.75%	34.47	5,000.00	Yes		N/A	
China Merchants Bank Co., Ltd	Principal guaranteed with floating returns	5,000.00	2020.06.02	2020.09.02	Internal fund			3.30%	39.23	5,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	4,000.00	2020.7.07	2020.8.07	Internal fund			3.10%	9.75	4,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	3,000.00	2020.7.08	2020.10.06	Internal fund			3.20%	22.64	3,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	2,500.00	2020.07.07	2020.10.05	Internal fund			3.20%	20.22	2,500.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.7.8	2020.10.6	Internal fund			3.20%	37.74	5,000.00	Yes		N/A	
China Merchants Bank Co., Ltd	Principal guaranteed with floating returns	2,000.00	2020.08.21	2020.11.23	Internal fund			3.00%	14.58	2,000.00	Yes		N/A	
China Merchants Bank Co., Ltd	Principal guaranteed with floating returns	1,500.00	2020.08.24	2020.11.24	Internal fund			3.00%	10.70	1,500.00	Yes		N/A	
China Merchants Bank Co., Ltd	Principal guaranteed with floating returns	2,000.00	2020.9.02	2020.12.2	Internal fund			3.00%	14.11	2,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	2,000.00	2020.9.18	2020.12.17	Internal fund			3.07%	14.32	2,000.00	Yes		N/A	
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	2,000.00	2020.9.18	2020.12.17	Internal fund			3.07%	14.32	2,000.00	Yes		N/A	

# Significant Events (Continued)

## XV. Material Contracts and Their Execution (Continued)

### (III) Entrusted cash assets management (Continued)

#### 1. Entrusted wealth management (Continued)

##### (2) Single entrusted wealth management

Unit: 0'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual income or loss	Actual amount recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
Industrial and Commercial Bank of China Limited	Principal guaranteed with floating returns	5,000.00	2020.9.18	2020.12.21	Internal fund			3.00%		36.44	5,000.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.09.21	2020.12.21	Internal fund			2.90%		34.10	5,000.00	Yes		N/A
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	3,000.00	2020.10.13	2021.1.13	Internal fund			3.07%						
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	2,500.00	2020.10.13	2021.1.13	Internal fund			3.07%				Yes		N/A
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.10.13	2021.1.13	Internal fund			3.07%				Yes		N/A
Industrial Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.11.12	2021.2.10	Internal fund			3.00%				Yes		N/A
Industrial Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.11.12	2021.2.10	Internal fund			3.00%				Yes		N/A
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	6,000.00	2020.12.4	2021.3.4	Internal fund			2.95%				Yes		N/A
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2020.12.23	2021.2.23	Internal fund			2.95%				Yes		N/A
China Everbright Bank Company Limited	Principal guaranteed with floating returns	4,000.00	2020.12.23	2021.2.23	Internal fund			2.95%				Yes		N/A

## Significant Events (Continued)

### XV. Material Contracts and Their Execution (Continued)

#### (III) Entrusted cash assets management (Continued)

##### 1. Entrusted wealth management (Continued)

##### (2) Single entrusted wealth management

Unit: 0'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual income or loss	Actual amount recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
China Everbright Bank Company Limited	Principal guaranteed with floating returns	2,500.00	2020.12.24	2021.2.24	Internal fund			2.95%				Yes		
China Everbright Bank Company Limited	Principal guaranteed with floating returns	2,000.00	2020.12.24	2021.2.24	Internal fund			2.95%				Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed with floating returns	5,000.00	2020.12.29	2021.7.1	Internal fund			1.35%, 3.25%				Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.12.28	2021.3.29	Internal fund			1.35%, 2.81%, 3.22%				Yes		N/A
Total		144,500.00								608.26	94,500.00			



# Significant Events (Continued)

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## XV. Material Contracts and Their Execution (Continued)

### (III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)
  - (2) Single entrusted wealth management (Continued)

Others:

The purchases of wealth management products by the Group from banks had been considered and approved by the Board of the Company and did not involve litigation, and there was no failure of recovery of principal when due. As at 31 December 2020, save for the wealth management products not yet due, the Company recovered the internal funds that were used to purchase wealth management products and the respective return thereof as scheduled. For the wealth management products which remain to be due, principal and returns were recovered as scheduled on the due dates.

- (3) Provision for the impairment of entrusted wealth management: N/A

2. Entrusted loans: N/A

### (IV) Other material contracts

Save as in the ordinary course of business, details of the material contracts entered into by the Company during the reporting period are set out in Section IV “Enter into Material Contracts” in this report.

## XVI. Other Material Events

### (I) Tax policies

On 31 December 2020, details of the tax preferences of the Company and its subsidiaries are set out in the notes to the financial statements prepared in accordance with the accounting standards of PRC enterprises. The tax preference for subsidiaries registered in Hong Kong is subject to local laws and regulations.

### (II) Basic medical insurance for employees

The Company acted pursuant to the Provisional Regulations on Basic Medical Insurance for Employees in Nanjing Municipality and implemented a basic medical insurance for its employees since 1 January 2001. From February to June in 2020, the Company paid 4.5% of its individual employee premium for the basic medical insurance in accordance with the national employee medical insurance reduction and exemption policy in 2020; for the rest of the period, it paid 9% of the individual premium for the basic medical insurance.

# Significant Events (Continued)

## XVII. Fulfillment of Social Responsibilities

### (I) Poverty alleviation of the Company

#### 1. The targeted measures poverty alleviation plan

In 2020, the Company implemented the deployment of the Plan for Ending Poverty and Raising Standard of Living of Nanjing Municipality in the “13th Five-Year Plan” Period (Ning Wei Ban Fa [2016] No. 13), and took great efforts to carry through the spirit of the Notice on Implementation of Partner Assistant Activities of “Ten Thousands of Party Members and Cadres Assisting Ten Thousands of Households” and “Hundreds of Enterprises Assisting Hundreds of Villages” and Promotion of Target Poverty Alleviation (《關於開展「萬名黨員幹部幫萬戶」、「百企掛鉤幫百村」結對幫扶活動，推進精準扶貧工作的通知》) of Nanjing Municipal Party Committee and Municipal Government. By taking into consideration of the actual situation of an undeveloped village paired up in Gaochun District, Nanjing City, the Company formulated efficient schemes for assisting the poverty-stricken households in the target village. The Company also fully implemented the measures on poverty alleviation of its target village to achieve the goals of targeted poverty alleviation set by Nanjing Municipal Party Committee and Municipal Government through a variety of means including the financial aid programs and donation to the poverty-stricken households

#### 2. Summary of the targeted poverty alleviation during the reporting period

In August 2020, according to the work requirements of the Nanjing Municipal Government on targeted poverty alleviation as well as the annual poverty alleviation plan of the Company, relevant persons in charge of Department of Party Work, Labour Union and Youth League Committee of the Company visited the village and gave away subsidies of RMB10,000 to 10 students from poverty-stricken households through the financial aid programs. In December 2020, the Company donated RMB70,000 to provide targeted financial assistance to 60 poverty-stricken families in the village.

## Significant Events (Continued)

### XVII. Fulfillment of Social Responsibilities (Continued)

#### (I) Poverty alleviation of the Company (Continued)

##### 3. Results of the targeted poverty alleviation

Unit: 0'000 Currency: RMB

Items	Amount and relevant implementations
I. General information	
of which: 1. Capital	8.00
2. Supplies converted to cash	
3. Number of registered poor people lifted out of poverty ( <i>person</i> )	
II. Injection by project	
1. Poverty alleviation through industrial development	N/A
2. Poverty alleviation through transferring the form of employment	N/A
3. Poverty alleviation through relocation	N/A
4. Poverty alleviation through education	
of which: 4.1 Capital injected to subsidize poor students	1.00
4.2 Number of poor students subsidized ( <i>person</i> )	10
4.3 Capital injected to improve educational resources in poor areas	
5. Poverty alleviation through improving health	N/A
6. Poverty alleviation through ecological protection	N/A
7. Basic protection	N/A
8. Poverty alleviation in the society	N/A
9. Other projects	
of which: 9.1. Number of projects	1
9.2. Capital injected	7.00
9.3. Number of registered poor people lifted out of poverty ( <i>person</i> )	
9.4. Details about other projects	Assistance to 60 poverty-stricken households in the pair-up village
III. Awards and its level	N/A

##### 4. Subsequent plan for targeted poverty alleviation: N/A

# Significant Events (Continued)

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## XVII. Fulfillment of Social Responsibilities (Continued)

### (II) Overview of social responsibility

The Company considered and approved the 2020 Social Responsibility Report at the eighteenth meeting of the ninth session of the Board on 26 March 2021, the full text of which was published on the website of the Shanghai Stock Exchange on 27 March 2021.

### (III) Environmental information

1. Statement on the environmental protection practice of companies and their major subsidiaries belonging to key pollutant discharging units published by national environmental protection authorities:

According to the Notice on Issuing the List of Key Pollutant Discharging Units in Nanjing in 2020 (《關於印發2020年南京市重點排污單位名錄的通知》) issued by Nanjing Environmental Protection Bureau, Huage Plastic, a third-tier wholly-owned subsidiary of the Company, was included in the list in terms of the atmosphere.

## Significant Events (Continued)

### XVII. Fulfillment of Social Responsibilities (Continued)

#### (III) Environmental information (Continued)

1. Statement on the environmental protection practice of companies and their major subsidiaries belonging to key pollutant discharging units published by national environmental protection authorities: (Continued)

- (1) Information on emission of pollutants

One waste water outlet on the west side of Block 5 Plant, No. 1 Hengtong Avenue, Nanjing Economic and Technological Development Zone, which intermittently emitted COD, ammonia nitrogen, suspended matter and petroleum in compliance with the Grade III standard under "Integrated Wastewater Discharge Standards" (《污水綜合排放標準》) (GB8978-1996) (COD $\leq$ 500mg/L, and ammonia nitrogen $\leq$ 35mg/L, suspended matter $\leq$ 400mg/L and petroleum $\leq$ 20mg/L). With the approved pollutant emission of 1.64 ton/year for COD, 0.083 ton/year for ammonia nitrogen, 0.69 ton/year of suspended matter and 0.05 ton/year of petroleum, the actually measured average values were 184.5 mg/L for COD, 1.675 mg/L for ammonia nitrogen, 145.5mg/L for suspended matter and 1.0975mg/L for petroleum respectively, and it had no excessive emission.

Two exhaust gas outlets on the roof of Block 5 Plant, No. 1 Hengtong Avenue, Nanjing Economic and Technological Development Zone, which intermittently emitted toluene, xylene and non-methane hydrocarbon in compliance with the Grade II standard under "Emission Standards for Air Pollutants" (《大氣污染物綜合排放標準》) (GB16297-1996) (toluene $\leq$ 40mg/m<sup>3</sup>, xylene $\leq$ 70mg/m<sup>3</sup>, non-methane hydrocarbon $\leq$ 120mg/m<sup>3</sup>, 550mg/m<sup>3</sup> for sulfur dioxide, 240mg/m<sup>3</sup> for nitrogen oxide and 120mg/m<sup>3</sup> for particulate matter). With the approved pollutant emission of 0.15 ton/year for toluene, 0.254 ton/year for xylene, 2.575 tons/year for non-methane hydrocarbon, 0.673 ton/year for particulate matter, 0.096 ton/year for sulfur dioxide and 0.449 ton/year for nitrogen oxide, no toluene, xylene and sulfur dioxide were detected, the actually measured average values were 5mg/m<sup>3</sup> for nitrogen oxide, 2.1 mg/m<sup>3</sup> for non-methane hydrocarbon and 1.2mg/m<sup>3</sup> for particulate matter, respectively, and it had no excessive emission.

- (2) Construction and operation of pollution prevention and control facilities

Exhaust gas treatment devices : 2 sets in total, the processing method is as follows

The exhaust gas discharged from the automatic paint coating production lines of the mechanical arms on the first floor of Block 5 Plant is treated by way of regenerative catalytic combustion. The exhaust gas from the automatic production lines on the third floor of Block 5 Plant is treated by way of activated carbon adsorption and desorption + catalytic combustion. At present, two outlets have been installed with online monitoring equipment and connected with the Municipal Environmental Protection Bureau and the Environmental Protection Bureau of Development Zone.

Wastewater treatment devices: 1 set, using A/O treatment method. The treated production wastewater is recycled to the spray booth through the pressure pump, and only a small amount of sewage is discharged regularly every week.

# Significant Events (Continued)

## XVII. Fulfillment of Social Responsibilities (Continued)

### (III) Environmental information (Continued)

1. Statement on the environmental protection practice of companies and their major subsidiaries belonging to key pollutant discharging units published by national environmental protection authorities: (Continued)

- (3) Environmental impact assessment of construction projects and other administrative licenses of environmental protection

Project name: Precision Injection Molding and Mold Making Relocation and Reconstruction Project of Nanjing Huage Appliance and Plastic Industrial Co., Ltd.; document number and time for EIA approval: Ning Huan Biao Fu [2012] No. 006, 8 February 2012; acceptance time and number: 22 October 2012, and Ning Huan Yan [2012] No. 121.

Project name: project of optimization of production lines and upgrading and renovation of supporting pollution control facilities; document number and time for EIA approval: Ning Kai Wei Xing Shen Xu Ke Zi [2018] No. 267, 29 August 2018; the acceptance time was December 2020, and the project was subject to independent acceptance.

- (4) Emergency plan for emergency environmental incidents

In 2018, Jiangsu Rainfine Environmental Science and Technology Co., Ltd. has been engaged to complete the preparation of the report and organize relevant experts to review the report, and filing has been completed for the report with the number of 320113-2018-038-L. A new version of emergency plan has been drafted, and expert review and filing was expected to be completed in March 2021.

- (5) Environmental self-monitoring plan

A self-monitoring plan has been prepared and submitted to environmental protection authorities for filing.

A third-party institution (currently being Jiangsu MST Environmental Testing Co. Ltd. (江蘇邁斯特環境檢測有限公司)) is engaged to carry out 1 to 2 times of wastes inspection each year. Number of the monitoring report for the second half of 2020: MST-JCBG-01.

- (6) Other discloseable environmental information

N/A

## Significant Events (Continued)

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### XVII. Fulfillment of Social Responsibilities (Continued)

#### (III) Environmental information (Continued)

2. Environmental protection by companies other than key pollutant discharging units:

In accordance with relevant regulations, the Company has made special disclosures on emission reduction, waste management, energy management and water resources management. The specific details are shown in the 2020 Social Responsibility Report published by the Company on the website of the Shanghai Stock Exchange on 27 March 2021.

3. Reasons for not disclosure of environmental information by the companies other than key pollutant discharging units: N/A
4. Description of the follow-up progress or changes in the environmental information disclosed during the reporting period: N/A
5. Other explanations: N/A

### XVIII. Convertible Bonds: N/A

# Changes in Ordinary Shares and Information of Shareholders

## I. Changes in ordinary share capital

### (I) Table for changes in ordinary shares

#### 1. Table for changes in ordinary shares

During the reporting period, there was no change in total number of ordinary shares or shareholding structure of the Company.

As at 26 March 2021, the latest practicable and recent date prior to the date of announcement of the annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the requirements of the Hong Kong Stock Exchange in relation to sufficiency of public float.

#### 2. Explanations on changes in ordinary shares: N/A

#### 3. Impact of changes in ordinary shares on the earnings per share, net asset value per share and other financial indicators in the last year and period (if any): N/A

#### 4. Other contents that the Company deems necessary and the securities regulatory agencies require to disclose: N/A

### (II) Changes in shares subject to trading moratorium: N/A

## II. Securities Issue and Listings

### (I) Issue of securities during the reporting period

During the reporting period, the Company did not issue any ordinary shares, convertible bonds, bonds with warrants, corporate debts and other derivatives.

### (II) Changes in the total number of ordinary shares and shareholding structure of the Company and changes in the structure of assets and liabilities of the Company: N/A

### (III) Existing internal employee's shares: N/A

## III. Shareholders and Actual Controller

### (I) Total number of shareholders

Total number of shareholders as at the end of the reporting period	60,558 shareholders including 60,532 A shareholders and 26 H shareholders
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Total number of shareholders at the end of last month prior to the disclosure of this annual report	55,188 shareholders including 55,162 A shareholders and 26 H shareholders
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## Changes in Ordinary Shares and Information of Shareholders (Continued)

### III. Shareholders and Actual Controller (Continued)

#### (II) Shareholdings of top 10 shareholders and top 10 holders of circulating shares (or shares not subject to trading moratorium) as at the end of the reporting period

Unit: share

#### Shareholdings of top ten shareholders of the Company

Name of Shareholder	Increase/ decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage of shareholding (%)	Number of shares held subject to trading moratorium	Pledged or frozen Shares		Type of shareholders
					Stats of shares	Number of shares	
HKSCC (Nominees) Limited	2,080,189	246,269,656	26.95	0	Unknown		Overseas legal person
Panda Electronics Group Limited	0	210,661,444	23.05	0	Unknown		State-owned legal person
China Huarong Assets Management Co., Ltd.	-674,800	64,471,891	7.06	0	Unknown		State-owned legal person
Nanjing Electronics Information Industrial Corporation	0	35,888,611	3.93	0	Unknown		State-owned legal person
Guoxin Investment Co., Ltd.	21,720,941	21,720,941	2.38	0	Unknown		State-owned legal person
Zhao Dongling (趙東嶺)	1,687,300	4,345,400	0.48	0	Unknown		Domestic natural person
Ma Jiangfeng (馬江峰)	2,451,416	2,451,416	0.27	0	Unknown		Domestic natural person
Industrial and Commercial Bank of China – Guotai CSI Composite Index Communication Equipment ETF Securities Investment Fund (中國工商銀行股份有限公司-國泰中證全指通信設備交易型開放式指數證券投資基金)	1,040,400	2,062,600	0.23	0	Unknown		Others
Wang Rui (王睿)	1,778,700	1,778,700	0.19	0	Unknown		Domestic natural person
Cai Yan (蔡炎)	-201,600	1,503,545	0.16	0	Unknown		Domestic natural person

## Changes in Ordinary Shares and Information of Shareholders (Continued)

### III. Shareholders and Actual Controller (Continued)

#### (II) Shareholdings of top 10 shareholders and top 10 holders of circulating shares (or shares not subject to trading moratorium) as at the end of the reporting period (Continued)

##### Shareholdings of the top 10 holders of shares not subject to trading moratorium

Name of Shareholder	Number of shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC (Nominees) Limited	246,269,656	Overseas listed foreign shares	241,655,470
		RMB ordinary shares	4,614,186
Panda Electronics Group Limited	210,661,444	RMB ordinary shares	210,661,444
China Huarong Asset Management Co., Ltd.	64,471,891	RMB ordinary shares	64,471,891
Nanjing Electronics Information Industrial Corporation	35,888,611	RMB ordinary shares	22,120,611
		Overseas listed foreign shares	13,768,000
Guoxin Investment Co., Ltd.	21,720,941	RMB ordinary shares	21,720,941
Zhao Dongling (趙東嶺)	4,345,400	RMB ordinary shares	4,345,400
Ma Jiangfeng (馬江峰)	2,451,416	RMB ordinary shares	2,451,416
Industrial and Commercial Bank of China - Guotai CSI Composite Index Communication Equipment ETF Securities Investment Fund (中國工商銀行股份有限公司-國泰中證全指通信設備交易型開放式指數證券投資基金)	2,062,600	RMB ordinary shares	2,062,600
Wang Rui (王睿)	1,778,700	RMB ordinary shares	1,778,700
Cai Yan (蔡炎)	1,503,545	RMB ordinary shares	1,503,545
Description on connected relationship or party acting in concert among the aforesaid shareholders	NEIC holds 100% equity interests of PEGL, the controlling shareholder of the Company. NEIC holds, directly and through asset management plans, 22,120,611 A shares and 13,768,000 H shares of the Company, representing 3.93% of the total number of shares. NEIC indirectly holds 210,661,444 A shares of the Company through PEGL, representing 23.05% of the total number of shares. In total, NEIC holds 26.98% equity interests of the Company. CEIEC (H.K.) Limited (華電有限公司), a wholly-owned subsidiary of CEC, holds 27,414,000 H shares of the Company, representing 3% of the total number of shares, which are held under the name of HKSCC (Nominees) Limited. In conclusion, CEC, the de facto controller of the Company, holds 29.98% shares of the Company through its subsidiaries. Save as the above, the Company is not aware of any connected relationship or party acting in concert among the aforesaid shareholders.		

Shareholdings of the top ten shareholders subject to trading moratorium and the condition of trading moratorium: N/A

## Changes in Ordinary Shares and Information of Shareholders (Continued)

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### III. Shareholders and Actual Controller (Continued)

#### (II) Shareholdings of top 10 shareholders and top 10 holders of circulating shares (or shares not subject to trading moratorium) as at the end of the reporting period (Continued)

##### **Shareholdings of the top 10 holders of shares not subject to trading moratorium (Continued)**

*Note:*

HKSCC (Nominees) Limited held 246,269,656 shares (in particular: 241,655,470 H shares, 4,614,186 A shares) of the Company on behalf of many clients, representing 26.95% of the issued share capital of the Company, including 13,768,000 H shares held by NEIC in the Company, and 27,414,000 H shares held by CEIEC (H.K.) Limited (華電有限公司), a wholly-owned subsidiary of CEC as at the end of the reporting period. Save as disclosed above, the Company is not aware of any individual client holding more than 5% of the issued share capital of the Company.

#### (III) Strategic investors or general legal persons becoming the top ten Shareholders because of placing of new Shares: N/A

## Changes in Ordinary Shares and Information of Shareholders (Continued)

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### III. Shareholders and Actual Controller (Continued)

#### (IV) Information on reduction of shareholding by shareholders holding more than 5% of the issued share capital of the Company

1. On 10 January 2020, the Company received from China Huarong a written plan in relation to reduction of its shareholding in the Company. During the reporting period, China Huarong reduced its shareholding in the Company by 674,800 A shares in aggregate from 11 March to 16 March 2020, representing 0.07% of the total share capital of the Company. As at the end of the reporting period, China Huarong holds 64,471,891 A shares of the Company, representing 7.06% of total share capital of the Company. For details, please refer to the relevant announcements of the Company published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 11 January, 12 May and 11 August 2020 and on the website of the Hong Kong Stock Exchange on 10 January, 11 May and 10 August 2020.
2. On 11 August 2020, the Company received from China Huarong a written plan in relation to reduction of its shareholding in the Company. During the reporting period, China Huarong had not reduced its shares after half of the period as set out in the reduction plan passed. For details, please refer to the relevant announcements of the Company published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 12 August and 4 December 2020 and on the website of the Hong Kong Stock Exchange on 11 August and 3 December 2020.

## Changes in Ordinary Shares and Information of Shareholders (Continued)

### IV. Controlling Shareholders and the de facto Controllers of the Company

#### (I) Controlling shareholder

1.	Legal person	
	Name	Panda Electronics Group Limited
	The person in charge of the entity or legal representative	Zhong Youxiang
	Date of establishment	5 December 1990
	Principal business	<p>Development, manufacture, sales and maintenance of various kinds of communication equipment, home appliance products, electronic equipment, electronic intelligent equipment, computer and other electronic equipment, radio and television equipment, video and audio equipment, electronic devices and components, environment protection equipment, social public service and other special equipment, electronics and electrical machinery equipment, instruments and meters, office machinery, general finance/tax control equipment; development of computers and IT software, system integration equipment and services; property management; parking service. (For items subject to approval according to laws, business activities may not be carried out until they are approved by relevant authorities)</p> <p>Approved items: property development and operation (For items subject to approval according to laws, business activities may not be carried out until they are approved by relevant authorities, and specific business items are subject to approval results).</p>
	Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	N/A
	Other explanations	N/A

## Changes in Ordinary Shares and Information of Shareholders (Continued)

### IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

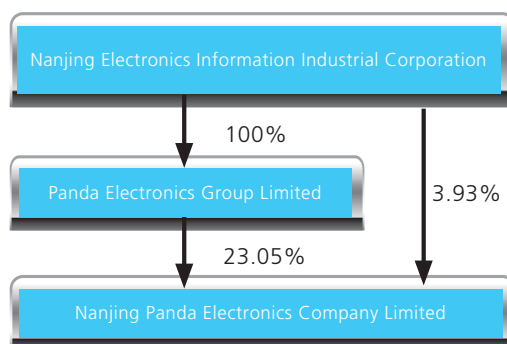
#### (I) Controlling shareholder (Continued)

##### 1. Legal person (Continued)

As at the end of the reporting period, NEIC held 100% of PEG's share capital, which is the controlling shareholder of the Company. NEIC held 3.93% of the Company's total share capital directly and through the asset management plan and indirectly held 23.05% of the Company's total share capital through PEG, collectively held 26.98% of the Company's total share capital. Main information of NEIC is as follows:

Name	Nanjing Electronics Information Industrial Corporation
The person in charge of the entity or legal representative	Zhou Guixiang
Date of establishment	11 May 2007
Principal business	Research and development, services and transfer of electronic information technology; research and development, manufacture, sales and related services of electronic products; design, construction and related services in electronic engineering; real estate investment; property management; industrial investment and asset management services. (For items subject to approval according to laws, business activities may not be carried out until they are approved by relevant authorities)
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	As at 31 December 2020, other than its equity interests in the Company, NEIC held 24.51% equity interests of Huadong Technology (000727).

##### 2. Diagram of the shareholding and controlling relationship between the Company and the controlling shareholder



## Changes in Ordinary Shares and Information of Shareholders (Continued)

### IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

#### (II) De facto controllers

##### 1. Legal person

Name	CEC
The person in charge of the entity or legal representative	Rui Xiaowu
Date of establishment	26 May 1989
Principal business	Research, development, design, and manufacture of electronic raw materials, electronic devices and components, electronic instruments and meters, complete sets of electronic products, electronic application products and systems, special electronic equipment, auxiliary products and software as well as sales of complete sets of relevant products; general contracting, organization and management of electronic application system projects, communication projects, and water treatment projects; development, promotion and application of environment protection and energy saving technologies; development and operation of real estate; sales of automobiles, auto parts, hardware and electrical equipment, photographic apparatus, construction materials, decorative materials and apparel; exhibition management; house repairing business; consulting services, technical services and transfer; maintenance and sales of home appliances.

Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period Please refer to the chart below for details.

##### Other explanations

To the best knowledge of the Company having made all reasonable enquiries, CEC confirmed that during the reporting period, CEC increased its shareholding in the Company by purchasing an additional 27,414,000 H shares in aggregate through its overseas wholly-owned subsidiary, CEIEC (H.K.) Limited (華電有限公司) from 14 April to 19 June 2020, representing 3.00% of the total issued capital of the Company.

As at the date of this report, CEC held 232,782,055 A shares and 41,182,000 H shares in the Company through its subsidiaries, with 273,964,055 shares in aggregate, representing 29.98% of the total share capital of the Company. In particular, it held 22,120,611 A shares and 13,768,000 H shares in the Company through its controlling subsidiary, NEIIC, representing 3.93% in aggregate of the total issued capital of the Company; it held 210,661,444 A shares in the Company through a wholly-owned subsidiary of NEIIC, PEGE, representing 23.05% of the total issued capital of the Company; it held 27,414,000 H shares in the Company through its overseas wholly-owned subsidiary, CEIEC (H.K.) Limited, representing 3.00% of the total issued capital of the Company.

## Changes in Ordinary Shares and Information of Shareholders (Continued)

### IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

#### (II) De facto controllers (Continued)

##### 1. Legal person (Continued)

As at 31 December 2020, equities of other domestic and overseas listed companies (other than the Company) in which the de facto controller held controlling shares or shares were as follows:

No.	Abbreviation of listed company	Securities code	Percentage of CEC's shareholding <sup>Note</sup>
1	Shenzhen SEDA	000032	59.33%
2	China Software	600536	30.25%
3	Shanghai Beiling	600171	25.31%
4	China Great Wall	000066	42.39%
5	*ST Huadong Technology	000727	28.13%
6	Zhenhua Science & Technology	000733	32.94%
7	Kaifa	000021	36.61%
8	China Electronics Huada Technology	0085.HK	59.42%
9	IRICO New Energy	0438.HK	72.37%
10	Irico Display	600707	24.64%
11	China Electronics Optics Valley	0798.HK	33.67%
12	Solomon Systech	2878.HK	28.46%
13	QI-ANXIN-U	688561	20.26%
14	Montage Technology	688008	14.31%

*Note:* Percentage of CEC's shareholding represents the aggregate of the shareholdings held through relevant connected parties or party acting in concert among the shareholders of listed companies.

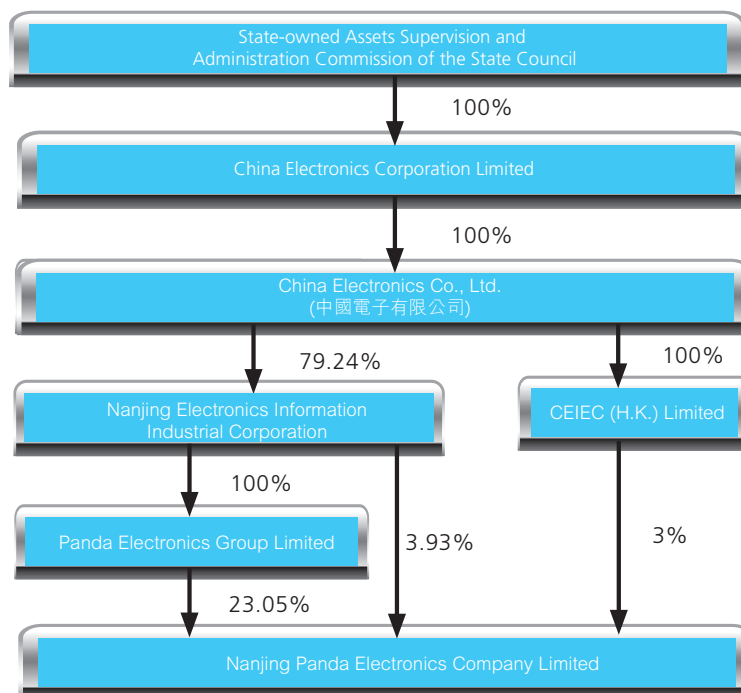


## Changes in Ordinary Shares and Information of Shareholders (Continued)

### IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

#### (II) De facto controllers (Continued)

2. Diagram of property rights and controlling relationship between the Company and its de facto controllers



3. Control over the Company via trust or other assets management methods by the de facto controller: N/A

### V. Other Legal Person Shareholders Holding 10% or More of Shares of the Company

As at the end of the reporting period, HKSCC (Nominees) Limited held 246,269,656 shares of the Company (including 241,655,470 H shares and 4,614,186 A shares), representing 26.95% of the issued share capital of the Company, on behalf of several clients, including 13,768,000 H shares held by NEIC, and 27,414,000 H shares held by CEIEC (H.K.) Limited, a wholly-owned subsidiary of CEC. Save as disclosed above, the Company is not aware of any individual client holding more than 5% of the issued share capital of the Company. Besides, as at 31 December 2020, there is no other legal person shareholders holding 10% or more of shares of the Company.

### VI. Limitation on the Reduction of Shareholding: N/A

## Changes in Ordinary Shares and Information of Shareholders (Continued)

### VII. Substantial Shareholders' Interests and Short Positions in the Shares or Underlying Shares of the Company

As at 31 December 2020, so far as the Directors, Supervisors and senior management staff of the Company were aware, and having made all reasonable enquiries, interests or short positions in shares and underlying shares of the Company held by substantial shareholders (exclusive of Directors, Supervisors and senior management staff of the Company) which were required to be recorded in the register pursuant to section 336 of the Securities and Futures Ordinance ("SFO") of the Hong Kong Stock Exchange were as follows: (1) PEGL held 210,661,444 domestic shares, accounting for approximately 31.36% of domestic shares in issue and approximately 23.05% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (2) NEIC held 22,210,611 domestic shares, accounting for approximately 3.29% of domestic shares in issue and approximately 2.42% of the total shares in issue and held 13,768,000 H shares, accounting for approximately 5.69% of H shares in issue and approximately 1.51% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. NEIC held 100% equity interests in PEGL and in total held 246,550,055 shares in the Company which was held in the capacity of controlled corporation and beneficial owner, accounting for approximately 26.98% of the total shares in issue. (3) CEIEC (H.K.) Limited held 27,414,000 H shares, accounting for approximately 11.33% of H shares in issue and approximately 3.00% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (4) CEC held 79.24% equity interests in NEIC and 100% equity interests in CEIEC (H.K.) Limited. NEIC held 100% equity interests in PEGL, and CEC held 273,964,055 shares in the Company in total which was held in the capacity of controlled corporation, accounting for approximately 29.98% of the total shares in issue. (5) China Huarong held 64,471,891 domestic shares, accounting for approximately 9.59% of domestic shares in issue and approximately 7.06% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (6) China State Shipbuilding Corporation held 16,998,000 H shares, accounting for approximately 7.02% of H shares in issue and approximately 1.86% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of controlled corporation. (7) China General Technology (Group) Holding Company Limited held 14,912,000 H shares, accounting for approximately 6.16% of H shares in issue and approximately 1.63% of the total shares in issue. The nature of interests in such shares is corporate interest which was held in the capacity of controlled corporation.

Pursuant to Section 336 of the SFO, the Shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When a Shareholder's shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled, therefore substantial Shareholders' latest shareholding in the Company may be different to the shareholding filed with the Hong Kong Stock Exchange.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2020.

# Profiles of Directors, Supervisors, Senior Management and Staff

## I. Change in Shareholdings and Remuneration

### (I) Current and the resigned Directors, supervisors and senior management during the reporting period and their remuneration

As of 31 December 2020, interests of the Directors, supervisors and senior management staff of the Company in the domestic shares of the Company which were recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (Chapter 571) ("SFO") or notified to the Company or Hong Kong Stock Exchange according to the "Model Code for Securities Transactions by Directors of Listed Issuers" under Appendix X to the Listing Rules are as follows (the nature of such interests is personal interest):

Name	Position	Gender	Age	Effective date of appointment	Expire date of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in the number of shares held in the year	Reason for the change	Total remuneration received from the Company during the reporting period (before tax) (RMB0'000)	Remuneration received from the connected parties of the Company
Zhou Guixiang	Chairman Executive Director	M	50	2019-06-28	2021-06-29	1,639	1,639	0		0	YES
Lu Qing	Vice Chairman Executive Director	M	56	2019-06-28	2021-06-29	0	0	0		0	YES
Shen Jianlong	Non-executive Director	M	58	2019-06-28	2021-06-29	0	0	0		0	YES
Deng Weiming	Non-executive Director	M	57	2010-05-28	2021-06-29	0	0	0		0	YES
Xia Dechuan	Executive Director	M	51	2015-06-30	2021-06-29	0	0	0		0	NO
Li Changjiang	Non-executive Director	M	42	2020-03-26	2021-06-29	0	0	0		57.57	NO
Du Jie	Independent Non-executive Director	F	66	2015-06-30	2021-06-29	0	0	0		10.44	NO
Zhang Chun	Independent Non-executive Director	M	42	2015-06-30	2021-06-29	0	0	0		10.44	NO
Gao Yajun	Independent Non-executive Director	M	46	2018-06-29	2021-06-29	0	0	0		10.44	NO
Zhao Ji	Chairman of the Supervisory Committee	M	58	2019-06-28	2021-06-29	0	0	0		0	YES

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

### I. Change in Shareholdings and Remuneration (Continued)

#### (I) Current and the resigned Directors, supervisors and senior management during the reporting period and their remuneration (Continued)

Name	Position	Gender	Age	Effective date of appointment	Expire date of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in the number of shares held in the year	Reason for the change	Total remuneration received from the Company during the reporting period (before tax) (RMB'000)	Remuneration received from the connected parties of the Company
Fu Yuanyuan	Non-employee Representative Supervisor	F	49	2020-06-29	2021-06-29	0	0	0		0	YES
Zhou Yuxin	Employee Representative Supervisor	M	57	2008-10-28	2021-06-29	0	0	0		33.28	NO
Xia Dechuan	General Manager	M	51	2011-10-24	2021-06-29	0	0	0		88.27	NO
Guo Qing	Deputy General Manager	M	59	2013-07-24	2021-06-29	0	0	0		123	NO
Hu Huichun	Deputy General Manager	M	48	2016-05-23	2021-06-29	0	0	0		133.13	NO
Shao Bo	Deputy General Manager	M	41	2016-05-23	2021-06-29	0	0	0		59	NO
Hu Dali	Chief Accountant	M	43	2019-05-09	2021-06-29	0	0	0		54.77	NO
Wang Dongdong	Secretary to the Board, Company Secretary	M	40	2019-08-12	2021-06-29	0	0	0		56.18	NO
Huang Shaofeng	Deputy General Manager	M	48	2019-12-24	2021-06-29	0	0	0		103.21	NO
Gao Gan	Former Non-executive Director	M	54	2016-06-30	2020-01-08	0	0	0		0	NO
Song Yunfeng	Former Employee Representative Supervisor	M	57	2016-06-03	2020-06-29	0	0	0		13.97	YES
Liu Kun	Former Deputy General Manager	M	55	2002-08-14	2020-6-19	0	0	0		39.56	NO
Total						1,639	1,639	0		793.26	

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

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### I. Change in Shareholdings and Remuneration (Continued)

#### (I) Current and the resigned Directors, supervisors and senior management during the reporting period and their remuneration (Continued)

1. In 2020, the total remunerations of Directors, supervisors and senior management members were RMB7,932,600, which was within the range approved by the general meeting. Of such total remunerations, RMB7,460,100 was for the Directors and senior management, and RMB472,500 was for the supervisors. The above remunerations did not include contributions to the pension scheme for the Directors and supervisors. The pension scheme applicable to relevant Directors, supervisors and senior management staff has been included in the scope of the pension scheme for employees of the Company, with no other special arrangement. Save as above, the Company did not pay any other remuneration, allowance or bonus to the Directors and supervisors, and each of the Directors and supervisors was remunerated within RMB1,350,000 for the year.
2. In 2020, Independent Non-executive Directors received remuneration from the Company up to RMB313,200. They did not receive remuneration from shareholder entities or other related entities.

Save as disclosed above, as of 31 December 2020, none of the Directors, Supervisors and senior management staff of the Company or their associates had any interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”)), (a) which were required to be notified to the Company or the Stock Exchange under Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were regarded or deemed to have pursuant to such provisions of the SFO); or (b) which were required to be recorded in the register required to be kept by the Company under such provision of Section 352 of SFO; or (c) which were required to be separately notified to the Company or the Stock Exchange according to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix X to the Listing Rules. None of the Directors or Supervisors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Based on the information that is publicly available to the Company and as far as the Directors are aware, there are no relationships between the members of the Board (in particular between the chairman of the Board and the chief executive officer), including financial, business, family or other material or relevant relationships.

# Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

## I. Change in Shareholdings and Remuneration (Continued)

### (II) Major working experiences

#### 1. Executive Directors

**Mr. Zhou Guixiang**, born in 1971, holds a bachelor's degree in electronics and precision machinery from Xidian University and a master's degree in industrial engineering from Nanjing University of Aeronautics and Astronautics and is a senior engineer. He has served as Manager of Electronic Substrate Plant (電子基板廠), Manager of the Surface Mounting Center (表面裝聯中心), and other positions. He served as General Manager of Electronics Manufacturing Industrial Group (電子製造產業集團) from November 2003 to June 2009, the General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. from June 2009 to November 2011, a Deputy General Manager of Nanjing Panda Electronics Company Limited and General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. concurrently from November 2011 to March 2016, and a Deputy General Manager of Nanjing Electronics Information Industrial Corporation from March 2016 to February 2019. He served as the General Manager and Secretary of the Party Committee of Nanjing Electronics Information Industrial Corporation from February 2019 to October 2020, and has served as the chairman and Secretary of the Party committee of Nanjing Electronics Information Industrial Corporation since October 2020. Mr. Zhou was appointed as the Executive Director and Chairman of the Nanjing Panda Electronics Company Limited in June 2019. Mr. Zhou has long been engaged in business administration and has rich expertise and experience in operation management.

**Mr. Lu Qing**, born in 1965, is a senior engineer at researcher level and holds a master's degree. Mr. Lu has served in PEGE as Deputy Head and Head of the Quality Inspection Department of the NFC Production Department, Head of the Quality Inspection Department and the Quality Inspection Department (Second Division) of the Communications Equipment Department, Deputy General Manager, Standing Deputy General Manager and General Manager of the Military Communications Department, and Assistant to the General Manager of PEGE etc. He has been the General Manager of Nanjing Panda Handa Technology Co., Ltd. from August 2004 to May 2016. He has served as the Deputy General Manager of PEGE since January 2009 and served as the Deputy General Manager of NEIC from March 2016 to January 2021, and has served as the chairman and Secretary of the Party committee of CEC Jinjiang Info Industrial Co., Ltd. since February 2021. Mr. Lu was appointed as an Executive Director and the Vice Chairman of Nanjing Panda Electronics Company Limited in June 2019. Mr. Lu has engaged in the development and management of communication technology for a long period and has extensive knowledge of electronics profession and experience in operation management.

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

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### I. Change in Shareholdings and Remuneration (Continued)

#### (II) Major working experiences (Continued)

##### 1. Executive Directors (Continued)

**Mr. Xia Dechuan**, born in 1970, is a senior engineer at researcher level, graduated from Xidian University with a bachelor's degree in Electronic Mechanics and holds a master's degree in business administration from the Southeast University. Mr. Xia has served as Deputy Head and Head of the NFC Design Institute under PEGL, a standing Deputy General Manager of Nanjing Panda Information Industry Co, Ltd.. He also served as a Deputy General Manager of the Company from July 2008 to September 2011 and a General Manager of Nanjing Panda Information Industry Co., Ltd. from July 2008 to July 2013. He has been the General Manager of the Company since October 2011, and he was concurrently the Communist Party Committee Secretary of the Company from October 2011 to February 2015. Mr. Xia was appointed as an executive Director of the Company in June 2015. He has long been engaged in the management of information technology industries, and has extensive professional knowledge and experience in operation and management with full responsibility for the operation and management of the Company.

##### 2. Non-executive directors

**Mr. Shen Jianlong**, born in 1963, is a senior accountant and holds a bachelor's degree. Mr. Shen has served as the Director General of the Finance Department, Deputy Head of the Assets and Finance Department, and Deputy Chief Accountant of Nanjing Panda Electronics Company Limited etc. He served as the Chief Accountant of Nanjing Panda Electronics Company Limited from April 2006 to April 2019 and the Secretary to the Board and Company Secretary of Nanjing Panda Electronics Company Limited from April 2006 to May 2019. He has been the Assistant to the General Manager of Nanjing Electronics Information Industrial Corporation since May 2019. Mr. Shen was appointed as a Non-executive Director of Nanjing Panda Electronics Company Limited in June 2019. Mr. Shen has long been engaged in the management of corporate finance, and has extensive professional knowledge in finance and experience in operation and management.

**Mr. Deng Weiming**, born in 1964, graduated from Huazhong College of Technology (Now known as Huazhong University of Science and Technology) with a bachelor's degree in information engineering and graduated from Nanjing University of Aeronautics and Astronautics with a master's degree in Management Science and Engineering. He is a senior engineer. Mr. Deng has served in PEGL as Office Head, Deputy Head, Head and deputy chief engineer of the First Design Institute, General Manager of Communications Department and Deputy General Manager of PEGL. He has been a Deputy General Manager of PEGL since July 1999 until now, the General Manager of Nanjing CEC-Panda Home Appliances Co., Ltd. since June 2009 and General Manager of Nanjing Panda Electronics Import and Export Co., Ltd. since January 2011. Mr. Deng Weiming has engaged in the work of electronics technology development and management for a long period and has extensive knowledge of electronics technology and experience in operation management.

# Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

## I. Change in Shareholdings and Remuneration (Continued)

### (II) Major working experiences (Continued)

#### 2. Non-executive directors (Continued)

**Mr. Li Changjiang**, born in 1979, holds a bachelor's degree in industrial automation from Beijing Institute of Technology and a master's degree in business administration from Nanjing University and is a senior economist. He has served as the designer of Radar Research Institute and Office Secretary of Nanjing Changjiang Electronic Information Industry Group, the Deputy Manager and Manager of Administrative Law Department of Nanjing Electronics Information Industrial Corporation, etc. He has been the Deputy Director of Administrative Law Department of Nanjing Electronics Information Industrial Corporation from March 2012 to January 2014, the Head of Administrative Law Department of Nanjing Panda Panel Display Technology Co. Ltd. (南京熊猫平板显示科技有限公司) from February 2014 to March 2015, the Head of Administrative Law Department and Secretary to the Board of Nanjing Panda Panel Display Technology Co. Ltd. from March 2015 to June 2016, the Director of Administrative Law Department of Nanjing Electronics Information Industrial Corporation from June 2016 to July 2018, the Director of Administrative Law Department and Head of Law Affairs Office of Nanjing Electronics Information Industrial Corporation from June July 2018 to April 2019, the Assistant of General Manager, the Head of Administrative Law Department and Head of Law Affairs Office of Nanjing Electronics Information Industrial Corporation from April 2019 to December 2019, and the Secretary of the Party Committee of Nanjing Panda Electronics Company Limited since December 2019. Mr. Li was appointed as a non-executive director of the Company in March 2020. Mr. Li has long been engaged in business administration and has rich expertise and experience in operation management.

#### 3. Independent non-executive directors

**Ms. Du Jie**, born in July 1955, a DPP member, holds a doctoral degree and is a Chinese Certified Public Accountant. She has served as a representative of the Eleventh National People's Congress, a member of the National Committee of CPPCC, a member of the Standing Committee of the National People's Congress of Jilin Province, a member of the Standing Committee of CPPCC of Jilin Province. She is currently a professor, a doctoral tutor of the School of Economics of Jilin University, a counsellor of the Jilin Provincial Government, an independent director of Changchun Gas Co., Ltd., an Independent Director of Nanjing Panda Electronics Company Limited, and an independent director of Jilin Yatai (Group) Co., Ltd. (吉林亞泰集團股份有限公司).

**Mr. Zhang Chun**, born in 1979, is a bachelor's degree holder. He served as a law teacher of Jinling Institute of Technology from June 2000 to April 2004, and works for Jiangsu Liu Hong Law Firm as a full-time lawyer from May 2004 to August 2017. He works for Jiangsu Jieren Law Firm since September 2017. Mr. Zhang Chun has worked for several enterprises and public institutions as a legal adviser for years and has extensive practical experience in legal practice related to corporate operation and management.

**Mr. Gao Yajun**, born in 1975, is a senior accountant in Hong Kong, Certified Public Accountant in China and Australia, and member of the Chartered Institute of Management Accountants. He graduated from Deakin University in Australia and obtained a master's degree in accountancy in 2002 and has been an executive director and partner in Baker Tilly Hong Kong since February 2010. He is currently an independent director of Maoye International Holdings Limited. Mr. Gao has engaged in auditing and consulting work for a long time and has extensive experience in financial management.



## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

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### I. Change in Shareholdings and Remuneration (Continued)

#### (II) Major working experiences (Continued)

##### 4. Supervisors

**Mr. Zhao Ji**, born in 1963, holds a master degree in business administration of School of Economics and Management from Tsinghua University and a senior accountant. He has successively served as Deputy Head, Head of Finance Department of China Electronics System Engineering Corporation, Head of Assets and Finance Division, Manager of Assets and Finance Department, Deputy Chief Accountant and Chief Accountant of China Electronics System Engineering Corporation, Chief Financial Officer of Amoi Electronics Co., Ltd. and Chief Accountant of China Electronics Industry Development Corporation. He served as the Chief Accountant of China Rida Investment and Development Group Corporation from July 2013 to November 2018, and has served as the Chief Accountant of Nanjing Electronics Information Industrial Corporation since November 2018. Mr. Zhao was appointed as the Chairman of the Supervisory Committee of the Company in June 2019. Mr. Zhao has long been engaged in corporate finance management and has extensive professional knowledge in finance and experience in operation and management.

**Ms. Fu Yuanyuan**, born in 1972, holds a bachelor's degree, is a PRC Certified Public Accountant, and an International Certified Internal Auditor. Ms. Fu has been the deputy head of the Audit Department, chief auditor and deputy head of the Supervision and Audit Department of Nanjing Panda Electronics Company Limited and Finance Manager of Nanjing Panda Electronic Manufacture Co., Ltd. She served as the head of the Supervision and Audit Department of Nanjing Panda Electronics Company Limited from December 2010 to January 2015, the head of the Audit Department of Nanjing Panda Electronics Company Limited from January 2015 to December 2019. She has served as the chief auditor of the Audit Department of Nanjing Electronics Information Industrial Corporation since December 2019. Having worked in the field of corporate internal auditing and financial management for a long period, Ms. Fu Yuanyuan has extensive experience in internal control and financial management.

**Mr. Zhou Yuxin**, born in 1964, is a senior political work specialist and holds a bachelor degree. Mr. Zhou has served as Deputy Manager, Manager and Office Head of the labour union of Nanjing Zhenhua Audio Equipment Factory. He is now the Vice Chairman of the labour union and a Supervisor of Nanjing Panda Electronics Company Limited. Mr. Zhou has engaged in the work of corporate management for a long period, has extensive knowledge of and experience in corporate management and is now mainly in charge of matter with respect to the Labor Union of Nanjing Panda Electronics Company Limited.

# Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

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## I. Change in Shareholdings and Remuneration (Continued)

### (II) Major working experiences (Continued)

#### 5. Senior management

**Mr. Xia Dechuan**, born in 1970, is a senior engineer at researcher level, graduated from Xidian University with a bachelor's degree in Electronic Mechanics and holds a master's degree in business administration from the Southeast University. Mr. Xia has served as Deputy Head and Head of the NFC Design Institute under PEGE, a standing Deputy General Manager of Nanjing Panda Information Industry Co., Ltd.. He also served as a Deputy General Manager of Nanjing Panda Electronics Company Limited from July 2008 to September 2011 and a General Manager of Nanjing Panda Information Industry Co, Ltd. from July 2008 to July 2013. He has been the General Manager of Nanjing Panda Electronics Company Limited since October 2011, and he was concurrently the Communist Party Committee Secretary of the Company from October 2011 to February 2015. Mr. Xia was appointed as an executive Director of the Company in June 2015. He has long been engaged in the management of information technology industries, has extensive professional knowledge and experience in operation and management and is comprehensively responsible for the operation and management of the Company.

**Mr. Guo Qing**, born in 1962, is a senior engineer and holds a bachelor's degree. Mr. Guo has served as the Deputy Chief Engineer of PEGE and Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. etc. He was the Deputy Chief Engineer of the Company, Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. and General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. from December 2008 to January 2012. Mr. Guo has been the Deputy Chief Engineer of the Company, a standing Deputy General Manager of Nanjing Panda Information Industry Co., Ltd., and the General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. from January 2012 to July 2013. He was the General Manager of Nanjing Panda Information Industry Co., Ltd. from July 2013 to December 2019. Mr. Guo has been the Deputy Chief Engineer of Nanjing Panda Electronics Company Limited, and the General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd from July 2013 to January 2014. He also has been the Deputy General Manager of Nanjing Panda Electronics Company Limited since July 2013. He was the General Manager of Nanjing Panda Electronics Equipment Co., Ltd. Since December 2019. Mr. Guo has long been engaged in business management in the industry of information technology and intelligent manufacturing, so he has extensive experience in management and professional knowledge.

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

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### I. Change in Shareholdings and Remuneration (Continued)

#### (II) Major working experiences (Continued)

##### 5. Senior management (Continued)

**Mr. Hu Huichun**, born in 1973, graduated with a master degree from the Party School of the Central Committee of CPC majoring in economic management and is an economist. He successively served as the Deputy Head of the office of PEGL and the General Manager of the production company of Panda Electronic Industry Group (熊貓電子製造產業集團製造公司). He has served as the Deputy General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊貓電子製造有限公司) from December 2008 to May 2016. He has been the General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. from May 2016 to December 2019. He has served as the General Manager of Nanjing Panda Information Industry Co., Ltd. since December 2019. He also served as the Deputy General Manager of Nanjing Panda Electronics Company Limited since May 2016. Mr. Hu has been engaged in the management in the electronic information industry for a long period with extensive experience in operation and management.

**Mr. Shao Bo**, born in 1980, has a bachelor's degree in finance from School of Finance of Shandong University of Finance and Economics and has a master degree and doctorate degree in politics and economics from Economics School of Jilin University. He is an economist. He successively served as the Head of Capital Operation Division of Asset Operation Department, the Deputy Head of Production and Operation Division of Production and Operation Department of China Electronics Corporation (中國電子信息產業集團有限公司) and Secretary of the Board of IRICO Group (彩虹集團公司), etc. He has served as Deputy Head of Production and Operation Division of Production and Operation Department of China Electronics Corporation from October 2013 to May 2016 and has served as Secretary of the Board of IRICO Group from December 2013 to March 2016. He has also been the Deputy General Manager of Nanjing Panda Electronics Company Limited since May 2016. Mr. Shao Bo has been engaged in the management of asset operation and production and operation of state-owned enterprises for a long period with profound professional knowledge in finance and extensive experience in operation and management, mainly responsible for economic operation and information construction of the Company.

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

### I. Change in Shareholdings and Remuneration (Continued)

#### (II) Major working experiences (Continued)

##### 5. Senior management (Continued)

**Mr. Hu Dali**, born in 1978, has a bachelor's degree in accounting from Nanjing University of Finance and Economics and is a senior accountant and Certified Management Accountant. He successively served as an Accountant and the Deputy Head of the Financial Management Department, Deputy Head of the High-tech Electronic Equipment Department, and Deputy Director of the Beijing Office of Nanjing Sanle Group Co., Ltd. From January 2013 to September 2013, he served as the Deputy Head of the Financial Management Department of Nanjing Sanle Group Co., Ltd.; from September 2013 to January 2014, he served as Deputy Head (executive) of the Financial Management Department of Nanjing Sanle Group Co., Ltd.; from January 2014 to March 2018, he served as the Head of the Financial Management Department of Nanjing Sanle Group Co., Ltd.; from April 2018 to April 2019, he served as Vice Chief Accountant and the Head of the Financial Management Department of Nanjing Sanle Group Co., Ltd; he has served as the Chief Accountant of Nanjing Panda Electronics Company Limited since May 2019. Mr. Hu has long been engaged in corporate financial management and has profound professional knowledge in finance and extensive experience in operation and management.

**Mr. Wang Dongdong**, born in November 1981, holds a bachelor's degree in accounting from Nanjing Audit College (currently known as Nanjing Audit University) and a master's degree in accounting (MPAcc) from Nanjing University and is a senior accountant and an international certified internal auditor (CIA). He joined the Company in August 2004 and served as an Auditor and the Chief Auditor of the Audit Division and the Supervision and Audit Department of the Company. He has served as the Securities Affairs Representative of the Company since April 2011, served as the Deputy Director of the Board Secretary's Office of the Company from June 2013 to December 2016, and has been the Director of the Board Secretary's Office of the Company since January 2017. He has served as the Company Secretary since May 2019 and the Secretary to the Board of the Company since August 2019. Mr. Wang Dongdong has long been engaged in securities affairs management and internal audit and has rich expertise and management experience.

**Mr. Huang Shaofeng**, born in 1973, graduated from Xi'an Institute of Technology with a bachelor's degree in precision machinery and is a senior engineer. He has successively served as the Deputy General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. and the Deputy General Manager of the Manufacturing Center of Nanjing Panda Electronic Manufacture Co., Ltd. Mr. Huang has served as a Deputy General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. and the General Manager of the Manufacturing Center of Nanjing Panda Electronic Manufacture Co., Ltd. since May 2016, and the General Manager of Chengdu Panda Electronics Technology Co., Ltd. since January 2018. He has served as the General Manager of Chengdu Panda Electronic Manufacture Co., Ltd (成都熊猫电子製造有限公司總) since October 2019 and the Deputy General Manager of Nanjing Panda Electronics Company Limited and the General Manager of Nanjing Panda Electronic Manufacture Co., Ltd since December 2019. Mr. Huang has long been engaged in business operation and management and has rich experience in operation and management.

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

### I. Change in Shareholdings and Remuneration (Continued)

(III) Share Incentive Granted to Directors and Senior Management during the reporting period: N/A

### II. Positions of Current and the Resigned Directors, Supervisors and Senior Management During the Reporting Period

#### (I) Positions in shareholder entities

Name	Name of shareholder entity	Position(s)	Effective date of appointment	Expire date of appointment
Zhou Guixiang	NEIC	General Manager and Secretary of the Party Committee	February 2019	October 2020
	NEIC	Chairman and Secretary of the Party Committee	October 2020	
Zhao Ji	PEGL	Executive Supervisor	December 2018	May 2020
	NEIC	Chief Accountant	December 2018	
Lu Qing	PEGL	Deputy General Manager	December 2008	
	NEIC	Deputy General Manager	March 2016	January 2021
Shen Jianlong	NEIC	Assistant to General Manager	April 2019	
	PEGL	Executive Supervisor	May 2020	
Deng Weiming	PEGL	Deputy General Manager	July 1999	
Fu Yuanyuan	NEIC	Head of the Audit Department	December 2019	
Explanations for positions in shareholder entities	N/A			

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

### II. Positions of Current and the Resigned Directors, Supervisors and Senior Management During the Reporting Period (Continued)

#### (II) Positions in other entities

Name	Name of entity	Position(s)	Effective date of appointment	Expire date of appointment
Zhou Guixiang	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Chairman	18 May 2018	18 January 2021
	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Director	18 October 2017	13 November 2021
Lu Qing	Nanjing CEC-Panda Home Appliances Co., Ltd.	Chairman	May 2018	
	Nanjing Panda Handa Technology Co., Ltd.	Executive Supervisor	April 2016	4 February 2021
	Nanjing Sanle Electronic Information Co., Ltd.	Executive Supervisor	April 2016	26 November 2020
	Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Executive Supervisor	April 2016	26 November 2020
	Nanjing Keruida Electronic Equipment Co., Ltd. (南京科瑞達電子裝備有限責任公司)	Executive Supervisor	April 2016	26 November 2020
Zhao Ji	Jiangsu CEC Panda Intelligent Technology Co., Ltd. (江蘇中電熊貓智能科技有限公司)	Chairman	September 2018	
	CEC Jinjiang Info Industrial Co., Ltd. (成都中電錦江信息產業有限公司)	Chairman and Secretary of the Party Committee	February 2021	
	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Chairman of the Supervisory Committee	24 June 2019	13 November 2021
	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Director	December 2018	December 2020
Shen Jianlong	Nanjing CEC Panda LCD Technology Co., Ltd.	Director	December 2018	11 May 2020
	Nanjing CEC Panda Real Estate Co., Ltd.	Chairman of the Supervisory Committee	December 2018	
	Nanjing CEC-Panda Home Appliances Co., Ltd.	Director	May 2019	11 May 2020
	Chengdu China Electronics Panda Display Technology Co., Ltd.	Employee Representative Supervisor	May 2019	
	Nanjing Huadong Electronic Information & Co., Ltd.	Director	19 June 2019	13 November 2021
Deng Weiming	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Chairman of the Supervisory Committee	May 2019	
	Nanjing CEC-Panda Home Appliances Co., Ltd.	General Manager	June 2009	
Xia Dechuan	Nanjing Panda Electronics Import and Export Company	General Manager	January 2011	
	Nanjing Ericsson Panda Communication Co., Ltd.	Vice Chairman	April 2016	
Fu Yuanyuan	Nanjing LG Panda Appliances Co., Ltd. (南京樂金熊貓電器有限公司)	Vice Chairman	April 2016	
	Nanjing CEC Panda illumination Co., Ltd.	Chairman of the Supervisory Committee	April 2020	
Explanations for positions in other entities	Nanjing China Electronics Panda Appliances Co., Ltd.	Chairman of the Supervisory Committee	May 2020	
	N/A			

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

### III. Remunerations of the Directors, Supervisors and Senior Management

Decision making process of remuneration of Directors, Supervisors and Senior Management	According to relevant requirements of the Articles of Association and the Rules of Procedure of the Remuneration and Appraisal Committee, and based on the operating results, scope of work, main duties and other information, the Remuneration and Appraisal Committee shall appraise the actual performance of the Directors and senior management and submit the appraisal result to the Board for consideration. The remuneration of Directors and supervisors shall be determined by general meetings while that of senior management by the Board.
Basis for determination of remuneration of Directors, Supervisors and Senior Management	Basis for determination of remuneration includes: achievement status of major financial indicators and operational targets of the Company, scope of work and main duties of senior management, completion of indicators contained in the position based on performance appraisal system for Directors and senior management, operational performance in respect of business innovation capability and profit making capability of Directors and senior management, and proposed remuneration distribution plan and distribution method based on the Company's performance.
Actual payment of remuneration of Directors, Supervisors and Senior Management	Since the 2020 annual performance appraisal for the senior management of the Company has not been completed yet, the performance payment for 2020 was excluded from the remuneration during the reporting period, whereas the annual performance payment for 2019 was included.
Total remuneration of Directors, Supervisors and Senior Management received at the end of the reporting period	During the reporting period, the total actual remuneration of all Directors, supervisors and senior management was RMB7,932,600 (before tax).

### IV. Changes in Directors, Supervisors and Senior Management Staff of the Company:

Name	Position	Change	Reasons for change
Li Changjiang	Non-executive Director	Election	Work engagement
Fu Yuanyuan	Non-employee Representative Supervisor	Election	Work engagement
Gao Gan	Former Non-executive Director	Resignation	Work adjustment
Song Yunfeng	Former Employee Representative Supervisor	Resignation	Work engagement
Liu Kun	Former Deputy General Manager	Resignation	Work adjustment

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

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### IV. Changes in Directors, Supervisors and Senior Management Staff of the Company: (Continued)

#### Explanations on the changes in directors, supervisors and senior management staff of the Company:

1. On 8 January 2020, Mr. Gao Gan, the former non-executive Director of the Company, resigned as a non-executive Director and the relevant positions of the subordinate committees of the Board of the Company due to work adjustment.
2. On 7 February 2020, the nomination of Mr. Li Changjiang as a candidate for the non-executive Director of the ninth session of the Board of the Company was considered and approved at the thirteenth meeting of the ninth session of the Board of the Company. Mr. Li Changjiang was elected and appointed at the first extraordinary general meeting of 2020 of the Company convened on 26 March 2020 and his term of office is in line with the term of the ninth session of the Board.
3. On 30 March 2020, Mr. Song Yunfeng, the former employee representative supervisor of the Company, resigned as the employee representative supervisor of the Company due to work adjustment.
4. On 30 March 2020, the nomination of Ms. Fu Yuanyuan as a candidate for the non-employee representative supervisor of the ninth session of the Supervisory Committee of the Company was considered and approved at the eleventh meeting of the ninth session of the Supervisory Committee of the Company. Ms. Fu Yuanyuan was elected and appointed at the 2019 annual general meeting of the Company convened on 29 June 2020, whose term is in line with the term of the ninth session of the Supervisory Committee of the Company.
5. On 19 June 2020, Mr. Liu Kun, the former deputy general manager of the Company, resigned as the deputy general manager of the Company due to personal reasons.

For particulars of the above matters, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 9 January, 8 February, 31 March, 20 June and 30 June 2020 and on the website of the Hong Kong Stock Exchange on 8 January, 30 March, 19 June and 29 June 2020.

### V. Punishment by Securities Regulatory Authorities in the Last Three Years: N/A



## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

### VI. Details of Staff of the Company and Major Subsidiaries

#### (I) Details of staff

Number of on-the-job employees of the Company	288
Number of on-the-job employees of major subsidiaries	2,959
Total number of on-the-job employees	3,247
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	3,053

#### Composition of professions

Type of profession	Number of persons
Production staff	1,329
Sales staff	226
Technical staff	1,251
Financial staff	169
Administrative staff	272
Total	3,247

#### Educational Background

Education level	Number of persons
Masters or above	205
Bachelors	988
Associate degree	833
Other	1,221
Total	3,247

## Profiles of Directors, Supervisors, Senior Management and Staff (Continued)

### VI. Details of Staff of the Company and Major Subsidiaries (Continued)

#### (II) Remuneration policies

In order to effectively mobilize the enthusiasm, initiative and creativity of the staff, the Company formulated the Administrative Measures for Salary Distribution (《工資分配管理辦法》) (revised in June 2018) which has definitely and clearly specified the salary management and salary distribution. The Company implements a position-based remuneration determination policy and enforces varied remuneration systems based on position-based performance salary and the nature of different positions. In particular, an annual salary system is implemented for persons in charge of operating units; position-based performance salary system for administrative and managerial staff; a combination of position-based performance salary and project-based salary system (distribution of allowances or royalties by project) for scientific research staff; base salary plus commission or position-based performance salary system for sales staff; and piece-rate salary or position-based performance salary system for production staff.

#### (III) Training plan

The Company formulated the Job Training Regulations for Staff (《員工崗位培訓條例》) (revised in June 2018) which has specified that, the Company shall organize surveys on the training demand on a yearly basis, and, based on the survey result, formulate the training plan, which will be implemented upon approval by division leaders and will be targeted at all the staff with focus on the scientific research staff, key personnel in respect of operation, management and production.

#### (IV) Labor outsourcing

Total hours of labor outsourcing ( <i>Hour</i> )	2,120,800
Total remuneration paid to labor outsourcing ( <i>RMB0'000</i> )	5,302.04

# Corporate Governance

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## I. Explanations on Corporate Governance

During the reporting period, the Company stably advanced the legal construction, improved the enterprise governance level according to law, and complied with the relevant laws and regulations including the Company Law and the Securities Law. In accordance with the requirements relating to corporate governance and proper operation issued by the CSRC and the SFC and the requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company continued to refine its corporate governance structure and internal rules and systems, reinforced internal control and risk management, continuously maintained healthy development, and safeguarded the interests of all shareholders of the Company. The actual corporate governance of the Company was in compliance with the regulatory requirements of the Corporate Governance Standards for Listed Companies released by the CSRC. The Company was in line with and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

With respect to risk management and internal control, the Company established the risk management and internal control systems on the basis of the multi-layered management organization and corresponding management documents, and ameliorated and perfected it on a continuous basis in accordance with requirements of the regulatory authorities and the operation situation of the Company. Such systems were designed to manage rather than eliminate the risk of failure to achieve business objectives, and could only provide reasonable and not absolute assurance against material misstatement or loss. The Board is responsible for overseeing and reviewing the Group's risk management and internal control systems on an ongoing basis, and ensuring the Group to establish and maintain appropriate and effective risk management and internal control systems. The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems, ensuring strict compliance with relevant rules and regulations and reporting to the Board. The multi-layered management structure, mainly comprised of functional departments at the headquarters of the Company, the united council, Office of General Manager and the Board, undertook decision-making, management and supervising obligations according to relevant procedures. Their obligations concerned risk assessment and amelioration for material events, reviewing and execution of significant investment projects, overall budgeting management, appraisal of economic responsibilities, design of the remuneration system, financing guarantee, and other related work. Pursuant to their respective term of reference, relevant issues shall be submitted by the functional department or the united council to the Office of General Manager for consideration and those intended for decisions of the Board shall be reported to the Board for consideration in the form of proposal.

The Company strengthened risk management and internal control systems with its own features based on its production and operation circumstance. Catering to management and operation in accordance with laws and regulations, asset safety, the true and complete financial report and relevant information, improving operating efficiency and results and boosting the achievement of corporate development strategies, the Company formulated the risk detection and assessment standards from quantitative and qualitative perspectives and deemed such as identifying standards for internal control defects. For details of identifying standards, please refer to the 2020 Internal Control Evaluation Report of Nanjing Panda Electronics Company Limited published by the Company on the websites of Shanghai Stock Exchange on 27 March 2021.

The rule of law and risk control committee under the united council is mainly responsible for assessing and making recommendations for reducing and solving risks in relation to important operation practices and business procedures as well as material events, and analyzing and making improving recommendations for irregularities in internal operation.

## Corporate Governance (Continued)

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### I. Explanations on Corporate Governance (Continued)

The Company has set up an independent internal auditing department, which carries out monitoring and review activities independently and objectively and pushes forward the realization of goals of the Company through reviewing and assessing the appropriateness, legitimacy and effectiveness of the business activities and internal control of various units. The Audit Department (performs internal audit function) consists of a number of professional auditors with expertise, technical titles, auditing experiences and competent capabilities. Such professionals attend continuing professional education and trainings held by competent authorities or associations of the occupation for a certain period each year. The Company will also organize business trainings relating to risk management and internal control based on practical demands. Auditing Department is directly accountable to the General Manager, receives instructions from Audit Committee under the Board and reports to the Audit Committee on the internal auditing work for the year and the preliminary auditing and inspecting plan for the forthcoming year at the meeting of Audit Committee held at the end of each year.

The Company set up an independent inspection department to intensify discipline inspection and supervision. The Inspection Department formulated opinions on inspection work for the year and supervised and reviewed the major operation decisions, decisions on significant project investments, important personnel appointment and removal, large capital operation, fulfillment of duties of key positions and integrity and self-discipline.

The Company regularly reviewed the effectiveness of the risk management and internal control systems and formed a complete workflow and procedures, and a mechanism to address significant risks or internal control deficiencies, and kept them updated in a real-time manner. In order to promote the ongoing perfection and amelioration of the risk management and internal control systems, the Company conducted self assessment on internal control every year. Under the leadership of rule of law and risk control committee, the Audit Department organized the assessment panel (comprising Audit Department and backbones of personnel in charge of internal control work from relevant business departments and the subsidiaries) and conducted the self-assessment. Audit Department reports the self-assessment scheme on internal control to the independent Directors and the Audit Committee under the Board at the meeting of Audit Committee held at the end of each year. The Company prepares Internal Control Evaluation Report and submits it to the Board for consideration for each year. In the reporting period, as reviewed by the directors, there was no significant deficiency in internal control in relation to financial reporting of the Company, nor was any significant deficiency in internal control in relation to non-financial reporting identified. BDO China Shu Lun Pan Certified Public Accountants LLP has audited the effectiveness of the internal control relating to financial reporting of the Company, and issued an audit report with unqualified opinion. The Board has reviewed the effectiveness of the risk management and internal control systems and considered the system to be effective and sound.

# Corporate Governance (Continued)

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## I. Explanations on Corporate Governance (Continued)

The Company identifies, assesses and manages material risk and internal control by the closed-loop management and allows time for rectification in internal control assessment. After issuing the report, the Audit Department will convey the defects identification and rectification suggestions to the responsible unit and department concerned for their implementation of such rectifications work in relation to relevant internal control defects. The Audit Department will carry out follow-up inspections on the implementation of relevant rectifications so as to consolidate achievements of the internal control assessment. Significant events deliberated or commented by the Audit Committee under the Board or the rule of law and risk control committee shall be assigned to the responsible department concerned for rectification and requested for feedbacks of fulfillment. With regard to risk matters, the Company will take countermeasures promptly; formulate rectification plans based on analysis of risk causes and follow up the relevant implementation, thus consummating the business process. Related personnel in failure to fulfill internal control standards shall be held accountable according to relevant provisions. The Company has made emergency response plan for businesses that place deposits in the subordinate financial company of the de facto controller. During the reporting period, there was no material deficiency or failure in relation to the control system of the Company.

In early 2020, according to the Approval on Matters including Adjustments to Notice Period for Convening the General Meeting Applicable to Companies Listed Overseas (Circular of the State Council [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) issued by the State Council, and the relevant provisions of the Company Law, the Guidelines for the Articles of Association for Listed Companies and the Listing Rules of Hong Kong Stock Exchange, taking into account the actual condition of the Company, the Company amended the articles in relation to the period of dispatch of the notice of meeting prior to the commencement of a general meeting and the procedures required to perform in the Articles of Association, shortening the interval between the dispatch of the notice of a general meeting and the convening of such general meeting of 45 natural days to 20 business days, further optimizing the corporate governance, and improving the standardized operational efficiency of the Company. According to the amendments to the Articles of Association, the Company simultaneously amended the Rules of Procedures for General Meeting and the Rules of Procedures for the Supervisory Committee, etc. For details, please refer to the relevant announcements published on the website of Shanghai Stock Exchange by the Company on 11 March 2020 and on the website of the Hong Kong Stock Exchange on 10 March 2020.

Since 1 March 2020, the new Securities Law has been implemented. In accordance with the relevant arrangements and requirements, the Company organized the Directors, Supervisors, senior management and relevant persons to study the new Securities Law to review and pay close attention to the new changes due to the information disclosure requirements increase to the legal level. The Company advocates the cultural atmosphere of “holding the bottom line and being in awe”, and not to overstep the boundary, respecting the market rules and investors, thereby improving its risk resistance capacity.

In the end of 2020, according to the arrangements and deployment by the CSRC and other regulatory institutions, the Company organized the Directors, Supervisors, senior management and relevant persons to study the Announcement Regarding Implementation of Special Actions on Listed Companies Governance ([2020] No.69) (《關於開展上市公司治理專項行動的公告》([2020]69號)) and the Opinions of the State Council on Further Improving the Quality of Listed Companies (Guo Fa [2020] No. 14) (《國務院關於進一步提高上市公司質量的意見》(國發[2020]14號)), and carried out the deployment of relevant work so as to make a sound preparation for the work in the next stage.

## Corporate Governance (Continued)

### I. Explanations on Corporate Governance (Continued)

In 2020, the Company continued to collect and sort out the latest laws, regulations, rules and provisions as well as regulatory information, and irregularly prepared the Regulatory Newsletter. Through email or onsite training, the Company helped the relevant persons to master the latest knowledge of standardized governance, and constantly optimized the corporate governance system, so as to safeguard the standardized operation of the Company on a continuous basis.

### II. Overview of General Meetings

During the reporting period, the Company convened four general meetings, at which all resolutions were approved, details of which are as follows:

Session of the meeting	Date of the meeting	Query index of the designated website where the resolutions were published	Disclosure date of the resolutions
The first extraordinary general meeting in 2020	26 March 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	27 March 2020
The first A shareholders class meeting in 2020	26 March 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	27 March 2020
The first H shareholders class meeting in 2020	26 March 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	27 March 2020
2019 annual general meeting	29 June 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	30 June 2020

The general meeting is the source of authority of the Company, exercises its functions and powers in accordance with the law and makes decisions over material matters of the Company. The annual general meeting or extraordinary general meeting serves as a channel for direct communications between the Board and the shareholders of the Company. The Company is in strict compliance with the requirements of Articles of Association and Rules of Procedure at General Meeting, standardizes the procedure of the convening, holding and voting of the general meetings and invites lawyers as witnesses and auditors to scrutinize the voting in order to ensure all shareholders (including minority investors) are treated fairly and could fully exercise their rights as shareholders.

A written notice of the meeting shall be given at least twenty (20) business days (“Business Day” means the date on which the Hong Kong Stock Exchange conducts securities trading) before the date of an annual general meeting convened by the Company; or at least ten (10) business days or 15 days (whichever is longer) before the date of an extraordinary general meeting, with circulars dispatched to the H shareholders. The Company encouraged all shareholders to attend the meeting and requested the Directors, Supervisors and senior management to attend the meeting wherever possible. The meetings were presided over by the Chairman, Vice Chairman or other directors of the Company. Auditors and representatives for each special committee of the Board were arranged to attend the meeting and questions raised by shareholders were arranged to be answered.

## Corporate Governance (Continued)

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### III. Performance of Duties by Directors

The ninth session of the Board now consists of nine Directors, three of whom are independent Non-executive Directors (including certified public accountant(s)). The current executive Directors of the ninth session of the Board are Zhou Guixiang, Lu Qing and Xia Dechuan, among whom, Zhou Guixiang is Chairman. The non-executive Directors are Shen Jianlong, Deng Weiming and Li Changjiang; and the independent non-executive Directors are Du Jie, Zhang Chun and Gao Yajun. Please refer to the biographies of serving Directors set out in Section VII headed “Profiles of Directors, Supervisors, Senior Management and Staff” of this report for details.

The Board is collectively responsible for the management of business and affairs of the Group with the objective of enhancing shareholders’ value. The Board is accountable to the general meeting. Its duties mainly include: convening general meetings and reporting the work thereto; implementing resolutions passed at the general meeting; deciding on the operation plans and investment proposals of the Company; appointing and relieving General Manager and senior management of the Company (details are set out in the Article 134 of Chapter 10 of the Articles of Association). During the reporting period, the Board strictly carried out the resolutions approved at the general meetings, and in line with the principle of integrity and diligence, will continue to earnestly work for the best interest of the Company and its shareholders.

The Board is responsible for performing the corporate governance functions set out in Article D.3.1 of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange. During the reporting period, the Board reviewed the corporate governance policies and practices of the Company; monitored the training and continuous professional development of the Directors and senior management and regularly arranged for them to take part in training or follow-up training; reviewed and monitored the Company’s policies and practices for compliance with the statutory and regulatory requirements; monitored the Directors’ compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange; and reviewed the Company’s compliance with the Corporate Governance Code and disclosure requirements in the Corporate Governance Report.

During the reporting period, the Company adopted and applied the Model Code for Securities Transactions by Directors. Having made specific enquiry to all Directors of the Company, all Directors have expressed that they have complied with the Model Codes stipulated by the Hong Kong Stock Exchange and all Directors have confirmed that during the reporting period, they participated in continuous professional development to develop and refresh their knowledge and skills in relation to their contribution to the Board.

The Directors acknowledge their responsibility for the preparation of financial statements of the Company. The statement of the auditors of the Company about their responsibility of formulating and reporting financial statements of the Company is set out in the “Report of the Auditors” in this annual report.

## Corporate Governance (Continued)

### III. Performance of Duties by Directors (Continued)

#### (I) Attendance of Board meetings and general meetings by Directors

Name of director	Independent director or not	Required attendance at Board meetings for the year	Attendance at Board meetings					Absence in person from the Board meetings for two consecutive times	Attendance at general meetings
			Attendance in person	Attendance by way of communications	Attendance by proxy	Absence	Absence		
Zhou Guixiang	No	11	11	10	0	0	No	1	
Lu Qing	No	11	11	10	0	0	No	1	
Shen Jianlong	No	11	11	10	0	0	No	4	
Deng Weiming	No	11	11	10	0	0	No	4	
Xia Dechuan	No	11	11	10	0	0	No	4	
Li Changjiang	No	10	10	9	0	0	No	1	
Du Jie	Yes	11	11	11	0	0	No	1	
Zhang Chun	Yes	11	11	10	0	0	No	4	
Gao Yajun	Yes	11	11	11	0	0	No	1	

Explanation for the absence in person from two consecutive Board meetings: N/A

Number of Board meetings held in the year	11
Of which: Number of on-site meetings	1
Number of meetings held by way of communication	10
Number of on-site meetings combined with the communication means	1



# Corporate Governance (Continued)

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## III. Performance of Duties by Directors (Continued)

### (II) Independent Non-executive Directors' Objection to the Relevant Matters of the Company

In 2020, the Independent Non-executive Directors of the Company did not raise any objection to the resolutions of the Board and other meetings.

In 2020, pursuant to the requirements of the Company Law, the Securities Law, and provisions under the Articles of Association, the System for the Independent Directors of the Company, the independent non-executive directors of the Company diligently and faithfully performed their duties, proactively and carefully attended meetings, prudently and properly exercised their rights to express fair and objective opinions, and fully brought into play their experiences and expertise, devoting much to the improvement of corporate governance and major decisions of the Company, which practically safeguarded the interest of the Company and its shareholders as a whole. For details of performance, please refer to the Report of the Independent Directors of Nanjing Panda Electronics Company Limited for the Year 2020 published on the website of Shanghai Stock Exchange on 27 March 2021 and on the website of the Hong Kong Stock Exchange on 26 March 2021.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Company considers all Independent Non-executive Directors fulfill the independence guidelines as set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange and are independent in accordance with the terms of the guidelines.

## IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period

### (I) Audit Committee

The Audit Committee is mainly responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and recommendation to the Board. The Rules of Procedure of the Audit Committee were published on the websites of the Company and the Hong Kong Stock Exchange. The Audit Committee of the ninth session of the Board of the Company consisted of Mr. Shen Jianlong, Mr. Deng Weiming, Ms. Du Jie, Mr. Zhang Chun and Mr. Gao Yajun and was chaired by Ms. Du Jie.

## Corporate Governance (Continued)

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### IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period (Continued)

#### (I) Audit Committee (Continued)

During the reporting period, the Audit Committee convened five meetings:

1. The first meeting of 2020 of the Audit Committee of the ninth session of the Board was convened on 30 March 2020 and all members attended the meeting. At the meeting, the committee reviewed the 2019 financial report; agreed to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the Company's financial auditor and internal control auditor for 2020; considered and approved the resolution on Changes in Accounting Policies and Relevant Matters of the Company; and agreed to submit the above matters to the Board for consideration.
2. The second meeting of 2020 of the Audit Committee of the ninth session of the Board was convened on 9 April 2020 and all members attended the meeting. At the meeting, the committee reviewed and approved the 2020 first quarterly financial report of the Company; agreed to submit the above matters to the Board for consideration.
3. The third meeting of 2020 of the Audit Committee of the ninth session of the Board was convened on 27 August 2020 and all members attended the meeting. At the meeting, the committee reviewed and approved the 2020 interim financial report of the Company; agreed to submit the above matters to the Board for consideration.
4. The fourth meeting of 2020 of the Audit Committee of the ninth session of the Board was convened on 29 October 2020 and all members attended the meeting. At the meeting, the committee reviewed and approved the 2020 third quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.

## Corporate Governance (Continued)

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### IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period (Continued)

#### (I) Audit Committee (Continued)

5. A special meeting of the Audit Committee of the ninth session of the Board on the work regarding Company's 2020 annual report was convened on 22 December 2020. The main contents are as follows:
  - (1) At the meeting, the Audit Committee heard the reports of the audit plan for the 2020 annual report and the relevant conditions. The Audit Committee required the accountant firm to have sufficient auditing capacity to complete the auditing of the 2020 annual report within the scheduled time frame, with high quality and according to the relevant regulations of CSRC; and to enhance testing on key operations and timely report major issues encountered during the auditing process to the Audit Committee. The Audit Committee also required the Company to try its best to coordinate with the accountant firm to conduct 2020 annual report audit, internal control audit and the relevant work; and to maintain communication with the accountant firm for auditing the annual report and forecast the operating results in accordance with the relevant requirements.
  - (2) The Audit Committee heard the reports of the production & operation and the progresses of material matters for the year 2020. The Audit Committee expressed its general recognition with the work of the management in 2020. The Audit Committee required the Company to clearly analyze and correctly understand the current situation and difficulties and strengthen its risk resistance capacity; to accelerate the promotion of structure adjustment, proactively response to the impact as a result of the changes in the commercial mode; to focus on the transformation of achievements in scientific research, the research model and effect appraisal, and the measure of research and development expenses, and reasonably coordinate the resource allocation, so as to further improve its core competitiveness; to strengthen the management of accounts receivable and inventory, and research the in-depth reason for the formation of the accounts receivable and inventory, so as to control the accounts receivable and inventory at a reasonable level; to improve the 14th Five-Year Plan development plan, pay attention to the transformation, upgrading and extensive development of intelligent manufacturing business, intensify the management and service of joint venture enterprises and strive to promote the sustainable development of the Company.
  - (3) At the meeting, the Audit Committee heard the reports of 2020 internal control audit and relevant information of the Company. The Audit Committee required the registered accountant for internal control audit to timely communicate with the Company on the issues identified and provide specific suggestions or opinions for these issues. The Audit Committee also required the internal audit department and the relevant persons in charge to maintain communication with the registered accountant for internal control audit, provide support for the internal control audit work and issue audit report; track and implement the matters submitted for attention; and propose and carry out rectification measures.

## Corporate Governance (Continued)

### IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period (Continued)

#### (I) Audit Committee (Continued)

5. A special meeting of the Audit Committee of the ninth session of the Board on the work regarding Company's 2020 annual report was convened on 22 December 2020. The main contents are as follows: (Continued)
  - (4) The Audit Committee heard the reports of: 2020 internal control evaluation work plan and its progresses and the launch of internal audit work, 2021 preliminary plan for audit work, etc. of the Company and provided guidelines on the internal audit work. The Audit Committee expressed its general satisfaction with the work of the internal audit department in 2020. The Audit Committee required the Company to conduct internal control evaluation, and complete the internal control self-evaluation report. According to internal control evaluation report and internal control audit results, the rectification of internal control defects shall be completed. The Audit Committee required the Company to sort out and report the follow-up implementation of rectification, reflect the changes and improvement, strengthen the system construction, implementation and enforcement, deeply grasp the essence of internal control, increase the systematicness and comprehensiveness of internal control system construction, effectively integrate the internal control system construction with the corporate management model, seek for a way applicable for the actual condition of the Company to control and response to operational risk and achieve effective balance and supervision.
  - (5) The Audit Committee heard the report of the person in charge of finance of the Company. The Audit Committee required the Company to strengthen risk management and internal control and further improve the basic work of financial accounting; enhance management of accounts receivable and control of inventory scale, and improve the capital utilisation efficiency; further improve the Company's credit and work policies, determine a reasonable financing amount and maintain the credit scale at a reasonable level to safeguard the capital demand for normal production and operation and the advancement and implementation of major projects of the Company; manage well the measurement for recognition of research and development expenses, pay attention to the transformation of research and development achievements and well implement the accounting standards on revenue, lease, etc.

In addition, during the process of preparing and disclosing the 2020 annual report of the Company, the Audit Committee conducted various communication with the Company's management, person in charge of finance and the registered accountant for annual audit in accordance with the "Audit Committee's Work Regulation Regarding Annual Report" (《審核委員會年報工作規程》) and received the report on the preparation of 2020 annual report and met with the registered accountant for annual audit. The Audit Committee reviewed audit reports and financial statements and communicated on issues found during the audit process. The Company and the registered accountant for annual audit were required to seriously study all the latest provisions of the CSRC and of the relevant annual report as released by the local stock exchange where the Company was listed. The audit and disclosure of annual report were required to be conducted in an appropriate manner.

# Corporate Governance (Continued)

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## IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period (Continued)

### (II) Nomination Committee

The Nomination Committee is mainly responsible for reviewing the candidates, selection standards and procedure for the Company's directors and senior management members, and making relevant proposals.

#### 1. Board Diversity Policy

The Board adopted the board diversity policy in accordance with the requirement set out in the Corporate Governance Code. Such policy aims to set out the approach to achieve diversity on the Board, thereby the Company revised the terms of reference of the Nomination Committee and the revised Rules of Procedure of the Nomination Committee have been published on the websites of the Company, Shanghai Stock Exchange and Hong Kong Stock Exchange.

Through implementation of the board diversity policy, the efficiency of duty performance of the Board will be further improved, thus facilitating the Board in making scientific decisions on the core business and strategy of the Company and its subsidiaries. The Company will consider the diversification of the Board members in multiple respects while determining the composition of the Board, including (but not limited to) gender, age, cultural and educational background, skills, knowledge and professional experience. The nomination and appointment of all members of the Board will be proposed upon full consideration of the abovementioned measurable objectives, in accordance with the development goal and strategic plan of the Company and in line with the interests of all shareholders. In order to ensure that the board diversity policy is in compliance with the listing rules and being effective, the Nomination Committee will review the policy in due course, discuss any amendments if necessary, and propose such amendments to the Board for approval.

At present, the members of the Board of the Company have diversified professional backgrounds, covering communications, electronics, information, economy, law, finance, etc., have extensive work experiences in manufacturing, education, accountants, lawyers and other intermediary institutions, and maintain the appropriate proportion of women and a certain geographical differences. The composition also gives consideration to the appeal of shareholders. For details of the role and duty of each member of the Board, please refer to the relevant contents as set out in "Section VIII Corporate Governance" in this annual report and for details of the biography of each Director, please refer to the relevant contents as set out in "Section VII Profiles of Directors, Supervisors, Senior Management and Staff" in this annual report.

## Corporate Governance (Continued)

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### IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period (Continued)

#### (II) Nomination Committee (Continued)

##### 2. Nomination Policy

The Company attaches great attention to the knowledge, experience, profession and diversity of the Board to ensure that the Board is diligent and responsible and makes scientific decisions in line with the interests of the Company and all shareholders.

The Nomination Committee shall study and prepare the election criteria and selection procedures and the term of office of Directors and senior management of the Company in accordance with relevant laws and regulations and the Articles of the Company while taking into consideration of the Company's actual circumstances, and the formulated resolutions shall be submitted to the Board for consideration, approval and implementation. For details of the procedure for appointing Directors and senior management, please refer to the Rules of Procedure of the Nomination Committee published on the websites of the Company, Shanghai Stock Exchange and the Hong Kong Stock Exchange.

During the reporting period, the Company elected candidates for Directors of the ninth session of the Board in accordance with the abovementioned nomination policy.

The Nomination Committee of the ninth session of the Board of the Company consisted of Mr. Zhou Guixiang, Mr. Lu Qing, Ms. Du Jie, Mr. Zhang Chun, Mr. Gao Yajun and was chaired by was Mr. Gao Yajun.

## Corporate Governance (Continued)

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### IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period (Continued)

#### (II) Nomination Committee (Continued)

##### 2. Nomination Policy (Continued)

During the report period, the Nomination Committee convened two meetings:

1. The first meeting of 2020 was convened by way of written resolutions on 7 February 2020 and all members attended the meeting. It is agreed to nominate Mr. Li Changjiang as the candidate for the Director of the ninth session of the Board of the Company, and submit the same to the Board for discussion.
2. The Company convened the second meeting of 2020 of the Nomination Committee of the ninth session of the Board on 30 March 2020 and all members attended the meeting. The following resolutions were passed at the meeting:
  - (1) The structure, size and composition of the Board (including skills, knowledge, experience and diversity) basically matched the Company's actual condition, assets scale, equity structure, etc. It was suggested to further improve the corporate governance structure and organizations, and level up the standard operation of the Company according to the relevant national regulations and the Company's actual operations.
  - (2) The Independent Non-executive Directors of the Company were in compliance with the independence-related requirements of CSRC, SFC, Shanghai Stock Exchange and Stock Exchange of Hong Kong Limited.
  - (3) The senior management members of the Company had the necessary professional skills to perform their duties.

## Corporate Governance (Continued)

### IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period (Continued)

#### (III) Strategy Committee

The Strategy Committee is mainly responsible for studying the Company's long-term development strategies and major investment decisions and making recommendations. The Rules of Procedure of the Strategy Committee have been published on the website of the Company. The Strategy Committee of the ninth session of the Board consisted of Mr. Zhou Guixiang, Mr. Lu Qing, Mr. Shen Jianlong, Mr. Xia Dechuan and Mr. Gao Yajun and was chaired by Mr. Zhou Guixiang.

The Strategy Committee convened its first meeting for 2020 on 30 March 2020 and all members attended the meeting. The following resolutions were passed at the meeting:

1. Strengthen planning guidance. We shall organize the preparation of the Company's 14th Five-Year Plan development plan, and seize the favorable opportunity of revitalization of the national industries to make strategic adjustments, optimize the industrial and product structure and accelerate transformation and development for the purpose of promoting "high-quality development" of the Company.
2. Proactively respond to the pandemic. At present, the pandemic is spreading around the world, the global economic development is in a downward trend and the production and operation of the Company is facing the severe challenges. We shall keep a sober mind, enhance our awareness of potential dangers, prepare for the emergency, analyze the problems according to our actual situation, figure out measures, and make innovation in our work, proactively increase income and reduce expenditure, and explore our potential and increase the efficiency, so as to ensure completion of the full-year objectives.
3. Adhere to the promotion of comprehensive and lean management in depth. We shall strengthen the control over costs and expenses, further reduce the accounts receivable and inventory, and reasonably allocate the financing structure and term. Meanwhile, we shall speed up the overall online operation of the SAP-ERP system, realizing the integration of information resources, reengineering of business process, improvement of management level and increase of economic profitability through informatization.
4. Promote industrial transformation and upgrading. We shall strengthen the independent control and independent research and manufacturing capabilities in areas of intelligent manufacturing and smart city. We will increase efforts to tackle the problems of key, core and cutting-edge technologies of intelligent manufacturing, and accelerate the improvement of capability of overall solution for systems. We will increase efforts in the market expansion and accelerate the development of smart city business.
5. Strive to promote the innovation of systems and mechanisms. We will continue to optimize the Company's organizational structure, adhere to the market-oriented orientation, benchmark with the advanced enterprises, improve the market-oriented personnel selection and employment, and assessment and incentive mechanism, and promote the construction of the system and the rule of law work.



## Corporate Governance (Continued)

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### IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period (Continued)

#### (IV) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee is mainly responsible for formulating and reviewing remuneration policies and plans for Directors and senior management of the Company; and developing evaluation standards for them and conducting such evaluation. The Rules of Procedure of the Remuneration and Appraisal Committee have been published on the websites of the Company and the Hong Kong Stock Exchange. The Remuneration and Appraisal Committee of the ninth session of the Board consisted of Mr. Xia Dechuan, Mr. Li Changjiang, Ms. Du Jie, Mr. Zhang Chun and Mr. Gao Yajun and was chaired by Mr. Zhang Chun.

The Company convened the first meeting of the Remuneration and Appraisal Committee of the ninth session of the Board for 2020 on 30 March 2020 and all members attended the meeting. At the meeting, performance of duties by the then Directors and senior management was evaluated and the remuneration policy for Directors and senior management of the Company were discussed.

1. According to the evaluation results, the 2019 annual remuneration before tax of Directors and senior management of the Company was approved. It was agreed to be organize the performance by the general manager according to the review opinions of the Remuneration and Appraisal Committee of the Board, and submitted the same to the Board for consideration.
2. According to the personnel allocation and assignment of responsibility of the senior management of the Company, taking into account the actual operational condition and development needs of the Company, it was advised that the cap for the total annual remuneration of Directors, Supervisors and senior management was RMB8 million, with which, the remuneration of relevant Directors during the period from 1 January 2020 to the expiry of the term of the ninth session of the Board, and the senior management, whose term is in line with the term of the ninth session of the Board, were determined, and submit the same to the Board for consideration.

In addition, according to the remuneration policy of the Company, the Remuneration and Appraisal Committee has assessed the reward for 2019 annual performance of the senior management of the Company.

### V. Details for the risks identified by the Supervisory Committee: N/A

## Corporate Governance (Continued)

### VI. Independence of Business, Staff, Assets, Organization and Finance between the Company and its Controlling Shareholder and Capability of Independent Operation: N/A

The business, staff, asset, organization and finance of the Company are completely separated from those of its controlling shareholders, and the Company has its own independent and complete businesses and possesses the capabilities for independent operation.

1. Business: The Company has a highly independent and complete business and operation ability. The controlling shareholder and its associates have separately signed the "Letter of Undertaking on Avoidance of Horizontal Competition".
2. Staff: The staff of the Company is independent from its controlling shareholder. The Company has independent management in labour, personnel and wages, and established the relevant management systems. Senior management members such as general manager and deputy general manager receive salaries from the Company. Save for the position of director, they do not hold any other positions in the controlling shareholder.
3. Asset: The Company has its own supply, production and sale systems, ancillary production system and facilities. The Company holds intangible assets such as trademark ownership, industrial property right, and non-patent technology.
4. Organization structure: The Company established a sound organizational system in which the Board, Supervisory Committee and other internal departments each operate and function independently. The Company is not subordinate to its controlling shareholder in term of its duties and departmental functions.
5. Finance: The Company has set up its own finance department, accounting system, financial management system and its own bank accounts.

### VII. Appraisal and Motivation Mechanism for Senior Management during the Reporting Period

The Company conducted a comprehensive appraisal of the senior management based on their duties, positions and performance. Incentive rewards were granted according to the results of the appraisal. The Remuneration and Evaluation Committee is responsible for formulating and reviewing the remuneration policies and plans for the senior management of the Company, and setting up the evaluation criteria for the senior management of the Company and implementing the evaluation.

The Measures Regarding Remuneration Composition of Senior Management Officers of Nanjing Panda (《南京熊猫高级管理人員薪酬管理辦法》) was formulated by the Company, whereby the matters concerning the remuneration composition, basis for confirmation, contents for verification, calculation method and encashment procedures and others were defined, senior management officers were encouraged to take initiatives and the Company's development was facilitated.

# Corporate Governance (Continued)

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## VIII. Self-assessment Report on the Internal Control

According to the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Content and Format of Annual Reports (Revision 2017) (《公開發行證券的公司信息披露內容與格式準則第2號—年度報告的內容與格式(2017年修訂)》) of the CSRC and the Notice on the Preparation of 2020 Annual Reports by Main Board Listed Companies (《關於做好主板上市公司2020年年度報告披露工作的通知》) issued by the Shanghai Stock Exchange, the Board of the Company has prepared the Self-assessment Report on the Internal Control of the Company for 2020, which was disclosed along with the 2020 annual report. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange on 27 March 2021 and on the website of the Hong Kong Stock Exchange on 26 March 2021 by the Company. There was no significant deficiency in internal control in relation to financial report of the Company, nor was any significant deficiency in internal control in relation to non-financial report identified.

## IX. Auditors' Report on Internal Control

The Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP to audit the effectiveness of the internal control relating to the financial report of the Company, which issued the auditors' report with standard unqualified audit opinions. The auditor's report was disclosed along with the 2020 annual report. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange on 27 March 2021 and on the website of the Hong Kong Stock Exchange on 26 March 2021 by the Company.

## X. Others

### (I) Chairman and Chief Executive Officer

The main duties of Chairman of the Board are to preside over the shareholders' meeting and convene the Board meetings, and to inspect the actual implementation of resolutions passed by the Board (Details are set out in Article 143 of Chapter 10 of the Articles of Association). The General Manager (Chief Executive Officer) is responsible to the Board. His principal duties include presiding over the production, operation and management of the Company, to organize the implementation of resolutions of the Board, to organize the implementation of the annual operation plan and investment proposal (Details are set out in Article 161 of Chapter 12 of the Articles of Association).

### (II) Auditors' remuneration

BDO China Shu Lun Pan Certified Public Accountants LLP was engaged as the Company's international auditor, PRC auditor and internal control auditor for 2020. Remuneration paid by the Company for its audit services for the annual report (including the internal control audit service) was RMB2,100,000, among which RMB1,620,000 was paid to international and PRC auditors and RMB480,000 to the internal control auditor.

# Corporate Governance (Continued)

## X. Others (Continued)

### (III) Communications with Shareholders and Investor Relations

The Board recognizes its accountability to shareholders for the performance and activities of the Company. The Board strives to maintain effective communication with shareholders. The Company has established different communication channels with its shareholders and investors:

1. The annual general meeting and extraordinary general meetings held during the reporting period provided a forum for shareholders to raise comments and exchange views with the Board;
2. The annual reports, interim reports and so forth have been sent to the shareholders and interested investors containing therein a full financial and operational review of the Company;
3. Discharge obligations of information disclosure by disclosing financial results and various transactions in quarterly reports, various announcements and circulars (if applicable);
4. Set up other channels such as investor hotlines, site visiting by investors, stock analysts and fund managers, organize holding press conferences and road shows and etc.;
5. The Company further enhances the exchange and communication with investors, and delivers information of the Company to investors by way of the electronic platform of Shanghai Stock Exchange E-Interaction, online results presentation, onsite meeting of general meeting and others, and further improves the efficiency of the information disclosure of the Company by way of communication with investors and hearing their opinions.

### (IV) Shareholders Rights

In accordance with Clause 76, Chapter VIII of Articles of Association, shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the Board the convening of the extraordinary general meeting, provided that such proposal shall be made in writing. The Board shall provide written feedbacks on agreeing or disagreeing to convene extraordinary general meeting within 10 days after receiving such proposal according to the provisions of the applicable laws, administrative regulations and Articles of Associations.

In the event that the Board agrees to convene the extraordinary general meeting, the notice of the general meeting shall be issued within 5 days after the resolution of Board is made. Any changes to the original proposal made in the notice shall require prior approval of the shareholders concerned.

In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days upon receipt of the said proposal, shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the supervisory committee the convening of the extraordinary general meeting, provided that such proposal shall be made in writing.

In the event that the supervisory committee agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within 5 days after the said proposal. Any changes to the original proposal made in the notice shall require prior approval of the shareholders concerned.

# Corporate Governance (Continued)

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## X. Others (Continued)

### (IV) Shareholders Rights (Continued)

Failure of the supervisory committee to issue the notice of the general meeting shall be deemed as failure of the supervisory committee to convene and preside over a general meeting, and shareholders individually or collectively holding 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on their own.

Shareholders may send their enquiries to the Board by addressing them to the Secretary of the Board. Contact details of the Secretary of the Board are set out on page 5 of this report.

### (V) Dividend Policy

The Company focuses on the long-term and sustainable development while taking into consideration the needs of its operation and shareholders. It made systemic arrangements for the Company's profit distribution to ensure the continuity and stability of its policy on profit distribution. For the Company's profit distribution policy and relevant details, please refer to the relevant part of "Section V Significant Events" in this annual report as well as the Articles of Association of the Company published on the websites of the Company, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

### (VI) Inside Information Management and the Relevant Situation

In order to further implement inside information management and prevention of insider trading, according to the requirements of the CSRC, the "Insiders Management System of NPEC" was formulated by the Company and considered and approved by the Board, which specifies the scope and confidentiality management of inside information, as well as the scope, registration and filing of the insiders. The Significant Information Internal Report System of Nanjing Panda (《南京熊猫重大信息内部报告制度》) was formulated by the Company and considered and approved by the Board, which specifies the reporting scope, division of responsibilities, procedures and formats, confidentiality obligations and legal liabilities in respect of the material information. Pursuant to the requirements, the Company delivered to the controlling shareholder and the de facto controller the requirements of the Implementation of Strengthened Inside Information Management of State-owned and Controlled Listed Companies issued by relevant regulatory institutions. Moreover, the Company strictly followed the regulations on insider registration and management in respect of the preparation of regular reports, and other significant events in accordance with the requirements under the relevant administrative documents.

### (VII) Establishment and Implementation of the Accountability System for Major Disclosure Errors in Annual Report

In order to enhance the quality of information disclosure and ensure the truthfulness, accuracy and completeness of the information disclosed in the annual report, the Company established the Accountability System for Major Disclosure Errors in Annual Report. The Board of the Company would impose administrative or financial penalties on relevant responsible persons according to the seriousness of the matter, e.g. correction of major accounting errors and supplementation of omitted major information and correction of results prediction, which take place in the information disclosure in the annual report. There was no major error found in information disclosure in the 2020 annual report. During the reporting period, there was no correction of major accounting errors and supplementation of omitted major information and correction of results prediction.

# Financial Report

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This 2020 Financial Report of the Company was audited by BDO China Shu Lun Pan Certified Public Accountants LLP pursuant to Accounting Standard for Business Enterprises, and standard unqualified audit report was issued.

# Auditors' Report

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PCPAR [2021] NO. ZG10495

**TO ALL SHAREHOLDERS OF NANJING PANDA ELECTRONICS COMPANY LIMITED:**

## **I. Opinion**

We have audited the financial statements of Nanjing Panda Electronics Company Limited (hereinafter referred to as the "Company"), including the consolidated balance sheet and the balance sheet of the parent company as at December 31, 2020, the consolidated income statement and the income statement of the parent company, the consolidated statement of cash flows and statement of cash flows of the parent company, the consolidated statement of changes in owners' equity and the statement of changes in owners' equity of the parent company for the year then ended and notes to the financial statements.

In our opinion, the financial statements attached are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and present fairly the consolidated financial positions and the Company's financial positions as at December 31, 2020 and the consolidated operating results and cash flows and the Company's operating results and cash flows for the year then ended.

## **II. Basis for Our Opinion**

We conducted our audit in accordance with Auditing Standards for the Chinese Certified Public Accountants. The "CPA's Responsibility for the Audit of Financial Statements" further set forth our responsibilities under these Standards. In accordance with the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **III. Key audit matters**

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

We regard the matters below as the key audit matters should be communicated in the auditors' report.

# Auditors' Report (Continued)

Key audit matters	Audit reaction
<b>(I) Recognition of the revenue</b>	
<p>Please Refer to Note 3.28 for the accounting standard of recognizing revenue and Note 5.40 for the disclosure of revenue</p>	<p>Our audit procedures for revenue recognition are mainly:</p>
<p>For the period of year 2020, the consolidated main operation revenue of Nanjing Panda is RMB3.952 billion, of which mainly is from the segment of industrial robots, intelligent factory systems engineering, intelligent transportation, intelligent building installation. The revenue also includes the sales and leasing of electronic manufacturing products, information network equipment and consumer electronics.</p>	<p>1. we understood and evaluated design of the key internal control designed by management and we tested the effectiveness of implementing key controls.</p>
<p>The general principle for the Company to recognize revenue is: for intelligent factory system integration, intelligent transportation and building installation services, the performance obligations satisfied over time, and the Company recognizes revenue via contract performance schedule and the project progress certificate is used as the basis for revenue confirmation; and for the sales of industrial robots, electronic manufacturing products, information network equipment, and electronic products, the Company recognizes revenue when customers obtain control of related products. For leasing services, the rental income shall be recognized as rental income in accordance with the straight-line method within the lease period (rent-free period is considered in the case of rent-free period) agreed in the lease contract or agreement.</p>	<p>2. We select the sample to review the sales contract and interview with the management. We also analysis the contract via the "five-step method", judging the composition of the performance obligation and the timing of transferring control rights. Therefore, we can assess whether the policy of Nanjing Panda's sales revenue meets the new accounting standards.</p>
<p>Since revenue is one of the key performance indicators of Nanjing Panda, there is inherent risk that management will control the timing of revenue recognition in order to achieve specific goals or expectations, so we recognize revenue recognition as a key audit matter.</p>	<p>3. In conjunction with audit procedure of accounts receivable confirmation letter, we select a sample of income transactions recorded for the current year, checking the supportive document of revenue recognition, including sales contracts, leasing contracts, order for goods, sales invoice, delivery order, shipping documents, equipment receipt, certificate of project progress, signature forms, export documents and etc. in order to check the reality of recognized revenue;</p>
	<p>4. We perform analytical procedures on revenue and cost, including: analysis of revenue, cost, gross profit margin fluctuations in each month of the current period, and perform analytical procedures on main products of revenue, cost, gross profit margin for the current period and comparative analysis of the previous period in order to check the accuracy of recognized revenue;</p>
	<p>5. We sample and check the shipping, goods receipt signature and other supportive documents for the revenue recognition near the balance sheet date in order to evaluate the cut-off of the sales revenue.</p>



# Auditors' Report (Continued)

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## IV. Other information

The management of Nanjing Panda (hereinafter as the "management") is responsible for the other information which comprises all the information in the annual report other than the financial statements and this auditors' report.

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

In conjunction with our audit to the financial statements, our responsibility is to read the other information. During the process, we considered whether there is material inconsistency or there is likely material misstatement between the other information and the financial statements or the information we obtained during the audit.

As we have performed the work on the other information obtained before the date of our auditors' report, we shall report if we confirmed there was a material misstatement among the other information. We have nothing needed to be reported on this case.

## V · Management and Governance's Responsibility for the Financial Statements

The management of the Company (hereinafter referred to as "the Management") is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the Management is responsible for assessing the Company's going-concern ability, disclosing the matters related to going concern (if applicable) and using the going-concern assumption unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Governance Layer is responsible for overseeing your company's financial reporting process.

# Auditors' Report (Continued)

## VI. CPAs' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the process of an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional skepticism. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) understand the internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (3) evaluate the appropriateness of accounting policies used by and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) conclude on the appropriateness of the Management's use of the going-concern assumption. Meanwhile, based on the audit evidence obtained, we come to a conclusion on whether a material uncertainty exists in events or conditions that may cause significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to, in our auditors' report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the information obtained as at the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content (including the disclosures) of the financial statements, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and bear full responsibility for our audit opinion.

## Auditors' Report (Continued)

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We communicated with the Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that they identify during the audit.

We also provided a statement to management on compliance with ethical requirements related to independence and communicate with governance about all relationships and other matters that may be reasonably considered to affect our independence, as well as related precautions (if applicable).

From the matters we had discussed with the governance, we confirmed which matters were most important the audit of the financial statements for the current period and thus constituted the key audit matters. We set out these matters in the auditors' report. Unless the disclosure of these matters are forbidden by the laws and regulations, or, in rare cases, if it is reasonably expected that the negative impacts caused by discussing certain matters in the auditors' report would be larger than the benefits for public interest, We shall not disclose the matters in the auditors' reports under such circumstances.

**BDO CHINA Shu Lun Pan**  
**Certified Public Accountants LLP**

Certified Public Accountant of China:  
Xu Peimei

Certified Public Accountant of China:  
Gu Xin

Shanghai, China

March 26, 2021

*This auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.*

# Consolidated Balance Sheet

As at December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2020	As at January 1, 2020
<b>Current assets:</b>			
Monetary funds	5.1	<b>1,315,726,827.97</b>	1,053,869,767.19
Balances with clearing companies			
Loans to banks and other financial institutions			
Financial assets held for trading	5.2	<b>501,356,576.18</b>	300,469,826.49
Derivative financial assets			
Notes receivable	5.3	<b>35,394,835.82</b>	21,780,418.49
Accounts receivable	5.4	<b>1,161,870,914.59</b>	996,359,257.15
Receivables financing	5.5	<b>144,969,078.62</b>	347,259,336.87
Advance to suppliers	5.6	<b>109,660,420.50</b>	113,341,943.82
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserves receivable			
Other receivables	5.7	<b>50,074,829.20</b>	48,020,435.60
Financial assets purchased under resale agreements			
Inventory	5.8	<b>791,346,543.93</b>	816,955,476.60
Contract assets	5.9	<b>76,231,842.63</b>	541,978,173.94
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	5.10	<b>28,763,433.11</b>	55,089,857.84
<b>Total current assets</b>		<b>4,215,395,302.55</b>	4,295,124,493.99
<b>Non-current assets:</b>			
Loans and advances to customers			
Creditors' investment			
Other creditors' investment			
Long-term receivables			
Long-term equity investments	5.11	<b>295,182,882.84</b>	276,388,843.98
Investment in other equity instruments	5.12	<b>4,074,939.80</b>	4,035,539.29
Other non-current financial assets			
Investment properties	5.13	<b>235,008,179.80</b>	21,096,325.77
Fixed assets	5.14	<b>964,778,076.38</b>	1,188,174,150.27
Construction in progress	5.15	<b>7,346,214.86</b>	31,407,899.18
Productive biological assets			
Oil and gas assets			
Right-of-use assets	5.16	<b>13,522,566.06</b>	12,456,669.33
Intangible assets	5.17	<b>157,943,967.01</b>	109,121,914.00
Development expenditures			
Goodwill			
Long-term deferred expenses	5.18	<b>10,767,289.92</b>	11,720,569.43
Deferred income tax assets	5.19	<b>16,160,839.46</b>	15,345,449.29
Other non-current assets	5.20	<b>81,767,440.76</b>	55,275,624.94
<b>Total non-current assets</b>		<b>1,786,552,396.89</b>	1,725,022,985.48
<b>Total assets</b>		<b>6,001,947,699.44</b>	6,020,147,479.47

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
**Xia Dechuan**

Accounting Principal:  
**Hu Dali**

Head of the Accounting Department:  
**Liu Xianfang**

## Consolidated Balance Sheet (Continued)

As at December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2020	As at January 1, 2020
<b>Current liabilities:</b>			
Short-term borrowings	5.21		50,000,000.00
Borrowings from the central bank			
Deposits from customers and interbank			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	5.22	<b>193,125,064.34</b>	234,736,827.23
Accounts payable	5.23	<b>1,598,171,215.24</b>	1,628,435,817.44
Advances from customers	5.24	<b>3,394,006.00</b>	2,581,558.74
Contractual liabilities	5.25	<b>183,520,790.45</b>	160,540,186.87
Financial assets sold under repurchase agreements			
Absorption of deposits and interbank deposit			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee compensation payable	5.26	<b>37,405,445.62</b>	39,274,102.16
Taxes and surcharges payable	5.27	<b>30,758,945.68</b>	21,404,214.61
Other payables	5.28	<b>90,865,482.11</b>	78,425,560.86
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year	5.29	<b>8,170,178.10</b>	3,451,972.08
Other current liabilities	5.30	<b>70,422,975.07</b>	66,677,266.21
<b>Total current liabilities</b>		<b>2,215,834,102.61</b>	<b>2,285,527,506.20</b>
<b>Non-current liabilities:</b>			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities	5.31	<b>8,141,702.09</b>	8,926,407.51
Long-term payables			
Long-term employee compensation payable	5.32	<b>15,981,789.25</b>	19,767,429.75
Estimated liabilities			
Deferred income	5.33	<b>15,283,181.46</b>	17,261,888.00
Deferred income tax liabilities	5.19	<b>326,863.37</b>	107,441.42
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>39,733,536.17</b>	<b>46,063,166.68</b>
<b>Total liabilities</b>		<b>2,255,567,638.78</b>	<b>2,331,590,672.88</b>

## Consolidated Balance Sheet (Continued)

As at December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2020	As at January 1, 2020
<b>Owners' equity :</b>			
Share capital	5.34	<b>913,838,529.00</b>	913,838,529.00
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserves	5.35	<b>1,470,691,800.13</b>	1,470,691,800.13
Less: treasury stock			
Other comprehensive income	5.36	<b>318,704.84</b>	289,154.46
Special reserves			5.37
Surplus reserves	5.38	<b>267,682,027.88</b>	258,647,274.54
General risk reserves			
Undistributed profits	5.39	<b>856,899,656.12</b>	804,605,994.12
<b>Total equity attributable to owners of the parent company</b>		<b><u>3,509,430,717.97</u></b>	<u>3,448,072,752.25</u>
<b>Minority equity</b>		<b><u>236,949,342.69</u></b>	<u>240,484,054.34</u>
<b>Total owners' equity (or shareholders' equity)</b>		<b><u>3,746,380,060.66</u></b>	<u>3,688,556,806.59</u>
<b>Total liabilities and owners' equity (or shareholders' equity)</b>		<b><u>6,001,947,699.44</u></b>	<u>6,020,147,479.47</u>

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
Xia Dechuan

Accounting Principal:  
Hu Dali

Head of the Accounting Department:  
Liu Xianfang

# Balance Sheet

As at December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2020	As at January 1, 2020
<b>Current assets:</b>			
Monetary funds		<b>182,893,267.89</b>	59,376,665.62
Financial assets held for trading		<b>85,149,138.89</b>	120,011,835.62
Derivative financial assets			
Notes receivable			
Accounts receivable	16.1	<b>101,591,648.77</b>	77,883,947.57
Receivables financing	16.2	<b>13,415,674.00</b>	6,000,000.00
Advance to suppliers		<b>4,764,922.90</b>	1,623,591.01
Other receivables	16.3	<b>376,035,744.51</b>	395,937,554.47
Inventory		<b>18,450,298.94</b>	22,621,153.30
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets			27,552,360.61
<b>Total current assets</b>		<b>782,300,695.90</b>	<b>711,007,108.20</b>
<b>Non-current assets:</b>			
Creditors' investment			
Other creditors' investment			
Long-term receivables			
Long-term equity investments	16.4	<b>1,728,663,326.69</b>	1,710,218,840.58
Investment in other equity instruments		<b>4,074,939.80</b>	4,035,539.29
Other non-current financial assets			
Investment properties		<b>373,471,501.63</b>	159,384,219.01
Fixed assets		<b>70,982,173.65</b>	302,786,588.45
Construction in progress		<b>3,206,506.25</b>	2,319,713.81
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		<b>11,110,934.53</b>	12,090,267.24
Development expenditures			
Goodwill			
Long-term deferred expenses		<b>3,293,294.05</b>	3,922,128.00
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>2,194,802,676.60</b>	<b>2,194,757,296.38</b>
<b>Total assets</b>		<b>2,977,103,372.50</b>	<b>2,905,764,404.58</b>

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
**Xia Dechuan**

Accounting Principal:  
**Hu Dali**

Head of the Accounting Department:  
**Liu Xianfang**

## Balance Sheet (Continued)

As at December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2020	As at January 1, 2020
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		6,120,870.63	2,525,779.62
Accounts payable		43,131,574.28	63,661,767.44
Advances from customers		160,842.28	160,842.29
Contractual liabilities		5,851,615.78	157,964.60
Employee compensation payable		3,012,899.46	2,134,066.65
Taxes and surcharges payable		9,127,756.95	1,685,195.08
Other payables		118,662,218.71	119,765,500.53
Liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities		<u>760,710.05</u>	<u>20,535.40</u>
<b>Total current liabilities</b>		<u><b>186,828,488.14</b></u>	<u>190,111,651.61</u>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee compensation payable		2,149,207.40	1,961,534.25
Estimated liabilities			
Deferred income			
Deferred income tax liabilities		143,519.68	96,384.83
Other non-current liabilities			
<b>Total non-current liabilities</b>		<u><b>2,292,727.08</b></u>	<u>2,057,919.08</u>
<b>Total liabilities</b>		<u><b>189,121,215.22</b></u>	<u>192,169,570.69</u>



## Balance Sheet (Continued)

As at December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2020	As at January 1, 2020
<b>Owners' equity (or shareholders' equity):</b>			
Share capital		913,838,529.00	913,838,529.00
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserves		1,434,870,834.28	1,434,870,834.28
Less: treasury stock			
Other comprehensive income		318,704.84	289,154.46
Special reserves			
Surplus reserves		267,682,027.88	258,647,274.54
Undistributed profits		<u>171,272,061.28</u>	<u>105,949,041.61</u>
<b>Total owners' equity (or shareholders' equity)</b>		<u><u>2,787,982,157.28</u></u>	<u><u>2,713,594,833.89</u></u>
<b>Total liabilities and owners' equity (or shareholders' equity)</b>		<u><u>2,977,103,372.50</u></u>	<u><u>2,905,764,404.58</u></u>

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
**Xia Dechuan**

Accounting Principal:  
**Hu Dali**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Income Statement

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
<b>I. Total operating revenue</b>		<b>3,952,265,022.15</b>	4,660,047,001.92
Including: operating revenue	5.40	<b>3,952,265,022.15</b>	4,660,047,001.92
Interest revenue			
Premiums earned			
Revenue from handling charges and commissions			
<b>II. Total operating costs</b>		<b>3,876,164,021.11</b>	4,544,961,530.16
Including: operating costs	5.40	<b>3,346,686,684.89</b>	3,955,938,472.70
Interest expenses			
Handling charges and commissions expenses			
Surrenders			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend payment			
Reinsurance costs			
Taxes and surcharges	5.41	<b>25,728,972.90</b>	23,174,993.13
Selling and distribution expenses	5.42	<b>45,876,049.49</b>	54,111,280.14
General and administrative expenses	5.43	<b>257,745,539.77</b>	270,036,371.18
Research and development costs	5.44	<b>205,817,437.26</b>	239,196,398.72
Financial expenses	5.45	<b>-5,690,663.20</b>	2,504,014.29
Including: interest expenses		<b>1,620,639.74</b>	3,631,924.64
Interest revenue		<b>11,743,930.16</b>	13,040,696.48
Plus: other income	5.46	<b>18,343,268.26</b>	22,868,902.54
Investment income ("-" for losses)	5.47	<b>74,470,506.63</b>	60,521,783.15
Including: income from investment in associates and joint ventures		67,620,440.86	45,436,683.21
Income from derecognition of financial assets at amortized cost			
Gains from foreign exchange ("-" for losses)			
Net exposure hedging income ("-" for losses)			
Income from changes in fair value ("-" for losses)	5.48	<b>886,749.69</b>	469,826.49
Loss from credit impairment	5.49	<b>-15,781,683.84</b>	-12,648,007.98
Loss from assets impairment	5.50	<b>-13,955,982.11</b>	-43,308,217.26
Income from disposal of assets ("-" for losses)	5.51	<b>-50,820.75</b>	383,216.04
<b>III. Operating profit ("-" for loss)</b>		<b>140,013,038.92</b>	143,372,974.74
Plus: non-operating revenue	5.52	<b>12,947,404.25</b>	4,932,373.77
Less: non-operating expenses	5.53	<b>990,522.96</b>	895,287.76
<b>IV. Total profits ("-" for total losses)</b>		<b>151,969,920.21</b>	147,410,060.75
Less: Income tax expenses	5.54	<b>34,188,719.62</b>	33,724,437.23
<b>V. Net profit ("-" for net loss)</b>		<b>117,781,200.59</b>	113,685,623.52
(I) Classification by ownership:			
Net profit attributable to owners of the parent company		117,781,200.59	113,685,623.52
Minority interest income			
(II) Classification by business continuity:			
Net profit from continued operation		<b>77,318,175.74</b>	52,657,894.58
Net profit of discontinued operation		<b>40,463,024.85</b>	61,027,728.94

## Consolidated Income Statement (Continued)

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
<b>VI. Other comprehensive income, net of tax</b>		<b>29,550.38</b>	97,640.59
Other comprehensive income, net of tax attributable to owners of the parent company		<b>29,550.38</b>	97,640.59
(I) Other comprehensive income that cannot be reclassified into profit or loss		<b>29,550.38</b>	<b>97,640.59</b>
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of the investment in other equity instruments		<b>29,550.38</b>	<b>97,640.59</b>
4. Changes in the fair value of the Company's credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of creditors' investment			
3. Amount of the financial assets reclassified into the other comprehensive income			
4. Provision for impairment in the credit of other creditors' investment			
5. Cash flow hedging reserve (Effective portion of cash flow hedging profit or loss)			
6. Difference arising from translation of foreign-currency financial statements			
7. Others			
Other comprehensive income, net of tax attributable to minority shareholders			
<b>VII. Total comprehensive income</b>		<b>117,810,750.97</b>	113,783,264.11
Total comprehensive income attributable to owners of the parent company		<b>77,347,726.12</b>	52,755,535.17
Total comprehensive income attributable to minority shareholders		<b>40,463,024.85</b>	61,027,728.94
<b>VIII. Earnings per share:</b>			
Basic earnings per share		<b>0.0846</b>	0.0576
Diluted earnings per share		<b>0.0846</b>	0.0576

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
**Xia Dechuan**

Accounting Principal:  
**Hu Dali**

Head of the Accounting Department:  
**Liu Xianfang**

# Income Statement

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
<b>I. Total operating revenue</b>	16.5	<b>128,965,247.68</b>	105,540,010.24
Less: operating costs	16.5	<b>79,920,696.35</b>	54,632,844.54
Taxes and surcharges		<b>8,576,482.38</b>	4,370,529.62
Selling and distribution expenses		<b>3,812,723.76</b>	3,029,059.62
General and administrative expenses		<b>110,049,207.93</b>	109,484,485.89
Research and development costs		<b>25,118,385.97</b>	37,025,842.52
Financial expenses		<b>-6,635,815.49</b>	-5,794,704.52
Including: interest expenses			
Interest revenue		<b>936,106.05</b>	2,609,136.84
Plus: other income		<b>761,831.02</b>	18,910.30
Investment income ("-" for losses)	16.6	<b>174,301,816.17</b>	90,960,382.95
Including: income from investment in associates and joint ventures		<b>67,270,888.11</b>	45,167,594.22
Income from derecognition of financial assets at amortized cost			
Net exposure hedging income ("-" for losses)			
Income from changes in fair value ("-" for losses)		<b>137,303.27</b>	11,835.62
Loss from credit impairment		<b>1,115,266.09</b>	-681,092.44
Loss from assets impairment		<b>-222,318.70</b>	-13,186,312.38
Income from disposal of assets ("-" for losses)		<b>-27,378.48</b>	
<b>II. Operating profit ("-" for loss)</b>		<b>84,190,086.15</b>	-20,084,323.38
Plus: non-operating revenue		<b>6,918,802.39</b>	2.17
Less: non-operating expenses		<b>724,070.41</b>	289,192.92
<b>III. Total profits ("-" for total losses)</b>		<b>90,384,818.13</b>	-20,373,514.13
Less: Income tax expenses		<b>37,284.72</b>	

## Income Statement (Continued)

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
<b>IV. Net profit ("-" for net loss)</b>		<b>90,347,533.41</b>	-20,373,514.13
Net profit from continued operation		<b>90,347,533.41</b>	-20,373,514.13
Net profit of discontinued operation			
<b>V. Other comprehensive income, net of tax</b>		<b>29,550.38</b>	97,640.59
(I) Other comprehensive income that cannot be reclassified into profit or loss		<b>29,550.38</b>	97,640.59
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of the investment in other equity instruments		<b>29,550.38</b>	97,640.59
4. Changes in the fair value of the Company's credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of creditors' investment			
3. Amount of the financial assets reclassified into the other comprehensive income			
4. Provision for impairment in the credit of other creditors' investment			
5. Cash flow hedging reserve (Effective portion of cash flow hedging profit or loss)			
6. Difference arising from translation of foreign-currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>90,377,083.79</b>	-20,275,873.54

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
**Xia Dechuan**

Accounting Principal:  
**Hu Dali**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Statement of Cash Flows

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		<b>4,652,591,328.68</b>	4,465,987,746.96
Net increase in deposits from customers and due from banks and other financial institutions			
Net increase in borrowings from the central bank			
Net increase in loans from other financial institutions			
Cash received from receiving insurance premiums of original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, handling charge and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Net cash received from acting sales of securities			
Refund of taxes and surcharges		<b>83,772,022.96</b>	77,602,619.72
Cash received from other operating activities	5.56.1	<b>229,732,942.73</b>	193,588,491.67
<b>Sub-total of cash inflows from operating activities</b>		<b>4,966,096,294.37</b>	4,737,178,858.35
Cash paid for goods purchased and services received		<b>3,421,853,774.82</b>	3,902,192,914.30
Net increase in loans and advances to customers			
Net increase in deposits with central bank and with banks and other financial institutions			
Cash paid for original insurance contract claims			
Net increase in lending funds			
Cash paid for interest, handling charge and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		<b>579,105,447.82</b>	554,872,811.94
Cash paid for taxes and surcharges		<b>157,611,180.50</b>	333,710,832.18
Cash paid for other operating activities	5.56.2	<b>272,872,273.95</b>	287,636,148.06
<b>Sub-total of cash outflows from operating activities</b>		<b>4,431,442,677.09</b>	5,078,412,706.48
<b>Net cash flow from operating activities</b>		<b>534,653,617.28</b>	-341,233,848.13
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestment			
Cash received from returns on investments		<b>57,290,700.54</b>	84,558,902.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>599,039.29</b>	3,596,859.22
Net cash received from disposal of subsidiaries and other business units	5.56.3	<b>309,600.00</b>	5,465,659.67
Cash received from other investing activities	5.56.3	<b>1,246,030,000.00</b>	1,656,419,000.00
<b>Sub-total of cash inflows from investing activities</b>		<b>1,304,229,339.83</b>	1,750,040,421.43
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		<b>71,016,327.90</b>	197,082,427.99
Cash paid for investments			
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities	5.56.4	<b>1,446,030,000.00</b>	1,596,419,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>1,517,046,327.90</b>	1,793,501,427.99
<b>Net cash flows from investing activities</b>		<b>-212,816,988.07</b>	-43,461,006.56

# Consolidated Statement of Cash Flows (Continued)

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
<b>III. Cash flows from financing activities:</b>			
Cash from absorption of investments			
Including: cash received by subsidiaries from investments by minority shareholders			95,000,000.00
Cash received from borrowings			
Cash received from other financing activities	5.56.5	<b>85,148,311.98</b>	124,394,222.30
<b>Sub-total of cash inflows from financing activities</b>		<b>85,148,311.98</b>	219,394,222.30
Cash paid for debt repayments		<b>50,000,000.00</b>	140,000,000.00
Cash paid for distribution of dividends and profits or payment of interest		<b>60,261,138.90</b>	118,517,590.98
Including: dividends and profits paid to minority shareholders by subsidiaries		<b>43,586,256.30</b>	42,117,860.74
Cash paid for other financing activities	5.56.6	<b>2,649,087.35</b>	4,741,839.43
<b>Sub-total of cash outflows from financing activities</b>		<b>112,910,226.25</b>	263,259,430.41
<b>Net cash flows from financing activities</b>		<b>-27,761,914.27</b>	-43,865,208.11
<b>IV. Effect of fluctuation in exchange rate on cash and cash equivalents</b>			
		<b>-8,163,284.59</b>	-412,752.77
<b>V. Net increase in cash and cash equivalents</b>			
		<b>285,911,430.35</b>	-428,972,815.57
Plus: beginning balance of cash and cash equivalents		<b>863,141,377.23</b>	1,292,114,192.80
<b>VI. Ending balance of cash and cash equivalents</b>			
		<b>1,149,052,807.58</b>	863,141,377.23

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
**Xia Dechuan**

Accounting Principal:  
**Hu Dali**

Head of the Accounting Department:  
**Liu Xianfang**

# Cash Flow Statement

For the year ended 31<sup>st</sup> December 2019 (Unless otherwise stated, all amounts are denominated in RMB)

Item	Note	Current period	Preceding period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		100,186,576.91	79,885,210.37
Refunds of taxes		35,055,477.53	
Other cash payments relating to operating activities		226,252,606.02	337,650,954.61
<b>Sub-total of cash inflows from operating activities</b>		<b>361,494,660.46</b>	417,536,164.98
Cash paid for goods and services		49,342,382.92	40,763,889.86
Cash paid to and for employees		86,613,661.79	78,093,081.74
Taxes paid		7,971,589.61	185,314,721.55
Other cash payment related to operating activities		258,486,455.74	501,692,238.90
<b>Sub-total of cash outflows from operating activities</b>		<b>402,414,090.06</b>	805,863,932.05
<b>Net Cash Flows from Investing Activities</b>		<b>-40,919,429.60</b>	-388,327,767.07
<b>II. Cash Flows from Investing Activities:</b>			
Cash received from recovery of investments			5,465,659.67
Cash received from return on investments		155,966,749.60	115,501,039.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		39,280.25	
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investment activities		505,000,000.00	1,160,000,000.00
<b>Sub-total of cash inflows from investing activities</b>		<b>661,006,029.85</b>	1,280,966,699.47
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		12,134,652.21	29,098,547.65
Cash paid for investment			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payment related to investment activities		470,000,000.00	970,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>482,134,652.21</b>	999,098,547.65
<b>Net Cash Flows from Investing Activities</b>		<b>178,871,377.64</b>	281,868,151.82



## Cash Flow Statement (Continued)

For the year ended 31<sup>st</sup> December 2019 (Unless otherwise stated, all amounts are denominated in RMB)

Item	Note	Current period	Preceding period
<b>III. Cash Flows from Financing Activities:</b>			
Cash received from investors' funding			
Cash received from borrowings			
Other cash receipts relating to financing activities			
<b>Sub-total of cash inflows from financing activities</b>			
Cash paid for debt repayment			
Cash paid for distribution of dividends, profits or payment or interest		15,992,174.26	73,107,082.32
Other cash payments relating to financing activities			
<b>Sub-total of cash outflows from financing activities</b>		15,992,174.26	73,107,082.32
<b>Net Cash Flows from Financing Activities</b>		-15,992,174.26	-73,107,082.32
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		-363.44	300.14
<b>V. Net Increase in Cash and Cash Equivalents</b>			
		121,959,410.34	-179,566,397.43
Add: Opening balance of Cash and Cash Equivalents		56,919,306.88	236,485,704.31
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
		178,878,717.22	56,919,306.88

The following notes is the part of financial statement.

Legal Representative:  
Xia Dechuan

Financial controller:  
Hu Dali

Head of the financial department:  
Liu Xianfang

# Consolidated statement of changes in equity

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Year 2020												Total owners' equity	
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	△General risk reserves	Undistributed profits	Sub-total		Minority equity
		Preferred stock	Perpetual bond	Others										
I. Balance as at December 31, 2019	913,838,529.00			1,470,691,800.13		289,154.46		258,647,274.54			804,605,994.12	3,448,072,752.25	240,484,054.34	3,688,556,806.59
Plus: changes in accounting policies														
Correction of accounting errors in prior periods														
Merger of enterprises under the same control														
Others														
II. Balance as at January 1, 2020	913,838,529.00			1,470,691,800.13		289,154.46		258,647,274.54			804,605,994.12	3,448,072,752.25	240,484,054.34	3,688,556,806.59
III. Increase or decrease in 2020(* for decrease)														
(I) Total comprehensive income						29,550.38		9,034,753.34			52,293,662.00	61,357,965.72	-3,534,711.65	57,823,254.07
(II) Capital contributed or reduced by owners						29,550.38					77,318,175.74	77,347,726.12	40,463,024.85	117,810,750.97
1. Common stock contributed by owners														
2. Capital contributed by holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity														
4. Others														
(III) Profit distribution									9,034,753.34		-25,024,513.74	-15,989,760.40	-43,997,736.50	-59,987,496.90
1. Withdrawal of surplus reserves									9,034,753.34		-9,034,753.34			
2. Withdrawal of general risk reserves														
3. Profit distributed to owners (or shareholders)														
4. Others														
(IV) Internal carry-forward of owners' equity														
1. Conversion of capital reserves into paid-in capital (or share capital)														
2. Conversion of surplus reserves into paid-in capital (or share capital)														
3. Surplus reserves offsetting losses														
4. Carry-forward of changes in the defined benefit plan for retained earnings														
5. Carry-forward of other comprehensive income for retained earnings														
6. Others														
(V) Withdrawal and use of special reserves														
1. Withdrawal of special reserves									10,600.00					10,600.00
2. Use of special reserves									10,600.00					10,600.00
(VI) Others														
IV. Balance as at December 31, 2020	913,838,529.00			1,470,691,800.13		318,704.84		267,682,027.88			856,899,656.12	3,509,430,717.97	236,949,342.69	3,746,380,060.66

The following notes is the part of financial statement.

Legal Representative:  
Xia Dechuan

Financial controller:  
Hu Dali

Head of the financial department:  
Liu Xianfang

# Consolidated statement of changes in equity (Continued)

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Year 2019												
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	△General risk reserves	Undistributed profits	Sub-total	Minority equity
I. Balance as at December 31, 2018	913,838,529.00			1,470,691,800.13		191,513.87		258,647,274.54		825,055,181.86	3,468,424,299.40	223,454,061.90	3,691,878,361.30
Plus: changes in accounting policies													
Correction of accounting errors in prior periods													
Merger of enterprises under the same control													
Others													
II. Balance as at January 1, 2019	913,838,529.00			1,470,691,800.13		191,513.87		258,647,274.54		825,055,181.86	3,468,424,299.40	223,454,061.90	3,691,878,361.30
III. Increase or decrease in 2019(* ** for decrease)													
(I) Total comprehensive income						97,640.59							
(II) Capital contributed or reduced by owners						97,640.59							
1. Common stock contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Others													
(III) Profit distribution													
1. Withdrawal of surplus reserves										-73,107,082.32	-73,107,082.32	-43,997,736.50	-117,104,818.82
2. Withdrawal of general risk reserves													
3. Profit distributed to owners (or shareholders)										-73,107,082.32	-73,107,082.32	-43,997,736.50	-117,104,818.82
4. Others													
(IV) Internal carry-forward of owners' equity													
1. Conversion of capital reserves into paid-in capital (or share capital)													
2. Conversion of surplus reserves into paid-in capital (or share capital)													
3. Surplus reserves offsetting losses													
4. Carry-forward of changes in the defined benefit plan for retained earnings													
5. Carry-forward of other comprehensive income for retained earnings													
6. Others													
(V) Withdrawal and use of special reserves													
1. Withdrawal of special reserves													
2. Use of special reserves													
(VI) Others													
IV. Balance as at December 31, 2019	913,838,529.00			1,470,691,800.13		289,154.46		258,647,274.54		804,605,994.12	3,448,072,752.25	240,484,054.34	3,688,556,806.59

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

Head of the financial department:  
**Liu Xianfang**

# Statement of changes in equity

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Year 2020								Total owners' equity		
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves		Surplus reserves	Undistributed profits
I. Balance as at December 31, 2019	913,838,529.00				1,434,870,834.28		289,154.46		258,647,274.54	105,949,041.61	2,713,594,833.89
Plus: changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at January 1, 2020	913,838,529.00				1,434,870,834.28		289,154.46		258,647,274.54	105,949,041.61	2,713,594,833.89
III. Increase or decrease in 2020 ("+" for increase)							29,550.38		9,034,753.34	65,323,019.67	74,387,323.39
(I) Total comprehensive income							29,550.38			90,347,533.41	90,377,083.79
(II) Capital contributed or reduced by owners											
1. Common stock contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution									9,034,753.34	-25,024,513.74	-15,989,760.40
1. Withdrawal of surplus reserves									9,034,753.34	-9,034,753.34	
2. Profit distributed to owners (or shareholders)										-15,992,174.26	-15,992,174.26
3. Others										2,413.86	2,413.86
(VI) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Withdrawal and use of special reserves											
1. Withdrawal of special reserves											
2. Use of special reserves											
(VI) Others											
IV. Balance as at December 31, 2020	913,838,529.00				1,434,870,834.28		318,704.84		267,682,027.88	171,272,061.28	2,787,982,157.28

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
**Xia Dechuan**

Accounting Principal:  
**Hu Dali**

Head of the Accounting Department:  
**Liu Xianfang**

# Statement of changes in equity (Continued)

For the Year Ended December 31, 2020 (Amounts are expressed in RMB unless otherwise stated)

Item	Year 2019										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Balance as at December 31, 2018	913,838,529.00				1,434,870,834.28		191,513.87		258,647,274.54	199,429,638.06	2,806,977,789.75
Plus: changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at January 1, 2019	913,838,529.00				1,434,870,834.28		191,513.87		258,647,274.54	199,429,638.06	2,806,977,789.75
III. Increase or decrease in 2019 ("+" for decrease)											
(I) Total comprehensive income							97,640.59			-93,480,596.45	-93,382,955.86
(II) Capital contributed or reduced by owners							97,640.59			-20,373,514.13	-20,275,873.54
1. Common stock contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution										-73,107,082.32	-73,107,082.32
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)										-73,107,082.32	-73,107,082.32
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Withdrawal and use of special reserves											
1. Withdrawal of special reserves											
2. Use of special reserves											
(VI) Others											
IV. Balance as at December 31, 2019	913,838,529.00				1,434,870,834.28		289,154.46		258,647,274.54	105,949,041.61	2,713,594,833.89

The accompanying notes to the financial statements are integral parts of the financial statements.

Legal Representative:  
Xia Dechuan

Accounting Principal:  
Hu Dali

Head of the Accounting Department:  
Liu Xianfang

# Notes to the 2020 Financial Statements

(Unless otherwise stated, all amounts are denominated in RMB)

## 1 Basic information of the company

### 1.1 Company profile

Nanjing Panda Electronics Company Limited (hereinafter as the "Company") was reorganized by the only initiator of Panda Electronics Group Company Limited under the approval of Ning Ti Gai [1992] No.034 by Nanjing Economic Reform Committee. Panda Electronics Group Company Limited took net assets of RMB480,000,000 in exchange for 480,000,000 shares of state-owned enterprise legal person. The registered capital of the Company was RMB515,000,000, of which 480,000,000 shares (RMB1.00 per share) were held by state-owned enterprise legal person and 35,000,000 shares were held by employees.

The Company got the legal enterprise business license of 13488315-2 on 29 April 1992. The principal activities of the Company are radio communication equipment products, radio and television equipment products, hardware and electrical equipment products, electronic components products, instrument and apparatus products, electrical machinery products, standard machinery products, medical equipment products, the development, manufacture and sale of electronic equipment products, electronic computer fitting products, and the development, manufacture and sale of office machinery products and tooling products.

After obtaining the special approval of general meeting, board of directors was fully authorized to split and recombine the assets and liabilities of Company, and Panda Electronics Group Company reconfirmed the shareholding of state-owned enterprise legal person and selling H shares and A shares of the Company on 27 May 1994. According to this meeting, the net assets were adjusted to RMB322,873,348, including the registered capital of RMB322,870,000. 287,870,000 shares were held by state-owned enterprise legal person, 35,000,000 shares were held by employees and the rest of RMB3,348 was adjusted to capital reserve.

Confirmed by Guo Zi Qi Fa [1996] No. 12 by State Administration of State Property in February 1996, the net assets were RMB86,471.40 ten thousand Yuan, the share capital was 32,287 ten thousand, of which 28,787 ten thousand shares were held by state-owned enterprise legal person, and 3,500 ten thousand shares were held by employees after evaluation. Panda Electronics Group making use of the land-use right valued to RMB4,130 ten thousand Yuan and creditor's right valued to RMB62,000 thousand Yuan to invest in the Company and the share capital changed to 390,015,000 shares, of which 355,015,000 shares were held by state-owned enterprise legal person and 35,000,000 shares were held by employees. State Commission for Restructuring approved this report on 11 March 1996.

In order to issue H shares, the Company started to evaluate the assets and liabilities in all aspects on 30 September 1995 and adjusted the booking value in accordance with this evaluation after the approval of the Securities Commission of the State Council.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 1 Basic information of the company (Continued)

### 1.1 Company profile (Continued)

After the approval of Zheng Wei Fa [1996] No. 6 by the Securities Commission of the State Council, the Company issued 242,000,000 H shares and the issue price was HKD2.13 per share. The Company finished the share issue on 29 April 1996 and listed on the Stock Exchange of Hong Kong on 2 May 1996.

After the approval of Zheng Jian Fa [1996] No. 304 by Securities Commission of the State Council on 30 October 1996, the Company issued 23,000,000 normal shares to the public and the issue price was RMB5.10 per share. The Company got the entire fund on 14 November 1996 and listed on the Stock Exchange of Shanghai on 18 November 1996. 5,000,000 out of 35,000,000 shares held by employees were in trade at the same date of issuing and the rest of shares were in trade in the year of 1999.

The Company got the legal enterprise business license of Qi Su Ning Zong Fu Zi No. 003947 on 18 April 1997. The registered capital was RMB655,015,000 and the approved businesses were development, manufacture, sales of communication equipment products, computer products and other electronics equipment products; apparatus products, office machinery products; electrical machinery products; plastic products; general equipment products like fan drive, weighing machine, and packing machine; chemical engineering processing products, wood processing products, non-metal processing products, PTD products; environmental equipment products, society public security products; financial and tax control equipment products; power products; moulding products; computing service, software products, SI service, property management service; and the after-sale and technology service of above businesses.

The Company received new business license numbered 320100400008823 on 6 January 2011. The registered capital is RMB655,015,000. Approved business include the research, manufacture and sale of the transmission equipment of radio broadcasting and television, together with the after service, technical service, etc., the development, production and sale of communication equipment, computers and other electronic facilities; meters and instruments, cultural and office-based machinery; electrical machinery and equipment; plastic products; general equipment such as fans, scales and packaging equipment; special equipment for the processing of non-metallic products such as chemical and wood; transmission and distribution equipment; environmental, public safety and related equipment; financial and taxation control devices; electricity source products; moulds; computer services, software and system integration business; property management; as well as after-sale services and technical services for the such business. (For those business areas that require permission, business activities are conducted after relevant approval). The registered address is floors 1 and 2 on North side of No. 5 Building, Nanjing High Technology Development District. The legal representative is Xia Dechuan and the parent of the Company is Panda Electronics Group Limited.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 1 Basic information of the company (Continued)

### 1.1 Company profile (Continued)

In December 2011, China Cinda Asset Management Co., Ltd transferred its 8.87% shareholdings of Panda Electronics Group Co., Ltd (referred to as “PEGL” or “Group” below) to Nanjing Electronics Information Industry Co., Ltd (referred to as “NEIIC”).

In 2012, according to the approval of “Reply of the provincial government on the indirect transfer of listed companies’ shares held by Nanjing Electronics Group Co., Ltd.” (Su Zheng Fu No. [2009]45) by Jiangsu Province People’s Government, “Reply of issues concerning the free alteration of part state owned property rights of Panda Electronics Group Co., Ltd. (Su Guo Zi Fu [2012]22) by the state owned assets supervision and Administration Commission of the Jiangsu Provincial People’s Government, “Reply of the relevant issues concerning the change of the actual controller of Nanjing Panda Electronic Limited”(Guo Zi Chan Quan [2012]158) by State owned assets supervision and Administration Commission of the State Council, “Reply of acquisition report of Chinese Electronics Information Industry Group Co Ltd.’s subsidiary Nanjing Panda electronics Limited Company and the exemption from the obligation to offer” (Zheng Jian Xu Ke [2012] No. 770) by China Securities Regulatory Commission, Jiangsu Guoxin Asset Management Group Co., Ltd., Nanjing Xingang Development Corporation and Nanjing state owned Assets Management (Holdings) Co., Ltd freely transferred the shareholdings of 21.59%, 22.07% and 4.32% respectively to China Electronics Panda, the subsidiary of China Electronics Corporation (referred to as “CEC” below). The Group completed the change of business registration on 21 September 2012. After the transfer of shareholdings, CEC held 51.10% shares of the Company and became the real controller via holding 70% shares of the China Electronics Panda which held 56.85% shares of the Group.

On 19 April 2013, according to China Securities Regulatory Commission’s approval (Zheng Jian Xu Ke [2013] No. 332), the Company was authorized to issue 258,823,529 ordinary shares (A shares) in RMB to no more than 10 specific investors including Nanjing Electronic Information Industrial Corporation (“NEIIC”) at a nominal value of RMB1.00 per share and a selling price RMB5.10 per share. The financed net value amounts to RMB1, 294,403,712.55, including an increase of share capital of RMB258, 823,529.00, an increase of capital reserve, RMB1, 035,580,183.55. The raised fund has been verified by Baker Tilly China Certified Public Accountants (Baker Tilly China) and the capital verification report Tian Zhi Hu QJ [2013] No.1907 was issued.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 1 Basic information of the company (Continued)

### 1.1 Company profile (Continued)

The company had finished the change of business registration, and the capital had been changed to RMB913,838,529.00 on 26 November 2013.

Prior to the non-public offering, Panda Group, the controlling shareholder of the Company, held 334,715,000 of the Company's shares, with a shareholding ratio of 51.10%. After the non-public offering, Panda Group, that held 36.63% of the total shares, remains to be the controlling shareholder of the Company. CEC, via holding 70.00% shares of NEIC, remains the actual controller of the Company by holding 56.85% of the shares. After the non-public offering, controlling shareholder and actual controller's positions have not been changed.

The newly issued shares are tradable shares with restricted conditions; NEIC is a related party of the company, and the 39,215,686 shares it subscribed shall not be transferred within 36 months since the closing date of issuance. While the shares subscribed by the other eight Investors (including Societe General Global Fund Management Co., Ltd. who participated in the subscription with 10 accounts) shall not be transferred within 12 months since the closing date of issuance. June 30, 2014, except for NEIC, the shares subscribed by the other eight Investors had lifted restricted conditions, and could be transferred in the share market.

On June 2015, Panda Group reduced its shareholding of the company at an amount of 27,069,492 shares through the Shanghai Security Exchange System. After the reduction of holdings, Panda Group holds 307,645,508 shares of the company, which is 33.67% of total floating stock.

On August 2015, by the instruction of "The approval of the issues regarding Panda Electronic Group Co., Ltd. to transfer part of its shares of Nanjing Panda Electronics Co., Ltd. under negotiation" (SASAC [2015] No. 697) issued by the State-owned assets supervision and administration commission of China, Panda Group transferred 82,811,667 and 14,172,397 A shares to China Huarong Asset Management Co., Ltd. and China Great Wall Asset Management Corporation under a negotiation transfer. After the transfer, Panda Group now holds 210,661,444 shares of the company, with a shareholding ratio of 23.05%. Panda Group still holds 5 out of 9 members of the board, indicating it is still in control position of the company.

From 17 July 2015 to 31 December 2015, NEIC increased its shareholdings in the Company by a total of 10,318,925 A shares under the Custody of Specific Asset Scheme, representing 1.13% of the total share capital of the Company. The accumulated shareholdings of the Company is 13,768,000 H shares, representing 1.51% of the total share capital of the Company. After the increase, NEIC held 49,534,611 A shares of the Company, representing 5.42% of the total share capital, and held 13,768,000 H shares of the Company, representing 1.51% of the total share capital. NEIC held the 23.05% of the Company through the subsidiary of Panda Group and the shareholding of the Company was 29.98% in total. The ultra-controller of NEIC was still CEC.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 1 Basic information of the company (Continued)

### 1.1 Company profile (Continued)

In 2019, CEC Panda will directly hold 18,276,000 A shares of the company in exchange for the corresponding market value of Harvest Central Enterprise Innovation Drives ETF Securities Investment Fund shares, The 9,138,000 A shares directly held by the company will be exchanged for the corresponding market value of Boshi CSI central enterprise innovation-driven trading open index securities investment fund shares, which account for 3.00% of the company's total share capital.

April 14, 2020 solstice June 19, 2020, CEC through its wholly owned overseas subsidiary Huadian Company has accumulated an additional 27,414,000 H shares of the Company, it is accounting for 3.00% of the total capital stock of the company.

As at December 31, 2020, CEC held 232,782,055 A shares and 41,182,000 H shares of the Company, accounting for 29.98% of the total capital stock of the Company. Among them, the holding subsidiary Nanjing Panda Information Industry Group Co., Ltd. holds 22,120,611 A shares and 13,768,000 H shares of the company through the asset management plan, accounting for 3.93% of the total capital stock of the company; through Panda Electronics Group Co., Ltd. that A wholly owned subsidiary of Nanjing Panda Information Industry Group Co., Ltd., it holds 210,661,444 A shares of the Company, accounting for 23.05% of the total capital stock of the Company; through its wholly-owned overseas subsidiary Huadian Company holds 27,414,000 H shares of the Company, accounting for 3.00% of the total capital stock of the Company. China Electronics Corporation remains the ultimate controlling party of the company.

In 2020, the Company's shareholder China Huarong Asset Management Co., Ltd. has reduced its holdings of 674,800 A-shares, accounting for 0.07% of the total capital stock of the Company. As at December 31, 2020, China Huarong Asset Management Co., Ltd. held 64,471,891 A shares of the Company, accounting for 7.06% of the total capital stock of the Company.

The company is a limited company (listed in Taiwan, Hong Kong, Macao and domestic joint venture). The principal business involves computer, communication and other electronic equipment manufacturing industry, including electronic manufacturing products, electronic equipment products, consumer electronics products etc. The operating period is from 5 October 1996 to the unlimited period.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 1 Basic information of the company (Continued)

### 1.1 Company profile (Continued)

By the end of 31 December 2020, the company totally issued 913,838,529 shares; registered capital is RMB913,838,529.00. Registered address is 1701, No. 301, Zhongshan East Road, Xuanwu District, Nanjing. The principal activities of the Company are the development, manufacture and sale of wireless broadcast television transmitting equipment, together with the after service and technology service; developing, manufacturing and sale of communication equipment, computer and other electronics devices; instruments, apparatus and office machine; electronic apparatus and equipment; plastic products; draught fan, weighing apparatus, package equipment and general equipment; processing equipment of chemical engineering, wood and non-metal; PTD and control equipment; environment-friendly, social public security products and etc.; financial and tax-control devices; power products; modelling; computing industry, software industry, system integration; property management; together with the after service and technology service. (As for the items approved legally, the Company can operate the business after the approval of related department).

The financial statements were approved for submission by the board of directors on March 26, 2021.

### 1.2 The scope of consolidated financial statements

As of December 31st, 2020, the significant subsidiaries in the company scope of consolidated financial statements are as follows:

#### Name of subsidiaries

Nanjing Panda Information Industry Co., Ltd.  
Nanjing Panda Electronic Manufacturing Co., Ltd  
Nanjing PANDA Electronics Equipment Co., Ltd.  
Nanjing Panda Communications Technology Co., Ltd.  
Nanjing Panda Xinxing Industrial Co., Ltd  
Nanjing Panda Electronics Science & Technology Development Co., Ltd.  
Chengdu Panda Electronics Technology Co., Ltd.  
Chengdu Panda Electronics Manufacturing Co., Ltd  
Shenzhen Jingwah Electronics Co., Ltd.  
Galant Limited

The scope of the current consolidated financial statements and its changes are detailed in the Notes "6. Changes in the scope of the consolidated financial statements" and "7. Interests in other entities".

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 2 Basis of preparation for the financial statements

### 2.1 Basis of preparation

The Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "CAS"), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission.

### 2.2 Going concern

The financial statements of the Company are prepared on a going concern basis.

## 3 Significant accounting policies and accounting estimates

Tips for specific accounting policies and accounting estimates:

The following contents disclosed have covered the specific accounting policies and estimates formulated by the Company according to its actual production and operation features. See "3.28 Revenue" for details.

### 3.1 Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements meet requirements of the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance, and truly and completely reflect consolidated and the parent company's financial positions on December 31, 2020 and their operating results and cash flows for the year then ended.

### 3.2 Accounting period

The Company's accounting period is divided into annual and interim accounting period. The accounting year adopts the calendar year from January 1 to December 31 each year. Interim period refers to a reporting period shorter than a full accounting year.

### 3.3 Operating Cycle

The Company's operating cycle is 12 months.

### 3.4 Functional currency

The functional currency of the Company is RMB.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.5 Business combinations under common control and not under common control

Business combinations involving entities under common control: The assets and liabilities acquired by the Company in business combination shall be measured at the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve.

Business combinations involving entities not under common control: The assets paid and liabilities incurred or committed as a consideration of business combination by the Company were measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be charged to the profit or loss for the period. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognize such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to the profit or loss for the current period.

The agency fee which incurred directly for business combination shall be recognized as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt security issued for corporate combination shall be recognized as the initial recognition amount of equity securities or debt securities.

### 3.6 Preparation methods of the consolidated financial statements

#### 3.6.1 Scope of consolidation

The scope of consolidation of consolidated financial statements of the Company is recognized based on the control. All subsidiaries (including separate entities under the control of the Company) are included in the consolidated financial statements.

Control means that the Company has the power over the investee and enjoys the variable return through participating in activities related to the investee and has the ability to affect the return of the Company by using the power over the investee.

# Notes to the 2020 Financial Statements (Continued)

*(Unless otherwise stated, all amounts are denominated in RMB)*

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.6 Preparation methods of the consolidated financial statements (Continued)

#### 3.6.2 Procedures for consolidation

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and in accordance with the other relevant information. In preparation of the Company's consolidated financial statements, the Company will treat the enterprise group as a single accounting entity. The Group's overall financial condition, operating results and cash flow are reflected based on the relevant accounting standards, measurement and presentation requirements and in accordance with the unified accounting policy.

The share attributable to minority shareholders in the owners' equity, net profits and losses in the current year and comprehensive income in the current year of subsidiaries shall be separately presented under the item of owners' equity in the consolidated balance sheet, under the item of net profits and under the item of total comprehensive income in the consolidated income statement. Where the current loss shared by minority shareholders of subsidiaries exceeds the balances formed by the shares enjoyed by minority shareholders in the owners' equity of the subsidiaries at the beginning of the period, minority equity shall be written down.

#### (1) Increase of subsidiaries or business

During the reporting period, if the Company increased subsidiaries or business from business combinations under common control, the beginning balance of the consolidated balance sheet shall be adjusted; the incomes, expenses and profits from the beginning of the current year of the combinations of the subsidiaries or business to the end of the reporting period shall be included in the consolidated income statement; cash flows from the beginning of the current year of the combinations of the subsidiaries or business to the end of the reporting period shall be included in the consolidated statement of cash flows. Relevant items in the comparative financial statements of the subsidiaries shall be adjusted accordingly, as if the reporting entity after the business combinations exists since the ultimate controller starts its control.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.6 Preparation methods of the consolidated financial statements (Continued)

#### 3.6.2 Procedures for consolidation (Continued)

##### (1) Increase of subsidiaries or business (Continued)

Where control can be exercised on the investee under the common control for additional investment or other reasons, it deems that all parties involved in combination make adjustment based on the current status when the ultimate controller starts its control. Equity investments held before the control over the combine is obtained, the related gains and losses, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the combining party and the combined party are under the same control, to the combination date will respectively write down the retained earnings or current profit and loss in the comparative statements.

During the reporting period, if the Company acquired subsidiaries or business from the business combination not under common control, the beginning balance in the consolidated balance sheet will not be adjusted. The incomes, expenses and profits of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

Where the Company an implement control over an investee not under common control due to additional investment or other reasons, the equity held by the combine before the purchase date shall be re-measured at the fair value on the purchase date, and the difference between the fair value and the book value shall be included in the current investment income. In the event that the equity of the acquiree held prior to the acquisition date involves other comprehensive income under the equity method and other changes in owners' equity than net profit and loss, other comprehensive income and profit distribution, other comprehensive income and other changes in the owner's equity associated therewith are transferred to investment income of the period to which the acquisition date belongs, excluding other comprehensive income arising from changes in net liabilities or net assets due to the investee's re-measurement of defined benefits plan.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.6 Preparation methods of the consolidated financial statements (Continued)

#### 3.6.2 Procedures for consolidation (Continued)

##### (2) Disposal of subsidiaries or business

##### ① General processing methods

During the reporting period, where the Company disposes subsidiaries or business, the incomes, expenses and profits of the subsidiaries or business from the beginning of the year to the disposal date shall be included in the consolidated income statement; cash flows of the subsidiaries and business from the beginning of the year to the disposal date shall be included in the consolidated statement of cash flows.

When the Company loses the control over the investee due to disposal of partial equity investments or other reasons, the remaining equity investments after the disposal will be re-measured by the Company at fair value on the date of loss of the control. The sum of the consideration of equity disposal and the fair value of the remaining equity, less the sum of the share of net assets of the subsidiary attributable to the Company calculated continuously since the acquisition date or the combination date in accordance with the original shareholding ratio and the goodwill, shall be included in the investment income for the current period when the control losses. Other comprehensive income related to the equity investment of original subsidiaries or other changes in owners' equity than net gains and losses, other comprehensive income and profit distribution will be transferred to investment income for the current period upon the loss of control power, except for other comprehensive income arising from changes in net liabilities or assets due to the investee's re-measurement of defined benefits plan.

Where the Company loses its control due to the decline in its shareholding ratio caused by the increase of investment in subsidiaries by other investors, accounting treatment should be conducted according to the above principles.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.6 Preparation methods of the consolidated financial statements (Continued)

#### 3.6.2 Procedures for consolidation (Continued)

##### (2) Disposal of subsidiaries or business (Continued)

##### ② Disposal of subsidiaries by stages

Where the Company disposes of the equity investments in subsidiaries through multiple transactions and by stages until it loses the control, it is usually indicated that the multiple transactions shall be accounted for as a package deal if the terms, conditions and economic effect of all transactions related to disposal of equity investments in subsidiaries meet one or more of the following circumstances:

- i. these transactions are concluded at the same time or under the consideration of mutual effect;
- ii. these transactions must be taken as one to form a complete commercial event;
- iii. the occurrence of a transaction depends on that of at least one other transactions;
- iv. the transactions are deemed as non-economically feasible individually while economically feasible when they are viewed together.

When these transactions of disposing equity investment in subsidiary cause loss of control and be deemed as a package deal, they are accounted for by the Company as a transaction of disposing subsidiary and losing control; however, the difference between the accumulated disposal considerations before loss of control and the Company's share of the net assets of the subsidiary is recognized as other comprehensive income in the consolidated financial statements, and is transferred into current profit and loss upon loss of control.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.6 Preparation methods of the consolidated financial statements (Continued)

#### 3.6.2 Procedures for consolidation (Continued)

(2) Disposal of subsidiaries or business (Continued)

② Disposal of subsidiaries by stages (Continued)

Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the relevant policies for disposal of partial equity investments in subsidiaries without losing control; upon loss of the control, accounting treatment shall be made according to the general treatment method for disposal of subsidiaries.

(3) Purchase of minority equity of subsidiary

The difference between long-term equity investments newly acquired by the Company due to purchase of minority interest and the subsidiary's identifiable net assets attributable to the Company calculated continuously from the acquisition date (or the combination date) according to the increased shareholding ratio shall be charged against stock premium of capital reserves in the consolidated balance sheet; when stock premium of capital reserves is insufficient to offset the difference, the retained earnings shall be adjusted.

(4) Partial disposal of long-term equity investments in subsidiaries without losing control

The difference between the proceeds from disposal of partial long-term equity investments in subsidiaries without losing control and the share of net identifiable assets of subsidiaries attributable to the Company which are calculated continuously from the acquisition date (or the combination date) and which are corresponding to the disposal of long-term equity investments shall be charged against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.7 Classification of joint venture arrangements and accounting treatment methods of joint operation

Joint venture arrangements are classified into joint operation and joint venture. Joint operation refers to that the Company is the joint venture of the joint venture arrangement, enjoys the relevant assets and assumes the relevant liabilities.

The Company shall recognize the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with the relevant accounting standards for business enterprises:

- (1) assets that the Company solely holds and jointly-held assets based on its share;
- (2) liabilities that the Company solely assumes and jointly-assumed liabilities based on its share;
- (3) incomes from sale of output enjoyed by the Company from the joint operation;
- (4) incomes from sale of output from the joint operation based on its percentage;
- (5) separate costs and costs for the joint operation based on its share.

### 3.8 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term “cash” refers to the cash on hand and the unrestricted deposit of the Company. The term “cash equivalents” refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# Notes to the 2020 Financial Statements (Continued)

*(Unless otherwise stated, all amounts are denominated in RMB)*

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.9 Foreign currency transactions and conversion of foreign currency statements

#### 3.9.1 Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange differences are recognized in profit or loss for the current period, except for those differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency for acquisitions, construction or production of the qualified assets, which should be capitalized as cost of the assets.

#### 3.9.2 Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rates on balance sheet date. Shareholders' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the dates when the transactions occur. The income and expenses items in income statements are translated at the spot exchange rate prevailing on the date when transactions occur.

Where the Company disposes of an overseas business, it shall transfer the exchange difference relating to the business disposed of from other comprehensive income to current profit and loss.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments

When the Company becomes a party to a financial instrument contract, it recognizes a financial asset, financial liability or equity instrument.

#### 3.10.1 Classification of financial instruments

According to the company's management of the business model of financial assets and the contractual cash flow characteristics of financial assets, financial assets at initial recognition classification as follows: financial assets measured at the amortized cost, measured at fair value and the changes are included in the financial assets of other comprehensive income and measured at fair value and the changes are recorded into the profits and losses of the current financial assets.

The Company classifies the financial assets that meet the following conditions and are not designated to be measured at fair value and whose changes are recorded into the profits and losses of the current period as financial assets measured at amortized cost:

- The business model is to collect contract cash flow as the target;
- Contract cash flow is only the payment of principal and interest on the basis of the outstanding principal amount.

The Company classifies the financial assets that simultaneously meet the following conditions and are not specified as measured at fair value and whose changes are recorded in the profits and losses of the current period as financial assets measured at fair value and whose changes are recorded in other comprehensive income (debt instruments):

- The business model targets both the collection of contract cash flows and the sale of the financial asset;
- Contract cash flow is only the payment of principal and interest on the basis of the outstanding principal amount.

# Notes to the 2020 Financial Statements (Continued)

*(Unless otherwise stated, all amounts are denominated in RMB)*

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments (Continued)

#### 3.10.1 Classification of financial instruments (Continued)

For non-trading equity instrument investments, the Company may, at the time of initial recognition, irrevocably designate them as financial assets measured at fair value and their changes recorded into other comprehensive income (equity instrument). The designation is made on a single investment basis and the related investments meet the definition of an equity instrument from an issuer's perspective.

In addition to the aforementioned financial assets measured at amortized cost and measured at fair value and whose changes are included in other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value and whose changes are included in current profit and loss.

At the initial recognition, the Company makes decisions on whether the non-trading equity instrument investments can be designated as financial assets (equity instruments) measured at fair value through the other comprehensive income; in order to eliminate or significantly reduce accounting mismatches, the Company may designate financial assets measured at fair value through the current profit or loss.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through the current profit or loss and financial liabilities measured at the amortized cost.

At the initial recognition, financial liabilities meeting one of the following conditions can be designated as the financial liabilities measured at fair value through the current profit or loss:

- 1) This designation can eliminate or significantly reduce the accounting mismatch.
- 2) According to the enterprise risk management or investment strategies specified in formal written documents, the management and performance evaluation of financial liability portfolios or portfolios of financial assets and financial liabilities is carried out based on fair value, and the report to key officer in the enterprise has been made based on such management and performance evaluation.
- 3) The financial liabilities contain the embedded derivative which needs to be separated.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments (Continued)

#### 3.10.2 Recognition basis and measurement method of financial instruments

① Financial assets measured in amortized cost

Financial assets measured at amortized cost include notes receivable and accounts receivable, other receivables, long-term receivables, and debt investments, which are initially measured at fair value, with relevant transaction costs included in the initially recognized amount; Financial assets measured at amortized cost do not include accounts receivable that containing significant financing components and accounts receivable that the Company has decided not to consider financing components for more than one year, which are initially measured at the contract price.

Interest calculated using the effective interest rate method during the holding period is included in the current profit or loss.

Upon recovery or disposal, the difference between the proceeds and the book value of the financial asset is included in the current profit or loss.

② Financial assets (debt instruments) measured at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income include other debt investments, which are initially measured at fair value, with relevant transaction costs included in the initially recognized amount. The financial assets are subsequently measured at fair value, and the changes in fair value, excluding the interest, impairment loss or gains, and exchange gains and losses calculated by the effective interest rate method, are included in other comprehensive income.

During de-recognition, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the current profit or loss.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments (Continued)

#### 3.10.2 Recognition basis and measurement method of financial instruments (Continued)

- ③ Financial assets (equity instruments) measured at fair value through other comprehensive income

Financial assets (equity instruments) measured at fair value through other comprehensive income include other equity instruments, which are initially measured at fair value, with relevant transaction costs included in the initially recognized amount, and are subsequently measured at fair value, with the changes in fair value included in other comprehensive income and the dividends gained included in the current profit or loss.

During de-recognition, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the retained earnings.

- ④ Financial assets measured at fair value through the current profit or loss

Financial assets measured at fair value through the current profit or loss include financial assets held for trading, derivative financial assets and other non-current financial assets, which are initially measured at fair value, with relevant transaction costs included in the current profit or loss and are subsequently measured at fair value, with the changes in fair value included in the current profit or loss.

The difference between the fair value and the initial book-entry value is recognized as investment income upon de-recognition; meanwhile, adjustments are made to the profit or loss from change in fair value.

- ⑤ Financial liabilities measured at fair value through the current profit or loss

Financial liabilities measured at fair value through the current profit or loss include financial liabilities held for trading and derivative financial assets, which are initially measured at fair value, with relevant transaction costs included in the current profit or loss, and are subsequently measured at fair value, with the changes in fair value included in the current profit or loss.

The difference between the fair value and the initial book-entry value is recognized as investment income upon de-recognition; meanwhile, adjustments are made to the profit or loss from change in fair value.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments (Continued)

#### 3.10.2 Recognition basis and measurement method of financial instruments (Continued)

⑥ Financial liabilities measured by amortized cost

Financial liabilities measured at amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, which are initially measured at fair value, with relevant transaction costs included in the initially recognized amount.

Interest calculated using the effective interest rate method during the holding period is included in the current profit or loss.

During de-recognition, the difference between the consideration paid and the book value of the financial liability is included in the current profit or loss.

#### 3.10.3 Recognition criteria and measurement method of the transfer of financial assets

The Company shall terminate the recognition of financial assets if one of the following conditions is satisfied:

- termination of the contractual right to receive cash flows from financial assets;
- financial asset has been transferred and virtually all the risks and rewards of the ownership of the financial asset have been transferred to the transferee;
- The financial assets have been transferred, and while the Company has neither transferred nor retained virtually all of the risks and rewards of ownership of the financial assets, it has not retained control of the financial assets.

When transfer of financial assets occurs, if nearly all of the risks and rewards related to the ownership of the financial assets are retained, the Company shall not derecognize the financial assets.

In determining whether the transfer of a financial asset meets the above de-recognition condition of financial assets, the principle of substance over form will be adopted.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments (Continued)

#### 3.10.3 Recognition criteria and measurement method of the transfer of financial assets (Continued)

The Company divides the transfer of financial assets into overall transfer and partial transfer. Where the entire transfer of the financial asset meets the de-recognition conditions, the difference of the following two amounts will be included in the current profit or loss:

- (1) the book value of the transferred financial asset;
- (2) the sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in owners' equity (the financial assets involved in the transfer are available-for-sale financial assets).

Where partial transfer of financial assets meets the de-recognition conditions, the entire book value of the financial assets transferred will be allocated between the derecognized part and the recognized part based on the relative fair value, and the difference between the following two amounts will be included in the current profit or loss:

- (1) the book value of the derecognized part;
- (2) the sum of the consideration for the derecognized part and the portion of de-recognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (the financial asset involved in the transfer are available-for-sale financial assets).

If the transfer of financial assets does not meet the de-recognition criteria, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments (Continued)

#### 3.10.4 De-recognition criteria of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liability is derecognized or any part thereof shall be derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognized, and at the same time, the new financial liability shall be recognized.

Where substantive changes are made to the contract terms of existing financial liability in whole or in part, the existing financial liabilities or part thereof will be derecognized, and the financial liability the terms of which have been modified will be recognized as a new financial liability.

Where financial liabilities are derecognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities borne) shall be included in the current profit or loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the de-recognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including the non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.

#### 3.10.5 Determination method of the fair value of financial assets and financial liabilities

The fair value of a financial instrument with an active market is recognized at the price quoted for it in the active market. The fair value of a financial instrument without an active market is recognized by using valuation techniques. At the time of valuation, the Company adopts the techniques that are applicable in the current situation and supported by enough available data and other information, selects the input values consistent with the features of assets or liabilities considered by market participants in relevant asset or liability transactions, and gives priority to using relevant observable inputs. Unobservable inputs are used only under the circumstance when it is impossible or impracticable to obtain relevant observable inputs.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments (Continued)

#### 3.10.6 Test method and accounting treatment of impairment of financial assets (excluding receivables)

The Company estimates the expected credit losses of financial assets measured at amortized cost, financial assets measured at fair value and their changes included in other comprehensive income (debt instruments) and financial guarantee contracts on a single or combined basis.

The Company calculates the probabilistic weighted amount of the present value of the difference between the cash flows receivable under the Contract and the cash flows expected to be received and recognizes the expected credit loss, taking into account reasonable and evidential information concerning past events, current conditions and projections of future economic conditions, and weighting the risk of default.

If there is obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss over the entire duration of such financial instrument; if there is no obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss within 12 months in the future of such financial instrument. Amount increased or reversed of loss provision arising therefrom shall be included in the current profit or loss as impairment loss or gain.

Generally, once the overdue period is more than 30 days, the Company may consider that there is obvious increase in credit risk of such financial instrument, unless there is unambiguous evidence that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If the credit risk of the financial instrument is low on the balance sheet date, the Company will immediately consider that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If there is objective evidence that there is credit impairment for a financial asset, the Company shall make provision for impairment of the financial asset on a single basis.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.10 Financial instruments (Continued)

#### 3.10.6 Test method and accounting treatment of impairment of financial assets (excluding receivables) (Continued)

For receivables and contract assets formed by transactions regulated by Accounting Standards for Business Enterprises No. 14 – Revenue (2017), the Company always measures its loss provision at an amount equivalent to the expected credit loss over the entire duration period, whether or not it contains a material financing component.

In the case of lease receivables, the Company elects to always measure its loss provision at an amount equal to the expected credit loss over the entire life period.

If the Company no longer reasonably expects that the contract cash flow of a financial asset can be recovered in whole or in part, it will directly write down the book balance of the financial asset.

### 3.11 Impairment of receivables

Receivables of the company mainly include receivables, notes receivable, receivables financing, contract assets, other receivables and long-term receivables. If there is objective evidence on the balance sheet date that accounts receivable is impaired, the Company recognizes the impairment loss based on the difference between the carrying amount and the present value of estimated future cash flows.

#### 3.11.1 Accounts receivable and notes receivable

For accounts receivable or notes receivable, whether it contains significant financing components, the company always measures its loss reserves in accordance with the amount of expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

##### (1). Accounts receivable and notes receivable with single provision for bad debt provision

For other accounts receivable and notes receivable with objective evidence indicating impairment and suitable for single evaluation, the impairment test shall be conducted separately to confirm the expected credit loss, thereafter, accrue single impairment provision.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.11 Impairment of receivables (Continued)

#### 3.11.1 Accounts receivable and notes receivable (Continued)

(2). Receivables accruing bad debt provision in credit risk characteristic portfolio

For accounts receivable and notes receivable without objective evidence of impairment, or when the information of expected credit loss cannot be evaluated at reasonable cost by single accrual, the company divides it into several portfolio according to the characteristics of credit risk, and calculates the expected credit loss on the basis of combination. The basis for determining the combination is as follows:

#### The basis of identifying the portfolio

The portfolio of notes	Considering the credit rating of the acceptance bank or the acceptor as the credit risk characteristic of portfolios
The portfolio of aging	Considering the aging of receivables as the credit risk characteristic of portfolios.
The portfolio of related parties	Considering the trading relationship of receivables as the credit risk characteristics of portfolios
The portfolio of deposit, employee reserve fund	Considering the nature of accounts receivable as the credit risk characteristic of portfolios

#### The method of accruing bad debt provision

The portfolio of notes	Considering the credit rating of the acceptance bank or the acceptor as the credit risk characteristic of portfolios
The portfolio of aging	Accruing bad debt provision based on aging
The portfolio of related parties	Other method
The portfolio of deposit, employee reserve fund	Other method

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.11 Impairment of receivables (Continued)

#### 3.11.1 Accounts receivable and notes receivable (Continued)

- (2). Receivables accruing bad debt provision in credit risk characteristic portfolio (Continued)

The Company combines the portfolio of accounts receivables with similar credit risk characteristics and the Company estimates the proportion of accruing bad debt provision based on all reasonable and evidenced information, including forward-looking information:

Aging	Proportion (%)
0-6 months	0
7-12 months	5
1-2 years	10
2-3 years	15
3-4 years	30
4-5 years	50
Over 5 years	100

In the portfolio, other methods are used to accrual provision for bad debts:

When there is objective evidence that the Company will not be able to recover all the amount in accordance with the original terms of the receivables, the impairment test is carried out separately and the provision for bad debts is made based on the difference between the present value of its future cash flow and its book value.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.11 Impairment of receivables (Continued)

#### 3.11.2 Receivable financing

When the accounts receivable or notes receivable meets the following conditions at the same time, the company classified it into financial assets measured at fair value with the changes included in other comprehensive income and list it as receivables financing in the statement. Please refer to “3.10 financial instruments” in the note for relevant specific accounting treatment methods.

- (1) the contract cash flow is the payment of the principal and the interest based on the outstanding principal amount.
- (2) the company’s business model for managing notes receivable and accounts receivable are both of collecting the contract cash flow and the selling.

When the expected credit loss of single item cannot be evaluated at a reasonable cost, the company divides the notes receivable and accounts receivable into several combinations according to the credit risk characteristics and calculates the expected credit loss on the basis of the combination. If there is objective evidence to show that notes receivable or accounts receivable have suffered credit impairment, the company shall make single bad debt provision for the notes receivable or accounts receivable and identify the expected credit loss. For the note’s receivable and accounts receivable divided into combinations, the impairment loss measurement method of the aforesaid accounts receivable shall be applied.

#### 3.11.3 Other receivables

For the measurement of impairment loss of other receivables, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

#### 3.11.4 Others

For other receivables such as Notes receivable, advanced payment, interests receivable, long-term receivables and etc., the provision for bad debts is made based on the difference between the present value of future cash flows and its carry amount.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.12 Inventories

#### 3.12.1 Classification of inventories

Inventories include raw materials, work in progress, turnover materials, goods in process, commissioned processing materials, cost of contract performance and so on.

Inventories are initially measured at cost, which includes procurement costs, processing costs, and other expenses incurred to bring the inventory to its current location and condition.

#### 3.12.2 The valuation method of delivery inventory

Inventories are shipped on a first-in, first-out basis.

#### 3.12.3 Determination method for net realizable values of inventories

On the balance sheet date, inventories shall be measured at the lower of cost and net realizable value. Where the cost of an inventory exceeds its net realizable value, a provision shall be made for the decline of the inventory price. Net realizable value refers to the estimated selling price of inventories in daily activities after deducting the estimated costs to be incurred at the time of completion, the estimated sales expenses and the relevant taxes and fees.

In normal operation process, for merchandise inventories for direct sales such as finished goods, stock commodities and materials for sale, their net realizable values are determined at the estimated selling prices minus the estimated selling expenses and relevant taxes and surcharges; in normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.12 Inventories (Continued)

#### 3.12.3 Determination method for net realizable values of inventories (Continued)

If the net realizable value of the inventory is higher than its book value due to the disappearance of the factors that previously wrote down the value of the inventory after the withdrawal of the inventory depreciation provision, it shall be reversed within the amount of the inventory depreciation provision that has been originally withdrawn, and the reversed amount shall be recorded into the current profit and loss.

#### 3.12.4 Inventory system

The perpetual inventory system is adopted.

#### 3.12.5 Amortization of low-value consumables and packaging materials

- (1) Low-value consumables are amortized using the immediate write-off method.
- (2) Packaging materials are amortized using the immediate write-off method.

### 3.13 Contractual assets and contractual liabilities

#### 3.13.1 Determination method and standards for contractual assets or contractual liabilities

The Company presents contractual assets or contractual liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration (except for receivables) that the Company has the right to collect for transferring goods or providing services to customers is listed as contractual assets; The obligation that should transfer goods or provide services to customers due to the paid or receivable customer's consideration is presented as contractual liabilities. Under the same contract, contract assets and contract liabilities are presented in net amounts.

#### 3.13.2 Determination method and accounting method for expected credit loss

Details of determination method and accounting method for expected credit loss of contractual assets, please refer to the Notes "3.10.6 Test method and accounting treatment of impairment of financial assets".

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.14 Held for sale

Those whose book value is recovered mainly through the sale (including the exchange of non-monetary assets of a commercial nature) rather than through the continuous use of a non-current asset or disposal group are classified as holding for sale.

The Company recognizes non-current assets or disposed asset portfolios meeting the following conditions at the same time as assets held for sale:

- (1) According to the general practice for selling such kind of asset or disposed asset portfolio in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;
- (2) The sale of the asset or portfolio is very likely to happen, which means that the Company has made a resolution for one selling plan and had acquired decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.

### 3.15 Long-term equity investments

#### 3.15.1 Judgment criteria for common control and significant influence

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement shall not be made before the party sharing the control right agrees the same. Where the Company exercises joint control over the investee with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control with other parties, the formulation of such policies. Where the Company is able to exert significant influence over the investee, the investee is its associate.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.15 Long-term equity investments (Continued)

#### 3.15.2 Determining of initial investment cost

- (1) A long-term equity investment as a result of business combination

Business combination under the common control: if the Company pays a consideration to the combine in cash, by transferring non-cash assets or by assuming debts, the share of book value of its owners' equity in the combine in the consolidated financial statements of the ultimate controlling party shall be regarded, on the merger date, as the initial investment cost of the long-term equity investment. In case the Company can exercise control over the investee under common control for additional investment or other reasons, the initial investment cost of long-term equity investments is recognized at the share of book value of net asset of the acquiree after the combination in the consolidated financial statements of the ultimate controller on the combination date. The stock premium shall be adjusted at the difference between the initial investment cost of long-term equity investments on the combination date and the book value of long-term equity investments before the combination plus the book value of consideration paid for additional shares; if there is no sufficient stock premium for write-downs, the retained earnings are adjusted.

Business combination not under the common control: The Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investments. Where the Company can control the investee not under common control from additional investments, the initial investment cost shall be changed to be accounted for under the cost method and recognized at the sum of the book value of equity investments originally held and newly increased investment cost.

- (2) Long-term equity investment acquired by other means

For long-term equity investments acquired from making payments in cash, the initial cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, the initial investment cost is the fair value of the issued equity securities.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.15 Long-term equity investments (Continued)

#### 3.15.2 Determining of initial investment cost (Continued)

##### (2) Long-term equity investment acquired by other means (Continued)

If the exchange of non-monetary assets has commercial substance and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out and the relevant taxes and surcharges payable unless there is any conclusive evidence that the fair values of the assets traded in are more reliable; if the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and the relevant taxes and surcharges payable are recognized as the initial cost of long-term equity investment traded in.

For long-term equity investment acquired from debt restructuring, the initial cost is determined based on the fair value.

#### 3.15.3 Subsequent measurements and recognition method of profit or loss

##### (1) Long-term equity investments accounted for under the cost method

Long-term equity investments in subsidiaries are accounted for under the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the investment income in the current year at the cash dividends or profits declared by the investee.

##### (2) Long-term equity investments accounted for under equity method

The Company's long-term equity investments in associates and joint ventures are accounted for by using the equity method. If the cost of initial investment is in excess of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the cost of initial investment is in short of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit and loss.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.15 Long-term equity investments (Continued)

#### 3.15.3 Subsequent measurements and recognition method of profit or loss (Continued)

##### (2) Long-term equity investments accounted for under equity method (Continued)

The Company respectively recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee that shall enjoyed or assumed by the Company, and adjusts the book value of long-term equity investment; according to the profit declared to be distributed by the investee or the part shall be enjoyed cash dividends calculation, to reduce the book value of long-term equity investment correspondingly; for other changes in owners' equity excepting for ex all profit or loss of the investee, other comprehensive income and profit distribution, the book value of long-term equity investment shall be adjusted and included in the owners' equity.

When recognizing the share of net profit or loss of the investee that the Company shall enjoy, based on fair value of various identifiable assets and others of the investee on acquisition and according to accounting policies and accounting periods of the Company, the Company shall recognize such share after making adjustments to net profit of the investee. When holding the investment, the investee shall prepare the consolidated financial statements, it shall account for the investment income based on the net profit, other comprehensive income and the changes in another owner's equity attributable to the investee.

The Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company according to the corresponding ratio and recognize the profit and loss on investments on such basis. Where the losses from internal transactions between the Company and the investee fall into the scope of assets impairment loss, the full amount of such losses shall be recognized.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.15 Long-term equity investments (Continued)

#### 3.15.3 Subsequent measurements and recognition method of profit or loss (Continued)

##### (2) Long-term equity investments accounted for under equity method (Continued)

When the Company recognizes its share of loss incurred to the investee, treatment shall be done in following sequence: firstly, the book value of the long-term equity investment shall be reduced; Secondly, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long-term receivables shall be reduced. finally, after all the above treatments, if the Company is still responsible for any additional liability in accordance with the provisions stipulated in the investment contracts or agreements, provisions are recognized and included into current investment loss according to the obligations estimated to undertake.

##### (3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included into the current profit or loss.

Where a long-term equity investment is accounted for under the equity method, accounting treatment shall be made on the part which is originally included in other comprehensive income according to corresponding ratio by using the same basis for the investee to directly dispose of the relevant assets or liabilities when the investments are disposed of. Owners' equity recognized from changes in other owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution shall be included in the current profit or loss according to the proportion, except for other comprehensive income from the change in net liability or net asset due to the investor's re-measurement of designated benefit plan.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.15 Long-term equity investments (Continued)

#### 3.15.3 Subsequent measurements and recognition method of profit or loss (Continued)

##### (3) Disposal of long-term equity investments (Continued)

In case the joint control or significant influence over the investee is lost for disposing part of equity investments or other reasons, the remaining equity will be changed to be accounted for according to the recognition and measurement principles of financial instruments. The difference between the fair value and the book value on the date of the loss of joint control or significant influence shall be included in the current profit and loss. As to other comprehensive income recognized based on measurement of the original equity investment under the equity method, accounting treatment shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto when measurement under the equity method is terminated. Owner's equity recognized from the investee's changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution shall all transferred to the current profit and loss when the equity method confirmed is no longer adopted.

Where the Company loses the control over the investee due to disposal of some equity investments, due to decrease in shareholding ratio of the Company as a result of investments in subsidiaries by other investors or other reasons, when it prepares separate financial statements, if the remaining equity can exercise joint control or significant influence on the investee, such investments shall be changed to be accounted for under the equity method as if the remaining equity have been adjusted to be accounted for under the equity method on acquisition; if the remaining equity cannot exercise joint control or significant influence on the investee, such equity will be changed to be accounted for according to recognition and measurement standards of financial instruments. The difference between the fair value and the book value on the date of loss of the control shall be included in the current profit and loss.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.15 Long-term equity investments (Continued)

#### 3.15.3 Subsequent measurements and recognition method of profit or loss (Continued)

##### (3) Disposal of long-term equity investments (Continued)

Where the disposed equities are acquired by the enterprise combination due to the reasons such as additional investment, the remaining equities after the disposal are calculated based on the cost method or equity method in preparing the individual financial statements, and other comprehensive income and other owners' equity recognized because of the equity method adopted for the calculation of the equity investment held prior to the purchase date are carried forward in proportion; the remaining equities after the disposal are changed to be made in accordance with the relevant provisions in the recognition and measurement criteria of financial instruments while other comprehensive income and other owners' equity are carried forward in full.

### 3.16 Investment properties

The investment property refers to the real estate held for earning rentals or/and capital appreciation. Investment properties include leased land use right, land use right held for transfer upon appreciation and leased building.

The Company, on the basis of the acquisition cost, carries out an initial measurement, and carries out a subsequent measurement on investment properties by employing the cost method on the balance sheet date. For investment property measured by using the cost model, the buildings for lease shall be depreciated by using policies the same as used for fixed assets of the Company, and the land use rights for lease shall be amortized by using the same policies as applicable to intangible assets.

### 3.17 Fixed assets

#### 3.17.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed asset is recognized when it meets the following conditions:

- (1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) Its cost can be reliably measured

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.17 Fixed assets (Continued)

#### 3.17.1 Recognition criteria for fixed assets (Continued)

Fixed assets are initially measured at cost (taking into account the impact of expected disposal costs).

The subsequent expenditures related to the fixed assets shall be included in the cost of the fixed assets when the related economic benefits are likely to flow in and the cost can be measured reliably. For the replaced part, the recognition of its carrying value shall be terminated; All other subsequent expenditures are recorded into current profit and loss when incurred.

#### 3.17.2 Depreciation methods of fixed assets

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

The depreciation method, useful life of depreciation, residual value and annual depreciation rate of each category of fixed assets are as follows:

category	Depreciation method	Useful lives of depreciation (years)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building	straight line method	20–30	5	3.17–4.75
Machinery and equipment	straight line method	5–11	0–10	8.18–20.00
Motor vehicles	straight line method	5–10	0–5	9.50–20.00
Electronic equipment	straight line method	2–10	2–10	9.00–49.00
Other equipment	straight line method	2–5	0–10	18.00–50.00
Operating leased fixed assets				
Housing and building	straight line method	20–30	5	3.17–4.75

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.17 Fixed assets (Continued)

#### 3.17.3 Fixed assets disposal

When a fixed asset is disposed of or is not expected to generate economic benefits through use or disposal, the recognition of the fixed asset shall be terminated. The amount of the disposal income from the sale, transfer, scrapping or damage of fixed assets after deducting its book value and relevant taxes and fees is booked into the current profit and loss.

### 3.18 Construction in progress

The construction in progress is measured according to the actual cost incurred. Actual costs include construction costs, installation costs, capitalized borrowing costs, and other expenses necessary to bring the work in progress to a predetermined usable state. When the project in construction is reaching scheduled and usable condition, turn into fixed assets and begin to plan to carry depreciation since the next month.

### 3.19 Borrowing costs

#### 3.19.1 Recognition principles of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization shall be capitalized and recorded into relevant asset costs; other borrowing costs shall be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.19 Borrowing costs (Continued)

#### 3.19.2 Capitalization period of borrowing costs

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its cessation; period of suspension for capitalization is excluded.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) Asset disbursements, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have already been incurred;
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

Capitalization of borrowing costs shall cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale.

#### 3.19.3 Period of suspension for capitalization

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs shall be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach the working conditions for its intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit and loss and continue to be capitalized until the acquisition, construction or production of the asset restarts.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.19 Borrowing costs (Continued)

#### 3.19.4 Calculation of capitalization amount of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment shall be recognized as the capitalization amount of borrowing costs.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the expenses of general borrowings to be capitalized shall be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements (as at the end of each month) exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

During the capitalization period, the difference between the exchange of the principal and interest of the special foreign currency loan shall be capitalized and accounted into the cost of the assets eligible for capitalization. The exchange difference arising from the principal and interest of foreign currency borrowings other than special foreign currency borrowings is booked into the current profits and losses.

### 3.20 Intangible assets

#### 3.20.1 Measurement method of intangible assets

- (1) The Company initially measures intangible assets at cost on acquisition.

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended uses.

- (2) Subsequent measurement of intangible assets

The useful lives of the intangible assets are analyzed and determined on their acquisition.

As for intangible assets with limited useful life, straight-line amortization method is adopted in the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets should be deemed as those with indefinite useful life and should not be amortized.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.20 Intangible assets (Continued)

3.20.2 Estimate of useful lives of intangible assets with definite useful lives:

Item	Estimated useful lives (year(s))	Amortization method
Land use rights	16.75–50	Straight line method
Trademark rights	10	Straight line method
Computer software	5–10	Straight line method
patents	10	Straight line method
Software copyright	10	Straight line method
Non-patented technology	5	Straight line method

3.20.3 Determination basis of intangible assets with indefinite useful lives

As at the balance sheet date, the Company had no intangible assets with indefinite useful life.

3.20.4 Specific standards for classification of research and development phase of internal research and development projects

The Company's expenditures for its internal research and development projects are classified into research expenditures and development expenditures.

Research phase: the phase for the creative and planned investigation and research to acquire and understand new scientific or technological knowledge.

Development phase: the phase for the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

3.20.5 Specific standard for development expenditures eligible for capitalization

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

- (1) It is technically feasible to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible asset;

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.20 Intangible assets (Continued)

3.20.5 Specific standard for development expenditures eligible for capitalization (Continued)

- (1) The ways whereby the intangible asset is to generate economic benefits, including those whereby it is able prove that there is a potential market for the products manufactured by applying this intangible asset or that there is a potential market for the intangible asset itself; if the intangible asset is used internally, its usefulness will be proved;
- (4) With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible assets, and it is able to use or sell the intangible assets; and
- (5) The expenditures attributable to the intangible assets during their development phase can be reliably measured.

If the above conditions are not satisfied, expenditure on the development phase shall be included in current profit or loss when it occurs. Expenditure on the research stage shall be included in current profit or loss when it occurs.

### 3.21 Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, construction in progress, right of use asset, intangible assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment test to goodwill, intangible asset with uncertain useful life and intangible assets that have not yet reached a usable state, shall be carried out at least at the end of each year.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.21 Impairment of long-term assets (Continued)

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. When the company allocates the book value of goodwill, it allocates according to the relative benefits that the relevant asset group or asset group combination can obtain from the synergy effect of business combination, and then conducts goodwill impairment test on this basis.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill. Once the above asset impairment loss is recognized, it will not be reversed in the subsequent accounting periods.

### 3.22 Long-term deferred expenses

Long-term deferred expenses are incurred expenses that are assessed for a period of more than one year but are payable in current and subsequent periods.

Long-term deferred expenses are measured at the actual costs and amortized evenly over the estimated beneficial period. If an item of long-term deferred expense cannot bring any benefit in future accounting periods, the amortized value of such item shall all be transferred to the current profit or loss.

### 3.23 Contract Liabilities

The company shall list the contract assets or contract liabilities in the balance sheet according to the relationship between performance obligations and customer payment. The obligation of the company to transfer goods or provide services to customers due to the consideration received or receivable from customers is listed as contract liabilities. Contract assets and liabilities under the same contract are presented in net amount.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.24 Employee compensation

#### 3.24.1 Short-term compensation

During the accounting period in which employees provide service to the Company, the short-term remuneration actually incurred is recognized as liabilities and included into the current profit or loss or the assets-related cost.

During the accounting period when employees serve the Company, the corresponding amount of employee compensation is calculated and determined according to the provision basis and provision proportion as stipulated in the provisions on the social insurance premiums such as the medical insurance premiums, work-related injury insurance premium and maternity insurance premium and housing funds paid for employees by the Company, as well as labor union funds and employee education funds.

The employee welfare expenses incurred by the Company shall be recorded into the current profit and loss or the cost of relevant assets according to the actual amount when actually incurred, and the non-monetary welfare shall be measured at its fair value.

#### 3.24.2 Post-employment benefits

##### (1) Defined contribution plan

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in the current profit or loss or assets-related assets cost.

In addition to the basic pension insurance, the Company also sets up enterprise annuity payment system (supplementary pension insurance)/enterprise annuity plans in accordance with relevant national policies on enterprise annuity system. The Company makes payments to the local social insurance institutions/annuity plan in a certain proportion to the total employee wage, with corresponding expense included in the current profit or loss or related asset cost.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.24 Employee compensation (Continued)

#### 3.24.2 Post-employment benefits (Continued)

##### (2) Defined benefit plan

According to the formula determined based on expected cumulative unit method, the Company will set the period that the welfare obligations deriving from the defined benefit plan, which will be included in current profit or loss or related assets cost.

A net liability or net asset in connection with the defined benefit plan is recognized at the present value of the obligation under the defined benefit plan less the deficit or surplus arising out of the fair value of the assets under the defined benefit plan. For a surplus of defined benefit plan, the Company shall measure net assets of such defined benefit plan by the lower one between the surplus of defined benefit plan and the upper limit of assets thereof.

All obligations of defined benefit plan include the obligation of payment during the 12 months after the end of the annual reporting period of expected receipt of services from employees, and are discounted according to the market yields of state bond with the same currency or high-quality corporate bond according to date in the balance sheet and the obligation period of defined benefit plan.

The service costs of the defined benefit plan and net interest on the net liabilities or net assets in respect of the defined benefit plan are included in the current profit or loss or assets-related costs; changes in the re-measurement of net liabilities or net assets under the defined benefit plans should be included in other comprehensive income and should not be reversed in subsequent accounting periods. When the original defined benefit plan terminates, the portion originally included in other comprehensive income will all be transferred to the undistributed profits.

For the settlement of the defined benefit plan, the balance between the present value and the settlement price under the defined benefit plan confirmed on the settlement date shall be recognized and settled as gains or losses.

#### 3.24.3 Dismissal welfare

When the Company fails to unilaterally withdraw the dismissal benefits offered due to the termination of the labor relation plan or layoff proposal, or confirms the costs or fees associated with the reorganization involving the payment of the dismissal benefits (whichever is earlier), the employee compensation liabilities arising from the confirmation of dismissal benefits are included in the current profit or loss.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.25 Estimated liabilities

The Company recognizes the obligation related to contingencies which meeting the following conditions at the same time as liabilities:

- (1) The obligation is a present obligation of the Company;
- (2) The performance of such obligation is likely to result in outflow of economic benefits from the Company;
- (3) The amount of the obligation can be measured reliably.

Estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of the relevant present obligations.

The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflow of cash.

When all or part of the expenses necessary for the settlement of estimated liabilities of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain to be received. The compensation recognized shall not exceed the book value of the estimated liabilities.

The Company reviews the book value of the expected liabilities on the balance sheet date, and if there is conclusive evidence that the book value cannot reflect the current best estimate, it shall adjust the book value according to the current best estimate.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.26 Share-based payment

The Company's share-based payments are transactions in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees (or other parties). The share-based payments of the Company consist of equity-settled share-based payments and cash-settled share-based payments.

#### 3.26.1 Equity-settled share-based payment and equity instruments

In case of the equity-settled share-based payment for the service provided by employees, the measurement is based on the fair value of the equity instruments granted to employees. Where the Company makes share-based payments in restricted stocks and the employee makes capital contributions to subscribe such shares, such shares should not be circulated or transferred before they reach unlocked conditions and before they are unlocked; if the unlocked conditions specified in the final equity incentive plan fail to be reached, then the Company should repurchase the shares at the price agreed in advance. When the Company received the payment of the employee for the subscription of restricted stocks, it should recognize share capital and capital reserves (share premiums) in accordance with the payment for subscription received. The Company should fully recognize a liability at the repurchase obligations and recognize treasury stock at the same time. On each balance sheet date within the waiting period, the Company will, based on the newly-acquired subsequent information such as the changes in the number of the vested employees and whether the specified performance is reached, make the best estimate on the number of the vesting equity instruments. On such basis, the services received in the current period should be included in the relevant cost or expenses according to fair value on the date of grant and capital reserves should be accordingly increased. After the vesting date, no adjustments will be made to the sum of the relevant recognized costs or expenses and total owners' equity. However, when the right can be exercised immediately after the grant, it should be included in the relevant costs or expenses at the fair value on the date of grant. The capital reserves should be increased accordingly.

For share-based payments ultimately failed to be exercised, their costs or expenses shall not be recognized, unless the vesting conditions are market conditions or non-vesting conditions, then regardless of whether market conditions or non-vesting conditions are satisfied, as long as all non-market conditions among vesting conditions are satisfied, it shall be deemed as vesting.

If the terms of equity-settled share-based payments are modified, at least the services obtained shall be confirmed in accordance with the unmodified provisions. In addition, any modification increasing the fair value of equity instruments granted, or favorable changes to the employees on modification date are all confirmed to increase services.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.26 Share-based payment (Continued)

#### 3.26.1 Equity-settled share-based payment and equity instruments (Continued)

If equity-settled share-based payments are cancelled, then they shall be handled on cancellation date as accelerated vesting, and the unconfirmed amount shall be confirmed immediately. Where employees or other parties may choose to meet non-vesting conditions but are not met in the vesting period, such payments shall be handled as cancelling equity-settled share-based payments. However, if a new equity instrument is granted, and it is confirmed to replace the equity instrument which is cancelled on the grant date, then the handling of such equity instrument shall be subject to the same way modifying the terms and conditions of the original equity instrument.

#### 3.26.2 Cash-settled share-based payment 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. Initial adoption model is measured at the fair values on the grant date and consider the terms and conditions based on which the equity instruments are granted. Where equity-settled share-based payments are immediately exercised after the grant, they shall be included in the relevant cost or expenses based on the fair value on the grant date and the capital reserves should be accordingly added; if the right can be exercised only when the services within the waiting period come to an end or until the prescribed performance conditions are met, then the services obtained in the current period shall be included in the relevant costs or expenses based on the best estimate of the equity instruments with vesting rights within the waiting period and according to the fair value of the liabilities borne, and the corresponding liabilities shall be added. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes into the current profit or loss.

### 3.27 Preferred shares, perpetual bond and other financial instruments

The Company classifies the financial instruments or their components as financial assets, financial liabilities or equity instruments at the initial recognition, in accordance with contractual terms relating to the preferred stocks or perpetual bonds issued and economic substance reflected, and in combination with the definition of financial assets, financial liabilities and equity instruments.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.27 Preferred shares, perpetual bond and other financial instruments (Continued)

The preferred stocks/perpetual bonds and other financial instruments issued by the Company shall, in whole or in part, be classified as financial liabilities at the initial recognition when meeting one of the following conditions:

- (1) There is any contractual obligation that the Company is unable to avoid the unconditional delivery of cash or other financial assets to fulfill;
- (2) The financial instruments contain any contractual obligation of delivering a variable number of their own equity instruments for settlement;
- (3) The financial instruments contain any derivative instrument settled with their own equity (such as equity transfer, etc.), which is not settled with a fixed amount of their own equity instruments in exchange for a fixed amount of cash or other financial assets;
- (4) There is any contract term that indirectly forms any contract obligation;
- (5) When the issuer liquidates, the perpetual bonds are liquidated in the same order as the ordinary bonds and other debts issued by the issuer.

Financial instruments such as perpetual bonds/preference shares that do not meet any of the above conditions shall be classified as equity instruments at initial recognition.

### 3.28 Revenue

#### 3.28.1 General principles of revenue recognition

The Company fulfilled its performance obligations under the contract, that is, revenue is recognized while the customer obtains the control rights over the relevant assets (goods or services). Whether the performance obligation is performed within a certain period of time or at a certain point depends on the terms of the contract and relevant legal provisions. If the Company meets one of the following conditions, it is subject to performance obligations within a certain period of time:

- (1) The economic benefits brought by the performance by the Company are consumed while the customer is performing the contract in the Company.
- (2) The client is able to control the assets under construction in the course of contract performance by the Company.
- (3) The assets produced during the performance by the Company have irreplaceable uses, and the Company has the right to receive payments for the part of the performance that has been completed so far throughout the contract term.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.28 Revenue (Continued)

#### 3.28.1 General principles of revenue recognition (Continued)

For the performance obligations performed within a certain period of time, the Company shall recognize the income in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined. Taking into account the nature of the goods or services, the Company will use the output method or input method to determine the performance schedule. If the performance progress cannot be reasonably determined and the cost already incurred is expected to be compensated, the Company shall recognize the income according to the cost already incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point, the Company recognizes revenue at the point when the Customer acquires control of the relevant goods or services. In determining whether the Customer has acquired control of goods or services, the Company considers the following indications:

- The Company has a current payment right in respect of the goods or services, i.e., the Customer has a current payment obligation in respect of the goods or services.
- The Company has transferred legal title to the Goods to the Customer, which means that the Customer has legal title to the Goods.
- The Company has physically transferred the commodity to the Customer, that is, the Customer has physically possessed the commodity.
- The Company has transferred the principal risks and rewards in the ownership of the Goods to the Customer, which means that the Customer has acquired the principal risks and rewards in the ownership of the Goods.
- The customer has accepted the goods or services, etc.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.28 Revenue (Continued)

#### 3.28.2 Specific circumstances of revenue recognition

(1) Revenue recognition over time

Company provides intelligent system integration, intelligent transportation and construction and installation services, due to the performance of the company and the customer can control performance under construction in the process of goods or services, and the company during the period of the contract has the right to accumulative total has completed the performance part of the payments, the company will as the performance of the obligations within a certain period of time, affirm income according to the performance plan, performance schedule not reasonable. The Company shall determine the performance schedule of the services provided in accordance with the output method. If the performance progress cannot be reasonably determined and the Company is expected to be compensated for the costs already incurred, the Company shall recognize the income according to the amount of the costs already incurred until the performance progress can be reasonably determined.

(2) Revenue recognition at a point in time

The company sells industrial robots, electronic manufacturing products, information network equipment and consumer electronic products, etc., which belong to the performance obligations performed at a certain point. Products sold in revenue recognition need to satisfy the following conditions: the company is according to the contract to deliver the products to the customer and have accepted the goods from the customers, has been back payment for goods or made with the receipt and related gross inflow of economic benefits, the main risks and rewards on the ownership of the goods has transferred, the legal ownership of the goods has been transferred. The income recognition of export products shall meet the following conditions: the company has declared the products according to the contract, obtained the bill of lading, has recovered the payment for goods or obtained the receipt voucher, and the relevant economic benefits are likely to flow in, the main risks and rewards of the ownership of the goods have been transferred, and the legal ownership of the goods has been transferred.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.28 Revenue (Continued)

#### 3.28.2 Specific circumstances of revenue recognition (Continued)

(3) Rental service

Where a company provides lease services, the rental income shall be recognized as rental income in accordance with the straight-line method within the lease period (rent-free period is considered if there is a rent-free period) agreed in the lease contract or agreement. For details, see 3.32 related disclosure of leasing accounting policies.

(4) Others

Other applicable to property management, park services, etc., in accordance with the contract in accordance with the straight-line method of revenue recognition.

### 3.29 Contract costs

Contract costs are divided into contract performance costs and contract acquisition costs:

The costs incurred by the Company for the performance of the contract are recognized as an asset as contract performance costs when the following conditions are met:

1. Such costs are directly related to a current or expected contract.
2. Such costs increase the resources of the Company for fulfilling its performance obligations in the future.
3. Such costs are expected to be recovered.

If the incremental costs for acquiring contracts by the Company is expected to be recovered, such costs will be taken as the contract acquisition costs and recognized as an asset.

Amortization of the assets related to contract costs shall be made on the same basis of recognizing the revenue from the products or services related to such assets; however, if the amortization period of the contract acquisition cost is less than one year, the Company will include it into current profit or loss when incurred.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.29 Contract costs (Continued)

For the assets related to contract costs whose book value is higher than the difference between the following two items, the Company will make the provision for impairment for the excess and recognize it as asset impairment loss:

1. The remaining consideration expected to be obtained by the transfer of the goods or services related to such assets;
2. the estimated costs that will occur in order to transfer the relevant goods or services.

In case of any reversal of the aforesaid provision for asset impairment later, the book value of the assets after the reversal does not exceed the book value of the assets on the reversal date under the assumption that no provision for impairment is made.

### 3.30 Government grants

#### 3.30.1 Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the company at no consideration and are classified into government grant related to asset and government grant related to income.

Government grants related to assets is obtained by the Company for the purposes of constructing or forming long-term assets in other ways including funds allocation for purchase of fixed assets or intangible assets, financial discount of special loans for fixed assets. Government grants related to revenue refer to the government grants other than those related to assets.

#### 3.30.2 Recognition time point

Government grants related to revenue is recognized when the grant is received;

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

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## 3 Significant accounting policies and accounting estimates (Continued)

### 3.30 Government grants (Continued)

#### 3.30.3 Accounting treatment

Government grants related to assets should be presented as deferred income. Government grants are recognized in profit or loss on a systematic basis over the periods (recognized as other income when related to operating activities; and recognized as non-operating income when not related to operating activities).

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognized as deferred income, and recognized as other income for daily operating activities and non-operating income for non-operating activities over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred by the Company, the grant shall be recognized immediately in profit or loss for the current period, alternatively, they are deducted in reporting the related expense.

The Company receives the loan interest with policy reference and treats in different ways in accordance with two situations below:

If the interest grants paid to the bank and then the bank provides bank loans to company with interest rate in preferential policy, the Company will regard the borrowing amount received as the initial value and calculate the principle of borrowing and borrowing costs based on the interest rate in preferential policy.

If the interest grants paid directly to the Company, the Company will deduct the interest grants from borrowing costs.

### 3.31 Deferred income tax assets and deferred income tax liabilities

Income tax includes current income tax and deferred income tax. Except for the income tax arising from the business merger and the transaction or event directly booked into the owners' equity (including other comprehensive income), the Company will record the current income tax and deferred income tax into the current profit and loss.

Deferred income tax assets and deferred income tax liabilities shall be calculated and recognized on the basis of the difference (temporary difference) between the tax basis of the assets and liabilities and their carrying value.

Deferred income tax assets are recognized at deductible temporary difference to the extent that it shall not exceed the future taxable income possibly available to be against the deductible temporary difference.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.31 Deferred income tax assets and deferred income tax liabilities (Continued)

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or matters excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

Deferred income tax liability is recognized for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless the Company can control the timing of reversal of such temporary differences and such temporary differences are likely not to be reversed in the foreseeable future. For the deductible temporary differences related to the investments of subsidiaries, associates and joint ventures, deferred tax assets are recognized when the temporary differences are likely to be reversed in the foreseeable future and the taxable income amount used to offset the deductible temporary differences is likely to be obtained in the future.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities shall be measured in accordance with the applicable tax rate during the period of expected recovery of the relevant assets or settlement of the relevant liabilities in accordance with the provisions of the tax law.

On the balance sheet date, the Company reviews the carrying value of the deferred income tax assets. If it is likely that sufficient taxable income will not be obtained to offset the benefit of the deferred income tax asset in the future period, the carrying value of the deferred income tax asset will be written down. When sufficient taxable income is likely to be obtained, the amount of write-down will be reversed.

The current income tax assets and current income tax liabilities shall be reported at the net offset amount when the legal right to settle on a net basis is possessed and the intention is to settle on a net basis or acquire assets and pay off liabilities simultaneously.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are presented in net amount after set-off when both of the following conditions are met:

- Taxpayers have the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- The deferred income tax assets and deferred tax liabilities are with the same tax collection and administration departments related income tax rate to the same entity or are related to different tax subject, but each has the importance in the future of the deferred income tax assets and liabilities return period, involving tax subject intent to netting or current income tax assets and liabilities and acquire assets and pay off debt.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.32 Lease

Lease refers to a contract in which the lessor transfers the right to use the assets to the lessee within a certain period to obtain consideration. On the contract commencement date, the Company evaluates whether the contract is or includes a lease. If a party to the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is or includes a lease.

If the contract contains multiple separate leases at the same time, the lessee and the lessor may split the contract, and account for each lease separately. If the contract includes both lease and non-lease parts, the lessee and the lessor shall split them.

#### 3.32.1 The Company as the lessee

##### (1) Right-of-use assets

At the commencement of the lease term, the Company recognizes the right-of-use assets for leases other than short-term and low-value asset leases. Right-of-use assets are initially measured at cost, which includes:

- The initial measurement amount of the lease liability;
- The lease payment made on or before the commencement of the lease term, or the relevant amount after deducting the lease incentive already enjoyed if any;
- Initial direct costs incurred by the Company;
- The cost expected to be incurred by the Company for dismantling and removing the leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms. The Company recognizes and measures this cost according to the recognition standards and measurement methods described in Note "4.24 Estimated liabilities". This cost incurred for the production of an inventory shall be included in the inventory cost.

The Company shall, in accordance with the relevant depreciation policies of "3.17 Fixed Assets" in the notes hereto, deduct the depreciation of the right to use assets. If the ownership of the leased assets can be reasonably determined upon expiration of the lease term, the Company shall deduct depreciation over the remaining useful life of the leased assets. Otherwise, depreciation of the leased asset shall be accrued in the shorter period between the lease period and the remaining useful life of the leased asset.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.32 Lease (Continued)

#### 3.32.1 The Company as the lessee (Continued)

##### (1) Right-of-use assets (Continued)

The Company shall determine whether the impairment of the right to use assets has occurred according to the principles stated in "3.21 Impairment of Long-term Assets" in this Note, and shall conduct accounting treatment for the recognized impairment losses.

##### (2) Lease Liabilities

At the commencement of the lease term, the Company recognizes lease liabilities for leases other than short-term and low-value asset leases. The lease liabilities are initially measured at the present value of the unpaid lease payments. Lease payments include:

- Fixed payment (including substantial fixed payment), and the relevant amount after deducting the lease incentive if any;
- Variable lease payments depending on index or ratio;
- Estimated payments due to the guaranteed residual value provided by the Company;
- Exercise price of the purchased option, provided that the Company reasonably determines that the option will be exercised;
- The amount to be paid for the exercise of the lease termination options, provided that the lease term reflects that the Company will exercise the options to terminate the lease;

The Company uses the interest rate implicit in lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the Company uses the incremental borrowing rate as the discount rate.

The Company calculates the interest expense of the lease liabilities in each the lease term at a fixed periodic interest rate, and includes it in the current profit or loss or related asset costs.

Variable lease payments that are not included in the lease liabilities are included in current profit or loss or related asset costs when incurred.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.32 Lease (Continued)

#### 3.32.1 The Company as the lessee (Continued)

##### (2) Lease Liabilities (Continued)

The Company will re-measure the lease liabilities at the present value of the lease payment after the change in the following circumstances after the commencement of the lease term:

- The payable expected according to the guaranteed residual value changes;
- The index or ratio used to determine the lease payment changes;
- The Company's evaluation results of purchase options, lease renewal options, or lease termination options change, or the actual exercise of lease renewal options or lease termination options is inconsistent with the original evaluation results.

When re-measuring lease liabilities, the Company adjusts the book value of the right-of-use assets accordingly. If the book value of the right-of-use assets has been written down to zero, but the lease liabilities still need to be written down, the Company will include the remaining amount in the current profit or loss.

##### (3) Short-term and low-value asset leases

The Company chooses not to recognize the right-of-use assets and lease liabilities for short-term and low-value asset leases, and includes the related lease payments in the current profit or loss or related asset costs with the straight-line method in each lease term. Short-term lease refers to a lease that lasts for no more than 12 months and includes no purchase options at the commencement of the lease term. Low-value asset lease refers to a lease with lower value when the individual leased assets are brand new assets. If the Company sublets or anticipates subletting the leased assets, the original lease is not a low-value asset lease.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.32 Lease (Continued)

#### 3.32.1 The Company as the lessee (Continued)

##### (4) Lease change

If a lease changes and meets all the following conditions, the Company will account for the lease change as a separate lease:

- 1) The lease change expands the scope of the lease by adding one or more rights to use the leased assets;
- 2) The increased consideration is equivalent to the individual price of the expanded part adjusted according to the contract.

If the lease change is not accounted for as a separate lease, the Company shall, on the effective date of the lease change, re-allocate the consideration of the changed contract, re-determine the lease term, and re-measure the lease liabilities at the present value calculated based on the changed lease payment and the revised discount rate.

If a change in the lease results in a reduction in the lease scope or a shorter lease term, the Company shall reduce the book value of the right to use assets accordingly and record the relevant gains or losses arising from the partial or complete termination of the lease into the current profit and loss. If other lease changes result in the remeasurement of lease liabilities, the Company shall adjust the book value of the right asset accordingly.

#### 3.32.2 The Company as the lessor

The leases are classified as finance lease and operating lease on the lease beginning date. Finance lease refers to the lease under which all the risks and rewards relevant to the ownership of assets are materially transferred, regardless of whether the ownership is ultimately transferred. Operating lease refers to the leases other than finance lease. When the Company is a sub-lessor, it classifies the sublease based on the right-of-use assets generated from the original lease.

##### (1) Accounting treatment of operating lease

Lease receipts from operating leases during each lease term shall be recognized as rental income with the straight-line method. The Company capitalizes the initial direct costs incurred in relation to operating leases, and allocates the same to the current profit or loss on the same basis as that for rental income recognition during the lease term. Variable lease payments that are not included in the lease receipts are included in current profit or loss when incurred.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.32 Lease (Continued)

#### 3.32.2 The Company as the lessor (Continued)

##### (2) Accounting treatment of finance lease

On the lease beginning date, the Company recognizes the finance lease receivables and derecognizes the assets acquired under finance lease. When the Company initially measures the finance lease receivables, the net lease investment is taken as the book-entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts that have not been received at the commencement of the lease term, discounted at the interest rate implicit in lease.

The Company calculates and recognizes the interest income in each lease term at a fixed periodic interest rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with Note "3.10 Financial instruments".

Variable lease payments that are not included in the net lease investment are included in current profit or loss when incurred.

#### 3.32.3 Sale-and-leaseback deals

The Company evaluates and determines whether the asset transfer in the sale-and-leaseback deals is a sale in accordance with the principles described in Note "3.28 Revenue".

##### (1) As a lessee

If the asset transfer in the sale-and-leaseback deal is a sale, the Company, as the lessee, measures the right-of-use asset formed by the sale-and-leaseback deal according to the part, in the book value of original assets, related to the use right obtained from the leaseback, and only recognizes the relevant gains or losses for the rights transferred to lessor; If the asset transfer in the sale-and-leaseback deal is not a sale, the Company, as the lessee, continues to recognize the transferred assets and a financial liability equal to the transfer income. Refer to Note "3.10 Financial instruments" for the accounting treatment of financial liabilities.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.32 Lease (Continued)

#### 3.32.3 Sale-and-leaseback deals (Continued)

##### (2) As a lessor

Where the asset transfer in the sale-leaseback transactions belongs to sales, the Company as the lessor conducts the accounting treatment for purchase of assets, and conducts the lease of assets in accordance with the policies on "2. the Company as a lessor" stated above; where the asset transfer in the sale-leaseback transactions belongs to sales, the Company as the lessor does not recognize the transferred assets, but confirms a financial asset equivalent to the transfer revenue. Refer to Note "3.10 Financial instruments" for the accounting treatment of financial assets.

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.33 Discontinued operation

Discontinued operations refer to the component meeting any of the following conditions that can be separately distinguished and that has been disposed by the Company or classified as held for sale by the Company:

- (1) the component represents a separate major business or a sole major business area;
- (2) the component is a part of the plan on intended disposal of an independent major business or a sole major business area; or
- (3) the component is a subsidiary acquired only for re-sale.

The profit and loss from continuing operation and the profit and loss from discontinuing operation are separately presented in the profit statement. Operating gains and losses, such as impairment loss and reversal amount, and disposal gains and losses of terminated operations are reported as profit and losses of terminated operations. For the termination of operation reported in the current period, the Company will present the information originally presented as profit and loss from continuing operation as profit and loss from termination of operation for the comparable accounting period in the current financial statements.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.34 Segmental reporting

The Company determines the operating division based on the internal organizational structure, management requirements and internal reporting system, and determines the reporting division based on the operating division and discloses the information of the division.

Operating Segments refer to the components of the Company that meet the following conditions at the same time:(1) It is able to generate revenue and incur expenses in its daily activities;(2) The management of the Company can regularly evaluate the operating results of the component to determine the allocation of resources to it and evaluate its performance;(3) The Company can obtain relevant accounting information such as the financial position, operating results and cash flow of the component. If two or more operating divisions have similar economic characteristics and meet certain conditions, they may be merged into one operating division.

### 3.35 Notes to adjustments for changes in accounting policies and accounting estimates, the correction of errors and other adjustments

#### 3.35.1 Changes in accounting policies

- (1) The implementation of "Accounting Standards for Business Enterprises Interpretation No. 13"

The Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 13 (Finance and Accounting [2019] No. 21, hereinafter referred to as "Interpretation No. 13") on December 10, 2019, which took effect on January 1, 2020 and does not require retroactive adjustment.

1. Identification of related parties

Interpretation No. 13 makes it clear that the following circumstances constitute an affiliated party: a joint venture or joint venture between the enterprise and other members of the enterprise group (including the parent company and subsidiaries); Joint ventures of an enterprise and other joint ventures or associates of an enterprise. In addition, interpretation No. 13 also makes it clear that only two or more enterprises that are materially affected by one party do not constitute affiliated parties, and adds that joint ventures include joint ventures and their subsidiaries, and joint ventures include joint ventures and their subsidiaries.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 3 Significant accounting policies and accounting estimates (Continued)

### 3.35 Notes to adjustments for changes in accounting policies and accounting estimates, the correction of errors and other adjustments (Continued)

#### 3.35.1 Changes in accounting policies (Continued)

- (1) The implementation of "Accounting Standards for Business Enterprises Interpretation No. 13" (Continued)

2. Definition of business

Interpretation No. 13 improves the three elements of business composition, elaborates the judgment conditions of business composition, and introduces the choice of "concentration test" to simplify the judgment of whether a portfolio acquired under different control constitutes business to a certain extent.

The Company has implemented Interpretation No. 13 since January 1, 2020, and the comparative financial statements have not been adjusted. The Company has not implemented Interpretation No. 13, which has had a significant impact on the Company's financial position and operating results.

- (2) Implement the Accounting Treatment of Rental Concession Related to COVID-19 Epidemic

On June 19, 2020, the Ministry of Finance (MOF) issued the Accounting Regulations on the Treatment of Rent Concessions Related to COVID-19 (Finance and Accounting [2020] No. 10), which will come into force on June 19, 2020, allowing enterprises to adjust the relevant rent concessions that occurred between January 1 solstice, the implementation date of this regulation.

According to this regulation, enterprises can choose to adopt a simplified method for accounting treatment of rent concessions, such as rent remission and deferred payment, which are directly caused by COVID-19.

The Company adopts the simplified method for accounting treatment of all rent concessions that fall within the applicable scope of the Provisions, and makes corresponding adjustments to the relevant rent concessions that occur between January 1, solstice, the effective date of the Provisions.

The Company as the lessee adopts a simplified method to deal with the relevant rent concession write-off and deduct the operating costs, administrative expenses and selling expenses of the current period, totaling RMB33,000.00.

#### 3.35.2 Changes in accounting estimates

There was no change in the principal accounting estimates of the Company during the reporting period.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 4. Taxation

### 4.1 Major tax types and tax rates

Tax type	Basis of tax calculation	Applicable tax rate
Value-added tax ("VAT")	Output VAT is calculated based on taxable sales revenue and service revenue calculated in accordance with tax laws and VAT payable shall be the difference between the output VAT and input VAT deductible in the same period	13%、9%、6%、5%、3%、1%
Urban maintenance and construction tax	Levied on the basis of the actual VAT and consumption tax paid	7%、5%
Enterprise income tax	Levied based on taxable income	25%、20%、15%、16.5%

Companies subject to different income tax rates are disclosed as follows:

Name of the companies	Income tax rate
Nanjing Panda Electronic Manufacture Co., Ltd	15.00%
Nanjing Panda Communication Technology Co., Ltd	15.00%
Nanjing Huage Appliance and Plastic Industrial Co., Ltd	15.00%
Nanjing Panda Information Industry Co., Ltd	15.00%
Nanjing Panda Mechatronics Instrument Technology Co., Ltd	15.00%
Jingwah Information Technology Co., Ltd.	15.00%
Nanjing Panda Electronic Equipment Co., Ltd	15.00%
Chengdu Panda Electronics Technology Co., Ltd.	15.00%
Shenzhen Jinghua Property Management Co., Ltd	20.00%
Parking lot of Shenzhen Jinghua Electronic Co., Ltd	20.00%
Jingwah Digital Technology Co., Ltd.	20.00%
Shenzhen Jinghua Media Technology Co., Ltd.	20.00%
Shenzhen Jingjia Property Management Co., Ltd	20.00%
Galant Limited	16.50%
JWD Trading (HK) Co., Ltd	16.50%

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 4. Taxation (Continued)

### 4.2 Tax preference

1. Nanjing Panda Electronic Manufacture Co., Ltd., the second-level subsidiary of the Company, was re-examined and approved as a high-tech enterprise on December 02, 2020, and obtained the "High-tech Enterprise Certificate" (Certificate No.: GR202032007426) jointly issued by Jiangsu Provincial Department of Science and Technology, and the validity period of the certificate is 3 years. From December 02, 2020 to December 02, 2023, the Company shall pay income tax on 15% of the taxable income amount.
2. Nanjing Panda Communication Technology Co., Ltd., the second-level subsidiary of the Company, was re-recognized as a high-tech enterprise on December 02, 2020 and obtained the "High-tech Enterprise Certificate" (Certificate No. GR202032006826) jointly issued by Jiangsu Provincial Department of Science and Technology and other departments. The validity period of the certificate is 3 years. From December 02, 2020 to December 02, 2023, the Company shall pay income tax at 15% of the taxable income amount.
3. On December 02, 2020, the company third-level subsidiary Nanjing Huage Appliance and Plastic Industrial Co., Ltd was re-recognized as a high-tech enterprise and obtained the "High-tech Enterprise Certificate" (Certificate No. GR202032006058) jointly issued by Jiangsu Provincial Department of Science and Technology. The validity of the certificate is 3 years. From December 02, 2020 to December 02, 2023, the Company shall pay income tax at 15% of the taxable income amount.
4. Nanjing Panda Mechatronics Instrument Technology Co., Ltd, the second-level subsidiary of the Company, was re-recognized as a high-tech enterprise on November 28, 2018 and obtained the "High-tech Enterprise Certificate" (Certificate No. GR201832002286) jointly issued by Jiangsu Provincial Department of Science and Technology and other departments. The validity period of the certificate is 3 years. From November 28, 2018 to November 28, 2021, the Company shall pay income tax on 15% of the taxable income.
5. Nanjing Panda Mechatronics Technology Co., Ltd, the third-level subsidiary of the Company, was re-recognized as a high-tech enterprise on November 28, 2018, and obtained the "High-tech Enterprise Certificate" (Certificate No. GR201832002778) jointly issued by Jiangsu Provincial Department of Science and Technology and other departments. The validity of the certificate is 3 years. From November 28, 2018 to November 28, 2021, the Company shall pay income tax on 15% of the taxable income amount.
6. Jingwah Information Technology Co., Ltd., a third-level subsidiary of the Company, was re-recognized as a high-tech enterprise on November 09, 2018, and obtained the "High-tech Enterprise Certificate" (Certificate No. GR201844204258) jointly issued by Shenzhen Municipal Science and Technology Innovation Commission, and the validity of the certificate is 3 years. From November 09, 2018 to November 09, 2021, the Company shall pay income tax on 15% of the taxable income.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

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## 4. Taxation (Continued)

### 4.2 Tax preference (Continued)

7. Nanjing Panda Electronic Equipment Co., Ltd, the second-level subsidiary of the Company, was re-recognized as a high-tech enterprise on November 28, 2018 and obtained the "High-tech Enterprise Certificate" (Certificate No. GR201832001770) jointly issued by Jiangsu Provincial Department of Science and Technology and other departments. The validity period of the certificate is 3 years. From November 28, 2018 to November 28, 2021, the Company shall pay income tax on 15% of the taxable income.
8. The company's secondary subsidiary Chengdu Panda Electronics Technology Co., Ltd. in line with the state administration of taxation about the execution in the catalogue of encouraged industries in the western region, the enterprise income tax questions answered in the western region, to the provisions of the state of the encouraged industrial projects as the main business, and it's the main business revenue accounts for more than 70% of the total enterprise, implements the enterprise to apply for, the tax authorities to review the management regulations. An enterprise may pay enterprise income tax at a reduced rate of 15% only after it has been examined and confirmed by the tax authorities.
9. The company's third-level subsidiaries Shenzhen Jingjia Property Management Co., Ltd., Shenzhen Jinghua Property Management Co., Ltd, Parking lot of Shenzhen Jinghua Electronic Co., Ltd, Jingwah Digital Technology Co., Ltd., Shenzhen Jinghua Media Technology Co., Ltd. this period was identified as a small meagre-profit enterprise satisfying, according to the law of the People's Republic of China on enterprise income tax law CS[2019] No. 13, and its implementation regulations, the Ministry of Finance administration of taxation on implementing small micro enterprise general notice of tax cuts and other rules: From January 1, 2019 to December 31, 2021, the part of annual taxable income less than RMB1 million of small small-profit enterprises shall be reduced by 25% and included into the taxable income amount, and the enterprise income tax shall be paid at the tax rate of 20%;For the part of annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, a reduction of 50% shall be included into the taxable income amount, and the enterprise income tax shall be paid at the tax rate of 20%.
10. The profits tax rate of Galant Limited and JWD Trading (HK) Co., Ltd registered in Hong Kong is 16.5%.
11. According to Article 30 of the "Enterprise Income Tax Law" and Article 95 of the "Regulations for the Implementation of the Enterprise Income Tax Law" and other relevant policies, the financial year 2020 meets the preferential conditions of additional deduction of income tax for R & D expenses. And the actual amount of R & D expenses shall enjoy 75% additional deduction according to the regulations.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 4. Taxation (Continued)

### 4.2 Tax preference (Continued)

12. Nanjing Panda Xinxing Industrial Co., Ltd., the second-level subsidiary of the Company, will enjoy the preferential policy of 10% VAT deduction from April 1, 2019 to December 31, 2021 in accordance with the Announcement on Relevant Policies for Deepening VAT Reform (Announcement of the Ministry of Finance, Taxation Administration and General Administration of Customs, No. 39, 2019); According to the Announcement on Clarifying the Policy of VAT Additional Credit for Domestic Service Industry (Announcement of the Ministry of Finance and the State Administration of Taxation No. 87, 2019), from October 1, 2019 to December 31, 2021, the company will enjoy the preferential policy of 15% VAT Additional Credit.
13. Shenzhen Jinghua Property Management Co., Ltd, a third-level subsidiary of the Company, will enjoy the preferential policy of 10% VAT deduction from April 1, 2019 to December 31, 2021 in accordance with the Announcement of Relevant Policies on Deepening VAT Reform (Announcement of the General Administration of Taxation and Customs of the Ministry of Finance, No. 39, 2019); According to the Announcement on Clarifying the Policy of VAT Additional Credit for Domestic Service Industry (Announcement of the Ministry of Finance and the State Administration of Taxation No. 87, 2019), from October 1, 2019 to December 31, 2021, we will enjoy the preferential policy of 15% VAT Additional Credit.
14. The Parking lot of Shenzhen Jinghua Electronic Co., Ltd, a third-level subsidiary of the company, enjoys the preferential policy of "six taxes and two fees" for small-scale VAT taxpayers reduced by 50% according to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Preferred Tax Reduction Policy for Small and Micro Enterprises [2019] No.13 Document of Finance and Taxation.
15. According to "Taxation on Value-added Tax Policies for Software Products" (CS [2011] No. 110), if general VAT taxpayers sell self-developed and produced software products or sell the imported software products after localization and transformation, after VAT has been collected at a tax rate of 16%, the refund-upon-collection policy shall be applied to the part of actual VAT burden in excess of 3%. The second-tier subsidiary of the company, Nanjing Panda Communication Technology Co., Ltd. could enjoy this preferential policy.



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements

### 5.1 Monetary funds

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Cash on hand	178,831.50	399,930.44
Bank deposits	1,148,873,976.08	862,741,446.79
Other monetary funds	166,674,020.39	190,728,389.96
Total	1,315,726,827.97	1,053,869,767.19
Including: total amount of deposits abroad	19,705,668.60	16,773,237.20

The monetary funds which were limited to use by mortgage, pledge, and frozen, or limited to remit to China in foreign countries are as following:

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Bank acceptance bills margin	70,723,580.10	98,037,989.50
Guarantee for performance and letter of guarantee	95,863,960.21	92,604,083.63
L/C deposit	7.51	7.51
Government special account funds	86,472.57	86,309.32
Total	166,674,020.39	190,728,389.96

### 5.2 Trading financial assets

Items	Balance as at December 31, 2020	Balance as at January 1, 2020
Financial assets measured at fair value through profit or loss	501,356,576.18	300,469,826.49
Including: debt instrument investment		50,211,438.36
Financial derivative	501,356,576.18	250,258,388.13
Total	501,356,576.18	300,469,826.49

Note: The company's trading financial assets at the end of the period are all bank financial products.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.3 Notes receivable

(1) Classification of notes receivable

Category	Balance as at December 31, 2020	Balance as at January 1, 2020
Bank acceptance bills	35,394,835.82	21,780,418.49
Commercial acceptance bills		
Total	<u>35,394,835.82</u>	<u>21,780,418.49</u>

(2) Notes receivable pledged as at December 31, 2020

Category	Amount of the note's receivable pledged as at December 31, 2020
Bank acceptance bill	<u>19,000,000.00</u>
Total	<u>19,000,000.00</u>

Note: The bill pledged is a guarantee for the issuance of a bank acceptance bill to the bill pool.

(3) The company has no undue notes receivable that have been endorsed or discounted on the balance sheet date

(4) There is no notes receivable turning into accounts receivable due to issuer's default at the year end.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.4 Accounts receivable

#### 5.4.1 Accounts receivable shown by aging

Aging	Balance as at December 31, 2020	Balance as at January 1, 2020
Within 1 year (including 1 year)	986,730,944.25	888,517,226.88
Including: 0–6 months	852,957,752.19	831,972,710.15
7–12 months	133,773,192.06	56,544,516.73
1–2 years	129,760,955.02	71,782,021.94
2–3 years	60,317,987.51	37,383,185.91
3–4 years	13,312,642.33	14,855,019.84
4–5 years	8,466,952.45	21,275,141.86
Over 5 years	20,343,866.35	8,724,891.67
Subtotal	1,218,933,347.91	1,042,537,488.10
Less: bad debt provision	57,062,433.32	46,178,230.95
Total	<u>1,161,870,914.59</u>	<u>996,359,257.15</u>

#### 5.4.2 Accounts receivable shown by classification of bad debt provisions

Type	Balance as at December 31, 2020					Balance as at January 1, 2020				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable accruing bad debt provision in individual portfolio	62,246,501.20	5.11	31,024,845.33	49.84	31,221,655.87	85,612,136.43	8.21	26,441,239.05	30.88	59,170,897.38
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	1,156,686,846.71	94.89	26,037,587.99	2.25	1,130,649,258.72	956,925,351.67	91.79	19,736,991.90	2.06	937,188,359.77
Including: The portfolio of aging	649,077,446.89	53.25	25,874,714.37	3.99	623,202,732.52	520,032,228.45	49.88	19,479,475.27	3.75	500,552,753.18
Others portfolio	507,609,399.82	41.64	162,873.62	0.03	507,446,526.20	436,893,123.22	41.91	257,516.63	0.06	436,635,606.59
Total	<u>1,218,933,347.91</u>	<u>100.00</u>	<u>57,062,433.32</u>		<u>1,161,870,914.59</u>	<u>1,042,537,488.10</u>	<u>100.00</u>	<u>46,178,230.95</u>		<u>996,359,257.15</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.4 Accounts receivable (Continued)

#### 5.4.2 Accounts receivable shown by classification of bad debt provisions (Continued)

##### (1) Provision for bad debts individual

Debtors	As at December 31, 2020			Reasons
	Book balance	Provision for bad debts	Proportion of provision (%)	
Daifuku (SUZHOU) Cleanroom Automation Co., Ltd.	24,128,447.47	3,619,267.12	15.00	Expect part of it cannot be recovered
Nanjing Yougete Communication Equipment Co., Ltd.	14,275,594.00	14,275,594.00	100.00	Not expected to be recovered
Jiangsu Zhongshi Environment Technology Co., Ltd.	6,500,000.00	6,500,000.00	100.00	Not expected to be recovered
Baweitong Technology Co., Ltd.	5,100,000.00	346,214.48	6.79	Expect part of it cannot be recovered
Jiangsu Cable Network Development Co., Ltd. Sihong Branch	4,684,000.00	696,600.00	14.87	Expect part of it cannot be recovered
China Cable TV Network Co., Ltd. Hainan Branch	2,297,700.00	326,410.00	14.21	Expect part of it cannot be recovered
Information Department of a military command	2,023,000.00	2,023,000.00	100.00	Not expected to be recovered
Zhejiang Bajun Plastic Industry Co., Ltd.	1,600,000.00	1,600,000.00	100.00	Not expected to be recovered
Beijing Zhonghua Original Technology Co., Ltd.	995,000.00	995,000.00	100.00	Not expected to be recovered
Lianyungang Yintai Real Estate Development Co., Ltd.	424,000.00	424,000.00	100.00	Not expected to be recovered
Other smaller summaries	218,759.73	218,759.73	100.00	Not expected to be recovered
<b>Total</b>	<b>62,246,501.20</b>	<b>31,024,845.33</b>		

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.4 Accounts receivable (Continued)

#### 5.4.2 Accounts receivable shown by classification of bad debt provisions (Continued)

##### (1) Provision for bad debts individual (Continued)

Accounts receivable accruing bad debt provision in credit risk characteristic portfolio:

Aging portfolio:

Aging	As at December 31, 2020		
	Book balance	Provision for bad debts	Proportion (%)
Within 1 year (including 1 year)	504,922,611.42	4,899,295.45	0.97
Including: 0-6 months	406,936,702.38		
7-12 months	97,985,909.04	4,899,295.45	5.00
1-2 years	103,474,708.18	10,347,470.82	10.00
2-3 years	28,850,635.61	4,327,595.34	15.00
3-4 years	6,495,394.64	1,948,618.39	30.00
4-5 years	1,964,725.35	982,362.68	50.00
Over 5 years	3,369,371.69	3,369,371.69	100.00
Total	649,077,446.89	25,874,714.37	

Accounts receivable accruing bad debt provision in another portfolio

The name of portfolio	As at December 31, 2020		
	Book balance	Provision for bad debts	Proportion (%)
The portfolio of related parties	507,609,399.82	162,873.62	0.03
Total	507,609,399.82	162,873.62	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.4 Accounts receivable (Continued)

#### 5.4.3 Provision, transfer and recovery of bad debts in the period

Type	As at January 1, 2020	Changes during the period			As at December 31, 2020
		Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Written off	
Accounts receivable accruing bad debt provision in individual portfolio	26,441,239.05	11,609,438.34	6,421,843.06	603,989.00	<b>31,024,845.33</b>
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	19,736,991.90	16,441,930.35	7,932,981.58	2,208,352.68	<b>26,037,587.99</b>
Of which: Accounts receivable accruing bad debt provision in aging portfolio	19,479,475.27	16,441,930.35	7,932,981.58	2,113,709.67	<b>25,874,714.37</b>
Of which: Accounts receivable accruing bad debt provision in related parties	<u>257,516.63</u>			<u>94,643.01</u>	<u><b>162,873.62</b></u>
Total	<u>46,178,230.95</u>	<u>28,051,368.69</u>	<u>14,354,824.64</u>	<u>2,812,341.68</u>	<u><b>57,062,433.32</b></u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.4 Accounts receivable (Continued)

#### 5.4.3 Provision, transfer and recovery of bad debts in the period (Continued)

The significant amount of provision reversal and recovery of bad debts

Name of debtors	Amount reversed or recovered	Reason for bad debt provision	Reason for recovery	Approach
NARI Technology Co., Ltd.	4,502,747.19	Individual portfolio	Debt collection	Cash and Bank
Guannan Radio and Television Network Co., Ltd.	1,500,000.00	Aging portfolio	Debt collection	Cash and Bank
Xinjiang Autonomous Region Press, Publication, Radio, Film and Television Bureau	1,290,542.09	Individual portfolio	Debt collection	Cash and Bank
Zhejiang Zheda Insigma Rail Transportation Engineering Co., Ltd.	1,094,902.00	Aging portfolio	Debt collection	Cash and Bank
Shanghai VN Systems Co., Ltd.	934,916.00	Aging portfolio	Debt collection	Cash and Bank
Taizhou Technician College	543,150.00	Aging portfolio	Debt collection	Cash and Bank
Shijiazhuang Rail Transit Co., Ltd.	400,348.70	Aging portfolio	Debt collection	Cash and Bank
Baweitong Technology Co., Ltd.	329,354.49	Individual portfolio	Debt collection	Cash and Bank
Industrial and Commercial Bank Of China Limited Kashgar Branch	298,337.65	Aging portfolio	Debt collection	Cash and Bank
Xiamen Jiuhua Communication Equipment Factory	271,100.00	Aging portfolio	Debt collection	Cash and Bank
Construction Department of Jiangsu Small Reservoir Flood Control Communication and Early Warning System Project	250,612.50	Aging portfolio	Debt collection	Cash and Bank
Xuzhou Material Market Co., Ltd.	248,700.00	Aging portfolio	Debt collection	Cash and Bank
Suzhou Rail Transit Group Co., Ltd.	189,867.03	Aging portfolio	Debt collection	Cash and Bank
The 28th Research Institute of China Electronics Technology Group Corporation	185,209.90	Aging portfolio	Debt collection	Cash and Bank
Nanjing Internet of Things Application Research Institute Co., Ltd.	176,861.25	Aging portfolio	Debt collection	Cash and Bank
Beijing Zhonghua Original Technology Co., Ltd.	160,000.00	Individual portfolio	Debt collection	Cash and Bank
Jiangsu Provincial Construction Group Co., Ltd.	143,000.00	Aging portfolio	Debt collection	Cash and Bank
The Third Construction Engineering Company Ltd. of China Construction Second Engineering	118,813.55	Aging portfolio	Debt collection	Cash and Bank
Mingguang City Bureau of Culture, Radio, Television, Press and Publication	111,990.90	Aging portfolio	Debt collection	Cash and Bank
Harbin Wanda City Investment Co., Ltd.	101,391.99	Aging portfolio	Debt collection	Cash and Bank
Other smaller summaries	1,502,979.40	Aging · Individual portfolio · related party	Debt collection	Cash and Bank
Total	<u>14,354,824.64</u>			

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.4 Accounts receivable (Continued)

#### 5.4.4 Accounts receivable written off in the period

Item	The amount written-off
Accounts receivable written off	<u><u>2,812,341.68</u></u>

Among them important accounts receivable write-off situation

Name of debtor	Nature of accounts receivable	Amount written off	Write-off reason	Write-off procedure adopted	Whether it generates due to the related party transactions
Changzhou Hengcheng Plastic Machinery Co., Ltd.	Payment for equipment	512,258.90	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
A.o.smith (China) Water Heater Co., Ltd.	Payment for equipment	345,950.50	The account age is more than 5 years, have an agreement to confirm the current verification	Board approval	No
Guannan Radio and Television Network Co., Ltd.	Payment for equipment	320,000.00	The age of the account is more than 5 years, the court mediates, the debt is exempted	Board approval	No
Nucleon (Xinxiang) Crane Co., Ltd.	Payment for equipment	280,000.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Nanjing Kangni Mechanical & Electrical Co., Ltd.	Payment for equipment	144,047.10	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Nanjing Gaoxi Circuit Technology Co., Ltd.	Payment for equipment	123,886.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Flextronics Electronics (Changzhou) Co., Ltd.	Payment for equipment	113,022.00	The account age is more than 5 years, the company has been cancelled, cannot be recovered	Board approval	No
Jingjiang Huaqiang Mold Co., Ltd.	Payment for goods	80,000.00	The account age is more than 5 years, the company has been cancelled, cannot be recovered	Board approval	No
Other smaller summaries	Payment for equipment and goods	893,177.18	The account age is more than 5 years, the company has been cancelled, cannot be recovered	Board approval	No
Total		<u><u>2,812,341.68</u></u>			



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.4 Accounts receivable (Continued)

5.4.5 Top 5 of accounts receivable in terms of the balance collected by the debtors as at December 31, 2020

Debtor	Book balance	Proportion in total accounts receivable (%)	Provision for bad debts
Nanjing CEC Panda FPD Technology Co., Ltd.	177,293,847.85	14.54	
Nanjing Panda Handa Science & Technology Co., Ltd.	119,573,772.70	9.81	
Chengdu Cec Panda Display Technology Co., Ltd.	82,528,149.83	6.77	
Chengdu Rail Transit Group Co., Ltd.	62,055,571.22	5.09	1,812,399.41
Nanjing CEC Panda LCD Technology Co., Ltd.	42,146,508.70	3.46	
Total	483,597,850.30	39.67	1,812,399.41

5.4.6 In the current period, the accounts receivable which have not been confirmed due to the transfer of financial assets.

5.4.7 At the end of the period, there is no transfer of accounts receivable and continue to be involved in for form to assets and liabilities' situations.

5.4.8 The situation of overdue accounts receivable

Item	As at December 31, 2020
Accounts receivable not overdue and not impaired	852,957,752.19
Accounts receivable overdue and not impaired – within 3 months	92,947,626.18
Accounts receivable overdue and not impaired – over 3 months	215,965,536.22
Total	1,161,870,914.59

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.5 Receivables financing

#### 5.5.1 Details of receivables financing

Category	As at December 31, 2020	As at January 1, 2020 (%)
Notes receivable	<b>144,969,078.62</b>	347,259,336.87
Accounts receivable		
Total	<b><u>144,969,078.62</u></b>	<b><u>347,259,336.87</u></b>

#### 5.5.2 Changes of receivables financing and fair value in current period

Item	Balance as at January 1, 2020	Increase in 2020	Current termination recognition	Other changes	As at December 31, 2020	Accumulated loss reserves recognized in other comprehensive income
Notes receivable	347,259,336.87	943,052,373.27	1,145,342,631.52		<b>144,969,078.62</b>	
Accounts receivable						
Total	<b><u>347,259,336.87</u></b>	<b><u>943,052,373.27</u></b>	<b><u>1,145,342,631.52</u></b>		<b><u>144,969,078.62</u></b>	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.6 Advance to suppliers

#### 5.6.1 Advances to suppliers presented by aging

Aging	As at December 31, 2020		As at January 1, 2020	
	Book balance		Book balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 (inclusive) year	92,283,338.96	84.15	98,901,982.73	87.26
1-2 years	10,334,117.20	9.42	9,314,341.38	8.22
2-3 years	2,660,380.67	2.43	2,478,350.60	2.19
Over 3 years	4,382,583.67	4.00	2,647,269.11	2.33
Total	109,660,420.50	100.00	113,341,943.82	100.00

The significant advance payment of RMB17,377,081.54 with an account age of more than one year is mainly the advance payment for materials and goods, which has not yet been settled because the obligations have not been fulfilled.

#### 5.6.2 Top five of advances to suppliers of ending balance by the debtor

Debtor	Book balance	Proportion in total advances to suppliers (%)
Shanghai Charmhope Information Technology Co., Ltd.	17,075,606.36	15.57
Nanjing Panda Electronics IMP. & EXP. Co., Ltd.	5,778,674.92	5.27
Joc International Technical Engineering Co., Ltd.	4,620,331.88	4.21
Hangzhou Guoxin Vision Technology Co., Ltd.	4,308,233.68	3.93
Shenzhen Ip3 Century Intelligent Technology Co., Ltd.	4,306,558.02	3.93
Total	36,089,404.86	32.91

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Interest receivable		
Dividend receivable		
Other receivables	<u>50,074,829.20</u>	<u>48,020,435.60</u>
Total	<u><u>50,074,829.20</u></u>	<u><u>48,020,435.60</u></u>

#### 5.7.1 Other receivables

(1) Other receivables shown by aging

Aging	Balance as at December 31, 2020	Balance as at January 1, 2020
Within 1 year (including 1 year)	<b>38,443,893.76</b>	33,903,214.71
Including: 0-6 months	<b>30,206,671.39</b>	31,873,589.43
7-12 months	<b>8,237,222.37</b>	2,029,625.28
1-2 years	<b>5,824,450.55</b>	7,314,793.66
2-3 years	<b>5,776,830.21</b>	6,412,833.98
3-4 years	<b>3,916,124.26</b>	2,956,348.85
4-5 years	<b>1,020,662.09</b>	7,787,082.34
Over 5 years	<b>11,385,953.10</b>	4,319,763.54
Sub-total	<b>66,367,913.97</b>	62,694,037.08
Less : Bad debt provision	<b>16,293,084.77</b>	14,673,601.48
Total	<u><u>50,074,829.20</u></u>	<u><u>48,020,435.60</u></u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

##### (2) Other receivable classification disclosure

Category	As at December 31, 2020					As at January 1, 2020				
	Book balance		Provision for bad debts		Book Value	Book balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts by single item	9,953,802.68	15.00	9,953,802.68	100.00		8,353,802.68	13.32	8,353,802.68	100.00	
Provision for bad debts by portfolio	56,414,111.29	85.00	6,339,282.09	11.24	50,074,829.20	54,340,234.40	86.68	6,319,798.80	11.63	48,020,435.60
Including: aging portfolio	35,338,963.81	53.25	5,630,699.68	15.93	29,708,264.13	36,456,923.76	58.15	5,500,045.16	15.09	30,956,878.60
Other portfolios	21,075,147.48	31.75	708,582.41	3.36	20,366,565.07	17,883,310.64	28.53	819,753.64	4.58	17,063,557.00
Total	66,367,913.97	100.00	16,293,084.77		50,074,829.20	62,694,037.08	100.00	14,673,601.48		48,020,435.60

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

##### (2) Other receivable classification disclosure (Continued)

Other receivables with provision for bad debts made on an individual basis

Name	Amount as at December 31, 2020			Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)	
MCT Worldwide LLC	6,937,000.00	6,937,000.00	100.00	Not expected to be recovered
Chongqing Ruyang Communication Technology Co., Ltd.	1,600,000.00	1,600,000.00	100.00	Not expected to be recovered
Nanjing Panda Digital Technology Development Co., Ltd.	812,988.08	812,988.08	100.00	Not expected to be recovered
Nanjing HuiPai Communication Technology Co., Ltd.	300,000.00	300,000.00	100.00	Not expected to be recovered
Janpan Hugel Company	78,342.00	78,342.00	100.00	Not expected to be recovered
Nanjing Kuanshi Materials Co., Ltd.	74,300.00	74,300.00	100.00	Not expected to be recovered
Shanye (Shanghai) Trading Co., Ltd.	62,560.00	62,560.00	100.00	Not expected to be recovered
Other smaller summaries	88,612.60	88,612.60	100.00	Not expected to be recovered
<b>Total</b>	<b>9,953,802.68</b>	<b>9,953,802.68</b>		

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

##### (2) Other receivable classification disclosure (Continued)

Provision for bad debts by portfolio

Portfolio: aging portfolio

Item	Amount as at December 31, 2020		
	Book balance	Provision for bad debts	Proportion of provision (%)
Within 1 year (including 1 year)	19,621,162.82	125,121.40	0.64
Including: 0-6 months	17,118,734.76		
7-12 months	2,502,428.06	125,121.40	5.00
1-2 years	5,022,642.15	502,264.22	10.00
2-3 years	4,688,066.48	703,209.97	15.00
3-4 years	2,124,078.74	637,223.62	30.00
4-5 years	440,266.31	220,133.16	50.00
Over 5 years	3,442,747.31	3,442,747.31	100.00
Total	35,338,963.81	5,630,699.68	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

##### (2) Other receivable classification disclosure (Continued)

Portfolio: other portfolios

Item	Amount as at December 31, 2020		
	Book balance	Provision for bad debts	Proportion of provision (%)
Portfolio of deposit, security deposit and employee reserve fund	21,075,147.48	708,582.41	3.36
Total	<u>21,075,147.48</u>	<u>708,582.41</u>	

##### (3) Details of accrued bad debt provision

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss over the duration (no credit impairment)	Expected credit loss over the duration (credit impairment occurred)	
Balance as at December 31, 2019	6,319,798.80		8,353,802.68	14,673,601.48
Balance as at January 1, 2020				
- transfer to second stage				
- transfer to Third stage	-240,000.00		240,000.00	
- transfer back to second stage				
- transfer back to first stage				
Accrued in current period	1,914,727.14		1,360,000.00	3,274,727.14
Reversal in current period	1,189,587.35			1,189,587.35
Reseller in current period				
Written-off in current period	465,656.50			465,656.50
Other changes				
Balance as at December 31, 2020	<u>6,339,282.09</u>		<u>9,953,802.68</u>	<u>16,293,084.77</u>



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

##### (3) Details of accrued bad debt provision (Continued)

Changes in carrying value of other receivables

Book balance	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss over the duration (no credit impairment)	Expected credit loss over the duration (credit impairment occurred)	
Balance as at December 31, 2019	54,340,234.40		8,353,802.68	62,694,037.08
Balance as at January 1, 2020				
- transfer to second stage				
- transfer to Third stage	-240,000.00		240,000.00	
- transfer back to second stage				
- transfer back to first stage				
Increase in current period	7,404,797.65		1,360,000.00	8,764,797.65
Current termination recognition	5,090,920.76			5,090,920.76
Other changes				
Balance as at December 31, 2020	<u>56,414,111.29</u>	<u></u>	<u>9,953,802.68</u>	<u>66,367,913.97</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

##### (4) Bad debt provision, reversal and recovery in the current period

Item	Balance as at January 1, 2020	Changes in current period			Balance as at December 31, 2020
		Provision for bad debt incurred in current period	Reversed or received	Written off	
Other receivable accruing bad debt provision in single item	8,353,802.68	1,600,000.00			9,953,802.68
Other receivables accruing bad debt provision in credit risk characteristic portfolio	6,319,798.80	1,674,727.14	1,189,587.35	465,656.50	6,339,282.09
Including : aging portfolio	5,500,045.16	1,648,392.27	1,152,081.25	365,656.50	5,630,699.68
Other portfolios	819,753.64	26,334.87	37,506.10	100,000.00	708,582.41
<b>Total</b>	<b>14,673,601.48</b>	<b>3,274,727.14</b>	<b>1,189,587.35</b>	<b>465,656.50</b>	<b>16,293,084.77</b>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

##### (4) Bad debt provision, reversal and recovery in the current period (Continued)

The amount transferred back or recovered from the Bad Debt Provision of the current period is important:

Name of debtor	Nature of accounts receivable	Amount written off	Write-off reason	Write-off procedure adopted
Jiangsu Jianke Project Management Co., Ltd.	172,245.00	Aging portfolio	Debt collection	Cash and Bank
Heilongjiang Radio and Television Network Co., Ltd.	100,000.00	Aging portfolio	Debt collection	Cash and Bank
Anhui Salt Real Estate Group Co., Ltd.	97,872.14	Aging portfolio	Debt collection	Cash and Bank
Shandong Seismological Bureau	86,035.36	Aging portfolio	Debt collection	Cash and Bank
Guangde County State-owned Assets Investment Management Co., Ltd.	63,000.00	Aging portfolio	Debt collection	Cash and Bank
China Mobile Group Sichuan Company Limited	60,400.09	Aging portfolio	Debt collection	Cash and Bank
Suning.Com Co., Ltd.	48,875.00	Aging portfolio	Debt collection	Cash and Bank
Wanda Film Holding Co., Ltd.	29,360.00	Aging portfolio	Debt collection	Cash and Bank
Nanjing Metro Resources Development Co., Ltd.	21,574.5	Aging portfolio	Debt collection	Cash and Bank
Jiangsu Jingtian Weidi Construction Items Management Co., Ltd. First Branch	20,400.00	Aging portfolio	Debt collection	Cash and Bank
Nanjing Metro Operation Co., Ltd.	20,003.48	Aging portfolio	Debt collection	Cash and Bank
Nanjing Metro Group Co., Ltd.	12,993.83	Aging portfolio	Debt collection	Cash and Bank
Shanghai Kai Yi Industry Co., Ltd.	11,758.80	Other portfolios	Debt collection	Cash and Bank
Other smaller summaries	445,069.15	Aging and another portfolio	Debt collection	Cash and Bank
Total	<u>1,189,587.35</u>			

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

(5) Others receivable written off in the period

Item	The amount written-off
Others receivable written off	<u><u>465,656.50</u></u>

Among them important others receivable write-off situation

Name of debtor	Nature of accounts receivable	Amount written off	Write-off reason	Write-off procedure adopted	Whether it generates due to the related party transactions
Nanjing Finance Bureau	Intercourse funds	150,000.00	Account age of more than 10 years, is expected to be unable to recover	Board approval	No
Maanshan Zhongfang Construction Machinery Co., Ltd.	Intercourse funds	100,000.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Wuxi Lingrui Welding and Cutting Technology Co., Ltd.	Intercourse funds	92,337.61	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Other smaller summaries	Intercourse funds	123,318.89	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Total		<u><u>465,656.50</u></u>			

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.7 Other receivables (Continued)

#### 5.7.1 Other receivables (Continued)

##### (6) Other receivables classified by nature

Nature of receivables	Balance as at December 31, 2020	Balance as at January 1, 2020
Deposit, security deposit and employee reserve fund	55,008,952.42	51,729,358.87
Export tax refund	4,513,619.31	6,698,760.48
Others	<u>6,845,342.24</u>	<u>4,265,917.73</u>
Total	<u><u>66,367,913.97</u></u>	<u><u>62,694,037.08</u></u>

##### (7) Top five of other receivables of balance as at December 31, 2020 the debtor

Debtor	Nature of fund	Book balance	Aging	Proportion in total other receivables (%)	Provision for bad debts
Pukou District State-owned Assets Investment Operation Co., Ltd.	Security deposit	10,486,096.79	Within 1 year	15.80	29,939.05
MCT Worldwide LLC	Deposit	6,937,000.00	More than 4 years	10.45	6,937,000.00
National Taxation Bureau	Export tax refund	4,513,619.31	Within 1 year	6.80	
Nantong Urban Rail Transit Co., Ltd.	Security deposit	3,400,000.00	0-2 years	5.12	40,000.00
Foshan Public Resources Trading Center	Security deposit	2,680,000.00	Within 1 year	4.04	
Total		<u><u>28,016,716.10</u></u>		<u><u>42.21</u></u>	<u><u>7,006,939.05</u></u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.8 Inventories

#### 5.8.1 Classification of inventories

Item	Amount as at December 31, 2020		
	Book balance	Provision for depreciation	Book value
Raw materials	222,718,066.40	11,632,665.92	211,085,400.48
Contract performance cost	425,532,282.06	9,704,839.83	415,827,442.23
Stored commodities	124,635,500.91	17,158,906.71	107,476,594.20
Delivered commodities			
Goods in progress	62,715,056.37	9,584,808.43	53,130,247.94
Circulating materials	4,592,625.75	765,766.67	3,826,859.08
<b>Total</b>	<b>840,193,531.49</b>	<b>48,846,987.56</b>	<b>791,346,543.93</b>

Item	Amount as at January 1, 2020		
	Book balance	Provision for depreciation	Book value
Raw materials	240,068,489.16	23,341,648.59	216,726,840.57
Contract performance cost	378,623,946.12		378,623,946.12
Stored commodities	105,389,831.63	16,807,177.60	88,582,654.03
Delivered commodities	95,209,552.39	6,237,011.65	88,972,540.74
Goods in progress	45,337,290.47	5,432,029.03	39,905,261.44
Circulating materials	4,756,366.02	612,132.32	4,144,233.70
<b>Total</b>	<b>869,385,475.79</b>	<b>52,429,999.19</b>	<b>816,955,476.60</b>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.8 Inventories (Continued)

#### 5.8.2 Provision for decline in inventory and contract performance cost

Items	Amount as at January 1, 2020	Increment in 2020		Reduction in 2020		Amount as at December 31, 2020
		Provision	Others	Recovery	Written-off	
Raw materials	23,341,648.59	4,805,103.42		2,470,871.76	14,043,214.33	11,632,665.92
Stored commodities	16,807,177.60	6,685,346.23		160,947.56	6,172,669.56	17,158,906.71
Contract performance cost		9,704,839.83				9,704,839.83
Goods in progress	5,432,029.03	4,153,006.80		227.40		9,584,808.43
Circulating materials	612,132.32	153,634.35				765,766.67
Delivered commodities	6,237,011.65			6,237,011.65		
Total	52,429,999.19	25,501,930.63		8,869,058.37	20,215,883.89	48,846,987.56

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.9 Contract Assets

#### 5.9.1 Details of Contract assets

Item	Amount as at December 31, 2020			Amount as at January 1, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Intelligent Transportation System	59,360,246.98		59,360,246.98	90,869,620.80		90,869,620.80
Intelligent construction	14,904,332.70		14,904,332.70	80,743,660.20	538,933.18	80,204,727.02
Intelligent Plant	2,314,427.00	347,164.05	1,967,262.95	371,864,195.95	2,150,369.83	369,713,826.12
Information network equipment and consumer electronics				1,190,000.00		1,190,000.00
Total	<u>76,579,006.68</u>	<u>347,164.05</u>	<u>76,231,842.63</u>	<u>544,667,476.95</u>	<u>2,689,303.01</u>	<u>541,978,173.94</u>

#### 5.9.2 Significant changes in book value during the reporting period and reasons

Project	Amount of change	Reason of change
Intelligent Transportation System	-31,509,373.82	Receivables transferred from contract assets confirmed at the beginning of the year
Intelligent construction	-65,839,327.50	Receivables transferred from contract assets confirmed at the beginning of the year
Intelligent Plant	-369,549,768.95	Receivables transferred from contract assets confirmed at the beginning of the year
Information network equipment and consumer electronics	-1,190,000.00	Receivables transferred from contract assets confirmed at the beginning of the year
Total	<u>-468,088,470.27</u>	



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.9 Contract Assets (Continued)

#### 5.9.3 Provision for impairment of contract assets in the current period

Type	Balance as at December 31, 2020					Balance as at January 1, 2020				
	Book balance		Provision for bad debts		Book Value	Book balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts by single item	2,314,427.00	3.02	347,164.05	15.00	1,967,262.95	2,314,427.00	0.42	347,164.05	15.00	1,967,262.95
Provision for bad debts by portfolio	74,264,579.68	96.98			74,264,579.68	542,353,049.95	99.58	2,342,138.96	0.43	540,010,910.99
Including: aging portfolio	74,264,579.68	96.98			74,264,579.68	237,570,400.39	43.62	2,342,138.96	0.99	235,228,261.43
Other portfolios						304,782,649.56	55.96			304,782,649.56
Total	<u>76,579,006.68</u>	<u>100.00</u>	<u>347,164.05</u>		<u>76,231,842.63</u>	<u>544,667,476.95</u>	<u>100.00</u>	<u>2,689,303.01</u>		<u>541,978,173.94</u>

#### Provision for bad debts made on an individual basis

Name	Amount as at December 31, 2020			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Kunshan Govisionox Optoelectronics Co., Ltd.	<u>2,314,427.00</u>	<u>347,164.05</u>	<u>15.00</u>	Expect part of it cannot be recovered
Total	<u>2,314,427.00</u>	<u>347,164.05</u>		

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.9 Contract Assets (Continued)

#### 5.9.3 Provision for impairment of contract assets in the current period (Continued)

Provision for bad debts by portfolio

Portfolio: other portfolios

Item	Amount as at December 31, 2020		
	Book balance	Provision for bad debts	Proportion of provision (%)
Aging portfolio	74,264,579.68		
Total	74,264,579.68		

#### 5.9.4 Bad debt provision, reversal and recovery in the current period

Item	Balance as at January 1, 2020	Changes in current period			Balance as at December 31, 2020	Reasons
		Provision for bad debt incurred in current period	Reversed or received	Written off		
Intelligent Plant	2,150,369.83		1,803,205.78		347,164.05	Transfer to accounts receivable
Intelligent construction	538,933.18		538,933.18			Transfer to accounts receivable
Total	2,689,303.01		2,342,138.96		347,164.05	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.10 Other current assets

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
VAT allowance, Input tax to be credited and Input tax to be certified	19,595,377.69	51,655,838.01
Enterprise Income Tax paid in advance	9,168,055.42	3,434,019.83
Total	28,763,433.11	55,089,857.84

### 5.11 Long-term equity investments

Investee	Balance as at January 1, 2020	Increase/decrease in 2020								Balance as at December 31, 2020	Balance of provision for impairment as at December 31, 2020	
		Additional investment	Reduced investment	Investment gains or losses recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profits declared to be paid	Provision for impairment	Others			
I. Associates												
Nanjing Ericsson Panda Communications Co., Ltd.	210,433,294.22			67,270,888.11			48,826,402.00				228,877,780.33	
Beijing Se Potevio Mobile Communications Co., Ltd.	64,000,000.00										64,000,000.00	13,192,317.99
Shenzhen Jinghua Network Marketing Co., Ltd.	1,688,388.04			342,138.96							2,030,527.00	
Shenzhen Chebao Information Technology Co., Ltd.	267,161.72			7,413.79							274,575.51	
Subtotal	276,388,843.98			67,620,440.86			48,826,402.00				295,182,882.84	13,192,317.99
Total	276,388,843.98			67,620,440.86			48,826,402.00				295,182,882.84	13,192,317.99

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.12 Other equity instrument investment

#### 5.12.1 Details of other equity instruments

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd.	<b>4,074,939.80</b>	4,035,539.29
Total	<b>4,074,939.80</b>	4,035,539.29

#### 5.12.2 Details of significant trading equity instrument investment

Item	The dividend recognized in this period	Accumulated profits	Accumulated losses	The amount of other comprehensive income transferred into retained earning	The reason of targeting as financial assets at fair value through comprehensive income	The reason of other comprehensive income transferred into retained earning
Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd.		424,939.80			Non-trading equity instrument investment	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.13 Investment property

#### 5.13.1 Investment properties measured by cost

Items	Housing and buildings	Land-use right	Construction in progress	Total
1. Original book value				
(1) Balance as at January 1, 2020	89,492,954.28			89,492,954.28
(2) Increase in 2020	258,379,074.14			258,379,074.14
– outsourcing				
– inventory/fixed assets transferred from construction in progress	258,379,074.14			258,379,074.14
(3) Decrease in 2020	36,436,006.11			36,436,006.11
– disposal				
– others	36,436,006.11			36,436,006.11
(4) Balance as at December 31, 2020	<u>311,436,022.31</u>			<u>311,436,022.31</u>
2. Accumulated depreciation and accumulated amortization				
(1) Balance as at January 1, 2020	68,396,628.51			68,396,628.51
(2) Increase in 2020	35,303,402.60			35,303,402.60
– accrued or amortized	21,651,406.62			21,651,406.62
– transferred in	13,651,995.98			13,651,995.98
(3) Decrease in 2020	27,272,188.60			27,272,188.60
– disposal				
– others	27,272,188.60			27,272,188.60
(4) Balance as at December 31, 2020	<u>76,427,842.51</u>			<u>76,427,842.51</u>
3. Provision for impairment				
(1) Balance as at January 1, 2020				
(2) Increase in 2020				
– accrued				
(3) Decrease in 2020				
– disposal				
(4) Balance as at December 31, 2020				
4. Book Value				
(1) Book value at January 1, 2020	235,008,179.80			235,008,179.80
(2) Book value at December 31, 2020	<u>21,096,325.77</u>			<u>21,096,325.77</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.13 Investment property (Continued)

5.13.2 There are no investment properties without property certificate

5.13.3 The investment properties of the Company are all located in mainland China, and the lease term is 0–10 years, all used for office purposes.

### 5.14 Fixed assets

5.14.1 Fixed assets and disposal of fixed assets

Item	Book value as at December 31, 2020	Book value as at January 1, 2020
Fixed assets	<b>964,663,766.78</b>	1,188,139,053.46
Disposal of fixed assets	<b>114,309.60</b>	35,096.81
Total	<b>964,778,076.38</b>	1,188,174,150.27

5.14.2 Details of fixed assets

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
1. Original book value						
(1) Balance as at January 1, 2020	1,106,253,772.70	524,132,723.04	26,115,600.34	74,325,076.26	61,405,969.93	1,792,233,142.27
(2) Increase in 2020	76,503,292.56	29,075,176.73	360,924.83	8,589,016.59	7,387,850.82	121,916,261.53
– acquired		13,689,985.94	360,924.83	5,837,047.54	6,117,646.06	26,005,604.37
– transferred from construction in progress	40,067,286.45	13,765,112.22		1,109,268.15	485,288.26	55,426,955.08
– increase in mergers – others	36,436,006.11	1,620,078.57		1,642,700.90	784,916.50	40,483,702.08
(3) Decrease in 2020	263,414,259.08	5,677,931.52	1,652,798.64	1,758,529.04	494,100.26	272,997,618.54
– disposal		5,677,931.52	1,652,798.64	1,758,529.04	494,100.26	9,583,359.46
– transferred to investment property	258,379,074.14					258,379,074.14
– others	5,035,184.94					5,035,184.94
(4) Balance as at December 31, 2020	919,342,806.18	547,529,968.25	24,823,726.53	81,155,563.81	68,299,720.49	1,641,151,785.26

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.14 Fixed assets (Continued)

#### 5.14.2 Details of fixed assets

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
2. Accumulated depreciation						
(1) Balance as at January 1, 2020	216,477,636.20	280,105,315.59	17,982,679.55	48,763,291.61	40,724,558.29	604,053,481.24
(2) Increase in 2020	43,335,440.95	35,574,400.86	1,615,316.58	7,846,858.41	6,523,421.94	94,895,438.74
– accrued	16,063,252.35	35,574,400.86	1,615,316.58	7,846,858.41	6,523,421.94	67,623,250.14
– others	27,272,188.60					27,272,188.60
(3) Decrease in 2020	13,651,995.98	5,202,994.94	1,552,772.78	1,630,820.53	449,574.60	22,488,158.83
– disposal or retired		5,202,994.94	1,552,772.78	1,630,820.53	449,574.60	8,836,162.85
– Transfer to investment properties	13,651,995.98					13,651,995.98
(4) Balance as at December 31, 2020	<u>246,161,081.17</u>	<u>310,476,721.51</u>	<u>18,045,223.35</u>	<u>54,979,329.49</u>	<u>46,798,405.63</u>	<u>676,460,761.15</u>
3. Provision for impairment						
(1) Balance as at January 1, 2020		10,700.00		29,907.57		40,607.57
(2) Increase in 2020						
– accrued						
(3) Decrease in 2020		10,700.00		2,650.24		13,350.24
– disposal or retired		10,700.00		2,650.24		13,350.24
(4) Balance as at December 31, 2020				<u>27,257.33</u>		<u>27,257.33</u>
4. Book Value						
(1) Book value at January 1, 2020	673,181,725.01	237,053,246.74	6,778,503.18	26,148,976.99	21,501,314.86	964,663,766.78
(2) Book value at December 31, 2020	<u>889,776,136.50</u>	<u>244,016,707.45</u>	<u>8,132,920.79</u>	<u>25,531,877.08</u>	<u>20,681,411.64</u>	<u>1,188,139,053.46</u>

Notes 1: The depreciation amount of RMB67,623,250.14 in the current period is fully recorded into the profit and loss of the current period according to the beneficiary

Notes 2: The fixed assets- machinery and equipment increased RMB1,620,078.57, electronic equipment increased RMB1,642,700.90, and other equipment increased RMB784,916.50 for the subsidiary Chengdu Panda Electronics Technology Co., Ltd. Factory Park construction project completed in the current period, and the asset classification of the houses and buildings that are temporarily estimated to be fixed in 2019 is adjusted according to the final account report.

5.14.3 There are no temporarily idle fixed assets in this reporting period

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.14 Fixed assets (Continued)

#### 5.14.4 Fixed assets lease out through operating leases

Items	Housing and buildings	Motor vehicles	Total
1. Original book value			
(1) Balance as at January 1, 2020	41,878,409.43	4,757,545.29	46,635,954.72
(2) Increase in 2020	10,386,055.01		10,386,055.01
– Other increase	10,386,055.01		10,386,055.01
(3) Decrease in 2020		610,888.97	610,888.97
– Disposal or scrapping		254,438.15	254,438.15
– Other decrease		356,450.82	356,450.82
(4) Balance as at December 31, 2020	<u>52,264,464.44</u>	<u>4,146,656.32</u>	<u>56,411,120.76</u>
2. Accumulated depreciation			
(1) Balance as at January 1, 2020	31,241,408.70	3,594,156.16	34,835,564.86
(2) Increase in 2020	5,641,253.30	272,090.21	5,913,343.51
– accrued	1,602,111.38	272,090.21	1,874,201.59
– Other increase	4,039,141.92		4,039,141.92
(3) Decrease in 2020		551,182.58	551,182.58
– Disposal or scrapping		239,701.94	239,701.94
– Other decrease		311,480.64	311,480.64
(4) Balance as at December 31, 2020	<u>36,882,662.00</u>	<u>3,315,063.79</u>	<u>40,197,725.79</u>
3. Provision for impairment			
(1) Balance as at January 1, 2020			
(2) Increase in 2020			
– accrued			
(3) Decrease in 2020			
– Disposal or scrapping			
(4) Balance as at December 31, 2020			
4. Book Value			
(1) Book value at January 1, 2020	15,381,802.44	831,592.53	16,213,394.97
(2) Book value at December 31, 2020	<u>10,637,000.73</u>	<u>1,163,389.13</u>	<u>11,800,389.86</u>



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.14 Fixed assets (Continued)

#### 5.14.5 Fixed assets with unfinished certificate

Items	Book Value	Reasons for unfinished certificate
Housing and building (Shenzhen Long Gang Jinghua Electronics Co., Ltd.)	13,609,407.07	Cooperative construct – The land is collectively -owned land from Shenzhen Longgang Liang'an Tian Economic Development Co., Ltd
Park Construction	58,187,915.34	The certificate is in progress
No.3 Workshop in Xingang industrial park	5,697,715.76	The certificate is in progress

#### 5.14.6 Other instructions

The situation of fixed assets used in Mainland China:

Located in China	Balance as at December 31, 2020	Balance as at January 1, 2020
Medium term(10–50 years)	673,181,725.01	889,776,136.50
Short term(within 10 years)	291,482,041.77	298,362,916.96

#### 5.14.7 Disposal of fixed asset

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Machinery and equipment	114,309.60	
Electronic equipment		35,096.81
Total	114,309.60	35,096.81

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.15 Construction in progress

#### 5.15.1 Construction in process and construction material

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Construction in process	7,346,214.86	31,407,899.18
Construction materials		
Total	<u>7,346,214.86</u>	<u>31,407,899.18</u>

#### 5.15.2 Status of construction in progress

Items	Balance as at December 31, 2020			Balance as at January 1, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Panda Electromechanical Sheet Metal Workshop Phase II Transformation: Automatic Three-dimensional Storage	3,994,287.37		3,994,287.37			
SAP Phase II Implementation	3,206,506.25		3,206,506.25	2,319,713.81		2,319,713.81
Electronic equipment industrial park phase I supporting				11,655,011.17		11,655,011.17
Intelligent transformation of sheet metal processing workshop of Panda Equipment				11,319,817.81		11,319,817.81
Park Construction Project				3,669,606.21		3,669,606.21
Regenerative catalytic oxidation unit				1,490,980.95		1,490,980.95
Installation of machinery and equipment				428,123.90		428,123.90
Other sporadic projects	145,421.24		145,421.24	524,645.33		524,645.33
Total	<u>7,346,214.86</u>		<u>7,346,214.86</u>	<u>31,407,899.18</u>		<u>31,407,899.18</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.15 Construction in progress (Continued)

#### 5.15.3 Changes of important construction in progress in 2020

Project	Budget	Balance as at January 1, 2020	Increase in 2020	Amount		Balance as at December 31, 2020	Ratio of cumulative input in total budget (%)	Accumulated capitalization amount of interest Project progress (%)	Including: capitalization amount of the interest of 2020	Capitalization rate of the interest of 2020 (%)	Source of funds
				transferred into fixed assets in 2020	Other decreases in 2020						
Panda Electromechanical Sheet Metal Workshop Phase II Transformation: Automatic Three-dimensional Storage	5,000,000.00		3,994,287.37			3,994,287.37	79.89	79.89			Self-financing
SAP Phase II Implementation	15,000,000.00	2,319,713.81	886,792.44			3,206,506.25	62.29				Self-financing
Electronic equipment industrial park phase I supporting	55,041,600.00	11,655,011.17	29,649,600.20	39,896,469.75	1,408,141.62		100.00	100.00			Self-financing
Intelligent transformation of sheet metal processing workshop of Panda Equipment	11,319,817.81	11,319,817.81		11,319,817.81			100.00	100.00			Self-financing
Park Construction Project	65,875,643.19	3,669,606.21	445,175.03	244,028.87	3,870,752.37		100.00	100.00			Self-financing
Regenerative catalytic oxidation unit	1,844,774.05	1,490,980.95	353,793.10	1,844,774.05			100.00	100.00			Self-financing
Installation of machinery and equipment	747,079.66	428,123.90	318,955.76	407,079.66	340,000.00		100.00	100.00			Self-financing
Other sporadic projects		524,645.33	1,552,486.60	1,714,784.94	216,925.75	145,421.24					Self-financing
<b>Total</b>		<b>31,407,899.18</b>	<b>37,201,090.50</b>	<b>55,426,955.08</b>	<b>5,835,819.74</b>	<b>7,346,214.86</b>					

*Note:* In this period, RMB1,408,141.62 of other supporting parts of the Electronic Equipment Industrial Park in Phase I was reduced and transferred to long-term prepaid expenses, while RMB3,870,752.37 of other parts of the park construction project in this period was deducted according to the completion appraisal pricing.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.16 Right-of-use assets

Item	Housing and buildings	Machinery and equipment	Total
1. Original book value			
(1) Balance as at January 1, 2020	11,082,420.71	6,641,154.01	17,723,574.72
(2) Increase in 2020	8,107,334.10		8,107,334.10
– new lease	8,107,334.10		8,107,334.10
– increase in mergers			
(3) Decrease in 2020			
– transferred to fixed asset			
– disposal			
(4) Balance as at December 31, 2020	<u>19,189,754.81</u>	<u>6,641,154.01</u>	<u>25,830,908.82</u>
2. Accumulated depreciation			
(1) Balance as at January 1, 2020	1,072,492.33	4,194,413.06	5,266,905.39
(2) Increase in 2020	4,594,696.42	2,446,740.95	7,041,437.37
– provision	4,594,696.42	2,446,740.95	7,041,437.37
(3) Decrease in 2020			
– transferred to fixed asset			
– disposal			
(4) Balance as at December 31, 2020	<u>5,667,188.75</u>	<u>6,641,154.01</u>	<u>12,308,342.76</u>
3. Provision for impairment			
(1) Balance as at January 1, 2020			
(2) Increase in 2020			
– provision			
(3) Decrease in 2020			
– transferred to fixed asset			
– disposal			
(4) Balance as at December 31, 2020	<u></u>	<u></u>	<u></u>
4. Book Value			
(1) Book value at January 1, 2020	13,522,566.06		13,522,566.06
(2) Book value at December 31, 2020	<u>10,009,928.38</u>	<u>2,446,740.95</u>	<u>12,456,669.33</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.17 Intangible assets

#### 5.17.1 Breakdowns of intangible assets

Items	Land use right	Trademark use rights	Computer software	Patents	Software copyright	Non-patented technology	Total
1. Original book value							
(1) Balance as at January 1, 2020	91,907,351.90	158,340,000.00	20,151,511.54	30,105.00	9,768,026.49	40,850,482.98	321,047,477.91
(2) Increase in 2020	13,289,552.22		4,268,042.60	700,000.00		43,050,731.22	61,308,326.04
– purchase	13,289,552.22		3,928,042.60	700,000.00			17,917,594.82
– internal research and development						43,050,731.22	43,050,731.22
– others			340,000.00				340,000.00
(3) Decrease in 2020							
– disposal							
(4) Balance as at December 31, 2020	<u>105,196,904.12</u>	<u>158,340,000.00</u>	<u>24,419,554.14</u>	<u>730,105.00</u>	<u>9,768,026.49</u>	<u>83,901,214.20</u>	<u>382,355,803.95</u>
2. Accumulated amortization							
(1) Balance as at January 1, 2020	16,442,157.51	158,340,000.00	10,199,528.59	26,862.12	2,659,543.89	24,257,471.80	211,925,563.91
(2) Increase in 2020	2,580,931.35		2,162,071.80	42,323.04	947,590.19	6,753,356.65	12,486,273.03
– provision	2,580,931.35		2,162,071.80	42,323.04	947,590.19	6,753,356.65	12,486,273.03
(3) Decrease in 2020							
– disposal							
(4) Balance as at December 31, 2020	<u>19,023,088.86</u>	<u>158,340,000.00</u>	<u>12,361,600.39</u>	<u>69,185.16</u>	<u>3,607,134.08</u>	<u>31,010,828.45</u>	<u>224,411,836.94</u>
3. Provision for impairment							
(1) Balance as at January 1, 2020							
(2) Increase in 2020							
– provision							
(3) Decrease in 2020							
– disposal							
(4) Balance as at December 31, 2020							
4. Book Value							
(1) Book value at January 1, 2020	86,173,815.26		12,057,953.75	660,919.84	6,160,892.41	52,890,385.75	157,943,967.01
(2) Book value at December 31, 2020	<u>75,465,194.39</u>		<u>9,951,982.95</u>	<u>3,242.88</u>	<u>7,108,482.60</u>	<u>16,593,011.18</u>	<u>109,121,914.00</u>

*Note:* Among the intangible assets at the end of the period, the intangible assets formed through internal research and development of the company accounted for 23.15% of the balance of intangible assets. The amortization amount of the current period was RMB12,486,273.03, which was all included in the profit and loss of the current period.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.17 Intangible assets (Continued)

5.17.2 During this reporting period, there is no case of land use right that has not obtained the certificate of property right.

#### 5.17.3 Other instructions

The situation of intangible assets used in Mainland China:

Located in China	Balance as at December 31, 2020	Balance as at January 1, 2020
Medium term(Not less than 50 years)	51,953,146.24	53,192,585.12
Short term(Less than 50 years but not less than 5 years)	<u>105,990,820.77</u>	<u>55,929,328.88</u>

### 5.18 Long-term deferred expenses

Item	Balance as at January 1, 2020	Increase in 2020	Amortization in 2020	Other decreases	Balance as at December 31, 2020
Smart City Exhibition Hall Project	3,922,128.00	190,447.04	819,280.99		3,293,294.05
Equipment garden decoration project	2,863,020.75		805,913.16	12,697.77	2,044,409.82
Information software building decoration project	2,584,032.30	191,495.32	1,059,563.51		1,715,964.11
Jinghua Dormitory Building Decoration Project	1,553,779.98	562,400.00	515,093.28		1,601,086.70
Electronic equipment industrial park phase I supporting		1,408,141.62	46,938.05		1,361,203.57
Other sporadic engineering projects	295,536.87	600,233.03	213,032.59		682,737.31
Decoration of Xingang Office Area	118,404.54		49,810.18		68,594.36
Purification house renovation project	<u>383,666.99</u>		<u>383,666.99</u>		
Total	<u>11,720,569.43</u>	<u>2,952,717.01</u>	<u>3,893,298.75</u>	<u>12,697.77</u>	<u>10,767,289.92</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.19 Deferred income tax assets and deferred income tax liabilities

#### 5.19.1 Deferred income tax assets not yet offset

Item	Balance as at December 31, 2020		Balance as at January 1, 2020	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	76,452,317.78	11,487,878.74	70,714,690.60	10,756,302.32
Gains and losses from unrealized internal transactions	1,313,300.39	298,830.04	1,401,953.53	320,872.65
Depreciation and amortization	1,917,600.21	287,640.03		
Employee compensation payable	15,498,147.33	2,815,481.11	17,936,473.25	3,258,801.56
Accrued expenses	6,540,512.96	1,271,009.54	4,842,110.69	1,009,472.76
Total	101,721,878.67	16,160,839.46	94,895,228.07	15,345,449.29

#### 5.19.2 Deferred income tax liabilities not yet offset

Item	Balance as at December 31, 2020		Balance as at January 1, 2020	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of investments in other equity instruments	424,939.80	106,234.96	385,539.32	96,384.83
Changes in fair value of trading financial assets	1,356,576.18	220,628.41		
Depreciation of fixed assets			73,710.60	11,056.59
Total	1,781,515.98	326,863.37	459,249.92	107,441.42

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.19 Deferred income tax assets and deferred income tax liabilities (Continued)

#### 5.19.3 Breakdowns of unrecognized deferred income tax assets

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Deductible temporary differences	70,618,273.41	71,863,773.82
Deductible losses	461,467,518.70	237,183,869.24
Total	532,085,792.11	309,047,643.06

#### 5.19.4 Deductible losses on unrecognized deferred income tax assets to be expired in the following years

Year	Balance as at December 31, 2020	Balance as at January 1, 2020	Remark
Year 2020		21,476,115.15	
Year 2021	19,061,223.63	21,446,781.99	
Year 2022	25,054,213.04	26,715,852.33	
Year 2023	37,111,076.18	37,353,359.32	
Year 2024	87,478,581.43	71,554,493.43	
Year 2025 and subsequent years	292,762,424.42	58,637,267.02	
Total	461,467,518.70	237,183,869.24	



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.20 Other non-current assets

Item	Balance as at December 31, 2020			Balance as at January 1, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Intelligent Transportation System	46,186,390.80		46,186,390.80	35,970,932.57		35,970,932.57
Intelligent construction	16,976,339.78		16,976,339.78			
Intelligent Plant	11,432,036.06		11,432,036.06	13,700,202.37		13,700,202.37
Information network equipment and consumer electronics	7,172,674.12		7,172,674.12	5,604,490.00		5,604,490.00
Total	81,767,440.76		81,767,440.76	55,275,624.94		55,275,624.94

### 5.21 Short-term borrowings

#### 5.21.1 Classification of short-term borrowings

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Guaranteed borrowings		50,000,000.00
Total		50,000,000.00

### 5.22 Notes payable

Category	Balance as at December 31, 2020	Balance as at January 1, 2020
Bank acceptance bill	193,125,064.34	234,736,827.23
Commercial acceptance bill		
Total	193,125,064.34	234,736,827.23

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.23 Accounts payable

#### 5.23.1 Detail of Accounts payable

Aging	Balance as at December 31, 2020	Balance as at January 1, 2020
Within 1 year (inclusive)	1,416,898,524.95	1,354,289,654.38
1 – 2 years	91,482,176.96	186,252,779.24
2 – 3 years	46,089,316.15	45,350,521.82
Over 3 years	43,701,197.18	42,542,862.00
Total	<u>1,598,171,215.24</u>	<u>1,628,435,817.44</u>

#### 5.23.2 Significant accounts payable with the aging exceeding 1 year:

Creditor	Balance as at December 31, 2020	Reason for arrearage
Sankyo Co., Ltd.	40,283,627.72	Not yet settled
Dingchuan Huide Co., Ltd.	10,411,694.40	Not yet settled
Beijing Sanetel Science and Technology Development Co., Ltd.	9,284,232.10	Not yet settled
Suzhou Rs Technology Co., Ltd.	8,147,329.87	Not yet settled
Suzhou Jinnaodai Intelligent System Engineering Co., Ltd.	6,606,065.99	Not yet settled
Nanjing Komo Electric Co., Ltd.	4,308,558.50	Not yet settled
Nanjing Dongba Construction Installation Engineering Co., Ltd.	3,948,177.34	Not yet settled
Mitsubishi Electric Automation (China) Limited	3,801,769.00	Not yet settled
Nanjing Changxin Technology Co., Ltd.	3,660,399.69	Not yet settled
Nanjing Xunheng Digital Technology Co., Ltd.	3,511,779.92	Not yet settled
Nanjing Zhuolong Technology Trade Co., Ltd.	3,423,650.50	Not yet settled
Chengdu Guoheng Space Technology Engineering Co., Ltd.	3,174,081.38	Not yet settled
Jiangsu Yunsai Information Engineering Co., Ltd.	3,161,790.00	Not yet settled
Beijing Sumavision Venture Capital Co., Ltd.	2,955,171.54	Not yet settled
Iflytek Intelligent SYSTEM Co., Ltd.	2,751,204.32	Not yet settled
Judong Machinery (Kunshan) Co., Ltd.	2,658,180.00	Not yet settled
Hefei Zhongding Information Technology Co., Ltd.	2,646,527.60	Not yet settled
Total	<u>114,734,239.87</u>	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.23 Accounts payable (Continued)

#### 5.23.3 Classified by nature

Items	Balance as at December 31, 2020	Balance as at January 1, 2020
Payment for goods	<b>1,145,628,682.72</b>	1,172,838,445.91
Project funds	<b>404,152,080.28</b>	412,609,654.32
Processing and maintenance funds	<b>29,187,350.64</b>	23,100,766.77
Logistics warehousing funds	<b>4,586,753.71</b>	4,536,666.39
Others	<b>14,616,347.89</b>	15,350,284.05
Total	<b>1,598,171,215.24</b>	1,628,435,817.44

### 5.24 Advances received

#### 5.24.1 Details of advances received

Items	Balance as at December 31, 2020	Balance as at January 1, 2020
Service fees and others	<b>3,394,006.00</b>	2,581,558.74
Total	<b>3,394,006.00</b>	2,581,558.74

#### 5.24.2 There are no significant advances received aged over 1 year

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.25 Contractual liabilities

#### 5.25.1 Details of contract liabilities

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Intelligent Transportation System	111,851,296.03	81,760,438.00
Intelligent construction	28,443,083.36	46,786,393.06
Electronic Manufacturing Services	19,494,385.79	22,275,571.73
Information network equipment and consumer electronics	12,081,785.40	1,544,872.05
Intelligent Plant	11,650,239.87	8,172,912.03
Total	183,520,790.45	160,540,186.87

#### 5.25.2 Significant changes in book value during the reporting period and reasons

Item	Amount of change	Reasons of change
Intelligent Transportation System	30,090,858.03	Receipt of contract advance payment
Intelligent construction	-18,343,309.70	Contract liabilities at the beginning of the period was recognized as revenue in current period
Electronic Manufacturing Services	-2,781,185.94	Contract liabilities at the beginning of the period was recognized as revenue in current period
Information network equipment and consumer electronics	10,536,913.35	Receipt of contract advance payment
Intelligent Plant	3,477,327.84	Receipt of contract advance payment
Total	22,980,603.58	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.26 Employee compensation payable

#### 5.26.1 Breakdown of employee compensation payable

Item	Balance as at January 1, 2020	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
I. Short-term compensation	31,934,785.75	544,684,855.16	546,003,060.76	<b>30,616,580.15</b>
II. Post-employment benefits - defined contribution plans	301,785.37	24,712,374.59	24,785,589.68	<b>228,570.28</b>
III. Dismissal welfare	7,037,531.04	6,985,132.90	7,462,368.75	<b>6,560,295.19</b>
IV. Other benefits due within one year				
Total	<u>39,274,102.16</u>	<u>576,382,362.65</u>	<u>578,251,019.19</u>	<u><b>37,405,445.62</b></u>

#### 5.26.2 Breakdown of short-term compensation

Item	Balance as at January 1, 2020	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
I. Wages, bonuses, allowances and subsidies	27,752,868.76	380,244,704.01	379,455,522.59	<b>28,542,050.18</b>
II. Employee welfare		36,722,665.79	36,722,665.79	
III. Social insurance premiums Including: medical insurance premiums	161,989.97	20,454,827.31	20,469,908.67	<b>146,908.61</b>
Work-related injury insurance premiums	149,070.10	18,342,889.37	18,359,290.76	<b>132,668.71</b>
Maternity insurance premiums	2,153.29	102,338.70	102,367.70	<b>2,124.29</b>
IV. Housing provident funds	10,766.58	2,009,599.24	2,008,250.21	<b>12,115.61</b>
V. Labor union expenditures and employee education funds	924,826.76	42,536,240.08	42,629,258.98	<b>831,807.86</b>
VI. Labor cost	830,790.82	8,055,882.64	8,430,501.28	<b>456,172.18</b>
VII. Short-term profit-sharing plan	764,309.44	52,895,685.15	53,020,353.27	<b>639,641.32</b>
	1,500,000.00	3,774,850.18	5,274,850.18	
Total	<u>31,934,785.75</u>	<u>544,684,855.16</u>	<u>546,003,060.76</u>	<u><b>30,616,580.15</b></u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.26 Employee compensation payable (Continued)

#### 5.26.3 Breakdown of defined contribution plans

Item	Balance as at January 1, 2020	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
I. Basic endowment insurance premiums	288,546.96	9,551,187.30	9,628,383.85	<b>211,350.41</b>
II. Unemployment insurance premiums	13,238.41	370,483.48	376,382.10	<b>7,339.79</b>
III. Enterprise annuity payment		14,790,703.81	14,780,823.73	<b>9,880.08</b>
Total	301,785.37	24,712,374.59	24,785,589.68	<b>228,570.28</b>

### 5.27 Taxes and surcharges payable

Item	Balance as at January 1, 2020	Balance as at December 31, 2020
VAT	<b>13,986,888.22</b>	4,901,046.85
Enterprise income tax	<b>11,923,151.19</b>	10,641,432.76
Housing property tax	<b>2,204,879.81</b>	1,826,507.87
Individual income tax	<b>1,771,601.52</b>	2,555,539.28
Land use tax	<b>429,608.88</b>	411,870.21
Urban maintenance and construction tax	<b>153,171.22</b>	530,134.69
Stamp duty	<b>130,104.00</b>	148,455.37
Educational surcharges	<b>74,392.66</b>	237,256.98
Local educational surtax	<b>35,060.42</b>	141,468.67
Other taxes and dues	<b>50,087.76</b>	10,501.93
Total	<b>30,758,945.68</b>	21,404,214.61

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.28 Other payables

Item	Balance as at January 1, 2020	Balance as at December 31, 2020
Interest payable		
Dividends payable	4,940,890.66	4,529,410.46
Other payables	85,924,591.45	73,896,150.40
Total	90,865,482.11	78,425,560.86

#### 5.28.1 Dividends payable

Item	Balance as at January 1, 2020	Balance as at December 31, 2020
Ordinary share dividends	4,940,890.66	4,529,410.46
Total	4,940,890.66	4,529,410.46

Notes: Dividends payable for more than one year amounted to RMB22,681.51, which was the dividend payable to minority shareholders of the subsidiary.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.28 Other payables (Continued)

#### 5.28.2 Other payables

##### (1) Breakdown of other payables by nature

Item	Balance as at January 1, 2020	Balance as at December 31, 2020
Security deposit	42,264,554.68	32,980,132.65
Operating activity related	23,037,760.05	17,309,430.55
Intercourse funds	14,893,942.40	18,562,292.72
Others	5,728,334.32	5,044,294.48
Total	85,924,591.45	73,896,150.40

##### (2) Significant other payables with the aging exceeding one year

Creditor	Balance as at December 31, 2020	Reason for arrearage
Panda Electronics Group Co., Ltd.	6,900,334.06	Intercourse funds
Jiangsu Xcmg Information Technology Co., Ltd.	2,800,000.00	Margin outstanding
Sichuan Bohou Information Engineering Co., Ltd.	2,125,000.00	Margin outstanding
Xiaotang Technology (Shanghai) Co., Ltd.	1,660,000.00	Not yet settled
Jiangsu Huimin Traffic Facility Co., Ltd.	1,063,198.17	Margin outstanding
Total	14,548,532.23	



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.29 Non-current liabilities maturing within one year

Item	Balance as at January 1, 2020	Balance as at December 31, 2020
Leasing liabilities maturing within one year	<b>8,170,178.10</b>	3,451,972.08
Total	<b>8,170,178.10</b>	3,451,972.08

### 5.30 Other current liabilities

Item	Balance as at January 1, 2020	Balance as at December 31, 2020
Output VAT	<b>20,362,975.07</b>	16,964,618.46
2017 Technical Transformation Special Project of Electronic Information Industry	<b>30,000,000.00</b>	30,000,000.00
Provincial emerging industry guiding funds	<b>10,000,000.00</b>	10,000,000.00
New model project grant	<b>4,250,000.00</b>	4,550,000.00
East China Electronics New Display Product Green Supply Chain Construction Project	<b>1,000,000.00</b>	1,000,000.00
The development and industrialization of the integrated platform of high-speed traffic management based on artificial intelligence	<b>1,000,000.00</b>	1,000,000.00
Automatic ticket checking system of rail transit based on mobile payment	<b>890,000.00</b>	
Internet AFC ticketing system	<b>800,000.00</b>	800,000.00
Provincial high-end equipment to catch up with the project special funds	<b>620,000.00</b>	620,000.00
Development of an intelligent monitoring system for oil and gas pipelines based on distributed optical fiber sensing and the Internet of Things	<b>600,000.00</b>	450,000.00
No. 1 pass & intelligent cloud brake for face recognition	<b>600,000.00</b>	
AFC System Regional Centre (ZLC)	<b>300,000.00</b>	300,000.00
Others		992,647.75
Total	<b>70,422,975.07</b>	66,677,266.21

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.31 Lease liabilities

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Lease payment	9,341,153.22	10,252,965.99
Less: financing charges unrecognized	<u>1,199,451.13</u>	<u>1,326,558.48</u>
Total	<u><u>8,141,702.09</u></u>	<u><u>8,926,407.51</u></u>

### 5.32 Long-term employee compensation payable

Item	Balance as at January 1, 2020	Balance as at December 31, 2020
I. Post-employment benefit – net liabilities of defined benefit plans		
II. Dismissal welfare	15,981,789.25	19,767,429.75
III. Other long-term benefits		
Total	<u><u>15,981,789.25</u></u>	<u><u>19,767,429.75</u></u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.33 Deferred income

Item	Balance as at January 1, 2020	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020	Reason
Government grants	17,261,888.00	2,761,550.00	4,740,256.54	15,283,181.46	Grant
Total	17,261,888.00	2,761,550.00	4,740,256.54	15,283,181.46	

Items involving government grants:

Item	Balance as at January 1, 2020	New grants in 2020	Amount included in the current profit or loss in 2020	Other changes	Balance as at December 31, 2020	Related to assets/income
Auto-transferring system industrialization of new panel display industry	7,271,929.26		888,752.14		6,383,177.12	Related to assets
R & D and industrialization of high localization industrial robot and intelligent complete equipment	6,166,059.09		985,333.31		5,180,725.78	Related to assets
Nanjing industrial enterprise technology and equipment investment inclusive award supplement fund	1,136,000.00	204,000.00	324,800.00		1,015,200.00	Related to assets
Special fund for Preschool Education - average cost per student	2,687,899.65	2,557,550.00	2,541,371.09		2,704,078.56	Related to income
Total	17,261,888.00	2,761,550.00	4,740,256.54		15,283,181.46	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.34 Share capital

Item	Balance as at January 1, 2020	Changes during the period (increase (+), decrease (-))				Sub-total	Balance as at December 31, 2020
		Issue new shares	Bonus shares	Conversion of the accumulation funds into shares	Others		
Total shares	913,838,529.00						913,838,529.00

### 5.35 Capital reserves

Item	Balance as at January 1, 2020	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
1. Capital premium (share premium)	1,450,743,806.12			1,450,743,806.12
2. Other capital reserves	19,947,994.01			19,947,994.01
Total	1,470,691,800.13			1,470,691,800.13

### 5.36 Other comprehensive income

Item	Balance as at January 1, 2020	Changes during the period						Balance as at December 31, 2020
		Current amount before the income tax	Less: Included in other comprehensive income in the previous period and transferred into profit and loss in the current period	Less: Included in other comprehensive income in the previous period and transferred into retained earning	Less: Income tax expenses	After tax attribution to the parent company	After tax attributable to minority shareholders	
1. Other comprehensive income cannot be reclassified to profit or loss	289,154.46	39,400.51			9,850.13	29,550.38		318,704.84
Including Changes in fair value of other equity instruments investment.	289,154.46	39,400.51			9,850.13	29,550.38		318,704.84
Total other comprehensive income	289,154.46	39,400.51			9,850.13	29,550.38		318,704.84

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.37 Special reserves

Item	Balance as at January 1, 2020	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
Work safety expenses		10,600.00	10,600.00	
		10,600.00	10,600.00	

### 5.38 Surplus reserves

Item	Balance as at January 1, 2020	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
Statutory surplus reserve funds	188,270,633.21	9,034,753.34		197,305,386.55
Discretionary surplus reserve	70,376,641.33			70,376,641.33
Total	258,647,274.54	9,034,753.34		267,682,027.88

### 5.39 Undistributed profits

Item	Year 2020	Year 2019
Balance at the beginning of the year	804,605,994.12	825,055,181.86
Increase due to adjustment (or less: decrease)		
Balance after adjustment	804,605,994.12	825,055,181.86
Add: Net profit attributable to owners of the parent company	77,318,175.74	52,657,894.58
Less: Appropriation of statutory surplus reserve	9,034,753.34	
Appropriation of discretionary surplus reserve		
General risk reserves withdrawn in the year		
Cash dividends distributed in the year	15,992,174.26	73,107,082.32
Transfer to paid-in capital		
Other decreases	-2,413.86	
Balance at the end of the year	856,899,656.12	804,605,994.12

Other description: Other is the dividends received in the current year that have not been claimed and returned for over 6 years

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.40 Operating revenue and operating costs

Item	Year 2020		Year 2019	
	Income	Cost	Income	Cost
Primary businesses	<b>3,920,532,931.47</b>	<b>3,340,516,422.87</b>	4,600,788,758.77	3,949,411,335.30
Other businesses	<b>31,732,090.68</b>	<b>6,170,262.02</b>	59,258,243.15	6,527,137.40
Total	<b><u>3,952,265,022.15</u></b>	<b><u>3,346,686,684.89</u></b>	<u>4,660,047,001.92</u>	<u>3,955,938,472.70</u>

#### 5.40.1 Details of operating revenue and operating cost

Item	Year 2020	Year 2019
Electronic manufacturing services	<b>1,913,352,347.06</b>	1,834,878,039.13
Smart city industry	<b>1,710,930,837.36</b>	2,123,817,689.13
Intelligent manufacturing industry	<b>267,511,189.90</b>	633,226,163.33
Others	<b>60,470,647.83</b>	68,125,110.33
Total	<b><u>3,952,265,022.15</u></b>	<u>4,660,047,001.92</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.40 Operating revenue and operating costs (Continued)

#### 5.40.2 Details of income from contracts

The income breakdown information for the period is as follows

Categories of contracts	Intelligent manufacturing industry	Smart city industry	Electronic manufacturing service	Others	Eliminations among segments	Total
Categorized by operating region :						
Nanjing District	300,004,377.84	1,310,290,975.66	1,994,938,442.23	55,066,774.96	-338,208,132.32	3,322,092,438.37
Shenzhen District		518,340,132.09	89,237,419.33	22,595,032.36		630,172,583.78
Total	<u>300,004,377.84</u>	<u>1,828,631,107.75</u>	<u>2,084,175,861.56</u>	<u>77,661,807.32</u>	<u>-338,208,132.32</u>	<u>3,952,265,022.15</u>
Categorized by transfer time of commodities:						
Recognized at a certain point of time	93,786,321.42	763,244,106.67	2,084,175,861.56	77,661,807.32	-326,904,516.94	2,691,963,580.03
Recognized during a certain period	<u>206,218,056.42</u>	<u>1,065,387,001.08</u>			<u>-11,303,615.38</u>	<u>1,260,301,442.12</u>
Total	<u>300,004,377.84</u>	<u>1,828,631,107.75</u>	<u>2,084,175,861.56</u>	<u>77,661,807.32</u>	<u>-338,208,132.32</u>	<u>3,952,265,022.15</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.40 Operating revenue and operating costs (Continued)

#### 5.40.3 Performance obligation

The Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer obtains control of that asset. Whether performance obligations satisfied over time or at a point in time is based on the contracts and related law regulations. The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (I) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (II) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (III) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

If the performance obligations satisfied over time, the Company will recognize revenue via contract performance schedule, otherwise the Company satisfies the performance obligation at a point in time. Contract performance schedule is based on the value of the goods that have been transferred to the customer to determine the contract performance schedule.

#### 5.40.4 Transaction price allocating to performance obligations

Performance Obligation	Estimated to be recognized revenue for the year of 2021
Intelligent manufacturing industry	74,763,891.80
Smart city industry	<u>770,658,628.58</u>
Total	<u><u>845,422,520.38</u></u>



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.41 Taxes and surcharges

Items	Year 2020	Year 2019
Housing property tax	10,906,401.02	7,360,846.34
Urban maintenance and construction tax	6,679,908.10	7,001,867.71
Educational surcharges	4,154,074.74	5,020,693.78
Land use tax	2,318,879.82	2,034,553.56
Stamp duty	1,505,195.85	1,582,634.35
Others	164,513.37	174,397.39
Total	25,728,972.90	23,174,993.13

### 5.42 Selling expenses

Item	Year 2020	Year 2019
Salary and welfare of sales staff	21,040,660.39	20,988,410.59
Transportation and handling charges	12,287,728.45	13,676,569.15
Advertising and exhibition fees	1,544,031.31	5,625,577.54
Storage charge	1,296,800.74	2,489,464.19
Travel expenses	1,573,278.44	2,295,276.65
Office expenses	1,949,887.18	2,230,016.97
Business entertainment	1,930,496.09	2,025,457.40
Labor cost	1,011,463.32	1,116,190.70
Others	3,241,703.57	3,664,316.95
Total	45,876,049.49	54,111,280.14

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.43 General and administrative expenses

Item	Year 2020	Year 2019
Wage and Co-ordination	<b>157,712,505.75</b>	164,599,324.62
Depreciation and amortization	<b>48,764,393.26</b>	44,383,590.49
Business entertainment and travel expenses	<b>8,556,055.33</b>	10,612,090.06
Office fee, telephone fee and conference fee	<b>9,614,281.90</b>	10,051,341.94
Listing fees, auditing, attorney and consulting fees	<b>7,070,950.25</b>	9,320,916.13
Labor cost	<b>6,888,193.69</b>	7,904,407.27
Transport expense	<b>5,312,797.51</b>	6,090,003.93
Repair charges	<b>4,221,268.79</b>	6,076,730.29
Auditor remuneration	<b>1,981,132.08</b>	1,981,132.08
Energy source cost	<b>318,097.25</b>	1,053,198.91
Others	<b>7,305,863.96</b>	7,963,635.46
Total	<b>257,745,539.77</b>	270,036,371.18

### 5.44 Research and development expenses

Item	Year 2020	Year 2019
Labor charges	<b>125,256,737.30</b>	132,958,003.74
Materials, fuels and power	<b>20,964,979.87</b>	43,718,162.43
Commissioned development fee	<b>34,420,311.63</b>	30,723,566.45
Depreciation and amortization	<b>14,581,272.17</b>	16,820,754.69
Design fees	<b>1,873,959.03</b>	543,636.28
Travel expenses	<b>1,618,328.96</b>	4,544,263.44
Test, inspection and maintenance costs	<b>2,351,365.16</b>	3,163,741.08
Leasing management fee	<b>630,357.76</b>	786,371.37
Others	<b>4,120,125.38</b>	5,937,899.24
Total	<b>205,817,437.26</b>	239,196,398.72

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.45 Financial expenses

Category	Year 2020	Year 2019
Interest expense	<b>1,620,639.74</b>	3,631,924.64
Including: Interest expense on lease liabilities	<b>937,931.40</b>	319,276.93
Less: interest income	<b>11,743,930.16</b>	13,040,696.48
Net exchange gains and loss	<b>1,099,425.29</b>	7,968,506.42
Others	<b>3,333,201.93</b>	3,944,279.71
Total	<b>-5,690,663.20</b>	2,504,014.29

### 5.46 Other income

Item	Year 2020	Year 2019
Government grants	<b>16,822,093.98</b>	20,951,175.50
Input tax is deducted	<b>878,054.97</b>	512,268.17
The value added tax that software enterprise collects namely refunds	<b>329,826.49</b>	1,196,944.27
Personal income tax withholding commission	<b>313,292.82</b>	208,514.60
Total	<b>18,343,268.26</b>	22,868,902.54

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.46 Other income (Continued)

Government grants recorded into other income:

Item	Year 2020	Year 2019	Related to assets/ related to income
Steady post subsidies	4,104,884.55	3,921,280.09	Related to income
Special funds for preschool education - average student fee	2,541,371.09	2,176,274.06	Related to income
Special Fund for Transformation of Scientific and Technological Achievements of Jiangsu Province	2,000,000.00		Related to income
Innovation city construction promotion innovation award	1,240,000.00		Related to income
New flat panel display factory automation transplanting system industrialization project	985,333.31	884,165.05	Related to assets
Business development funds	979,700.00		Related to income
High localization rate of industrial robots and intelligent complete sets of equipment research and development and industrialization	888,752.14	848,070.74	Related to assets
Special fund subsidies for industrial development	583,000.00		Related to income
Refund of union funds	575,733.24		Related to income
Subsidies for training with workers	544,000.00		Related to income
Customs AEO Senior Certification Support Fund	500,000.00		Related to income
The training subsidies	407,250.00		Related to income
Unemployment insurance refunds	399,231.03		Related to income
Nanjing industrial enterprise technology equipment investment universal award and subsidy funds	324,800.00	284,000.00	Related to assets
Foreign economic and trade development fund award	206,862.00		Related to income
Subsidized by electricity cost reduction for industry and commerce of shenzhen	152,583.09	111,825.56	Related to income
Special funding support for software in 2019	150,000.00		Related to income
Funds for awards and subsidies for structural adjustment of central industrial enterprises	131,270.33		Related to income
Special fund for intellectual property strategy	27,000.00		Related to income
Incentive for epidemic prevention and control	26,000.00		Related to income
Employment subsidies for the disabled in 2020	20,200.00		Related to income
Sewage treatment fee subsidy	15,373.20		Related to income
Zone isolation single room subsidy	10,800.00		Related to income
2020 Science and Technology Innovation Assistance Project Demonstration Project Award	6,950.00		Related to income
Employment information monitoring rewards	1,000.00	1,160.00	Related to income
Special funds for the transformation of provincial scientific and technological achievements in 2019		7,000,000.00	Related to income

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.46 Other income (Continued)

Item	Year 2020	Year 2019	Related to assets/ related to income
Research and development of key technologies based on eye-tracking human-computer interaction ultra-high definition virtual reality		4,000,000.00	Related to income
The fifth batch of enterprises and projects to be supported by the Science and Technology Innovation Sub-item of Futian District Industrial Development Special Fund in 2018 - Science and Technology Innovation Award		1,000,000.00	Related to income
Government technical transformation special support bonus		351,000.00	Related to income
Special funds for industrial and information industry transformation and upgrading		200,000.00	Related to income
2019 Environmental Improvement Incentive		160,000.00	Related to income
The sixth batch of enterprises and projects to be supported by the Science and Technology Innovation Sub-item of Futian District Industrial Development Special Fund in 2018 - patent support funds		13,000.00	Related to income
Industrial injury subsidies		400.00	Related to income
Total	<b>16,822,093.98</b>	20,951,175.50	

### 5.47 Investment income

Source of investment income	Year 2020	Year 2019
Income from long-term equity investments calculated under equity method	<b>67,620,440.86</b>	45,436,683.21
Investment gains from the disposal of financial assets held for trading	<b>8,041,200.10</b>	15,384,991.80
Discounted interest on receivables financing	<b>-1,191,134.33</b>	-1,234,257.64
Others		934,365.78
Total	<b>74,470,506.63</b>	60,521,783.15

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.48 Gains from changes in fair value

Source of income from changes in fair value	Year 2020	Year 2019
Financial assets held for trading	<b>886,749.69</b>	469,826.49
Including : Gains from changes in fair value of derivative financial instruments	<b>1,098,188.05</b>	258,388.13
Gains from changes in fair value of debt instrument investment	<b>-211,438.36</b>	211,438.36
Total	<b>886,749.69</b>	469,826.49

### 5.49 Loss from credit impairment

Item	Year 2020	Year 2019
Losses from impairment of accounts receivable	<b>13,696,544.05</b>	6,351,360.44
Losses from impairment of others receivable	<b>2,085,139.79</b>	5,596,543.17
Losses from impairment of contract assets		700,104.37
Total	<b>15,781,683.84</b>	12,648,007.98

### 5.50 Losses from asset impairment

Item	Year 2020	Year 2019
Losses from inventory depreciation	<b>16,632,872.26</b>	30,486,504.98
Losses from impairment of contract assets	<b>-2,342,138.96</b>	
Losses from impairment of advance to supplier	<b>-334,751.19</b>	-370,605.71
Losses from impairment of long-term equity investments		13,192,317.99
Total	<b>13,955,982.11</b>	43,308,217.26

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.51 Income from disposal of assets

Item	Year 2020	Year 2019	Amount included in non-recurring profit or loss in 2020
Gain on disposal of non-current assets (loss marked with“-”)	<b>-50,820.75</b>	383,216.04	-50,820.75
Including: Gain on disposal of fixed assets (loss is filled in with“-”)	<b>-50,820.75</b>	383,216.04	-50,820.75
Total	<b>-50,820.75</b>	383,216.04	-50,820.75

### 5.52 Non-operating revenue

Item	Year 2020	Year 2019	Amount included in non-recurring profit or loss in 2020
Payment unable to be paid	<b>5,116,818.84</b>	1,267,506.88	5,116,818.84
Government grants	<b>350,108.85</b>	3,407,517.00	350,108.85
Gains from damage and scrapping of non-current assets	<b>156,283.54</b>	33,971.44	156,283.54
Including: Fix assets	<b>156,283.54</b>	33,971.44	156,283.54
Others <sup>1</sup>	<b>7,324,193.02</b>	223,378.45	7,324,193.02
Total	<b>12,947,404.25</b>	4,932,373.77	12,947,404.25

Note 1: The Others includes the tax rebate of RMB6,082,278.81, which is part of the taxes paid by the company for the relocation compensation of Nanjing Panda Electromechanical Equipment Factory, No. 118 Haifu Lane, Baixia District, Nanjing, which was received by the company in the current period and returned by the Nanjing Economic Development District Tax Bureau.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.52 Non-operating revenue (Continued)

Details of government grants:

Item	Year 2020	Year 2019	Related to assets/related to income
Reward for the integration of the two provinces in 2019	120,000.00		Related to income
Vehicle scrapping subsidy	82,000.00		Related to income
Intellectual Property Rewards	71,000.00		Related to income
Patent fund prize	29,608.85	12,017.00	Related to income
Reward for Early Elimination of Old Cars in Shenzhen (2018-2020)	25,500.00	33,000.00	Related to income
Provincial innovation ability construction special fund allocation	12,000.00		Related to income
2019 Association for Science and Technology" Talk, Compare" Excellent Project Funding	10,000.00		Related to income
High-tech enterprise award		1,730,000.00	Related to income
In 2018, the first batch of Enterprise Research and Development Funding Plan is planned to subsidize enterprises		936,000.00	Related to income
2017 annual enterprise research and development expenses provincial financial awards		300,000.00	Related to income
In 2019, the performance evaluation of enterprises' R&D institutions will be rewarded		300,000.00	Related to income
Special subsidy of 2019 IPR Demonstration Advantage Enterprise Award of Market Supervision Administration		50,000.00	Related to income
Futian District to create" drainage standards of the community" advanced unit award		20,000.00	Related to income
2018 annual science and technology development plan and science and technology funding index award		11,500.00	Related to income
2019 Intellectual Property Support		10,000.00	Related to income
Funded by Golden Bridge in 2018		5,000.00	Related to income
Total	<b>350,108.85</b>	<b>3,407,517.00</b>	



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.53 Non-operating expenses

Item	Year 2020	Year 2019	Amount included in non-recurring profit or loss in 2020
Donations made	482,000.00	140,992.92	482,000.00
Compensation and liquidated damages	309,537.74		309,537.74
Loss of non-current assets damaged and scrapped	113,714.34	362,681.60	113,714.34
Including: Fix assets	113,714.34	362,681.60	113,714.34
Amercement Outlay	6,960.83	119,481.48	6,960.83
Government subsidy refund		204,500.00	
Others	78,310.05	67,631.76	78,310.05
Total	<u>990,522.96</u>	<u>895,287.76</u>	<u>990,522.96</u>

### 5.54 Income tax expenses

#### 5.54.1 Breakdown of income tax expenses

Item	Year 2020	Year 2019
Income tax expenses of the year	34,794,537.97	36,480,258.11
Adjustment to deferred income tax	-605,818.35	-2,755,820.88
Total	<u>34,188,719.62</u>	<u>33,724,437.23</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.54 Income tax expenses (Continued)

#### 5.54.2 Adjustment process of accounting profits and income tax expenses

Item	Year 2020
Total profits	<b>151,969,920.21</b>
Income tax expenses calculated at statutory/applicable tax rate	<b>37,992,480.05</b>
Effect of the different tax rates applicable to subsidiaries	<b>-9,771,747.29</b>
Effect of adjustment on income tax in previous periods	<b>-1,355,348.34</b>
Effect of non-taxable income	<b>-16,905,110.22</b>
Influence of non-deductible costs, expenses and losses	<b>2,722,751.07</b>
Effect of using the deductible losses related to deferred income tax assets unrecognized in previous periods	
Effect of deductible temporary differences or deductible losses from deferred income tax assets unrecognized in the current period	<b>55,759,537.27</b>
The tax law provides for the effect of additional deductible expenses	<b>-34,253,842.92</b>
Income tax expenses	<b>34,188,719.62</b>

### 5.55 Earnings per share

#### 5.55.1 Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company by the weighted average number of common shares issued by the company:

Item	Year 2020	Year 2019
Consolidated net profit attributable to common shareholders of the parent company	<b>77,318,175.74</b>	52,657,894.58
Weighted average number of common shares issued by the company	<b>913,838,529.00</b>	913,838,529.00
Basic earnings per share	<b>0.0846</b>	0.0576
Including: Basic earnings per share of continuing operation	<b>0.0846</b>	0.0576
Basic earnings per share of discontinued operations		

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.55 Earnings per share (Continued)

#### 5.55.1 Basic earnings per share (Continued)

The weighted average of common shares is calculated as follows:

Item	Year 2020	Year 2019
Number of ordinary shares issued at the beginning of the year	<b>913,838,529.00</b>	913,838,529.00
Add: weighted number of common shares issued in the current period		
Less: weighted number of common shares repurchased in the current period		
Weighted number of common shares outstanding at the end of the year	<b>913,838,529.00</b>	913,838,529.00

#### 5.55.2 Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit (diluted) attributable to the common shareholders of the parent company by the weighted average number (diluted) of the common shares issued by the company:

Item	Year 2020	Year 2019
Consolidated net profit attributable to common shareholders of the parent company (diluted)	<b>77,318,175.74</b>	52,657,894.58
Weighted average number of common shares issued by the company (diluted)	<b>913,838,529.00</b>	913,838,529.00
Diluted earnings per share	<b>0.0846</b>	0.0576
Including: Diluted earnings per share of continued operation	<b>0.0846</b>	0.0576
Diluted earnings per share of discontinued operation		

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.55 Earnings per share (Continued)

#### 5.55.2 Diluted earnings per share (Continued)

The weighted average (dilution) of common shares is calculated as follows:

Item	Year 2020	Year 2019
Weighted average number of common shares outstanding at the end of the year when calculating basic earnings per share	913,838,529.00	913,838,529.00
Effect of convertible bonds		
Impact of share options		
Weighted average number of common shares at the end of the year (diluted)	<u>913,838,529.00</u>	<u>913,838,529.00</u>

### 5.56 Information of cash flow statement

#### 5.56.1 Other cash received relating to operating activities

Items	Year 2020	Year 2019
Cash receipts from acceptance deposit & Commitment deposit	198,459,295.67	151,875,530.99
Government grants	18,214,670.57	27,646,841.52
Interest Income	11,743,930.16	13,040,696.48
Others	<u>1,315,046.33</u>	<u>1,025,422.68</u>
Total	<u>229,732,942.73</u>	<u>193,588,491.67</u>

#### 5.56.2 Other cash paid relating to operating activities

Items	Year 2020	Year 2019
Payment of security deposit and restricted funds	174,202,595.33	185,880,002.08
Payment of expenses	94,321,494.07	97,132,044.63
Commission charges	3,333,201.93	4,094,569.86
Others	<u>1,014,982.62</u>	<u>529,531.49</u>
Total	<u>272,872,273.95</u>	<u>287,636,148.06</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.56 Information of cash flow statement (Continued)

#### 5.56.3 Other cash receipt related to investment activities

Items	Year 2020	Year 2019
Capital of financial products	<b>1,245,000,000.00</b>	1,650,000,000.00
Letter of Credit deposit	<b>1,030,000.00</b>	6,419,000.00
Total	<b>1,246,030,000.00</b>	1,656,419,000.00

#### 5.56.4 Other cash paid related to investment activities

Items	Year 2020	Year 2019
Capital of financial products	<b>1,445,000,000.00</b>	1,590,000,000.00
Letter of Credit deposit	<b>1,030,000.00</b>	6,419,000.00
Total	<b>1,446,030,000.00</b>	1,596,419,000.00

#### 5.56.5 Other cash received related to financing activities

Items	Year 2020	Year 2019
Cash received from notes discounted	<b>85,148,311.98</b>	123,401,574.55
Other financing		992,647.75
Total	<b>85,148,311.98</b>	124,394,222.30

#### 5.56.6 Other cash paid related to financing activities

Items	Year 2020	Year 2019
Cash paid for lease liability	<b>2,649,087.35</b>	4,741,839.43
Total	<b>2,649,087.35</b>	4,741,839.43

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.57 Consolidated Statement of Cash Flows

#### 5.57.1 Information on adjusting net profit to cash flows from operating activities

Supplementary information	Year 2020	Year 2019
1. Net profit adjusted to cash flows from operating activities:		
Net profit	117,781,200.59	113,685,623.52
Plus: Impairment loss for credit assets	15,781,683.84	12,648,007.98
Provision for impairment of assets	13,955,982.11	43,308,217.26
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	89,274,656.76	76,112,639.08
Amortization of the right to use assets	7,041,437.37	5,266,905.39
Amortization of intangible assets	12,486,273.03	11,835,797.28
Amortization of long-term deferred expenses	3,893,298.75	1,488,116.70
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	50,820.75	-383,216.04
Losses on write-off of fixed assets ("-" for gains)	-42,569.20	328,710.16
Losses on changes in fair value ("-" for gains)	-886,749.69	-469,826.49
Financial expenses ("-" for gains)	1,620,639.74	3,631,924.64
Investment losses ("-" for gains)	-74,470,506.63	-60,521,783.15
Decreases in deferred income tax assets ("-" for increases)	-815,390.17	-2,728,583.04
Increases in deferred income tax liabilities ("-" for decreases)	209,571.82	-27,237.84
Decreases in inventories ("-" for increases)	29,191,944.30	20,636,714.28
Decreases in operating receivable ("-" for increases)	349,757,280.56	-407,077,602.51
Increases in operating payables ("-" for decreases)	-30,175,956.65	-158,968,255.35
Others		
Net cash flow from operating activities	534,653,617.28	-341,233,848.13
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financing leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	1,149,052,807.58	863,141,377.23
Less: beginning balance of cash	863,141,377.23	1,292,114,192.80
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	285,911,430.35	-428,972,815.57

#### 5.57.2 No cash paid for disposal of subsidiaries during the period

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.57 Consolidated Statement of Cash Flows (Continued)

#### 5.57.3 Cash received for disposal of subsidiaries during the period

	Amount
Cash or cash equivalents received from disposal of subsidiaries in the current period	<b>309,600.00</b>
Including: Nanjing Xiongmao Instrument & Meter Co., Ltd.	<b>309,600.00</b>
Less: cash and cash equivalents held by the company on the date of losing control	
Plus: cash or cash equivalents received from disposal of subsidiaries in the previous period	
Net cash received from disposal of subsidiaries	<b><u>309,600.00</u></b>

#### 5.57.4 Breakdowns of cash and cash equivalents

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
I. Cash	<b>1,149,052,807.58</b>	863,141,377.23
Including: cash on hand	<b>178,831.50</b>	399,930.44
Unrestricted bank deposit	<b>1,148,873,976.08</b>	862,741,446.79
Other unrestricted cash and cash equivalents		
II. Cash equivalents		
III. Ending balance of cash and cash equivalents	<b><u>1,149,052,807.58</u></b>	<u>863,141,377.23</u>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.58 Assets restricted for use or ownership

Item	Book value as at December 31, 2020	Reason for restriction
Monetary funds	166,674,020.39	Acceptance, performance, letter of guarantee, letter of credit margin, government special account funds
Notes receivable	19,000,000.00	Guarantee the issuance of bank acceptance drafts for the bill pool
Total	<u>185,674,020.39</u>	

### 5.59 Monetary items in foreign currency

Item	Balance in foreign currency as at December 31, 2020	Exchange rate	Balance converted into RMB as at December 31, 2020
Monetary funds			63,736,849.56
Including: USD	8,982,273.97	6.5249	58,608,439.43
EUR	342,564.19	8.025	2,749,077.62
HKD	493,214.00	0.8416	415,088.90
JPY	31,079,804.00	0.0632	1,964,243.61
Accounts receivable			33,160,272.94
Including: USD	4,520,631.46	6.5249	29,496,668.21
EUR	18,794.39	8.025	150,824.98
JPY	55,581,958.00	0.0632	3,512,779.75
Other receivables			7,747,714.58
Including: USD	1,186,852.78	6.5249	7,744,095.70
HKD	4,300.00	0.8416	3,618.88
Accounts payable			158,643,535.91
Including: USD	14,601,113.03	6.5249	95,270,802.41
JPY	1,002,733,125.00	0.0632	63,372,733.50
Other payables			3,178,327.52
Including: USD	486,051.10	6.5249	3,171,434.82
HKD	8,190.00	0.8416	6,892.70



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.60 Government grants

#### 5.60.1 Government grants related to assets

Category	Amount	Balance as at		Amount included in current profit and loss or offset loss of relevant costs and expenses		Item included in current profit and loss or offset loss of relevant costs and expenses
		December 31, 2020	Items presented in the balance sheet	Year 2020	Year 2019	
2017 Technical Transformation Special Project of Electronic Information Industry	30,000,000.00	30,000,000.00	Other Current Liabilities			
Provincial emerging industry guiding funds	10,000,000.00	10,000,000.00	Other Current Liabilities			
New model project grant	4,250,000.00	4,250,000.00	Other Current Liabilities			
Provincial high-end equipment to catch up with the project special funds	620,000.00	620,000.00	Other Current Liabilities			
High localization rate of industrial robots and intelligent complete sets of equipment research and development and industrialization						
New flat panel display factory automation transplanting system industrialization project	8,120,000.00	6,383,177.12	Deferred income	888,752.14	848,070.74	Other income
Nanjing industrial enterprise technology equipment investment universal award and subsidy funds	30,000,000.00	5,180,725.78	Deferred income	985,333.31	884,165.05	Other income
2017 Technical Transformation Special Project of Electronic Information Industry	1,624,000.00	1,015,200.00	Deferred income	324,800.00	284,000.00	Other income

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.60 Government grants (Continued)

#### 5.60.2 Government grants related to income

Category	Amount	Amount included in current profit and loss or offset loss of relevant costs and expenses		Item included in current profit and loss or offset loss of relevant costs and expenses
		Year 2020	Year 2019	
East China Electronics New Display Product Green Supply Chain Construction Project	1,000,000.00			
The development and industrialization of the integrated platform of high-speed traffic management based on artificial intelligence	1,000,000.00			
Automatic ticket checking system of rail transit based on mobile payment	890,000.00			
Internet AFC ticketing system	800,000.00			
Development of an intelligent monitoring system for oil and gas pipelines based on distributed optical fiber sensing and the Internet of Things	600,000.00			
No. 1 pass & intelligent cloud brake for face recognition AFC System Regional Centre (ZLC)	300,000.00			
Steady post subsidies	4,104,884.55	4,104,884.55	3,921,280.09	Other income
Special funds for preschool education - average student fee	2,541,371.09	2,541,371.09	2,176,274.06	Other income
Special Fund for Transformation of Scientific and Technological Achievements of Jiangsu Province	2,000,000.00	2,000,000.00		Other income
Innovation city construction promotion innovation award	1,240,000.00	1,240,000.00		Other income
Business development funds	979,700.00	979,700.00		Other income
Special fund subsidies for industrial development	583,000.00	583,000.00		Other income
Refund of union funds	575,733.24	575,733.24		Other income
Subsidies for training with workers	544,000.00	544,000.00		Other income
Customs AEO Senior Certification Support Fund	500,000.00	500,000.00		Other income
The training subsidies	407,250.00	407,250.00		Other income
Unemployment insurance refunds	399,231.03	399,231.03		Other income
Foreign economic and trade development fund award	206,862.00	206,862.00		Other income
Subsidized by electricity cost reduction for industry and commerce of shenzhen	152,583.09	152,583.09	111,825.56	Other income
Special funding support for software in 2019	150,000.00	150,000.00		Other income
Funds for awards and subsidies for structural adjustment of central industrial enterprises	131,270.33	131,270.33		Other income
Special fund for intellectual property strategy	27,000.00	27,000.00		Other income
Incentive for epidemic prevention and control	26,000.00	26,000.00		Other income
Employment subsidies for the disabled in 2020	20,200.00	20,200.00		Other income
Sewage treatment fee subsidy	15,373.20	15,373.20		Other income
Zone isolation single room subsidy	10,800.00	10,800.00		Other income

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.60 Government grants (Continued)

#### 5.60.2 Government grants related to income

Category	Amount	Amount included in current profit and loss or offset loss of relevant costs and expenses		Item included in current profit and loss or offset loss of relevant costs and expenses
		Year 2020	Year 2019	
2020 Science and Technology Innovation Assistance Project Demonstration Project Award	6,950.00	6,950.00		Other income
Employment information monitoring rewards	1,000.00	1,000.00	1,160.00	Other income
Special funds for the transformation of provincial scientific and technological achievements in 2019			7,000,000.00	Other income
Research and development of key technologies based on eye-tracking human-computer interaction ultra-high-definition virtual reality			4,000,000.00	Other income
The fifth batch of enterprises and projects to be supported by the Science and Technology Innovation Sub-item of Futian District Industrial Development Special Fund in 2018 - Science and Technology Innovation Award			1,000,000.00	Other income
Government technical transformation special support bonus			351,000.00	Other income
Special funds for industrial and information industry transformation and upgrading			200,000.00	Other income
2019 Environmental Improvement Incentive			160,000.00	Other income
The sixth batch of enterprises and projects to be supported by the Science and Technology Innovation Sub-item of Futian District Industrial Development Special Fund in 2018 - patent support funds			13,000.00	Other income
Industrial injury subsidies			400.00	Other income
Reward for the integration of the two provinces in 2019	120,000.00	120,000.00		Non-operating revenue
Vehicle scrapping subsidy	82,000.00	82,000.00		Non-operating revenue
Intellectual Property Rewards	71,000.00	71,000.00		Non-operating revenue
Patent fund prize	29,608.85	29,608.85	12,017.00	Non-operating revenue
Reward for Early Elimination of Old Cars in Shenzhen (2018-2020)	25,500.00	25,500.00	33,000.00	Non-operating revenue
Provincial innovation ability construction special fund allocation	12,000.00	12,000.00		Non-operating revenue
2019 Association for Science and Technology" Talk, Compare" Excellent Project Funding	10,000.00	10,000.00		Non-operating revenue
High-tech enterprise award			1,730,000.00	Non-operating revenue

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5. Notes to significant items to the consolidated financial statements (Continued)

### 5.60 Government grants (Continued)

#### 5.60.2 Government grants related to income

Category	Amount	Amount included in current profit and loss or offset loss of relevant costs and expenses		Item included in current profit and loss or offset loss of relevant costs and expenses
		Year 2020	Year 2019	
In 2018, the first batch of Enterprise Research and Development Funding Plan is planned to subsidize enterprises			936,000.00	Non-operating revenue
2017 annual enterprise research and development expenses provincial financial awards			300,000.00	Non-operating revenue
In 2019, the performance evaluation of enterprises' R&D institutions will be rewarded			300,000.00	Non-operating revenue
Special subsidy of 2019 IPR Demonstration Advantage Enterprise Award of Market Supervision Administration			50,000.00	Non-operating revenue
Futian District to create "drainage standards of the community" advanced unit award			20,000.00	Non-operating revenue
2018 annual science and technology development plan and science and technology funding index award			11,500.00	Non-operating revenue
2019 Intellectual Property Support			10,000.00	Non-operating revenue
Funded by Golden Bridge in 2018			5,000.00	Non-operating revenue
Epidemic prevention and control equipment support	10,000.00	10,000.00		Administration expense
2017 Special Fund for Foreign Economic and Trade Development (Import Discount)			956,600.00	Financial expense

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

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## 6. Changes in consolidated scope

### 6.1 Merger of enterprises under different control

There is no business merger under different control in the current period.

### 6.2 Merger of enterprises under the same control

There is no business merger under the same control in the current period.

### 6.3 Reversed Purchase

No reverse purchases occurred during the current period.

### 6.4 Disposal subsidiary

No disposition of subsidiaries occurred during the current period.

### 6.5 Other reasons for changes in the scope of the merger

In this period, the subsidiary Nanjing Xiongmao Instrument & Meter Co., Ltd. was cancelled. Before the cancellation and liquidation, the subsidiary had been properly included in the consolidated statements of the company.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 7. Interests in other entities

### 7.1 Interest in a subsidiary

#### 7.1.1 Composition of enterprise groups

Name of subsidiaries	Main place of business	Registration place	Nature of business	Proportion of shareholdings (%)		Way of procurement
				Direct	Indirect	
Nanjing Panda Electronic Manufacture Co., Ltd. <sup>1</sup>	Nanjing	Nanjing	Manufacturing industry	75.00	25.00	Establish
Nanjing Panda Xinxing Industrial Co., Ltd.	Nanjing	Nanjing	Service industry	100.00		Establish
Nanjing Panda Electronic Equipment Co., Ltd	Nanjing	Nanjing	Manufacturing industry	100.00		Establish
Galant Limited <sup>3</sup>	Nanjing	Nanjing	Investment	100.00		Establish
Nanjing Panda Information Industry Co., Ltd. <sup>1</sup>	Nanjing	Nanjing	Manufacturing industry	82.00	18.00	Establish
Nanjing Panda Communication Technology Co., Ltd	Nanjing	Nanjing	Manufacturing industry	100.00		Merger of enterprises under the same control
Nanjing Panda Electronics Science & Technology Development Co., Ltd.	Nanjing	Nanjing	Manufacturing industry	100.00		Establish
Chengdu Panda Electronics Technology Co., Ltd.	Chengdu	Chengdu	Manufacturing industry	100.00		Establish
Chengdu Panda Electronic Manufacturing Co., Ltd. <sup>3</sup>	Chengdu	Chengdu	Manufacturing industry	100.00		Establish
Shenzhen Jingwah Electronics Co., Ltd. <sup>2</sup>	Shenzhen	Shenzhen	Service industry	43.34		Merger of enterprises under the same control

*Notes 1:* The registered capital of Nanjing Panda Electronic Manufacture Co., Ltd. and Nanjing Panda Information Industry Co., Ltd. is US dollars.

*Notes 2:* Shenzhen Jingwah Electronics Co., Ltd. is a joint stock limited company (unlisted), while the other companies mentioned above are all limited liability companies.

*Notes 3:* Galant Limited and Chengdu Panda Electronic Manufacturing Co., Ltd have not yet made the actual investment.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 7. Interests in other entities (Continued)

### 7.1 Interest in a subsidiary (Continued)

#### 7.1.2 Significant non-wholly-owned subsidiaries

Name of subsidiaries	Proportion of Minority shareholdings	Loss attributable to minority interests in the current period	Dividend attributable to minority interests in the current period	Balance of minority interests at the end of period
Shenzhen Jingwah Electronics Co., Ltd.	56.66%	40,463,024.85	43,997,736.50	236,949,342.69

Explanation that the shareholding ratio of the minority shareholders of the subsidiary is different from the voting ratio:

*Note:* Among the 7 members of the board of directors of Shenzhen Jingwah Electronics Co., Ltd., the company recommended 4 directors, so the company holds 57.14% of the voting rights

#### 7.1.3 Major financial information of important non-wholly-owned subsidiaries

Name of subsidiaries	Balance as at December 31, 2020					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Shenzhen Jingwah Electronics Co., Ltd.	505,421,254.46	42,707,894.80	548,129,149.26	159,931,607.59	6,008,816.96	165,940,424.55

Continue

Name of subsidiaries	Balance as at January 1, 2020					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Shenzhen Jingwah Electronics Co., Ltd.	481,712,516.46	41,384,706.20	523,097,222.66	133,742,287.55	3,907,708.96	137,649,996.51

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 7. Interests in other entities (Continued)

### 7.1 Interest in a subsidiary (Continued)

#### 7.1.3 Major financial information of important non-wholly-owned subsidiaries (Continued)

Continue

Name of subsidiaries	Year 2020			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jingwah Electronics Co., Ltd.	630,172,583.78	65,675,277.56	65,675,277.56	52,484,019.45

Continue

Name of subsidiaries	Year 2019			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jingwah Electronics Co., Ltd.	843,380,808.18	94,907,185.30	94,907,185.30	104,921,411.98

### 7.2 Significant joint ventures or associates

#### 7.2.1 Major financial information of important associated enterprises

Items	Nanjing Ericsson Panda Communications Co., Ltd.	
	Balance as at December 31, 2020/Year 2020	Balance as at January 1, 2020/Year 2019
Current assets	1,678,560,903.03	2,264,774,000.00
Non-current assets	1,738,444,123.47	1,897,516,000.00
Total assets	3,417,005,026.50	4,162,290,000.00
Current liabilities	2,569,309,543.78	3,374,097,000.00
Non-current liabilities		4,990,000.00
Total liabilities	2,569,309,543.78	3,379,087,000.00



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 7. Interests in other entities (Continued)

### 7.2 Significant joint ventures or associates (Continued)

#### 7.2.1 Major financial information of important associated enterprises (Continued)

Items	Nanjing Ericsson Panda Communications Co., Ltd.	
	Balance as at December 31, 2020/Year 2020	Balance as at January 1, 2020/Year 2019
Minority interest		
Shareholders' equity attributable to the parent company	<b>847,695,482.72</b>	783,203,000.00
Proportionate share in net assets	<b>228,877,780.33</b>	211,464,810.00
Adjustments		-1,031,515.78
- Goodwill		
- Internal offset of unrealized profit		-934,251.78
- Others		-97,264.00
Carrying amount of investments in associates	<b>228,877,780.33</b>	210,433,294.22
Fair value of equity investments in associates		
Operating income	<b>10,071,683,469.84</b>	9,315,362,000.00
Net profit	<b>241,885,483.00</b>	170,748,000.00
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	<b>241,885,483.00</b>	170,748,000.00
Dividend from joint ventures received	<b>48,826,402.00</b>	47,794,206.00

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 7. Interests in other entities (Continued)

### 7.2 Significant joint ventures or associates (Continued)

7.2.2 Non-essential consolidated financial information of joint ventures and associated enterprises

	Balance as at December 31, 2020/Year 2020	Balance as at January 1, 2020/Year 2019
Associates:		
Total carrying amount of investment	<b>66,305,102.51</b>	65,955,549.76
The followings were calculated by		
– Net profit	<b>349,552.75</b>	269,088.99
– Other comprehensive income		
– Total comprehensive income	<b>349,552.75</b>	269,088.99

## 8. Risk associated with financial instruments

The Company faces various financial risks in the course of operation: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and another price risk). The above financial risks and the risk management policies adopted by the Company to mitigate these risks are described below:

The Company's Board of Directors is fully responsible for, and ultimately responsible for, the determination of risk management objectives and policies. The Company's internal auditors also audit risk management policies and procedures and report their findings to the Audit Committee.

The overall goal of the company's risk management is to develop risk management policies that reduce risks as much as possible without unduly affecting the company's competitiveness and resilience.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

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## 8. Risk associated with financial instruments (Continued)

### 8.1 Credit risks

Credit risk refers to the risk of financial loss to the Company due to the failure of the counterparty to fulfill its contractual obligations.

The company credit risk is mainly produced in the monetary funds, notes receivable, other receivables, accounts receivable, accounts receivable financing, creditor's rights investment, other creditor's rights, such as investment and the financial guarantee contract and not included in the impairment evaluation scope to fair value and whose fluctuations are included in the current profits and losses of the debt instrument investment and derivative financial assets, etc. At the balance sheet date, the book value of the Company's financial assets represents its maximum credit exposure.

The Company's monetary funds are mainly bank deposits deposited in state-owned banks with good reputation and high credit rating and other large and medium-sized listed banks. The Company believes that there is no significant credit risk and it will almost not generate significant losses caused by bank default.

In addition, with respect to notes receivable, accounts receivable, receivables financing and other receivables, the Company has policies to control credit risk exposure. The Company evaluates the Customer's credit qualification and establishes the corresponding credit period based on the Customer's financial position, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company will regularly monitor the credit records of customers. For customers with poor credit records, the Company will use written methods to urge payment, shorten the credit period or cancel the credit period to ensure that the overall credit risk of the Company is within a controllable range.

### 8.2 Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle by delivering cash or other financial assets.

It is the company's policy to ensure that it has sufficient cash to meet maturing debts. Liquidity risk is centrally controlled by the financial department of the company. By monitoring cash balances and rolling projections of cash flows over the next 12 months, the finance department ensures that the company has sufficient funds to repay its debts under all reasonable projections. At the same time, continuously monitor the company's compliance with borrowing agreements and obtain commitments from major financial institutions to provide adequate standby funds to meet short - and long-term funding needs.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 8. Risk associated with financial instruments (Continued)

### 8.2 Liquidity risk (Continued)

The Company's various financial liabilities are shown as follows in terms of undiscounted contractual cash flows on maturity dates:

Item	Balance as at December 31, 2020	Immediate repayment				Total
		Within 1 year	1-2 Years	2-5 Years	More than 5 years	
Short-Term Borrowing						
Notes Payable	193,125,064.34					193,125,064.34
Accounts Payable	1,598,171,215.24					1,598,171,215.24
Contract Liability	183,520,790.45					183,520,790.45
Other Payables	90,865,482.11					90,865,482.11
<b>Total</b>	<b>2,065,682,552.14</b>					<b>2,065,682,552.14</b>

Item	Balance as at January 1, 2020	Immediate repayment				Total
		Within 1 year	1-2 Years	2-5 Years	More than 5 years	
Short-Term Borrowing	50,000,000.00					50,000,000.00
Notes Payable	234,736,827.23					234,736,827.23
Accounts Payable	1,628,435,817.44					1,628,435,817.44
Contract Liability	160,540,186.87					160,540,186.87
Other Payables	78,425,560.86					78,425,560.86
<b>Total</b>	<b>2,152,138,392.40</b>					<b>2,152,138,392.40</b>

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

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## 8. Risk associated with financial instruments (Continued)

### 8.3 Market risks

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to market price changes, including exchange rate risk, interest rate risk and other price risks.

#### 8.3.1 Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates.

Interest-bearing financial instruments with fixed and floating interest rates expose the Company to fair value interest rate risk and cash flow interest rate risk respectively. The Company determines the ratio of fixed and floating rate instruments based on market conditions and maintains an appropriate combination of fixed and floating rate instruments through regular review and monitoring. When necessary, the Company will use interest rate swaps to hedge interest rate risk.

#### 8.3.2 Exchange rate risk

Exchange rate risk refers to the risk that the fair value of a financial instrument or future cash flows will fluctuate due to changes in foreign exchange rates.

As far as possible, the Company matches foreign currency revenues with foreign currency expenditures to reduce exchange rate risk. In addition, the company may enter into forward foreign exchange contracts or currency swap contracts to achieve the purpose of hedging the exchange rate risk. During the current period and the previous period, the Company did not enter into any forward foreign exchange contracts or currency swap contracts.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 8. Risk associated with financial instruments (Continued)

### 8.3 Market risks (Continued)

#### 8.3.2 Exchange rate risk (Continued)

The exchange rate risks faced by the Company mainly come from financial assets and financial liabilities denominated in US dollars and Japanese yen. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are listed as follows:

Item	Balance as at December 31, 2020			Balance as at January 1, 2020		
	USD	Other foreign currency	Total	USD	Other foreign currency	Total
Cash and cash equivalents	58,608,439.43	5,128,410.13	63,736,849.56	95,803,593.09	2,940,187.04	98,743,780.13
Account receivable	29,496,668.21	3,663,604.73	33,160,272.94	29,819,635.89	4,073,801.47	33,893,437.36
Other receivable	7,744,095.70	3,618.88	7,747,714.58	8,016,754.50	3,851.94	8,020,606.44
Subtotal	95,849,203.34	8,795,633.74	104,644,837.08	133,639,983.48	7,017,840.45	140,657,823.93
Accounts payable	95,270,802.41	63,372,733.50	158,643,535.91	97,484,549.43	123,820,381.60	221,304,931.03
Other payables	3,171,434.82	6,892.70	3,178,327.52	3,149,689.98	27,561.60	3,177,251.58
Subtotal	98,442,237.23	63,379,626.20	161,821,863.43	100,634,239.41	123,847,943.20	224,482,182.61

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 8. Risk associated with financial instruments (Continued)

### 8.3 Market risks (Continued)

#### 8.3.2 Exchange rate risk (Continued)

The effects of exchange rate movements are as follows:

Item	Balance as at December 31, 2020			Balance as at January 1, 2020		
	Exchange increase/ decrease	Total profit increase/ decrease	Shareholder equity increase/ decrease	Exchange increase/ decrease	Total profit increase/ decrease	Shareholder equity increase/ decrease
Depreciation of RMB against USD	5%	-129,651.69	-129,651.69	5%	1,650,287.20	1,650,287.20
Appreciation of RMB against USD	5%	129,651.69	129,651.69	5%	-1,650,287.20	-1,650,287.20
Depreciation of RMB against JPY	5%	-2,894,785.51	-2,894,785.51	5%	-5,908,830.40	-5,908,830.40
Appreciation of RMB against JPY	5%	2,894,785.51	2,894,785.51	5%	5,908,830.40	5,908,830.40

#### 8.3.3 Other price risks

Other price risks refer to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to market price changes other than exchange rate and interest rate risks.

The Company's other price risks are mainly generated by various equity instrument investments, and there are risks of price changes of equity instruments.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 9. Fair value disclosure

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the asset or liability other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

The level of the measurement result of fair value shall subject to the lowest level which the input that is great significance to the entire measurement of fair value belongs to.

### 9.1 Closing fair value of assets and liabilities measured at fair value

Type	Fair value as at December 31, 2020			Total
	Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	
1. Continuing fair value measurement				
◆ Trading financial assets			501,356,576.18	501,356,576.18
1.1 Financial assets at fair value through profit and loss			501,356,576.18	501,356,576.18
1.1.1 Debt instrument investment				
1.1.2 Equity instrument investment				
1.1.3 Derivative assets			501,356,576.18	501,356,576.18
1.2.4 Others				
◆ Receivable's financing			144,969,078.62	144,969,078.62
◆ Other equity instrument investment			4,074,939.80	4,074,939.80
Total continuing assets measured at fair value			650,400,594.60	650,400,594.60



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

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## 9. Fair value disclosure (Continued)

### 9.2 Regarding continuing and discontinued third level fair value measurement items, valuation technology adopted and qualitative & quantitative information of important parameters

1. The trading financial assets measured at the third level of fair value measurement held by the company are bank wealth investment product. At the end of the period, the fair value is adjusted according to the expected return rate or performance benchmark interest rate of financial products.
2. The receivables financing measured at the third level of fair value held by the company are notes receivables with the intention of endorsement, and the remaining maturity is short with the book value equaled to its fair value.
3. The Other equity investment instruments measured at the third level of fair value measurement held by the company is that 7.30% equity of Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd. The company is a non-listed company, and the fair value is determined by the net asset basis method as of the balance sheet date.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 9. Fair value disclosure (Continued)

### 9.3 Adjustment information between the carrying value of opening and closing balance, and sensitivity analysis of unobservable parameters for continuous project with level 3 of the fair value hierarchy

#### 9.3.1 Adjustment information of continuous project with level 3 of the fair value hierarchy

Type	Opening balance	Gains (losses) recognized in the period				Purchase, issue, selling and settlement				Balance as at December 31, 2020	For assets held at the end of the reporting period, the gains or losses are not realized in the current period of profit or loss.
		Transfers in level 3	Transfers out of level 3	In profits and losses	In other comprehensive income	Purchase	issue	selling	settlement		
◆ Trading financial assets	300,469,826.49			8,041,200.10		1,445,000,000.00		1,252,154,450.41		501,356,576.18	
Financial assets at fair value through profit and loss	300,469,826.49			8,041,200.10		1,445,000,000.00		1,252,154,450.41		501,356,576.18	
- Debt instrument investment	50,211,438.36			398,940.29				50,610,378.65			
- Equity instrument investment											
- Derivative assets	250,258,388.13			7,642,259.81		1,445,000,000.00		1,201,544,071.76		501,356,576.18	886,749.69
- Others											
◆ Receivable financing	347,259,336.87	943,052,373.27	1,145,342,631.52							144,969,078.62	
◆ Other equity instrument investment	4,035,539.29				39,400.51					4,074,939.80	
<b>Total</b>	<b>651,764,702.65</b>	<b>943,052,373.27</b>	<b>1,145,342,631.52</b>	<b>8,041,200.10</b>	<b>39,400.51</b>	<b>1,445,000,000.00</b>		<b>1,252,154,450.41</b>		<b>650,400,594.60</b>	<b>886,749.69</b>
Including: profit and loss related to financial assets				8,041,200.10							
Profit and loss related to non-financial assets											

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions

### 10.1 Parent company of the Company

Name of parent company	Place of registration	Business nature	Registered Capital	Holding proportion over the Company (%)	Voting right Proportion over the Company (%)
Panda Electronics Group Limited	Nanjing	Manufacturing	1.63297 billion	23.05	55.56

Notes 1: As of December 31, 2020, the total number of shares held by China Electronics Corporation accounts for 29.98% of the total capital of the Company. Among them, the holding subsidiary Nanjing Panda Information Industry Group Co., Ltd. holds 22,120,611 A shares and 13,768,000 H shares of the company through the asset management plan, accounting for 3.93% of the total capital stock of the company; Panda Electronics Group Co., Ltd., A wholly-owned subsidiary of Nanjing Panda Information Industry Group Co., Ltd., holds 210,661,444 A-shares of the Company, accounting for 23.05% of the total capital stock of the Company; It holds 27,414,000 H shares of the Company, accounting for 3.00% of the total capital stock of the Company, through its wholly-owned overseas subsidiary Huadian Co., Ltd. China Electronics Corporation is the ultimate controlling of the company with its registered office in Beijing.

Notes 2: The proportion of voting rights of the parent company is higher than the proportion of shareholding in the company, because the parent company recommended and elected five directors among the nine members of the board of directors.

### 10.2 Subsidiaries of the Company

See Note 7. Interest in other entities for details.

### 10.3 Joint ventures and associates of the Company

See Note 7. Interest in other entities for details.

The conditions of other joint ventures or associated enterprises with a balance resulting from a related party transaction with the Company during the current period or a prior period of related party transaction with the Company are as follows:

The name of joint ventures or associates	Relationship with the Company
Nanjing Ericsson Panda Communications Co., Ltd.	Subsidiary's associates
Beijing Se Potevio Mobile Communications Co., Ltd.	Subsidiary's associates
Shenzhen Chebao Information Technology Co., Ltd.	Subsidiary's associates
Shenzhen Jinghua Network Marketing Co., Ltd.	Subsidiary's associates

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.4 Other related parties of the Company

Name of other related parties	Relationship with the Company
Nanjing Panda Handa Science & Technology Co., Ltd.	Subsidiary of the Group
Nanjing Panda Piezoelectricity Technology Co., Ltd.	Subsidiary of the Group
Nanjing Panda Electronics IMP & EXP. Co., Ltd.	Subsidiary of the Group
FAIRWIT HONGKONG CO., LIMITED	Subsidiary of the Group
Nanjing Panda Investment Development Co., Ltd.	Subsidiary of the Group
Nanjing Panda Transportation Co., Ltd.	Subsidiary of the Group
Nanjing Zhenhua Acoustics Equipment Factory	Subsidiary of the Group
Nanjing Cec Panda Home Appliances Co., Ltd.	Subsidiary of the Group
Liyang Cuizhuyuan Hotel	Subsidiary of the Group
Nanjing Panda Science Park Development Co., Ltd.	Subsidiary of the Group
Nanjing Panda Information Industry Group Co., Ltd.	Shareholders of the Company
China Electronic Materials Jiangsu Zhejiang Company	Ultimately controlled by the same party
Nanjing CEC Panda Modern Service Industry Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda Trade Development Co., Ltd.	Ultimately controlled by the same party
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda LCD Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC PANDA CF Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing China Electronics Panda Crystal Technology Corporation	Ultimately controlled by the same party
Langfang China Electronics Panda Crystal Technology Corporation	Ultimately controlled by the same party
Nanjing Sanle Group Co., Ltd.	Ultimately controlled by the same party
Nanjing Huadong Electronics Group Co., Ltd.	Ultimately controlled by the same party
Nanjing China Electronics Panda Lighting Co., Ltd.	Ultimately controlled by the same party
Nanjing Huadong Electronics Information & Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing Zhongdian Real Estate Co., Ltd.	Ultimately controlled by the same party
Nanjing panda jinling hotel Co., Ltd.	Ultimately controlled by the same party
Nanjing Changjiang Electronics Group Co., Ltd.	Ultimately controlled by the same party
IRICO Group Corporation	Ultimately controlled by the same party
Xianyang China Electronics Irico Group Holding Co., Ltd.	Ultimately controlled by the same party
Nanjing Rainbow New Energy Co., Ltd.	Ultimately controlled by the same party
Xianyang Caihong Intelligent Equipment Co., Ltd.	Ultimately controlled by the same party
GUIZHOU Zhenhua YILONG E-CHEM Co., Ltd.	Ultimately controlled by the same party

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.4 Other related parties of the Company (Continued)

Name of other related parties	Relationship with the Company
Guizhou Zhenhua Qunying Electrical Appliance Co., Ltd.	Ultimately controlled by the same party
Guizhou Zhenhua Hualian Electronic Co., Ltd.	Ultimately controlled by the same party
China Greatwall Technology Group Co., Ltd.	Ultimately controlled by the same party
Wuhan Zhongyuan Electronics Group Co., Ltd.	Ultimately controlled by the same party
Wuhan Zhongyuan Communication Co., Ltd.	Ultimately controlled by the same party
China TONG GUANG Electronic Co., Ltd.	Ultimately controlled by the same party
Shen Zhen CEAC International Information Science & Technology Co., Ltd	Ultimately controlled by the same party
CEAC INTERNATIONAL LIMITED	Ultimately controlled by the same party
Ceiec Electric Technology Inc.	Ultimately controlled by the same party
China Electronics Shenzhen Company	Ultimately controlled by the same party
China Zhenhua Group Yunke Electronic Co., Ltd.	Ultimately controlled by the same party
The Fourth Construction Co., Ltd. of China Electronic System Engineering	Ultimately controlled by the same party
China Electronics Import & Export Co., Ltd.	Ultimately controlled by the same party
China electronic international exhibition advertising Co., Ltd.	Ultimately controlled by the same party
Gansu Changfeng Electronic Technology Co., Ltd.	Ultimately controlled by the same party
China Power Industrial Internet Co., Ltd.	Ultimately controlled by the same party
Pengcheng Intelligent Equipment Co., Ltd.	Ultimately controlled by the same party
China Information Security Research Institute Co., Ltd.	Ultimately controlled by the same party
China Electronic Finance Co., Ltd.	Ultimately controlled by the same party
Feisheng (Shanghai) Electronic Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing Lg Panda Appliances Co., Ltd.	Other related parties
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other related parties
Chengdu Cec Panda Display Technology Co., Ltd.	Other related parties
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Other related parties
Irico (Hefei) Lcd Glass Co., Ltd.	Other related parties
Nanjing CEC Panda FPD Technology Co., Ltd.	Other related parties

Note: On December 24, 2020, the controlling shareholder of Nanjing CEC Panda FPD Technology Co., Ltd. was changed to BOE Technology Group Co., Ltd.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions

#### 10.5.1 Purchase and sale of goods, rendering and receipting services in related party transactions

Purchase of goods/receipt of labor services

Related party	Content of related party transaction	Year 2020	Year 2019
CEAC INTERNATIONAL LIMITED	Purchase of goods	18,852,004.52	1,578,387.40
Feisheng (Shanghai) Electronic Technology Co., Ltd.	Purchase of goods	14,694,209.64	
Nanjing Panda Handa Science & Technology Co., Ltd.	Purchase of goods	11,827,500.00	6,066.04
Nanjing CEC Panda FPD Technology Co., Ltd.	Purchase of goods	4,318,451.34	14,885,451.56
Nanjing Rainbow New Energy Co., Ltd.	Purchase of goods	2,692,596.74	2,967,942.09
Nanjing Zhenhua Acoustics Equipment Factory	Purchase of goods	2,058,889.65	2,420,305.87
Nanjing CEC Panda LCD Technology Co., Ltd.	Purchase of goods	949,500.89	928,148.19
Shanghai Panda Huning Electronic Technology Co., Ltd.	Purchase of goods	753,103.44	322,586.22
China Electronics Shenzhen Company	Purchase of goods	469,623.39	1,003,910.84
Guizhou Zhenhua Hualian Electronic Co., Ltd.	Purchase of goods	155,546.01	157,806.26
Nanjing Cec Panda Home Appliances Co., Ltd.	Purchase of goods	141,669.06	163,121.48
China Electronics Import & Export Co., Ltd.	Purchase of goods	121,868.00	
China Zhenhua Group Yunke Electronic Co., Ltd.	Purchase of goods	121,303.41	
Chengdu Cec Panda Display Technology Co., Ltd.	Purchase of goods	75,528.96	177,757.82
Guizhou Zhenhua Qunying Electrical Appliance Co., Ltd.	Purchase of goods	32,876.11	43,893.81
Nanjing China Electronics Panda Crystal Technology Corporation	Purchase of goods	12,971.90	401,106.18
Nanjing Panda Piezoelectricity Technology Co., Ltd.	Purchase of goods	9,646.02	23,613.21
Nanjing Panda Electronics IMP. & EXP. Co., Ltd.	Purchase of goods	4,893.46	139,775.22
Shen Zhen CEAC International Information Science & Technology Co., Ltd.	Purchase of goods	1,716.81	12,876.11
Xianyang Caihong Intelligent Equipment Co., Ltd.	Purchase of goods		3,451,327.43
Nanjing Changjiang Electronics Group Co., Ltd.	Purchase of goods		48,146.57

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.1 Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Purchase of goods/receipt of labor services (Continued)

Related party	Content of related party transaction	Year 2020	Year 2019
Nanjing Panda Transportation Co., Ltd.	Receipt of labor services	6,425,806.89	7,920,689.20
Nanjing Cec Panda Home Appliances Co., Ltd.	Receipt of labor services	3,787,610.62	
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Receipt of labor services	1,708,031.17	6,185,978.09
Xianyang China Electronics Irico Group Holding Co., Ltd.	Receipt of labor services	754,716.98	754,716.98
Nanjing Huadong Electronics Group Co., Ltd.	Receipt of labor services	563,731.97	
Nanjing CEC Panda LCD Technology Co., Ltd.	Receipt of labor services	501,071.70	1,082,202.49
Nanjing Panda Handa Science & Technology Co., Ltd.	Receipt of labor services	155,719.80	186,058.49
Panda Electronics Group Co., Ltd.	Receipt of labor services	146,567.89	1,048,041.20
IRICO Group Corporation	Receipt of labor services		754,716.98
China Electronics Import & Export Co., Ltd.	Receipt of labor services		297,836.54
China electronic international exhibition advertising Co., Ltd.	Receipt of labor services		131,640.00
China Information Security Research Institute Co., Ltd.	Receipt of labor services		943.40

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.1 Purchase and sale of goods, rendering and receipting services in related party transactions (Continued)

Sales of goods and provision of labor services

Related party	Content of related party transaction	Year 2020	Year 2019
Nanjing CEC Panda FPD Technology Co., Ltd.	Sales of goods	683,768,036.47	530,509,069.35
Chengdu Cec Panda Display Technology Co., Ltd.	Sales of goods	536,938,403.76	793,778,350.86
Nanjing Panda Handa Science & Technology Co., Ltd.	Sales of goods	152,079,100.51	58,004,305.33
Nanjing CEC Panda LCD Technology Co., Ltd.	Sales of goods	144,806,908.60	200,735,797.31
China Electronics Shenzhen Company	Sales of goods	56,681,713.12	17,113,279.15
Gansu Changfeng Electronic Technology Co., Ltd.	Sales of goods	24,149,787.58	
Shenzhen Jinghua Network Marketing Co., Ltd.	Sales of goods	21,448,431.02	23,079,868.82
Feisheng (Shanghai) Electronic Technology Co., Ltd.	Sales of goods	12,594,137.97	5,639,004.55
IRICO Group Corporation	Sales of goods	10,784,025.01	32,178,471.26
Nanjing Panda Electronics IMP & EXP. Co., Ltd.	Sales of goods	7,004,086.79	16,414,249.37
Nanjing Ericsson Panda Communications Co., Ltd.	Sales of goods	4,758,200.22	8,996,894.72
Irico (Hefei) Lcd Glass Co., Ltd.	Sales of goods	3,238,938.04	
Xiayang Caihong Optoelectronics Technology Co., Ltd.	Sales of goods	3,181,574.28	11,988,382.19
China Greatwall Technology Group Co., Ltd.	Sales of goods	2,920,946.42	2,187,823.67
FAIRWIT HONGKONG CO., LIMITED	Sales of goods	2,734,303.17	6,852,912.73
Nanjing Cec Panda Home Appliances Co., Ltd.	Sales of goods	2,050,940.86	4,589,061.33
Nanjing China Electronics Panda Lighting Co., Ltd.	Sales of goods	1,467,863.67	
China Electronic Materials Jiangsu Zhejiang Company	Sales of goods	815,881.14	783,433.95
Nanjing CEC PANDA CF Technology Co., Ltd.	Sales of goods	645,575.23	869,094.78
Nanjing Panda Information Industry Group Co., Ltd.	Sales of goods	441,242.04	426,648.13
Panda Electronics Group Co., Ltd.	Sales of goods	222,841.08	609,281.22
Wuhan Zhongyuan Communication Co., Ltd.	Sales of goods	193,805.31	492,035.40
Nanjing Panda Transportation Co., Ltd.	Sales of goods	155,104.69	141,189.63
Nanjing Huadong Electronics Information & Technology Co., Ltd.	Sales of goods	107,329.82	78,300.57
Ceiec Electric Technology Inc.	Sales of goods	79,658.14	47,480.98



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.1 Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Sales of goods and provision of labor services (Continued)

Related party	Content of related party transaction	Year 2020	Year 2019
Pengcheng Intelligent Equipment Co., Ltd.	Sales of goods	22,600.80	
Nanjing Panda Investment Development Co., Ltd.	Sales of goods	20,331.12	25,228.30
Nanjing CEC Panda Modern Service Industry Co., Ltd.	Sales of goods	19,063.20	30,449.08
Nanjing Panda Piezoelectricity Technology Co., Ltd.	Sales of goods	12,389.38	
Nanjing CEC Panda Trade Development Co., Ltd.	Sales of goods	6,349.05	10,877.36
Xianyang China Electronics Irco Group Holding Co., Ltd.	Sales of goods		15,803,750.36
Nanjing Sanle Group Co., Ltd.	Sales of goods		436,164.80
Nanjing Zhongdian Real Estate Co., Ltd.	Sales of goods		42,453.62
GUIZHOU Zhenhua YILONG E-CHEM Co., Ltd.	Sales of goods		16,175.86
Nanjing Panda Investment Development Co., Ltd.	Provision of labor services	16,461,682.16	16,271,079.02
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Provision of labor services	14,774,939.36	2,610,135.28
Panda Electronics Group Co., Ltd.	Provision of labor services	10,877,474.66	9,526,983.68
Nanjing CEC Panda FPD Technology Co., Ltd.	Provision of labor services	8,404,204.38	11,949,816.63
Nanjing CEC Panda LCD Technology Co., Ltd.	Provision of labor services	4,002,985.07	5,985,056.08
Liyang Cuizhuyuan Hotel	Provision of labor services	3,020,561.97	6,357,303.06
China Power Industrial Internet Co., Ltd.	Provision of labor services	2,215,934.68	
Nanjing CEC PANDA CF Technology Co., Ltd.	Provision of labor services	796,547.96	763,017.22
Wuhan Zhongyuan Communication Co., Ltd.	Provision of labor services	600,000.00	
Nanjing Lg Panda Appliances Co., Ltd.	Provision of labor services	430,822.75	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.1 Purchase and sale of goods, rendering and receipting services in related party transactions (Continued)

Sales of goods and provision of labor services (Continued)

Related party	Content of related party transaction	Year 2020	Year 2019
Nanjing Panda Transportation Co., Ltd.	Provision of labor services	430,128.26	125,380.32
Nanjing Panda Handa Science & Technology Co., Ltd.	Provision of labor services	387,424.65	52,996.23
Nanjing Cec Panda Home Appliances Co., Ltd.	Provision of labor services	316,440.74	324,102.60
Nanjing Panda Electronics IMP. & EXP. Co., Ltd.	Provision of labor services	132,858.95	140,879.79
Shenzhen Jinghua Network Marketing Co., Ltd.	Provision of labor services	5,814.70	8,370.70
The Fourth Construction Co., Ltd. of China Electronic System Engineering	Provision of labor services	1,650.00	
Nanjing Rainbow New Energy Co., Ltd.	Provision of labor services	926.61	57,544.76
Irco (Hefei) Lcd Glass Co., Ltd.	Provision of labor services		8,630,188.68
China TONG GUANG Electronic Co., Ltd.	Provision of labor services		35,454.55

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.2 Related-party leases

As a Lessor:

Lessee	Type of leased asset	Lease fees recognized in the period	Lease fees recognized in last period
Nanjing Panda Transportation Co., Ltd.	Houses	<b>1,186,811.04</b>	381,925.24
Nanjing Cec Panda Home Appliances Co., Ltd.	Houses	<b>668,422.08</b>	666,902.92
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Houses	<b>522,720.00</b>	537,654.86
Nanjing Panda Electronics IMP. & EXP. Co., Ltd.	Houses	<b>247,310.04</b>	246,747.99
Nanjing Panda Handa Science & Technology Co., Ltd.	Houses	<b>157,431.20</b>	157,431.20
Shenzhen Jinghua Network Marketing Co., Ltd.	Houses	<b>45,000.00</b>	48,285.71
Panda Electronics Group Co., Ltd.	Houses		41,025.82
Nanjing Panda Transportation Co., Ltd.	Vehicle	<b>228,288.03</b>	324,140.36

As a lessee:

Lessor	Type of leased asset	Lease fees recognized in the period	Lease fees recognized in last period
Nanjing CEC Panda FPD Technology Co., Ltd.	Houses	<b>5,651.38</b>	16,363.64
Chengdu Cec Panda Display Technology Co., Ltd.	Houses		51,769.91
Nanjing Panda Transportation Co., Ltd.	Vehicle	<b>28,700.00</b>	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.3 Related-party guarantees

Secured party	Amount of guarantee	Starting date of guarantee	Guarantee maturity date	Whether the guarantee has been performed
Nanjing Panda Electronic Manufacture Co., Ltd. <sup>1</sup>	60,000,000.00	2019-12-6	2022-12-5	No
Nanjing Panda Electronic Manufacture Co., Ltd. <sup>2</sup>	60,000,000.00	2020-5-14	2024-5-13	No
Nanjing Panda Electronic Manufacture Co., Ltd. <sup>3</sup>	50,000,000.00	2020-3-16	2023-1-8	No
Nanjing Huage Appliance and Plastic Industrial Co., Ltd. <sup>4</sup>	50,000,000.00	2019-12-30	2022-12-30	No
Nanjing Panda Electromechanical Manufacturing Co., Ltd. <sup>5</sup>	15,000,000.00	2019-12-9	2022-12-8	No
Nanjing Panda Information Industry Co., Ltd. <sup>6</sup>	280,000,000.00	2020-3-16	2023-1-8	No
Nanjing Panda Information Industry Co., Ltd. <sup>7</sup>	50,000,000.00	2020-5-12	2024-5-11	No
Nanjing Panda Electronic Equipment Co., Ltd. <sup>8</sup>	150,000,000.00	2019-11-20	2022-9-16	No
Nanjing Panda Electronic Equipment Co., Ltd. <sup>9</sup>	100,000,000.00	2019-12-30	2022-12-30	No
Nanjing Panda Electronic Equipment Co., Ltd. <sup>10</sup>	40,000,000.00	2020-3-16	2023-1-8	No
Chengdu Panda Electronics Technology Co., Ltd. <sup>11</sup>	55,000,000.00	2020-10-20	2023-10-19	No

**Notes 1:** Nanjing Panda Electronic Manufacture Co., Ltd. in Industrial Bank Co., Ltd. Nanjing Branch, provides a maximum guarantee of RMB60,000,000.00 for comprehensive bank credit extension, and the credit extension period is solstice on December 6, 2019 and December 5, 2020. There is no counter guarantee for this guarantee. For the various financial services provided by the creditor to the debtor on and off the balance sheet, two years shall commence from the date of expiration of the time limit for the performance of the debt under the said financial services. As of December 31, 2020, Nanjing Panda Electronic Manufacture Co., Ltd. has a total credit line of RMB24,020,214.66. Among them, Nanjing Panda Electronic Manufacture Co., Ltd. to provide bank acceptance bill guarantee amount of RMB24,020,214.66.

**Notes 2:** Nanjing Panda Electronic Manufacture Co., Ltd. provides an irrevocable guarantee with the maximum amount of RMB60,000,000.00 Yuan in the Nanjing Branch of China Merchants Bank Co., Ltd., for comprehensive bank credit extension. The credit extension period is solstice on May 14, 2020 and May 13, 2021. There is no counter guarantee for this guarantee. The period of guarantee shall be an additional three years from the effective date of this Guaranty to the maturity date of each loan or financing under the Facility Agreement. As of December 31, 2020, Nanjing Panda Electronic Manufacture Co., Ltd. has a total credit line of RMB31,293,523.81. Among them, Nanjing Panda Electronic Manufacture Co., Ltd. to provide bank acceptance bill guarantee amount of RMB31,293,523.81.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.3 Related-party guarantees (Continued)

- Notes 3:* Nanjing Panda Electronic Manufacture Co., Ltd. in Shanghai Pudong Development Bank Co., Ltd., Nanjing Branch, the amount is RMB50,000,000.00 and the maximum amount of guarantee is provided for the comprehensive bank credit extension. The credit extension period is solstice on March 16, 2020 and January 8, 2021. There is no counter guarantee for this guarantee. Calculated separately on the basis of each claim made by the creditor against the debtor, from the date of expiration of the performance period of each debt contract to the date of expiration of the performance period agreed upon in the said debt contract. As of December 31, 2020, Nanjing Panda Electronic Manufacture Co., Ltd. has a total credit line of RMB17,198,458.17. Among them, Nanjing Panda Electronic Manufacture Co., Ltd. to provide bank acceptance bill guarantee amount of 17,198,458.17.
- Notes 4:* Nanjing Huage Appliance and Plastic Industrial Co., Ltd. with the amount of RMB50,000,000.00 in China Electronic Finance Co., Ltd., provides the maximum guarantee for the comprehensive bank credit extension. The credit extension period is solstice on December 30, 2019 and December 30, 2020. The guarantee period shall be calculated separately according to the debt performance period agreed in each specific credit extension contract under the Comprehensive Credit Granting Contract. The guarantee period under each specific credit extension contract shall be two years from the date of expiration of the debt performance period agreed in the specific credit extension line contract. As of December 31, 2020, the total credit line used by Nanjing Huage Appliance and Plastic Industrial Co., Ltd. is RMB10,277,537.64. Among them, Nanjing Huage Appliance and Plastic Industrial Co., Ltd. to provide bank acceptance bill guarantee amount of RMB10,277,537.64.
- Notes 5:* Nanjing Panda Electromechanical Manufacturing Co., Ltd. provides a maximum guarantee of RMB15,000,000.00 in the Nanjing Branch of Industrial Bank Co., Ltd. The credit extension period is solstice on December 9, 2019 and December 8, 2020. There is no counter guarantee in this guarantee. For the various financial services provided by the creditor to the debtor on and off the balance sheet, two years shall commence from the date of expiration of the time limit for the performance of the debt under the said financial services. As of December 31, 2020, Nanjing Panda Electromechanical Manufacturing Co., Ltd. has a total credit line of RMB4,794,000.00. Among them, Nanjing Panda Electromechanical Manufacturing Co., Ltd. to provide bank acceptance bill guarantee amount of RMB4,794,000.00.
- Notes 6:* Nanjing Panda Information Industry Co., Ltd. in Shanghai Pudong Development Bank Co., Ltd., Nanjing Branch, provides guarantee of RMB280,000,000.00 for comprehensive bank credit extension, and the credit extension period is solstice on March 16, 2020 and January 8, 2021. There is no counter guarantee for this guarantee. Calculated separately on the basis of each claim made by the creditor against the debtor, from the date of expiration of the performance period of each debt contract to the date of expiration of the performance period agreed upon in the said debt contract. As of December 31, 2020, Nanjing Panda Information Industry Co., Ltd. has utilized a total credit line of RMB71,495,942.52. Among them, Nanjing Panda Information Industry Co., Ltd. provided performance guarantee of RMB71,495,942.52.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.3 Related-party guarantees (Continued)

*Notes 7:* Nanjing Panda Information Industry Co., Ltd. provides an irrevocable guarantee with the maximum amount of RMB50,000,000.00 in the comprehensive bank credit extension of Nanjing Branch of China Merchants Bank Co., Ltd., and the credit extension period is May 12, 2020 solstice and May 11, 2021. There is no counter guarantee for this guarantee. The period of guarantee shall be an additional three years from the effective date of this Guaranty to the maturity date of each loan or financing under the Facility Agreement. As of December 31, 2020, Nanjing Panda Information Industry Co., Ltd. has utilized a total credit line of RMB40,677,953.08. Among them, Nanjing Panda Information Industry Co., Ltd. provided performance guarantee of 40,677,953.08.

*Notes 8:* The amount of Nanjing Panda Electronic Equipment Co., Ltd. in the Central Road Branch of Industrial Bank Co., Ltd. is RMB150,000,000.00. The maximum amount of guarantee is provided for the comprehensive bank credit extension. The credit extension period is solstice on November 20, 2019 and September 16, 2020. For the various financial services provided by the creditor to the debtor on and off the balance sheet, two years shall commence from the date of expiration of the time limit for the performance of the debt under the said financial services. As of December 31, 2020, Nanjing Panda Electronic Equipment Co., Ltd. has a total credit line of RMB9,403,943.00. Among them, the amount of guarantee provided by Nanjing Panda Electronic Equipment Co., Ltd. is RMB3,237,475.50 in the performance bond, RMB3,334,267.50 in the bank acceptance draft, and RMB2,832,200.00 in the letter of credit.

*Notes 9:* Nanjing Panda Electronic Equipment Co., Ltd. provides the maximum guarantee for the amount of RMB100,000,000.00 in the China Electronic Finance Co., Ltd. for the comprehensive bank credit extension. The credit extension period is solstice on December 30, 2019 and December 30, 2020. There is no counter guarantee for this guarantee. The guarantee period shall be calculated separately according to the debt performance period agreed in each specific credit extension contract under the Comprehensive Credit Granting Contract. The guarantee period under each specific credit extension contract shall be two years from the date of expiration of the debt performance period agreed in the specific credit extension contract. As of December 31, 2020, Nanjing Panda Electronic Equipment Co., Ltd. has a total credit line of RMB3,877,590.20. Among them, the amount of the performance bond provided by the Company for the second-level subsidiary Nanjing Panda Electronic Equipment Co., Ltd is RMB2,100,038.81, and the amount of the bank acceptance bill is RMB1,777,551.39

*Notes 10:* Nanjing Panda Electronic Equipment Co., Ltd. in Shanghai Pudong Development Bank Nanjing Branch is to provide a maximum guarantee of RMB40,000,000.00 for comprehensive bank credit extension, and the credit extension period is solstice on March 16, 2020 and January 8, 2021. There is no counter guarantee for this guarantee. Calculated separately on the basis of each claim made by the creditor against the debtor, from the date of expiration of the performance period of each debt contract to the date of expiration of the performance period agreed upon in the said debt contract. As of December 31, 2020, Nanjing Panda Electronic Equipment Co., Ltd. has used a total credit line of RMB12,066,861.63. Among them, the guarantee amount of letter of credit provided by Nanjing Panda Electronic Equipment Co., Ltd. is RMB6,686,485.93 yuan, and the guarantee amount of bank acceptance bill is RMB5,380,375.70.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.3 Related-party guarantees (Continued)

*Notes 11:* Chengdu Panda Electronics Technology Co., Ltd. provides guarantee in the Shuangliu Branch of Chengdu Bank Co., Ltd with the amount of RMB55,000,000.00 for comprehensive bank credit extension. The credit extension period is solstice on October 20, 2020 and October 19, 2021. There is no counter guarantee for this guarantee. The guaranty period shall be two years, that is, two years commencing from the date on which the debtor expires the debt performance period agreed upon in the specific business contract, and the guaranty period under each specific business contract shall be counted separately. As of December 31, 2020, Chengdu Panda Electronics Technology Co., Ltd. has a total credit line of RMB35,677,015.06. Among them, Chengdu Panda Electronics Technology Co., Ltd. to provide bank acceptance bill guarantee amount of RMB35,677,015.06.

To sum up, as of December 31, 2020, the amount of guarantee provided by the Company to the subsidiary is RMB260,783,039.77, including: the amount of guarantee of bank acceptance is RMB133,752,943.93, the amount of guarantee of letter of guarantee is RMB117,511,409.91, the amount of guarantee of guaranteed loan is RMB0.00, and the amount of guarantee of letter of credit is RMB9,518,685.93. (December 31, 2019: The amount of guarantee provided by the Company to the subsidiary is RMB338,616,591.32, including: the amount of guarantee of bank acceptance is RMB103,157,150.37, the amount of guarantee of letter of guarantee is RMB156,109,655.10, the amount of guarantee of guaranteed loan is RMB50,000,000.00, and the amount of guarantee of letter of credit is RMB29,349,785.85)

#### 10.5.4 Loans from and to related parties

Loans from related parties:

Related party	Loans from related parties	Starting date	Due Date	Note
Loans from related parties: China Electronic Finance Co., Ltd.	50,000,000.00	2019-4-12	2020-4-12	Note 1

*Note 1:* The interest of the current loan is detailed in 10.5.6 Other related transactions.

#### 10.5.5 Remuneration of key management

Item	Year 2020	Year 2019
Remuneration of key management	8.2719 million	7.0909 million

During this period, there are 19 key management personnel of the Company, including directors, supervisors, general manager, deputy general manager and secretary of the Board of Directors, among whom 14 are paid by the Company.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.5 Remuneration of key management (Continued)

Year 2020:

Unit: RMB '0,000

Name	Director's fee	Salary and allowance	Pension scheme	Total	Notes
<b>Directors</b>					
Guixiang ZHOU					
Qing LU					
Jianlong SHEN					
Weiming DENG					
Dechuan XIA		88.27	3.63	91.90	
Changjiang LI		57.57	3.60	61.17	2020.3.26 employed
Jie DU	10.44			10.44	
Chun ZHANG	10.44			10.44	
Yajun GAO	10.44			10.44	
<b>Supervisors</b>					
Yi ZHAO					
Yuanyuan FU					2020.6.29 employed
Yuxin ZHOU		33.28	3.65	36.93	
<b>Senior Executives</b>					
Qing GUO		123.00	3.65	126.65	
Huichun HU		133.13	3.63	136.76	
Bo SHAO		59.00	3.60	62.60	
Dali HU		54.77	3.61	58.38	
Dongdong WANG		56.18	3.60	59.78	
Shaofeng HUANG		103.21	3.62	106.83	
Yunfeng SONG		13.97		13.97	2020.3 resign
Kun LIU		39.56	1.34	40.90	2020.6.19 resign



# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.5 Remuneration of key management (Continued)

Year 2019:

Unit: RMB '0,000

Name	Director's fee	Salary and allowance	Pension scheme	Others	Total
<b>Directors</b>					
Guixiang ZHOU					
Qing LU					
Jianlong SHEN		17.00	1.82		18.82
Weiming DENG					
Dechuan XIA					
Jie DU	10.44				10.44
Chun ZHANG	10.44				10.44
Yajun GAO	10.44				10.44
Guofei XU					
Kuanyi CHEN					
Gan Gao					
<b>Supervisors</b>					
Yi ZHAO					
Yunfeng SONG		72.14	4.63		76.77
Yuxin ZHOU		34.91	4.63		39.54
Bochang TU					
<b>Senior Executives</b>					
Dechuan Xia		88.19	4.61		92.80
Kun LIU		70.03	4.62		74.65
Qing GUO		85.23	4.63		89.86
Huichun HU		83.83	4.61		88.44
Bo SHAO		63.63	5.81		69.44
Dali HU		15.60	3.82		19.42
Dongdong WANG		35.43	4.58		40.01
Shaofeng HUANG		63.42	4.60		68.02

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.5 Remuneration of key management (Continued)

The top five highest paid:

The company's top five highest-paid people in 2020 include 0 directors (Year 2019:0 directors), The total salaries paid to the other 5 persons in 2020 (Year 2019:5 persons) are shown below:

Unit: RMB '0,000

Item	Year 2020	Year 2019
Salary and allowance	601.00	507.00
Pension scheme	15.80	24.98
Others		
Total	<u>616.80</u>	<u>512.10</u>

Continue

Salary range	Number of people	
	Year 2020	Year 2019
Between RMB0.00 and RMB1,000,000.00	2.00	3.00
Over RMB1,000,000.00	3.00	2.00

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.5 Related party transactions (Continued)

#### 10.5.6 Other related party transactions

Related party	Related Party Transaction Contents	Year 2020	Year 2019
China Electronic Finance Co., Ltd. <sup>1</sup>	charge interest	<b>4,258,232.54</b>	3,166,400.67
China Electronic Finance Co., Ltd. <sup>1</sup>	interest payment	<b>682,708.34</b>	2,199,166.67
China Electronic Finance Co., Ltd. <sup>1</sup>	Pay discount interest	<b>1,191,134.33</b>	1,234,257.64
Nanjing CEC Panda FPD Technology Co., Ltd. <sup>2</sup>	Licensed Trademarks	<b>283,018.87</b>	
Nanjing CEC Panda LCD Technology Co., Ltd. <sup>2</sup>	Licensed Trademarks	<b>188,679.25</b>	
Nanjing Cec Panda Home Appliances Co., Ltd. <sup>3</sup>	Licensed Trademarks	<b>186,962.26</b>	283,301.89

Notes 1: The Company re-entered into the Financial Services Agreement (the "Service Agreement") with China Electronic Finance Co., Ltd. (hereinafter referred to as the "Finance Company") in 2018. According to the service agreement, the financial company in comply with national laws, regulations and rules for financial institutions operating under the premise of provide our company including but not limited to visa advisors on finance and financing, credit and other related consulting, agency services and guarantee, acceptance and discount, savings services, financial services, integrated credit balance ceiling of 600 million yuan, capital settlement the balance ceiling of 500 million yuan, valid for three years from the date of service agreement. The above service agreement has been reviewed and approved by the resolution of the company's first extraordinary general meeting of shareholders on December 28, 2018.

As of December 31, 2020, the Company's loan balance in the Finance Company was RMB0.00, and the deposit balance was RMB495,766,965.50. The cash received at the current discount was RMB85,148,311.98, and the discount interest paid was RMB1,191,134.33. As of December 31, 2020, the Japanese company has used a total line of credit of RMB14,155,127.84 in the finance company for issuing bank acceptance drafts, performance bonds and letters of credit. As at December 31, 2020, the amount of the Company's discounted and unrecognized amount in China Electronic Finance Co., Ltd is RMB0.00.

Notes 2: The Company signed trademark licensing contracts with Nanjing CEC Panda FPD Technology Co., Ltd. and Nanjing CEC Panda LCD Technology Co., Ltd. on January 1, 2020 respectively, to authorize the LCD products of the above two companies to use the trademark "PANDA" and "PANDA", and the license trademark registration numbers are 8717688 and 8717689. The scope of authorization is within the domestic region of China (except Hong Kong, Macao and Taiwan), and the authorization period shall start from December 31, 2021 when the contract comes into effect. The charge for the right to use the trademark is RMB0.50 per LCD master plate.

Notes 3: Signed with Nanjing Cec Panda Home Appliances Co., Ltd. Our company pricing policy is: the use of trademarks related party every sale a panda color TV, pay RMB2 to 5 trademark use, given that enter the higher the cost of investment in overseas markets and resources is more, if the manufacture and sale of products for export or the product loss, the above each license fee will be reduced.

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.6 Receivables from and payables to related parties

#### 10.6.1 Receivables from related parties

Project	Related party	Balance as at December 31, 2020		Balance as at January 1, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Account receivable					
	Nanjing CEC Panda FPD Technology Co., Ltd.	177,293,847.85		143,771,883.80	
	Nanjing Panda Handa Science & Technology Co., Ltd.	119,573,772.70		66,559,947.19	11,242.63
	Chengdu Cec Panda Display Technology Co., Ltd.	82,528,149.83		106,877,946.54	
	Nanjing CEC Panda LCD Technology Co., Ltd.	42,146,508.70		87,410,809.47	
	Nanjing Panda Investment Development Co., Ltd.	25,161,409.00		16,771,367.20	
	IRICO Group Corporation	21,016,138.01			
	Gansu Changfeng Electronic Technology Co., Ltd.	12,128,560.00			
	Irico (Hefei) Lcd Glass Co., Ltd.	5,097,600.00			
	Xianyang Caihong Optoelectronics Technology Co., Ltd.	3,371,014.59		618,927.76	
	Nanjing Panda Electronics IMP. & EXP. Co., Ltd.	3,195,810.13		6,062,492.19	76,756.38
	Shenzhen Jinghua Network Marketing Co., Ltd.	3,100,000.00		5,926,810.00	
	Xianyang China Electronics Irico Group Holding Co., Ltd.	3,027,302.79			
	Liyang Cuizhuyuan Hotel	2,247,653.27			
	GUIZHOU Zhenhua YILONG E-CHEM Co., Ltd.	2,000,000.00			
	China Power Industrial Internet Co., Ltd.	1,894,652.25			
	Nanjing Ericsson Panda Communications Co., Ltd.	1,733,757.57		440,774.32	1,404.00
	China Greatwall Technology Group Co., Ltd.	678,895.76		745,828.56	
	Panda Electronics Group Co., Ltd.	613,950.87	146,659.19	148,722.19	146,659.19
	Feisheng (Shanghai) Electronic Technology Co., Ltd.	433,997.97			
	Nanjing Zhongdian Real Estate Co., Ltd.	158,803.63	15,880.36	158,803.63	15,880.36
	Nanjing Panda Transportation Co., Ltd.	106,999.99			
	Nanjing Cec Panda Home Appliances Co., Ltd.	36,490.30		1,321,726.40	
	Ceiec Electric Technology Inc.	24,957.70		8,065.86	
	Wuhan Zhongyuan Communication Co., Ltd.	24,000.00			
	Nanjing CEC PANDA CF Technology Co., Ltd.	10,047.01		10,047.01	
	Nanjing panda jinling hotel Co., Ltd.	2,227.10	334.07	2,227.10	334.07

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.6 Receivables from and payables to related parties (Continued)

#### 10.6.1 Receivables from related parties (Continued)

Project	Related party	Balance as at December 31, 2020		Balance as at January 1, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Nanjing CEC Panda Modern Service Industry Co., Ltd.	1,827.00		2,704.00	
	Nanjing Rainbow New Energy Co., Ltd.	1,025.80			
	Nanjing Panda Information Industry Group Co., Ltd.			47,960.00	
	Wuhan Zhongyuan Electronics Group Co., Ltd.			2,000.00	2,000.00
	Nanjing Huadong Electronics Information & Technology Co., Ltd.			840.00	
	Langfang China Electronics Panda Crystal Technology Corporation			3,240.00	3,240.00
Contract assets					
	Chengdu CEC Panda Display Technology Co., Ltd.			168,198,568.37	
	Nanjing CEC Panda FPD Technology Co., Ltd.			36,678,777.57	
	Xianyang Caihong Optoelectronics Technology Co., Ltd.			31,688,714.40	
	IRICO Group Corporation			22,171,595.29	
	Irico (Hefei) Lcd Glass Co., Ltd.			14,026,800.00	
	GUIZHOU Zhenhua YILONG E-CHEM Co., Ltd.			8,055,327.88	
	Xianyang China Electronics Irico Group Holding Co., Ltd.			6,546,087.83	
	Nanjing CEC Panda LCD Technology Co., Ltd.			3,097,299.95	
	Nanjing CEC PANDA CF Technology Co., Ltd.			1,004,599.40	
Other non-current assets					
	Nanjing Panda Investment Development Co., Ltd.	7,503,349.19			
	GUIZHOU Zhenhua YILONG E-CHEM Co., Ltd.	5,981,923.88			
	IRICO Group Corporation	2,431,078.00		905,534.48	
	Xianyang China Electronics Irico Group Holding Co., Ltd.	1,623,034.18		219,316.24	
	Irico (Hefei) Lcd Glass Co., Ltd.	1,396,000.00			
	Liyang Cuizhuyuan Hotel	873,375.25			
	Nanjing CEC Panda FPD Technology Co., Ltd.			6,393,399.36	
	Xianyang Caihong Optoelectronics Technology Co., Ltd.			4,105,644.82	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.6 Receivables from and payables to related parties (Continued)

#### 10.6.1 Receivables from related parties (Continued)

Project	Related party	Balance as at December 31, 2020		Balance as at January 1, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Chengdu Cec Panda Display Technology Co., Ltd.			1,390,983.97	
	Nanjing CEC Panda LCD Technology Co., Ltd.			300,000.00	
Notes receivable	Nanjing Panda Handa Science & Technology Co., Ltd.	19,300,000.00		13,000,000.00	
Receivables financing	Chengdu Cec Panda Display Technology Co., Ltd.	84,353,298.80		216,349,424.73	
	Nanjing CEC Panda FPD Technology Co., Ltd.	10,000,000.00		64,690,797.81	
	Xianyang Caihong Optoelectronics Technology Co., Ltd.	5,000,000.00			
	Nanjing Panda Handa Science & Technology Co., Ltd.	4,200,000.00		6,000,000.00	
	Irigo (Hefei) Lcd Glass Co., Ltd.	4,000,000.00			
	China Greatwall Technology Group Co., Ltd.	213,414.67		409,116.56	
	IRICO Group Corporation			10,992,586.20	
	Nanjing CEC Panda LCD Technology Co., Ltd.			10,258,476.00	
Advance to supplier	Nanjing Panda Electronics IMP. & EXP. Co., Ltd.	5,778,674.92			
	Nanjing Cec Panda Home Appliances Co., Ltd.	1,208,785.04		155,579.04	
	China Electronics Import & Export Co., Ltd.	239,021.69		800.00	
	Nanjing CEC Panda LCD Technology Co., Ltd.	15,000.00		54,857.36	
	Chengdu Cec Panda Display Technology Co., Ltd.	2,600.00		10,400.00	
	Nanjing CEC Panda FPD Technology Co., Ltd.			76,362.01	
	Panda Electronics Group Co., Ltd.			69,921.75	

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.6 Receivables from and payables to related parties (Continued)

10.6.2 Payables of related parties of the Company:

Project	Related party	Balance as at December 31, 2020	Balance as at January 1, 2020
Accounts payable			
	CEAC INTERNATIONAL LIMITED	<b>5,552,363.67</b>	1,533,605.95
	Nanjing Cec Panda Home Appliances Co., Ltd.	<b>4,427,600.40</b>	147,600.40
	Panda Electronics Group Co., Ltd.	<b>3,558,714.49</b>	3,546,942.49
	Xianyang China Electronics Irco Group Holding Co., Ltd.	<b>1,600,000.00</b>	800,000.00
	Nanjing Zhenhua Acoustics Equipment Factory	<b>1,338,178.33</b>	1,907,635.82
	Nanjing Panda Transportation Co., Ltd.	<b>935,523.55</b>	1,112,314.39
	Xianyang Caihong Intelligent Equipment Co., Ltd.	<b>390,000.00</b>	975,000.00
	China Zhenhua Group Yunke Electronic Co., Ltd.	<b>154,704.95</b>	17,632.00
	Shanghai Panda Huning Electronic Technology Co., Ltd.	<b>122,520.69</b>	
	Nanjing Panda Piezoelectricity Technology Co., Ltd.	<b>106,758.00</b>	95,858.00
	Nanjing Panda Handa Science & Technology Co., Ltd.	<b>88,638.00</b>	94,218.00
	IRICO Group Corporation	<b>80,000.00</b>	800,000.00
	Guizhou Zhenhua Qunying Electrical Appliance Co., Ltd.	<b>37,150.00</b>	
	Guizhou Zhenhua Hualian Electronic Co., Ltd.	<b>18,048.00</b>	97,706.00
	Nanjing China Electronics Panda Crystal Technology Corporation	<b>380.78</b>	380.78
	Nanjing Panda Electronics IMP. & EXP. Co., Ltd.		845,695.45
	Nanjing China Electronics Panda Lighting Co., Ltd.		22,224.00

# Notes to the 2020 Financial Statements (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

## 10. Related parties and related party transactions (Continued)

### 10.6 Receivables from and payables to related parties (Continued)

10.6.2 Payables of related parties of the Company:

Project	Related party	Balance as at December 31, 2020	Balance as at January 1, 2020
Notes Payable			
	Guizhou Zhenhua Hualian Electronic Co., Ltd.	<b>157,719.00</b>	
	Nanjing Zhenhua Acoustics Equipment Factory	<b>120,426.60</b>	200,000.00
	Xianyang Caihong Intelligent Equipment Co., Ltd.		1,755,000.00
Other Payables			
	Panda Electronics Group Co., Ltd.	<b>6,900,334.06</b>	6,743,156.84
	Nanjing Panda Transportation Co., Ltd.	<b>898,458.97</b>	74,057.25
	China Electronics Import & Export Co., Ltd.	<b>195,539.62</b>	195,539.62
	Nanjing Panda Information Industry Group Co., Ltd.		86,700.00
	Shanghai Panda Huning Electronic Technology Co., Ltd.	<b>22,907.00</b>	22,907.00
	Nanjing Panda Science Park Development Co., Ltd.	<b>20,000.00</b>	20,000.00
	Liyang Cuizhuyuan Hotel	<b>7,022.00</b>	5,880.00
Contract liability			
	Xianyang Caihong Optoelectronics Technology Co., Ltd.	<b>3,613,764.41</b>	
	FAIRWIT HONGKONG CO., LIMITED	<b>478,862.41</b>	47,089.35
	Nanjing Panda Electronics IMP. & EXP. Co., Ltd.	<b>6,039.83</b>	
	Liyang Cuizhuyuan Hotel		0.01

### 10.7 Related Party Commitment

No material related party commitments for the current period.



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 11. Share-based payment

There are no share-based payments for the current period.

## 12. Commitments and contingencies

### 12.1 Significant commitments

#### 12.1.1 Important commitments that exist on balance sheet date

For the unconfirmed commitments related to the affiliated parties, please refer to the corresponding contents of " Note 10. Related parties and related party transactions ". The commitments related to the lease are detailed in " Note 15.3 Lease".

The Company's capital expenditure commitments that have been signed at the balance sheet date but are not required to be shown on the balance sheet are as follows:

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Houses and Buildings		16,323,594.44
Machinery and Equipment	<b>1,934,705.00</b>	3,821,505.00
Intangible assets/software	<b>1,197,300.00</b>	2,790,001.00
Total	<b>3,132,005.00</b>	22,935,100.44

### 12.2 Contingency

There are no significant contingencies for the current period.

## 13. Post balance sheet events

### 13.1 There are no important non-adjustment events after the balance sheet date of the current period.

### 13.2 Profit distribution

According to the 2020 annual profit distribution plan adopted at the 18th Board Meeting of the Ninth Session of the Company, the distribution will be made based on the total capital stock of the Company at the end of the reporting period of 913,838,529.00 shares. Cash bonus of \$0.26 (including tax) per 10 shares was paid, for a total of \$23,759,801.75. The profit distribution plan shall be implemented after being approved by the general meeting of shareholders of the Company.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 13. Post balance sheet events (Continued)

### 13.3 Sales return

No material sales returns occurred after the balance sheet date.

### 13.4 Notes to other post-balance sheet events

#### 13.4.1 Guarantee provided for a subsidiary

On February 2, 2021, the Company provided guarantee for Nanjing Panda Electronic Equipment Co., Ltd., Nanjing Huage Appliance and Plastic Industrial Co., Ltd. 's financing in China Electronic Finance Co., Ltd., with the amount of RMB1 million and RMB50 million, valid until January 19, 2022. This guarantee is free of counter-guarantee. As of March 26, 2021, the balance of the guarantee provided by the Company to Nanjing Panda Electronic Equipment Co., Ltd. was RMB20.026 million, and the balance of the guarantee provided to Nanjing Huage Appliance and Plastic Industrial Co., Ltd. was RMB13.6027 million, which was within the limit approved by the general meeting of shareholders.

On February 7, 2021, the Company provided guarantee for the financing of RMB15 million by Nanjing Panda Electromechanical Manufacturing Co., Ltd. in Nanjing Branch of Industrial Bank Co., Ltd., valid until January 12, 2022, with no counter-guarantee for this guarantee. As of March 26, 2021, the actual balance of the guarantee provided by the Company to Nanjing Panda Electromechanical Manufacturing Co., Ltd. is RMB5.04 million, which is within the limit approved by the general meeting of shareholders.

#### 13.4.2 Shareholders reduce their holdings

The shareholding reduction plan implemented 15 trading days after the announcement of the shareholder of the Company by China Huarong Asset Management Co., Ltd. on August 12, 2020 will be implemented on March 1, 2021. At the end of the shareholding reduction period, China Huarong Asset Management Co., Ltd. has not reduced its shareholding of the Company.

On March 2, 2021, the Company received A written document from China Huarong Asset Management Co., Ltd. (hereinafter referred to as "China Huarong") regarding the shareholding reduction plan. The main content of the shareholding reduction plan is as follows: China Huarong plans to reduce its shareholding of no more than 18,276,770 A-shares, accounting for 2% of the total share capital of the Company, due to its own business needs. The selling period is six months from March 2, 2021, 15 days after the trading date. Reduce holdings at market prices. Reduce the way for the centralized bidding.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 13. Post balance sheet events (Continued)

### 13.4 Notes to other post-balance sheet events (Continued)

#### 13.4.2 Shareholders reduce their holdings (Continued)

China Huarong promises to reduce the total number of shares it holds through centralized bidding on the stock exchange within 90 consecutive days, no more than 1% of the total number of shares of the listed company. China Huarong will decide whether to implement the shareholding reduction plan according to the market conditions and the company's stock price. There is uncertainty about the timing and price of the sale. As at March 26, 2021, the shareholder of the Company, China Huarong Asset Management Co., Ltd., held 64,471,891 A-shares of the Company, accounting for 7.06% of the total capital stock of the Company, all of which were unlimited conditionally tradable shares. The source of the shares held is the income from equity replacement.

#### 13.4.3 Use idle self-owned funds to entrust financial management

In accordance with the Ninth Interim Meeting of the Board of Directors of the Company, the Company has deliberated and passed the motion of "Using Idle Funds for Cash Management" to conduct entrusted financial management for the idle self-owned funds of the Company. See the following table for details:

No.	Name of Entrusted	Name of Agent	Product classification	Product Name	Amount (/0'000)	Start date/ establishment date/interest		Estimated annualized return	Estimated amount of earnings (/0'000)	Product deadline	Revenue type	Structured arrangement	Refer to annualized rate of return	Whether to constitute a related transaction
						date	Due date							
1	Nanjing Panda Communication Technology Co., Ltd	Shanghai Pudong Development Bank Co., Ltd.	Bank financial products	Public structured deposits	2,500.00	2021-1-18	2021-4-19	1.40% 3.00% 3.20%	8.75 18.95 20.22	91 days	Capital - protected floating income type	NA	NA	No
2	Nanjing Panda Electronics Company Limited	Shanghai Pudong Development Bank Co., Ltd.	Bank financial products	Public structured deposits	3,000.00	2021-1-18	2021-4-19	1.40% 3.00% 3.20%	10.62 22.75 24.27	91 days	Capital - protected floating income type	NA	NA	No
3	Nanjing Panda Information Industry Co., Ltd	Shanghai Pudong Development Bank Co., Ltd.	Bank financial products	Public structured deposits	5,000.00	2021-1-18	2021-4-19	1.40% 3.00% 3.20%	17.69 37.92 40.44	91 days	Capital - protected floating income type	NA	NA	No
4	Nanjing Panda Electronics Company Limited	China Everbright Bank Company Limited Co., Ltd.	Bank financial products	Public structured deposits	2,000.00	2021-2-26	2021-5-26	1.00% 3.45% 3.55%	5.00 17.25 17.75	90 days	Capital - protected floating income type	NA	NA	No
5	Nanjing Panda Electronic Manufacture Co., Ltd	China Everbright Bank Company Limited Co., Ltd.	Bank financial products	Public structured deposits	5,000.00	2021-2-26	2021-5-26	1.00% 3.45% 3.55%	12.50 43.12 44.37	90 days	Capital - protected floating income type	NA	NA	No
6	Nanjing Panda Information Industry Co., Ltd	China Everbright Bank Company Limited Co., Ltd.	Bank financial products	Public structured deposits	5,000.00	2021-2-26	2021-5-26	1.00% 3.45% 3.55%	12.50 43.12 44.37	90 days	Capital - protected floating income type	NA	NA	No

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 13. Post balance sheet events (Continued)

### 13.4 Notes to other post-balance sheet events (Continued)

#### 13.4.3 Use idle self-owned funds to entrust financial management (Continued)

No.	Name of Entrusted	Name of Agent	Product classification	Product Name	Amount (0'000)	Start date/ establishment date/interest date	Due date	Estimated annualized return	Estimated amount of earnings (0'000)	Product deadline	Revenue type	Structured arrangement	Refer to annualized rate of return	Whether to constitute a related transaction
7	Nanjing Panda Electronic Equipment Co., Ltd	Bank of Ningbo Co., Ltd.	Bank financial products	Unit structured deposit	5,000.00	2021-3-2	2021-4-6	1.00% 3.30%	4.79 15.82	35 days	Capital - protected floating income type	N/A	N/A	No
8	Nanjing Panda Electronic Manufacture Co., Ltd	Bank of Ningbo Co., Ltd.	Bank financial products	Unit structured deposit	5,000.00	2021-3-2	2021-4-6	1.00% 3.30%	4.79 15.82	35 days	Capital - protected floating income type	N/A	N/A	No
9	Nanjing Panda Electronics Company Limited	Bank of Nanjing Co., Ltd.	Bank financial products	Unit structured deposit	4,500.00	2021-3-17	2021-6-21	1.50% 3.40%	18.00 40.80	96 days	Capital - protected floating income type	N/A	N/A	No
10	Nanjing Panda Electronics Company Limited	Shanghai Pudong Development Bank Co., Ltd.	Bank financial products	Public structured deposits	3,000.00	2021-3-24	2021-6-21	1.40% 3.45% 3.65%	10.50 25.88 27.38	90 days	Capital - protected floating income type	N/A	N/A	No
Total					40,000.00									

As at March 26, 2021, the Company has no other post-balance sheet events that should be disclosed.

## 14. Capital Management

The main objectives of the company's capital management are:

- to ensure the company's abilities of going concern, therefore, the company can provide continuing returns to shareholders and other stakeholders.
- Pricing the products and services according to the risk level, so as to provide sufficient returns to shareholders.

The company has set a capital amount that is proportional to the risk. The capital structure is adjusted according to the change of economic environment and the risk characteristics of the target assets. In order to maintain or adjust the capital structure, the company may adjust the amounts of dividends paid to shareholders, the capital returned to shareholders, otherwise, issue new shares or sell assets to reduce liabilities.

The company monitors capital based on the adjusted debt/capital ratio.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 14. Capital Management (Continued)

The company's adjusted debt/capital ratio at the balance sheet date is as follows:

	Balance as at December 31, 2020	Balance as at January 1, 2020
Total liabilities	2,255,567,638.78	2,331,590,672.88
Less : Cash and cash equivalent	1,149,052,807.58	863,141,377.23
Adjusted net liabilities	1,106,514,831.20	1,468,449,295.65
Shareholder's equity	3,746,380,060.66	3,688,556,806.59
Adjusted capital	3,746,380,060.66	3,688,556,806.59
Adjusted debt/capital ratio	29.54%	39.81%

## 15. Other significant events

### 15.1 Prior accounting error correction

In this reporting period, there is no prior accounting error correction.

### 15.2 Pension plan

In addition to the basic social endowment insurance, the company shall establish an enterprise annuity plan according to the relevant policies of the national annuity system, which is applicable to the employees of the company and those who have worked in the company for more than one year. The annuity plan adopts the deterministic model. The contribution base of the unit is the total salary of the previous year, and the contribution ratio is tentatively set at 5% and 1% respectively. The corresponding expenditure is recorded into the current profit and loss.

In addition to the basic social endowment insurance, Shenzhen Jingwah Electronics Co., Ltd. establishes an enterprise annuity plan according to the relevant policies of the national enterprise annuity system, which is applicable to the permanent employees with Shenzhen household registration and the employees assigned by shareholders. The pension plan adopts the mode of payment determination, and the withdrawal proportion of the current period is determined according to the economic benefits of the previous period. The applicable employees shall pay the fixed amount every month according to their rank. The maximum amount shall not exceed 15% of the total wages of the employees participating in the enterprise annuity, which shall be fully borne by Shenzhen Jingwah, and the corresponding expenses shall be recorded into the profit and loss of the current period.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 15. Other significant events (Continued)

### 15.3 Lease

#### 15.3.1 Company as a Lessee

Item	Year 2020	Year 2019
Interest expense on lease liabilities	937,931.40	319,276.93
Simplified short term lease expense included in current profit and loss	5,654,999.82	11,755,563.37
Simplified lease expenses of low value assets (excluding short-term lease expenses of low value assets) included in the current profit and loss		
Variable lease payments not included in lease liabilities		
Income from sublease of right of use assets		
Total cash outflow related to lease	2,733,414.11	
Relevant profit and loss arising from leaseback transactions	17,850,670.70	12,460,897.17
Sales and leaseback transaction cash inflow		
Sales and leaseback transactions cash outflow		

The company's future potential cash outflow not included in lease liabilities mainly comes from the committed lease committed which was not yet implemented.

The company's committed lease which was not yet implemented. The expected cash outflow in the future is as follows:

Remaining leasing term	Undiscounted lease payment
Within one year	7,099,485.38
1 to 2 years	5,680,959.22
2 to 3 years	2,636,742.00
More than 3 years	2,643,966.00
Total	18,061,152.60

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 15. Other significant events (Continued)

### 15.3 Lease (Continued)

#### 15.3.2 Company as a lessor

##### (1) Operating lease

	Year 2020	Year 2019
Operating lease income	<b>82,535,763.24</b>	81,060,498.27
Including : Income related to variable lease payments not included in lease receipts		

The undiscounted lease receipts to be received after the balance sheet date are as follows:

Remaining lease term	Undiscounted lease receipts
Within 1 year	78,799,519.51
1 to 2 year	58,250,970.80
2 to 3 year	40,762,435.76
3 to 4 year	20,531,547.04
4 to 5 year	16,803,359.21
More than 5 years	<u>100,571,801.54</u>
Total	<u><u>315,719,633.86</u></u>

### 15.4 Segment reports

#### 15.4.1 The basis of determination accounting policy for segment information

The company established 4 parts of segment reports on the basis of the internal organizational structure, management requirement and internal report system. They are Smart city industry, electronic manufacturing service, intelligent manufacturing industry and others. Each segment provides different products and service, or activities from different areas. Due to the different demands of each segment applying for different technology and marketing strategy, the company's management control the different segments of business activities separately, and evaluate the operating results on a regular basis in order to allocate resources and evaluate its performance.

The transfer price between different segment is based on the market value and the joint cost which should belong to each segment is allocated in accordance of the corresponding proportion. Assets are allocated in accordance of business performance and location. Liabilities include the liabilities caused by business activities which belong to its own segment. If the costs related to a joint liability, the liability would be allocated to different segments at the proportion.

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 15. Other significant events (Continued)

### 15.4 Segment reports (Continued)

#### 15.4.1 The basis of determination accounting policy for segment information (Continued)

Non-current assets are classified according to the areas where the assets belong. All the con-current assets of the Company are located in the China Mainland.

#### 15.4.2 Financial information of the reported segment

Item	Smart City Industry	Electronic Manufacturing Services	Intelligent Manufacturing Industry	Others	Unallocated amount	Offset	Total
Trade income from third party	1,710,930,837.36	1,913,352,347.06	267,511,189.90	55,847,672.35	4,622,975.48		3,952,265,022.15
Trade income between segments	117,700,270.39	170,823,514.50	32,493,187.94	17,191,159.49		-338,208,132.32	
Investment income from joint ventures and associated enterprises		349,552.75			67,270,888.11		67,620,440.86
Impairment of assets	-809,904.34	4,957,382.85	9,649,835.29	158,668.31			13,955,982.11
Credit impairment	1,833,021.76	-34,138.85	12,246,875.82	1,468,096.39	267,828.72		15,781,683.84
Depreciation and amortization expense	10,936,185.53	40,669,950.82	14,590,434.78	24,855,248.11	21,643,846.67		112,695,665.91
Total Profit	117,562,572.79	179,130,740.17	-106,376,527.53	-32,272,443.56	105,212,056.54	-111,286,478.20	151,969,920.21
Income tax expense	2,448,532.92	31,124,190.96	-697,304.89	1,998,750.83	37,284.72	-722,734.92	34,188,719.62
Net profit	115,114,039.87	148,006,549.21	-105,679,222.64	-34,271,194.39	105,174,771.82	-110,563,743.28	117,781,200.59
Total assets	2,138,737,550.58	1,890,716,726.63	681,203,059.52	699,160,455.20	2,962,697,337.03	-2,370,567,429.52	6,001,947,699.44
Total liabilities	1,234,543,060.64	977,715,870.13	459,885,351.28	134,799,025.68	134,713,269.28	-686,088,938.23	2,255,567,638.78
Other non-cash expense beside Depreciation and amortization expense							
Long term investment for joint ventures and associated enterprises		2,305,102.51			292,877,780.33		295,182,882.84
Increase in other non-current assets besides long-term investment	24,119,286.88	-3,779,361.98	33,874,867.58	9,119,006.44	-20,488,869.53	-109,556.84	42,735,372.55



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company

### 16.1 Account Receivable

#### 16.1.1 Accounts receivable shown by aging

Aging	Balance as at December 31, 2020	Balance as at January 1, 2020
Within 1 year (including 1 year)	<b>93,367,582.20</b>	64,817,181.88
Including: 0-6 months	<b>83,952,106.75</b>	64,169,690.95
7-12 months	<b>9,415,475.45</b>	647,490.93
1-2 years	<b>1,402,214.71</b>	8,018,132.60
2-3 years	<b>4,464,473.67</b>	5,081,647.94
3-4 years	<b>3,654,000.00</b>	1,831,066.96
4-5 years	<b>1,158,948.96</b>	262,400.00
Over 5 years	<b>1,066,890.00</b>	2,790,053.12
Subtotal	<b>105,114,109.54</b>	82,800,482.50
Less: bad debt provision	<b>3,522,460.77</b>	4,916,534.93
Total	<b>101,591,648.77</b>	77,883,947.57

#### 16.1.2 Accounts receivable shown by classification of bad debt provisions

Type	Balance as at December 31, 2020					Balance as at January 1, 2020				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable accruing bad debt provision in individual portfolio	6,981,700.00	6.64	1,023,010.00	14.65	5,958,690.00	11,192,839.16	13.52	1,095,223.62	9.79	10,097,615.54
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	98,132,409.54	93.36	2,499,450.77	2.55	95,632,958.77	71,607,643.34	86.48	3,821,311.31	5.34	67,786,332.03
Including: The portfolio of aging	33,319,878.93	31.70	2,499,450.77	7.50	30,820,428.16	33,206,502.02	40.10	3,821,311.31	11.51	29,385,190.71
Others portfolio	64,812,530.61	61.66			64,812,530.61	38,401,141.32	46.38			38,401,141.32
Total	105,114,109.54	100.00	3,522,460.77		101,591,648.77	82,800,482.50	100.00	4,916,534.93		77,883,947.57

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.1 Account Receivable (Continued)

#### 16.1.2 Accounts receivable shown by classification of bad debt provisions (Continued)

##### (1) Provision for bad debts individual

Debtors	As at December 31, 2020			Reasons
	Book balance	Provision for bad debts	Proportion of provision (%)	
Jiangsu Cable Network Development Co., Ltd. Sihong Branch	4,684,000.00	696,600.00	14.87	Expect part of it cannot be recovered
China Cable TV Network Co., Ltd. Hainan Branch	2,297,700.00	326,410.00	14.21	Expect part of it cannot be recovered
Total	<u>6,981,700.00</u>	<u>1,023,010.00</u>		

Accounts receivable accruing bad debt provision in credit risk characteristic portfolio:

Aging portfolio:

Aging	As at December 31, 2020		
	Book balance	Provision for bad debts	Proportion (%)
Within 1 year (including 1 year)	28,555,051.59	470,773.77	1.65
Including: 0-6 months	19,139,576.14		
7-12 months	9,415,475.45	470,773.77	5.00
1-2 years	1,140,714.71	114,071.47	10.00
2-3 years	1,008,273.67	151,241.05	15.00
3-4 years	390,000.00	117,000.00	30.00
4-5 years	1,158,948.96	579,474.48	50.00
Over 5 years	1,066,890.00	1,066,890.00	100.00
Total	<u>33,319,878.93</u>	<u>2,499,450.77</u>	

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.1 Account Receivable (Continued)

#### 16.1.2 Accounts receivable shown by classification of bad debt provisions (Continued)

##### (1) Provision for bad debts individual (Continued)

Accounts receivable accruing bad debt provision in another portfolio

The name of portfolio	As at December 31, 2020		
	Book balance	Provision for bad debts	Proportion (%)
The portfolio of related parties	64,812,530.61		
Total	64,812,530.61		

#### 16.1.3 Provision, transfer and recovery of bad debts in the period

Type	Changes during the period				As at December 31, 2020
	As at January 1, 2020	Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Written off	
Accounts receivable accruing bad debt provision in individual portfolio	1,095,223.62		72,213.62		1,023,010.00
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	3,821,311.31	773,895.31	1,771,982.30	323,773.55	2,499,450.77
Of which: Accounts receivable accruing bad debt provision in aging portfolio	3,821,311.31	773,895.31	1,771,982.30	323,773.55	2,499,450.77
Total	4,916,534.93	773,895.31	1,844,195.92	323,773.55	3,522,460.77

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.1 Account Receivable (Continued)

#### 16.1.3 Provision, transfer and recovery of bad debts in the period (Continued)

The significant amount of provision reversal and recovery of bad debts

Name of debtors	Amount reversed or recovered	Reason for bad debt provision	Reason for recovery	Approach
Guannan Radio and Television Network Co., Ltd.	1,500,000.00	Individual portfolio	Debt collection	Cash and Bank
Other smaller summaries	344,195.92	Aging · Individual portfolio	Debt collection	Cash and Bank
Total	<u>1,844,195.92</u>			

#### 16.1.4 Accounts receivable written off in the period

Item	The amount written-off
Accounts receivable written off	<u>323,773.55</u>

Among them important accounts receivable write-off situation

Name of debtor	Nature of accounts receivable	Amount written off	Write-off reason	Write-off procedure adopted	Whether it generates due to the related party transactions
Guannan Radio and Television Network Co., Ltd.	Payment for equipment	320,000.00	The age of the account is more than 5 years, the court mediates, the debt is exempted	Board approval	No
Suguo Supermarket Co., Ltd.	Payment for equipment	3,773.12	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Anhui Guangdian Digital Technology Co., Ltd.	Payment for equipment	0.43	Account age 4-5 years, balance difference	Board approval	No
Total		<u>323,773.55</u>			

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.1 Account Receivable (Continued)

16.1.5 Top 5 of accounts receivable in terms of the balance collected by the debtors as at December 31, 2020

Debtor	Book balance	Proportion in total accounts receivable (%)	Provision for bad debts
Nanjing Panda Handa Science & Technology Co., Ltd.	37,864,774.57	36.02	
Nanjing Panda Information Industry Co., Ltd	25,184,047.92	23.96	
Sony Mobile Communications (China) Co., Ltd.	17,075,200.00	16.24	206,240.00
Jiangsu Cable Network Development Co., Ltd. Sihong Branch	4,684,000.00	4.46	696,600.00
Nanchang Shun Tang Lv Electric Technology Co., Ltd.	3,714,450.75	3.53	236,368.80
Total	88,522,473.24	84.21	1,139,208.80

### 16.2 Receivables financing

16.2.1 Details of receivables financing

Category	As at December 31, 2020	As at January 1, 2020
Notes receivable	13,415,674.00	6,000,000.00
Accounts receivable		
Total	13,415,674.00	6,000,000.00

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.2 Receivables financing (Continued)

#### 16.2.2 Changes of receivables financing and fair value in current period

Item	Balance as at January 1, 2020	Increase in 2020	Current termination recognition	Other changes	As at December 31, 2020	Accumulated loss reserves recognized in other comprehensive income
Notes receivable	6,000,000.00	73,020,674.00	65,605,000.00		13,415,674.00	
Accounts receivable						
Total	<u>6,000,000.00</u>	<u>73,020,674.00</u>	<u>65,605,000.00</u>		<u>13,415,674.00</u>	

### 16.2 Other receivables

Item	Balance as at December 31, 2020	Balance as at January 1, 2020
Interest receivable		
Dividend receivable		
Other receivables	<u>376,035,744.51</u>	<u>395,937,554.47</u>
Total	<u><u>376,035,744.51</u></u>	<u><u>395,937,554.47</u></u>

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.2 Other receivables (Continued)

#### 16.2.1 Other receivables

##### (1) Other receivables shown by aging

Aging	Balance as at December 31, 2020	Balance as at January 1, 2020
Within 1 year (including 1 year)	<b>62,374,700.49</b>	145,149,363.53
Including: 0-6 months	<b>2,374,700.49</b>	145,073,755.53
7-12 months	<b>60,000,000.00</b>	75,608.00
1-2 years	<b>70,100,387.00</b>	4,452,529.53
2-3 years	<b>817,988.08</b>	3,000,000.00
3-4 years	<b>410,591.45</b>	31,741,223.85
4-5 years	<b>31,539,900.00</b>	151,377,742.18
Over 5 years	<b>211,758,343.01</b>	61,379,276.38
Sub-total	<b>377,001,910.03</b>	397,100,135.47
Less : Bad debt provision	<b>966,165.52</b>	1,162,581.00
Total	<b>376,035,744.51</b>	395,937,554.47

##### (2) Other receivable classification disclosure

Category	As at December 31, 2020					As at January 1, 2020				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts by single item	812,988.08	0.22	812,988.08	100.00		812,988.08	0.20	812,988.08	100.00	xx
Provision for bad debts by portfolio	376,188,921.95	99.78	153,177.44	0.08	376,035,744.51	396,287,147.39	99.80	349,592.92	0.09	395,937,554.47
Including: aging portfolio	646,510.54	0.17	153,177.44	38.06	493,333.10	4,684,734.41	1.18	349,592.92	7.46	4,335,141.49
Other portfolios	375,542,411.41	99.61			375,542,411.41	391,602,412.98	98.82			391,602,412.98
Total	377,001,910.03	100.00	966,165.52		376,035,744.51	397,100,135.47	100.00	1,162,581.00		395,937,554.47

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.2 Other receivables (Continued)

#### 16.2.1 Other receivables (Continued)

##### (2) Other receivable classification disclosure (Continued)

Other receivables with provision for bad debts made on an individual basis

Name	Amount as at December 31, 2020			Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)	
Nanjing Panda Digital Technology Development Co., Ltd.	812,988.08	812,988.08	100.00	Not expected to be recovered
Total	812,988.08	812,988.08		

Provision for bad debts by portfolio

Portfolio: aging portfolio

Item	Amount as at December 31, 2020		
	Book balance	Provision for bad debts	Proportion of provision (%)
Within 1 year (including 1 year)	160,919.09		
Including: 0-6 months	160,919.09		
7-12 months			
1-2 years	50,000.00	5,000.00	10.00
2-3 years			
3-4 years	410,591.45	123,177.44	30.00
4-5 years			
Over 5 years	25,000.00	25,000.00	100.00
Total	646,510.54	153,177.44	



# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.2 Other receivables (Continued)

#### 16.2.1 Other receivables (Continued)

##### (2) Other receivable classification disclosure (Continued)

Portfolio: other portfolios

Item	Amount as at December 31, 2020		
	Book balance	Provision for bad debts	Proportion of provision (%)
Portfolio of related parties	375,386,013.84		
Portfolio of deposit, security deposit and employee reserve fund	156,397.57		
Total	375,542,411.41		

##### (3) Details of accrued bad debt provision

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss over the duration (no credit impairment)	Expected credit loss over the duration (credit impairment occurred)	
Balance as at December 31, 2019	349,592.92		812,988.08	1,162,581.00
Balance as at January 1, 2020				
- transfer to second stage				
- transfer to Third stage				
- transfer back to second stage				
- transfer back to first stage				
Accrued in current period	66,588.72			66,588.72
Reversal in current period	111,554.20			111,554.20
Reseller in current period				
Written-off in current period	151,450.00			151,450.00
Other changes				
Balance as at December 31, 2020	153,177.44		812,988.08	966,165.52

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.2 Other receivables (Continued)

#### 16.2.1 Other receivables (Continued)

##### (3) Details of accrued bad debt provision (Continued)

Changes in carrying value of other receivables

Book balance	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss over the duration (no credit impairment)	Third stage Expected credit loss over the duration (credit impairment occurred)	Total
Balance as at December 31, 2019	396,287,147.39		812,988.08	397,100,135.47
Balance as at January 1, 2020				
- transfer to second stage				
- transfer to Third stage				
- transfer back to second stage				
- transfer back to first stage				
Increase in current period				
Current termination recognition	20,098,225.44			20,098,225.44
Other changes				
Balance as at December 31, 2020	<u>376,188,921.95</u>	<u></u>	<u>812,988.08</u>	<u>377,001,910.03</u>

##### (4) Bad debt provision, reversal and recovery in the current period

Item	Balance as at January 1, 2020	Changes in current period			Balance as at December 31, 2020
		Provision for bad debt incurred in current period	Reversed or received	Written off	
Other receivable accruing bad debt provision in single item	812,988.08				812,988.08
Other receivables accruing bad debt provision in credit risk characteristic portfolio	349,592.92	66,588.72	111,554.20	151,450.00	153,177.44
Including : aging portfolio Other portfolios	349,592.92	66,588.72	111,554.20	151,450.00	153,177.44
Total	<u>1,162,581.00</u>	<u>66,588.72</u>	<u>111,554.20</u>	<u>151,450.00</u>	<u>966,165.52</u>

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.2 Other receivables (Continued)

#### 16.2.1 Other receivables (Continued)

- (5) Others receivable written off in the period

Item	The amount written-off
Others receivable written off	151,450.00

Among them important others receivable write-off situation

Name of debtor	Nature of accounts receivable	Amount written off	Write-off reason	Write-off procedure adopted	Whether it generates due to the related party transactions
Nanjing Finance Bureau	Intercourse funds	150,000.00	Account age of more than 10 years, is expected to be unable to recover	Board approval	No
Fuqiao Post Office	Intercourse funds	1,450.00	Account age of more than 10 years, is expected to be unable to recover	Board approval	No
Total		151,450.00			

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.2 Other receivables (Continued)

#### 16.2.1 Other receivables (Continued)

(6) Other receivables classified by nature

Nature of receivables	Balance as at December 31, 2020	Balance as at January 1, 2020
Intercourse funds	375,386,013.84	391,176,588.29
Security deposit	231,397.57	4,058,450.00
Others	1,384,498.62	1,865,097.18
Total	<u>377,001,910.03</u>	<u>397,100,135.47</u>

(7) Top five of other receivables of balance as at December 31, 2020 the debtor

Debtor	Nature of fund	Book balance	Aging	Proportion in total other receivables (%)	Provision for bad debts
Chengdu Panda Electronics Technology Co., Ltd.	Intercourse funds	132,112,770.83	0-2 years	35.04	
Nanjing Panda Electronic Equipment Co., Ltd	Intercourse funds	119,979,546.35	More than 5 years	31.83	
GALANT LIMITED	Intercourse funds	61,986,550.00	More than 5 years	16.44	
Nanjing Panda Electronics Science & Technology Development Co., Ltd.	Intercourse funds	54,729,600.00	4-5 years	14.52	
Nanjing Panda Electromechanical Manufacturing Co., Ltd.	House rent	5,243,414.60	More than 5 years	1.39	
Total		<u>374,051,881.78</u>		<u>99.22</u>	

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.3 Long-term equity investments

Item	Balance as at December 31, 2020			Balance as at January 1, 2020		
	Book balance	provision for impairment	Book value	Book balance	provision for impairment	Book value
Investment in subsidiaries	1,435,785,546.36		1,435,785,546.36	1,435,785,546.36		1,435,785,546.36
Investment in associates and joint ventures	306,070,098.32	13,192,317.99	292,877,780.33	287,625,612.21	13,192,317.99	274,433,294.22
Total	1,741,855,644.68	13,192,317.99	1,728,663,326.69	1,723,411,158.57	13,192,317.99	1,710,218,840.58

#### 16.3.1 Investment in subsidiaries

Investee	Balance as at January 1, 2020	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020	Provision for impairment made in current period	losing balance of provision for impairment
Nanjing Panda Electronics Science & Technology Development Co., Ltd.	700,000,000.00			700,000,000.00		
Nanjing Panda Electronic Equipment Co., Ltd.	190,000,000.00			190,000,000.00		
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98			176,736,513.98		
Shenzhen Jingwah Electronics Co., Ltd.	119,241,304.00			119,241,304.00		
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10			111,221,994.10		
Nanjing Panda Communication Technology Co., Ltd.	98,585,734.28			98,585,734.28		
Nanjing Panda Xinxing Industrial Co., Ltd.	20,000,000.00			20,000,000.00		
Chengdu Panda Electronics Technology Co., Ltd.	20,000,000.00			20,000,000.00		
Total	1,435,785,546.36			1,435,785,546.36		

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 16. Notes to main items of financial statements of the parent company (Continued)

### 16.3 Long-term equity investments (Continued)

#### 16.3.2 Investment in associates and joint ventures

Investee	Balance as at January 1, 2020	Increase/decrease in 2020							Balance as at December 31, 2020	Balance of provision for impairment as at December 31, 2020	
		Additional investment	Reduced investment	Investment gains or losses recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profits declared to be paid	Provision for impairment			Others
Nanjing Ericsson Panda Communications Co., Ltd.	210,433,294.22			67,270,888.11			48,826,402.00			228,877,780.33	
Beijing Se Potewio Mobile Communications Co., Ltd.	64,000,000.00									64,000,000.00	13,192,317.99
Total	274,433,294.22			67,270,888.11			48,826,402.00			292,877,780.33	13,192,317.99

### 16.4 Operating revenue and operating costs

Item	Year 2020		Year 2019	
	Revenue	Cost	Revenue	Cost
Primary business	99,008,407.43	71,299,140.69	52,480,654.56	46,347,369.52
Other business	29,956,840.25	8,621,555.66	53,059,355.68	8,285,475.02
Total	128,965,247.68	79,920,696.35	105,540,010.24	54,632,844.54

### 16.5 Investment income

Source for investment income	Year 2020	Year 2019
Investment income from long-term equity investments accounting under the cost method	104,936,042.50	34,936,042.50
Investment income from long-term equity investments under equity method	67,270,888.11	45,167,594.22
Investment income from the disposal of trading financial assets	2,094,885.56	11,391,086.56
Investment income from disposal of long-term equity investments		-534,340.33
Total	174,301,816.17	90,960,382.95

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 17. Supplementary information

### 17.1 Statement of non-recurring gains and losses for the current period

Item	Amount	Remarks
Gain or loss on disposal of non-current assets	-8,251.55	
Tax refund or exemption with unauthorized approval or no formal approval document		
Government grants included in profits or losses (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	10,525,947.19	
Capital use fee received from nonfinancial enterprises recognized as gain or loss for the period		
Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee's identifiable net assets, where investment cost is less than the share of the fair value		
Gains or losses on exchange of non-monetary assets		
Gains or losses on entrusted investment or management of assets		
Provision for impairment of assets due to force majeure such as natural disasters		
Gains or losses on debt restructuring		
Expenses for reorganization such as expenditure for staffing and integration expenses, etc.		
Gains or losses on the excess beyond fair value in the transaction with unfair price		
Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net		
Gains or losses on contingencies that is in no connection with the normal operation of the Company		
Gain or loss on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale	8,927,949.79	
Reversal of provisions for impairment of trade receivables individually subjected to impairment test	6,421,843.06	
Profit or losses from external entrusted loans		
Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value		

# Notes to the 2020 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## 17. Supplementary information (Continued)

### 17.1 Statement of non-recurring gains and losses for the current period (Continued)

Item	Amount	Remarks
Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for current period		
Trustee fee income from entrusted operations		
Other non-operating income and expenses other than the aforementioned items	11,564,203.24	
Other items of gain or loss in accordance with the definition of extraordinary profit and loss	36,793,614.66	Note
Subtotal	74,225,306.39	
Impact of income tax	- 12,665,953.68	
Impact of minority shareholders' equity (after tax)	- 2,496,168.98	
Total	59,063,183.73	

Note: Other items that conform to the definition of non-recurring gains and losses

Item	Amount	Remarks
Income tax service fee return	313,292.82	
Social security reduction	36,480,321.84	Part of social insurance has been reduced due to COVID-19
Total	36,793,614.66	

### 17.2 Return on net assets and earnings per share:

Profits of the reporting period	Earnings per share (RMB)		
	Weighted average return on net assets	EPS (%)	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	2.22	0.0846	0.0846
Net profit after deducting extraordinary profit and loss attributable to ordinary shareholders of the Company	0.52	0.0200	0.0200



# Documents Available for Inspection

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1. Financial statements signed and sealed by the Head of the Company, the Chief Accountant and the Head of the Accounting Department (person in charge of accounting matters).
2. Original auditors' report, with the auditing firm's chop affixed, signed and sealed by certified public accountants.
3. Originals of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the reporting period.
4. This annual report is prepared in Chinese and English. In case of any discrepancies in interpretation, the Chinese version shall prevail.

**Nanjing Panda Electronics Company Limited**

*Chairman: Zhou Guixiang*

Date of approval by the Board for submission: 26 March 2021