

PANDA Electronics

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Nanjing Panda Electronics Company Limited

2021
Annual
Report

(H Share Stock Code: 0 5 5 3)

(A Share Stock Code: 600775)

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DOCUMENTS AVAILABLE FOR INSPECTION	1. Original financial statements signed and sealed under the hand of the head of the Company, the chief accountant and the head of the accounting department (accounting supervisor) of the Company. 2. Original copy of audit report sealed by the accounting firm, and signed and sealed under the hand of the certified public accountants. 3. Original copies of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the Reporting Period. 4. This report is prepared in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.	

IMPORTANT NOTICE

1. The board of directors, 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 sixth meeting of the tenth session of the Board of the Company held on 30 March 2022.
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 head of the Company, Mr. Hu Dali, the chief accountant, and Ms. Liu Xianfang, the head of the accounting department (accounting supervisor) of the Company, declared that they confirmed the truthfulness, accuracy and completeness of the financial report contained in this annual report.
5. Proposal of profit distribution or capitalization of capital reserves of the Company for the reporting period considered by the Board: To distribute a cash dividend of RMB0.14 (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 2021, with the total cash dividend to be distributed amounting to RMB12,793,739.41 (tax inclusive), 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 III "Management Discussion and Analysis" in this annual report.

Definitions

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
NEIIC	Nanjing Electronics Information Industrial Corporation (南京中电熊猫信息产业集团有限公司)
NEIIC 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)
LG-Panda	Nanjing LG-Panda Appliances Co., Ltd. (南京乐金熊猫电器有限公司)
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)

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
CNAS	China National Accreditation Service for Conformity Assessment
CMMI	Capability Maturity Model Integration
IATF16949	International Automotive Task Force IATF16949 is the quality management system standard in automotive industry
iManuf	iManuf is a registered trademark of the Company's intelligent manufacturing system platform

Company Profile and Major Financial Indicators

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

	Secretary to the Board	Securities Affairs Representative
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	7 Jingtian Road, Nanjing, Jiangsu Province, the People's Republic of China
Historical changes of Registered address of the Company	During the reporting period, the Company disclosed the announcement on the changes of the Company's registered address and the amendments to the corresponding articles of the Articles of Association on the "China Securities Journal", "Shanghai Securities News", and the website of the Shanghai Stock Exchange on 27 October 2021. The change was considered and approved at the 2021 first extraordinary general meeting of Company held on 8 December 2021.
Office address	7 Jingtian Road, Nanjing, Jiangsu Province, the People's Republic of China
Postal code of the office address	210033
Website of the Company	http://www.panda.cn
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: http://www.sse.com.cn Hong Kong Stock Exchange: http://www.hkex.com.hk
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	188 South Yanggao Road, Pudong New Area, Shanghai, China
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	2021	2020	Year-on year increase/decrease (%)	2019	2018	2017
Operating revenue	4,531,842,430.51	3,952,265,022.15	14.66	4,660,047,001.92	4,500,505,653.14	4,191,928,908.95
Net profit attributable to shareholders of the Company	41,928,543.18	77,318,175.74	-45.77	52,657,894.58	161,959,568.48	107,382,077.64
Net profit attributable to shareholders of the Company after extraordinary items	11,888,072.43	18,254,992.01	-34.88	25,447,136.36	113,580,264.77	72,409,859.11
Net cash flows from operating activities	208,170,561.48	534,653,617.28	-61.06	-341,233,848.13	45,563,017.57	157,549,565.01

	As of the end of 2021	As of the end of 2020	year-on-year increase/decrease (%)	As of the end of 2019	As of the end of 2018	As of the end of 2017
Net assets attributable to shareholders of the Company	3,527,207,782.36	3,509,430,717.97	0.51	3,448,072,752.25	3,468,424,299.40	3,363,593,136.77
Total assets	6,057,982,752.18	6,001,947,699.44	0.93	6,020,147,479.47	6,184,619,023.98	5,665,503,486.59

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	2021	2020	Year-on-year increase/decrease (%)	2019	2018	2017
Basic earnings per share (RMB/share)	0.0459	0.0846	-45.77	0.0576	0.1772	0.1175
Diluted earnings per share (RMB/share)	0.0459	0.0846	-45.77	0.0576	0.1772	0.1175
Basic earnings per share after extraordinary items (RMB/share)	0.0130	0.0200	-34.88	0.0278	0.1243	0.0792
Weighted average return on net assets (%)	1.12	2.22	Decreased by 1.1 percentage point	1.49	4.73	3.20
Weighted average return on net assets after extraordinary items (%)	0.32	0.52	Decreased by 0.2 percentage point	0.72	3.32	2.17

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

The decrease in net profit attributable to shareholders of the Company, net profit attributable to shareholders of the Company after extraordinary items, basic earnings per share and diluted earnings per share was mainly due to the impact of the local outbreak of COVID-19, coupled with industrial power restrictions and the year-on-year increase in the prices of certain components and raw materials along the supply chain and other unfavorable factors, which resulted in a decrease in the gross profit margin of the Company's relevant business during the period. In addition, due to the COVID-19, the Company received social security exemptions in the same period of previous year, which resulted in a significant decrease in such extraordinary profit and loss for the period. The decrease in net cash flows from operating activities was mainly due to the increase in cash paid for the purchase of goods and receipt of services for the period.

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 2021

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating Revenue	991,941,145.72	1,177,515,156.00	1,166,076,932.14	1,196,309,196.65
Net profit attributable to shareholders of the Company	-13,150,711.91	31,423,722.86	-14,938,216.60	38,593,748.83
Net profit attributable to shareholders of the Company after extraordinary items	-16,882,503.50	22,895,475.87	-18,814,278.39	24,689,378.45
Net cash flows from operating activities	-57,788,403.28	12,354,265.97	58,747,799.93	194,856,898.86

Explanation on the differences between quarterly data and disclosed regular reporting data: N/A

X. Extraordinary items and amounts

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2021	Amount for 2020	Amount for 2019
Gains and losses from disposal of non-current assets	-673,919.77	-8,251.55	54,505.88
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	13,350,447.24	10,525,947.19	19,562,047.54
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	14,376,445.85	8,927,949.79	15,854,818.29

Company Profile and Major Financial Indicators (Continued)

X. Extraordinary items and amounts (Continued)

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2021	Amount for 2020	Amount for 2019
Reversal of impairment provision for receivables and contract assets subject to individual impairment test	4,791,973.55	6,421,843.06	3,235,791.21
Other non-operating income and expenses other than the aforesaid items	4,519,554.58	11,564,203.24	958,279.17
Other items of gain or loss in accordance with the definition of extraordinary profit and loss	247,625.33	36,793,614.66	
Affected minority interests	1,624,980.17	2,496,168.98	4,243,897.11
Affected income tax amount	4,946,675.86	12,665,953.68	8,210,786.76
Total	30,040,470.75	59,063,183.73	27,210,758.22

Note: The increase 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 increase in the investment income from wealth management products of banks; the decrease in other non-operating income and expenses other than the aforesaid items was mainly due to the recovery of tax prepayment in the previous period; the decrease in 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 contribution 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	144,969,078.62	20,272,279.95	-124,696,798.67	
Financial assets held for trading	501,356,576.18	472,241,399.61	-29,115,176.57	884,823.43
Other investments in equity instruments	4,074,939.80	3,551,864.21	-523,075.59	
Total	650,400,594.60	496,065,543.77	-154,335,050.83	884,823.43

Management Discussion and Analysis

I. Discussion and analysis on the operation

In 2021, the opening year of 14th Five-Year Plan, the Company coordinated various work such as epidemic prevention and control, production and operation, overcame adverse factors such as the COVID-19 pandemic, the tension of global supply chain, the rising prices of raw material, and the restrictions on power supply, and deepened the “two consistent implementation principles”, closely followed the theme of high-quality development, continued to complete key tasks such as the optimization of industrial structure, the improvement on scientific research capability, comprehensive lean management, and talent team building, and accelerated systematic innovation in technology research and development, business models, incentive models, and talent training models, so as to further improve the core competitiveness. New results have been achieved.

According to the PRC Accounting Standards for Business Enterprises, the operating revenue of the Company was RMB4,531,842,400 in 2021, representing a year-on-year increase of 14.66%; total profit was RMB105,681,100, representing a year-on-year decrease of 30.46%; the net profit attributable to shareholders of the Company was RMB41,928,500, representing a year-on-year decrease of 45.77%.

In 2021, the Company completed the editing and revision of the “14th Five-Year Development Plan of Nanjing Panda”, which clarified the Company’s strategic positioning and main direction for high-quality development during the period of the 14th Five-Year Plan, and continued to focus on smart transportation and safe city, industrial internet and intelligent manufacturing, and green and service-oriented electronic manufacturing as its core businesses, to continuously and deeply promote industrial digitization and digital industrialization.

In 2021, the Company actively promoted epitaxial development. In order to give full play to the two-wheel driving role of “industry + capital”, the Company established a working group on investment and mergers and acquisitions, which was specializing in corporate investment and mergers and acquisitions and completed the acquisition of 30% of the equity of Nanjing LG-Panda Appliances Co., Ltd., helping the Company to further promote industrial synergy effect.

In 2021, the Company deepened industrial transformation and upgrading based on the market. For smart transportation industry, the Company strengthened independent innovation and officially implemented projects such as Wuxi Metro Digital Service and Management Platform being independently developed and constructed by the Company, and won the bid for many projects throughout the year. For digital park industry, the Company continued to strengthen market expansion in the fields of finance, education, and medical care, and won the bid for many projects throughout the year, including the “CEC Xianyang 8.6th generation TFT-LCD Project” which was awarded the National Gold Award for High-quality Project by China Association of Construction Enterprise Management. For safe city industry, the market of satellite communication terminal remained stable, the new resource-economical and environment-friendly mobile video products and marine informatization products successfully entered into the market, and the development of power supply market achieved remarkable results. For smart manufacturing industry, digital factory construction projects continued to penetrate into new market and won the bids for several projects. For electronic manufacturing service industry, the production and sales of T-con boards was stable, and new breakthroughs were made in the fields of white goods and automotive electronics.

Management Discussion and Analysis (Continued)

I. Discussion and analysis on the operation (Continued)

In 2021, the Company continued to promote the “four innovations”. The first was to accelerate scientific and technological research and development innovation. The Company established Panda Digital Industry Research Institute to strengthen declaration and patent application of scientific research projects, and obtained 55 authorized patents throughout the year, and promoted in-depth cooperation with well-known universities and enterprises. The second was to accelerate the innovation of business models. The Company took the lead in compiling and publishing the “Capability Manual on Smart Transportation Industry of China Electronic Modern Digital City Inner Ecological Alliance”, and established the Joint Innovation Laboratory of “5G Smart Rail Transit jointly with Nanjing Metro”, held the seminar of “5G + Industrial and Internet Intelligent Manufacturing” in Nanjing and jointly established a laboratory jointly with China Telecom. The third was to accelerate the innovation of incentive models. The Company studied and formulated the “Supplementary Regulations on Introducing R&D Talents (Trial)”, and promoted the Company and subsidiaries at all levels to carry out medium and long-term incentives, and explored the development of equity incentives for listed companies. The fourth was to speed up the innovation of talent training modes. The Company continued to do a good job in “introducing, cultivating, using and retaining” of talents in an all-round way, introducing nearly 100 talents with education background of undergraduate and above throughout the year, and strengthening the school-enterprise cooperation with CEIE NUAA, Suzhou University and Nanjing University of Information Science and Technology.

In 2021, the Company continued to promote reform and development. The Company researched and formulated the “Implementation Opinions of the Party Committee of Nanjing Panda on Major Operation and Management Matters in Pre-Research and Discussion” and a list of pre-consideration matters, and developed a plan for strengthening the construction of the board of directors of the Company and the “Administrative Measures for the Authorization of the Board of Directors”. The Company had fully implemented the tenure system for managers and contractual management for 42 members in management team at all levels.

In 2021, the Company continued to do comprehensive lean management. The Company drew up the “Assessment and Evaluation Rules on Comprehensive Lean Management (Cost Reduction and Efficiency Improvement)” in 2021 around the principle of “improvement of main business, loss reduction and turnaround”. Loss-making enterprises achieved a certain degree of loss reduction while operating smoothly. The Company continuously carried out the special governance of “two funds” and incorporated it into the annual assessment of the unit, and at the same time, promoted the in-depth application of the SAP-ERP system.

In 2021, the Company constantly strengthened risk control and management. The Company officially revised and issued the 2021 edition of the “Compendium for the Rules and Regulations of the Company”, which detailed the responsibilities of 8 management committees; completed 3 economic responsibility audits and 1 major engineering project audit throughout the year; organized and revised 25 safety production systems of enterprises, 45 safety production inspections; did a good job regularly in the epidemic prevention and control work of “prevent imported cases from abroad and rebound of outbreak at home”.

In 2021, the Company earnestly fulfilled its social responsibilities. The Company fully performed the collective contracts, and the average income of on-the-job employees generally increased by 8.7% year-on-year; a total of more than RMB1.4 million was distributed as love aid funds, subsidies for hardship and subsidies for students for the year; continuously constructed and improved living environment for the apartment for talents of the Company, added sports facilities and equipment in apartment, and provided warmth and care to employees.

Management Discussion and Analysis (Continued)

II. Situation of the industry where the Company operated during the reporting period

(I) Industry development

The industry to which the Company belongs to is computer, communication and other electronic equipment manufacturing.

In 2021, the added value of electronic information manufacturing industries above statistical threshold increased by 15.7% year-on-year, and growth rate recorded a new high in the past decade, increasing 8.0 percentage points compared with last year. The growth rate was 6.1 percentage points higher than that of industrial added value above statistical threshold in the same period, and the gap was wider than that in 2020, but it was lower than the growth rate of the added value of higher-tech manufacturing by 2.5 percentage points; the two year average growth rate was 11.6%, which was 5.5 percentage points higher than the two-year average growth rate of industrial added value, imposing significant pulling effect on industrial production. In 2021, operating revenue of electronic information manufacturing industries above statistical threshold increased by 14.7% year-on year, representing an increase of 6.4 percentage points compared with last year, the two-year average growth rate was 11.5%. Operating cost increased by 13.7% year-on-year, representing an increase of 5.6 percentage points compared with last year.

One of the core contents of the 14th Five-Year Plan and the Long- Range Objectives Through the Year 2035 is to promote the construction of traditional infrastructure and new infrastructure as a whole, accelerate digital development, create new advantages of digital economy, jointly promote digital industrialization and industrial digital transformation, accelerate the pace of digital society construction, improve the level of digital government construction, create a good digital ecology and build digital China. Modern digital city makes full use of the new generation of information technology in all walks of life in cities, and plays an important role in intelligent transportation, intelligent governance, intelligent people's livelihood, intelligent application, safe city and other application scenarios.

Management Discussion and Analysis (Continued)

II. Situation of the industry where the Company operated during the reporting period (Continued)

(I) Industry development (Continued)

Accelerating the development of intelligent manufacturing is a new kinetic energy to promote China's economic growth and a strategic choice to seize the commanding heights of future economic and technological development. It is of great strategic significance for promoting the supply-side structural reform of China's manufacturing industry, creating new competitive advantages of China's manufacturing industry and realizing the goal of becoming a manufacturing power. In order to accelerate the transformation and upgrading of China's manufacturing enterprises, in 2021, China successively issued a series of policies such as the "14th Five-Year Plan for Digital Economy Development", the "14th Five-Year Plan for In-depth Integration of Informatization and Industrialization" and the "14th Five-Year Plan for Intelligent Manufacturing Development" to deploy and promote the development of intelligent manufacturing at the national level. In December 2021, Jiangsu Province printed and issued the "Three-year Action Plan for Intelligent Transformation and Digital Transformation of Manufacturing Industry in Jiangsu Province" (2022–2024) to continuously promote the digital transformation and development of manufacturing industry. China's manufacturing industry has huge production capacity, but at the same time, there is structural overcapacity, and there is a strong demand for intelligent transformation. Intelligent manufacturing will bring opportunities to the equipment and software industries, and robots and industrial software, etc., which contain tens or even hundreds of billions of market capacity. According to the development status and trend analysis of China's intelligent manufacturing industry, it is estimated that by 2026, the market size of China's intelligent manufacturing industry will reach approximately RMB5.8 trillion. On the whole, there is huge room for growth in the industry.

With the continuous improvement of the comprehensive strength of China's electronic information manufacturing industry, under the influence of strategic objectives such as improving quality and efficiency and maintaining sustainable development, professional electronic manufacturing service enterprises continue to improve technology, efficiency, quality and supply chain services around the market demand in the field of electronic product manufacturing, which has a far-reaching impact on the adjustment of electronic information industry, supply chain layout and value chain management. With the "carbon peaking and carbon neutrality" goals put forward, green manufacturing is not only the need of ecological development, but also the inevitable choice for China's manufacturing to develop to the high end. Green manufacturing and intelligent manufacturing complement each other, promote each other and are inseparable. Facing the general trend of green and low carbon in the future, domestic manufacturing enterprises are bound to further strengthen energy control in the production process, optimize resource utilization rate, reduce energy consumption and carbon emissions through digital technology, and achieve China's "carbon peaking and carbon neutrality" goals at an early date.

Management Discussion and Analysis (Continued)

II. Situation of the industry where the Company operated during the reporting period (Continued)

(II) Significant impact of the new policies and rules on the industry

The Company's principal activities closely focus on the special national development plans for the 14th Five-Year period and the Company's development conforms to the guiding direction of national policies.

1. The 14th Five-Year Plan for Digital Economy Development

The key tasks of planning and deployment include: optimizing and upgrading digital infrastructure, accelerating the construction of information network infrastructure, promoting the development of cloud network collaboration and computing network integration, and promoting the intelligent upgrading of infrastructure in an orderly manner; vigorously promoting the digital transformation of the industries, accelerating the digital transformation and upgrading of enterprises, comprehensively deepening the digital transformation of key industries, industrial parks and clusters, and cultivating the transformation support service ecology; and accelerating digital industrialization; enhancing the ability of key technological innovation, accelerating the cultivation of new business models, and creating a prosperous and orderly innovation ecology; continuously improving the digitalization level of public services, improving the efficiency of "Internet plus government service", enhancing the inclusiveness level of digitalization of social services, and promoting the integration of digital urban and rural areas.

2. The 14th Five-Year Plan for the Development of Modern Comprehensive Transportation System

The plan proposes to speed up the in-depth popularization and application of smart technologies, promote the in-depth integration of new technologies such as the Internet, big data, artificial intelligence and blockchain with the transportation industry, promote the application of advanced technologies and equipment, and build an intelligent transportation system with ubiquitous interconnection, flexible collaboration and global competitiveness. Specific tasks include: promoting the digital sensing system of facilities; promoting the digital transformation and upgrading of existing facilities, and strengthening the synchronous planning and construction of new facilities and sensing networks; building a facility operation status sensing system, strengthening the digital sensing monitoring coverage of important channels and hubs, and enhancing the all-weather and full-cycle operation status monitoring and active early warning capabilities of key road sections and important nodes, and constructing the information interaction network of facilities and equipment; steadily promoting the coverage of network communication facilities such as 5G, and improving the coverage, real-time and reliability of information transmission in the transportation field;

Management Discussion and Analysis (Continued)

II. Situation of the industry where the Company operated during the reporting period (Continued)

(II) Significant impact of the new policies and rules on the industry (Continued)

2. The 14th Five-Year Plan for the Development of Modern Comprehensive Transportation System (Continued)

In the field of intelligent urban rail transit, the plan proposes to promote the R&D of autonomous train operation control system, and promote the interconnection between rail transit signal systems of different systems and conditional lines; build intelligent crew service, networked intelligent transportation organization and scheduling, intelligent energy management, intelligent operation and maintenance systems, etc.; and promote the application of intelligent security inspection, mobile payment and other technologies. In the field of smart roads, the plan proposes to steadily promote the construction of an intelligent road network cloud control platform integrating monitoring, dispatching, management and control, emergency response and service functions; improve the functions of the comprehensive transportation information platform, and promote the integrated construction of local transportation big data centers and comprehensive transportation information platforms.

3. The 14th Five-Year Plan for the Development of Intelligent Manufacturing

The plan proposes the main tasks of promoting the development of intelligent manufacturing during the 14th Five-Year Plan period from the four aspects of innovation, application, supply and support. It clarifies deepening the promotion and application, opening up new paths for transformation and upgrading; focusing on the transformation and upgrading needs of enterprises, industries, and regions, building intelligent manufacturing systems around workshops, factories, and supply chains, carrying out multi-scenario, full-chain, and multi-level application demonstrations, and cultivating and promoting new models of intelligent manufacturing; strengthening independent supply and strengthening the new advantages of the industrial system; relying on the strong domestic market, accelerating the development of equipment, software and system solutions, cultivating and developing emerging industries of intelligent manufacturing, accelerating the improvement of the adaptability of the supply system, and guiding the optimization and upgrading of the industrial system.

In terms of deepening the promotion and application, the plan specially deploys the construction action of intelligent manufacturing demonstration factory, promotes the intelligent transformation of "Scenario-workshop-plant-supply chain", carries out the breakthrough and improvement action of industrial software, and accelerates the development and application of six types of industrial software, including R&D and design, production and manufacturing, operation and management, control and execution, industry-specific software and new software.

Management Discussion and Analysis (Continued)

II. Situation of the industry where the Company operated during the reporting period (Continued)

(II) Significant impact of the new policies and rules on the industry (Continued)

4. The 14th Five-Year Plan for the Development of Information and Communication Industry

The plan clearly states that, by 2025, the overall scale of the information and communication industry will have been further expanded, the quality of development will have been significantly improved, and a new digital infrastructure with high speed ubiquitous, integrated and interconnected, smart, green, safe and reliable features will have been basically built. The innovation capability will have been greatly enhanced, the emerging business forms will have flourished, and the ability to empower the digital transformation and upgrading of the economy and society will have been comprehensively improved, thereby becoming a strong pillar for building a manufacturing power, a network power and a digital China.

5. The 14th Five-Year Plan for Software and Information Technology Service Industry

The plan puts forward the “four new” development goals. First, by 2025, new upgrade will have been achieved in terms of the industrial base. Breakthroughs will have been made in the supply of basic components, and the leading role of standards will have been significantly enhanced. During the 14th Five-Year Plan period, 125 national standards in key areas will be formulated. The capabilities of intellectual property services, engineering, quality management and value guarantee, etc., will have been effectively improved, and the collaborative innovation system with enterprises as the main body will have been basically complete. Second, the industrial chain will have been reached a new standard. Shortcomings in the industrial chain will have been effectively solved, and the supply capacity of key software such as basic software and industrial software will have been significantly improved. Software products in emerging fields with ecological influence will have been formed. By 2025, the number of industrial apps will exceed 1 million, the advantages of long boards will continue to consolidate, and the resilience of industrial chain and supply chains will continue to improve. Third, new development will have been achieved in terms of ecological cultivation. A group of key enterprises with ecological leading power and core competitiveness will have been cultivated, 2–3 open source communities with international influence established, 20 famous Chinese software parks at a high level built, the software market pricing mechanism further improved, and international exchanges and cooperation comprehensively deepened. Fourth, new achievements will have been made in industrial development. The growth potential will have been effectively released, and the development quality significantly improved. By 2025, the software business revenue of enterprises above statistical threshold will exceed RMB14 trillion, with an average annual growth rate of over 12%. The industrial structure will have been further optimized and the comprehensive strength will have been escalated to a new level.

Management Discussion and Analysis (Continued)

III. Information on activities during the reporting period

(I) Principal activities

The Company takes smart transportation and safe city, industrial Internet and intelligent manufacturing, and green and service-oriented electronic manufacturing as its three main businesses.

In the field of smart transportation and safe city, the Company takes the construction of a modern digital city as its leading direction, comprehensively uses new-generation information technologies such as big data, cloud computing, Internet of Things, 5G, artificial intelligence, etc., focuses on the development of smart transportation and safe city business clusters, and further expands smart urban rail, safe city communications, digital park, urban emergency equipment and other businesses.

In the field of industrial Internet and intelligent manufacturing, it deepens the application of 5G and edge computing technology, promote cloud-side collaboration, enhance the informationization level of intelligent manufacturing, build an intelligent manufacturing information technology system, promote the integration of operation management system and manufacturing execution system, provides intelligent manufacturing core equipment and intelligent factory overall solutions based on industrial Internet for the manufacturing industry, provides overall planning for enterprises to realize digital transformation, reshapes the core competitiveness of manufacturing enterprises, and realizes sustained innovation and growth.

In the field of green and service-oriented electronic manufacturing, through intelligent, flexible and lean management, it provides domestic and foreign brand manufacturers with complete manufacturing services, such as R&D, process design, procurement management, manufacturing and warehousing of 3C, new display module components, white goods components, automotive electronics, communication equipment and other electronic products. At the same time, based on scientific and technological innovation, through green operation management, green supply chain management, and green digital empowerment, it helps achieve the carbon peaking and carbon neutrality goals.

(II) Operating model

Guided by market and customer demands, the Company enhances its core competitiveness through innovation on technological R&D model, 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 during the 14th Five-Year Plan.

The Company organizes R&D and production according to market and customer needs, and realizes the delivery of product and system overall solutions and system engineering projects. It always adheres to the R&D model of independent research and development and independent innovation, closely follows the technological development trend, and conducts R&D on new projects to ensure its continuous innovation ability and industry advancement. Meanwhile, it actively responds to the needs of customers and continuously carries out technical update iteration. 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.

Management Discussion and Analysis (Continued)

III. Information on activities during the reporting period (Continued)

(III) Overview of the development of principal activities

The intelligent rail transit market in the digital city field has formed a domestic brand effect, and the development of AFC/ACC industry ranks in the first echelon among domestic counterparts; the general contracting business of rail transit communication system is also in the forefront of the country. On the basis of the secondary development of TETRA, the LTE broadband cluster scheduling system has been successfully developed. Vertically, the Company makes in-depth use of new technologies such as big data, cloud computing, 5G, etc., and new models of integrated development of rail transit, to promote the digital transformation and upgrading of the rail transit industry, and improve product added value and profit margins. Horizontally, it consolidates existing technologies and market advantages and gradually expands to intercity rail and highway transportation to form new business growth points.

In the field of intelligent manufacturing, with the goal of realizing intellectualization of manufacturing process, supported by breaking through key intelligent basic common technologies and modularization of common technologies, focusing on promoting R&D and industrialization of high-end intelligent equipment systems, and focusing on improving equipment integration and innovation capabilities of major intelligent manufacturing systems, the Company promotes demonstration, application and promotion in emerging and traditional manufacturing fields. In the field of industrial Internet, with the goal of building a new manufacturing information system, taking the implementation of intelligent enterprise digitization project as an important starting point, through the promotion of the industrial Internet system software application and expansion of key projects, combined with the digital management of “one code for one thing” for production factors of intelligent manufacturing, focusing on the development and improvement of independent R&D and safety controllable capability of key software technologies, the enhancement of the basic support ability, and the improvement of the integrated application, the digital and information technology level of intelligent manufacturing, the Company strives to be a domestic leader.

In the field of electronic manufacturing services, the Company has built several electronic manufacturing plants in Nanjing, Chengdu and Shenzhen. It has fully implemented the ERP system, and through the deep integration of MES and ERP system, achieved full-automatic tracking of factory production line, production management and process control of the whole process. The Company has also increased investment in establishing a product testing center, which has been approved by CNAS to ensure product quality, stability and reliability.

Management Discussion and Analysis (Continued)

IV. Analysis of core competitiveness during the Reporting Period

1. The Company seizes the opportunities of digital economy, new generation information technology and green development, and takes the market as the guide to continuously improve the scientific and technological innovation system and the transformation mechanism of scientific and technological achievements, improve the quality of scientific research platform construction and the ability of independent innovation, and effectively support the continuous development of core competitiveness. The Company has established a digital industry research institute which has successfully commenced operation; in terms of government-recognized technology innovation and scientific research platform institutions, a new municipal-level technology center of Panda communication enterprise has been added, and the Company has 11 scientific and technological institutions recognized by the government at or above the municipal level. The Huage Provincial-level Engineering Technology Research Center and the Engineering Technology Research Center for Automatic Ticketing and Checking System of Provincial Rail Transit of the Company have passed performance evaluation of the government; 6 major industrial companies under the Company have all obtained or maintained the qualification of high-tech enterprises.
2. The Company has increased investment in scientific and technological research and development, with more than 5% of its total investment in scientific and technological development, continuously improved independent innovation capabilities and integrated innovation capabilities, closely followed market development trends to seize opportunities and establish brands; strengthened in-depth cooperation with universities and colleges, promoted the transformation and implementation of scientific and technological achievements in a market-oriented manner, and improved the cultivation of long-term technical capabilities in joint innovation with universities and research institutes; promoted product structure adjustment, formed innovation synergy to further establish and improve mechanism and system of technological innovation, and stimulate enterprise innovation and creativity. As the first accomplisher of the project, the Company has cooperated with Nanjing Metro and Southeast University to declare the rail transit broadband communication project and has won the third prize of Jiangsu Science and Technology Award and the Excellence Quality Technology Award of China Association for Quality; the Company has been awarded the Best Industry Vitality Award from Jiangsu Internet Association (江蘇省互聯網協會) and recognized as one of "Top Ten Advanced Units" by Nanjing Software Association; various industries of the Company have actively applied for the policy and financial support from the governments at all levels for specialized and new enterprises, little giant enterprises and individual champions. Panda Information and Panda Communication has been recognized by the provincial departments, and the sheet metal workshop of the Panda Equipment has applied for and successfully obtained demonstration workshop awarding recommendation for provincial intelligent manufacturing.

Management Discussion and Analysis (Continued)

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

3. The Company continues to improve its scientific research capabilities, and its scientific and technological innovation achievements continue to emerge. Four government funding support projects, including the technical reform of the National Development and Reform Commission, the new model of intelligent manufacturing of the National Ministry of Industry and Information Technology, the catch-up project of high-end equipment development in Jiangsu Province, and the transformation and upgrading in Jiangsu Province, have been accepted and approved in 2021; five government funding support projects, including the provincial prospective and key core technologies project in the Company's cooperation with universities, the post-acceptance subsidy project for new model of intelligent manufacturing of the Ministry of Industry and Information Technology, the post-acceptance subsidy project for provincial catch-up project of high-end equipment development, the special subsidy project for provincial intellectual property promotion plan, and the patent navigation project on Nanjing Intellectual Property Promotion Plan, have been successfully approved for implementation in 2021.
4. The Company has made rapid breakthroughs in the creation and application of intellectual property rights, and the patent pool of digital city and intelligent manufacturing has been constantly expanded and improved. In 2021, the Company made 124 patent applications which have been accepted by the state, including 50 invention patents applications accepted by the state; had 78 patents authorized by the state, including 15 inventions; and obtained 48 software copyrights. As of the end of 2021, the Company had 545 valid patents, including 143 valid invention patents; by the end of 2021, the Company had 176 valid software copyrights in stock. In 2021, the Company had 10 registered trademark certificates renewed upon maturity and 13 new registered trademark certificates. As of the end of 2021, it had 160 valid registered trademark certificates.
5. The Company places high importance on the quality of products and projects, and always adheres to the philosophy of "quality for survival", firmly established the consciousness of quality foremost among its staff. The Company has ISO9001 quality management system, ISO14001 environmental management system and ISO45001 occupational health and safety management system certification, and continues to improve such systems. The Company has established a complete after-sales service system, and has successfully passed the five-star product certification of after-sales service. In addition, its subsidiaries have also passed the information security management system certification, information technology service management system certification, level 5 model certification of CMMI5 software capability maturity, information system construction and service capability evaluation CS4 level (excellent level), IATF16949 automotive industry quality management system certification, etc.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period

In the year 2021, the Company strived to maintain stable and orderly operation. The Company overcame unfavorable factors such as the impact of the local COVID-19 pandemic, industrial power curtailment and the year-on-year increase in the prices of certain components and raw materials in the supply chain, and focused on the development of modern digital city-related businesses and green electronic manufacturing services, resulting in a modest increase in operating revenue and stable earnings from its main businesses.

(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	4,531,842,430.51	3,952,265,022.15	14.66
Operating costs	3,961,438,873.89	3,360,271,214.08	17.89
Cost of sales	41,827,646.43	32,291,520.30	29.53
Administrative expenses	273,378,636.73	257,745,539.77	6.07
Financial expenses	-23,158,029.07	-5,690,663.20	N/A
R&D expenses	213,049,945.07	205,817,437.26	3.51
Net cash flows from operating activities	208,170,561.48	534,653,617.28	-61.06
Net cash flows from investing activities	-480,708,719.20	-212,816,988.07	N/A
Net cash flows from financing activities	-28,714,757.98	-27,761,914.27	N/A
Credit impairment losses	-7,547,165.61	-15,781,683.84	N/A
Assets impairment losses	-18,508,356.82	-13,955,982.11	N/A
Gain from the disposal of assets	-722,183.04	-50,820.75	N/A
Non-operating income	5,270,329.30	12,947,404.25	-59.29
Non-operating expenses	613,011.45	990,522.96	-38.11

Management Discussion and Analysis (Continued)

V. 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:

- (1) The cost of sales was mainly due to the year-on-year increase in labor costs from sales staff;
- (2) The financial expenses was mainly due to the year-on-year increase in interest income for the period and the turnaround of net exchange gains and loss from exchange loss in the previous period to exchange gain in the period due to the change in RMB exchange rate;
- (3) The net cash flows from operating activities was mainly due to the increase in cash paid for the purchase of goods and receipt of services for the period;
- (4) The net cash flows from investing activities was mainly due to the cash payment for the equity interest acquisition during the period;
- (5) The credit impairment loss was mainly due to the reversal of partial provision for impairment of accounts receivable during the period;
- (6) The assets impairment losses was mainly due to the year-on-year increase in provision for impairment on inventories during the period;
- (7) The gain from the disposal of assets was mainly due to the year-on-year increase in loss on disposal of non-current assets during the period;
- (8) The non-operating income was mainly due to the recovery of prepaid taxes in the prior period;
- (9) The non-operating expenses was mainly due to external donations in the prior period.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and cost

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

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 (%)
Industrial Internet and intelligent manufacturing	200,309,667.29	225,527,706.62	-12.59	20.52	16.09	Increased by 4.3 percentage points
Modern Digital City	1,716,481,931.70	1,362,577,822.75	20.62	11.26	12.44	Decreased by 0.84 percentage point
Service	2,558,656,717.40	2,338,451,091.98	8.61	16.09	20.12	Decreased by 3.06 percentage points
Others	8,483,124.30	6,681,592.97	21.24	12.97	440.20	Decreased by 62.29 percentage points

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and cost (Continued)

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

Unit: Yuan Currency: RMB

By product	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 (%)			
Intelligent factories and systems	129,988,183.39	148,757,360.98	-14.44	22.56	13.59	Increased by 9.03 percentage points
Core components of smart manufacturing	70,321,483.90	76,770,345.64	-9.17	16.93	21.25	Decreased by 3.89 percentage points
Intelligent transportation	716,363,330.21	587,034,016.36	18.05	29.34	44.72	Decreased by 8.71 percentage points
Digital park	662,405,440.24	540,611,904.01	18.39	-0.09	-3.13	Increased by 2.56 percentage points
Safe city	337,713,161.25	234,931,902.38	30.43	3.62	-5.30	Increased by 6.56 percentage points
Electronic manufacturing services	2,558,656,717.40	2,338,451,091.98	8.61	16.09	20.12	Decreased by 3.06 percentage points
Others	8,483,124.30	6,681,592.97	21.24	12.97	440.20	Decreased by 62.29 percentage points

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and cost (Continued)

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

Unit: Yuan Currency: RMB

By product	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	3,057,759,083.99	2,694,302,555.79	11.89	9.07	11.34	Decreased by 1.79 percentage points
Shenzhen	914,503,251.42	761,544,675.08	16.73	46.75	56.76	Decreased by 5.32 percentage points
Chengdu	511,669,105.28	477,390,983.45	6.70	3.58	6.45	Decreased by 2.52 percentage points

Sales model	Principal operations by sales model					
	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 (%)
Direct sales	4,483,931,440.69	3,933,238,214.32	12.28	14.37	17.27	Decreased by 2.17 percentage points

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and cost (Continued)

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

Description of principal operations by business sector, product, geographical regions and sales model:

The principal subsidiaries of the Company are engaged in the intelligent transportation and safe city, industrial internet and intelligent manufacturing, electronic manufacturing and its related businesses featuring green service. The operating income from intelligent transportation and safe city business increased by 11.26% compared with the same period of previous year due to the increase in the business of rail transportation engineering category; the operating income from industrial internet and intelligent manufacturing business increased by 20.52% compared with the same period of previous year due to the increase in business income related to intelligent factory, system engineering and intelligent manufacturing core equipment; the operating income from electronic manufacturing business featuring green service increased by 16.09% compared with the same period of previous year due to the increase in income from electronic manufacturing service.

The principal operations of the Company were primarily distributed in Nanjing, Shenzhen and Chengdu. During the reporting period, operating income in Shenzhen rose by 46.75% compared with the same period of previous year due to the increase in the number of orders for export products.

(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 output	Sales volume	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 (%)
Surface mounting	10 thousand points	6,412.52	6,575.43	59.16	9.77	12.21	-73.36
Intelligent transportation equipment and others	set	2,074	2,003	205	-43.93	-61.10	52.99
Information network equipment and others	set	1,198,803	1,231,353	66,028	-5.86	-1.93	-33.02

Explanation on the volume of production and sales:

The decrease in smart transportation equipment and other products was mainly because 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.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and cost (Continued)

(3) Cost analysis

Unit: Yuan Currency: RMB

By sector	Composition of cost	By sector			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
		Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year			
Industrial Internet and intelligent manufacturing	Material cost	136,340,499.29	60.45	119,629,864.83	61.58	13.97	
	Labor cost	26,277,934.12	11.65	21,863,908.97	11.25	20.19	
	Manufacturing costs	62,909,273.21	27.89	52,778,950.92	27.17	19.19	
Modern Digital City	Material cost	1,262,442,568.45	92.65	1,113,512,266.11	91.89	13.37	
	Labor cost	44,725,203.69	3.28	39,945,303.65	3.30	11.97	
	Manufacturing costs	55,410,050.61	4.07	58,332,198.46	4.81	-5.01	
Green Service Electronic Manufacturing	Material cost	1,972,813,959.36	84.36	1,514,497,809.58	77.79	30.26	
	Labor cost	56,200,847.05	2.40	48,100,571.47	2.47	16.84	
	Manufacturing costs	309,436,285.58	13.23	384,203,196.81	19.74	-19.46	
Others	Material cost	2,565,762.34	38.40	341,511.34	27.61	651.30	
	Other expenses	4,115,830.63	61.60	895,369.91	72.39	359.68	

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and cost (Continued)

(3) Cost analysis (Continued)

By sector	Composition of cost	Amount for the period	By product			Change in the amount for the period as compared with that of the same period last year (%)	Explanation
			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 (%)		
Intelligent factories and systems	Material cost	100,967,142.85	67.87	94,570,572.31	72.22	6.76	
	Labor cost	13,866,145.07	9.32	11,274,188.06	8.61	22.99	
	Manufacturing costs	33,924,073.06	22.80	25,111,236.88	19.18	35.10	
Core components of smart manufacturing	Material cost	35,373,356.44	46.08	25,059,292.52	39.58	41.16	
	Labor cost	12,411,789.05	16.17	10,589,720.91	16.72	17.21	
	Manufacturing costs	28,985,200.15	37.76	27,667,714.04	43.70	4.76	
Intelligent transportation	Material cost	569,347,541.34	96.99	390,661,985.14	96.31	45.74	
	Labor cost	10,660,957.28	1.82	8,647,005.29	2.13	23.29	
	Manufacturing costs	7,025,517.74	1.20	6,331,861.51	1.56	10.96	
Safe city	Material cost	217,992,222.17	92.79	234,767,514.94	94.63	-7.15	
	Labor cost	2,923,553.48	1.24	2,639,554.54	1.06	10.76	
	Manufacturing costs	14,016,126.72	5.97	10,685,827.85	4.31	31.17	
Digital parks	Material cost	475,102,804.93	87.88	488,082,766.02	87.46	-2.66	
	Labor cost	31,140,692.93	5.76	28,658,743.82	5.14	8.66	
	Other expenses	34,368,406.15	6.36	41,314,509.11	7.40	-16.81	
Electronic manufacturing services	Material cost	1,972,813,959.36	84.36	1,514,497,809.58	77.79	30.26	
	Labor cost	56,200,847.05	2.40	48,100,571.47	2.47	16.84	
	Other expenses	309,436,285.58	13.23	384,203,196.81	19.74	-19.46	
Others	Material cost	2,565,762.34	38.40	341,511.34	27.61	651.30	
	Other expenses	4,115,830.63	61.60	895,369.91	72.39	359.68	

(4) Changes in the scope of consolidation due to changes in the equity of major subsidiaries during the reporting period: N/A

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and cost (Continued)

(5) Sales to major customers and purchases from major suppliers

A. Sales to major customers

During the reporting period, sales to the top five customers amounted to RMB1,764,798,700, representing 38.94% of the total sales in 2021, of which sales to connected parties amounted to RMB862,439,800, representing 19.03% of the total sales in 2021.

B. Purchases from major suppliers

During the reporting period, the aggregate amount of purchase from the top five suppliers of the Company amounted to RMB702,950,900, accounting for 19.94% of the total amount of purchase made by the Company in 2021. There were no connected parties in the top five suppliers.

3. Expenses

During the reporting period, the selling expenses increased by 29.53%, which was mainly due to the year-on-year increase in labor costs of sales personnel; the management expenses increased by 6.07%, which was mainly due to the year-on-year increase in labor cost of management personnel.

4. R&D Investment

(1) Particulars of R&D investment

Unit: Yuan Currency: RMB

R&D expenses for the period	213,049,945.07
Capitalized R&D expenses for the period	6,878,004.36
Total R&D expenses	219,927,949.43
The percentage of total R&D expenses over operating income (%)	4.85
The percentage of capitalized R&D investment (%)	3.13

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

4. R&D Investment (Continued)

(2) Particulars of R&D personnel

The number of R&D personnel of the Company	501
The percentage of R&D personnel over total number of staff of the Company (%)	16%

Educational structure of R&D personnel	
Category of educational structure	Number of educational structure
Doctoral candidate	4
Master degree candidate	104
Undergraduate	325
Junior college	65
High School and below	3

Age structure of R&D personnel	
Category of age structure	Number of age structure
Under 30 years old (excluding 30 years old)	319
30–40 years old (including 30 years old, excluding 40 years old)	67
40–50 years old (including 40 years old, excluding 50 years old)	86
50–60 years old (including 50 years old, excluding 60 years old)	29
60 years old and above	0

(3) Description:

In 2021, the Company had a total of 59 research projects under development, of which 42 new projects were launched in 2021, including 4 key research projects, and the research progress and expected results were executed as planned; the appraisal on 12 research projects have been completed. The Company's research projects cover the main industrial directions, with technological leadership and domestic substitution, which lays a good foundation for the promotion of the Company's development in the principal business areas.

The Company introduces and cultivates a group of high-end talents who possess common key techniques and key proprietary techniques in the industry, especially mastering new generation of information technology such as big data and cloud computing.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

4. R&D Investment (Continued)

(3) Description: (Continued)

The Company takes the lead in integrating R&D resources, focusing on key technologies and cutting-edge technologies, undertaking the development of new equipment and technologies, and engineering experimental verification of major scientific and technological achievements. The Company highlights overall planning of leading industries and key technologies, and actively integrates into CEC ecological system while strengthening the synergy and cooperation inside and outside the system to drive the transformation of scale and digitalization with major project.

(4) Reasons for major changes in the composition of R&D personnel and its impact on the future development of the Company: N/A

5. Cash flow

During the reporting period, the decrease of net cash flows from operating activities was mainly due to the increase in cash paid for the purchase of goods and receipt of services for the period; the decrease in net cash flows from investing activities was mainly due to the cash payment for the equity interest acquisition during the period.

(II) Explanation on major changes in profit caused by non-main business: N/A

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(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
Notes receivable	59,789,784.39	0.99	35,394,835.82	0.59	68.92	Mainly due to the increase in sales of goods settled by bills for the period
Receivables financing	20,272,279.95	0.33	144,969,078.62	2.42	-86.02	Mainly due to the maturity of notes receivable, part of which was recognized as receivables financing
Advance to suppliers	58,199,200.40	0.96	109,660,420.50	1.83	-46.93	Mainly due to the decrease in the prepayment for the procurement during the period
Contract assets	117,037,111.93	1.93	76,231,842.63	1.27	53.53	Mainly due to the fact that we have transferred more rights to receive the consideration for the products to our customers during the period
Non-current assets due within one year	12,892,936.65	0.21			N/A	Due to the fact that the guarantee period of certain projects will expire within one year and the related project quality guarantee deposit is transferred from other non-current assets to non-current assets due within one year
Other current assets	139,370,084.35	2.30	28,763,433.11	0.48	384.54	Mainly due to larger bank deposits purchased in the period and intended to be transferred within one year
Long-term equity investments	702,575,641.90	11.60	295,182,882.84	4.92	138.01	Mainly due to the increase in long-term equity investments as a result of the purchase of equity interest in LG Company during the period
Construction in progress	1,662,327.51	0.03	7,346,214.86	0.12	-77.37	Mainly due to the transfer of part of construction in progress to fixed assets during the period

Management Discussion and Analysis (Continued)

V. 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
Right-of-use assets	8,982,713.77	0.15	13,522,566.06	0.23	-33.57	Mainly due to the expiration of certain long-term lease assets during the period
Other non-current assets	4,237,383.51	0.07	81,767,440.76	1.36	-94.82	Mainly due to the transfer of certain project quality guarantee deposit above one year to accounts receivable or non-current assets due within one year as the guarantee period for certain engineering project was expired during the period and will be expired within one year
Advance receipts from customers	461,253.51	0.01	3,394,006.00	0.06	-86.41	Mainly due to the decrease in prepayments of service charges and others
Other current liabilities	38,938,492.63	0.64	70,422,975.07	1.17	-44.71	Mainly due to the acceptance of certain projects during the period and their related government grants transferred to deferred revenue
Lease liabilities	3,586,641.07	0.06	8,141,702.09	0.14	-55.95	Mainly due to the expiration of a portion of long-term lease during the period
Deferred revenue	44,917,830.69	0.74	15,283,181.46	0.25	193.90	Mainly due to the acceptance of certain projects during the period and their related government grants transferred to deferred revenue from other current liabilities
Other comprehensive income	-73,601.84	-0.00	318,704.84	0.01	-123.09	Mainly due to the decrease in the Company's net assets from non-trading equity instruments measured at fair value for the period and the decrease in other comprehensive income caused by their change in the fair value

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(III) Analysis of assets and liabilities (Continued)

2. Overseas assets

(1) Asset size

Including: Overseas assets in the amount of RMB114,653,744.76, accounting for 1.89% of the total assets.

3. 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	114,984,973.35	Deposits of performance, guarantee, acceptance, lock exchange
Notes receivables	35,896,927.52	Deposits of bank acceptance issued at notes pool
Total	150,881,900.87	

(IV) Analysis of industry operational information

1. Intelligent transportation

As Premier Li Keqiang clearly pointed out in the government work report in March 2022, China will promote the development of the digital economy; strengthen the overall layout of digital China construction; build digital information infrastructure, promote the large-scale application of 5G, promote industrial digital transformation, develop smart cities and digital rural areas; accelerate the development of the industrial internet, foster and expand digital industries such as integrated circuits and artificial intelligence, and improve the innovation and supply capabilities of key software and hardware technologies. Smart city construction is a powerful support for accelerating the formation of a new dual-circulation development pattern, and has become an important part of China's digital economy construction, involving smart transportation, smart travel, and safe cities.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

1. Intelligent transportation (Continued)

Currently, China's urban rail transit has entered a transition period, featured being from "construction-oriented" to "simultaneous development of operation and management", transitioning from high-speed development to high-quality development. The approval of the National Development and Reform Commission on the development plans of Nanjing, Fuzhou, Chengdu and other metropolitan areas promotes the high integration of multi-level rail transit networks of urban rail transit, trunk railways, intercity railways, and urban (suburban) railways, ushering in a new stage in the development of rail transit in metropolitan areas. According to the statistics of RT rail transit data, as of 31 December 2021, 62 urban rail transit lines were opened in 34 cities in mainland China, including Beijing, Hangzhou, Wuhan, Shanghai, and Chongqing, with a total of 1,281.59 kilometers of new operating mileage and 828 stations. Three new rail transit cities, Luoyang, Wuhu and Wenshan, were added. As at 31 December 2021, a total of 46 cities in mainland China have opened urban rail operation mileage of 8,773.22 kilometers, and the number of operating stations reached 5,940. Looking forward to 2022, China's urban rail transit will still be in a period of high development, and the newly added operating mileage will continue to exceed 1,000 kilometers. It is estimated that by 2025, there will be 50 cities operating urban rail transit in mainland China, and the operating mileage will exceed 13,000 kilometers, of which Shanghai and Beijing will each form a huge rail transit network of more than 1,000 kilometers.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

1. Intelligent transportation (Continued)

The Company strengthened independent innovation, and the Wuxi Metro Digital Service and Management Platform independently developed and built was officially implemented. Throughout the year, it won the bid for AFC projects and communication system projects of several subway lines in Nanjing, Nantong, Shaoxing and other cities, which laid a good foundation for the Company's business development in the field of intelligent transportation.

2. After Safe city proposed to build a higher level of "Safe China" since the 14th Five-Year Plan, China has entered a new stage of development and gradually become one of the most secure countries in the world. Safe City is an extra-large, comprehensive management system that builds a safe and harmonious city through technical defense systems, physical defense systems, and civil defense systems. Since 2005, the construction of safe cities has been in full swing in 31 provinces, autonomous regions and municipalities directly under the Central Government. After more than ten years of phased development, the construction of safe cities in China has achieved great achievements. According to the forecast of AskCI Consulting, as safe cities gradually move towards smart cities, the market scale of safe cities in China will exhibit a rapid growth trend, and the overall market growth rate will remain high. It is estimated that by 2025, the total market size of safe cities in China will exceed RMB698 billion. In the field of digital parks, the "14th Five-Year Plan for Digital Economy Development" issued by the State Council clearly proposes the necessity of promoting "the digital transformation of industrial parks and industrial clusters". In the future, digital parks will focus on the needs of the governments, operators, enterprises and people, and with the in-depth penetration of the new generation of information technology, each of them will become an organic complex of "ecology + production + life + growth". In the field of safe city business, with a stable market for satellite communication terminals, the Company has achieved remarkable results in two types of mobile video products, security and law enforcement trowels, and power supply market development. Notably, the two-way inverter power supply seized the market opportunity, with export orders beginning to take shape. At the same time, the Company won the bids for several marine informatization transformation projects, State Grid digital TV transmitter projects and emergency broadcasting projects. The Company continued to promote the market expansion of the digital park business in the fields of finance, education, and medical care, and won bids intelligent engineering projects of several parks throughout the year. The "CEC Xianyang 8.6th Generation Thin Film Transistor Liquid Crystal Display Device (TFT-LCD) Project", which the Company participated in the construction, won the National Gold Award for High Quality Engineering issued by the China Association of Construction Enterprise Management.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

2. Intelligent manufacturing

As the main direction of building a manufacturing powerful country, the development level of intelligent manufacturing is related to the global status of China's future manufacturing industry. The development of intelligent manufacturing is of great significance for accelerating the development of modern industrial system, consolidating and strengthening the foundation of real economy, constructing a new development pattern and building digital China. The "14th Five-Year Plan for Intelligent Manufacturing Development" issued by the Ministry of Industry and Information Technology and other seven departments puts forward three specific goals for 2025. First, the transformation and upgrading will achieve remarkable results, with 70% of manufacturing enterprises above designated size basically realizing digitalization and networking, and more than 500 intelligent manufacturing demonstration factories built to lead the development of the industry. The production efficiency, product-yield and energy resource utilization rate of manufacturing enterprises will be significantly improved, and the maturity level of intelligent manufacturing capability significantly improved. Second, the supply capacity will be significantly enhanced, and the technical level and market competitiveness of intelligent manufacturing equipment and industrial software significantly improved, with market satisfaction rates exceeding 70% and 50%, respectively. More than 150 intelligent manufacturing system solution providers with high professionalism and strong service ability will be fostered. Third, the basic support will become more solid, and a number of intelligent manufacturing innovation carriers and public service platforms will be built. A standard system and network infrastructure to adapt to the development of intelligent manufacturing will be built, the formulation and revision of more than 200 national and industrial standards completed, and the construction of more than 120 industrial Internet platforms with industry and regional influence completed.

The Company actively participated in the construction of digital plants, and successfully won the bids for several smart plants, digital transformation and automated warehousing construction projects throughout the year, and successfully entered the field of new energy smart plants with the ternary lithium battery material smart plant project. The Company continuously promoted the optimization and upgrading of industrial software systems and continuously improved the proprietary iManuf intelligent manufacturing system platform.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

3. Green and service-oriented electronic manufacturing

According to data from the Ministry of Industry and Information Technology, the added value of the electronic information manufacturing industry above designated size increased in 2021 by 15.7% over the previous year, ranking sixth among 41 major industries, with the growth rate hitting a new high in the past decade. China's electronic information manufacturing industry has maintained rapid growth driven by the dividend of global division of labor and the development wave of intelligent terminals. In the past two years, facing the complex international economic and trade situation, the external pressure and endogenous driving force for the transformation of China's electronic information manufacturing industry have been continuously strengthened. The trend of the comprehensive electronic information manufacturing development index shows that China's electronic information manufacturing industry has begun to enter a critical period of high-quality development. The main driving force for development has gradually shifted from scale dividend to industrial innovation and transformation and value addition. The industrial development has ushered in a new stage of "substantive breakthrough from the value link to the high-value link through attaching importance to R&D".

In the field of electronic manufacturing services, the Company focused on its main business and actively responded to market changes. While stabilizing its principal businesses, the Company continued to expand into the fields of white goods and automotive electronics, and made new achievements in new fields, further optimizing its customer structure, and actively promoting its high-quality development.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(V) Analysis of investment

1. Overall analysis of external investment

In 2021, the Company cautiously made investments in accordance with the capital expenditure plan and the progress of key projects.

(1) Material equity investment:

In order to improve its industrial synergy, promote the practice of digital transformation, further improve profitability, and increase returns for shareholders, the Company acquired 30% stakes in Nanjing LG Panda Appliances Co., Ltd. held by Panda Electronics Group Co., Ltd. in cash. When determining the transaction price, the Company referred to the asset evaluation report issued by an evaluation agency and filed by a department in relation to State-owned Assets Supervision and Administration. Through consensus, it was agreed that the transfer price of 30% stakes in LG Panda Appliances was RMB426.3 million. After the completion of the equity transfer, the Company will hold 30% of the equity of LG Panda Appliances and enjoy all its corresponding shareholder interests.

(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 2021, the Company focused on the development of three principal businesses, continued to optimize the industrial structure, rationally allocated resources, strengthened the disposal of inefficient and invalid assets, cancelled Chengdu Panda Electronics Manufacturing Co., Ltd., and wrote off the loss from the equity investment in Nanjing Huaxian High Technology Co., Ltd., imposing no impact on the Company's overall production, operation and performance.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

1. Analysis of major subsidiaries (Continued)

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	49,847.56	13,180.13	21,143.28	-7,514.37	-7,746.03
Information Industry Company	Manufacturing and sales of railway transit AFC and ACC system, equipment, building intellectualization and system integration	USD3194.6435	148,567.91	50,617.98	124,899.56	4,559.66	4,730.51
Electronic Manufacture Company	EMS services	USD2,000	97,915.67	51,378.67	4,485.75	5,003.72	3,124.19
Communications Technology	Manufacturing and sales of mobile communications, digital communication and network communications systems and products	10,000	30,350.25	17,835.08	16,695.80	1,198.03	1,351.62
Technology Development	Manufacture of general purpose equipment, software development, and property management	70,000	58,011.23	57,473.35	1,450.07	-1,636.38	-1,624.92
Shenzhen Jinghua	Research and development, manufacture and sales of communications equipment and digital products	11,507	60,576.19	44,556.06	92,358.90	8,009.78	6,337.19
Nanjing Panda Xinxing Industrial Co., Ltd.	Supply of property management and catering services	2,000	6,618.24	4,370.32	11,875.25	328.70	215.56
Chengdu Panda Electronics Technology Co., Ltd.	Electronic manufacturing	2,000	36,896.49	6,791.89	51,406.31	1,999.98	1,747.64

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

1. Analysis of major subsidiaries (Continued)

Changes in net profit of major subsidiaries are as follows:

Unit: 0'000 Currency: RMB

Subsidiary	Net profit		Change (%)
	2021	2020	
Electronics Equipment Company	-7,746.03	-9,637.01	N/A
Information Industry Company	4,730.51	5,693.26	-16.91%
Electronic Manufacture Company	4,485.75	6,735.91	-33.41%
Communications Technology Company	1,351.62	955.07	41.52%
Technology Development Company	-1,624.92	-974.58	N/A
Shenzhen Jinghua	6,337.19	6,567.53	-3.51%
Nanjing Panda Xinxing Industrial Co., Ltd.	215.56	730.87	-70.51%
Chengdu Panda Electronics Technology Co., Ltd.	1,747.64	2,853.28	-38.75%

Description of changes: For Information Industry Company, its net profit for the year decreased by 16.91% year on year due to a slight drop in the gross profits of projects. For Electronic Manufacture Company and Chengdu Panda Electronics Technology Co., Ltd., because of the rising cost of raw materials, resulting in the compression of gross profit space, their net profits decreased by 33.41% and 38.75% year on year, respectively. For Communications Technology, due to the increase in income caused by the increase in business volume, its net profit increased by 41.52% on a year-on-year basis.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

2. Analysis of major invested companies

(1) Nanjing Ericsson Panda Communications Co., Ltd.

Unit: 0'000 Currency: RMB

Invested company	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
Nanjing Ericsson Panda Communications Co., Ltd.	665,221.84	13,407.32	27%	3,619.98

ENC was set up on 15 September 1992 with a total investment amount of USD40.88 million and a registered capital of USD20.9 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.

In 2021, the operating income of ENC amounted to RMB6,652,218,400, representing a year-on-year decrease of 33.95%; net profit amounted to RMB134,073,200, representing a year-on-year decrease of 44.57%. Reason(s) for changes in the main indicators: affected by the centralized purchasing of 5G products, resulting in the reduction of orders.

Management Discussion and Analysis (Continued)

V. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

2. Analysis of major invested companies (Continued)

(2) Nanjing LG Panda Appliances Co., Ltd.

Unit: 0'000 Currency: RMB

Invested company	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
Nanjing LG Panda Appliances Co., Ltd.	603,174.57	14,738.71	30%	1,049.26

LG Panda Appliances was established on 21 December 1995 with a registered capital of USD35.70 million. The first extraordinary general meeting for 2021 held by the Company on December 8, 2021 considered and approved the completion of the acquisition of 30% shares of LG Panda Appliances. The current shareholding status of LG Panda Appliances is: LG Electronics Co., Ltd. holds 50% of the shares, the Company holds 30%, and LG Electronics (China) Co., Ltd. holds 20%. LG Panda Appliances is mainly engaged in the development and production of fully automatic washing machines and related parts. It is currently the largest washing machine production base other than LGE'local company in Korea.

In 2021, after adjustment according to the new standards, the operating income of LG Panda Appliances amounted to RMB6,031,745,700, representing a year-on-year increase of 28.62%; net profit amounted to RMB147,387,100, representing a year-on-year increase of 10.03%. Reason(s) for changes in the main indicators: affected by the rise in export orders, resulting in the increase in income.

(VIII) Structured entities controlled by the Company

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

Management Discussion and Analysis (Continued)

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

(I) Industrial landscape and trend

Looking ahead to 2022, the electronic information industry is entering a period of intensive technological innovation, with application areas in multi-directional, broad frontier, clustered and other development trends, such that the industry is expected to maintain the value-added growth rate range from 10% to 15%. With the rapid evolution of a new generation of information technology such as cloud computing, big data, Internet of things ("IoT"), mobile Internet, artificial intelligence, hardware, software, services and other core technology systems to accelerate the reconstruction, the electronic information manufacturing industry will usher in vigorous development and its status as the national economy pillar industry is becoming increasingly prominent.

In the field of digital cities, the information infrastructure of China's leading digital cities has completed the gradual penetration of technology into physical facilities, achieving the first stage of building urban data collection, transmission, storage and application through constructing intelligent sensing terminals, large data centre network infrastructure and other information infrastructure. In the next stage, the construction of China's digital city will be regulated by the top-level design, and the integration of information resources and business processes will be optimised and fused within the city to form a region-wide integrated high-performance city form. At present, the Company is mainly engaged in the field of digital cities, such as smart transportation, safe city and digital park. In the field of intelligent transportation, the Company has continued to deepen scientific and technological innovation and completed research on the application of quantum communication technology in rail transit automatic ticketing system and the application of blockchain technology in digital ticketing system. In the field of safe city, the Company has continued to promote the research, development and application of emergency communication and emergency power supply. In the field of digital parks, the Company has independently developed a "digital platform for smart parks based on new-generation information technology" that can effectively realize smart parking, smart security, emergency management, green energy saving and intelligent maintenance.

The application of new-generation information technology in traditional industries continues to advance. 5G industry applications are used in more than 20 national economic sectors, such as industry and agriculture, from production support to the core of the industry. By the end of 2021, the number of China's cellular IoT users reached 1.399 billion, and the number of users of IoT terminals applied to three key areas — intelligent public utilities, intelligent manufacturing and intelligent transportation — reached 314 million, 254 million and 218 million respectively. Compared with the same period last year, the number of users of smart public utilities, smart manufacturing and smart transportation terminal increased by 25.1%, 20.9% and 4.8% respectively. With the support of relevant national policies, it is expected that the number of IoT terminal users will reach 1.5 billion in 2022, and the three key areas of IoT terminal users will also continue to grow.

Management Discussion and Analysis (Continued)

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

(I) Industrial landscape and trend (Continued)

In 2021, the global industrial Internet platform market will continue to grow at a high rate. According to the statistics from a research institution, the global industrial Internet platform market size is expected to grow to US\$13.82 billion in 2023. China's industrial Internet platform as a whole is still in the early stage of booming development, the number of various industrial Internet platforms has been hundreds in total, the number of platforms with certain regional and industry influence has exceeded 100, the total number of pieces of connected industrial equipment has reached 73 million sets, and the number of industrial applications has reached 403,000. With the support and guidance of national and local policies, the enterprises with the layout of the industrial Internet has mushroomed, and it is expected that platforms will be more professional and comprehensive to empower traditional enterprises. There will be more efficient docking between enterprises in terms of upstream and downstream products, technology, equipment, logistics, technology services and other elements of the industry chain.

At present, the rapid development of digital technology is making services smarter, more predictable and standardised, and its importance is being enhanced in more and more corporate businesses. In industrial enterprises, buildings and power infrastructure, the market demand for diverse services such as consulting services, operations and maintenance, and digital services is expanding in order to maintain the safe, stable and efficient operation of products, equipment and assets, as well as to promote the digital transformation and upgrading of enterprises. According to the latest report from a research institution, the global digital transformation market will grow from US\$521.5 billion in 2021 to US\$1,247.5 billion in 2026.

(II) Development strategies of the Company

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

Focusing on the "14th Five-Year Plan", the Company will continuously move towards the goal of high-quality development through strengthening and expanding its three core industries — smart transportation and safe city, industrial Internet and smart manufacturing, and green service electronics manufacturing.

The Company will deepen reform and innovation, emphasizing four systemic innovations in technology, business model, incentive model and talent training model; accelerate digital transformation, continue to make efforts in the field of digital cities, further increase investment in science and technology, conduct scientific and technological research and development well, and continuously enhance the ability to innovate products and transform results, so as to achieve stable improvement in quality and orderly growth in the Company's industrial development; vigorously attract and nurture high-level talents, promoting the reform of income distribution incentive mechanism to stimulate their innovation and creativity; advance lean management (cost reduction and efficiency improvement) by raising efficiency, enhancing external market development, adjusting and optimizing business (product) structure, intensifying business synergy and driving the implementation of research projects, accelerating the research and development of new businesses and new products, and other measures.

Management Discussion and Analysis (Continued)

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

(II) Development strategies of the Company (Continued)

2. Development strategy of the Company

The Company will actively respond to the guidance of national industrial policies, implement the deployment of China Electronics' comprehensive digital business, accelerate the expansion of modern digital cities and ensure the implementation of the Digital China construction strategy. In the face of industrial digital transformation, the Company will strengthen strategic thinking, in-depth study of market demand and the direction of industrial technology iteration, improve the independent development of key technologies, further clarify the core business of digitalization, industrial limited diversification, accelerate the scale of industrial growth, and continuously improve the profitability of core products; put the new development concept of innovation, coordination, green, openness and sharing into practice, and vigorously implement R&D model innovation, and adhere to be forward-looking, scientific and operable and treat the Company's "14th Five-Year Plan" as the action plan for the industrial development.

The Company's development strategy is to: seize the opportunities of digital economy, new generation information technology and green development, actively conduct the market-oriented technology-based integration into China's electronics ecosystem, make great efforts to develop the three leading businesses, including smart transportation and safe city, industrial Internet and intelligent manufacturing, green service electronics manufacturing, become an enterprise with strong abilities in value creation and technology innovation and in professional manufacturing and major system engineering undertaking, and become a first-class domestic digital transformation service provider and a core force in the construction of Digital China.

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

(1) Systematic implementation of industrial restructuring and promotion of green development. Based on the three main businesses, the Company will grasp the opportunities, build up its development advantages, optimise the industrial layout, make green development the basis of industrial transformation and upgrading, boost digital industrialisation and industrial digitisation, cultivate new models, new ecologies and new industries, and follow the path of innovative, green and high-quality development with Panda's characteristics.

(2) Reform deepening and vitalization of high-quality development. The Company will improve the market-oriented business mechanism and build a modern enterprise towards market competition and quality and efficiency.

Management Discussion and Analysis (Continued)

VI. 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 (Continued)
 - (3) Striving to build the Panda Digital Industry Research Institute. The Company will gather innovative elements and core resources from the industry, further build core technology advantages, and accelerate R&D breakthroughs and iterative applications in key technology areas. The Company will cultivate sustainable development potential, enable high-quality development, and build the Digital Industry Research Institute into a "source" of original technology for the digital industry.
 - (4) In terms of scientific research and development innovation, the Company will increase investment in scientific research in leading industries, continue to improve the innovation system and mechanism, accelerate the integration of industry, academia, research and application, increase efforts to tackle key common technologies in areas such as 5G, big data, cloud computing and artificial intelligence, and strive to become the "chain leader" of the industrial chain in niche areas; in terms of business model innovation, integrate into the internal and external ecosystem resources of China's modern digital cities, participate in the market competition of turnkey projects in the digital city business, and give full play to its technical and platform advantages; in terms of incentive model innovation, improve the incentive and guarantee system, conduct multi-track and multi-level incentives, and break through the barriers of positions, posts and ranks; in terms of talent training model innovation, properly train various types of talents, carry out good matching management, and establish a scientific, applicable and effective evaluation mechanism.
 - (5) Deepening lean management and accelerating the new enhancement of quality and efficiency. Based on the construction of information technology, the Company will promote the deep integration of operation and management with digitalisation, and inject new momentum into the transformation and upgrading.
 - (6) Focusing on shaping corporate culture, promoting brand revitalisation and value enhancement strategies, cohesion, and continuously boosting corporate reform and innovation and high-quality development.

Management Discussion and Analysis (Continued)

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

(II) Development strategies of the Company (Continued)

4. Positioning for future development of business, technology and products

(1) Positioning of the development of modern digital city-related industries

With the construction of modern digital cities as the leading direction, the Company will become a first-class system solution provider in the field of modern digital cities, from project construction, key equipment development and manufacturing to operation.

Intelligent transportation business: the Company will consolidate the technical and market advantages already formed in the field of automatic ticketing, ticket clearing, cloud payment, communication, monitoring and line network command centre systems for urban rail transportation, grasp the opportunity of the deep integration of new technologies such as cloud AI+5G+Beidou with the transportation industry, strengthen the overall planning and operation in the field of intelligent transportation, and gradually expand to intercity rail transportation and highway transportation to form an intelligent transportation decision support solution integrating situational awareness, comprehensive dispatching and emergency command, and form more software and hardware core technologies and products with independent intellectual property rights to make the Company a first-class service provider in the domestic intelligent transportation application field.

Safe city business: The Company will deeply develop technologies such as satellite mobile communication, Beidou positioning and navigation, ground mobile communication, self-assembled network communication and ground private network communication, make great efforts to create emergency communication solutions that integrate regional communication and wide area communication, comprehensive urban security solutions based on the multi-dimensional sensing system and intelligent industrial solutions based on 5G+ system application, and strive to expand digital park, emergency broadcasting, emergency power supply and other businesses, being committed to building the Company into an industry-leading provider of R&D and manufacturing of special equipment for safe cities and related system solutions.

Management Discussion and Analysis (Continued)

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

(II) Development strategies of the Company (Continued)

4. Positioning for future development of business, technology and products (Continued)

(2) Positioning of the development of industrial Internet and intelligent manufacturing industry

In the field of industrial Internet and intelligent manufacturing, the Company will deepen the application of 5G and edge computing technologies, promote cloud-side collaboration, enhance the level of intelligent manufacturing information software, improve the performance of self-researched industrial robot products, build an intelligent manufacturing information technology system, promote the integration of operation management systems and manufacturing execution systems, provide high-quality industrial Internet and intelligent manufacturing system solutions for the manufacturing industry, participate in the construction of industrial Internet application platforms, provide "one-stop" industrial Internet network construction services for governments and industrial parks, and carry out industrial synergy with related enterprises of China's electronics industrial interconnection to establish the Company as a leading provider of industrial Internet, smart factory system solutions and key equipment for smart manufacturing in the industry.

(3) Positioning of the development of green service-oriented electronic manufacturing industry

The Company will build an advanced electronic manufacturing service system, provide complete manufacturing services such as technology research and development, process design, procurement management, manufacturing and warehousing logistics to new display, automotive electronics, information and communication, new materials, new energy and other fields, promote ODM and service transformation and upgrading, make breakthroughs in the production and final assembly of special electronic machines and intelligent information terminal machines, and strive to become a first-class EMS manufacturer of electronic products serving domestic and international brands on a more specialized, stronger and more refined basis.

Management Discussion and Analysis (Continued)

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

(III) Business plan

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

In 2021, facing the severe external environment and the complex international economic situation, the Company continued to deepen its three principal businesses, actively promoted the digital transformation and development of the industry, fully implemented lean management, continuously strengthened the cultivation of talent teams, and continued to do a good job in risk control management, earnestly fulfilled social responsibilities, enhanced corporate image and brand influence, and basically achieved the 2021 operating goals, laying a good foundation for the Company's "14th Five-Year Plan".

The operating targets of the Company in 2021 were to achieve an operating income of RMB4,000 million and total profit of RMB120 million. According to the audited financial report, the Company registered operating income of RMB4,531,842,400 and total profit of RMB105,681,100 in 2021.

2. 2022 operating plan

The operating targets of the Company in 2022 are to achieve an operating income of RMB4,000 million and total profit of RMB120 million. 2021 is the second year of the "14th Five-Year Plan". The Company will continue to deepen the "Two Consistencies", adhere to the general work principle of seeking progress while maintaining stability, comprehensively deepen reform and innovation, accelerate the promotion of digital transformation, strictly and practically prevent risks, make state-owned capital better and stronger, and succeed in realizing the steady improvement of the quality and the orderly growth of quantity of its industrial 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 as follows.

- (1) Adhere to green development and systematically carry out industrial restructuring. Based on the three principal businesses, the Company will seize the opportunities of the times, enlarge development advantages, optimize industrial layout, take green development as the main starting point of industrial transformation and upgrading, promote digital industrialization and industrial digitalization, and cultivate and expand new models, new ecologies and new industries.
- (2) Persist in deepening reform and stimulate high-quality development activities of the enterprise. In 2022, the Company will focus on promoting the tenure system and contractual management of core backbone personnel, equity incentives of the listed company, and improving the management system of the Board, so as to ensure the full completion of the three-year reform action tasks.

Management Discussion and Analysis (Continued)

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

(III) Business plan (Continued)

2. 2022 operating plan (Continued)
 - (3) Adhere to the focal promotion and strive to build Panda Digital Industry Research Institute. Themed on promoting the high-quality development, the Company will gather the innovation elements and core resources of the industry, build core technological advantages in depth, and accelerate R&D breakthroughs and iterative applications in key technical fields. It will cultivate sustainable development potential, empower high-quality development, and build Digital Industry Research Institute into the "source" of original technology of digital industry.
 - (4) Adhere to innovation-driven development and consolidate the core position of "four innovations". In terms of scientific R&D and innovation, the Company will increase investment in scientific research in leading industries, continue to improve innovation systems and mechanisms, and accelerate the research on tackling key common technologies in segmented fields. In terms of business model innovation, it will make good use of the internal and external ecosystem resources of China's electronics modern digital cities, and participate in the market competition of general contracting projects in the digital city business field, and give full play to the advantages of the Company's technology and platform. In terms of incentive model innovation, the Company will improve the incentive and guarantee system, and actively promote position-based dividend incentives. In terms of talent cultivation model innovation, it will do a good job in talent team training to solve the shortage and gap issues of talents, and strengthen the matching management of people and positions, so as to use the right people and match them with appropriate positions, and at the same time establish a scientific, applicable and effective evaluation mechanism to expand the flexibility space.
 - (5) Adhere to lean management and accelerate the realization of new improvement of quality effect. The Company will continue to promote the governance of loss-making enterprises and eliminate inefficient or invalid assets; comprehensively improve the level of lean operation and management, and improve the level of cost control in the whole process; strengthen the management of "housing accumulation funds and enterprise annuity" and strictly implement responsibilities for everyone; adhere to informatization construction and promote the in-deep integration of management and digitalization.
 - (6) Adhere to the external extension road and give full play to the platform advantages of the listed company. The Company will continue to play the two-wheel ("industry + capital") driving role, carry out capital operation when appropriate, and tap high-quality enterprises with industrial connections and synergies or potential start-ups to carry out investment or mergers and acquisitions.

Management Discussion and Analysis (Continued)

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

(III) Business plan (Continued)

2. 2022 operating plan (Continued)

- (7) Adhere to risk prevention and strictly abide by the bottom line of various risks. The Company will do a solid job in key risk prevention and control, attach importance to cultivating corporate compliance culture, continue to do a good job in safety, environmental protection, confidentiality and stability, and normally implement the responsibility as an entity of epidemic prevention and control, and do a good job in epidemic prevention and control without relaxing, so as to escort the Company's operating development.
- (8) Adhere to brand strategy and focus on shaping corporate culture. The Company will produce the 2022 edition of corporate image propaganda film, continuously strengthen corporate image propaganda, fulfill the responsibility, mission and responsibility as a state-owned enterprise, and closely integrate enterprise development with employee well-being.

(IV) Potential risks

1. Policy risk

The Company's three principal industries are closely related to national policies and the "14th Five-Year Plan", and industrial development and transformation are easily affected by changes in national policies.

Therefore, in order to better cope with the policy risk, the Company will actively and promptly pay attention to the changes of relevant national policies, make adaptive changes in industrial development in time, continue to promote lean management, increase investment in scientific and technological research and development, innovate four development models, and continuously enhance the development momentum of the Company in three industrial fields: intelligent transportation and safe city, industrial Internet and intelligent manufacturing, and green and service-oriented electronic manufacturing, and gradually enhance the core competitiveness of the industry.

Management Discussion and Analysis (Continued)

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

(IV) Potential risks (Continued)

2. Market risk

Affected by macro factors such as repeated resurgences of global epidemics, increasingly tight supply chain, rising commodity prices and war, the competition in the industry is becoming increasingly severe, and the Company will face an increasing number of challenges in the market competition.

Therefore, in order to better cope with the market risk, the Company will focus on its three principal businesses, carefully find gaps and make efforts to fill shortcomings. First, it will continuously optimize the allocation of resources, improve the use efficiency of production factors, further reduce costs and increase efficiency, and improve the competitive strength of products and businesses. Second, it will strengthen technological R&D, continuously optimize design links and production processes, and use technological innovation to enhance industrial empowerment and continuously improve the industrial core competitiveness.

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

VIII. Other Disclosures

(I) 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 37.23%, RMB2,194,882,600, 1.83 and 1.36 respectively as at 31 December 2021 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB963,218,500 as at 31 December 2021 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 2021 as shown in the consolidated financial statements of the Company.

As of 20 December 2021, the loan prime rates (LPRs) of the loan market were: the LPR for 1-year was 3.8%, and the LPR for more than 5-year was 4.65%; as of 21 March 2022, the loan prime rates (LPRs) of the loan market were: the LPR for 1-year was 3.7%, and the LPR for more than 5-year was 4.6%. 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.

Management Discussion and Analysis (Continued)

VIII. Other Disclosures (Continued)

(II) 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.

(III) 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.

(IV) 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.

(V) 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 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.

(VI) 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 had engaged in the operating activities which compete with the business of the Group.

(VII) Service Agreements of Directors and Supervisors

The Company's Executive Directors were Zhou Guixiang, Li Renzhi and Xia Dechuan, respectively, the Non-executive Directors were Shen Jianlong, Deng Weiming and Yi Guofu, Independent, respectively, and the Independent Non-executive Directors were Dai Keqin, Xiong Yanren, and Zhu Weixun, 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 IV Corporate Governance" 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.

Management Discussion and Analysis (Continued)

VIII. Other Disclosures (Continued)

(VIII) Liability insurance for 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.

(IX) Privileges of Directors, Supervisors and Senior management

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

(X) Interested Relations with Suppliers and Customers

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 2021.

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.

(XI) 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 VI "Significant Events" of this report.

Management Discussion and Analysis (Continued)

VIII. Other Disclosures (Continued)

(XII) Enter into Material Contracts

During the reporting period, the material contracts entered into by the Company were as follows:

1. On 15 November 2021, the Company's 2022-2024 continuing connected transaction agreements were considered and approved at the extraordinary meeting of the 10th session of the Board of the Company, and such agreements were considered and approved at the second extraordinary general meeting of the Company for 2021 held on 28 December 2021. For details, please refer to the relevant announcements of the Company published on "China Securities Journal", "Shanghai Securities News" and the website of Shanghai Stock Exchange on 16 November 2021 and 29 December 2021, and the website of Hong Kong Stock Exchange on 15 November 2021 and 28 December 2021, and the H Share Circular sent on 13 December 2021.
2. On 25 October 2021, the connected transaction that the Company acquired 30% stakes in Nanjing LG Panda Appliances Co., Ltd. held by Panda Electronics Group Co., Ltd. in cash was considered and approved at the extraordinary meeting of the 10th session of the Board, and such connected transaction was considered and approved at the first extraordinary general meeting of the Company for 2021 held on 8 December 2021. For details, please refer to the relevant announcements of the Company published on China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange on 26 October 2021 and 9 December 2021, and the website of Hong Kong Stock Exchange on 25 October 2021 and 8 December 2021, and the H Share Circular sent on 13 November 2021.
3. During the reporting period, 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 websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

(XIII) Convertible Securities, Options, Warrants or Similar Rights

The Company had not issued any convertible securities, options, warrants or similar rights as at 31 December 2021.

(XIV) 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 2021 amounted to RMB222,538,007.45.

Management Discussion and Analysis (Continued)

VIII. Other Disclosures (Continued)

(XV) 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.

(XVI) 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.

(XVII) Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2021 are set out in the notes to the financial statements prepared under the PRC accounting standards.

(XVIII) 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.

(XIX) 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.

(XX) Subsidiaries

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

(XXI) 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.

Management Discussion and Analysis (Continued)

VIII. Other Disclosures (Continued)

(XXII) Confirmation by Independent Non-executive Directors on Connected Transactions

The Independent Non-executive Directors of the Company, within their scope of duties, have reviewed the “connected relationship and transactions” set out in the notes to the financial statements of the Company for 2021 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 favorable 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 connected transactions and continuing connected transactions of the Company, please refer to the sub-section headed “material connected transactions” under Section V “Significant Events” of this report.

(XXIII) 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.

(XXIV) 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.

Management Discussion and Analysis (Continued)

VIII. Other Disclosures (Continued)

(XXIV) Environmental, Social and Governance Report (Continued)

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 2021 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 the 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 6th meeting of the 10th 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 2021 to 31 December 2021. The report is also in compliance with the requirements of the “Guidelines for Self-regulation of Listed Companies in Shanghai Stock Exchange No.1—Standardized Operation” issued by Shanghai Stock Exchange. The “2021 Social Responsibility Report” of the Company was published on the website of Shanghai Stock Exchange on 31 March 2022.

(XXV) Others

1. For the principal operations of the Group, please refer to “Section III Management Discussion and Analysis” in this report for details.
2. The Board of the Company considered and approved the profit distribution proposal to distribute cash dividend for 2021, the details of which are set out in “Section VI Corporate Governance” 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.
5. During the year, the Company issued a total of more than RMB1.4 million in love assistance funds, subsidies for difficulties and golden autumn scholarships throughout the year.

(XXVI) Annual General Meeting

The Board proposes to convene the 2021 annual general meeting of the Company before 30 June 2022, the announcement of which will be made separately.

By order of the Board
Zhou Guixiang
Chairman
Nanjing, the PRC, 30 March 2022

Corporate Governance

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. There was no significant difference between the corporate governance of the Company and laws, administrative regulations and the provisions 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 2021 Internal Control Evaluation Report of Nanjing Panda Electronics Company Limited published by the Company on the website of Shanghai Stock Exchange on 31 March 2022.

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)

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 (performing 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. The Auditing Department is directly accountable to the General Manager, receives instructions from the 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 has 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 nonfinancial 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)

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.

According to the Announcement on Launching Special Action on Corporate Governance of Listed Companies promulgated by the China Securities Regulatory Commission and the work arrangement of the Jiangsu Securities Regulatory Bureau of the CSRC on “Special Action on Corporate Governance”, the Company carried out special self-inspection on corporate governance at the beginning of 2021. As the self-inspection results show, there was no significant difference between the current situation of corporate governance of the Company and the normative documents on corporate governance issued by the CSRC.

In early 2021, in accordance with the relevant laws, administrative regulations and normative documents such as the Rules Governing the Listing of Stocks, the Administrative Measures for Information Disclosure of Listed Companies, the Provisions on Establishing the Registration Management System for Insider Information Insiders of Listed Companies, and the Information Disclosure Affairs Management System, issued by the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and taking into account the Company’s actual operation, the Company amended the Material Decision-making Measures, the Internal Reporting System of Material Information, the Rules on the Management of Insider Information Insiders and the Rules of Procedure of the Strategy Committee. Meanwhile, the Company sorted out various management systems, revised and completed the Compilation of Management Documents of Nanjing Panda Electronics Company Limited (2021 version), further improved various management workflows, improved management efficiency and promoted enterprise management innovation.

According to the Measures for Enterprise Annuity, the Administrative Measures for Enterprise Annuity Funds and other laws, regulations and policies, the Company revised the Detailed Rules of Nanjing Panda Electronics Company Limited for the Implementation of Enterprise Annuity Plan, which further guaranteed and improved the salary level of employees after retirement and promoted the healthy development of the Company.

With the new Measures for the Administration of Information Disclosure implemented in May 2021, the Company was active in responding to the relevant arrangements and requirements of the CSRC. It organized the Directors, Supervisors, and the senior management and related personnel to study the new regulation and attach great importance to the new changes due to the information disclosure requirements increasing to the legal level. The Company advocated the cultural atmosphere of “holding the bottom line and being in awe”, demanding all its members not to go beyond the rules and overstep the boundary but to respect market rules and investors, thereby improving its risk resistance capacity.

Corporate Governance (Continued)

I. Explanations on Corporate Governance (Continued)

In 2021, 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.

Whether or not there is any significant difference between corporate governance of the Company and laws, administrative regulations and the provisions of the CSRC on the governance of listed companies: N/A

II. Specific Measures Taken by the Controlling Shareholder and De Facto Controller of the Company to Ensure the Independence of Assets, Staff, Finance, Organization and Business of the Company, and Solutions and Work Progress and Follow-up Work Plans Formulated to Ensure the Company's Independence : not applicable

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 entity.
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

The scenario where the controlling shareholder, the de facto controller and other units controlled by them are engaged in the same or similar business as those of the Company, and the impact of peer competition or great changes in peer competition on the Company, the solutions taken, the progress of solutions and the subsequent solutions plan: N/A

Corporate Governance (Continued)

III. Overview of General Meetings

Session of the meeting	Date of the meeting	Query index of the designated website where the resolutions were published	Disclosure date of the resolutions	Meeting resolutions
2020 annual general meeting	29 June 2021	http://www.sse.com.cn http://www.hkex.com.hk	30 June 2021	All the proposals were reviewed and passed, and there was no veto of the proposals. For details, please refer to the Announcement of Resolutions of the 2020 Annual Shareholders' General Meeting published by the Company on the website of the Shanghai Stock Exchange on 30 June 2021 (Announcement No.: 2021-024)
The first extraordinary general meeting in 2021	8 December 2021	http://www.sse.com.cn http://www.hkex.com.hk	9 December 2021	All the proposals were reviewed and passed, and there was no veto of the proposals. For details, please refer to the Announcement of Resolutions of the First Extraordinary General Meeting for 2021 published by the Company on the website of the Shanghai Stock Exchange on 9 December 2021 (Announcement No.: 2021-046)
The second extraordinary general meeting in 2021	28 December 2021	http://www.sse.com.cn http://www.hkex.com.hk	29 December 2021	All the proposals were reviewed and passed, and there was no veto of the proposals. For details, please refer to the Announcement of Resolutions of the Second Extraordinary General Meeting for 2021 published by the Company on the website of the Shanghai Stock Exchange on 29 December 2021 (Announcement No.: 2021-049)

Corporate Governance (Continued)

III. Overview of General Meetings (Continued)

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)

IV. Profiles of Directors, Supervisors and Senior Management

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

As of 31 December 2021, interests of the Directors, supervisors and senior management 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) (RMB'000)	Remuneration received from the connected parties of the Company
Zhou Guixiang	Chairman Executive Director	M	51	2019-6-28	2024-6-29	1,639	1,639	0		0	YES
Li Renzhi	Vice Chairman Executive Director	M	53	2021-6-29	2024-6-29	0	0	0		0	YES
Shen Jianlong	Non-executive Director	M	59	2019-6-28	2024-6-29	0	0	0		0	NO
Deng Weiming	Non-executive Director	M	58	2010-5-28	2024-6-29	0	0	0		0	YES
Xia Dechuan	Executive Director	M	52	2015-6-30	2024-6-29	0	0	0		0	NO
Yi Guofu	Non-executive Director	M	52	2021-12-28	2024-6-29	0	0	0		0	NO
Dai Keqin	Independent Non-executive Director	M	64	2021-6-29	2024-6-29	0	0	0		0	NO
Xiong Yanren	Independent Non-executive Director	F	50	2021-6-29	2024-6-29	0	0	0		0	NO
Zhu Weixun	Independent Non-executive Director	M	48	2021-6-29	2024-6-29	0	0	0		0	NO
Zhao Ji	Chairman of the Supervisory Committee	M	59	2019-6-28	2024-6-29	0	0	0		0	YES
Fu Yuan yuan	Non-employee Representative Supervisor	F	50	2020-6-29	2024-6-29	0	0	0		0	YES
Zhou Yuxin	Employee Representative Supervisor	M	58	2008-10-28	2024-6-29	0	0	0		31.43	NO
Xia Dechuan	General Manager	M	52	2011-10-24	2024-6-29	0	0	0		87.46	NO
Guo Qing	Deputy General Manager	M	60	2013-07-24	2024-6-29	0	0	0		106.8	NO
Hu Huichun	Deputy General Manager	M	49	2016-5-23	2024-6-29	0	0	0		123.79	NO
Shao Bo	Deputy General Manager	M	42	2016-5-23	2024-6-29	0	0	0		55.72	NO
Hu Dali	Chief Accountant	M	44	2019-5-09	2024-6-29	0	0	0		67.10	NO
Wang Dongdong	Secretary to the Board, Company Secretary	M	41	2019-8-12	2024-6-29	0	0	0		59.08	NO
Huang Shaofeng	Deputy General Manager	M	49	2019-12-24	2024-6-29	0	0	0		123.89	NO
Lu Qing	Former Vice Chairman & Executive Director	M	57	2019-6-28	2021-6-29	0	0	0		0	YES
Li Changjiang	Former Non-executive Director	M	43	2020-3-26	2021-11-19	0	0	0		0	YES
Du Jie	Former Independent Non-executive Director	F	67	2015-6-30	2021-6-29	0	0	0		10.44	NO
Zhang Chun	Former Independent Non-executive Director	M	43	2015-6-30	2021-6-29	0	0	0		10.44	NO
Gao Yajun	Former Independent Non-executive Director	M	47	2018-6-29	2021-6-29	0	0	0		10.44	NO
Total						1,639	1,639	0		686.59	

Notes:

- Mr. Yi Guofu was elected as the Company's non-executive director at the Company's second extraordinary general meeting of shareholders for 2021 held on 28 December 2021, and his remuneration as a director of the Company was zero, and he only received remuneration of RMB661,400 during the the reporting period as the Secretary of the Party Committee and other positions.
- Mr. Li Changjiang resigned as the the Company's non-executive director on 19 November 2021, and his remuneration as a director of the Company was zero, and he only received remuneration of RMB678,000 during the reporting period as the Secretary of the Party Committee and other positions.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

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

1. In 2021, the total remunerations of Directors, supervisors and senior management members were RMB6,865,900, which was within the range approved by the general meeting. Of such total remunerations, RMB6,551,600 was for the Directors and senior management, and RMB314,300 was for the supervisors. The above remunerations did not include contributions to the pension scheme for the Directors, supervisors and senior management. The pension scheme applicable to relevant Directors and supervisors 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 RMB1,250,000 for the year.
2. In 2021, 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 2021, none of the Directors, Supervisors and senior management 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.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (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, Manager of the Surface Mounting Center, and other positions. He served as General Manager of Electronics Manufacturing Industrial Group from November 2003 to June 2009, the General Manager of Nanjing Panda Electronic Manufacturing 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 Manufacturing 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. Li Renzhi, born in 1969, is a senior engineer, graduated from University of Electronic Science and Technology with a bachelor's degree in radio technology. Mr. Li has served as the director and deputy chief engineer of the technology research and development center of Nanjing Keruida Electronic Equipment Co., Ltd., etc. He served as the Deputy General Manager of Nanjing Keruida Electronic Equipment Co., Ltd. from January 2015 to May 2016, a standing Deputy General Manager of Nanjing Keruida Electronic Equipment Co., Ltd. from May 2016 to March 2017, and the Executive Director and the General Manager (Legal Representative) of Nanjing Keruida Electronic Equipment Co., Ltd. from April 2017 to February 2021. Since February 2021, he has served as the Deputy General Manager of Nanjing Panda Information Industry Group Co., Ltd. Mr. Li has long been engaged in the development and management of electronic technology, and has extensive professional knowledge and experience in operation and 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 and General Manager of Nanjing Panda Information Industry Co, Ltd., the Deputy General Manager, General Manager and the Party Committee Secretary of Nanjing Panda Electronics Company Limited. He currently serves as an executive Director, the legal person, General Manager and Deputy Secretary of the Party Committee of Nanjing Panda Electronics Company Limited, and concurrently serves as Vice Chairman of Nanjing LG-Panda Appliances Co., Ltd., Vice Chairman of Nanjing Ericsson Panda Communications Co., Ltd., and President of Nanjing Software Industry Association. Mr. Xia 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.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(II) Major working experiences (Continued)

2. Non-executive directors

Mr. Shen Jianlong, born in 1963, is a senior accountant and holds a bachelor's degree in accounting from China Agricultural University. 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 also served as the Assistant to the General Manager of Nanjing Panda Information Industry Group Co., Ltd. from May 2019 to September 2021. Mr. Shen has served as an executive supervisor of Panda Electronics Group Co., Ltd. since May 2020. He joined the Company in October 2021. He 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. He concurrently served as the General Manager of Nanjing CEC-Panda Home Appliances Co., Ltd. from June 2009 to March 2022, and the General Manager of Nanjing Panda Electronics Import and Export Co., Ltd. from January 2011 to March 2022. Mr. Deng has long engaged in the development and management of electronics technology and has extensive knowledge of electronics technology and experience in operation and management.

Mr. Yi Guofu, born in 1970, holds a master's degree in business administration from Nanjing University and is a senior economist. Mr. Yi has served as the Head, Deputy Director, and Director of the personnel division, and the Head of the Human Resources Department of the Company. He served as the Deputy Secretary of the Party Committee and the Secretary of the Disciplinary Committee of the Company from November 2016 to September 2021. Since September 2021, he has been the Secretary of the Party Committee of the Company. Mr. Yi has long engaged in human resources management and Party affairs and has extensive professional knowledge and management experience.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(II) Major working experiences (Continued)

3. Independent non-executive directors

Mr. Dai Keqin, born in 1958, is an on-job postgraduate, an economist at the highest level of seniority, and a lawyer. He once served as Deputy Director and Director of the General Manager Office, and Assistant General Manager of Jiangsu Zijin Electronics Information Industry Group, Director of President Office, Assistant President, Vice President, Administrative Director, General Counsel of Jiangsu Hongtu High-Tech Co., Ltd., deputy Secretary of the Party Committee, Secretary of the Discipline Inspection Commission and Senior Legal Director of Sanpower Group Co., Ltd., Independent Director of Nanjing Huadong Technology Co., Ltd. and Nanjing Port Co., Ltd. Mr. Dai is currently a lawyer at Jiangsu Jinding Yingjie Law Firm, Vice President of Jiangsu Invention Association, Independent Director of Nanjing Xinlian Electronics Co., Ltd., Jiangsu Huahong Technology Co., Ltd., and Nanjing Chemical Fiber Co., Ltd., and has served as the perennial legal advisor of many enterprises.

Ms. Xiong Yanren, born in 1972, is Ph.D. in accounting and Masters Tutor of Nanjing University. She is currently an Associate Professor of the Department of Accounting at Nanjing University Business School. Ms. Xiong is also Independent Director and Director of Audit Committee of Guodian NARI Technology Co., Ltd., Liaoning Aoke Chemical Co., Ltd. and Shanghai Yizhong Pharmaceutical Co., Ltd., as well as External Supervisor of Jiangsu Dafeng Rural Commercial Bank Co., Ltd.

Mr. Zhu Weixun, born in 1974, is a member of CPA Australia and holds a master's degree in finance after graduating from the University of New South Wales in 2002. He once served as the audit manager of PricewaterhouseCoopers, Hong Kong, and the senior audit manager of Hong Kong Tian Vocational Certified Public Accountants Co., Ltd. From July 2010 to March 2020, he worked with Eternal (Far East) Co., Ltd. as the chief financial officer. From March 2020 to September 2021, he worked with Sipai Health Industry Investment Co., Ltd. as the senior financial director. Since September 2021, he has worked with Shenzhou Hospital Technology Co., Ltd. as the vice president of finance. Mr. Zhu has been engaged in auditing and financial for a long time and has rich experience in financial management.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(II) Major working experiences (Continued)

4. Supervisors

Mr. Zhao Ji, born in 1963, holds a master's degree in business administration of School of Economics and Management from Tsinghua University and is 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 successively served as the Deputy Head of the Audit Department, the Chief Auditor and Deputy Head of the Supervision and Audit Department of Nanjing Panda Electronics Company Limited and Finance Manager of Nanjing Panda Electronic Manufacturing 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 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 successively served as the 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 long engaged in the work of corporate management and has extensive experience in corporate management, mainly in charge of matters with respect to the Labor Union of the Company.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (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 successively served as the Deputy Head and Head of the NFC Design Institute under PEGL, a standing Deputy General Manager and the General Manager of Nanjing Panda Information Industry Co., Ltd, and the Deputy General Manager, General Manager, and the Secretary of Party Committee of Nanjing Panda Electronics Company Limited. He currently serves as an executive Director, the legal person, General Manager and Deputy Secretary of the Party Committee of Nanjing Panda Electronics Company Limited, and concurrently serves as Vice Chairman of Nanjing LG-Panda Appliances Co., Ltd., Vice Chairman of Nanjing Ericsson Panda Communications Co., Ltd., and President of Nanjing Software Industry Association. Mr. Xia 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 PEGL and the Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. etc. He was the Deputy Chief Engineer of the Company, the Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. and the 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 has been the General Manager of Nanjing Panda Electronics Equipment Co., Ltd. since December 2019. Mr. Guo has long been engaged in business management in the industries of information technology and intelligent manufacturing, so he has extensive experience in management and professional knowledge.

Mr. Hu Huichun, born in 1973, graduated with a master's 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 Nanjing Panda Electronic Manufacturing Group. He served as the Deputy General Manager of Nanjing Panda Electronic Manufacturing Co., Ltd. from December 2008 to May 2016. He has been the General Manager of Nanjing Panda Electronic Manufacturing 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 has 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.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(II) Major working experiences (Continued)

5. Senior management (Continued)

Mr. Shao Bo, born in 1980, holds a bachelor's degree in finance from School of Finance of Shandong University of Finance and Economics and a master's 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 and Secretary of the Board of IRICO Group, etc. He 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 concurrently served as the 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 long been engaged in the management of asset operation and production and operation of state-owned enterprises with profound professional knowledge in finance and extensive experience in operation and management, mainly responsible for economic operation and information construction of the Company.

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, the Deputy Head of the High-tech Electronic Equipment Department, and the 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 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 has long been engaged in securities affairs management and internal audit and has rich expertise and management experience.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(II) Major working experiences (Continued)

5. Senior management (Continued)

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 successively served as the Deputy General Manager of Nanjing Panda Electronic Manufacturing Co., Ltd. and the Deputy General Manager of the Manufacturing Center of Nanjing Panda Electronic Manufacturing Co., Ltd. Mr. Huang served as the Deputy General Manager of Nanjing Panda Electronic Manufacturing Co., Ltd. and concurrently as the General Manager of the Manufacturing Center of Nanjing Panda Electronic Manufacturing Co., Ltd. from May 2016 to December 2019. He has been the Deputy General Manager of Nanjing Panda Electronics Company Limited and concurrently the General Manager of Nanjing Panda Electronic Manufacturing Co., Ltd. since December 2019. He has concurrently been the General Manager of Chengdu Panda Electronics Technology Co., Ltd. since January 2018 and the General Manager of Chengdu Panda Electronics Manufacturing Co., Ltd since October 2019. Mr. Huang has long been engaged in business operation and management and has rich experience in operation and management.

(III) Positions of Current and Resigned Directors, Supervisors and Senior management During the Reporting Period

1. 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	October 2020	
Li Renzhi	NEIC	Deputy General Manager	February 2021	
Zhao Ji	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	May 2019	September 2021
	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			

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(III) Positions of Current and Resigned Directors, Supervisors and Senior management During the Reporting Period (Continued)

2. Positions in other entities

Name	Name of entity	Position(s)	Effective date of appointment	Expire date of appointment
Zhou Guixiang	TPV Technology Co. Ltd	Chairman	18 May 2018	4 January 2021
	TPV Technology Co. Ltd	Director	18 October 2017	13 November 2021
	Nanjing CEC-Panda Home Appliances Co., Ltd.	Chairman	May 2018	December 2021
Li Renzhi	Nanjing Panda Handa Science & Technology Co., Ltd.	Executive Supervisor	February 2021	
	Nanjing Changjiang Electronics Group Co., Ltd.	Executive Director	August 2021	
Lu Qing	Nanjing Panda Handa Science & Technology Co., Ltd.	Executive Supervisor	April 2016	4 February 2021
	Jiangsu CEC Panda Intelligent Technology	Chairman	September 2018	
	CEC Jinjiang Info Industrial Co., Ltd.	Chairman and Secretary of the Party Committee	February 2021	
Zhao Ji	TPV Technology Co. Ltd	Chairman of the Supervisory Committee	17 May 2021	
	Nanjing Zhongdian Real Estate Co., Ltd.	Chairman of the Supervisory Committee	December 2018	August 2021
	Chengdu CEC Panda Display Technology Co., Ltd.	Employee Representative Supervisor	May 2019	November 2021
Shen Jianlong	TPV Technology Co. Ltd	Director	19 June 2019	13 November 2021
	Nanjing CEC Panda Home Appliances Co., Ltd.	General Manager	June 2009	March 2022
Deng Weiming	Nanjing Panda Electronics IMP. & EXP. Co., Ltd.	General Manager	January 2011	March 2022
	Nanjing Ericsson Panda Communications Co., Ltd.	Vice Chairman	April 2016	
Xia Dechuan	Nanjing LG Panda Appliances Co., Ltd.	Vice Chairman	April 2016	
	Nanjing Software Industry Association	President	December 2012	
Fu Yuanyuan	Nanjing CEC Panda Lighting Co., Ltd.	Chairman of the Supervisory Committee	April 2020	
	Nanjing CEC Panda Home Appliances Co., Ltd.	Chairman of the Supervisory Committee	May 2020	
	Nanjing CEC Panda Trade Development Co., Ltd.	Chairman of the Supervisory Committee	May 2021	
Dai Keqin	Jiangsu Jinding Yingjie Law Firm	Lawyer	April 2018	
	Nanjing Xinlian Electronics Co., Ltd.	Independent Director	January 2019	
	Jiangsu Huahong Technology Co., Ltd.	Independent Director	May 2020	
Xiong Yanren	Nanjing Chemical Fiber Co., Ltd.	Independent Director	May 2021	
	Nanjing University Business School	Associate Professor	September 2000	
	Guodian NARI Technology Co., Ltd.	Independent Director	June 2018	
	Liaoning Aoke Chemical Co., Ltd.	Independent Director	August 2019	
	Jiangsu Dafeng Rural Commercial Bank Co., Ltd.	External supervision	June 2018	
Zhu Weixun	Shanghai Yizhong Pharmaceutical Co., Ltd.	Independent Director	June 2020	
	Shenzhen Hospital Technology Co., Ltd.	Finance VP	September 2021	

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(IV) 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 results 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 mainly 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 2021 annual performance appraisal for the senior management of the Company has not been completed yet, the performance payment for 2021 was excluded from the remuneration during the reporting period, whereas the annual performance payment for 2020 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 RMB6,865,900 (before tax).

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(V) Changes in Directors, Supervisors and Senior Management of the Company:

Name	Position	Change	Reasons for change
Li Renzhi	Vice Chairman and Executive Director	Election	The change for Board members
Yi Guofu	Non-executive Director	Election	As a result of director adjustment, Mr. Yi was elected as a director of 10th session of the Board via by-election
Dai Keqin	Independent Non-executive Director	Election	The change for Board members
Xiong Yanren	Independent Non-executive Director	Election	The change for Board members
Zhu Weixun	Independent Non-executive Director	Election	The change for Board members
Lu Qing	Former Chairman and Executive Director	Resignation	The change for Board members
Du Jie	Former Independent Non-executive Director	Resignation	The change for Board members
Zhang Chun	Former Independent Non-executive Director	Resignation	The change for Board members
Gao Yajun	Former Independent Non-executive Director	Resignation	The change for Board members
Li Changjiang	Former Non-executive Director	Resignation	Work adjustment

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

- On 10 June 2021, the Company held the 20th meeting of the ninth session of the Board, in which the nomination of Mr. Zhou Guixiang, Mr. Li Renzhi and Mr. Xia Dechuan as the candidates of the Executive Directors of the 10th session of the Board of the Company, the nomination of Mr. Shen Jianlong, Mr. Deng Weiming, Mr. Li Changjiang as the candidates for the Non-executive Directors of the 10th session of the Board of the Company, and the nomination of Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Zhu Weixun as the candidates for the Independent Non-executive Directors of the 10th session of the Board of the Company, were considered and approved. These candidates were elected at the 2020 Annual Shareholders' General Meeting of the Company held on 29 June 2021 for a term of three years.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(V) Changes in Directors, Supervisors and Senior management of the Company: (Continued)

Explanations on the changes in directors, supervisors and senior management of the Company:
(Continued)

2. On 10 June 2021, the Company held the 17th meeting of the ninth session of the Supervisory Committee. At the meeting, the nomination of Mr. Zhao Ji and Ms. Fu Yuanyuan as the candidates for non-employee representative supervisors of the 10th session of the Supervisory Committee were reviewed and approved, and Mr. Zhou Yuxin was confirmed as the employee representative supervisor of the 10th session of the Supervisory Committee. Mr. Zhao Ji and Ms. Fu Yuanyuan were elected at the 2020 Annual Shareholders' General Meeting of the Company held on 29 June 2021. They, together with Mr. Zhou Yuxin, the employee representative supervisor, formed the 10th session of the Supervisory Committee for a term of three years.

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 11 June and 30 June 2021 and on the website of the Hong Kong Stock Exchange on 10 June and 29 June 2021.

3. On 29 June 2021, the Company held the first meeting of the 10th session of the Board.
 - (1) Electing Mr. Zhou Guixiang as the Company's Chairman; electing Mr. Li Renzhi as the Company's Vice Chairman.
 - (2) Electing Chairman Mr. Zhou Guixiang, Vice Chairman Mr. Li Renzhi, Director Mr. Shen Jianlong, Director Mr. Xia Dechuan, and Independent Director Mr. Zhu Weixun as members of the Strategy Committee, chaired by Mr. Zhou Guixiang; Electing Director Mr. Shen Jianlong, Director Mr. Deng Weiming, Independent Director Mr. Dai Keqin, Independent Director Ms. Xiong Yanren, and Independent Director Mr. Zhu Weixun as members of the Audit Committee, chaired by Ms. Xiong Yanren; Electing Chairman Mr. Zhou Guixiang, Vice Chairman Mr. Li Renzhi, Independent Director Mr. Dai Keqin, Independent Director Ms. Xiong Yanren, and Independent Director Mr. Zhu Weixun as members of the Nomination Committee, chaired by Mr. Dai Keqin; Electing Director Mr. Xia Dechuan, Director Mr. Li Changjiang Independent Director Mr. Dai Keqin, Independent Director Ms. Xiong Yanren, and Independent Director Mr. Zhu Weixun as members of the Remuneration and Appraisal Committee, Chaired by Mr. Zhu Weixun.
 - (3) Appointing Mr. Xia Dechuan as the General Manager of the Company, Mr. Guo Qing, Mr. Hu Huichun, Mr. Shao Bo and Mr. Huang Shaofeng as the Deputy General Managers of the Company, Mr. Hu Dali as the Chief Accountant of the Company, and Mr. Wang Dongdong as the Secretary of the Board of the Company for a term of three years, all in sync with the 10th session of the Board of the Company.

Corporate Governance (Continued)

IV. Profiles of Directors, Supervisors and Senior Management (Continued)

(V) Changes in Directors, Supervisors and Senior management of the Company: (Continued)

Explanations on the changes in directors, supervisors and senior management of the Company:
(Continued)

4. On 29 June 2021, the Company held the first meeting of the 10th session of the Board, in which Mr. Zhao Ji was elected as Chairman of the Supervisory Committee.

For particulars of the above matter, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 30 June 2021 and on the website of the Hong Kong Stock Exchange on 29 June 2021.

5. On 19 November 2021, the Company's former Non-executive Director Mr. Li Changjiang resigned from his positions as a non-executive director and related positions of the special committees of the Board due to job changes.

6. On 26 November 2021, the Company held the fourth meeting of the 10th session of the Board, in which the nomination of Mr. Yi Guofu as the candidate for the non-executive director of the 10th session of the Board of the Company was considered and approved. Mr. Yi Guofu was elected and appointed at the second extraordinary general meeting for 2021 held on 28 December 2021 for a term in sync with the 10th session of the Board of the Company.

For particulars of the above matters, please refer to the relevant announcements published by the Company in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 20 November, 27 November and 29 December 2021 and on the website of the Hong Kong Stock Exchange on 19 November, 26 November, and 28 December 2021.

(VI) Punishment by Securities Regulatory Authorities in the Last Three Years: N/A

Corporate Governance (Continued)

V. Information on Board meetings convened during the reporting period

Session of the meeting	Date of the meeting	Meeting resolutions
Extraordinary meeting of the 9th session of the Board	2021-1-8	Consider and approve the Proposal on Signing Housing Lease Contract
18th meeting of the 9th session of the Board	2021-3-26	Consider and approve the proposals on the 2020 work report of the Company's Board, the 2020 work report of General Manager, the 2020 financial final accounts report, the 2021 financial budget report, the profit distribution plan for 2020, the employment of the 2021 audit firm, the remuneration scheme for directors and senior management for 2020, the 2020 annual report and its summary, the 2020 report on debriefing of independent directors, the 2020 report on duties of performance of the Audit Committee, the 2020 social responsibility Report, 2020 internal control evaluation report, the Risk Assessment Report of China Electronic Finance Co., Ltd. , the Company's 2021 capital expenditure project budget, some changes in the Company's accounting policies, providing guarantee lines for subsidiaries, applying for comprehensive credit lines by the Company and its subsidiaries, writing off some creditor's rights and debts, purchasing directors' liability insurance for 2021, revising the company's relevant governance systems and detailed rules, and convening the Company's 2020 annual shareholders' general meeting.
Extraordinary meeting of the 9th session of the Board	2021-4-19	Consider and approve the proposal on Providing Guarantee Quotas for Subsidiaries
19th meeting of the 9th session of the Board	2021-4-28	Consider and approve the 2021 First Quarterly Report of Nanjing Panda Electronics Company Limited
20th meeting of the 9th session of the Board	2021-6-10	Consider and approve the proposal on Nominating Candidates for the Tenth Session of the Board of the Company
1st meeting of the 10th session of the Board	2021-6-29	Consider and approve the proposals on Electing the Chairman and Vice Chairman for the 10th session of the Board of the Company, Electing the Members and Chairpersons of Special Committees of the 10th session of the Board of the Company, Appointing the General Manager of the Company, Appointing the Secretary of the Board of Directors of the Company, and Appointing Deputy General Managers and Chief Accountant of the Company

Corporate Governance (Continued)

V. Information on Board meetings convened during the reporting period (Continued)

Session of the meeting	Date of the meeting	Meeting resolutions
2nd meeting of the 10th session of the Board	2021-8-25	Consider and approve the proposals on the 2021 Interim Report and Its Summary of Nanjing Panda Electronics Company Limited, the Risk Assessment Report of China Electronic Finance Co., Ltd., and the Implementation Rules for the Company's Enterprise Annuity Plan
Extraordinary meeting of the 10th session of the Board	2021-10-25	Consider and approve the proposal on the Connected Transaction about the Acquisition of 30% Stakes in LG Panda Appliances Held by Panda Group
Extraordinary meeting of the 10th session of the Board	2021-10-26	Consider and approve the proposal on Changing the Registered Address of the Company and Amending the Corresponding Clauses of the Articles of Association
3rd meeting of the 10th session of the Board	2021-10-28	Consider and approve the Report of Nanjing Panda Electronics Company Limited for the Third Quarter of 2021
Extraordinary meeting of the 10th session of the Board	2021-11-15	Consider and approve the proposal on Declaring the Annual Upper Limits of the Company's Continuing Connected Transactions for 2022-2024
4th meeting of the 10th session of the Board	2021-11-26	Consider and approve the proposal on the Nomination of the Candidates for the Directors of the 10th session of the Board
Extraordinary meeting of the 10th session of the Board	2021-12-9	Consider and approve the proposal on Cancelling Chengdu Panda Electronics Manufacturing Co., Ltd.
Extraordinary meeting of the 10th session of the Board	2021-12-14	Consider and approve the proposal on the Renovation Plan of Dormitory Building of Panda Electronics Manufacturing Park and the Adjustment of the Draft Budget of Capital Expenditure Project of the Company for 2021
Extraordinary meeting of the 10th session of the Board	2021-12-17	Consider and approve the proposal on Using Idle Funds for Cash Management
5th meeting of the 10th session of the Board	2021-12-28	Consider and approve the proposal on the Election of Members for the Remuneration and Appraisal Committee of the 10th Session of the Board

Corporate Governance (Continued)

VI. Performance of Duties by Directors

The 10th session of the Board of the Company was elected and established at the Company's 2020 annual general meeting held on 29 June 2021, with a term of three years. The tenth 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 tenth session of the Board are Zhou Guixiang, Li Renzhi and Xia Dechuan, among whom, Zhou Guixiang is Chairman. The Non-executive Directors are Shen Jianlong, Deng Weiming and Yi Guofu; and the Independent Non-executive Directors are Dai Keqin, Xiong Yanren and Zhu Weixun. Please refer to the biographies of current Directors and other members of the Board set out in Section IV "Corporate Governance" 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 A.2.1 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 of them 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)

VI. Performance of Duties by Directors (Continued)

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

Name	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 communication	Attendance by proxy	Absence	Attendance at general meetings		
Zhou Guixiang	NO	16	16	14	0	0	NO	2	
Li Renzhi	NO	11	11	10	0	0	NO	1	
Shen Jianlong	NO	16	16	14	0	0	NO	3	
Deng Weiming	NO	16	16	14	0	0	NO	3	
Xia Dechuan	NO	16	16	14	0	0	NO	3	
Yi Guofu	NO	1	1	1	0	0	NO	0	
Dai Keqin	YES	11	11	10	0	0	NO	2	
Xiong Yanren	YES	11	11	10	0	0	NO	2	
Zhu Weixun	YES	11	11	10	0	0	NO	2	
Lu Qing (Resigned)	NO	5	5	4	0	0	NO	1	
Li Changjiang (Resigned)	NO	11	11	9	0	0	NO	1	
Du Jie (Resigned)	YES	5	5	4	0	0	NO	1	
Zhang Chun (Resigned)	YES	5	5	4	0	0	NO	1	
Gao Yajun (Resigned)	YES	5	5	4	0	0	NO	1	

Explanations on absence in person from the Board meetings for two consecutive times: N/A

Number of Board meetings held in the year	16
Of which: Number of on-site meetings	2
Number of meetings held by way of communication	14
Number of on-site meetings combined with the communication means	2

Corporate Governance (Continued)

VI. Performance of Duties by Directors (Continued)

(II) Directors' Objection to the Relevant Matters of the Company: N/A

In 2021, the Independent Non-executive Directors of the Company did not raise any objection to the resolutions of the Board and other meetings.

In 2021, pursuant to the requirements of the Company Law, the Securities Law, other laws and regulation, and provisions under the Articles of Association and 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 2021 Annual Report of the Independent Directors of Nanjing Panda Electronics Company Limited published on the website of Shanghai Stock Exchange on 30 March 2022.

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 believes 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 accordingly are independent in accordance with the terms of the guidelines.

Corporate Governance (Continued)

VII. Special Committees of the Board

(I) Names and Responsibilities of Special Committees of the Board

Committees	Responsibilities
Audit Committee	Reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and recommendation to the Board.
Nomination Committee	Reviewing the candidates, selection standards and procedure for the Company's directors and senior management members, and putting forward relevant proposals.
Remuneration and Appraisal Committee	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.
Strategy Committee	Studying the Company's long-term development strategies and major investment decisions and making recommendations.

The rules of procedure of the special committees of the Board have been published on the websites of the Company, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

(II) Members of the Special Committees of the Board

Type of Special Committees	Member names
Audit Committee	Du Jie (Resigned), Zhang Chun (Resigned), Gao Yajun (Resigned), Shen Jianlong, Deng Weiming, Xiong Yanren (Chairman), Dai Keqin and Zhu Weixun
Nomination Committee	Du Jie (Resigned), Zhang Chun(Resigned), Gao Yajun(Resigned), Zhou Guixiang, Xia Dechuan, Xiong Yanren, Dai Keqin (Chairman) and Zhu Weixun
Remuneration and Appraisal Committee	Du Jie(Resigned), Zhang Chun(Resigned), Gao Yajun(Resigned), Xia Dechuan, Li Changjiang(Resigned), Xiong Yanren, Dai Keqin, Zhu Weixun (Chairman) and Yi Guofu
Strategy Committee	Zhou Guixiang (Chairman), Lu Qing (Resigned), Shen Jianlong, Xia Dechuan, Gao Yajun (Resigned), Li Renzhi and Zhu Weixun

Corporate Governance (Continued)

VII. Special Committees of the Board (Continued)

(III) Operation of the Special Committees

- During the reporting period, the Company convened seven meetings of the Audit Committee that all members of the ninth and tenth sessions of the Audit Committee attended.

Convening date	Meeting content	Important opinions and suggestions	Other performance of duties
2021-3-26	Deliberating the proposals on the 2020 Annual Report, the Appointment of Accountants and the Changes in Some Accounting Policies	After the proposals of this meeting were considered and approved, they would be submitted to the Board	/
2021-4-28	Deliberating the 2021 First Quarter Report	After the proposal of this meeting were considered and approved, they would be submitted to the Board	/
2021-8-25	Deliberating the 2021 Interim Financial Report	After the proposal of this meeting were considered and approved, they would be submitted to the Board	/
2021-10-25	Deliberating the Proposal on the Connected Transaction on the Acquisition of 30% Equity Interests in LG Panda Appliances Held by Panda Group	After the proposal of this meeting were considered and approved, they would be submitted to the Board	/
2021-10-28	Deliberating the 2021 Third Quarter Report	After the proposals of this meeting were considered and approved, they would be submitted to the Board	/
2021-11-15	Deliberating the Proposal on the Declaration of the Annual Cap for the Company's Continuing Connected Transactions in 2022-2024	After the proposals of this meeting were considered and approved, they would be submitted to the Board	/
2021-12-8	2021 Communication Meeting with Special Topics of Audit Committee	/	/

Corporate Governance (Continued)

VII. Special Committees of the Board (Continued)

(III) Operation of the Special Committees (Continued)

1. During the reporting period, the Company convened seven meetings of the Audit Committee that members of the ninth and tenth sessions of the Audit Committee attended. (Continued)

In addition, during the preparation and disclosure of the 2021 annual financial report of the Company, in accordance with the Audit Committee Annual Report Work Regulations, the Audit Committee communicated with the Company's management, financial controller, and the annual audit certified public accountants several times, listened to the reporting on the preparation of the 2021 annual financial statement, met with the certified public accountants of the annual report audit, reviewed the audit report and financial statements, communicated with them on the problems found in the audit process, and required that the Company and the annual report audit accounting firm strictly implement the latest regulations on annual report issued by the CSRC and the stock exchanges where the Company is listed and earnestly do a good job in the audit and disclosure of the annual report.

For details of the performance of the Audit Committee in 2021 (including the holding of meetings), please refer to the Report on Performance of Duties of the Audit Committee of Nanjing Panda Electronics Company Limited for 2021 published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on 30 March 2022.

2. During the reporting period, the Company convened four meetings of the Nomination Committee that members of the ninth and tenth sessions of the Audit Committee attended.

Convening date	Meeting content	Important opinions and suggestions	Other performance of duties
2021-3-26	Deliberating the structure, number and composition of the Board to meet regulatory requirements and provisions	After the proposals of this / meeting were considered and approved, they would be submitted to the Board	
2021-6-10	Deliberating the proposal on nominating candidates for the Directors of the 10th session of the Board	After the proposals of this / meeting were considered and approved, they would be submitted to the Board	
2021-6-29	Deliberating the proposal on nominating candidates for the Company's General Manager, Deputy General Managers, Chief Accountant, and Board Secretary	After the proposals of this / meeting were considered and approved, they would be submitted to the Board	
2021-11-26	Deliberating the proposal on electing the director candidates of the 10th session of the Board via by-election	After the proposals of this / meeting were considered and approved, they would be submitted to the Board	

Corporate Governance (Continued)

VII. Special Committees of the Board (Continued)

(III) Operation of the Special Committees (Continued)

2. During the reporting period, the Company convened four meetings of the Nomination Committee that all members of the ninth and tenth sessions of the Audit Committee attended. (Continued)

- (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, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Through the 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, covering manufacturing, education, accountants, lawyers firms 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 this Section.

Corporate Governance (Continued)

VII. Special Committees of the Board (Continued)

(III) Operation of the Special Committees (Continued)

2. During the reporting period, the Company convened four meetings of the Nomination Committee that members of the ninth and tenth sessions of the Audit Committee attended. (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 its 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, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

3. During the reporting period, the Company convened one meeting of Strategy Committee and all members of the ninth session of Strategy Committee of the Company attended the meeting.

Convening date	Meeting content	Important opinions and suggestions	Other performance of duties
2021-3-26	At the first meeting for 2021 of the Strategy Committee convened by the Company, the following resolutions were passed at the meeting: 1. Highlight the development orientation to ensure the sustainable and stable development of the enterprise. 2. Highlight strategic traction and promote enterprise transformation and upgrading. 3. Adhere to the two "consistency" and further promote the reform of the organizational management system. 4. Highlight bottom-line thinking and do a good job in risk prevention and control in all aspects.	After the proposals of this meeting were considered and approved, they would be submitted to the Board	/

Corporate Governance (Continued)

VII. Special Committees of the Board (Continued)

(III) Operation of the Special Committees (Continued)

4. During the reporting period, the Company convened two meetings of Remuneration Committee that all members of the ninth session of the Remuneration and Appraisal Committee of the Company attended.

Convening date	Meeting content	Important opinions and suggestions	Other performance of duties
2021-3-26	Deliberating the proposal on the 2020 remuneration of directors, supervisors and senior management	After the proposals of this meeting were considered and approved, they would be submitted to the Board	/
2021-6-10	Deliberating the proposal on the total remuneration limit of the tenth session of directors, supervisors and senior management	After the proposals of this meeting were considered and approved, they would be submitted to the Board	/

On 26 March 2021, the Company held the first meeting for 2021 of the Remuneration and Appraisal Committee of the ninth session of the Board, and all members of the committee attended the meeting. At the meeting, an appraisal of the duty performance of the then directors and senior management of the Company was conducted and the remuneration policy for the directors and senior management of the Company was deliberated.

1. Based on the results of the appraisal, the remuneration for 2020 (before tax) for the relevant directors and senior management was approved, and it was agreed that within the limits, the general manager shall organise the implementation of the remuneration in accordance with the advice of the Remuneration and Appraisal Committee of the Board and submit it to the Board for consideration.
2. Based on the Company's senior management personnel allocation and the division of duties and responsibilities, taking into account the operating conditions and development needs of the Company, it was proposed that the total annual remuneration of the directors, supervisors and senior management shall not exceed RMB8 million, and the remuneration of the relevant directors whose terms of office commencing on 1 January 2021 and ending on before the expiry of the term of the ninth session of the Board and senior management whose terms of office were the same as the ninth session of the Board shall be determined in accordance with such new limit, which shall be submitted to the Board for consideration.

In addition, in accordance with the Company's remuneration policy, the Remuneration and Appraisal Committee conducted a review of the Company's executive officers' performance awards for 2020.

(IV) The Specific Circumstances of Objections: N/A

Corporate Governance (Continued)

VIII. Explanations for the risks identified by the Supervisory Committee: N/A

IX. Details of Staff of the Company and Major Subsidiaries at the End of the Reporting Period

(I) Details of staff

Number of on-the-job employees of the Company	266
Number of on-the-job employees of major subsidiaries	2,877
Total number of on-the-job employees	3,143
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	3,065

Type of profession	Composition of professions	Number of persons
Production staff		1,288
Sales staff		225
Technical staff		1,159
Financial staff		173
Administrative staff		298
Total		3,143

Education level	Educational Background	Number of persons
Masters or above		203
Bachelors		1,044
Associate degree		700
Other		1,196
Total		3,143

Corporate Governance (Continued)

IX. Details of Staff of the Company and Major Subsidiaries at the End of the Reporting Period (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 (revised in March 2021), definitely and clearly specifying 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. Specifically, an annual salary system is implemented for persons in charge of operating units; a 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 (revised in March 2021) providing 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 (Hour)	3,062,727
Total remuneration paid to labor outsourcing (RMB0'000)	6,738

Corporate Governance (Continued)

X. Plan for Profit Distribution or Capitalization of Capital Reserve

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

Pursuant to the requirements of the Listed Companies Regulatory Guidance No. 3 — Cash Dividends Distribution of Listed Companies promulgated by the CSRC and the Guidelines on Cash Dividends Distribution of Listed Companies promulgated by the Shanghai Stock Exchange, etc., proposals on the decision-making procedures and policy of profit distribution in the revised Articles of Association were considered and approved at the extraordinary meeting of the seventh session of the Board on 22 January 2014 and at the first extraordinary general meeting for 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, so legitimate rights and interests of minority investors were adequately protected and independent directors expressed their consents. 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.

On 30 March 2022, the “Shareholders’ Return Plan of Nanjing Panda Electronics Company Limited (2022–2024)” was considered and approved at the sixth meeting of the tenth session of the Board of the Company. The revised Shareholders’ Return Plan maintains continuity and stability of the profit distribution policy.

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.

In 2021, the Company (as the parent company) registered a net profit of RMB83,361,242.53. Given the cash dividend of RMB23,759,801.75 distributed to shareholders in 2020 and the statutory surplus reserve of RMB8,336,124.25 appropriated in 2021, and the undistributed profit at the beginning of the period of RMB171,272,061.28 and the refund of overdue unclaimed dividends of RMB629.64 allocated in the previous years, the actual distributable profit to shareholders this year amounted to RMB222,538,007.45. In accordance with the relevant provisions of the Articles of Association of the Company and the relevant requirements of Shanghai Stock Exchange, it was proposed to distribute a cash dividend of RMB0.14 (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 2021, with the total cash dividend to be distributed amounting to RMB12,793,739.41 (tax inclusive), and the remaining part to be carried forward to the next year. The Company will not transfer capital reserve into share capital. This proposal was considered and approved at the sixth meeting of the tenth session of the Board of the Company, and was agreed to be submitted to the annual general meeting for consideration.

Corporate Governance (Continued)

X. Plan for Profit Distribution or Capitalization of Capital Reserve (Continued)

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

The proposal for the 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 2022 and the dividend is expected to be paid to the shareholders of H Shares of the Company on or before 10 August 2022. The Company will announce in due course the convening 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.

(II) Special explanation of cash dividend policy

Does it comply with the provisions of the Company's Articles of association or the requirements of the resolution of the shareholders' general meeting? Yes No

Are the dividend standards and ratios clear and definite? Yes No

Are the relevant decision-making procedures and mechanisms complete? Yes No

Have the independent directors fulfilled his responsibilities and played their due role? Yes No

Do minority shareholders have the opportunity to fully express their opinions and demands? Have their legitimate rights and interests been fully protected? Yes No

(III) Where the profit was achieved during the reporting period and the profit to shareholders of the parent company is positive, but no cash profit distribution plan has been proposed, the Company shall disclose the reasons in detail and the purpose and the plan on the application of the undistributed profits: N/A

Corporate Governance (Continued)

XI. Company's share incentive scheme, employee shareholding scheme and other employee incentives and their impacts

(I) Where relevant incentive matters have been disclosed in ad hoc announcements and there is no progress or change in subsequent implementation: N/A

(II) The situations on incentives that have not been disclosed or have follow-up progress in ad hoc announcements: N/A

The situation of employee shareholding scheme: N/A

Other incentives: N/A

(III) Shareholding incentives granted to Directors and Senior Management during the reporting period: N/A

(IV) Establishment and Implementation of 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 Company formulated the Measures Regarding Remuneration Composition of Senior Management Officers of Nanjing Panda. The Measures defined the matters concerning the remuneration composition, basis for confirmation, contents for verification, calculation method and encashment procedures and others, encouraged senior management officers to take initiatives and facilitated the Company's development.

Corporate Governance (Continued)

XII. Establishment and Implementation of Internal Control Systems during the Reporting Period

The Company conducts internal control evaluation in accordance with the requirements of the enterprise internal control standard system and relevant regulations. The Company's existing internal control system can provide reasonable assurance for the authenticity and fairness of the Company's operation management, asset safety, financial reports and related information. During the reporting period, no significant and important deficiencies in financial reports and non-financial reports were found. The Company will further improve various internal control management systems based on future development strategies and changes in the operating environment, and maintain the continuous and effective operation of the internal control system, further implement refined management and control, strengthen the supervision and inspection on the implementation of internal control, and continue to optimize business processes and internal control environment, provide a reasonable guarantee for the realization of the Company's economic benefits and strategic goals, and promote its healthy and high-quality development.

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 2021) promulgated by the CSRC and the Listing Rules of Shanghai Stock Exchange, the Board of the Company has prepared the Self-assessment Report on the Internal Control of the Nanjing Panda for 2021, which was disclosed along with the 2021 annual report. For details, please refer to the relevant announcements of the Company published on the websites of the Shanghai Stock Exchange on 31 March 2022 and on the website of the Hong Kong Stock Exchange on 30 March 2022. 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.

Explanation on significant deficiencies in internal control during the reporting period: N/A

XIII. Management and Control of Subsidiaries during the Reporting Period

The Company has formulated relevant management systems such as the Major Decision-making Management Measures and the Financial Management System, incorporating subsidiaries' operation and investment decision-making management, financial management, personnel and information disclosure into a unified management system. The Company attended meetings of subsidiaries on major operation and management decision-makings to timely understand the operation of subsidiaries and make timely decisions. At the same time, the Company's audit department regularly or irregularly conducted audit and supervision over the subsidiary's economic and business activities in all links, and urges them to improve the construction and effective implementation of the internal control systems.

Corporate Governance (Continued)

XIV. 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 unqualified audit opinions. The auditor's report was disclosed along with the 2021 annual report. For details, please refer to the relevant announcements published by the Company on the website of the Shanghai Stock Exchange on 31 March 2022.

Whether to disclose the auditors' report on internal control: Yes

Opinion type of the auditors' report on internal control: standard unqualified audit opinions

XV. Rectification of Problems Found in the Self-inspection of Governance Special Action of the Listed Company:

According to the Announcement on Launching Special Action on Corporate Governance of Listed Companies promulgated by the China Securities Regulatory Commission and the work arrangement of the Jiangsu Securities Regulatory Bureau of the CSRC on "Special Action on Corporate Governance", the Company carried out special self-inspection on corporate governance at the beginning of 2021, and completed the filling of the Special Self-Inspection List of Governance of the Listed Companies, whose content covers seven aspects of the listed companies, such as the basic situation, the operation and decision-making of organizations, controlling shareholders, de facto controllers and connected parties, the construction of internal control standard system, information disclosure and transparency, institutions and overseas investors, and other issues. After self-inspection, there was no significant difference between the current situation of corporate governance of the Company and the normative documents on the governance of listed companies issued by China Securities Regulatory Commission.

In accordance with the provisions of laws and regulations, the Company will further improve the governance level, strengthen the construction of internal control system and risk management, and continuously improve the development quality of the listed company.

Corporate Governance (Continued)

XVI. 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 accountable to the Board. His principal duties include presiding over the production, operation and management of the Company, organizing the implementation of resolutions of the Board, and organizing 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 2021. The remuneration paid by the Company for its audit services for the annual report (including the internal control audit service) was RMB2,480,000, among which RMB1,920,000 was paid to international and PRC auditors and RMB560,000 to the internal control auditor.

(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. Fully perform obligations of information disclosure by disclosing financial results and various transactions in quarterly reports, various announcements and circulars (if applicable);
4. Set up multiple 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, and onsite meeting of general meeting, etc., and further improves the efficiency of the information disclosure of the Company by way of communication with investors and hearing their opinions.

Corporate Governance (Continued)

XVI. Others (Continued)

(IV) Shareholders Rights

In accordance with Clause 76, Chapter VIII of Articles of Association, shareholders individually or collectively holding 10% or above 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 an 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 an 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 above 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.

The 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 above of the Company's shares for 90 consecutive days or above 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 this section 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.

Corporate Governance (Continued)

XVI. Others (Continued)

(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 NPEC 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 will 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, occurred in the information disclosure in the annual report. There was no major error found in information disclosure in the 2021 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.

(VIII) Details of Major Changes in the Articles of Association of the Company

In accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration, and in consideration of the actual needs of the company's development, the Company changed its registered address from "Room 1701, No. 301, Zhongshan East Road, Xuanwu District, Nanjing" to "No. 7, Jingtian Road, Nanjing Economic and Technological Development Zone", with the changed registered address being subject to the content approved by the industrial and commercial registration authority. This change of the Company's registered address involves the revision of the Company's domicile in Article 3 of the Articles of Association, which was considered and approved at the first extraordinary general meeting for 2021. For details, please refer to the announcements published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 27 October 2021 and 9 December 2021 and the announcement on the website of the Hong Kong Stock Exchange on 26 October 2021 and 8 December 2021 .

Environmental and Social Responsibility

I. Environmental Information

(I) 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 2021 (《關於印發2021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 of Key Pollutant Discharging Units in Nanjing in 2021 in terms of the atmosphere.

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 the 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 240mg/L for COD, 9.24 mg/L for ammonia nitrogen, 58mg/L for suspended matter, 1.18mg/L for petroleum, and 11mg/L for total nitrogen respectively, and it had no excessive emission.

Five exhaust gas outlets in Blocks 5# and 4# 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 the Emission Standards for Air Pollutants (《大氣污染物綜合排放標準》) (GB16297-1996) (toluene \leq 40mg/m³, xylene \leq 70mg/m³, nonmethane hydrocarbon \leq 120mg/m³, 550mg/m³ for sulfur dioxide, 240mg/m³ for nitrogen oxide and 120mg/m³ 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. The actually measured average values were: FQ-01 (paint coating): 0.246mg/m³ for toluene, 4.82mg/m³ for total non-methane hydrocarbons, 1.1mg/m³ for particulate matter, and the rest are not detected; FQ-02 (paint coating): 4.82mg/m³ for total non-methane hydrocarbons, 1.1mg/m³ for particulate matter, and the rest are not detected; FQ-03 (wastewater room): 1.21mg/m³ for total non-methane hydrocarbons, 0.031.21mg/m³ for hydrogen sulphide; FQ-04 (hazardous waste storage): 0.72mg/m³ for total non-methane hydrocarbons; and FQ-05 (precision injection workshop): 2.08mg/m³ for total non-methane hydrocarbons, and no emission exceeded the standard.

Environmental and Social Responsibility (Continued)

I. Environmental Information (Continued)

(I) 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)

2. Construction and operation of pollution prevention and control facilities

Exhaust gas treatment devices: 5 sets in total, the processing method is as follows:

The exhaust gas emitted 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 paint coating production lines on the third floor of Block 5# Plant is treated by way of regenerative combustion. 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.

The waste gas treatment device in the wastewater room is alkaline water washing + activated carbon adsorption, and the waste gas of the hazardous waste storage is disposed of by activated carbon adsorption. The precision injection workshop adopts the form of centralized air supply for waste gas collection, and the tail end adopts the form of dry filter + secondary activated carbon adsorption for disposal.

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.

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 of EIA approval: Ning Kai Wei Xing Shen Xu Ke Zi [2018] No. 267, 29 August 2018; the project was subject to independent acceptance, and the date of acceptance was 24 September 2020.

Environmental and Social Responsibility (Continued)

I. Environmental Information (Continued)

(I) 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)

4. Emergency plan for emergency environmental incidents

Academy of Environmental Planning & Designing Co., Ltd. Nanjing University has been engaged to complete the preparation of the report and organized relevant experts to review the report, and filing has been completed for the report with the number of 320113-2021-015-L.

5. Environmental self-monitoring plan

The environmental self-monitoring plan has been prepared, filed with the environmental monitoring station of the development zone and published on the environmental information disclosure platform for enterprises and public institutions of Nanjing and the self-monitoring information release platform for pollutant discharging units of Jiangsu Province.

6. Administrative penalties imposed due to environmental issues during the Reporting Period: N/A

7. Other environmental information required to be disclosed: N/A

(II) Environmental Protection by Companies Other than Key Pollutant-discharging Units: N/A

(III) Information on Practices Conducive to Protecting the Ecology, Preventing Pollution and Fulfilling Environmental Responsibility

For details, please refer to the Nanjing Panda 2021 Annual Social Responsibility Report published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange on 31 March 2022.

(IV) Measures Taken to Reduce Carbon Emissions during the Reporting Period and the Results Thereof

For details, please refer to the Nanjing Panda Annual Social Responsibility Report 2021 published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange on 31 March 2022.

Environmental and Social Responsibility (Continued)

II. Overview of Social Responsibility

The Company considered and approved the Social Responsibility Report 2021 of the Company at the sixth meeting of the tenth session of the Board on 30 March 2022, the full text of which was published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange on 31 March 2022.

III. Efforts in Consolidating Achievements in Poverty Alleviation and Promoting Rural Revitalization: N/A

Significant Events

I. Fulfilment 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 performed timely	Description of plans in next steps if not performed 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)

I. Fulfilment 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	Strictly performed	Description of specific reasons if not performed timely	Description of plans in next steps if not performed timely
					term of performance	in timely manner or not		
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
	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

Significant Events (Continued)

I. Fulfilment 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 performed timely	Description of plans in next steps if not performed timely
	Standardization and avoidance of connected transactions	PEGL	<ol style="list-style-type: none"> 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. 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	<p>Due to the abnormal fluctuation of the domestic stock market, the Company received declaration documents from CEC as follows:</p> <ol style="list-style-type: none"> 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. 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. 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)

I. Fulfilment 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 fulfilment of result commitments and its impact on impairment test to goodwill: N/A

II. Misappropriation of the Company's Funds by Controlling Shareholders and Other Related Parties for Non-operating Purposes during the Reporting Period: N/A

III. Provision of Guarantee in Violation of Rules and Requirements: N/A

IV. Explanations of the Company on the "Modified Audit Report" Issued 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 was considered and approved at the sixth meeting of the tenth session of the Board of the Company on 30 March 2022. In accordance with the Interpretation of Accounting Standards for Enterprises No. 14 (Cai Kuai [2021] No. 1), the Notice on Adjusting the Scope of Application of the 'Accounting Treatment Provisions for Rent Deduction Related to the Novel Coronavirus Pneumonia Epidemic' (Cai Kuai [2021] No. 9), the Interpretation of Enterprise Accounting Standards No. 15 (Cai Kuai [2021] No. 35) and the Q&A on the Implementation of Enterprise Accounting Standards issued by the Ministry of Finance, the Company made corresponding changes to the relevant accounting policies and performed the corresponding accounting treatment in accordance with the starting dates stipulated in the above documents. 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 change in the accounting policies partially affected the disclosure format for the current period and the presentation of the relevant statement items in the relevant period, but had no impact on the Company's financial position and results of operations for the Reporting Period. For details, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2022-012) published on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 31 March 2022 and the relevant announcement on the website of the Hong Kong Stock Exchange on 30 March 2022.

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

(IV) Other Explanations: 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	192
Audit years of the domestic accounting firm	6 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	56

Significant Events (Continued)

VI. Appointment and Dismissal of Accounting Firms (Continued)

Explanations on appointment and dismissal of accounting firms:

At the eighteenth meeting of the ninth session of the Board, the resolution in relation to the Appointment of the Auditors for 2021 was considered and approved, whereby it was proposed that BDO China Shu Lun Pan Certified Public Accountants LLP be re-appointed as the Company's international auditor, PRC auditor and internal control auditor for 2021 and that auditor remuneration be determined within the limit of RMB2.48 million and it was agreed that the same be submitted to the 2020 annual general meeting of the Company for shareholders' consideration.

The 2020 annual general meeting of the Company considered and approved 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 2021, and authorized the Board to determine its remuneration within the limit of RMB2.48 million.

For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange on 26 March and 30 June 2021 and the relevant announcements on the website of the Hong Kong Stock Exchange on 26 March 2021 and 29 June 2021.

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

VII. Exposure to Any Risk of Suspension of Listing: N/A

VIII. Bankruptcy and Restructuring Related Matter: N/A

Significant Events (Continued)

IX. 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:

Plaintiff (applicant)	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	On 20 August 2021, the Court of Qixia District issued the (2019) Su 0113 No. 4677 Civil Judgment, which ruled that the contract between the parties was terminated and Hangzhou Guoxin should return RMB1,827,981.68 to Panda Information and compensate for the loss of RMB2,271,184.8; other claims were dismissed; on 3 September, Panda Information filed an appeal with the Nanjing Intermediate People's Court and paid the appeal fee in advance. At present, the Nanjing Intermediate People's Court has notified that the first hearing will be held on 28 March 2022.		

X. Punishment and Rectification to the Listed Company, Its Directors, Supervisors, Senior Management, Controlling Shareholder, Ultimate Controller due to Violations of Laws and Regulations: N/A

XI. 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.

Significant Events (Continued)

XII. 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 be 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 be 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 have abstained from voting; and non-connected directors, independent non-executive directors and the Audit Committee approved such continuing connected transaction, considering that such continuing connected transaction was in the interests of the Company and its shareholders as a whole. This continuing connected 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 sixth meeting of the tenth session of the Board of the Company held on 30 March 2022 and the second meeting of the tenth session of the Board of the Company held on 25 August 2021, the resolution in relation to the Risk Assessment Report of China Electronics Financial Co., Ltd. was considered and approved, respectively, which assessed the deposit risk in Financial Company. After review, there were no material defects found in the risk control systems in respect of funds, credit, intermediate business, investment, audit and information management regarding the financial stations of Financial Company as at 30 June 2021 and 31 December 2021, as set out in the relevant announcements of the Company published on the website of the Shanghai Stock Exchange on 31 March 2022 and 26 August 2021 and the relevant announcements on the website of the Hong Kong Stock Exchange on 30 March 2022 and 25 August 2021.

As at 31 December 2021, the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group was RMB0 and the fund settlement balance (deposit services) of the Group with Financial Company was RMB496,800,000. As at 29 March 2022, the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group amounted to RMB14,179,600 and the fund settlement balance (deposit services) of the Group with Financial Company amounted to RMB172,944,100. The connected transactions between the Group and Financial Company were also confirmed by the independent non-executive Directors that the comprehensive credit balance and fund settlement balance did not exceed the approved annual caps.

Significant Events (Continued)

XII. Material Connected Transactions (Continued)

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

3. 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				2,722.14	0.85			
China Electronics Defense Technology Co., Ltd. (formerly Nanjing Panda Handa Technology Co., Ltd.)	Subsidiary owned by shareholders	Purchase of goods				1,498.60	0.47			
Nanjing Panda Electronic Import and Export Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				965.14	0.30			
Feisheng (Shanghai) Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				332.24	0.10			
Nanjing IRICO New Energy Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				265.33	0.08			
TPV Audio and Visual Technology (Shenzhen) Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				239.01	0.07			
Nanjing Zhenhua Packing Material Factory	Subsidiary owned by shareholders	Purchase of goods				216.15	0.07			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				153.23	0.05			
Shenzhen SED Wireless Communication Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				147.19	0.05			
Shenzhen Chebao Information Technology Co., Ltd.	Associate	Purchase of goods				133.66	0.04			
China Electronics Tairisheng Maanshan Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				47.01	0.01			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				34.97	0.01			
Shenzhen China Electronics Investment Company	Subsidiary owned by shareholders	Purchase of goods				17.87	0.01			
Nanjing Panda Dasheng Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				8.02	0.00			
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				7.80	0.00			
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				7.38	0.00			

Significant Events (Continued)

XII. 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
Panda Electronic Group Co., Ltd.	Controlling shareholder	Purchase of goods				5.99	0.00			
China Zhenhua Group Yunke Electronics Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				5.67	0.00			
Guizhou Zhenhua Quanying Electrical Appliance Co. Ltd. (State-owned Factory No. 891)	Subsidiary owned by shareholders	Purchase of goods				2.65	0.00			
China Electronics Import and Export Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1.06	0.00			
Shenzhen CEC Port Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				0.45	0.00			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				634.87	2.15			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				268.14	0.91			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other related parties	Receipt of services				167.28	0.57			
Nanjing Panda Medical Services Co., Ltd.	Other related parties	Receipt of services				166.30	0.56			
Nanjing Huadong Electronic Group Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				56.32	0.19			
Liyang Panda Cuizhuyuan Hotel Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				39.63	0.13			
China Electronics Import and Export Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				26.17	0.09			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				15.83	0.05			
China Electronics Defense Technology Co., Ltd. (formerly Nanjing Panda Handa Technology Co., Ltd.)	Subsidiary owned by shareholders	Receipt of services				11.83	0.04			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Receipt of services				5.44	0.02			
China Electronics Industry Development Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				4.81	0.02			

Significant Events (Continued)

XII. 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 CEC Panda Property Management Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				4.56	0.02			
China Electronics International Exhibition Advertising Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				3.77	0.01			
Chengdu China Electronic Panda Display Technology Co., Ltd.	Other related parties	Receipt of services				0.26	0.00			
Nanjing BOE Display Technology Co., Ltd. (formerly Nanjing China Electronics Panda Panel Display Technology Co., Ltd.)	Other related parties	Sale of goods				71,973.69	18.17			
Chengdu China Electronic Panda Display Technology Co., Ltd.	Other related parties	Sale of goods				51,128.06	12.91			
China Electronics Defense Technology Co., Ltd. (formerly Nanjing Panda Handa Technology Co., Ltd.)	Subsidiary owned by shareholders	Sale of goods				21,198.84	5.35			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				13,159.60	3.32			
IRICO (Hefei) LCD Glass Co., Ltd.	Other related parties	Sale of goods				3,014.12	0.76			
Beijing Chinasoft Wanwei Network Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2,949.36	0.74			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Other related parties	Sale of goods				1,992.59	0.50			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Sale of goods				1,205.54	0.30			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Sale of goods				1,151.73	0.29			
Caihong Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				427.59	0.11			
Feisheng (Shanghai) Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				282.12	0.07			

Significant Events (Continued)

XII. 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
Gansu Changfeng Electronic Technology Co. Ltd. (甘肅長風電子科技有限責任公司)	Subsidiary owned by shareholders	Sale of goods				248.75	0.06			
Fairwit Hong Kong Co., Ltd. (智威興業(香港)有限公司)	Subsidiary owned by shareholders	Sale of goods				218.15	0.06			
Great Wall Power Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				173.63	0.04			
Nanjing Panda Electronic Import and Export Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				122.33	0.03			
Shenzhen SED Wireless Communication Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				120.35	0.03			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Sale of goods				111.89	0.03			
China Greatwall Technology Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				107.96	0.03			
Nanjing CEC Panda Illumination Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				105.11	0.03			
China Electronic Materials Suzhe Company	Subsidiary owned by shareholders	Sale of goods				89.99	0.02			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				66.86	0.02			
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder	Sale of goods				48.71	0.01			
Wuhan Zhongyuan Communications Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				42.12	0.01			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				23.75	0.01			
Panda Technology (Beijing) Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				11.02	0.00			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				10.89	0.00			
Shenzhen China Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				8.31	0.00			
TPV Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				6.80	0.00			

Significant Events (Continued)

XII. 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 Chebao Information Technology Co., Ltd.	Associate	Sale of goods				6.56	0.00			
Nanjing China Electronics Modern Service Industry Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2.50	0.00			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1.91	0.00			
Nanjing Lejin Panda Electrical Appliance Co., Ltd.	Associate	Sale of goods				1.32	0.00			
Nanjing Panda Medical Services Co., Ltd.	Other related parties	Sale of goods				0.5	0.00			
Nanjing Sanle Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				0.32	0.00			
Nanjing China Electronics Panda Trade Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				0.14	0.00			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				2,231.59	4.85			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Rendering of services				609.11	1.32			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				399.51	0.87			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Other related parties	Rendering of services				326.99	0.71			
China Electronics Defense Technology Co., Ltd. (formerly Nanjing Panda Handa Technology Co., Ltd.)	Subsidiary owned by shareholders	Rendering of services				324.67	0.71			
Nanjing BOE Display Technology Co., Ltd. (formerly Nanjing China Electronics Panda Panel Display Technology Co., Ltd.)	Other related parties	Rendering of services				238.36	0.52			
CEC Industrial Internet Co. Ltd. (中電工業互聯網有限公司)	Subsidiary owned by shareholders	Rendering of services				96.38	0.21			

Significant Events (Continued)

XII. 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 CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				79.15	0.17			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Rendering of services				47.06	0.10			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				32.94	0.07			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				32.05	0.07			
Wuhan Zhongyuan Communications Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				25.00	0.05			
Nanjing Panda Electronic Import and Export Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				7.14	0.02			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Rendering of services				0.43	0.00			
Shenzhen Chebao Information Technology Co., Ltd.	Associate	Rendering of services				0.41	0.00			
Nanjing Panda Medical Services Co., Ltd.	Other related parties	Rendering of services				0.05	0.00			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				119.05	1.08			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				68.02	0.62			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other related parties	Leasing of assets				31.86	0.29			
Nanjing Panda Electronic Import and Export Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				24.73	0.22			
China Electronics Defense Technology Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				14.43	0.13			
Shenzhen Chebao Information Technology Co., Ltd.	Associate	Leasing of assets				5.49	0.05			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Leasing of assets				5.12	0.05			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				12.63	0.11			

Significant Events (Continued)

XII. 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
Panda Electronic Group Co., Ltd.	Controlling shareholder	Leasing of assets				1.37	0.01			
Liyang Panda Cuizhuyuan Hotel Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				1.06	0.01			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Trademark licensing				18.87	13.40			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Trademark licensing				18.12	12.87			
Total				/	/	183,001.47		/	/	/

Details on return of bulk sales

N/A

Explanation on connected transactions

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 H share circular despatched on 11 December 2018. In addition, on 1 January 2020, the Company entered into the Trademark Licensing Agreement with Nanjing CEC Panda FPD Technology Co., Ltd. at a consideration of RMB200,000. All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.

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.

Significant Events (Continued)

XII. 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 2021 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	Amount incurred
(A)	Provision of sub-contracting services and composite services by the Group to the CEC Group	Market price, government guidance rate	3,838
(B)	Provision of sub-contracting services and composite services by the CEC Group to the Group	Market price, government guidance rate	1,071
(C)	Sale of materials, components and parts by the Group to the CEC Group	Market price, cost plus	39,539
(D)	Purchase of materials, components and parts by the Group from the CEC Group	Market price	6,678
(E)	Lease of premises and relevant equipment by the Group to the NEIC Group	Market price	241
(F)	Lease of premises and relevant equipment by the NEIC Group to the Group	Market price	0
(G)	Licensing of Trademark by the Group to CEC Home Appliances	Market price	18
(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	49,680
(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	1,698
(J)	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 2021. During the Reporting Period, both of the fund settlement balance and comprehensive credit balance of the Group with Financial Company did not exceed the approved annual caps.

Significant Events (Continued)

XII. 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, NEIIC, Financial Company, CEC Home Appliances 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 2021, the Group’s deposits with a fellow subsidiary of the Company, being a financial institution in the PRC, was RMB496,800,000 and the balance of the loans and other credit financing services provided by the fellow subsidiary to the Group was RMB16,980,000.

Significant Events (Continued)

XII. 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 China Standard on Assurance Engagements for Certified Public Accountants No. 3101 — 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) Connected transactions in respect of asset or equity acquisition or disposal

1. Matters disclosed in interim announcements with no progress or change in the follow-up implementation

Overview	Search index
The connected transaction of Nanjing Panda acquiring a 30% stake in Lejin Panda held by Panda Group	For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange on 26 October and 9 December 2021 and the relevant announcement on the website of the Hong Kong Stock Exchange on 25 October 2021.

(III) During the Reporting Period, the Company Had no Material Connected Transactions in Respect of Joint External Investment.

Significant Events (Continued)

XII. 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
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder				6,670,000.00		6,670,000.00
Panda Electronic Group Co., Ltd.	Controlling shareholder			6,900,334.06	-1,504,602.59		5,395,731.47
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders			898,458.97	-57,470.37		840,988.60
China Electronics Import and Export Co., Ltd.	Subsidiary owned by shareholders				195,539.62		195,539.62
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders				22,907.00		22,907.00
Nanjing Panda Technology Park Development Company Limited	Subsidiary owned by shareholders				20,000.00		20,000.00
Nanjing Zhongdian Real Estate Co., Ltd.	Subsidiary owned by shareholders				5,000.00		5,000.00
Nanjing Panda Medical Services Co., Ltd.	Subsidiary owned by shareholders				2,114.00		2,114.00
Liyang Panda Cuizhuyuan Hotel Co., Ltd.	Subsidiary owned by shareholders				7,022.00	-7,022.00	
Total					8,044,261.65	5,108,019.04	13,152,280.69
Causes of the claims and debts							
Influence of creditor's rights and debts to the Company							

Significant Events (Continued)

XII. Material Connected Transactions (Continued)

(V) Transaction relating to Financial Services between the Company and Financial Company, Financial Holding Company, and Other Connected Parties

1. Deposit services

Unit: Yuan Currency: RMB

Connected parties	Connected relationship	Maximum daily deposit balance	Interest rate range	Opening balance	Transaction amount		Closing balance
					Total amount of deposit in the current period	Total amount of withdrawal in the current period	
China Electronics Financial Co., Ltd.	Subsidiary owned by shareholders	500,000,000.00	0.42%-2.00%	495,766,965.50	7,089,760,914.75	7,088,727,225.99	496,800,654.26
Total		/	/	495,766,965.50	7,089,760,914.75	7,088,727,225.99	496,800,654.26

2. Loan services: N/A

3. Credit granting or other financial services

Unit: Yuan Currency: RMB

Connected parties	Connected relationship	Type of services	Total	Amount incurred
China Electronics Financial Co., Ltd.	Subsidiary owned by shareholders	Issuing bank acceptances and performance bonds	600,000,000.00	16,977,052.74

Significant Events (Continued)

XIII. Material Contracts and Performance Thereof

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

Unit: 0'000 Currency: RMB

Lessor	Lessee	Leased assets	Amount of the leased assets	Start date	End date	Rental income	Basis for determining rental income	Effect of rental income on Company	Connected transaction or not	Connected relationship
Nanjing Panda Electronics Company Limited	Nanjing Gusheng Enterprise Management Co., Ltd. (南京谷升企业管理有限公司)	The 1st to 4th floors (including 1 mezzanine floor) and 14th to 17th floors of Panda Building, No.301 Zhongshan Road East, Nanjing and the ancillary equipment and facilities thereof, with an aggregate area of 29,544.68 square meters	The net value of the leased assets at the end of December 2021 was RMB211,770,000. The total guaranteed rent is RMB286,216,800	1 December 2020	30 September 2031	The total guaranteed rent during the lease term is RMB286,216,800. If the annual rent receivable by the lessee in terms of the entire building to which the leased properties situated (the leased area other than the parking space(s)) is in excess of RMB110,230,000, the lessee shall pay 10.65% of the excess to the Company as the turnover rent. The estimated rent for 2021 is RMB24,238,500	Lease agreement	The expected effect on the Company's profit or loss for 2021 amounts to RMB17,079,000.	No	No

Significant Events (Continued)

XIII. Material Contracts and Performance Thereof (Continued)

(II) Guarantees

Unit: 0'000 Currency: RMB

Guarantor	Relationship between guarantor and the listed company	Secured party	Guaranteed amount	Guarantees made by the Company (excluding those in favour of subsidiaries)							Overdue	Overdue amount	Counter guarantee	Guarantee provided to the related parties	Connected relationship
				Effective date of guarantee (agreement execution date)	Commencement date	Expiry date	Type of guarantee	Collateral (if any)	Whether the guarantee has been fulfilled						
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 for subsidiaries)															0
Guarantees in favour of subsidiaries provided by the Company and its subsidiaries															
Total amount of guarantees provided for subsidiaries during the Reporting Period															67,500.00
Total balance of the amount of guarantees provided for subsidiaries at the end of the Reporting Period (B)															15,770.16
Total amount of guarantees made by the Company (including those provided for subsidiaries)															
Total amount of guarantees (A+B)															15,770.16
Percentage of total guarantee amount in net assets of the Company (%)															4.47
Including:															
Amount of guarantees provided for shareholders, de facto controller and their related parties (C)															0
Amount of guarantees provided directly or indirectly for parties with a gearing ratio of over 70% (D)															7,956.57
Amount by which the total guarantee exceeds 50% of the net assets (E)															0
Total amount of the above three items (C+D+E)															7,956.57
Statement on the contingent joint and several liability in connection with unexpired guarantee															
Statement on guarantee															

Significant Events (Continued)

XIII. Material Contracts and Performance Thereof (Continued)

(II) Guarantees (Continued)

Except Chengdu Panda Electronic Technology Co., Ltd., Nanjing Panda Electromechanical Manufacturing Co., Ltd. and Huage Plastic, 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 2021.

At the 2019 annual general meeting of the Company held on 29 June 2020, it was approved that the Company could provide guarantees for an aggregate financing amount of no more than RMB955,000,000 for the relevant subsidiaries, during the period from the date immediately after the conclusion of the 2019 annual general meeting to the date of the 2020 annual general meeting, and the general manager of the Company was authorized to handle the matters relating to the provision of guarantees for the financing of the subsidiaries during the period.

At the 2020 annual general meeting of the Company held on 29 June 2021, it was approved that the Company could provide guarantees for an aggregate financing amount of no more than RMB675,000,000 for the relevant subsidiaries, during the period from the date immediately after the conclusion of the 2020 annual general meeting to the date of the 2021 annual general meeting, and the general manager of the Company was authorized to handle the matters relating to the provision of guarantees for the financing of the subsidiaries during the period.

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)

XIII. Material Contracts and Performance Thereof (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 fund	184,000.00	47,000.00	0

Other conditions:

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 and the relevant announcement on the website of the Hong Kong Stock Exchange on 6 November 2020.

At the extraordinary meeting of the tenth session of the Board of the Company convened on 17 December 2021, 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 2021-047) (《南京熊猫關於使用自有資金進行現金管理的公告》(臨2021-047)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 18 December 2021 and the relevant announcement on the website of the Hong Kong Stock Exchange on 17 December 2021.

Significant Events (Continued)

XIII. Material Contracts and Performance Thereof (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

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

Other conditions: (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 2021, the balance used to purchase wealth management products with internal temporarily idle fund by the Group amounted to RMB470,000,000 and as at 29 March 2022, the balance thereof amounted to RMB210,000,000.

(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) or loss	Actual income recovered or not	Through a legal procedure	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	3,000.00	2020.10.13	2021.1.13	Internal fund			3.07%		3,000.00			
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	2,500.00	2020.10.13	2021.1.13	Internal fund			3.07%		2,500.00			
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.10.13	2021.1.13	Internal fund			3.07%		5,000.00			
Industrial Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.11.12	2021.2.10	Internal fund			3.00%		5,000.00			
Industrial Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.11.12	2021.2.10	Internal fund			3.00%		5,000.00			
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	6,000.00	2020.12.4	2021.3.4	Internal fund			2.95%		6,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2020.12.23	2021.2.23	Internal fund			2.95%		5,000.00			

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	Through Actual amount recovered	Have an a legal procedure or not	Amount of entrusted wealth management plan or not	Amount of provision for the impairment (if any)
China Everbright Bank Company Limited	Principal guaranteed with floating returns	4,000.00	2020.12.23	2021.2.23	Internal fund			2.95%			4,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	2,500.00	2020.12.24	2021.2.24	Internal fund			2.95%			2,500.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	2,000.00	2020.12.24	2021.2.24	Internal fund			2.95%			2,000.00			
Industrial and Commercial Bank of China Limited	Principal guaranteed with floating returns	5,000.00	2020.12.29	2021.7.1	Internal fund			3.02%			5,000.00			
China Merchants Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2020.12.28	2021.3.29	Internal fund			2.81%			5,000.00			
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	3,000.00	2021.1.18	2021.4.19	Internal fund			3.00%			3,000.00			
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	2,500.00	2021.1.18	2021.4.19	Internal fund			3.00%			2,500.00			
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.1.18	2021.4.19	Internal fund			3.00%			5,000.00			
Bank of Ningbo Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.3.2	2021.4.6	Internal fund			3.30%			5,000.00			
Bank of Ningbo Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.3.2	2021.4.6	Internal fund			3.30%			5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.2.26	2021.5.26	Internal fund			3.45%			5,000.00			

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 (Continued)

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) or loss	Actual income 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	5,000.00	2021.2.26	2021.5.26	Internal fund			3.45%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	2,000.00	2021.2.26	2021.5.26	Internal fund			3.45%		2,000.00			
Bank of Nanjing Co., Ltd.	Principal guaranteed with floating returns	4,500.00	2021.3.17	2021.6.21	Internal fund			3.40%		4,500.00			
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed with floating returns	3,000.00	2021.3.24	2021.6.21	Internal fund			3.45%		3,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	3,000.00	2021.4.23	2021.5.23	Internal fund			3.45%		3,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	3,000.00	2021.5.28	2021.6.28	Internal fund			3.75%		3,000.00			
China Merchants Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.4.6	2021.7.6	Internal fund			2.96%		5,000.00			
Bank of Ningbo Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.4.12	2021.7.13	Internal fund			3.40%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.4.14	2021.7.14	Internal fund			3.45%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.4.23	2021.7.23	Internal fund			3.45%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	2,500.00	2021.4.23	2021.7.23	Internal fund			3.45%		2,500.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.5.28	2021.8.28	Internal fund			3.75%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.5.28	2021.8.28	Internal fund			3.75%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	2,000.00	2021.5.28	2021.8.28	Internal fund			3.75%		2,000.00			
Industrial and Commercial Bank of China Limited	Principal guaranteed with floating returns	7,500.00	2021.6.29	2021.9.30	Internal fund			3.70%		7,500.00			
China Merchants Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.7.12	2021.10.12	Internal fund			3.01%		5,000.00			

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 (Continued)

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) or loss	Actual income recovered or not	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	2021.7.14	2022.1.14	Internal fund			1.5%	-3.3%				
China Everbright Bank Company Limited	Principal guaranteed with floating returns	3,000.00	2021.7.16	2021.8.16	Internal fund			3.75%		3,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.7.16	2021.10.16	Internal fund			3.75%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.7.16	2021.10.16	Internal fund			3.75%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.7.23	2021.10.23	Internal fund			3.75%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	2,500.00	2021.7.23	2021.10.23	Internal fund			3.75%		2,500.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	3,000.00	2021.8.20	2021.11.20	Internal fund			3.60%		3,000.00			
Bank of Nanjing Co., Ltd.	Principal guaranteed with floating returns	2,000.00	2021.9.3	2021.12.8	Internal fund			3.50%		2,000.00			
Bank of Nanjing Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.9.3	2021.12.8	Internal fund			3.50%		5,000.00			
Bank of Nanjing Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.9.8	2021.12.13	Internal fund			3.50%		5,000.00			
China Everbright Bank Company Limited	Principal guaranteed with floating returns	7,500.00	2021.10.14	2021.11.14	Internal fund			3.10%		7,500.00			
China CITIC Bank Corporation Limited	Principal guaranteed with floating returns	1,000.00	2021.10.21	2021.11.22	Internal fund			3.60%		1,000.00			
China CITIC Bank Corporation Limited	Principal guaranteed with floating returns	4,000.00	2021.10.23	2022.1.21	Internal fund			1.48%	or 3.25% or 3.65%				

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 (Continued)

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	Through a legal amount recovered or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
China CITIC Bank Corporation Limited	Principal guaranteed with floating returns	5,000.00	2021.10.22	2022.1.21	Internal fund			1.48% or 3.25% or 3.65%					
China CITIC Bank Corporation Limited	Principal guaranteed with floating returns	2,000.00	2021.10.30	2022.1.28	Internal fund			1.48% or 3.25% or 3.65%					
China CITIC Bank Corporation Limited	Principal guaranteed with floating returns	5,000.00	2021.10.30	2022.1.28	Internal fund			1.48% or 3.25% or 3.65%					
China Everbright Bank Company Limited	Principal guaranteed with floating returns	5,000.00	2021.12.23	2022.3.23	Internal fund			1% or 3.4% or 3.5%					
China Everbright Bank Company Limited	Principal guaranteed with floating returns	1,000.00	2021.12.23	2022.3.23	Internal fund			1% or 3.4% or 3.5%					
China Merchants Bank Co., Ltd.	Principal guaranteed with floating returns	5,000.00	2021.12.23	2022.1.24	Internal fund			1.65%-2.96%					
Bank of Communications Co., Ltd.	Principal guaranteed with floating returns	15,000.00	2021.12.31	2022.1.28	Internal fund			1.7% or 3.5% or 3.7%					
Total											187,000.00		

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 (Continued)

Other conditions:

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 2021, 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 III “Enter into Material Contracts” in this Report.

Significant Events (Continued)

XIV. Description of Other Material Events with a Significant Impact on the Value Judgement and Investment Decisions Made by Investors

(I) Tax policies

On 31 December 2021, 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. In 2021, from August to October, the Company paid basic medical insurance premiums (including maternity insurance) at 8.8% of the individual employee's contribution base in accordance with the document Certain Measures to Support the Stable Development of Enterprises in Response to the Impact of the COVID-19 Outbreak (Ning Zheng Fa [2021] No. 74); and paid basic medical insurance premiums (including maternity insurance) at 9.8% of the individual's contribution base in the remaining period.

Changes in Shares and Information of Shareholders

I. Changes in Share Capital

(I) Table for changes in Shares

1. Table for changes in Shares

During the Reporting Period, there was no change in total shares or shareholding structure of the Company.

As at 30 March 2022, 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 shares: N/A

3. 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, bonds and other derivatives.

(II) Changes in the total number of 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 (shareholder)	44,079 shareholders (including 44,054 A shareholders and 25 H shareholders)
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Total number of shareholders at the end of last month prior to the disclosure of this annual report (shareholder)	38,223 shareholders (including 38,198 A shareholders and 25 H shareholders)
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Changes in 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
					State of shares	Number of shares	
HKSCC (Nominees) Limited	-2,213,673	244,055,983	26.71	0	Unknown		Overseas legal person
Panda Electronic Group Co., Ltd.	0	210,661,444	23.05	0	Pledged	105,091,430	State-owned legal person
China Huarong Assets Management Co., Ltd.	-9,133,604	55,338,287	6.06	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.	0	21,720,941	2.38	0	Unknown		State-owned legal person
Lin Jiatuan (林加團)	5,673,092	5,673,092	0.62	0	Unknown		Domestic natural person
Zhang Desheng (張德勝)	4,441,582	5,266,582	0.58	0	Unknown		Domestic natural person
Lu Ping (呂平)	4,218,200	4,218,200	0.46	0	Unknown		Domestic natural person
Chen Linfa (陳林法)	41,400	2,855,400	0.31	0	Unknown		Domestic natural person
Li Rong (李蓉)	2,155,369	2,685,859	0.29	0	Unknown		Domestic natural person

Changes in 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	244,055,983	Overseas listed foreign shares	241,665,470
		RMB ordinary shares	2,390,513
Panda Electronic Group Co., Ltd.	210,661,444	RMB ordinary shares	210,661,444
China Huarong Assets Management Co., Ltd.	55,338,287	RMB ordinary shares	55,338,287
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
Lin Jiatuan (林加團)	5,673,092	RMB ordinary shares	5,673,092
Zhang Desheng (張德勝)	5,266,582	RMB ordinary shares	5,266,582
Lu Ping (呂平)	4,218,200	RMB ordinary shares	4,218,200
Chen Linfa (陳林法)	2,855,400	RMB ordinary shares	2,855,400
Li Rong (李蓉)	2,685,859	RMB ordinary shares	2,685,859

Description of special repurchase accounts among top ten shareholders of the Company: N/A

In considering the connected transactions in relation to the Company's acquisition of a 30% stake in Nanjing Lejin Panda Electrical Appliance Co., Ltd. held by Panda Electronic Group Co., Ltd. and certain types of continuing connected transactions of the Company for the years 2022-2024 and related matters, PEGE, NEIC and their connected persons abstained from voting as they constituted connected persons in respect of such resolutions. Save for the above, there are no other matters specifically stated by the Company.

NEIC holds 100% equity interests of PEGE, 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 PEGE, 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 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 (Continued)

Note:

1. HKSCC (Nominees) Limited held 244,055,983 shares (in particular: 241,665,470 H shares, 2,390,513 A shares) of the Company on behalf of many clients, representing 26.71% 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.
2. On 2 August 2021, the Company received a notice from PEG, the controlling shareholder of the Company, that part of shares it held in the Company were pledged. Pursuant to the notice, PEG pledged 105,091,430 shares in the Company, accounting for 49.89% of the total shares it held in the Company and 11.50% of the total share capital of the Company. For details, please refer to the relevant announcement of the Company published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange on 3 August 2021 and the relevant announcement on the website of the Hong Kong Stock Exchange on 2 August 2021.

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

Changes in Shares and Information of Shareholders (Continued)

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 2 March 2021, the Company received a document from China Huarong regarding its plan to reduce its shareholding in the Company. China Huarong did not reduce its shareholding in the Company during the period set out in this shareholding reduction plan. For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange on 3 March, 25 June and 24 September 2021 and the relevant announcements on the website of the Hong Kong Stock Exchange on 1 March 2021, 24 June 2021 and 24 September 2021.
2. On 24 September 2021, the Company received a document from China Huarong regarding its plan to reduce its shareholding in the Company. During the Reporting Period, China Huarong reduced its shareholding in the Company by 9,133,604 A shares in aggregate from 24 November 2021 to 24 December 2021, representing 1% of the total share capital of the Company. As at the end of the Reporting Period, China Huarong held 55,338,287 A shares of the Company, representing 6.06% of total share capital of the Company. For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange on 25 September and 29 December 2021 and the relevant announcements on the website of the Hong Kong Stock Exchange on 24 September 2021 and 28 December 2021.
3. China Huarong reduced its shareholding in the Company by 3,182,763 A shares in aggregate from 28 February 2022 to 4 March 2022, representing 0.35% of the total share capital of the Company. At present, China Huarong holds 52,155,524 A shares of the Company, representing 5.71% of total share capital of the Company.

Changes in 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 Electronic Group Co., Ltd.
	The person in charge of the entity or legal representative	Zhong Youxiang
	Date of establishment	5 December 1990
	Principal business	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)
		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).
	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 Shares and Information of Shareholders (Continued)

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

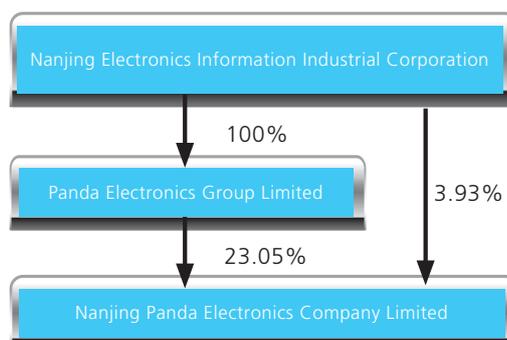
(I) Controlling shareholder (Continued)

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 2021, other than its equity interests in the Company, NEIC held 24.51% equity interests of TPV Technology (000727).

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



Changes in 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	China Electronics Corporation Limited
	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 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, NEIC, representing 3.93% in aggregate of the total issued capital of the Company; held 210,661,444 A shares in the Company through PEG, a wholly-owned subsidiary of NEIC, representing 23.05% of the total issued capital of the Company; and 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 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 2021, 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 ^{Note}
1	IRICO New Energy	00438HK	74.91%
2	China Electronics Huada Technology	00085HK	59.42%
3	Shenzhen SEDA	000032	47.56%
4	China Great Wall	000066	42.23%
5	Kaifa	000021	34.51%
6	China Electronics Optics Valley	00798HK	33.67%
7	China Software	600536	41.7%
8	Zhenhua Science & Technology	000733	32.73%
9	Solomon Systech	02878HK	28.31%
10	TPV Technology	000727	28.13%
11	Shanghai Beiling	600171	25.00%
12	Irico Display	600707	21.05%
13	QI-ANXIN-U	688561	20.19%
14	Montage Technology	688008	14.28%
15	Zhenhua New Materials-U	688707	36.07%
16	Anlu Technology	688107	29.17%

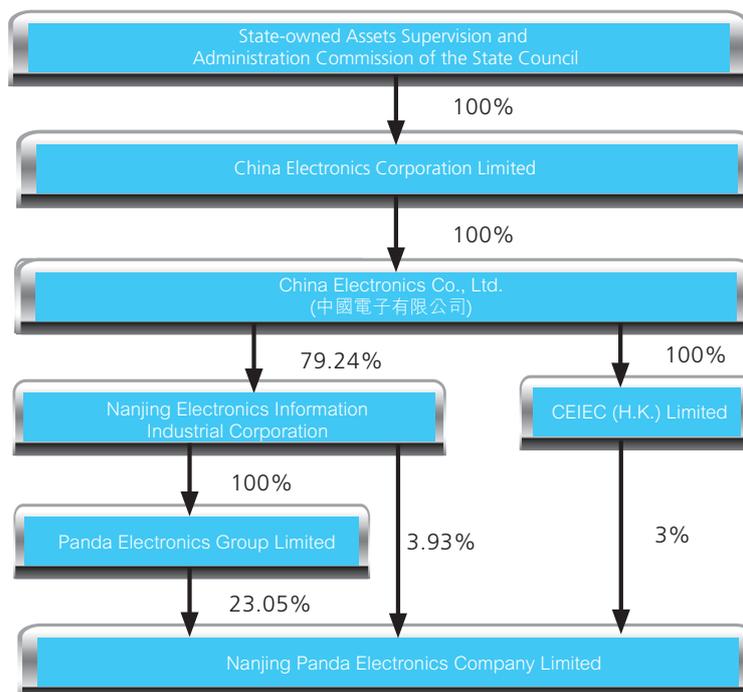
Note: Percentage of CEC's shareholding represents the aggregate of the shareholdings held through relevant connected parties or party acting in concert among the shareholders of listed companies.

Changes in 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. The Cumulative Number of Shares Pledged by the Controlling Shareholder or the Largest Shareholder of the Company and Its Concert Parties Accounting for More than 80% of the Number of Shares Held in the Company: N/A

VI. 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 244,055,983 shares of the Company (including 241,665,470 H shares and 2,390,513 A shares), representing 26.71% of the issued share capital of the Company, on behalf of several clients, including 13,768,000 H shares held by NEIIC, 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 2021, there is no other legal person shareholders holding 10% or more of shares of the Company.

Changes in Shares and Information of Shareholders (Continued)

VII. Limitation on the Reduction of Shareholding: N/A

VIII. Specific Implementation of Share Repurchases During the Reporting Period: N/A

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

As at 31 December 2021, 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 55,338,287 domestic shares, accounting for approximately 8.24% of domestic shares in issue and approximately 6.06% 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 2021.

Information on Preferred Shares

N/A

Information on Corporate Bonds

N/A

Financial Report

BDO China Shu Lun Pan Certified Public Accountants LLP audited the financial report of the Company for the year 2021 in accordance with the Accounting Standards for Business Enterprises of China and issued an unqualified auditors' report for the Company.

Auditors' Report

Xin Kuai Shi Bao Zi [2022] NO. ZG10339

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, 2021, 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, 2021 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
<p data-bbox="304 448 667 480">(I) Recognition of the revenue</p> <p data-bbox="304 513 845 599">Please Refer to Note 3.28 for the accounting standard of recognizing revenue and Note 5.40 for the disclosure of revenue</p> <p data-bbox="304 631 845 847">For the period of year 2021, the consolidated main operation revenue of Nanjing Panda is RMB4.532 billion, of which mainly is from the segment of Smart Transportation and Safe city · Industrial Internet and Intelligent manufacturing · Green and Service-oriented electronic manufacturing and sales of leasing service.</p> <p data-bbox="304 879 845 1461">The specific principles of the Company are: for intelligent transportation integration, intelligent factory and system engineering installation and other services, the performance obligations are performed within a certain period of time. The revenue shall be recognized according to the performance progress, and the project progress certificate is used as the basis for the revenue confirmation;and for the sales of safe city products, intelligent manufacturing core components and green service electronic manufacturing products, it belongs to the performance obligations performed at a certain point, and the income is recognized when the customer obtains the control of the relevant commodities;and for housing rental, property management and other income, the income shall be recognized according to the straight line method according to the term agreed in the contract or agreement.</p> <p data-bbox="304 1494 845 1677">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 data-bbox="845 513 1401 567">Our audit procedures for revenue recognition are mainly:</p> <ol data-bbox="845 599 1401 1888" style="list-style-type: none"><li data-bbox="845 599 1401 717">1. We understood and evaluated design of the key internal control designed by management and we tested the effectiveness of implementing key controls;<li data-bbox="845 750 1401 1019">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;<li data-bbox="845 1052 1401 1386">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;<li data-bbox="845 1418 1401 1688">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;<li data-bbox="845 1720 1401 1888">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.

Auditors' Report (Continued)

IV. Other information

Management of Nanjing Panda (“Management”) is responsible for the other information. The other information comprises all of the information included in the 2021 annual report of Nanjing Panda, other than the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Nanjing Panda’s ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Nanjing Panda 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. Auditor's Responsibilities 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 auditor's 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 CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. 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)

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

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

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China:
(Engagement Partner) Xu Peimei

Certified Public Accountant of China:
Gu Xin

Shanghai, China

Date 30 Month 3 2022

Consolidated Balance Sheet

As at December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2021	As at December 31, 2020
Current assets:			
Monetary funds	5.1	963,218,477.01	1,315,726,827.97
Balances with clearing companies			
Loans to banks and other financial institutions			
Financial assets held for trading	5.2	472,241,399.61	501,356,576.18
Derivative financial assets			
Notes receivable	5.3	59,789,784.39	35,394,835.82
Accounts receivable	5.4	1,150,920,743.65	1,161,870,914.59
Receivables financing	5.5	20,272,279.95	144,969,078.62
Advance to suppliers	5.6	58,199,200.40	109,660,420.50
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserves receivable			
Other receivables	5.7	41,962,947.68	50,074,829.20
Financial assets purchased under resale agreements			
Inventory	5.8	975,417,660.38	791,346,543.93
Contract assets	5.9	117,037,111.93	76,231,842.63
Assets held for sale			
Non-current assets maturing within one year	5.10	12,892,936.65	
Other current assets	5.11	139,370,084.35	28,763,433.11
Total current assets		4,011,322,626.00	4,215,395,302.55
Non-current assets:			
Loans and advances to customers			
Creditors' investment			
Other creditors' investment			
Long-term receivables			
Long-term equity investments	5.12	702,575,641.90	295,182,882.84
Investment in other equity instruments	5.13	3,551,864.21	4,074,939.80
Other non-current financial assets			
Investment properties	5.14	225,438,906.53	235,008,179.80
Fixed assets	5.15	921,295,490.47	964,778,076.38
Construction in progress	5.16	1,662,327.51	7,346,214.86
Productive biological assets			
Oil and gas assets			
Right-of-use assets	5.17	8,982,713.77	13,522,566.06
Intangible assets	5.18	150,967,594.98	157,943,967.01
Development expenditures			
Goodwill			
Long-term deferred expenses	5.19	10,927,742.76	10,767,289.92
Deferred income tax assets	5.20	17,020,460.54	16,160,839.46
Other non-current assets	5.21	4,237,383.51	81,767,440.76
Total non-current assets		2,046,660,126.18	1,786,552,396.89
Total assets		6,057,982,752.18	6,001,947,699.44

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, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2021	As at December 31, 2020
Current liabilities:			
Short-term borrowings			
Borrowings from the central bank			
Deposits from customers and interbank			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	5.22	214,817,174.59	193,125,064.34
Accounts payable	5.23	1,607,660,654.09	1,598,171,215.24
Advances from customers	5.24	461,253.51	3,394,006.00
Contractual liabilities	5.25	153,089,473.09	183,520,790.45
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	42,787,188.00	37,405,445.62
Taxes and surcharges payable	5.27	28,572,004.43	30,758,945.68
Other payables	5.28	99,479,790.95	90,865,482.11
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year	5.29	9,076,593.15	8,170,178.10
Other current liabilities	5.30	38,938,492.63	70,422,975.07
Total current liabilities		<u>2,194,882,624.44</u>	<u>2,215,834,102.61</u>
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities	5.31	3,586,641.07	8,141,702.09
Long-term payables			
Long-term employee compensation payable	5.32	11,837,677.44	15,981,789.25
Estimated liabilities			
Deferred income	5.33	44,917,830.69	15,283,181.46
Deferred income tax liabilities	5.19	396,709.26	326,863.37
Other non-current liabilities			
Total non-current liabilities		<u>60,738,858.46</u>	<u>39,733,536.17</u>
Total liabilities		<u>2,255,621,482.90</u>	<u>2,255,567,638.78</u>

Consolidated Balance Sheet (Continued)

As at December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2021	As at December 31, 2020
Owners' equity:			
Share capital	5.34	913,838,529.00	913,838,529.00
Other equity instruments Including: preferred stock Perpetual bond			
Capital reserves	5.35	1,470,691,800.13	1,470,691,800.13
Less: treasury stock			
Other comprehensive income	5.36	-73,601.84	318,704.84
Special reserves	5.37		
Surplus reserves	5.38	276,018,152.13	267,682,027.88
General risk reserves			
Undistributed profits	5.39	866,732,902.94	856,899,656.12
Total equity attributable to owners of the parent company		<u>3,527,207,782.36</u>	<u>3,509,430,717.97</u>
Minority equity		<u>275,153,486.92</u>	<u>236,949,342.69</u>
Total owners' equity (or shareholders' equity)		<u>3,802,361,269.28</u>	<u>3,746,380,060.66</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>6,057,982,752.18</u>	<u>6,001,947,699.44</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, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2021	As at December 31, 2020
Current assets:			
Monetary funds		39,216,173.73	182,893,267.89
Financial assets held for trading		150,014,383.56	85,149,138.89
Derivative financial assets			
Notes receivable	16.1	2,638,210.00	
Accounts receivable	16.2	101,272,967.72	101,591,648.77
Receivables financing	16.3		13,415,674.00
Advance to suppliers		9,386,848.03	4,764,922.90
Other receivables	16.4	216,727,244.80	376,035,744.51
Inventory		40,103,355.09	18,450,298.94
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		32,241.15	
Total current assets		559,391,424.08	782,300,695.90
Non-current assets:			
Creditors' investment			
Other creditors' investment			
Long-term receivables			
Long-term equity investments	16.5	2,136,346,559.46	1,728,663,326.69
Investment in other equity instruments		3,551,864.21	4,074,939.80
Other non-current financial assets			
Investment properties		351,618,473.50	373,471,501.63
Fixed assets		72,878,467.62	70,982,173.65
Construction in progress		1,229,570.87	3,206,506.25
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		13,518,024.69	11,110,934.53
Development expenditures			
Goodwill			
Long-term deferred expenses		5,733,798.58	3,293,294.05
Deferred income tax assets		24,533.95	
Other non-current assets			
Total non-current assets		2,584,901,292.88	2,194,802,676.60
Total assets		3,144,292,716.96	2,977,103,372.50

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, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2021	As at December 31, 2020
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		17,724,476.13	6,120,870.63
Accounts payable		43,620,736.29	43,131,574.28
Advances from customers		353,853.03	160,842.28
Contractual liabilities		2,907,435.18	5,851,615.78
Employee compensation payable		1,581,358.40	3,012,899.46
Taxes and surcharges payable		9,935,276.08	9,127,756.95
Other payables		217,265,134.58	118,662,218.71
Liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities		<u>1,977,966.57</u>	<u>760,710.05</u>
Total current liabilities		<u><u>295,366,236.26</u></u>	<u><u>186,828,488.14</u></u>
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee compensation payable		1,730,963.79	2,149,207.40
Estimated liabilities			
Deferred income			
Deferred income tax liabilities		3,595.89	143,519.68
Other non-current liabilities			
Total non-current liabilities		<u><u>1,734,559.68</u></u>	<u><u>2,292,727.08</u></u>
Total liabilities		<u><u>297,100,795.94</u></u>	<u><u>189,121,215.22</u></u>

Balance Sheet (Continued)

As at December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	As at December 31, 2021	As at December 31, 2020
Owners' equity (or shareholders' equity):			
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		-73,601.84	318,704.84
Special reserves			
Surplus reserves		276,018,152.13	267,682,027.88
Undistributed profits		222,538,007.45	171,272,061.28
Total owners' equity (or shareholders' equity)		2,847,191,921.02	2,787,982,157.28
Total liabilities and owners' equity (or shareholders' equity)		3,144,292,716.96	2,977,103,372.50

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, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2021	Year 2020
I. Total operating revenue		4,531,842,430.51	3,952,265,022.15
Including: operating revenue	5.40	4,531,842,430.51	3,952,265,022.15
Interest revenue			
Premiums earned			
Revenue from handling charges and commissions			
II. Total operating costs		4,487,995,678.13	3,876,164,021.11
Including: operating costs	5.40	3,961,438,873.89	3,360,271,214.08
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	21,458,605.08	25,728,972.90
Selling and distribution expenses	5.42	41,827,646.43	32,291,520.30
General and administrative expenses	5.43	273,378,636.73	257,745,539.77
Research and development costs	5.44	213,049,945.07	205,817,437.26
Financial expenses	5.45	-23,158,029.07	-5,690,663.20
Including: interest expenses	5.45	691,719.70	1,620,639.74
Interest revenue	5.45	16,924,618.99	11,743,930.16
Plus: other income	5.46	17,360,215.56	18,343,268.26
Investment income ("-" for losses)	5.47	65,709,743.04	74,470,506.63
Including: income from investment in associates and joint ventures	5.47	46,702,910.66	67,620,440.86
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	884,823.43	886,749.69
Loss from credit impairment	5.49	-7,547,165.61	-15,781,683.84
Loss from assets impairment	5.50	-18,508,356.82	-13,955,982.11
Income from disposal of assets ("-" for losses)	5.51	-722,183.04	-50,820.75
III. Operating profit ("-" for loss)		101,023,828.94	140,013,038.92
Plus: non-operating revenue	5.52	5,270,329.30	12,947,404.25
Less: non-operating expenses	5.53	613,011.45	990,522.96
IV. Total profits ("-" for total losses)		105,681,146.79	151,969,920.21
Less: Income tax expenses	5.54	25,548,459.38	34,188,719.62
V. Net profit ("-" for net loss)		80,132,687.41	117,781,200.59
(I) Classification by ownership:			
Net profit attributable to owners of the parent company		80,132,687.41	117,781,200.59
Minority interest income			
(II) Classification by business continuity:			
Net profit from continued operation		41,928,543.18	77,318,175.74
Net profit of discontinued operation		38,204,144.23	40,463,024.85

Consolidated Income Statement (Continued)

For the Year Ended December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2021	Year 2020
VI. Other comprehensive income, net of tax		-392,306.68	29,550.38
Other comprehensive income, net of tax attributable to owners of the parent company		-392,306.68	29,550.38
(I) Other comprehensive income that cannot be reclassified into profit or loss		-392,306.68	29,550.38
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		-392,306.68	29,550.38
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			
VII. Total comprehensive income		79,740,380.73	117,810,750.97
Total comprehensive income attributable to owners of the parent company		41,536,236.50	77,347,726.12
Total comprehensive income attributable to minority shareholders		38,204,144.23	40,463,024.85
VIII. Earnings per share:			
Basic earnings per share		0.0459	0.0846
Diluted earnings per share		0.0459	0.0846

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, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2021	Year 2020
I. Total operating revenue	16.6	145,237,873.21	128,965,247.68
Less: operating costs	16.6	85,030,480.98	80,223,276.34
Taxes and surcharges		5,173,327.88	8,576,482.38
Selling and distribution expenses		5,108,567.88	3,510,143.77
General and administrative expenses		105,125,548.15	110,049,207.93
Research and development costs		18,767,164.97	25,118,385.97
Financial expenses		-5,124,469.97	-6,635,815.49
Including: interest expenses			
Interest revenue		6,583,624.81	936,106.05
Plus: other income		783,726.71	761,831.02
Investment income ("-" for losses)	16.7	151,511,422.60	174,301,816.17
Including: income from investment in associates and joint ventures	16.7	46,692,313.18	67,270,888.11
Income from derecognition of financial assets at amortized cost			
Net exposure hedging income ("-" for losses)			
Income from changes in fair value ("-" for losses)		-134,755.33	137,303.27
Loss from credit impairment		-3,158,629.96	1,115,266.09
Loss from assets impairment		2,460.00	-222,318.70
Income from disposal of assets ("-" for losses)			-27,378.48
II. Operating profit ("-" for loss)		80,161,477.34	84,190,086.15
Plus: non-operating revenue		3,168,232.92	6,918,802.39
Less: non-operating expenses		2,156.56	724,070.41
III. Total profits ("-" for total losses)		83,327,553.70	90,384,818.13
Less: Income tax expenses		-33,688.83	37,284.72

Income Statement (Continued)

For the Year Ended December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2021	Year 2020
IV. Net profit (“-” for net loss)		83,361,242.53	90,347,533.41
Net profit from continued operation		83,361,242.53	90,347,533.41
Net profit of discontinued operation			
V. Other comprehensive income, net of tax		-392,306.68	29,550.38
(I) Other comprehensive income that cannot be reclassified into profit or loss		-392,306.68	29,550.38
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		-392,306.68	
3. Changes in fair value of the investment in other equity instruments			29,550.38
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			
VI. Total comprehensive income		82,968,935.85	90,377,083.79

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, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2021	Year 2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		4,905,138,407.36	4,652,591,328.68
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		62,877,333.79	83,772,022.96
Cash received from other operating activities	5.56	131,055,981.01	229,732,942.73
Sub-total of cash inflows from operating activities		5,099,071,722.16	4,966,096,294.37
Cash paid for goods purchased and services received		3,991,533,034.91	3,421,853,774.82
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		642,932,982.04	579,105,447.82
Cash paid for taxes and surcharges		119,983,451.35	157,611,180.50
Cash paid for other operating activities	5.56	136,451,692.38	272,872,273.95
Sub-total of cash outflows from operating activities		4,890,901,160.68	4,431,442,677.09
Net cash flow from operating activities		208,170,561.48	534,653,617.28
II. Cash flows from investing activities:			
Cash received from disinvestment			
Cash received from returns on investments		85,179,229.63	57,290,700.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		537,636.57	599,039.29
Net cash received from disposal of subsidiaries and other business units	5.56		309,600.00
Cash received from other investing activities	5.56	1,954,381,086.02	1,246,030,000.00
Sub-total of cash inflows from investing activities		2,040,097,952.22	1,304,229,339.83
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		50,125,585.40	71,016,327.90
Cash paid for investments		426,300,000.00	
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities	5.56	2,044,381,086.02	1,446,030,000.00
Sub-total of cash outflows from investing activities		2,520,806,671.42	1,517,046,327.90
Net cash flows from investing activities		-480,708,719.20	-212,816,988.07

Consolidated Statement of Cash Flows (Continued)

For the Year Ended December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2021	Year 2020
III. Cash flows from financing activities:			
Cash from absorption of investments			
Including: cash received by subsidiaries from investments by minority shareholders			
Cash received from borrowings			
Cash received from other financing activities	5.56		85,148,311.98
Sub-total of cash inflows from financing activities			85,148,311.98
Cash paid for debt repayments			50,000,000.00
Cash paid for distribution of dividends and profits or payment of interest		23,813,372.63	60,261,138.90
Including: dividends and profits paid to minority shareholders by subsidiaries		53,570.88	43,586,256.30
Cash paid for other financing activities	5.56	4,901,385.35	2,649,087.35
Sub-total of cash outflows from financing activities		28,714,757.98	112,910,226.25
Net cash flows from financing activities		-28,714,757.98	-27,761,914.27
IV. Effect of fluctuation in exchange rate on cash and cash equivalents			
		433,611.78	-8,163,284.59
V. Net increase in cash and cash equivalents			
Plus: beginning balance of cash and cash equivalents		-300,819,303.92	285,911,430.35
		1,149,052,807.58	863,141,377.23
VI. Ending balance of cash and cash equivalents			
		848,233,503.66	1,149,052,807.58

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 December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2021	Year 2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		129,646,592.11	100,186,576.91
Refund of taxes and surcharges			35,055,477.53
Cash received from other operating activities		293,158,614.50	226,252,606.02
Sub-total of cash inflows from operating activities		422,805,206.61	361,494,660.46
Cash paid for goods purchased and services received		65,751,842.92	49,342,382.92
Cash paid to and on behalf of employees		92,298,364.55	86,613,661.79
Cash paid for taxes and surcharges		10,597,133.06	7,971,589.61
Cash paid for other operating activities		52,624,393.26	258,486,455.74
Sub-total of cash outflows from operating activities		221,271,733.79	402,414,090.06
Net cash flow from operating activities		201,533,472.82	-40,919,429.60
II. Cash flows from investing activities:			
Cash received from disinvestment			
Cash received from returns on investments		170,458,535.55	155,966,749.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		33,200.00	39,280.25
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities		490,000,000.00	505,000,000.00
Sub-total of cash inflows from investing activities		660,491,735.55	661,006,029.85
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		2,271,453.55	12,134,652.21
Cash paid for investments		426,300,000.00	
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities		555,000,000.00	470,000,000.00
Sub-total of cash outflows from investing activities		983,571,453.55	482,134,652.21
Net cash flows from investing activities		-323,079,718.00	178,871,377.64

Cash Flow Statement (Continued)

For the Year Ended December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2021	Year 2020
III. Cash flows from financing activities:			
Cash from absorption of investments			
Cash received from borrowings			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities			
Cash paid for debt repayments			
Cash paid for distribution of dividends and profits or payment of interest		23,759,801.75	15,992,174.26
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		23,759,801.75	15,992,174.26
Net cash flows from financing activities		-23,759,801.75	-15,992,174.26
IV. Effect of fluctuation in exchange rate on cash and cash equivalents			
		28,537.91	-363.44
V. Net increase in cash and cash equivalents			
		-145,277,509.02	121,959,410.34
Plus: beginning balance of cash and cash equivalents		178,878,717.22	56,919,306.88
VI. Ending balance of cash and cash equivalents			
		33,601,208.20	178,878,717.22

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 Changes in Owners' Equity

For the Year Ended December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Year 2021											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
I. 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
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		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
III. Increase or decrease in 2020														
(* for decrease)														
(I) Total comprehensive income									-392,306.68	8,336,124.25	9,833,246.82	17,777,064.39	38,204,144.23	55,981,208.62
(II) Capital contributed or reduced by owners									-392,306.68		41,928,543.18	41,536,236.50	38,204,144.23	79,740,380.73
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									8,336,124.25		-32,095,296.36	-23,759,172.11		-23,759,172.11
1. Withdrawal of surplus reserves									8,336,124.25		-8,336,124.25			
2. Withdrawal of general risk reserves														
3. Profit distributed to owners (or shareholders)											-23,759,801.75	-23,759,801.75		-23,759,801.75
4. Others											629.64	629.64		629.64
(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									1,487,213.28			1,487,213.28		1,487,213.28
2. Use of special reserves									1,487,213.28			1,487,213.28		1,487,213.28
(VI) Others														
IV. Balance as at December 31, 2021	913,838,529.00				1,470,691,800.13		-73,601.84		276,018,152.13		866,732,902.94	3,527,207,782.36	275,153,486.92	3,802,361,269.28

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

Legal Representative:
Xia Dechuan

Accounting Principal:
Hu Dali

Head of the Accounting Department:
Liu Xianfang

Consolidated Statement of Changes in Owners' Equity (Continued)

For the Year Ended December 31, 2021 (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
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									100,600.00			100,600.00		100,600.00
2. Use of special reserves									100,600.00			100,600.00		100,600.00
(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 accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:
Xia Dechuan

Accounting Principal:
Hu Dali

Head of the Accounting Department:
Liu Xianfang

Statement of Changes in Owners' Equity

For the Year Ended December 31, 2021 (Amounts are expressed in RMB unless otherwise stated)

Item	Year 2021											
	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	
		Preferred stock	Perpetual bond	Others								
I. 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	
Plus: changes in accounting policies												
Correction of accounting errors in prior periods												
Others												
II. Balance as at January 1, 2021	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	
III. Increase or decrease in 2021 ("+" for increase)												
(I) Total comprehensive income									-392,306.68	8,336,124.25	51,265,946.17	59,209,763.74
(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												
1. Withdrawal of surplus reserves										8,336,124.25	-32,095,296.36	-23,759,172.11
2. Profit distributed to owners (or shareholders)										8,336,124.25	-8,336,124.25	
3. Others											-23,759,801.75	-23,759,801.75
(IV) Internal carry-forward of owners' equity											629.64	629.64
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, 2021	913,838,529.00				1,434,870,834.28		-73,601.84		276,018,152.13	222,538,007.45	2,847,191,921.02	

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 Owners' Equity (Continued)

For the Year Ended December 31, 2021 (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	
		Preferred stock	Perpetual bond	Others							
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, 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
III. Increase or decrease in 2019 ("+" for decrease)											
(I) Total comprehensive income							29,550.38		9,034,753.34	65,323,019.67	74,387,323.39
(II) Capital contributed or reduced by owners							29,550.38			90,347,533.41	90,377,083.79
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

Notes to the 2021 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 spilt 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 then 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 2021 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 HKD 2.13 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. 003967 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).

Notes to the 2021 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% 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 2021 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 2016 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 ratio of the Company was 29.98% in total.

Notes to the 2021 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, the company exchanged 18,276,000.00 directly held A shares of the company for the fund share of Jiashi central enterprise innovation driven trading open index securities investment fund with the corresponding market value. The company exchanged 9,138,000.00 directly held A shares of the company for the fund share of Boshi central enterprise innovation driven trading open index securities investment fund with the corresponding market value. These shares accounting for 3.00% of the total share capital of the company.

From April 14, 2020 to June 19, 2020, the controlling shareholder of Nanjing Zhongdian panda Information Industry Group Co., Ltd., China Electronic Information Industry Group Co., Ltd., through its overseas wholly-owned subsidiary Huadian Co., Ltd., increased its holdings of 27414000 H shares of the company, accounting for 3.00% of the total share capital of the company.

In 2020, China Huarong Asset Management Co., Ltd., the major shareholder of the company, reduced 674800 A shares, accounting for 0.07% of the total share capital of the company. In 2021, China Huarong Asset Management Co., Ltd. reduced 9133604 A shares, accounting for 1% of the total share capital of the company.

As of December 31, 2021, China Huarong Asset Management Co., Ltd. held 55338287 A shares of the company, accounting for 6.06% of the total share capital of the company.

As of December 31, 2021, the company has issued a total of 913,838,529 shares, with a registered capital of RMB913,838,529. China Electronics Information Industry Group Co., Ltd. holds 232,782,055 A shares and 41,182,000 H shares of the company. The total number of shares held accounting for 29.98% of the company's total share capital. Among them: Nanjing CEC Panda Information Industry Group Co., Ltd., a holding subsidiary, 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 share capital of the Company; through Nanjing CEC Panda Information Industry Group Co., Ltd. Panda Electronics Group Co., Ltd., a wholly-owned subsidiary of the company, holds 210,661,444 A shares of the company, accounting for 23.05% of the company's total share capital; and holds 27,414,000 H shares of the company through Huadian Co., Ltd., an overseas wholly-owned subsidiary, accounting for the total share capital of the company. 3.00% of share capital.

The parent company of the company is Panda Electronics Group Co., Ltd. China Electronics Information Industry Group Co., Ltd. is still the ultimate controller of the company.

Notes to the 2021 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 is a joint stock limited company (joint venture and listed in Taiwan, Hong Kong and Macao). The company engaged in the computer, communication and other electronic equipment manufacturing industry. Its primary businesses include smart transportation and safe city projects, Industrial Internet and smart manufacturing and installation, and sales of products of green service-oriented electronics manufacturing, etc. The operating period is from October 5, 1996 to an unspecified date.

The registered address of the company is No. 7, Jingtian Road, Nanjing Economic and Technological Development Zone. The legal representative is Xia Dechuan. The scope of businesses includes developing, manufacturing and selling wireless radio and television transmission equipment. The company also engages in after-sales and technical services for the above-mentioned business operations; developing, manufacturing and selling communication equipment, computers and other electronic equipment; instrumentation and cultural and office machinery; Electrical machinery and equipment; plastic products; general equipment such as fans, weighing instruments, packaging equipment; special equipment for chemical, wood, and non-metal processing; power transmission and distribution and control equipment; environmental protection, social public safety and other equipment; financial and tax control equipment; Power supply products; molds; computer service industry, software industry, system integration; property management; (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments)

The financial statements were approved for submission by the board of directors on March 30, 2022.

1.2 The scope of consolidated financial statements

The consolidation scope of the company's consolidated financial statements is determined on the basis of control, including the financial statements of the company and all subsidiaries. Subsidiaries refer to enterprises or entities controlled by the company. Refer to "6. change of consolidation scope" and "7. Equity in other entities" in this note for the scope and changes of consolidated financial statements in this period.

Notes to the 2021 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's financial statements shall be prepared in accordance with the interpretation of accounting standards, accounting standards and other relevant provisions (hereinafter referred to as "accounting standards for Business Enterprises"), and the general provisions of the information disclosure of public securities companies no. 15. In addition, the financial statements comply with the applicable disclosure provisions of the Securities listing rules issued by the Stock Exchange of Hong Kong Limited and with the applicable disclosure provisions of the Hong Kong Companies Ordinance.

2.2 Going concern

The financial statements are presented on a going-concern basis, and the Company has the going-concern capability for at least 12 months from the end of the report period.

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. Refer to "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, 2021 and their operating results and cash flows for the year then ended.

3.2 Accounting period

The accounting year adopts the calendar year from January 1 to December 31 each year.

3.3 Operating Cycle

The Company's operating cycle is 12 months

3.4 Functional currency

The functional currency of the Company is CNY.

Notes to the 2021 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 2021 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 2021 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 2021 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 2021 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.

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.

Notes to the 2021 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)

(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 2021 Financial Statements (Continued)

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

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.

The company's investment in joint ventures is accounted by the equity method. Refer to "3.15 long-term equity investment" in this note for details.

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 2021 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 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.10 Financial instruments

As a party to a financial instrument contract, the company 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 2021 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 2021 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

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 measured at fair value through other comprehensive income (debt instruments)

Financial assets measured at fair value through other comprehensive income include other debt investments (debt instruments), 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 2021 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 measured at fair value through other comprehensive income (equity instruments)

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 2021 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;
- The 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 2021 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 2021 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)

3.10.4 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 2021 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 2021 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, 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 2021 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 2021 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 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 book value.

Notes to the 2021 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 2021 Financial Statements (Continued)

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

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

Valuation of inventories is based on a weighted average method.

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.

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.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.12 Inventories (Continued)

3.12.4 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

3.13.1 Determination method and standards for contractual assets

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; Under the same contract, contract assets and contract liabilities are presented in net amounts. The company's unconditional (depending only on time goes by) right to receive consideration from customers is presented separately accounts receivable

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 2021 Financial Statements (Continued)

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

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 held 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 2021 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.

Merger of enterprises under different controlling group.: 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 methods

For long-term equity investments acquired from making payments in cash, the initial cost is the actually payment of purchase cost.

For long-term equity investments acquired from issue equity securities, the initial investment cost is the fair value of the issued equity securities.

Notes to the 2021 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

(1) Long-term equity investments accounted for 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 the 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 less than 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.

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 shared 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 of the 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.

Notes to the 2021 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 the equity method (Continued)

When recognizing the shares 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.

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.

Notes to the 2021 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

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.

For partial disposal of long-term equity investment accounted by equity method, if the remaining equity is still accounted by equity method, the other comprehensive income recognized by the original equity method shall be carried forward on the same basis as the corresponding proportion of invested unit's direct disposal of relevant assets or liabilities. and other changes in owner's equity shall be carried forward to the current profit and loss according to the proportion.

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 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.

Notes to the 2021 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 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.

If the equity investment in a subsidiary is disposed step by step through multiple transactions until the control is lost, and it belongs to the package transactions, then each transaction shall be treated as a transaction to dispose the equity investment in a subsidiary and lose the control; The difference between the price of each disposal and the book value of the long-term equity investment corresponding to the equity disposed before the loss of control is recognized as other comprehensive income in individual financial statements, and then transferred to the current profit and loss when the control is lost. If it is not a package deal, each transaction shall be subject to accounting treatment separately.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

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 (including buildings used for lease after the completion of self construction or development activities and buildings used for lease in the future in the process of construction or development).

Subsequent expenditures related to investment real estate are included in the cost of investment real estate when the relevant economic benefits are likely to flow in and the cost can be measured reliably; Otherwise, it shall be included in the current profit and loss when it occurs.

The company adopts the cost model to measure the existing investment real estate. For the investment real estate measured according to the cost model - buildings for rent, the same depreciation policy as the company's fixed assets is adopted, and the land use right for rent is implemented according to the same amortization policy as intangible assets.

3.17 Fixed assets

3.17.1 Recognition conditions and initial measurement of 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

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.

Notes to the 2021 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)

3.17.2 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 2021 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)

3.17.3 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 reaches expected serviceable state, it shall accrue to fixed assets and the depreciation shall be accrued from the next month. °

3.19 Borrowing costs

3.19.1 Recognition principles of capitalization of borrowing costs

The borrowing costs incurred can be directly attributable to the acquisition and construction or production of assets eligible for capitalization shall be capitalized and included in 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 2021 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 satisfied 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 shall 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 2021 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 live of 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 2021 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 check the 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 stage 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 2021 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 impracticable to distinguish between the research stage expenditure and the development stage expenditure, all the R&D expenditure incurred shall be included in the current profit and loss.

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 2021 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 refer to all expenses that have occurred but should be amortized during the current period and subsequent periods and with an amortization period of more than one year

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 2021 Financial Statements (Continued)

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

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 2021 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 2021 Financial Statements (Continued)

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

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 2021 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 2021 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 2021 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 are not satisfied with 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 has fulfilled the performance obligation in the contract, that is, the revenue is recognized when the customer obtains the control of relevant goods or services. Obtaining control over relevant goods or services means being able to dominate the use of such goods or services and obtain almost all economic benefits therefrom.

If the contract contains two or more performance obligations, the company will allocate the transaction price to each individual performance obligation, in accordance with the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation on the commencement date of the contract. The company measures the revenue according to the transaction price apportioned to each individual performance obligation.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.28 Revenue (Continued)

3.28.1 General principles of revenue recognition (Continued)

Transaction price refers to the amount of consideration that the company is expected to be entitled to receive, due to the transfer of goods or services to customers, excluding the amount collected on behalf of a third party or the amount expected to be returned to customers. The company determines the transaction price according to the contract terms and previous customary practices; influence of variable consideration; major financing components in the contract; non cash consideration; consideration payable to customers and other factors. The company determines the transaction price including variable consideration at an amount that does not exceed the amount that is probably not to be significantly reversed when the relevant uncertainty is eliminated. If there are significant financing components in the contract, the company determines the transaction price according to the amount payable assuming that the customer will pay in cash when obtaining the control of goods or services, and amortizes the difference between the transaction price and the contract consideration by using the effective interest rate method during the contract period.

If one of the following conditions is fulfilled, the performance obligation shall be performed within a certain period of time; otherwise, the performance obligation shall be performed at a certain point in time:

- While the company performs the contract, the customer obtains and consumes the economic benefits brought by performance of the company.
- The customer can control the goods under construction during the performance of the contract.
- The goods produced during the performance of the contract by the company have irreplaceable uses, and the company has the right to collect payment for the performance part that has been completed so far in the whole contract period.

For the obligations performed within a certain period of time, the company shall recognize the revenue according to the performance progress within that period, except that the performance progress cannot be reasonably determined. Considering the nature of goods or services, the company adopts the output method or input method to determine the performance progress. When the performance progress cannot be reasonably determined and the costs incurred are expected to be compensated, the company recognizes the revenue according to the amount of costs incurred until the performance progress can be reasonably determined.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.28 Revenue (Continued)

3.28.1 General principles of revenue recognition (Continued)

For the obligations performed at a certain point, the company recognizes the revenue when the customer obtains the control of relevant goods or services. When judging whether the customer has obtained the control of goods or services, the company considers the following signs:

- The company has the current right to receive consideration for the commodity or services, that is, the customer has the current payment obligation for the commodity or services.
- The company has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the goods.
- The company has transferred the commodity to the customer.
- The company has transferred the main risks and rewards of the ownership of the commodity to the customer, that is, the customer has obtained the main risks and rewards from ownership of the commodity.
- The customer has accepted the goods or services.

3.28.2 Revenue measurement principle

- (1) The company measures the income according to the transaction price apportioned to each individual performance obligation. The transaction price refers to the amount of consideration that the company is expected to be entitled to receive due to the transfer of goods or services to customers, excluding the amount collected on behalf of a third party and the amount expected to be returned to customers.
- (2) If there is a variable consideration in the contract, the company shall determine the best estimate of the variable consideration according to the expected value or the most likely amount, but the transaction price including the variable consideration shall not exceed the amount that the accumulated recognized income is unlikely to be significantly reversed when the relevant uncertainty is eliminated.

Notes to the 2021 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 Revenue measurement principle (Continued)

- (3) If there is a significant financing component in the contract, the company shall determine the transaction price according to the payable amount assumed to be paid in cash when the customer obtains the control over the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest rate method during the contract period. On the commencement date of the contract, if the company expects that the interval between the customer's acquisition of control over the goods or services and the customer's payment of the price is no more than one year, the major financing components in the contract will not be considered.
- (3) If the contract contains two or more performance obligations, the company will allocate the transaction price to each individual performance obligation on the contract commencement date according to the relative proportion of the individual selling price of the goods promised by each individual performance obligation.

3.28.3 Specific methods of revenue recognition

- (1) Revenue recognized at a point in time

The sales of company in safe city products, intelligent manufacturing core components and green service electronic manufacturing products are the performance obligations to be performed at a point in time. The revenue recognition of domestic products shall meet the following conditions: the company has delivered the products to the customers according to the contract; the control of the goods has been transferred; the payment for goods has been recovered or the collection certificate has been obtained; 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.

The revenue recognition of export products shall meet the following conditions: the company has declared the products in the custom according to the contract; obtained the bill of lading; recovered the payment for goods or obtained the collection certificate; and the relevant economic benefits are likely to flow in; the main risks and rewards of commodity ownership have been transferred; and the legal ownership of commodities has been transferred.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.28 Revenue (Continued)

3.28.3 Specific methods of revenue recognition (Continued)

(2) Revenue recognized according to performance progress

The company intelligent transportation integration, intelligent factory and system engineering installation and other service. Since the customer can control the goods or services under construction during the performance of the contract while the company performs the contract, and the company has the right to charge for the performance part that has been completed during the whole contract period, the company regards it as the performance obligation to be performed over time, and recognizes the income according to the performance progress, unless the performance progress cannot be reasonably determined. The company shall determine the performance progress of providing services according to the output method. If the cost incurred by the company is expected to be compensated when the performance progress cannot be reasonably determined, the revenue shall be recognized according to the amount of the cost incurred until the performance schedule can be reasonably determined.

(3) Rental services

If the company provides leasing services, it shall be recognized as rental income according to the straight-line method within the lease term agreed in the lease contract or agreement (the rent free period shall be considered if there is a rent free period). Refer to Notes 3.32 Relevant Disclosure of Lease Accounting Policies for details.

(4) Other

Others are applicable to property management and park service, and the income is recognized according to the straight-line method as agreed in the contract.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.29 Contract cost

Contract cost includes contract performance cost and contract acquisition cost.

If the cost incurred by the company for performing the contract does not fall within the scope of relevant standards and specifications such as inventory, fixed assets or intangible assets, it shall be recognized as a contract performance cost when the following conditions are fulfilled:

- the cost is directly related to a current or expected contract.
- this cost increases the company's future resources for performance obligations.
- the cost is expected to be recovered.

If the incremental cost incurred by the company to obtain the contract is expected to be recovered, it shall be recognized as the contract acquisition cost as an asset.

The assets related to the contract cost are amortized on the same basis as the recognition of the income from goods or services related to the assets; However, if the amortization period of contract acquisition cost does not exceed one year, the company will accrue it into the current profit and loss when it occurs.

If the book value of the assets related to the contract cost is higher than the difference between the following two items, the company shall withdraw the impairment provision for the excess part and recognize it as asset impairment loss:

1. The residual consideration expected to be obtained due to the transfer of goods or services related to the asset;
2. The estimated cost to be incurred for the transfer of the relevant goods or services.

If the impairment factors in the previous period change later, so that the above difference is higher than the book value of the asset, the company will reverse the originally accrued impairment provision and record it into the current profit and loss, but the book value of the asset after reversal will not exceed the book value of the asset on the reversal date assuming that the impairment provision is not withdrawn.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.30 Government grants

3.30.1 Classification

Government grants are monetary or non monetary assets obtained by the company from the government free of charge, which are divided into asset related government grants and income related government grants.

Government grants related to assets refer to the grants obtained by the company for the purchase and construction or the formation of long-term assets in other ways. Government grants related to income refer to government grants other than those related to assets.

3.30.2 Recognition

The Company recognizes government grants only when there is reasonable assurance that the company complies with the conditions attached to them and the grants has been received.

3.30.3 Accounting practice

Government grants related to assets shall offset the book value of relevant assets or be recognized as deferred income. If it is recognized as deferred income, it shall be included in the current profit and loss by stages according to a reasonable and systematic method within the service life of relevant assets (if it is related to the daily activities of the company, it shall be included in other income; if it is not related to the daily activities of the company, it shall be included in non-operating revenue);

Government grants related to income, which are used to compensate the relevant costs, expenses or losses of the company in the future, are recognized as deferred income, and are included in the current profit and loss (those related to the daily activities of the company are included in other income; those unrelated to the daily activities of the company are included in non-operating revenue) or offset the relevant costs, expenses or losses during the period when the relevant costs, expenses or losses are recognized; Those used to compensate the relevant costs, expenses or losses incurred by the company shall be directly included in the current profits and losses (those related to the daily activities of the company shall be included in other income; those unrelated to the daily activities of the company shall be included in non-operating revenue) or offset the relevant costs, expenses or losses.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.30 Government grants (Continued)

3.30.3 Accounting practice (Continued)

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.

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.

Notes to the 2021 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)

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 2021 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 adopts straight-line method to accrue 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.

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.

Notes to the 2021 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

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 2021 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 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, the company remeasures the lease liabilities according to the present value calculated by the changed lease payment and the revised discount rate;
- When the actual fixed payment amount changes, the expected payable amount of the guarantee residual value changes, or the index or ratio used to determine the lease payment amount changes, the company remeasures the lease liability according to the changed lease payment amount and the present value calculated by the original discount rate. However, if the change of lease payment derive from the change of floating interest rate, the revised discount rate shall be used to calculate the present value.

(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 2021 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:

- The lease change expands the scope of the lease by adding one or more rights to use the leased assets;
- 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.

(5) Rent reduction related to COVID-19 pneumonia

If the rent reduction or delay payment or other rental reductions of existing lease contracts arising from the COVID-19 pneumonia, and the following conditions are fulfilled, the company adopts simplified methods for all rental options, does not assess whether leasing changes occur, nor reevaluates the classification of the lease:

- The lease consideration after the concession is reduced or basically unchanged compared with before, the lease consideration is not discounted or discounted at the discount rate before the concession;
- The concession is only for the lease payment payable before June 30, 2022. The increase of lease payment payable after June 30, 2022 does not affect the satisfaction of this condition, and the decrease of lease payment payable after June 30, 2022 does not satisfy this condition;

Notes to the 2021 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)

(5) Rent reduction related to COVID-19 pneumonia (Continued)

- After comprehensive consideration of qualitative and quantitative factors, it is determined that there is no significant change in other terms and conditions of the lease.

For simplified methods related to COVID-19 pneumonia, the company does not assess whether leasing changes occur, continues to calculate the interest cost of leased liabilities in accordance with the discount rate before concession, accrue to the current profits and losses, and continues to depreciate the assets in accordance with the method before concession. In case of rent reduction, the company will treat the reduced rent as the amount of variable lease payment. When the original rent payment obligation is relieved by reaching a concession agreement, the cost or expense of relevant assets will be offset according to the discount amount of the undiscounted or pre concession discount rate, and the lease liabilities will be adjusted accordingly; If the payment of rent is delayed, the company shall offset the lease liabilities recognized in the previous period at the time of actual payment. For short-term leases and low value asset leases, the company continues to include the original contract rent into the relevant asset costs or expenses in the same way as before the concession. In case of rent reduction, the company will treat the reduced rent as the variable lease payment and offset the relevant asset costs or expenses during the reduction period; If the payment of rent is delayed, the company recognizes the rent payable as payable in the original payment period and offsets the payable recognized in the previous period when it is actually paid.

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.

Notes to the 2021 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)

(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.

(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.

Notes to the 2021 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

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.

(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.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.33 Discontinued operation

Discontinued operation refers 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.

3.34 Safety production cost

In accordance with the relevant provisions of the notice on printing and distributing the measures for the administration of the withdrawal and use of work safety expenses of enterprises (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the General Administration of work safety, the company withdraws work safety expenses according to the income percentage specified by the industry.

Production safety expenses shall be included in the cost of relevant products or current profits and losses when withdrawn, and shall be included in the "special reserve" account.

When the withdrawn work safety fee is used within the specified scope, if it belongs to expense expenditure, it shall be directly offset against the special reserve; If fixed assets are formed, the expenses incurred are collected through the "construction in progress" subject, and are recognized as fixed assets when the safety project is completed and reaches the expected usable state; At the same time, the special reserve shall be offset according to the cost of forming fixed assets, and the accumulated depreciation of the same amount shall be recognized. The fixed assets will not be depreciated in future periods.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.35 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.

3.36 Main accounting estimates and judgments

Estimates and judgments are assessed based on past experience and other factors (including reasonable predictions of future events in relevant circumstances). Estimates were continuously assessed and were based on historical experience and other factors, including expectations of future events that were considered to be justified in this context. Estimates and assumptions of a significant adjustment risk for the carrying amount of assets and liabilities in the next year are as follows:

3.36.1 Estimated service life and net residual value of fixed assets

The management of the Company confirms the estimated service life, net residual value and related depreciation costs based on the historical experience of the actual service life of the buildings, machinery and equipment with similar properties or functions. Management will adjust depreciation costs when previously estimated different or obsolete or sold technically obsolete or nonstrategic assets. The actual economic life may differ from the expected useful life, and the actual net residual value may also differ from the expected one. Regular inspection of depreciable life, estimated net residual value may cause changes and changes in depreciation costs for future periods.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.36 Main accounting estimates and judgments (Continued)

3.36.2 Net realizable value of the inventory

The net realizable value of the inventory is equal to the estimated selling price in the daily business activities minus the estimated cost to occur at completion, the estimated sales expenses, and related taxes and fees. The estimate is based on current market conditions and historical experience of producing and selling products of the same nature, which may change significantly by technological innovation, and the competitors' behavior in response to serious industry cycles. Management will reassess the estimate on the balance sheet date.

3.36.3 Current period and deferred income tax

The Company shall pay income tax in different jurisdictions and make significant judgments on the provision of income tax in each jurisdiction. In daily operations, the final determined tax involved in some transactions and calculations is uncertain. Considering the long-term nature and complexity of existing provisions, there will be differences between actual results and assumptions, and relevant assumptions will change in the future, thus affecting the determination of current income tax and deferred income tax.

When the management believes that it is likely to deduct sufficient temporary difference or income tax loss in the future, the deferred income tax assets related to the temporary difference or income tax loss are recognized. When the expected result is different from that before, the difference will affect the recognition of deferred income tax assets and current income tax expenses, which are included in the current period of the estimated change.

3.36.4 Impairment of financial assets

The provisions for impairment of financial assets are calculated based on assumptions about the risk of default and expected loss rates. The Group makes assumptions and selects the calculated input values against the past account ages, existing market conditions and forward-looking estimates at the end of each reporting period. Note III, (10) and III and (11) disclose information related to all key assumptions.

3.36.5 Impairment of non-financial assets

The management of the Company needs to make a judgment on the asset impairment on the balance sheet date, especially when evaluating long-term assets, including fixed assets, projects under construction, intangible assets, etc. The recoverable amount is the higher value between the fair value of the asset minus the disposal expense and the present value of the expected future cash flow. The revaluation recoverable amount can be adjusted at each impairment test. Note III. (21) to disclose the relevant information.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.37 Notes to adjustments for changes in accounting policies and accounting estimates, the correction of errors and other adjustments

3.37.1 Changes in accounting policies

- (1) The implementation of “Accounting Standards for Business Enterprises Interpretation No. 14”

The Ministry of Finance issued the interpretation of accounting standards for Business Enterprises No. 14 (CAI Kuai [2021] No. 1, hereinafter referred to as “Interpretation No. 14”) on February 2, 2021, which shall come into force as of the date of promulgation. The relevant newly added businesses from January 1, 2021 to the implementation date shall be adjusted according to Interpretation No. 14.

1. Benchmark interest rate reform

Interpretation No. 14 has made simplified accounting treatment provisions for the change of the determination basis of cash flows related to financial instrument contracts and lease contracts due to the reform of benchmark interest rates.

According to the interpretation, the businesses related to the benchmark interest rate reform before December 31, 2020 shall be retroactively adjusted, except that the retroactive adjustment is not feasible, and there is no need to adjust the data of the previous comparative financial statements. On the implementation date of the interpretation, the difference between the original book value and the new book value of financial assets and financial liabilities shall be included in the opening retained earnings or other comprehensive income of the annual reporting period on the implementation date of the interpretation.

The implementation of this provision has no significant impact on the financial status and operating results of the company.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.37 Notes to adjustments for changes in accounting policies and accounting estimates, the correction of errors and other adjustments (Continued)

3.37.1 Changes in accounting policies (Continued)

- (2) Implementation of the notice on the adjustment of scope of application of "Accounting Treatment Regulation of Rental Concession Related to COVID-19 Epidemic.

Accounting Treatment Regulation of Rental Concession Related to COVID-19 Epidemic (Finance 2020 [10]) was issued by the Ministry of Finance in June 19, 2020. For enterprises that satisfied the requirements of rent reduction and rent extension, which are directly triggered by the COVID-19 Epidemic, the enterprises can choose to adopt simplified methods for accounting treatment.

On May 26, 2021, the Ministry of Finance issued Notice on the adjustment of scope of application of "Accounting Treatment of Rental Concession Related to COVID-19 Epidemic Regulation (Accounting 2021 [9])." The application scope of the is adjusted from "before June 30, 2021" to "before June 30, 2022", and other applicable conditions remain unchanged.

The company has adopted the simplified method for accounting treatment of all lease contracts that match the conditions before the adjustment of the scope of application, and also adopted the simplified method for accounting treatment of similar lease contracts that meet the conditions after the adjustment of the scope of application, and retroactively adjusted the relevant lease contracts that have adopted the accounting treatment of lease change before the issuance of the notice, but did not adjust the data of the prior comparative financial statements; The relevant rental concessions that have not considered in accordance with the provisions of the notice between January 1, 2021, shall be adjusted according relatively. The implementation of this provision has no significant impact on the financial status and operating results of the company.

- (3) Implement the relevant presentation of centralized fund management in the Interpretation of Accounting Standards for Business Enterprises No. 15

The Ministry of Finance issued the interpretation of accounting standards for Business Enterprises No. 15 (CAI Kuai [2021] No. 35, hereinafter referred to as "Interpretation No. 15") on December 30, 2021. The content of "relevant presentation of centralized fund management" shall be implemented from the date of publication, and the data of financial statements in comparable periods shall be adjusted accordingly.

Interpretation No. 15 clearly stipulates how the balance involved in the centralized and unified management of the funds of the parent company and member units by enterprises through internal settlement centers and financial companies should be presented and disclosed in the balance sheet. The implementation of this provision has no significant impact on the financial status and operating results of the company.

Notes to the 2021 Financial Statements (Continued)

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

3 Significant accounting policies and accounting estimates (Continued)

3.37 Notes to adjustments for changes in accounting policies and accounting estimates, the correction of errors and other adjustments (Continued)

3.37.1 Changes in accounting policies (Continued)

- (4) Implement the “Questions and Answers on the Implementation of Accounting Standards for Business Enterprises” on the presentation of transportation expenses

According to the “Question and Answer on the Implementation of Accounting Standards for Business Enterprises” issued by the Ministry of Finance on November 2, 2021, for the transportation costs incurred before the control of goods is transferred to customers and for the performance of sales contracts, all the sales expenses are reclassified to operating costs. The company will implement the changed accounting policies from January 1, 2021. For the accounting treatment of transportation costs incurred for the performance of sales contracts before the control of goods is transferred to customers, the amount in the same period of last year shall be retroactively adjusted. The main impacts of implementation are as follows:

Contents and reasons for changes in accounting policies	Approval Procedures	Affected report items	Amount of impact on 2020	
			Consolidation	Parent company
For the transportation costs incurred before the control of the goods is transferred to the customer and for performance of the sales contract, all the sales expenses are reclassified to the operating cost	Approved by Board	Operating costs	13,584,529.19	302,579.99
		Sales expenses	-13,584,529.19	-302,579.99

3.37.2 Changes in accounting estimates

There was no change in the principal accounting estimates of the Company during the reporting period.

Notes to the 2021 Financial Statements (Continued)

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

4 Taxation

4.1 Major tax types and tax rates

Tax type	Basis of tax calculation	Applicable tax rate
Value-added tax ("VAT")	The output tax is calculated based on the income from the sale of goods and taxable services calculated in accordance with the tax law. After deducting the input tax allowed to be deducted in the current period, the difference is the value-added tax payable	13% for domestic sales of ordinary goods, utilities, etc., 9% for domestic provision of engineering services and leasing services, 6% for domestic provision of technical services, property services, etc., 5% for simple tax calculation of leasing services, 3% for simple tax calculation of some other services, and 1% for small-scale taxpayers
Urban maintenance and construction tax	Levied on the basis of the actual VAT and consumption tax paid	7%
Enterprise income tax	Levied based on taxable income	25%、20%、15%、16.5%
Education surcharge	Levied on the basis of the actual VAT and consumption tax paid	3%
Local education surcharges	Levied on the basis of the actual VAT and consumption tax paid	2%

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 2021 Financial Statements (Continued)

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

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 Information Industry Co., Ltd., a secondary subsidiary of the company, re-recognized as a high-tech enterprise on November 30, 2021 and obtained the high-tech enterprise certificate (Certificate No. GR202132006189) jointly issued by the Department of science and technology of Jiangsu Province, etc, which is valid for 3 years. During this period, Nanjing Panda Information Industry Co., Ltd. shall pay enterprise income tax at 15% of the taxable income. As of the reporting date, the high-tech enterprise certificate that has passed the reexamination has not been obtained, but the Department of science and technology of Jiangsu Province has published the new high-tech enterprise certificate number on the high-tech enterprise certification website.
5. Nanjing Panda electromechanical instrument technology Co., Ltd., a three-level subsidiary of the company, re recognized as a high-tech enterprise on November 30, 2021 and obtained the high-tech enterprise certificate (Certificate No. GR202132007415) jointly issued by Jiangsu Provincial Department of Science and Technology, etc, which is valid for 3 years. During this period, Nanjing Panda electromechanical instrument technology Co., Ltd. shall pay enterprise income tax at 15% of the taxable income. As of the reporting date, the high-tech enterprise certificate has not been obtained, but the Department of science and technology of Jiangsu Province has published the new high-tech enterprise certificate number on the high-tech enterprise certification website.

Notes to the 2021 Financial Statements (Continued)

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

4 Taxation (Continued)

4.2 Tax preference (Continued)

6. Jingwah Information Technology Co., Ltd., a third-level subsidiary of the Company, was re-recognized as a high-tech enterprise on December 23, 2021, and obtained the "High-tech Enterprise Certificate" (Certificate No. GR202144202917) jointly issued by Shenzhen Science and technology innovation Commission, and the validity of the certificate is 3 years. During this period, the Company shall pay income tax on 15% of the taxable income.
7. Nanjing Panda Electronic Equipment Co., Ltd., a secondary subsidiary of the company, re-recognized as a high-tech enterprise on November 30, 2021 and obtained the high-tech Enterprise Certificate (Certificate No. GR202132008673) jointly issued by the Ministry of science and technology of Jiangsu Province, etc., which is valid for 3 years. During this period, Nanjing Panda Electronic Equipment Co., Ltd. shall pay enterprise income tax at 15% of the taxable income.
8. Chengdu Panda Electronic Technology Co., Ltd., a secondary subsidiary of the company, complies with the reply of the State Administration of Taxation on the implementation of the catalogue of encouraged industries in the western region on enterprise income tax. For enterprises located in the western region, mainly engaged in encouraged industrial projects stipulated by the state, and whose main business income in the current year exceeds 60% of the total income of the enterprise, the enterprise shall apply by itself without the examination and confirmation of the tax authority, but retain the relevant documents for future reference., Chengdu Panda Electronic Technology Co., Ltd. shall pay enterprise income tax at a reduced rate of 15%
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. were identified as a small and micro-profit enterprises. According to the provisions of articles 1 and 2 of the announcement of the Ministry of Finance and the State Administration of Taxation on the implementation of preferential income tax policies for small and micro profit enterprises and individual industrial and commercial households (Announcement No. 12 of the Ministry of Finance and the State Administration of Taxation, 2021), the part of the annual taxable income of small and micro profit enterprises that do not exceed CNY 1 million shall be included in the taxable income at a reduced rate of 25% and the enterprise income tax shall be paid at a tax rate of 20%; The part of the annual taxable income exceeds CNY 1 million but not more than CNY 3 million, shall be included in the taxable income at a reduced rate of 50%, and the enterprise income tax shall be paid at a 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%.

Notes to the 2021 Financial Statements (Continued)

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

4 Taxation (Continued)

4.2 Tax preference (Continued)

11. According to the announcement of the Ministry of Finance and the State Administration of Taxation on “Further Improving the Policy of Pre-Tax Addition and Deduction of R&D Expenses” (Announcement No. 13 of the Ministry of Finance and the State Administration of Taxation in 2021), if the R&D expenses actually incurred in the R&D activities of manufacturing enterprises do not form intangible assets and are included in the current profit and loss, additional deduction as 100% of the actual amount shall be deducted from taxable income, since January 1, 2021; If intangible assets are formed, intangible assets shall be amortized before tax according to 200% of the cost, since January 1, 2021. The secondary subsidiaries of the company include Nanjing Panda Electronic Equipment Co., Ltd., Nanjing Panda Information Industry Co., Ltd., Nanjing Panda Electronic Manufacturing Co., Ltd., Nanjing Panda Communication Technology Co., Ltd., Chengdu Panda Electronic Technology Co., Ltd., and the tertiary subsidiaries of the company include Nanjing Panda electromechanical instrument technology Co., Ltd., Nanjing Huage electric automobile and plastic industry Co., Ltd. and Shenzhen Jinghua Information Technology Co., Ltd. enjoys the tax preference of additional deduction as 100% of the actual amount of R&D expenses before tax..
12. Nanjing Panda Xinxing Industrial Co., Ltd., the second-level subsidiary of the Company, shall 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 shall enjoy the preferential policy of 15% VAT Additional deduction.
13. Shenzhen Jinghua Property Management Co., Ltd, a third-level subsidiary of the Company, shall 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, Shenzhen Jinghua Property Management Co., Ltd should enjoy the preferential policy of 15% VAT additional deduction.
14. The Parking lot of Shenzhen Jinghua Electronic Co., Ltd, a third-level subsidiary of the company, enjoys the preferential policy for small-scale VAT taxpayers, “six taxes and two fees” 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 13%, 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. a second-level subsidiary of the company could enjoy this preferential policy.

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements

5.1 Monetary funds

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Cash on hand	91,821.05	178,831.50
Bank deposits	848,141,682.61	1,148,873,976.08
Including: deposit in finance company	496,800,654.26	495,766,965.50
Other monetary funds	114,984,973.35	166,674,020.39
Total	963,218,477.01	1,315,726,827.97
Including: total amount of deposits abroad	28,960,389.37	19,705,668.60

The monetary funds which were limited to use by mortgage, pledge, and frozen are as following:

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Bank acceptance bills margin	64,025,998.14	70,723,580.10
Guarantee for performance and letter of guarantee	47,948,271.68	95,863,960.21
Foreign exchange lock deposit	3,010,703.53	
L/C deposit		7.51
Government special account funds		86,472.57
Total	114,984,973.35	166,674,020.39

5.2 Trading financial assets

Items	Balance as at December 31, 2021	Balance as at December 31, 2020
Financial assets measured at fair value through profit or loss	472,241,399.61	501,356,576.18
Including: debt instrument investment		
Financial derivative	472,241,399.61	501,356,576.18
Total	472,241,399.61	501,356,576.18

Note: The trading financial assets of the company at the end of the period are bank financial products and long-term foreign exchange settlement and sales products.

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.3 Notes receivable

(1) Classification of notes receivable

Category	Balance as at December 31, 2021	Balance as at December 31, 2020
Bank acceptance bills	45,338,342.31	35,394,835.82
Commercial acceptance bills	14,451,442.08	
Total	59,789,784.39	35,394,835.82

(2) Notes receivable pledged as at December 31, 2021

Category	Amount of the note's receivable pledged as at December 31, 2021
Bank acceptance bill	35,896,927.52
Commercial acceptance bill	
Total	35,896,927.52

Note: The bill pledged is a guarantee for the issuance of a bank acceptance bill to the bill pool.

(3) Notes receivable endorsed or discounted by the company at the end of the period and not yet due on the balance sheet date

Category	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills		6,030,707.72
Commercial acceptance bills		1,600,000.00
Total		7,630,707.72

(4) There is no notes receivable turning into accounts receivable due to issuer's default at the year end.

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.4 Accounts receivable

5.4.1 Accounts receivable shown by aging

Aging	Balance as at December 31, 2021	Balance as at December 31, 2020
Within 1 year (including 1 year)	963,053,846.96	986,730,944.25
Including: 0-6 months	824,920,636.97	852,957,752.19
7-12 months	138,133,209.99	133,773,192.06
1-2 years	137,185,027.25	129,760,955.02
2-3 years	60,714,351.08	60,317,987.51
3-4 years	20,708,222.28	13,312,642.33
4-5 years	7,666,847.23	8,466,952.45
Over 5 years	12,874,370.77	20,343,866.35
Subtotal	1,202,202,665.57	1,218,933,347.91
Less: bad debt provision	51,281,921.92	57,062,433.32
Total	1,150,920,743.65	1,161,870,914.59

Note: the aging of the accounts receivable is disclosed according to the aging of the entry date.

5.4.2 Accounts receivable shown by classification of bad debt provisions

Type	Balance as at December 31, 2021					Balance as at December 31, 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	17,646,054.83	1.47	14,028,109.63	79.50	3,617,945.20	62,246,501.20	5.11	31,024,845.33	49.84	31,221,655.87
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	1,184,556,610.74	98.53	37,253,812.29	3.14	1,147,302,798.45	1,156,686,846.71	94.89	26,037,587.99	2.25	1,130,649,258.72
Including: The portfolio of aging Others portfolio	853,191,303.78	70.97	37,237,597.86	4.36	815,953,705.92	649,077,446.89	53.25	25,874,714.37	3.99	623,202,732.52
	331,365,306.96	27.56	16,214.43		331,349,092.53	507,609,399.82	41.64	162,873.62	0.03	507,446,526.20
Total	1,202,202,665.57	100.00	51,281,921.92		1,150,920,743.65	1,218,933,347.91	100.00	57,062,433.32		1,161,870,914.59

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021			Reasons
	Book balance	Provision for bad debts	Proportion of provision (%)	
Jiangsu Zhongshi Environmental Technology Co., Ltd	6,500,000.00	6,500,000.00	100.00	Not expected to be recovered
Jiangsu cable network development Co., Ltd. Sihong branch	3,784,000.00	1,570,500.00	41.50	Expect part of it cannot be recovered
Information Technology Department of a military command	2,023,000.00	2,023,000.00	100.00	Not expected to be recovered
China cable television network Co., Ltd. Hainan Branch	2,003,886.00	599,440.80	29.91	Expect part of it cannot 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
Baweitong Technology Co., Ltd	99,014.10	99,014.10	100.00	Not expected to be recovered
Sichuan Dongfang Ruicheng Technology Co., Ltd	99,003.25	99,003.25	100.00	Not expected to be recovered
Huaibei Tianli Materials Co., Ltd	66,582.39	66,582.39	100.00	Not expected to be recovered
Other minor summary	51,569.09	51,569.09	100.00	Not expected to be recovered
Total	17,646,054.83	14,028,109.63		

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021		
	Book balance	Provision for bad debts	Proportion (%)
Within 1 year (including 1 year)	646,861,500.74	6,316,114.64	0.98
Including: 0-6 months	520,539,208.31		
7-12 months	126,322,292.43	6,316,114.64	5.00
1-2 years	126,202,618.06	12,620,261.81	10.00
2-3 years	58,412,726.85	8,761,909.03	15.00
3-4 years	16,143,351.40	4,843,005.42	30.00
4-5 years	1,749,599.54	874,799.77	50.00
Over 5 years	3,821,507.19	3,821,507.19	100.00
Total	853,191,303.78	37,237,597.86	

Accounts receivable accruing bad debt provision in another portfolio

The name of portfolio	As at December 31, 2021		
	Book balance	Provision for bad debts	Proportion (%)
The portfolio of related parties	331,365,306.96	16,214.43	
Total	331,365,306.96	16,214.43	

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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 December 31, 2020	Changes during the period			As at December 31, 2021
		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	31,024,845.33	1,146,930.80	3,866,467.50	14,277,199.00	14,028,109.63
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	26,037,587.99	21,032,963.91	9,278,767.12	537,972.49	37,253,812.29
Of which: Accounts receivable accruing bad debt provision in aging portfolio	25,874,714.37	21,032,963.91	9,278,767.12	391,313.30	37,237,597.86
Of which: Accounts receivable accruing bad debt provision in related parties	162,873.62			146,659.19	16,214.43
Total	<u>57,062,433.32</u>	<u>22,179,894.71</u>	<u>13,145,234.62</u>	<u>14,815,171.49</u>	<u>51,281,921.92</u>

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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
Dafu automatic transfer equipment (Suzhou) Co., Ltd	3,619,267.12	Individual portfolio	Debt collection	Cash and Bank
Fuzhou BOE Photoelectric Technology Co., Ltd	1,142,279.72	Aging portfolio	Debt collection	Cash and Bank
Shijiazhuang rail transit Group Co., Ltd	700,206.90	Aging portfolio	Debt collection	Cash and Bank
Chengdu rail transit Group Co., Ltd	565,512.62	Aging portfolio	Debt collection	Cash and Bank
Nanjing Hexi New Town Construction and Development Co., Ltd	564,064.80	Aging portfolio	Debt collection	Cash and Bank
The 28th Research Institute of China Electronics Technology Corporation	386,752.00	Aging portfolio	Debt collection	Cash and Bank
Jianhu County Finance Audit and payment center	362,673.30	Aging portfolio	Debt collection	Cash and Bank
Nanjing Daming Industrial Development Co., Ltd	350,000.00	Individual portfolio	Debt collection	Cash and Bank
Linquan county key project construction administration bureau	345,133.29	Aging portfolio	Debt collection	Cash and Bank
Tianjin Binhai Rapid Transit Development Co., Ltd	340,724.23	Aging portfolio	Debt collection	Cash and Bank
Shucheng Shuxing Asset Operation Management Co., Ltd	316,608.38	Aging portfolio	Debt collection	Cash and Bank
Lai'an Jinpeng innovation and Innovation Industrial Park Management Co., Ltd	260,806.05	Aging portfolio	Debt collection	Cash and Bank
Baweitong Technology Co., Ltd	247,200.38	Individual portfolio	Debt collection	Cash and Bank
Hebi Tianhai Electronic Information System Co., Ltd	237,262.50	Aging portfolio	Debt collection	Cash and Bank
Jiangsu Aerospace Dawei Technology Co., Ltd	236,152.46	Aging portfolio	Debt collection	Cash and Bank
Zhangzhou Wanda Plaza Co., Ltd	221,250.00	Aging portfolio	Debt collection	Cash and Bank
Nanjing Future Technology City Economic Development Co., Ltd	195,096.79	Aging portfolio	Debt collection	Cash and Bank
Sihong radio and Television Information Network Co., Ltd	179,919.50	Aging portfolio	Debt collection	Cash and Bank
China Construction Second Engineering Bureau Co., Ltd	179,410.23	Aging portfolio	Debt collection	Cash and Bank
China Nuclear Industry Huaxing Construction Co., Ltd. Jiangsu Branch	178,795.32	Aging portfolio	Debt collection	Cash and Bank
Shenzhen electric appliance company	175,340.00	Aging portfolio	Debt collection	Cash and Bank
Nanjing City Vocational College	157,698.21	Aging portfolio	Debt collection	Cash and Bank
Lianyungang Chengji Real Estate Co., Ltd	141,574.51	Aging portfolio	Debt collection	Cash and Bank
Sihong treasury payment center	135,000.00	Aging portfolio	Debt collection	Cash and Bank
Zhenjiang Daquan solar energy Co., Ltd	131,987.59	Aging portfolio	Debt collection	Cash and Bank
Nanjing wandamao Investment Co., Ltd	113,414.06	Aging portfolio	Debt collection	Cash and Bank
Tongliao Wanda Plaza Investment Co., Ltd	108,298.98	Aging portfolio	Debt collection	Cash and Bank
Others	1,552,805.68	Aging portfolio	Debt collection	Cash and Bank
Total	13,145,234.62			

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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>14,815,171.49</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
Nanjing yougete communication equipment Co., Ltd	Payment for equipment	14,275,594.00	Debtor was bankrupt, has no executable assets and debt cannot be recovered	Board approval	No
Other minor summary	Payment for equipment	<u>539,577.49</u>	Account age of more than 5 years, not expected to be recovered	Board approval	
Total		<u><u>14,815,171.49</u></u>			

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021

Debtor	Book balance	Proportion in total accounts receivable (%)	Provision for bad debts
Nanjing BOE Display Technology Co., Ltd. (formerly Nanjing Zhongdian panda flat panel display technology Co., Ltd.)	143,060,257.30	11.90	
Nanjing Panda Handa Science & Technology Co., Ltd.	134,293,617.88	11.17	
Chengdu Cec Panda Display Technology Co., Ltd.	87,061,733.13	7.24	
Chengdu Rail Transit Group Co., Ltd.	62,337,533.86	5.19	3,536,876.90
Nanjing CEC Panda LCD Technology Co., Ltd.	38,511,787.49	3.20	42,391.43
Total	<u>465,264,929.66</u>	<u>38.70</u>	<u>3,579,268.33</u>

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, 2021
Accounts receivable not overdue and not impaired	851,888,300.84
Accounts receivable overdue and not impaired – within 3 months	86,027,845.10
Accounts receivable overdue and not impaired – over 3 months	213,004,597.71
Total	<u>1,150,920,743.65</u>

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.5 Receivables financing

5.5.1 Details of receivables financing

Category	As at December 31, 2021	As at December 31, 2020
Notes receivable	20,272,279.95	144,969,078.62
Accounts receivable		
Total	<u>20,272,279.95</u>	<u>144,969,078.62</u>

5.5.2 Changes of receivables financing and fair value in current period

Item	Balance as at December 31, 2020	Increase in 2021	Current termination recognition	Other changes	As at December 31, 2021	Accumulated loss reserves recognized in other comprehensive income
Notes receivable	144,969,078.62	683,424,494.37	808,121,293.04		20,272,279.95	
Total	<u>144,969,078.62</u>	<u>683,424,494.37</u>	<u>808,121,293.04</u>		<u>20,272,279.95</u>	

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.6 Advance to suppliers

5.6.1 Advances to suppliers presented by aging

Aging	As at December 31, 2021		As at December 31, 2020	
	Book balance		Book balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 (inclusive) year	42,818,993.53	73.57	92,283,338.96	84.15
1-2 years	8,497,444.33	14.60	10,334,117.20	9.42
2-3 years	3,934,292.28	6.76	2,660,380.67	2.43
Over 3 years	2,948,470.26	5.07	4,382,583.67	4.00
Total	58,199,200.40	100.00	109,660,420.50	100.00

Note : The aging of the prepayment is disclosed according to the aging of the recording transaction date.

5.6.2 Top five of advances to suppliers of ending balance by the debtor

Debtor	Book balance	Proportion in total advances to suppliers (%)
Joc International Technical Engineering Co., Ltd.	4,958,560.33	8.52
NanJing Customs District P.R. China China Railway Signal & Communication Shanghai Engineering Bureau Group Ltd.	4,393,905.88	7.55
Nanjing Keyong Technology Co., Ltd.	3,854,543.30	6.62
Putian Ruida Information Technology Co., Ltd.	2,544,079.47	4.37
	2,488,859.69	4.28
Total	18,239,948.67	31.34

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.7 Other receivables

Item	Balance as at December 31, 2021	Balance as at January 1, 2021
Interest receivable		
Dividend receivable		
Other receivables	41,962,947.68	50,074,829.20
Total	41,962,947.68	50,074,829.20

5.7.1 Other receivables

(1) Other receivables shown by aging

Aging	Balance as at December 31, 2021	Balance as at January 1, 2021
Within 1 year (including 1 year)	20,796,890.38	38,443,893.76
Including: 0-6 months	16,634,257.04	30,206,671.39
7-12 months	4,162,633.34	8,237,222.37
1-2 years	16,357,075.66	5,824,450.55
2-3 years	3,958,635.24	5,776,830.21
3-4 years	2,692,438.06	3,916,124.26
4-5 years	3,150,229.13	1,020,662.09
Over 5 years	9,170,578.35	11,385,953.10
Sub-total	56,125,846.82	66,367,913.97
Less: Bad debt provision	14,162,899.14	16,293,084.77
Total	41,962,947.68	50,074,829.20

Note: the aging of other receivables shall be disclosed according to the aging on the entry date.

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021					As at December 31, 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	14,037,666.76	25.01	9,938,500.28	70.80	4,099,166.48	9,953,802.68	15.00	9,953,802.68	100.00	
Provision for bad debts by portfolio	42,088,180.06	74.99	4,224,398.86	10.04	37,863,781.20	56,414,111.29	85.00	6,339,282.09	11.24	50,074,829.20
Including: aging portfolio	15,373,921.37	27.39	3,552,562.00	23.11	11,821,359.37	35,338,963.81	53.25	5,630,699.68	15.93	29,708,264.13
Other portfolios	26,714,258.69	47.60	671,836.86	2.51	26,042,421.83	21,075,147.48	31.75	708,582.41	3.36	20,366,565.07
Total	56,125,846.82	100.00	14,162,899.14		41,962,947.68	66,367,913.97	100.00	16,293,084.77		50,074,829.20

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
MCT Worldwide LLC	6,937,000.00	6,937,000.00	100.00	Not expected to be recovered
Hangzhou Guoxin Vision Technology Co., Ltd.	4,308,233.68	209,067.20	4.85	Not expected to be recovered
Chongqing Ruyang Communication Technology Co., Ltd.	1,400,000.00	1,400,000.00	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
Suzhou Sujing Environmental Engineering Co., Ltd.	569,445.00	569,445.00	100.00	Not expected to be recovered
Other summaries	10,000.00	10,000.00	100.00	Not expected to be recovered
Total	<u>14,037,666.76</u>	<u>9,938,500.28</u>		

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021		
	Book balance	Provision for bad debts	Proportion of provision (%)
Within 1 year (including 1 year)	5,712,005.49	49,947.99	0.87
Including: 0-6 months	4,713,045.77		
7-12 months	998,959.72	49,947.99	5.00
1-2 years	1,748,151.92	174,815.20	10.00
2-3 years	3,323,023.84	498,453.58	15.00
3-4 years	1,432,390.84	429,717.25	30.00
4-5 years	1,517,442.61	758,721.31	50.00
Over 5 years	1,640,906.67	1,640,906.67	100.00
Total	15,373,921.37	3,552,562.00	

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021		
	Book balance	Provision for bad debts	Proportion of provision (%)
Portfolio of deposit, security deposit and employee reserve fund	26,714,258.69	671,836.86	2.51
Total	26,714,258.69	671,836.86	

(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, 2020	6,339,282.09		9,953,802.68	16,293,084.77
Balance as at January 1, 2021				
- transfer to second stage				
- transfer to Third stage				
- transfer back to second stage				
- transfer back to first stage				
Accrued in current period	1,325,093.44		778,512.20	2,103,605.64
Reversal in current period	3,012,758.12		578,342.00	3,591,100.12
Reseller in current period				
Written-off in current period	427,218.55		215,472.60	642,691.15
Other changes				
Balance as at December 31, 2021	4,224,398.86		9,938,500.28	14,162,899.14

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.7 Other receivables (Continued)

5.7.1 Other receivables (Continued)

(3) Details of accrued bad debt provision

Changes in carrying amount 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, 2020	56,414,111.29		9,953,802.68	66,367,913.97
Balance as at January 1, 2021				
– transfer to second stage				
– transfer to Third stage				
– transfer back to second stage				
– transfer back to first stage				
Increase in current period	53,978,809.37		4,879,278.68	58,858,088.05
Current termination recognition	68,304,740.60		795,414.60	69,100,155.20
Other changes				
Balance as at December 31, 2021	<u>42,088,180.06</u>		<u>14,037,666.76</u>	<u>56,125,846.82</u>

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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 December 31, 2020	Changes in current period			Balance as at December 31, 2021
		Provision for bad debt incurred in current period	Reversed or received	Written off	
Other receivable accruing bad debt provision in single item	9,953,802.68	778,512.20	578,342.00	215,472.60	9,938,500.28
Other receivables accruing bad debt provision in credit risk characteristic portfolio	6,339,282.09	1,325,093.44	3,012,758.12	427,218.55	4,224,398.86
Including: aging portfolio	5,630,699.68	977,520.56	2,853,675.50	201,982.74	3,552,562.00
Other portfolios	708,582.41	347,572.88	159,082.62	225,235.81	671,836.86
Total	16,293,084.77	2,103,605.64	3,591,100.12	642,691.15	14,162,899.14

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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

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
Zaozhuang Branch of Nanjing Fire Engineering Co., Ltd.	1,085,324.83	Aging portfolio	Debt collection	Cash and Bank
Nanjing Huipai Communication Technology Co., Ltd.	300,000.00	Single item	Debt collection	Cash and Bank
Shuyang Public Resources Trading Service Co., Ltd.	200,000.00	Aging portfolio	Debt collection	Cash and Bank
China Mobile Group Jiangsu Co., Ltd	200,000.00	Aging portfolio	Debt collection	Cash and Bank
Chongqing Ruyang Communication Technology Co., Ltd.	200,000.00	Aging portfolio	Debt collection	Cash and Bank
China Mcc17 Group Co., Ltd.	135,025.00	Aging portfolio	Debt collection	Cash and Bank
Suzhou Industry Zone Weiting Town Fangdichan Development Co.,Ltd	100,000.00	Other portfolios	Debt collection	Cash and Bank
Shenzhen Wanxiangmei Property Management Co., Ltd.	100,000.00	Aging portfolio	Debt collection	Cash and Bank
Suzhou Public Resources Trading Center	80,000.00	Aging portfolio	Debt collection	Cash and Bank
Jiangsu Overseas Group International Engineering Consulting Co., Ltd.	78,850.00	Aging portfolio	Debt collection	Cash and Bank
Hugle (Japan) Co., Ltd.	78,342.00	Single item	Debt collection	Cash and Bank
Karamay Jinke Project Supervision Co., Ltd.	75,000.00	Aging portfolio	Debt collection	Cash and Bank
Shangdong Earthquake Agency	64,526.52	Aging portfolio	Debt collection	Cash and Bank
Anhui Province Yangtze River Administration	57,152.16	Aging portfolio	Debt collection	Cash and Bank
Zhongxin Zhidi Suzhou Industrial Park Co., Ltd.	50,000.00	Aging portfolio	Debt collection	Cash and Bank
Nanjing Zhoudao Real Estate Co., Ltd.	50,000.00	Aging portfolio	Debt collection	Cash and Bank
Other summaries	<u>736,879.61</u>	Aging portfolio	Debt collection	Cash and Bank
Total	<u><u>3,591,100.12</u></u>			

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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>642,691.15</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
C&S INT Ltcl (South Korea) Co., Ltd	Intercourse funds	163,595.53	Account age of more than 10 years, is expected to be unable to recover	Board approval	No
Nanjing Heze Information Technology Co., Ltd.	Intercourse funds	95,600.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Nanjing Questyle Materials Co., Ltd.	Intercourse funds	74,300.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Nanjing KERUI Material Handling Co., Ltd.	Intercourse funds	70,130.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Sanwa Supply Shanghai INC.	Intercourse funds	62,560.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Zhuowao Industrial Equipment (Shanghai) Co., Ltd.	Intercourse funds	30,200.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.7 Other receivables (Continued)

5.7.1 Other receivables (Continued)

(5) Others receivable written off in the period

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
V Technology Co.,Ltd	Intercourse funds	25,927.46	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Shanghai Manbo Electronics Co., Ltd.	Intercourse funds	18,000.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
CSC(Japan) Co., Ltd	Intercourse funds	17,630.53	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Shanghai Niubei Industry Co., Ltd.	Intercourse funds	15,461.60	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Shanghai Sijiangli Driving Machinery Co., Ltd.	Intercourse funds	10,080.00	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Other summaries	Intercourse funds	59,206.03	Account age of more than 5 years, is expected to be unable to recover	Board approval	No
Total		<u>642,691.15</u>			

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021	Balance as at December 31, 2020
Deposit, security deposit	46,019,877.07	55,008,952.42
Export tax refund	2,153,118.21	4,513,619.31
Others	7,952,851.54	6,845,342.24
Total	56,125,846.82	66,367,913.97

(7) Top five of other receivables of balance as at December 31, 2021 the debtor

Debtor	Nature of fund	Book balance	Aging	Proportion in total other receivables (%)	Provision for bad debts
MCT Worldwide LLC	Deposit	6,937,000.00	More than 5 years	12.36	6,937,000.00
Hangzhou Guoxin Vision Technology Co., Ltd.	Payment for goods	4,308,233.68	1-2 years	7.68	209,067.20
Nantong Urban Rail Transit Co., Ltd.	Security deposit	3,400,000.00	1-3 years	6.06	60,000.00
China International Tendering Co., Ltd.	Security deposit	2,998,000.00	Within 1 year	5.34	
Nanjing Metro Operation Co., Ltd.	Security deposit	1,641,477.60	0-4 years	2.92	198,991.04
Total		19,284,711.28		34.36	7,405,058.24

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.8 Inventories

5.8.1 Classification of inventories

Item	Amount as at December 31, 2021		
	Book balance	Provision for impairment loss	Book value
Raw materials	348,934,448.96	15,212,128.73	333,722,320.23
Contract performance cost	277,043,933.28	1,456,786.19	275,587,147.09
Stored commodities	138,257,857.53	24,180,415.15	114,077,442.38
Delivered commodities	138,307,290.63	7,960,884.57	130,346,406.06
Goods in progress	132,167,301.94	11,577,864.56	120,589,437.38
Circulating materials	1,211,113.63	116,206.39	1,094,907.24
Total	<u>1,035,921,945.97</u>	<u>60,504,285.59</u>	<u>975,417,660.38</u>

Item	Amount as at December 31, 2020		
	Book balance	Provision for impairment loss	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
Total	<u>840,193,531.49</u>	<u>48,846,987.56</u>	<u>791,346,543.93</u>

5.8.2 Provision for impairment loss of inventory and contract performance cost

Items	Amount as at December 31, 2020	Increment in 2021		Reduction in 2021		Amount as at December 31, 2021
		Provision	Others	Recovery	Written-off	
Raw materials	11,632,665.92	8,127,300.25		4,066,971.83	480,865.61	15,212,128.73
Stored commodities	17,158,906.71	10,622,826.44		2,883,222.42	718,095.58	24,180,415.15
Contract performance cost	9,704,839.83			2,878,946.27	5,369,107.37	1,456,786.19
Goods in progress	9,584,808.43	4,524,235.32		2,531,179.19		11,577,864.56
Circulating materials	765,766.67				649,560.28	116,206.39
Delivered commodities		7,960,884.57				7,960,884.57
Total	<u>48,846,987.56</u>	<u>31,235,246.58</u>		<u>12,360,319.71</u>	<u>7,217,628.84</u>	<u>60,504,285.59</u>

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.9 Contract Assets

5.9.1 Details of Contract assets

Item	Amount as at December 31, 2021			Amount as at December 31, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Intelligent Transportation System and Safe City	116,803,704.30		116,803,704.30	74,264,579.68		74,264,579.68
Industrial network and Intelligent Manufacturing	233,407.63		233,407.63	2,314,427.00	347,164.05	1,967,262.95
Total	<u>117,037,111.93</u>		<u>117,037,111.93</u>	<u>76,579,006.68</u>	<u>347,164.05</u>	<u>76,231,842.63</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 and Safe City	42,539,124.62	Amount increased due to changes in performance time measurement
Industrial network and Intelligent Manufacturing	<u>-1,733,855.32</u>	Receivables transferred from contract assets confirmed at the beginning of the year
Total	<u>40,805,269.30</u>	

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in 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, 2021					Balance as at December 31, 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
Provision for bad debts by portfolio	117,037,111.93	100.00			117,037,111.93	74,264,579.68	96.98			74,264,579.68
Including: aging portfolio	117,037,111.93	100.00			117,037,111.93	74,264,579.68	96.98			74,264,579.68
Total	117,037,111.93	100.00			117,037,111.93	76,579,006.68	100.00	347,164.05		76,231,842.63

Provision for bad debts by portfolio

Portfolio: other portfolios

Item	Amount as at December 31, 2021		
	Book balance	Provision for bad debts	Proportion of provision (%)
Aging portfolio	117,037,111.93		
Total	117,037,111.93		

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.9 Contract Assets (Continued)

5.9.4 Bad debt provision, reversal and recovery in the current period

Item	Balance as at December 31, 2020	Changes in current period			Balance as at December 31, 2021	Reasons
		Provision for bad debt incurred in current period	Reversed or received	Written off		
Industrial network and Intelligent Manufacturing	347,164.05		347,164.05			Transfer to accounts receivable
Total	347,164.05		347,164.05			

5.10 Non-current Asset Matured within One-Year

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Warranty payment	12,892,936.65	
Total	12,892,936.65	

5.11 Other current assets

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
large-denomination certificates of deposit	120,000,000.00	
Enterprise Income Tax paid in advance	10,027,032.80	9,168,055.42
VAT allowance, Input tax to be credited and Input tax to be certified	9,343,051.55	19,595,377.69
Total	139,370,084.35	28,763,433.11

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.12 Long-term equity investments

Investee	Balance as at December 31, 2020	Increase/decrease in 2021							Balance as at December 31, 2021	Balance of provision for impairment as at December 31, 2021	
		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.	228,877,780.33			36,199,757.75			65,309,080.41			199,768,457.67	
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.	2,030,527.00			-15,625.93					-301,071.19	1,713,829.88	
Shenzhen Chebao Information Technology Co., Ltd.	274,575.51			26,223.41						300,798.92	
Nanjing Lg Panda Appliances Co., Ltd.		426,300,000.00		10,492,555.43						436,792,555.43	
Nanjing Huaxian High Technology Co., Ltd.///											
Subtotal	295,182,882.84	426,300,000.00		46,702,910.66			65,309,080.41		-301,071.19	702,575,641.90	13,192,317.99
Total	295,182,882.84	426,300,000.00		46,702,910.66			65,309,080.41		-301,071.19	702,575,641.90	13,192,317.99

NOTE [1]: [Nanjing Huaxian High Technology Co., Ltd. is an associate of the Company, and the book value of long-term equity investment has been written down to CNY 0.00. Nanjing Huaxian High Technology Co., Ltd. has been cancelled on October 23, 2020, and will be written off in this period.

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.13 Other equity instrument investment

5.13.1.1 Details of other equity instruments

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd.	3,551,864.21	4,074,939.80
Total	<u>3,551,864.21</u>	<u>4,074,939.80</u>

5.13.1.2 Details of significant trading equity instrument investment

Item	The dividend recognized in current 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.			98,135.79		Non-trading equity instrument investment	

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.14 Investment property

5.14.1.1 Investment properties measured by cost

Items	Housing and buildings	Land-use right	Construction in progress	Total
1. Original book value				
(1) Balance as at December 31, 2020	311,436,022.31			311,436,022.31
(2) Increase in 2021				
– outsourcing				
– inventory/fixed assets transferred from construction in progress				
(3) Decrease in 2021	2,277,575.76			2,277,575.76
– disposal				
– others	2,277,575.76			2,277,575.76
(4) Balance as at December 31, 2021	<u>309,158,446.55</u>			<u>309,158,446.55</u>
2. Accumulated depreciation and accumulated amortization				
(1) Balance as at December 31, 2020	76,427,842.51			76,427,842.51
(2) Increase in 2021	8,484,267.44			8,484,267.44
– accrued or amortized	8,484,267.44			8,484,267.44
– transferred in				
(3) Decrease in 2021	1,192,569.93			1,192,569.93
– disposal				
– others	1,192,569.93			1,192,569.93
(4) Balance as at December 31, 2021	<u>83,719,540.02</u>			<u>83,719,540.02</u>
3. Provision for impairment				
(1) Balance as at December 31, 2020				
(2) Increase in 2021				
– accrued				
(3) Decrease in 2021				
– disposal				
(4) Balance as at December 31, 2021				
4. Book Value				
(1) Book value at December 31, 2020	225,438,906.53			225,438,906.53
(2) Book value at December 31, 2021	<u>235,008,179.80</u>			<u>235,008,179.80</u>

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.15 Fixed assets

5.15.1 Fixed assets and disposal of fixed assets

Item	Book value as at December 31, 2021	Book value as at December 31, 2020
Fixed assets	921,181,180.87	964,663,766.78
Disposal of fixed assets	114,309.60	114,309.60
Total	921,295,490.47	964,778,076.38

5.15.2 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 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
(2) Increase in 2021	2,277,575.76	25,812,129.35	589,910.32	4,244,758.16	6,089,799.26	39,014,172.85
– acquired		17,225,326.34	589,910.32	2,833,585.23	5,307,019.23	25,955,841.12
– transferred from						
construction in progress		6,914,398.24		489,102.58	782,780.03	8,186,280.85
– increase in mergers	2,277,575.76					2,277,575.76
– others //		1,672,404.77		922,070.35		2,594,475.12
(3) Decrease in 2021	2,594,475.12	10,250,911.89	1,596,340.63	647,601.78	340,145.13	15,429,474.55
– disposal		4,644,074.28	1,596,340.63	647,601.78	340,145.13	7,228,161.82
– transferred to investment property		5,606,837.61				
– others //	2,594,475.12					2,594,475.12
(4) Balance as at December 31, 2021	<u>919,025,906.82</u>	<u>563,091,185.71</u>	<u>23,817,296.22</u>	<u>84,752,720.19</u>	<u>74,049,374.62</u>	<u>1,664,736,483.56</u>

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.15 Fixed assets (Continued)

5.15.2 Details of fixed assets (Continued)

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
2. Accumulated depreciation						
(1) Balance as at December 31, 2020	246,161,081.17	310,476,721.51	18,045,223.35	54,979,329.49	46,798,405.63	676,460,761.15
(2) Increase in 2021	30,720,177.05	32,250,867.65	1,882,653.08	7,541,059.60	6,254,267.24	78,649,024.62
– accrued	29,527,607.12	32,250,867.65	1,882,653.08	7,541,059.60	6,254,267.24	77,456,454.69
– others	1,192,569.93					1,192,569.93
(3) Decrease in 2021		9,256,545.80	1,395,597.95	607,102.65	316,597.88	11,575,844.28
– disposal or retired		3,817,913.32	1,395,597.95	607,102.65	316,597.88	6,137,211.80
– Transfer to investment properties		5,438,632.48				5,438,632.48
(4) Balance as at December 31, 2021	<u>276,881,258.22</u>	<u>333,471,043.36</u>	<u>18,532,278.48</u>	<u>61,913,286.44</u>	<u>52,736,074.99</u>	<u>743,533,941.49</u>
3. Provision for impairment						
(1) Balance as at December 31, 2020				27,257.33		27,257.33
(2) Increase in 2021						
– accrued						
(3) Decrease in 2021				5,896.13		5,896.13
– disposal or retired				5,896.13		5,896.13
(4) Balance as at December 31, 2021				<u>21,361.20</u>		<u>21,361.20</u>
4. Book Value						
(1) Book value at December 31, 2020	642,144,648.60	229,620,142.35	5,285,017.74	22,818,072.55	21,313,299.63	921,181,180.87
(2) Book value at December 31, 2021	<u>673,181,725.01</u>	<u>237,053,246.74</u>	<u>6,778,503.18</u>	<u>26,148,976.99</u>	<u>21,501,314.86</u>	<u>964,663,766.78</u>

Notes 1: The classification of fixed assets was adjusted according to the final accounts report, with a total amount of CNY 2,594,475.12, of which CNY 1,672,404.77 was adjusted to machinery and equipment, and CNY 922,070.35 was adjusted to electronic equipment.

5.15.3 There are no temporarily idle fixed assets in this reporting period

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.15 Fixed assets (Continued)

5.15.4 Fixed assets lease out through operating leases

Items	Housing and buildings	Motor vehicles	Total
1. Original book value			
(1) Balance as at December 31, 2020	52,264,464.44	4,146,656.32	56,411,120.76
(2) Increase in 2021	421,375.82	180,390.65	601,766.47
– Other increase	421,375.82	180,390.65	601,766.47
(3) Decrease in 2021		385,034.58	385,034.58
– Disposal or scrapping			
– Other decrease		385,034.58	385,034.58
(4) Balance as at December 31, 2021	<u>52,685,840.26</u>	<u>3,942,012.39</u>	<u>56,627,852.65</u>
2. Accumulated depreciation			
(1) Balance as at December 31, 2020	36,882,662.00	3,315,063.79	40,197,725.79
(2) Increase in 2021	4,837,136.69	186,894.72	5,024,031.41
– accrued	4,837,136.69	186,894.72	5,024,031.41
– Other increase			
(3) Decrease in 2021		224,214.67	224,214.67
– Disposal or scrapping			
– Other decrease		224,214.67	224,214.67
(4) Balance as at December 31, 2021	<u>41,719,798.69</u>	<u>3,277,743.84</u>	<u>44,997,542.53</u>
3. Provision for impairment			
(1) Balance as at December 31, 2020			
(2) Increase in 2021			
– accrued			
(3) Decrease in 2021			
– Disposal or scrapping			
(4) Balance as at December 31, 2021			
4. Book Value			
(1) Book value at December 31, 2021	10,966,041.57	664,268.55	11,630,310.12
(2) Book value at December 31, 2020	<u>15,381,802.44</u>	<u>831,592.53</u>	<u>16,213,394.97</u>

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.15 Fixed assets (Continued)

5.15.5 Fixed assets with unfinished certificate

Items	Book Value	Reasons for unfinished certificate
Housing and building (Shenzhen Long Gang Jinghua Electronics Co., Ltd.)	11,657,657.23	Cooperative construct – The land is collectively -owned land from Shenzhen Longgang Liang'an Tian Economic Development Co., Ltd
Park Construction	55,286,155.78	The certificate is in progress
No. 3 Workshop in Xingang industrial park	5,423,141.43	The certificate is in progress

5.15.6 Other instructions

The situation of fixed assets useful live in Mainland China:

Located in China	Balance as at December 31, 2021	Balance as at December 31, 2020
Medium term(10-50 years)	642,144,648.60	673,181,725.01
Short term(within 10 years)	279,036,532.27	291,482,041.77

5.15.7 Disposal of fixed asset

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Machinery and equipment	114,309.60	114,309.60
Total	114,309.60	114,309.60

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.16 Construction in progress

5.16.1 Construction in process and construction material

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Construction in process	1,662,327.51	7,346,214.86
Construction materials		
Total	<u>1,662,327.51</u>	<u>7,346,214.86</u>

5.16.2 Status of construction in progress

Items	Balance as at December 31, 2021			Balance as at December 31, 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	877,358.48		877,358.48	3,206,506.25		3,206,506.25
Other sporadic projects	784,969.03		784,969.03	145,421.24		145,421.24
Total	<u>1,662,327.51</u>		<u>1,662,327.51</u>	<u>7,346,214.86</u>		<u>7,346,214.86</u>

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.16 Construction in progress (Continued)

5.16.3 Changes of important construction in progress in 2021

Project	Budget	Balance as at	Increase in	Amount transferred into		Balance as at	Ratio of	Accumulated	Including:	Capitalization	Source of funds
		December 31, 2020	2021	fixed assets in 2021	Other decreases in 2021	December 31, 2021	input in total budget	Project amount of interest	capitalization amount of the interest of 2021	rate of the interest of 2021	
							(%)	(%)		(%)	
Panda Electromechanical Sheet Metal Workshop Phase II Transformation: Automatic Three-dimensional Storage	5,000,000.00	3,994,287.37	196,153.54	4,190,440.91			94.70	100.00			Self-financing
SAP Phase II Implementation	15,000,000.00	3,206,506.25	367,924.53		2,697,072.30	877,358.48	65.06	65.06			Self-financing
Electronic equipment industrial park phase I supporting	74,114,500.00		1,083,889.73	856,530.94	227,358.79		76.77	100.00			Self-financing
Retrofit of self-circulating air supply and waste gas treatment system of spraying line	2,800,000.00		2,723,957.33	2,723,957.33			97.28	100.00			Self-financing
Renovation of the fourth floor of Xingang No. 2 factory building	3,394,495.41		3,069,974.30		3,069,974.30		100.00	100.00			
Other sporadic projects		145,421.24	1,054,899.46	415,351.67		784,969.03					Self-financing
Total		7,346,214.86	8,496,798.89	8,186,280.85	5,994,405.39	1,662,327.51					

Note: In this period, CNY 3,069,974.30 of other supporting parts of the Renovation of the fourth floor of Xingang No. 2 factory building I was reduced and transferred to long-term prepaid expenses, while SAP Phase II decreased by CNY 2,697,072.30 and Electronic Equipment Industrial Park Phase I supporting decreased by CNY 227,358.79, both of which were transferred to intangible assets.

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.17 Right-of-use assets

Item	Housing and buildings	Machinery and equipment	Total
1. Original book value			
(1) Balance as at December 31, 2020	19,189,754.81	6,641,154.01	25,830,908.82
(2) Increase in 2021	862,451.93		862,451.93
– new lease	1,180,782.22		1,180,782.22
– increase in mergers	-318,330.29		-318,330.29
(3) Decrease in 2021		6,641,154.01	6,641,154.01
– transferred to fixed asset			
– other		6,641,154.01	6,641,154.01
(4) Balance as at December 31, 2021	<u>20,052,206.74</u>	<u> </u>	<u>20,052,206.74</u>
2. Accumulated depreciation			
(1) Balance as at December 31, 2020	5,667,188.75	6,641,154.01	12,308,342.76
(2) Increase in 2021	5,402,304.22		5,402,304.22
– provision	5,402,304.22		5,402,304.22
(3) Decrease in 2021		6,641,154.01	6,641,154.01
– transferred to fixed asset			
– other		6,641,154.01	6,641,154.01
(4) Balance as at December 31, 2021	<u>11,069,492.97</u>	<u> </u>	<u>11,069,492.97</u>
3. Provision for impairment			
(1) Balance as at December 31, 2020			
(2) Increase in 2021			
– provision			
(3) Decrease in 2021			
– transferred to fixed asset			
– disposal			
(4) Balance as at December 31, 2021	<u> </u>	<u> </u>	<u> </u>
4. Book Value			
(1) Book value at December 31, 2020	8,982,713.77		8,982,713.77
(2) Book value at December 31, 2021	<u>13,522,566.06</u>	<u> </u>	<u>13,522,566.06</u>

Note: Other transfers of machinery and equipment are the end of the lease, and the lease is not renewed.

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.18 Intangible assets

5.18.1 Breakdowns of intangible assets

Items	Land use right	Using Rights of Trademark	Computer software	Patents	Software copyright	Non-patented technology	Total
1. Original book value							
(1) Balance as at December 31, 2020	105,196,904.12	158,340,000.00	24,419,554.14	730,105.00	9,768,026.49	83,901,214.20	382,355,803.95
(2) Increase in 2021			4,242,041.80			6,964,730.02	11,206,771.82
– purchase			1,317,610.71			86,725.66	1,404,336.37
– internal research and development						6,878,004.36	6,878,004.36
– others			2,924,431.09				2,924,431.09
(3) Decrease in 2021							
– disposal							
(4) Balance as at December 31, 2021	<u>105,196,904.12</u>	<u>158,340,000.00</u>	<u>28,661,595.94</u>	<u>730,105.00</u>	<u>9,768,026.49</u>	<u>90,865,944.22</u>	<u>393,562,575.77</u>
2. Accumulated amortization							
(1) Balance as at December 31, 2020	19,023,088.86	158,340,000.00	12,361,600.39	69,185.16	3,607,134.08	31,010,828.45	224,411,836.94
(2) Increase in 2021	2,802,423.89		2,571,646.89	71,363.50	947,590.20	11,790,119.37	18,183,143.85
– provision	2,802,423.89		2,571,646.89	71,363.50	947,590.20	11,790,119.37	18,183,143.85
(3) Decrease in 2021							
– disposal							
(4) Balance as at December 31, 2021	<u>21,825,512.75</u>	<u>158,340,000.00</u>	<u>14,933,247.28</u>	<u>140,548.66</u>	<u>4,554,724.28</u>	<u>42,800,947.82</u>	<u>242,594,980.79</u>
3. Provision for impairment							
(1) Balance as at December 31, 2020							
(2) Increase in 2021							
– provision							
(3) Decrease in 2021							
– disposal							
(4) Balance as at December 31, 2021							
4. Book Value							
(1) Book value at December 31, 2021	83,371,391.37		13,728,348.66	589,556.34	5,213,302.21	48,064,996.40	150,967,594.98
(2) Book value at December 31, 2020	<u>86,173,815.26</u>		<u>12,057,953.75</u>	<u>660,919.84</u>	<u>6,160,892.41</u>	<u>52,890,385.75</u>	<u>157,943,967.01</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 24.24% of the proportion of intangible

Notes to the 2021 Financial Statements (Continued)

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

assets.

5 Notes to items in consolidated financial statements (Continued)

5.18 Intangible assets (Continued)

5.18.2 During this reporting period, there is no case of land use right that has not obtained the certificate of property right.

5.18.3 Other instructions

Located in China	Balance as at December 31, 2021	Balance as at December 31, 2020
Medium term(Not less than 50 years)	50,713,707.36	51,953,146.24
Short term(Less than 50 years but not less than 5 years)	<u>100,253,887.62</u>	<u>105,990,820.77</u>

5.19 Long-term deferred expenses

Item	Balance as at December 31, 2020	Increase in 2021	Amortization in 2021	Other decreases	Balance as at December 31, 2021
Smart City Exhibition Hall Project	3,293,294.05		840,841.03		2,452,453.02
Equipment garden decoration project	2,044,409.82		805,913.16		1,238,496.66
Information software building decoration project	1,715,964.11	425,964.55	900,672.24		1,241,256.42
Jinghua Dormitory Building Decoration Project	1,601,086.70		608,826.60		992,260.10
Electronic equipment industrial park phase I supporting projects	1,361,203.57		281,628.32		1,079,575.25
Other sporadic engineering projects	682,737.31	630,176.00	375,638.00		937,275.31
Decoration of Xingang Office Area	<u>68,594.36</u>	<u>3,069,974.30</u>	<u>152,142.66</u>		<u>2,986,426.00</u>
Total	10,767,289.92	4,126,114.85	3,965,662.01		10,927,742.76

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.20 Deferred income tax assets and deferred income tax liabilities (Continued)

5.20.1 Deferred income tax assets without offset

Item	Balance as at December 31, 2021		Balance as at December 31, 2020	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	63,209,666.01	9,488,484.65	76,452,317.78	11,487,878.74
Gains and losses from unrealized internal transactions	4,293,524.44	727,419.11	1,313,300.39	298,830.04
Depreciation and amortization	4,156,058.98	623,408.85	1,917,600.21	287,640.03
Employee compensation payable	9,584,037.34	1,816,822.22	15,498,147.33	2,815,481.11
Accrued expenses	5,079,550.03	589,635.33	6,540,512.96	1,271,009.54
Deductible loss	24,001,042.89	3,600,156.43		
Changes in fair value of investments in other equity instruments	98,135.79	24,533.95		
Other current liability	1,000,000.00	150,000.00		
Total	111,422,015.48	17,020,460.54	101,721,878.67	16,160,839.46

5.20.2 Deferred income tax liabilities without offset

Item	Balance as at December 31, 2021		Balance as at December 31, 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
Changes in fair value of trading financial assets	2,241,399.61	396,709.26	1,356,576.18	220,628.41
Total	2,241,399.61	396,709.26	1,781,515.98	326,863.37

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.20 Deferred income tax assets and deferred income tax liabilities (Continued)

5.20.3 Breakdowns of unrecognized deferred income tax assets

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Deductible temporary differences	85,838,126.04	70,618,273.41
Deductible losses	631,245,028.01	461,467,518.70
Total	717,083,154.05	532,085,792.11

5.20.4 Deductible losses without recognition of deferred income tax assets to be expired in the following years

Year	Balance as at December 31, 2021	Balance as at December 31, 2020	Remark
Year 2021		19,061,223.63	
Year 2022	25,054,213.04	25,054,213.04	
Year 2023	37,111,076.18	37,111,076.18	
Year 2024	87,478,581.43	87,478,581.43	
Year 2025	119,504,651.63	119,504,651.63	
Year 2026 and subsequent years	362,096,505.73	173,257,772.79	
Total	631,245,028.01	461,467,518.70	

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.21 Other non-current assets

Item	Balance as at December 31, 2021			Balance as at December 31, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Warranty payment due over one year	4,237,383.51		4,237,383.51	81,767,440.76		81,767,440.76
Total	4,237,383.51		4,237,383.51	81,767,440.76		81,767,440.76

5.22 Notes payable

Category	Balance as at December 31, 2021	Balance as at December 31, 2020
Bank acceptance bill	214,817,174.59	193,125,064.34
Commercial acceptance bill	—	—
Total	214,817,174.59	193,125,064.34

5.23 Accounts payable

5.23.1 Detail of Accounts payable

Aging	Balance as at December 31, 2021	Balance as at December 31, 2020
Within 1 year (inclusive)	1,304,678,337.31	1,416,898,524.95
1 – 2 years	223,319,706.48	91,482,176.96
2 – 3 years	34,203,539.57	46,089,316.15
3 – 4 years	45,459,070.73	43,701,197.18
Total	1,607,660,654.09	1,598,171,215.24

Notes to the 2021 Financial Statements (Continued)

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

Note: the accounts payable disclose according to the recording date of transaction.

5 Notes to items in consolidated financial statements (Continued)

5.23 Accounts payable (Continued)

5.23.2 Significant accounts payable with the aging exceeding 1 year:

Creditor	Balance as at December 31, 2021	Reason for arrearage
Jiangsu Hengxin Technology Co., Ltd.	12,818,525.77	Not yet settled
Suzhou RS Technology Co., Ltd.	9,210,929.87	Not yet settled
Beijing Addsun Technology Co., Ltd.	9,204,315.30	Not yet settled
Nanjing Youzhijie Technology Information Co., Ltd.	7,050,000.00	Not yet settled
Jiangsu Yunsai Information Engineering Co., Ltd.	5,219,854.74	Not yet settled
Mamezo Co., Ltd.	4,681,331.80	Not yet settled
Shanghai China Card Smart Card Co., Ltd.	3,836,223.19	Not yet settled
Wo moldboard Industries Co., Ltd	3,570,011.61	Not yet settled
Csrc COMMUNICATION&INFORMATION Corpotaion Shanghai Co., Ltd.	3,399,463.87	Not yet settled
Nanjing Cloud Rail Information Technology Co., Ltd.	3,362,031.20	Not yet settled
Nanjing Longwei Construction Service Co., Ltd.	3,200,000.00	Not yet settled
Mitsubishi Electric Automayion (China) Limited	3,199,000.00	Not yet settled
Suzhou Zetong Automation Equipment Co., Ltd.	3,008,849.56	Not yet settled
Nanjing Novak Machinery Co., Ltd.	2,920,353.98	Not yet settled
Judong Machinery (Kunshan) Co., Ltd.	2,658,180.00	Not yet settled
Bosheng Smart IOT Technology Co., Ltd.	2,420,503.00	Not yet settled
Anzheng Electronic Product Management Department	2,396,080.00	Not yet settled
Communication Engineering Bureau Group Co., Ltd.	2,360,856.20	Not yet settled
Nanjing Huahao Building Technology Co., Ltd.	2,225,574.03	Not yet settled
Wuhan Huashu Zhongchuang Technology Co., Ltd.	2,021,850.01	Not yet settled
Total	88,763,934.13	

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.23 Accounts payable (Continued)

5.23.3 Classified by nature

Items	Balance as at December 31, 2021	Balance as at December 31, 2020
Payment for goods	1,099,393,184.48	1,145,628,682.72
Project funds	471,939,918.62	404,152,080.28
Processing and maintenance funds	18,877,335.93	29,187,350.64
Logistics warehousing funds	3,282,621.58	4,586,753.71
Others	14,167,593.48	14,616,347.89
Total	1,607,660,654.09	1,598,171,215.24

5.24 Advances received

5.24.1 Details of advances received

Items	Balance as at December 31, 2021	Balance as at December 31, 2020
Service fees and others	461,253.51	3,394,006.00
Total	461,253.51	3,394,006.00

Notes to the 2021 Financial Statements (Continued)

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

5.24.2 There are no significant advances received aged over 1 year

5 Notes to items in consolidated financial statements (Continued)

5.25 Contractual liabilities

5.25.1 Details of contract liabilities

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Intelligent Transportation System and Safe City	101,824,364.70	144,436,519.83
Green service electronic manufacturing	38,911,798.89	27,434,030.75
Industrial network and Intelligent Manufacturing	12,353,309.50	11,650,239.87
Total	153,089,473.09	183,520,790.45

5.25.2 Significant changes in book value during the reporting period and reasons

Item	Amount of change	Reasons of change
Intelligent Transportation System and Safe City	-42,612,155.13	Contract liabilities at the beginning of the period was recognized as revenue in current period
Green service electronic manufacturing	11,477,768.14	Amounts increased due to receipt of cash
Industrial network and Intelligent Manufacturing	703,069.63	Amounts increased due to receipt of cash
Total	-30,431,317.36	

Notes to the 2021 Financial Statements (Continued)

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

5 Notes to items in consolidated financial statements (Continued)

5.26 Employee compensation payable

5.26.1 Breakdown of employee compensation payable

Item	Balance as at December 31, 2020	Increase in 2021	Decrease in 2021	Balance as at December 31, 2021
I. Short-term compensation	30,616,580.15	583,835,708.04	578,046,957.47	36,405,330.72
II. Post-employment benefits – defined contribution plans	228,570.28	59,815,189.47	59,771,644.72	272,115.03
III. Dismissal welfare	6,560,295.19	7,664,866.92	8,115,419.86	6,109,742.25
IV. Other benefits due within one year				
Total	<u>37,405,445.62</u>	<u>651,315,764.43</u>	<u>645,934,022.05</u>	<u>42,787,188.00</u>

5.26.2 Breakdown of short-term compensation

Item	Balance as at December 31, 2020	Increase in 2021	Decrease in 2021	Balance as at December 31, 2021
I. Wages, bonuses, allowances and subsidies	28,542,050.18	394,414,306.09	389,244,201.18	33,712,155.09
II. Employee welfare		37,667,177.42	37,667,177.42	
III. Social insurance premiums Including: medical insurance premiums	146,908.61	26,120,659.66	26,130,058.31	137,509.96
Work-related injury insurance premiums	132,668.71	22,612,195.92	22,623,577.08	121,287.55
Maternity insurance premiums	2,124.29	1,446,186.53	1,442,866.18	5,444.64
IV. Housing provident funds	12,115.61	2,062,277.21	2,063,615.05	10,777.77
V. Labor union expenditures and employee education funds	831,807.86	45,152,394.27	45,171,953.27	812,248.86
VI. Labor cost	456,172.18	8,470,428.71	8,678,220.05	248,380.84
VII. Short-term profit-sharing plan	639,641.32	3,772,051.08	3,772,051.08	1,495,035.97

Notes to the 2021 Financial Statements (Continued)

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

Total	30,616,580.15	583,835,708.04	578,046,957.47	36,405,330.72
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5 Notes to items in consolidated financial statements (Continued)

5.26 Employee compensation payable (Continued)

5.26.3 Breakdown of defined contribution plans

Item	Balance as at December 31, 2020	Increase in 2021	Decrease in 2021	Balance as at December 31, 2021
I. Basic endowment insurance premiums	211,350.41	43,379,452.93	43,375,252.13	215,551.21
II. Unemployment insurance premiums	7,339.79	1,355,694.30	1,356,298.35	6,735.74
III. Enterprise annuity payment	9,880.08	15,080,042.24	15,040,094.24	49,828.08
Total	228,570.28	59,815,189.47	59,771,644.72	272,115.03

5.27 Taxes and surcharges payable

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
VAT	14,837,824.99	13,986,888.22
Enterprise income tax	9,046,264.84	11,923,151.19
Housing property tax	1,901,013.36	2,204,879.81
Individual income tax	1,119,841.86	1,771,601.52
Land use tax	429,608.88	429,608.88
Urban maintenance and construction tax	670,789.47	153,171.22
Stamp duty	67,206.79	130,104.00
Educational surcharges	479,179.02	109,453.08
Other taxes and dues	20,275.22	50,087.76

Notes to the 2021 Financial Statements (Continued)

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

Total	<u>28,572,004.43</u>	<u>30,758,945.68</u>
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5 Notes to items in consolidated financial statements (Continued)

5.28 Other payables

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Interest payable		
Dividends payable	4,887,319.78	4,940,890.66
Other payables	94,592,471.17	85,924,591.45
Total	<u>99,479,790.95</u>	<u>90,865,482.11</u>

5.28.1 Dividends payable

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Ordinary share dividends	<u>4,887,319.78</u>	<u>4,940,890.66</u>

Notes to the 2021 Financial Statements (Continued)

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

Total	4,887,319.78	4,940,890.66
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5 Notes to items in 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 December 31, 2021	Balance as at December 31, 2020
Security deposit	38,287,360.22	42,264,554.68
Operating activity related	28,873,424.36	23,037,760.05
Intercourse funds	22,414,889.79	14,893,942.40
Others	5,016,796.80	5,728,334.32
Total	94,592,471.17	85,924,591.45

(2) Significant other payables with the aging exceeding one year

Creditor	Balance as at December 31, 2021	Reason for arrearage
Panda Electronics Group Co., Ltd.	5,395,731.47	Intercourse funds
Shenzhen Jingji Baina Business Management Co., Ltd.	3,848,094.00	Deposit outstanding
Nanjing Future Network Co., Ltd.	3,000,000.00	Margin outstanding
Xiaotang Technology (Shanghai) Co., Ltd.	2,485,000.00	Not yet settled
Sichuan Bohou Information Engineering Co., Ltd.	2,125,000.00	Deposit outstanding
Shenzhen Lichang Industry Co., Ltd.	1,840,824.00	Deposit outstanding
Shenzhen Huitong Security Technology Co., Ltd.	1,195,472.00	Deposit outstanding
Shenzhen Kingkey Real Estate Co., Ltd.	1,122,848.00	Deposit outstanding

Notes to the 2021 Financial Statements (Continued)

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

Total 21,012,969.47

5 Notes to items in consolidated financial statements (Continued)

5.29 Non-current liabilities maturing within one year

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Leasing liabilities maturing within one year	<u>9,076,593.15</u>	<u>8,170,178.10</u>
Total	<u><u>9,076,593.15</u></u>	<u><u>8,170,178.10</u></u>

5.30 Other current liabilities

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Output VAT	14,357,784.91	20,362,975.07
Acceptance bills not derecognized	7,630,707.72	
Provincial emerging industry guiding funds	10,000,000.00	10,000,000.00
Research and development of key technologies for special polymer materials and products for 5G communications	1,200,000.00	
The development and industrialization of the integrated platform of high-speed traffic management based on artificial intelligence	1,000,000.00	1,000,000.00
East China Electronics New Display Product Green Supply Chain Construction Project	1,000,000.00	1,000,000.00
Internet AFC ticketing system	800,000.00	800,000.00
Research on the application of new electronic identification technology in the transportation industry	715,000.00	
No. 1 pass & intelligent cloud brake for face recognition	600,000.00	600,000.00
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	600,000.00
Research and development of key technologies for new edge network collaborative control equipment	435,000.00	
AFC System Regional Centre (ZLC)	300,000.00	300,000.00
Enterprise Patent Navigation Project for New Generation Information Technology Patents	300,000.00	
2017 Technical Transformation Special Project of Electronic Information Industry		30,000,000.00
New model project grant		4,250,000.00
Automatic ticket checking system of rail transit based on mobile payment		890,000.00
Provincial high-end equipment to catch up with the project special funds		620,000.00

Notes to the 2021 Financial Statements (Continued)

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

Total	38,938,492.63	70,422,975.07
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5 Notes to items in consolidated financial statements (Continued)

5.31 Lease liabilities

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
Lease payment	12,663,234.22	16,311,880.19
Include: financing charges unrecognized	485,834.05	1,199,451.13
Less: lease liabilities due within 1 year	9,076,593.15	8,170,178.10
Total	3,586,641.07	8,141,702.09

5.32 Long-term employee compensation payable

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
I. Post-employment benefit - net liabilities of defined benefit plans		
II. Dismissal welfare	11,837,677.44	15,981,789.25
III. Other long-term benefits		

Notes to the 2021 Financial Statements (Continued)

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

Total	11,837,677.44	15,981,789.25
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5 Notes to items in consolidated financial statements (Continued)

5.33 Deferred income

Item	Balance as at December 31, 2020	Increase in 2021	Decrease in 2021	Balance as at December 31, 2021	Reason
Government grants	15,283,181.46	36,260,600.00	6,625,950.77	44,917,830.69	Grant
Total	<u>15,283,181.46</u>	<u>36,260,600.00</u>	<u>6,625,950.77</u>	<u>44,917,830.69</u>	

Items involving government grants:

Item	Balance as at December 31, 2020	New grants in 2021	Amount included in the current profit or loss in 2021	Other changes	Balance as at December 31, 2021	Related to assets/income
Auto-transferring system industrialization of new panel display industry	6,383,177.12		888,752.14		5,494,424.98	Related to assets
R & D and industrialization of high localization industrial robot and intelligent complete equipment	5,180,725.78		985,333.31		4,195,392.47	Related to assets
Nanjing industrial enterprise technology and equipment investment inclusive award supplement fund	1,015,200.00		324,800.00		690,400.00	Related to assets
Provincial high-end equipment catch-up project special funds		900,000.00	109,608.35		790,391.65	Related to assets
2017 Special Project for Technological Transformation of Electronic Information Industry		30,000,000.00	945,942.91		29,054,057.09	Related to assets
New Model Project Grants		3,500,000.00	392,857.14		3,107,142.86	Related to assets
Special fund for Preschool Education – average cost per student	2,704,078.56	1,860,600.00	2,978,656.92		1,586,021.64	Related to income

Notes to the 2021 Financial Statements (Continued)

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

Total	15,283,181.46	36,260,600.00	6,625,950.77	44,917,830.69
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5 Notes to items in consolidated financial statements (Continued)

5.34 Share capital

Item	Balance as at December 31, 2020	Changes during the period (increase (+), decrease (-))				Sub-total	Balance as at December 31, 2021
		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 December 31, 2020	Increase in 2021	Decrease in 2021	Balance as at December 31, 2021
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 December 31, 2020	Changes during the period					Balance as at December 31, 2021
		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	
1. Other comprehensive income cannot be reclassified to profit or loss	318,704.84	-523,075.59			-130,768.91	-392,306.68	-73,601.84

Notes to the 2021 Financial Statements (Continued)

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

Including Changes in fair value of other equity instruments investment.	318,704.84	-523,075.59			-130,768.91	-392,306.68		-73,601.84
Total other comprehensive income	318,704.84	-523,075.59			-130,768.91	-392,306.68		-73,601.84

5. Notes to significant items to the consolidated financial statements (Continued)

5.37 Special reserves

Item	Balance as at December 31, 2020	Increase in 2021	Decrease in 2021	Balance as at December 31, 2021
Work safety expenses		1,487,213.28	1,487,213.28	
Total		1,487,213.28	1,487,213.28	

5.38 Surplus reserves

Item	Balance as at December 31, 2020	Increase in 2021	Decrease in 2021	Balance as at December 31, 2021
Statutory surplus reserve funds	197,305,386.55	8,336,124.25		205,641,510.80
Discretionary surplus reserve	70,376,641.33			70,376,641.33
Total	267,682,027.88	8,336,124.25		276,018,152.13

5.39 Undistributed profits

Item	Year 2021	Year 2020
Balance at the beginning of the year	856,899,656.12	804,605,994.12
Increase due to adjustment (or less: decrease)		
Balance after adjustment	856,899,656.12	804,605,994.12
Add: Net profit attributable to owners of the parent company	41,928,543.18	77,318,175.74
Less: Appropriation of statutory surplus reserve	8,336,124.25	9,034,753.34
Appropriation of discretionary surplus reserve		
General risk reserves withdrawn in the year		
Cash dividends distributed in the year [1]	23,759,801.75	15,992,174.26
Transfer to paid-in capital		
Other decreases [2]	-629.64	-2,413.86
Balance at the end of the year	866,732,902.94	856,899,656.12

Notes to the 2021 Financial Statements (Continued)

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

Note 1: According to the 2020 profit distribution plan approved by the 14th meeting of the ninth session of the board of directors and the 2020 annual general meeting of shareholders, the distribution based on the company's total share capital of 913,838,529.00 shares, and a cash dividend of CNY 0.26 (tax included) will be distributed for every 10 shares, a total of CNY 23,795,801.75.

Note 2: Other refers to the dividends received in the current year that have not been claimed and returned for over 6 years.

5. Notes to significant items to the consolidated financial statements (Continued)

5.40 Operating revenue and operating costs

Item	Year 2021		Year 2020	
	Revenue	Cost	Revenue	Cost
Primary businesses	4,483,931,440.69	3,933,238,214.32	3,920,532,931.47	3,354,100,952.06
Other businesses	47,910,989.82	28,200,659.57	31,732,090.68	6,170,262.02
Total	<u>4,531,842,430.51</u>	<u>3,961,438,873.89</u>	<u>3,952,265,022.15</u>	<u>3,360,271,214.08</u>

5.40.1 Details of operating revenue and operating cost

Item	Year 2021	Year 2020
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Notes to the 2021 Financial Statements (Continued)

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

Green service electronic manufacturing	2,559,300,582.08	2,204,171,277.94
Intelligent Transportation System and Safe City	1,763,167,514.86	1,573,382,395.19
Industrial network and Intelligent Manufacturing	200,891,209.27	167,201,851.32
Others	8,483,124.30	7,509,497.70
Total	<u>4,531,842,430.51</u>	<u>3,952,265,022.15</u>

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 Transportation System and Safe City	Green service electronic manufacturing	Industrial network and Intelligent Manufacturing	Others	Eliminations among segments	Total
Categorized by operating region:						
Nanjing District	1,722,417,034.96	1,390,505,866.17	232,186,676.26	22,909,977.49	-271,435,242.20	3,096,584,312.68
Shenzhen District	221,918,969.46	1,276,204,151.78			-574,534,108.69	923,589,012.55
Chengdu District		514,063,144.64			-2,394,039.36	511,669,105.28
Total	<u>1,944,336,004.42</u>	<u>3,180,773,162.59</u>	<u>232,186,676.26</u>	<u>22,909,977.49</u>	<u>-848,363,390.25</u>	<u>4,531,842,430.51</u>

Notes to the 2021 Financial Statements (Continued)

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

goods that have been transferred to the customer to determine the contract performance schedule.

5.40.4 Transaction price be allocated to performance obligations

As of December 31, 2021, the transaction price corresponding to the performance obligations that have been signed but have not been performed or have not yet been performed is CNY 821,827,288.59, and revenue is expected to be recognized during 2022-2023.

5. Notes to significant items to the consolidated financial statements (Continued)

5.41 Taxes and surcharges

Items	Year 2021	Year 2020
Housing property tax	8,733,071.59	10,906,401.02
Urban maintenance and construction tax	4,775,749.12	6,679,908.10
Educational surcharges	3,423,026.73	4,154,074.74
Land use tax	2,416,340.38	2,318,879.82
Stamp duty	2,072,388.69	1,505,195.85
Others	38,028.57	164,513.37
Total	21,458,605.08	25,728,972.90

5.42 Selling expenses

Item	Year 2021	Year 2020
Salary and welfare of sales staff	26,998,425.32	21,040,660.39

Notes to the 2021 Financial Statements (Continued)

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

Advertising and exhibition fees	4,094,807.79	1,544,031.31
Travel expenses	1,621,672.83	1,573,278.44
Office expenses	3,882,390.65	1,949,887.18
Business entertainment	1,751,252.05	1,930,496.09
Labor cost	940,631.81	1,011,463.32
Others	2,538,465.98	3,241,703.57
Total	41,827,646.43	32,291,520.30

5. Notes to significant items to the consolidated financial statements (Continued)

5.43 General and administrative expenses

Item	Year 2021	Year 2020
Wage and Co-ordination	180,728,083.23	157,712,505.75
Depreciation and amortization	40,446,678.06	48,764,393.26
Business entertainment and travel expenses	7,940,774.54	8,556,055.33
Office fee, telephone fee and conference fee	9,701,351.14	9,614,281.90
Listing fees, auditing, attorney and consulting fees	6,697,683.38	7,070,950.25
Labor cost	9,892,059.24	6,888,193.69
Transport expense	2,012,356.45	5,312,797.51
Repair charges	4,818,164.16	4,221,268.79
Auditor remuneration	1,981,132.08	1,981,132.08
Energy source cost	260,412.56	318,097.25
Others	8,899,941.89	7,305,863.96
Total	273,378,636.73	257,745,539.77

5.44 Research and development expenses

Item	Year 2021	Year 2020
Labor charges	147,857,938.15	125,256,737.30
Materials, fuels and power	33,044,214.54	20,964,979.87

Notes to the 2021 Financial Statements (Continued)

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

Commissioned development fee	6,578,794.25	34,420,311.63
Depreciation and amortization	13,670,325.43	14,581,272.17
Design fees	745,070.53	1,873,959.03
Travel expenses	2,339,088.83	1,618,328.96
Test, inspection and maintenance costs	2,900,993.42	2,351,365.16
Leasing management fee	631,671.11	630,357.76
Others	5,281,848.81	4,120,125.38
Total	213,049,945.07	205,817,437.26

5. Notes to significant items to the consolidated financial statements (Continued)

5.45 Financial expenses

Category	Year 2020	Year 2019
Category	Year 2021	Year 2020
Interest expense	691,719.70	1,620,639.74
Including: Interest expense on lease liabilities	691,719.70	937,931.40
Less: interest income	16,924,618.99	11,743,930.16
Net exchange gains and loss	-9,361,258.08	1,099,425.29
Others	2,436,128.30	3,333,201.93
Total	-23,158,029.07	-5,690,663.20

5.46 Other income

Notes to the 2021 Financial Statements (Continued)

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

Item	Year 2021	Year 2020
Government grants	16,268,496.80	16,822,093.98
Input tax additional deduction	803,799.59	878,054.97
The value added tax that software enterprise collects namely refunds	40,293.84	329,826.49
Personal income tax refund	247,625.33	313,292.82
Total	17,360,215.56	18,343,268.26

5. Notes to significant items to the consolidated financial statements (Continued)

5.46 Other income (Continued)

Government grants recorded into other income:

Item	Year 2021	Year 2020	Related to assets/ related to income
Special funds for preschool education	2,978,656.92	2,541,371.09	Related to income
Industrial Enterprise Award	1,800,000.00		Related to income
New flat panel display factory automation transplanting system industrialization project	985,333.31	985,333.31	Related to assets
2017 Special Project for Technological Transformation of Electronic Information Industry	945,942.91		Related to assets
The training subsidies	926,000.00	407,250.00	Related to income
Project subsidy for rail transit automatic fare collection system based on mobile payment	890,000.00		Related to income
High localization rate of industrial robots and intelligent complete sets of equipment research and development and industrialization	888,752.14	888,752.14	Related to assets
Nanjing Special Fund for Industry and Informatization	800,000.00		Related to income
Innovation city construction promotion innovation award	778,000.00	1,240,000.00	Related to income
Industrial Robot Manufacturing Digital Factory Project Grant	750,000.00		Related to income
Refund of union funds	413,697.43	575,733.24	Related to income
Funded by Shenzhen Science and Technology Innovation Committee	411,000.00		Related to income
New Model Project Grants	392,857.14		Related to income
Informatization drives financial appropriation for industrialization	369,921.28		Related to income
Spring Festival continuous production subsidy	350,000.00		Related to income
Nanjing industrial enterprise technology equipment investment universal award and subsidy funds	324,800.00	324,800.00	Related to assets
The first batch of encouragement funds for innovation, transformation and upgrading	300,000.00		Related to income
The second batch of subsidies from Jiangsu Enterprise R&D Institution Promotion Association	200,000.00		Related to income

Notes to the 2021 Financial Statements (Continued)

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

5. Notes to significant items to the consolidated financial statements (Continued)

5.46 Other income (Continued)

Item	Year 2021	Year 2020	Related to assets/ related to income
Civilian Science and Technology Award	200,000.00		Related to income
Nanjing Science and Technology Bureau Advanced Unit Award Fund	200,000.00		Related to income
Catch-up project grants	190,000.00		Related to income
Special fund for intellectual property strategy	150,000.00	27,000.00	Related to income
Small and Micro Enterprise Scale Reward	110,000.00		Related to income
Provincial high-end equipment catch-up project special funds	109,608.35		Related to income
The fifth batch of provincial science and technology award funds	100,000.00		Related to income
Economic Development Zone 2021 Spring Festival Production Subsidy	100,000.00		Related to income
Employment allowance	97,000.00		Related to income
Funding for Skills Master Studio	80,000.00		Related to income
Nanjing Disabled Persons' Federation Award	80,000.00		Related to income
Subsidies for training with workers	79,500.00	544,000.00	Related to income
Technology Transfer Award and Subsidy Fund	35,000.00		Related to income
2021 Economic Development Zone Intellectual Property High-quality Cultivation Program Project Funds	30,000.00		Related to income
Steady post subsidies	28,892.64	4,104,884.55	Related to income
Business development funds	26,600.00	979,700.00	Related to income
Employment subsidies for the disabled in 2020	20,200.00	20,200.00	Related to income
Science and Technology Progress Award	20,000.00		Related to income
Employment subsidies for small, medium and micro enterprises in Nanjing in the fourth quarter of 2020	20,000.00		Related to income
Shenzhen Industrial and Information Technology Transformation Investment Project Subsidy	20,000.00		Related to income
Subsidized by electricity cost reduction for industry and commerce of shenzhen	19,734.68	152,583.09	Related to income
2021 High-level Talent Science and Technology Contribution Award	16,000.00		Related to income
Outstanding Patent Award	13,000.00		Related to income
Special financial subsidy Award	12,000.00		Related to income
5,000.00			Related to income
Qinhuai Employment Center Employment Information Monitoring Subsidy	1,000.00		Related to income
Special Fund for Transformation of Scientific and Technological Achievements of Jiangsu Province		2,000,000.00	Related to income
Special fund subsidies for industrial development		583,000.00	Related to income
Customs AEO Senior Certification Support Fund		500,000.00	Related to income
Unemployment insurance refunds		399,231.03	Related to income
Foreign economic and trade development fund award		206,862.00	Related to income
Special funding support for software in 2019		150,000.00	Related to income

Notes to the 2021 Financial Statements (Continued)

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

Item	Year 2021	Year 2020	Related to assets/ related to income
Funds for awards and subsidies for structural adjustment of central industrial enterprises		131,270.33	Related to income
Incentive for epidemic prevention and control		26,000.00	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	Related to income
Total	16,268,496.80	16,822,093.98	

5. Notes to significant items to the consolidated financial statements (Continued)

5.47 Investment income

Source of investment income	Year 2021	Year 2020
Income from long-term equity investments calculated under equity method	46,702,910.66	67,620,440.86
Investment gains from the disposal of financial assets held for trading	13,491,622.42	8,041,200.10
Discounted interest on receivables financing	-163,944.48	-1,191,134.33
Investment income from large-denomination certificates of deposit	5,679,154.44	
Total	65,709,743.04	74,470,506.63

5.48 Gains from changes in fair value

Source of income from changes in fair value	Year 2021	Year 2020
Financial assets held for trading	884,823.43	886,749.69
Including: Gains from changes in fair value of derivative financial instruments	884,823.43	1,098,188.05

Notes to the 2021 Financial Statements (Continued)

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

Gains from changes in fair value of debt instrument investment		-211,438.36
Total	884,823.43	886,749.69

5.49 Loss from credit impairment

Item	Year 2021	Year 2020
Losses from impairment of accounts receivable	9,034,660.09	13,696,544.05
Losses from impairment of others receivable	-1,487,494.48	2,085,139.79
Total	7,547,165.61	15,781,683.84

5. Notes to significant items to the consolidated financial statements (Continued)

5.50 Losses from asset impairment

Item	Year 2021	Year 2020
Losses from inventory depreciation	18,874,926.87	16,632,872.26
Losses from impairment of contract assets	-347,164.05	-2,342,138.96
Losses from impairment of advance to supplier	-19,406.00	-334,751.19
Total	18,508,356.82	13,955,982.11

5.51 Income from disposal of assets

Notes to the 2021 Financial Statements (Continued)

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

Item	Year 2021	Year 2020	Amount included in non-recurring profit or loss in 2021
Gain on disposal of non-current assets (loss marked with "-")	-722,183.04	-50,820.75	-722,183.04
Including: Gain on disposal of fixed assets (loss is filled in with "-")	-722,183.04	-50,820.75	-722,183.04
Total	-722,183.04	-50,820.75	-722,183.04

5. Notes to significant items to the consolidated financial statements (Continued)

5.52 Non-operating revenue

Item	Year 2021	Year 2020	Amount included in non-recurring profit or loss in 2021
Payment unable to be paid	4,574,358.40	5,116,818.84	4,574,358.40
Government grants	89,500.00	350,108.85	89,500.00
Gains from damage and scrapping of non-current assets	125,901.34	156,283.54	125,901.34
Including: Fix assets	125,901.34	156,283.54	125,901.34
Others ⁽¹⁾	480,569.56	7,324,193.02	480,569.56
Total	5,270,329.30	12,947,404.25	5,270,329.30

Details of government grants:

Item	Year 2021	Year 2020	Related to assets/ related to income
Reward for the integration of the two provinces in 2019		120,000.00	Related to income

Notes to the 2021 Financial Statements (Continued)

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

The first batch of computer software patent fee subsidies in 2019	1,800.00		Related to income
Vehicle scrapping subsidy	87,700.00	82,000.00	Related to income
Intellectual Property Rewards		71,000.00	Related to income
Patent fund prize		29,608.85	Related to income
Reward for Early Elimination of Old Cars in Shenzhen (2018-2020)		25,500.00	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
Total	89,500.00	350,108.85	

5. Notes to significant items to the consolidated financial statements (Continued)

5.53 Non-operating expenses

Item	Year 2021	Year 2020	Amount included in non-recurring profit or loss in 2021
Donations made		482,000.00	
Compensation and liquidated damages	442,758.26	309,537.74	442,758.26
Loss of non-current assets damaged and scrapped	77,638.07	113,714.34	77,638.07
Including: Fix assets	77,638.07	113,714.34	77,638.07
Amercement Outlay		6,960.83	
Late fee	31,247.10		31,247.10
Others	61,368.02	78,310.05	61,368.02

Notes to the 2021 Financial Statements (Continued)

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

Total	613,011.45	990,522.96	613,011.45
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5.54 Income tax expenses

5.54.1 Breakdown of income tax expenses

Item	Year 2021	Year 2020
Income tax expenses of the year	26,207,465.66	34,794,537.97
Adjustment to deferred income tax	-659,006.28	-605,818.35
Total	25,548,459.38	34,188,719.62

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 2021
Total profits	105,681,146.79
Income tax expenses calculated at statutory/applicable tax rate	26,420,286.70
Effect of the different tax rates applicable to subsidiaries	-6,469,025.60
Effect of adjustment on income tax in previous periods	-155,950.74
Effect of non-taxable income	-11,675,727.67
Influence of non-deductible costs, expenses and losses	1,452,270.85
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	43,178,274.79
The tax law provides for the effect of additional deductible expenses	-27,201,668.95
Income tax expenses	25,548,459.38

5.55 Earnings per share

5.55.1 Basic earnings per share

Notes to the 2021 Financial Statements (Continued)

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

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 2021	Year 2020
Consolidated net profit attributable to common shareholders of the parent company	41,928,543.18	77,318,175.74
Weighted average number of common shares issued by the company	913,838,529.00	913,838,529.00
Basic earnings per share	0.0459	0.0846
Including: Basic earnings per share of continuing operation	0.0459	0.0846
Basic earnings per share of discontinued operations		

5. Notes to significant items to the consolidated financial statements (Continued)

5.55 Earnings per share (Continued)

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 2021	Year 2020
Consolidated net profit attributable to common shareholders of the parent company (diluted)	41,928,543.18	77,318,175.74
Weighted average number of common shares issued by the company (diluted)	913,838,529.00	913,838,529.00
Diluted earnings per share	0.0459	0.0846
Including: Diluted earnings per share of continued operation	0.0459	0.0846
Diluted earnings per share of discontinued operation		

5.56 Information of cash flow statement

5.56.1 Other cash received relating to operating activities

Items	Year 2021	Year 2020
Cash receipts from acceptance deposit & Commitment deposit	99,067,736.62	198,459,295.67
Government grants	12,865,077.18	18,214,670.57
Interest Income	16,924,618.99	11,743,930.16
Others	2,198,548.22	1,315,046.33

Notes to the 2021 Financial Statements (Continued)

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

Items	Year 2021	Year 2020
Cash received from notes discounted		85,148,311.98
Total		85,148,311.98

5.56.6 Other cash paid related to financing activities

Items	Year 2021	Year 2020
Cash paid for lease liability	4,901,385.35	2,649,087.35
Total	4,901,385.35	2,649,087.35

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 2021	Year 2020
1. Net profit adjusted to cash flows from operating activities:		
Net profit	80,132,687.41	117,781,200.59
Plus: Impairment loss for credit assets	7,547,165.61	15,781,683.84
Provision for impairment of assets	18,508,356.82	13,955,982.11
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	85,940,722.13	89,274,656.76
Amortization of the right to use assets	5,402,304.22	7,041,437.37
Amortization of intangible assets	18,183,143.85	12,486,273.03
Amortization of long-term deferred expenses	3,965,662.01	3,893,298.75
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	722,183.04	50,820.75
Losses on write-off of fixed assets ("-" for gains)	-48,263.27	-42,569.20
Losses on changes in fair value ("-" for gains)	-884,823.43	-886,749.69
Financial expenses ("-" for gains)	691,719.70	1,620,639.74
Investment losses ("-" for gains)	-65,709,743.04	-74,470,506.63
Decreases in deferred income tax assets ("-" for increases)	-835,087.13	-815,390.17
Increases in deferred income tax liabilities ("-" for decreases)	176,080.85	209,571.82
Decreases in inventories ("-" for increases)	-195,728,414.48	29,191,944.30
Decreases in operating receivable ("-" for increases)	237,488,849.35	349,757,280.56

Notes to the 2021 Financial Statements (Continued)

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

Supplementary information	Year 2021	Year 2020
Increases in operating payables ("-" for decreases)	12,618,017.84	-30,175,956.65
Others		
Net cash flow from operating activities	208,170,561.48	534,653,617.28
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	848,233,503.66	1,149,052,807.58
Less: beginning balance of cash	1,149,052,807.58	863,141,377.23
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-300,819,303.92	285,911,430.35

5. Notes to significant items to the consolidated financial statements (Continued)

5.57 Consolidated Statement of Cash Flows (Continued)

5.57.2 Breakdowns of cash and cash equivalents

Item	Balance as at December 31, 2021	Balance as at December 31, 2020
I. Cash	848,233,503.66	1,149,052,807.58
Including: cash on hand	91,821.05	178,831.50
Unrestricted bank deposit	848,141,682.61	1,148,873,976.08
Other unrestricted cash and cash equivalents		
II. Cash equivalents		
III. Ending balance of cash and cash equivalents	848,233,503.66	1,149,052,807.58
Including: restricted cash and cash equivalents used by the parent company or subsidiaries within the group		

Notes to the 2021 Financial Statements (Continued)

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

5.58 Assets restricted for use or ownership

Item	Book value as at December 31, 2021	Reason for restriction
Monetary funds	114,984,973.35	Acceptance, performance, letter of guarantee, letter of credit margin, government special account funds
Notes receivable	35,896,927.52	Guarantee the issuance of bank acceptance drafts for the bill pool
Total	<u>150,881,900.87</u>	

5. Notes to significant items to the consolidated financial statements (Continued)

5.59 Monetary items in foreign currency

Notes to the 2021 Financial Statements (Continued)

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

Item	Balance in foreign currency as at December 31, 2021	Exchange rate	Balance converted into RMB as at December 31, 2021
Monetary funds			76,512,843.16
Including: USD	11,055,022.31	6.3757	70,483,505.74
EUR	262,863.66	7.2197	1,897,796.77
HKD	408,144.05	0.8176	333,698.58
JPY	68,553,106.00	0.0554	3,797,842.07
Accounts receivable			12,798,287.63
Including: USD	1,747,536.87	6.3757	11,141,770.82
EUR	91,182.11	7.2197	658,307.48
JPY	18,018,219.00	0.0554	998,209.33
Accounts payable			146,585,835.82
Including: USD	21,008,607.36	6.3757	133,944,577.95
JPY	228,181,550.00	0.0554	12,641,257.87

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 December 31, 2021	Items presented in the balance sheet	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 2021	Year 2020	

Notes to the 2021 Financial Statements (Continued)

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

Provincial emerging industry guiding funds	10,000,000.00	10,000,000.00	Other Current Liabilities		
Provincial high-end equipment to catch up with the project special funds	900,000.00	790,391.65	Deferred income	109,608.35	Other income
2017 Technical Transformation Special Project of Electronic Information Industry	30,000,000.00	29,054,057.09	Deferred income	945,942.91	Other income
New model project grant	3,500,000.00	3,107,142.86	Deferred income	392,857.14	Other income
High localization rate of industrial robots and intelligent complete sets of equipment research and development and industrialization	8,120,000.00	5,494,424.98	Deferred income	888,752.14	888,752.14 Other income
New flat panel display factory automation transplanting system industrialization project	30,000,000.00	4,195,392.47	Deferred income	985,333.31	985,333.31 Other income
Nanjing Industrial Enterprise Technology and Equipment Input Inclusive Incentive Fund	1,624,000.00	690,400.00	Deferred income	324,800.00	324,800.00 Other income

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 2021	Year 2020	
Research and development of key technologies and special polymer materials and products for 5G communication	1,200,000.00			
Development and industrialization of an integrated platform for high-speed traffic operations based on artificial intelligence	1,000,000.00			
East China Electronics New Display Products Green Supply Chain Construction Project	1,000,000.00			
Internet AFC ticketing system	800,000.00			
Research on the application of new electronic identification technologies in the transport industry	715,000.00			
One Pass & Face Recognition Intelligent Cloud Gate	600,000.00			
Research and development of an intelligent monitoring system for oil and gas pipelines based on distributed fiber optic sensing and the Internet of Things	600,000.00			
Development of key technologies for new edge network collaborative control devices	435,000.00			
Automatic Fare Collection (AFC) System Regional Centre (ZLC)	300,000.00			
Corporate patent navigation project for next generation IT patents	300,000.00			
ECE Earmark – per pupil fee	2,978,656.92	2,978,656.92	2,541,371.09	Other Income

Notes to the 2021 Financial Statements (Continued)

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

5. Notes to significant items to the consolidated financial statements (Continued)

5.60 Government grants (Continued)

5.60.2 Government grants related to income (Continued)

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 2021	Year 2020	
Rewards for Upgraded Industrial Enterprises	1,800,000.00	1,800,000.00		Other Income
Training allowance	926,000.00	926,000.00	407,250.00	Other Income
Mobile Payment Based Rail Transit Automatic Ticketing System Project Grant	890,000.00	890,000.00		Other Income
Special Funds for Industry and Information Technology in Nanjing	800,000.00	800,000.00		Other Income
Innovation Award for Enhancing Innovation in the Construction of a Innovation City	778,000.00	778,000.00	1,240,000.00	Other Income
Industrial Robot Manufacturing Digital Factory Project Grant	750,000.00	750,000.00		Other Income
Return of union funds	413,697.43	413,697.43	575,733.24	Other Income
Shenzhen Science and Technology Innovation Commission Grant	411,000.00	411,000.00		Other Income
Financial allocation for information technology-led industrialisation	369,921.28	369,921.28		Other Income
Spring Festival continuous production subsidy	350,000.00	350,000.00		Other Income
The first batch of incentive funds for innovation, transformation and upgrading	300,000.00	300,000.00		Other Income
The second batch of subsidy of Jiangsu Enterprise R&D Institution Promotion Association	200,000.00	200,000.00		Other Income
The prize money of Minpin Science and Technology Award	200,000.00	200,000.00		Other Income
Nanjing Science and Technology Bureau Advanced Unit Incentive Fund	200,000.00	200,000.00		Other Income
Catching Up Project Allowance	190,000.00	190,000.00		Other Income
Special Funds for Intellectual Property Strategy	150,000.00	150,000.00	27,000.00	Other Income
Small and Micro Enterprise Scale Incentive	110,000.00	110,000.00		Other Income
The fifth batch of provincial science and technology award funds	100,000.00	100,000.00		Other Income
Economic Development Area 2021 Spring Festival Production Subsidy	100,000.00	100,000.00		Other Income
Employment Subsidy	97,000.00	97,000.00		Other Income
Skill Master Workshop Funding	80,000.00	80,000.00		Other Income
Nanjing Disabled Persons' Federation Awards	80,000.00	80,000.00		Other Income
Work-based Training Subsidy	79,500.00	79,500.00	544,000.00	Other Income
Technology transfer incentive funding	35,000.00	35,000.00		Other Income
	30,000.00	30,000.00		Other Income
Job Stabilization Subsidy	28,892.64	28,892.64	4,104,884.55	Other Income
Special funds for business development	26,600.00	26,600.00	979,700.00	Other Income
Subsidy for employment of disabled persons	20,200.00	20,200.00	20,200.00	Other Income

Notes to the 2021 Financial Statements (Continued)

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

5. Notes to significant items to the consolidated financial statements (Continued)

5.60 Government grants (Continued)

5.60.2 Government grants related to income (Continued)

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 2021	Year 2020	
Subsidy for employment of disabled persons	20,000.00	20,000.00		Other Income
Nanjing 2020 4th Quarter Employment Subsidy for Small and Medium-sized Enterprises	20,000.00	20,000.00		Other Income
2021 Economic Development Zone Intellectual Property Quality Cultivation Program Project Funds	20,000.00	20,000.00		Other Income
Cost Reduction Funding for Commercial and Industrial Electricity Consumption in Shenzhen	19,734.68	19,734.68	152,583.09	Other Income
2021 High-level Talent Science and Technology Contribution Award	16,000.00	16,000.00		Other Income
Outstanding Patent Award	13,000.00	13,000.00		Other Income
Special Financial Assistance	12,000.00	12,000.00		Other Income
Speaking Ratio Award	5,000.00	5,000.00		Other Income
Subsidy for Monitoring Employment Information of Qinhuai Employment Centre	1,000.00	1,000.00		Other Income
Special Funds for Transformation of Scientific and Technological Achievements in Jiangsu Province			2,000,000.00	Other Income
Special funds subsidy for industrial development			583,000.00	Other Income
Customs AEO Advanced Certification Support Grant			500,000.00	Other Income
Unemployment Insurance Refund			399,231.03	Other Income
Foreign Trade Development Funds Incentive			206,862.00	Other Income
2019 Software Special Funds Support			150,000.00	Other Income
Central Industrial Enterprise Structure Adjustment Special Funds			131,270.33	Other Income
Prevention and Control Incentive for Covid-19			26,000.00	Other Income
Subsidy for sewage treatment fee			15,373.20	Other Income
Subsidy for single room isolation			10,800.00	Other Income

Notes to the 2021 Financial Statements (Continued)

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

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 2021	Year 2020	
Incentives for demonstration projects of science and technology innovation assistance projects in 2020			6,950.00	Other Income
Employment Information Monitoring Incentive 2018			1,000.00	Other Income
Vehicle Obsolescence Subsidy	87,700.00	87,700.00	82,000.00	Non-operating Income
2019 First Batch of Computer Soft Patent Fee Subsidy	1,800.00	1,800.00		Non-operating Income
2019 Provincial Integration Incentive			120,000.00	Non-operating Income
Intellectual Property Rights Incentive			71,000.00	Non-operating Income
Patent funding bonus			29,608.85	Non-operating Income
Incentive Subsidy for Early Phase-out of Old Vehicles in Shenzhen (2018-2020)			25,500.00	Non-operating Income
Provincial Innovation Capacity Building Special Fund Allocation			12,000.00	Non-operating Income
2019 Science Association "Talking and comparing" excellent project money			10,000.00	Non-operating Income
Support of protective supplies for Covid-19			10,000.00	Management costs

5. Notes to significant items to the consolidated financial statements (Continued)

5.61 Lease

5.61.1 As a tenant

Items	Ending Balance	Beginning Balance
Interest expense on lease liabilities	691,719.70	937,931.40
Short-term lease payments with simplified treatment charged to the cost of the related asset or to current profit or loss	5,614,894.26	5,654,999.82
Simplified Lease charges for low-value assets (short-term lease charges for low-value assets excluded) included in the cost of the relevant asset or in the current profit or loss		

Notes to the 2021 Financial Statements (Continued)

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

Variable lease payments not included in the measurement of the lease liability that are charged to the cost of the related asset or to current profit or loss		
Including: Portion arising from sale-and-leaseback transactions		
Income from subletting of right-to-use assets	2,885,654.53	2,733,414.11
Total cash outflows relating to leases	11,644,467.66	17,850,670.70
Sale-and-leaseback transactions generated gains and losses		
Cash inflow from sale-and-leaseback transactions		
Cash outflow from sale-and-leaseback transactions		

The Company's potential future cash outflows not included in the measurement of lease liabilities arise primarily from lease to which the lessee is committed but which have not yet commenced.

The expected future annual cash outflows for leases that are committed but have not yet commenced are as follows:

Remaining lease period	Undiscounted lease payments
Less than 1 year	<u>176,620.00</u>
Total	<u><u>176,620.00</u></u>

Notes to the 2021 Financial Statements (Continued)

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

5. Notes to significant items to the consolidated financial statements (Continued)

5.61 Lease (Continued)

5.61.2 As a lessor

(1) Operating lease

	Ending Balance	Beginning Balance
Operating lease income	115,189,446.12	82,535,763.24
Including: Income relating to variable lease payments not charged to lease payments		

The amount of undiscounted lease receipts to be received after the balance sheet date is as follows:

Remaining lease period	Undiscounted lease payments
Less than 1 year	93,920,500.33
1 to 2 years	68,611,590.89
2 to 3 years	29,985,817.74
3 to 4 years	29,867,925.00
4 to 5 years	29,867,925.00
5 years above	<u>144,238,934.50</u>
Total	<u><u>396,492,693.46</u></u>

5.61.3 Effect of implementing "Regulations on Accounting Treatment for Rent Concessions in relation to Covid-19" and "Notice of Adjustment to the Scope of Application of the 'Regulations on Accounting Treatment for Rent Concessions in relation to Covid-19'"

For rent concessions such as rent reductions and deferred rent payments that meet the conditions directly arising from Covid-19, the Company has elected to adopt the simplified method of accounting for rent concessions in accordance with the "Regulations on Accounting Treatment for Rent Concessions in relation to Covid-19".

The Company, as the lessee, adopted the above simplified method to process the relevant rental concessions to write down operating costs, administrative expenses and selling expenses for the current period by a total of RMB394,334.99 and operating costs, administrative expenses and selling expenses for the previous period by a total of CNY 33,000.00.

Notes to the 2021 Financial Statements (Continued)

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

6 Changes in consolidated scope

6.1 Merger of enterprises under different control

No merger occurred under different control during current period.

6.2 Merger of enterprises under common control

No merger occurred under common control during current period.

6.3 Reverse Purchasing

No reverse purchases occurred during current period.

6.4 Disposal subsidiary

No disposal of subsidiaries occurred during current period.

6.5 Other reasons for changes in the scope of the merger

The Company wrote off its secondary subsidiary Chengdu Panda Electronics Manufacturing Company Limited on 20 December 2021.

Notes to the 2021 Financial Statements (Continued)

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

7 Interests in other subjects

7.1 Interests in subsidiaries

7.1.1 Components of the enterprise group

Unit: million

Name of subsidiary	Main place of business	Place of registration	Nature of business	Registered Capital	Shareholding (%)		
					Direct	Indirect	Access
Nanjing Panda Electronics Manufacturing Co. [1]	Nanjing	Nanjing	Manufacturing	2,000.00	75.00	25.00	Establishment
Nanjing Panda Xinxing Industrial Co.	Nanjing	Nanjing	Services	2,000.00	100.00		Establishment
Nanjing Panda Electronic Equipment Co.	Nanjing	Nanjing	Manufacturing	19,000.00	100.00		Establishment
Jiaheng Xingye Limited [2]	Hong Kong	Hong Kong	Investment	1 HKD	100.00		Establishment
Nanjing Panda Information Industry Co.[1]	Nanjing	Nanjing	Manufacturing	3,194.64	82.00	18.00	Establishment
Nanjing Panda Communication Technology Co.	Nanjing	Nanjing	Manufacturing	10,000.00	100.00		Business combinations under common control
Nanjing Panda Electronic Technology Development	Nanjing	Nanjing	Manufacturing	70,000.00	100.00		Establishment
Chengdu Panda Electronic Technology Co	Chengdu	Chengdu	Manufacturing	2,000.00	100.00		Establishment
Chengdu Panda Electronics Manufacturing Company [3]	Chengdu	Chengdu	Manufacturing	5,000.00	100.00		Establishment
Nanjing Panda Electromechanical Instrument Technology Co	Nanjing	Nanjing	Manufacturing	1,000.00		100.00	Establishment
Nanjing Panda Electromechanical Manufacturing Co.	Nanjing	Nanjing	Manufacturing	3,500.00		100.00	Business combinations under common control
Nanjing Huag Electric & Plastic Co.	Nanjing	Nanjing	Manufacturing	6,000.00		100.00	Business combinations under common control
Shenzhen Jinghua Electronics Co.[4]	Shenzhen	Shenzhen	Services	11,507.00	43.34		Business combinations under common control
Shenzhen Jinghua Property Management Company Limited[5]	Shenzhen	Shenzhen	Services	100.00		43.34	Establishment

Notes to the 2021 Financial Statements (Continued)

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

7 Interests in other subjects (Continued)

7.1 Interests in subsidiaries (Continued)

7.1.1 Components of the enterprise group (Continued)

Name of subsidiary	Main place of business	Place of registration	Nature of business	Registered Capital	Shareholding (%)		
					Direct	Indirect	Access
Shenzhen Jingjia Property Management Company Limited[5]	Shenzhen	Shenzhen	Services	100.00		43.34	Establishment
Shenzhen Jinghua Information Technology Company Limited[5]	Shenzhen	Shenzhen	Manufacturing	2,000.00		26.87	Establishment
Shenzhen Jinghua Digital Technology Company Limited [5]	Shenzhen	Shenzhen	Manufacturing	500.00		26.87	Establishment
Hong Kong CLP Jing Hua Trading Company[1][2] [5]	Shenzhen	Shenzhen	Manufacturing	10.00		26.87	Establishment
Shenzhen Jinghua Multimedia Technology Company Limited [5]	Shenzhen	Shenzhen	Manufacturing	500.00		43.34	Establishment
Shenzhen Jingyu Electronics Co.[5]	Shenzhen	Shenzhen	Manufacturing	931.41		43.34	Establishment
Shenzhen Longgang Jinghua Electronics Co. [5]			Services	350.00		39.01	Establishment

Notes.

- [1]: Nanjing Panda Electronics Manufacturing Company Limited, Nanjing Panda Information Industry Company Limited and Hong Kong CLP Jing Hua Trading Company have a registered capital of US\$.
- [2]: Jiaheng Xingye Limited has not yet made actual capital contribution and its registered capital is in Hong Kong dollars.
- [3]: Chengdu Panda Electronics Manufacturing Co., Ltd. was wrote off on 20 December 2021.
- [4]: Shenzhen Jinghua Electronics Company Limited is limited by shares (not listed) and the other companies mentioned above are limited liability companies.
- [5]: This part of the company is held by Shenzhen Jinghua Electronics Co. There are 7 members of the Board of Directors in Shenzhen Jinghua Electronics Co., Ltd, the Company recommended 4 directors, so the Company holds 57.14% of the voting rights.

Notes to the 2021 Financial Statements (Continued)

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

7 Interests in other subjects (Continued)

7.1 Interests in subsidiaries (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%	38,204,144.23		275,153,486.92

Description of the percentage of shareholding of minority shareholders of a subsidiary different from the percentage of voting rights.

Note: There are 7 members of the Board of Directors in Shenzhen Jinghua Electronics Co., Ltd, the Company recommended 4 directors, so the Company holds 57.14% of the voting rights.

7.1.3 Key financial information of significant non-wholly owned subsidiaries

Name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current Liabilities	Non-current liabilities	Total liabilities
Shenzhen Jinghua Electronics Co.	570,709,159.75	35,052,777.50	605,761,937.25	157,368,809.07	2,832,515.37	160,201,324.44

(Continued)

Name of subsidiary	Balance at the end of the previous year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Jinghua Electronics Co.	505,421,254.46	42,707,894.80	548,129,149.26	159,931,607.59	6,008,816.96	165,940,424.55

Notes to the 2021 Financial Statements (Continued)

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

7 Interests in other subjects (Continued)

7.1 Interests in subsidiaries (Continued)

7.1.3 Key financial information of significant non-wholly owned subsidiaries (Continued)

Name of subsidiary	Incurred during the period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shenzhen Jinghua Electronics Co.	923,589,012.55	63,371,888.10	63,371,888.10	113,628,360.75

(continued)

Name of subsidiary	Prior Period Incurred			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shenzhen Jinghua Electronics Co.	630,172,583.78	65,675,277.56	65,675,277.56	52,484,019.45

7.2 Interests in joint venture arrangements or associates

7.2.1 Significant associates

Unit: USD million

Name of associated company	Main Place of business	Place of registration	Nature of business	Registered Capital	Shareholding(%)		Accounting for investments in associates	Strategic to the Company's activities
					Direct	Indirect		
Nanjing Lejin Panda Electric Co.	Nanjing	Nanjing	Electrical machinery and equipment manufacturing	3,570.00	30.00		Equity method	Y
Nanjing Ericsson Panda Communications Co.	Nanjing	Nanjing	Computer, communications, and other electronic equipment manufacturing	2,090.00	27.00		Equity method	Y

Notes to the 2021 Financial Statements (Continued)

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

7 Interests in other subjects (Continued)

7.2 Interests in joint venture arrangements or associates (Continued)

7.2.2 Key financial information on significant associates

	Closing balance/amount for the period		Prior year-end balance/prior period amount
	Nanjing Panda Electric Co.	Nanjing Ericsson Panda Communications Co.	Nanjing Ericsson Panda Communications Co.
Current assets	2,450,361,522.49	1,831,703,741.83	1,678,560,903.03
Non-current assets	682,570,775.44	1,746,067,527.43	1,738,444,123.47
Total assets	3,132,932,297.93	3,577,771,269.26	3,417,005,026.50
Current liabilities	2,040,935,653.48	2,837,888,092.67	2,569,309,543.78
Non-current liabilities	16,749,594.30		
Total liabilities	2,057,685,247.78	2,837,888,092.67	2,569,309,543.78
Minority interests			
Equity attributable to shareholders of parent company	1,075,247,050.15	739,883,176.59	847,695,482.72
Share of net assets based on percentage of shareholding	322,574,115.05	199,768,457.67	228,877,780.33
Adjustment matters	114,218,440.38		
Carrying value of equity investments in associates	436,792,555.43	199,768,457.67	228,877,780.33
Fair value of equity investments in associates where publicly quoted prices exist			
Operating income	6,031,745,713.71	6,652,208,449.51	10,071,683,469.84
Net profit	147,387,123.42	134,073,176.87	241,885,483.00
Net profit from discontinued operations			
Other comprehensive income			
Total comprehensive income	147,387,123.42	134,073,176.87	241,885,483.00
Dividends received from associates during the period		65,309,080.41	

Note: The adjustment is the amount by which the initial cost of investment is greater than the share of the fair value of the identifiable net assets of the investee at the time of investment.

Notes to the 2021 Financial Statements (Continued)

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

7 Interests in other subjects (Continued)

7.2 Interests in joint venture arrangements or associates (Continued)

7.1.1 Aggregate financial information on immaterial joint ventures and associates

	Closing balance/ amount for the period	Prior year-end balance/prior period amount
Associates		
Total carrying value of investments	66,014,628.79	66,305,102.51
Total of the following in proportion to shareholdings		
– Net profit	10,597.48	349,552.75
– Other comprehensive income		
– Total comprehensive income	<u>10,597.48</u>	<u>349,552.75</u>

8 Risks associated with financial instruments

The Company is exposed to various financial risks during its operations: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks). The above financial risks and the risk management policies adopted by the Company to mitigate these risks are described below:

The Company is exposed to various financial risks during its operations: credit risk, market risk and liquidity risk. The Company's Board of Directors has overall responsibility and ultimate accountability for the determination of risk management objectives and policies. The Company's internal auditors will audit risk management policies and procedures and report any findings to the Audit Committee.

The overall objective of the Company's risk management is to develop risk management policies that minimize risk without significantly impacting the Company's competitiveness and resilience.

8.1 Credit risk

Credit risk is the risk of financial loss to the Company arising from the failure of counterparties to meet their contractual obligations.

The Company's credit risk arises mainly from money funds, notes receivable, accounts receivable, receivables financing, other receivables, debt investments, other debt investments and financial guarantee contracts, as well as investments in debt instruments at fair value through profit or loss and derivative financial assets that are not included in the impairment assessment. The carrying value of the Company's financial assets at the balance sheet date is representative of their maximum exposure to credit risk.

The Company's monetary funds are mainly bank deposits placed with reputable state-owned banks and other large and medium-sized listed banks with high credit ratings, which the Company does not consider to be subject to significant credit risk and will hardly incur significant losses due to bank defaults.

Notes to the 2021 Financial Statements (Continued)

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

8 Risks associated with financial instruments (Continued)

8.1 Credit risk (Continued)

In addition, for notes receivable, accounts receivable, receivables financing and other receivables, the Company sets relevant policies to control credit risk exposure. The Company assesses the creditworthiness of its customers and sets credit periods based on the customer's financial position, the likelihood of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company regularly monitors the credit records of its customers and uses written reminders, shortened credit periods or cancellation of credit periods for customers with poor credit records to ensure that the Company's overall credit risk is within manageable limits.

8.2 Liquidity risk

Liquidity risk is the risk that a business will run short of funds to meet its obligations settled by the delivery of cash or other financial assets.

It is the Company's policy to ensure that sufficient cash is available to meet its obligations as they fall due. Liquidity risk is centrally controlled by the Company's finance department. The finance department ensures that the Company has sufficient funds to service its debts in all reasonably forecast circumstances by monitoring cash balances and rolling forecasts of cash flows for the next 12 months. It also continuously monitors the Company's compliance with borrowing agreements to obtain commitments from major financial institutions to provide sufficient standby funding to meet short and long-term funding requirements.

The Company's financial liabilities are shown below in undiscounted contractual cash flows by maturity date.

Items	Immediate reimbursement	Closing balance				Total
		Less than 1 year	1-2 years	2-5 years	5 years above	
Short-term borrowings						
Notes payable		214,817,174.59				214,817,174.59
Accounts payable		1,607,660,654.09				1,607,660,654.09
Other payables		99,479,790.95				99,479,790.95
Non-current liabilities due within one year		9,088,164.51				9,088,164.51
Lease liabilities			2,604,386.19	1,456,517.57		4,060,903.76
Total		1,931,045,784.14	2,604,386.19	1,456,517.57		1,935,106,687.90

Notes to the 2021 Financial Statements (Continued)

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

8 Risks associated with financial instruments (Continued)

8.2 Liquidity risk (Continued)

Items	Immediate reimbursement	Balance at the end of the previous year				Total
		Less than 1 year	1-2 years	2-5 years	5 years above	
Short-term borrowings						
Notes payable		193,125,064.34			193,125,064.34	
Accounts payable		1,598,171,215.24			1,598,171,215.24	
Other payables		90,865,482.11			90,865,482.11	
Non-current liabilities due within one year		8,170,178.10			8,170,178.10	
Lease liabilities			5,567,498.93	3,773,654.29	9,341,153.22	
Total		1,890,331,939.79	5,567,498.93	3,773,654.29	1,899,673,093.01	

8.3 Market risk

Market risk of financial instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes exchange rate risk, interest rate risk and other price risks.

8.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

Fixed rate and floating rate interest bearing financial instruments expose the Company to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the ratio of fixed to floating rate instruments based on market conditions and maintains an appropriate mix of fixed and floating rate instruments through regular review and monitoring. When necessary, the Company uses interest rate swap instruments to hedge its interest rate risk.

8.3.2 Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Notes to the 2021 Financial Statements (Continued)

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

8 Risks associated with financial instruments (Continued)

8.3 Market risk (Continued)

8.3.2 Exchange rate risk (Continued)

The Company continuously monitors foreign currency transactions and the size of its foreign currency assets and liabilities to minimize its exposure to foreign exchange risk. In addition, the Company may enter forward foreign exchange contracts or currency swaps for the purpose of hedging its exposure to exchange rate risk. During the previous period, the Company did not enter any forward foreign exchange contracts or currency swap contracts; during the current period, Shenzhen Jinghua Information Technology Company Limited, a third-tier subsidiary of the Company, entered into forward foreign exchange contracts for the purpose of locking in the US dollar exchange rate, but fundamentally, the Company is still exposed to the risk of US dollar exchange rate.

The Company's exposure to exchange rate risk arises mainly from financial assets and financial liabilities denominated in United States dollars, and the amounts of foreign currency financial assets and foreign currency financial liabilities translated into RMB are set out below.

Items	Closing balance			Prior year-end balance		
	USD	Other currency	Total	USD	Other currency	Total
Currency funds	70,483,505.74	6,029,337.42	76,512,843.16	58,608,439.43	5,128,410.13	63,736,849.56
Accounts receivable	11,141,770.82	1,656,516.81	12,798,287.63	29,496,668.21	3,663,604.73	33,160,272.94
Other receivables				7,744,095.70	3,618.88	7,747,714.58
Subtotal	<u>81,625,276.56</u>	<u>7,685,854.23</u>	<u>89,311,130.79</u>	<u>95,849,203.34</u>	<u>8,795,633.74</u>	<u>104,644,837.08</u>
Accounts payable	133,944,577.95	12,641,257.87	146,585,835.82	95,270,802.41	63,372,733.50	158,643,535.91
Other payables				3,171,434.82	6,892.70	3,178,327.52
Subtotal	<u>133,944,577.95</u>	<u>12,641,257.87</u>	<u>146,585,835.82</u>	<u>98,442,237.23</u>	<u>63,379,626.20</u>	<u>161,821,863.43</u>

Notes to the 2021 Financial Statements (Continued)

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

8 Risks associated with financial instruments (Continued)

8.3 Market risk (Continued)

8.3.2 Exchange rate risk (Continued)

The effect of changes in exchange rates is as follows:

Items	Closing balance			Prior year-end balance		
	Increase/(decrease) in exchange rates	Increase/(decrease) in total profit	Increase/(decrease) in shareholders' equity	Increase/(decrease) in exchange rates	Increase/(decrease) in total profit	Increase/(decrease) in shareholders' equity
RMB depreciates against the USD	5%	-2,615,965.07	-2,615,965.07	5%	-133,211.27	-133,211.27
RMB appreciates against the USD	5%	2,615,965.07	2,615,965.07	5%	133,211.27	133,211.27
RMB depreciates against the JPY	5%	-392,260.32	-392,260.32	5%	-2,893,512.34	-2,893,512.34
RMB appreciates against the JPY	5%	392,260.32	392,260.32	5%	2,893,512.34	2,893,512.34

8.3.3 Other price risks

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than exchange rate risk and interest rate risk.

The Company's other price risk arises primarily from investments in various types of equity instruments, which are subject to the risk of changes in the price of equity instruments.

9 Fair value disclosures

The inputs used in fair value measurement are classified into three levels.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 inputs are inputs other than Level 1 inputs that are directly or indirectly observable for the underlying asset or liability.

Level 3 inputs are unobservable inputs for the relevant asset or liability.

The level to which a fair value measurement outcome belongs is determined by the lowest level to which the inputs that are significant to the fair value measurement belong.

Notes to the 2021 Financial Statements (Continued)

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

9 Fair value disclosures (Continued)

9.1 Closing fair value of assets and liabilities measured at fair value

Items	Fair value closing balance			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuing fair value measurement				
◆ Financial assets held for trading			472,241,399.61	472,241,399.61
1. Financial assets at fair value through profit or loss			472,241,399.61	472,241,399.61
(1) Investments in debt instruments				
(2) Investment in equity instruments				
(3) Derivative financial assets			472,241,399.61	472,241,399.61
(4) Others				
2. Financial assets designated as at fair value through profit or loss				
(1) Investments in debt instruments				
(2) Others				
◆ Receivable financing			20,272,279.95	20,272,279.95
◆ Other debt investments				
◆ Investments in other equity instruments			3,551,864.21	3,551,864.21
◆ Other non-current financial assets				
Total assets measured at fair value on an ongoing basis			496,065,543.77	496,065,543.77

Notes to the 2021 Financial Statements (Continued)

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

9 Fair value disclosures (Continued)

9.2 Continuing and discontinuing Level 3 fair value measurement items, qualitative and quantitative information on the valuation techniques used and significant parameters

1. The Company's financial assets held for trading in Level 3 fair value measurement are bank financial products and forward exchange settlement products, and the fair value is adjusted at the end of the period based on the expected rate of return or performance benchmark interest rate of the financial products(1.5%-3.5%).
2. The Company's receivables financing held in level 3 fair value measurement are notes receivable, which are held with the intention of endorsement and have a short residual maturity and the carrying value is equal to the fair value.
3. The Company's investment in other equity instruments held at fair value measurement in level 3 is its 7.30% equity interest in Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd. which is an unlisted company, and the fair value is determined by the net asset basis method as of the balance sheet date.

Notes to the 2021 Financial Statements (Continued)

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

9 Fair value disclosures (Continued)

9.3 Ongoing Level 3 fair value measurement items, reconciliation information between prior year-end and period-end carrying values and sensitivity analysis of unobservable parameters

9.3.1 Reconciliation information for ongoing Level 3 fair value measurement items

Items	Prior year-end balance	Moving to the third level	Moving out of the third level	Total gain or loss for the period		Purchase, issue, sales and settlement				Closing balance	For assets held at the end of the reporting period, unrealized gains or changes in profit or loss for the period
				Charged to profit or loss	Included in other comprehensive income	Purchase	Issue	Sales	Settlement		
◆ Financial assets held for trading	501,356,576.18			13,491,622.42		1,840,000,000.00		1,882,606,798.99		472,241,399.61	884,823.43
Financial assets at fair value through profit or loss	501,356,576.18			13,491,622.42		1,840,000,000.00		1,882,606,798.99		472,241,399.61	884,823.43
-Investments in debt instruments											
-Investments in equity instruments											
-Derivative financial assets	501,356,576.18			13,491,622.42		1,840,000,000.00		1,882,606,798.99		472,241,399.61	884,823.43
-Other											
Financial assets designated as at fair value through profit or loss											
-Investments in debt instruments											
-Other											
◆ Financing of receivables	144,969,078.62			-163,944.48		683,424,494.37		807,957,348.56		20,272,279.95	
◆ Other debt investments											
◆ Investments in other equity instruments	4,074,939.80				-523,075.59					3,551,864.21	
Total	650,400,594.60			13,327,677.94	-523,075.59	2,523,424,494.37		2,690,564,147.55		496,065,543.77	884,823.43
Including: Gains and losses relating to financial assets				13,327,677.94							884,823.43
Gains and losses relating to non-financial assets											

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions

10.1 Status of the parent 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 at 31 December 2021, the total number of shares held by China Electronics Corporation of Information Industry Limited accounted for 29.98% of the total share capital of the Company. Ltd., a controlling subsidiary, held 22,120,611 A shares and 13,768,000 H shares of the Company through an asset management plan, representing 3.93% of the total share capital of the Company; 210,661,444 shares of the Company were held through Panda Electronics Group Limited, a wholly owned subsidiary of Nanjing Zhongdian Panda Information Industry Group Co. A shares, representing 23.05% of the total share capital of the Company; and 27,414,000 H shares, representing 3.00% of the total share capital of the Company, through Huadian Limited, a wholly-owned overseas subsidiary. China Electronics Corporation Limited remains the ultimate controlling party of the Company and its registered office is in Beijing, the PRC.

[2]: The proportion of voting rights of the parent company are higher than the shareholding of the Company, this is due to the recommendation of the parent company to elect five directors out of the nine members of the Board of Directors of the Company.

10.2 Status of the Company's subsidiaries

Details of the Company's subsidiaries are set out in note "7. Interests in other entities" in this note.

10.3 Company's joint ventures and associates

Details of the Company's significant joint ventures or associates are set out in note "7. Interests in other entities" in this note.

Other joint ventures or associates with which the Company had related party transactions forming the balance during current period or in the previous period are as follows:

Name of joint ventures or associates	Relationship with the Company
Nanjing Ericsson Panda Communications Co., Ltd.	Related companies of the Company
Beijing Se Potevio Mobile Communications Co., Ltd.	Related companies of the Company
Shenzhen Chebao Information Technology Co., Ltd.	Related companies of subsidiaries
Shenzhen Jinghua Network Marketing Co., Ltd.	Related companies of subsidiaries
Nanjing Lejin Panda Electric Co.	Related companies of the Company

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.4 Other related parties

Name of other related parties Relationship with the Company

Nanjing Panda Information Industry Group Co.	Shareholders of the Company
Liyang Panda Cui Zhu Yuan Hotel Co.	Subsidiary of the parent company
Nanjing Panda Dasheng Electronic Technology Co.	Subsidiary of the parent company
Nanjing Panda Electronic Import & Export Co.	Subsidiary of the parent company
Nanjing Panda Science and Technology Park Development Co.	Subsidiary of the parent company
Nanjing Panda Investment Development Co.	Subsidiary of the parent company
Nanjing Panda Transportation Co.	Subsidiary of the parent company
Nanjing Zhenhua Packaging Material Factory	Subsidiary of the parent company
Nanjing Zhongdian Panda Home Appliance Co.	Subsidiary of the parent company
Ji Cheng Xing Ye (Hong Kong) Co.	Subsidiary of the parent company
Panda Technology (Beijing) Co.	Subsidiary of the parent company
China Electronics Corporation	Ultimate controlling party
CEC Defense Technology Co Ltd (formerly Nanjing Panda Handa Technology Co Ltd)	Ultimately controlled by the same party
Beijing Zhongsoft Wanwei Network Technology Co.	Ultimately controlled by the same party
Rainbow Group Limited	Ultimately controlled by the same party
Faisheng (Shanghai) Electronic Technology Co.	Ultimately controlled by the same party
Gansu Changfeng Electronic Technology Co.	Ultimately controlled by the same party
TPV Electronic Technology Co.	Ultimately controlled by the same party
TPV Audio-Visual Technology (Shenzhen) Co.	Ultimately controlled by the same party
Guizhou Zhenhua Hualian Electronics Co.	Ultimately controlled by the same party
Guizhou Zhenhua Qunying Electric Co.	Ultimately controlled by the same party
Guizhou Zhenhua Yilong New Materials Co.	Ultimately controlled by the same party
Nanjing Rainbow New Energy Co.	Ultimately controlled by the same party
Nanjing Huadong Electronics Group Co.	Ultimately controlled by the same party
Nanjing Panda Jinling Hotel Co.	Ultimately controlled by the same party
Nanjing Zhongdian Panda Crystal Technology Co.	Ultimately controlled by the same party
Nanjing Zhongdian Panda Trading Development Co.	Ultimately controlled by the same party
Nanjing Zhongdian Panda Property Management Co.	Ultimately controlled by the same party
Nanjing Zhongdian Panda Modern Service Industry Co.	Ultimately controlled by the same party
Nanjing Zhongdian Panda Liquid Crystal Material Technology Co.	Ultimately controlled by the same party
Nanjing Zhongdian Panda Liquid Crystal Display Technology Co.	Ultimately controlled by the same party
Nanjing Zhongdian Panda Lighting Co.	Ultimately controlled by the same party
Nanjing Zhongdian Panda Real Estate Co.	Ultimately controlled by the same party
Shanghai Panda Huning Electronic Technology Co.	Ultimately controlled by the same party
Shenzhen Sandar Wireless Communication Technology Co.	Ultimately controlled by the same party

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.4 Other related parties (Continued)

Name of other related parties Relationship with the Company (Continued)

Nanjing Panda Information Industry Group Co.	Shareholders of the Company
Shenzhen Zhongdian Power Technology Co.	Ultimately controlled by the same party
Shenzhen Zhongdian Port Technology Co.	Ultimately controlled by the same party
Shenzhen Zhongdian Investment Co.	Ultimately controlled by the same party
Wuhan Zhongyuan Communication Co.	Ultimately controlled by the same party
Xianyang Zhongdian Rainbow Group Holdings Co.	Ultimately controlled by the same party
Great Wall Power Technology Co.	Ultimately controlled by the same party
CEC Industrial Internet Co.	Ultimately controlled by the same party
China Electronics Finance Corporation Limited	Ultimately controlled by the same party
China Electronics Industry Development Co.	Ultimately controlled by the same party
China Electronics Import & Export Co.	Ultimately controlled by the same party
China Electronic Equipment International Co.	Ultimately controlled by the same party
China Electronics Materials SuZhe Company	Ultimately controlled by the same party
China Great Wall Technology Group Co.	Ultimately controlled by the same party
China Zhenhua Group Yunke Electronics Co.	Ultimately controlled by the same party
Zhongdian Pengcheng Intelligent Equipment Co.	Ultimately controlled by the same party
China Electronic Systems Engineering Fourth Construction Co.	Ultimately controlled by the same party
Xianyang Rainbow Intelligent Equipment Co.	Ultimately controlled by the same party
Nanjing Sanle Group Co.	Ultimately controlled by the same party
Zhongdian Tai Risheng Maanshan Technology Co.	Ultimately controlled by the same party
CEC Wangchen Technology Co.	Ultimately controlled by the same party
China Electronics International Exhibition & Advertising Co.	Ultimately controlled by the same party
Nanjing Panda Medical Services Co.	Other related parties
Rainbow (Hefei) LCD Glass Co.	Other related parties
Chengdu Zhongdian Panda Display Technology Co.	Other related parties
Nanjing BOE Display Technology Co., Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co., Ltd)[1]	Other related parties
Shenzhen Jinghua Intelligent Technology Co.	Other related parties
Xianyang Rainbow Optoelectronics Technology Co.	Other related parties

Note [1]: Nanjing BOE Display Technology Co., Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co., Ltd) has been acquired by BOE Technology Group Corporation with capital contribution since 24 December 2020 and has ceased to be a related party of the Company since 2021.

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.1 Related transactions for the purchase and sale of goods, provision and receipt of services (Continued)

Purchase of goods/receipts of services:

Related parties	Details	Year 2021	Year 2020
China Electronic Equipment International Co.	Purchase of goods	27,221,446.50	18,852,004.52
CEC Defense Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	Purchase of goods	14,986,035.42	11,827,500.00
Nanjing Panda Electronics Import & Export Co.	Purchase of goods	9,651,350.72	4,893.46
Faisheng (Shanghai) Electronic Technology Co.	Purchase of goods	3,322,355.35	14,694,209.64
Nanjing Rainbow New Energy Co.	Purchase of goods	2,653,321.61	2,692,596.74
TPV Audio Visual Technology (Shenzhen) Co.	Purchase of goods	2,390,060.99	
Nanjing Zhenhua Packaging Material Factory	Purchase of goods	2,161,548.75	2,058,889.65
Nanjing Zhongdian Panda Home Appliance Co.	Purchase of goods	1,532,258.93	141,669.06
Shenzhen Sanda Wireless Communication Technology Co.	Purchase of goods	1,471,858.41	
Shenzhen Chebao Information Technology Co.	Purchase of goods	1,336,633.66	
Zhongdian Tai Risheng Maanshan Technology Co.	Purchase of goods	470,132.74	
Nanjing Zhongdian Panda Liquid Crystal Display Technology Co.	Purchase of goods	349,734.40	949,500.89
Shenzhen Zhongdian Investment Co.	Purchase of goods	178,679.75	469,623.39
Nanjing Panda Dasheng Electronic Technology Co.	Purchase of goods	80,209.97	9,646.02
Guizhou Zhenhua Hualian Electronics Co.	Purchase of goods	77,986.73	155,546.01
Nanjing Zhongdian Panda Crystal Technology Co.	Purchase of goods	73,827.56	12,971.90
Panda Electronics Group Co.	Purchase of goods	59,867.44	
China Zhenhua Group Yunke Electronics Co.	Purchase of goods	56,690.12	121,303.41
Guizhou Zhenhua Qunying Electrical Appliance Co Ltd (State-owned Plant No. 891)	Purchase of goods	26,548.67	32,876.11
China Electronics Import & Export Co.	Purchase of goods	10,592.92	121,868.00
Shenzhen Zhongdian Port Technology Co.	Purchase of goods	4,539.83	1,716.81
Nanjing BOE Display Technology Co Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co Ltd)	Purchase of goods		4,318,451.34
Shanghai Panda Huning Electronic Technology Co.	Purchase of goods		753,103.44

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.1 Related transactions for the purchase and sale of goods, provision and receipt of services (Continued)

Purchase of goods/receipts of services: (Continued)

Related parties	Details	Year 2021	Year 2020
Chengdu Zhongdian Panda Display Technology Co.	Purchase of goods		75,528.96
Nanjing Panda Transport Co.	Receiving Labour	6,348,658.11	6,425,806.89
Nanjing Zhongdian Panda Home Appliance Co.	Receiving Labour	2,681,415.93	3,787,610.62
Shenzhen Jinghua Intelligent Technology Co.	Receiving Labour	1,672,767.33	1,708,031.17
Nanjing Panda Medical Service Co.	Receiving Labour	1,662,982.61	
Nanjing Huadong Electronics Group Co.	Receiving Labour	563,194.73	563,731.97
Liyang Panda Cui Zhu Yuan Hotel Co.	Receiving Labour	396,266.21	
China Electronics Import & Export Co.	Receiving Labour	261,741.57	
Nanjing Zhongdian Panda Liquid Crystal Display Technology Co.	Receiving Labour	158,322.12	501,071.70
Zhongdian Defense Technology Co Ltd (formerly Nanjing Panda Handa Technology Co Ltd)	Receiving Labour	118,321.70	155,719.80
Panda Electronics Group Co.	Receiving Labour	54,434.57	146,567.89
China Electronics Industry Development Co.	Receiving Labour	48,100.27	
Nanjing Zhongdian Panda Property Management Co.	Receiving Labour	45,600.00	
China Electronics International Exhibition & Advertising Co.	Receiving Labour	37,735.85	
Chengdu Zhongdian Panda Display Technology Co.	Receiving Labour	2,600.00	
Xianyang Zhongdian Rainbow Group Holdings Co.	Receiving Labour		754,716.98

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.1 Related transactions for the purchase and sale of goods, provision and receipt of services (Continued)

Sale of Goods/Supply of Services

Related parties	Details	Year 2021	Year 2020
Nanjing BOE Display Technology Co., Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co.)	Sale of goods	719,736,918.59	683,768,036.47
Chengdu Zhongdian Panda Display Technology Co.	Sale of goods	511,280,592.99	536,938,403.76
Zhongdian Defense Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	Sale of goods	211,988,393.00	152,079,100.51
Nanjing Zhongdian Panda Liquid Crystal Display Technology Co.	Sale of goods	131,596,009.74	144,806,908.60
Rainbow (Hefei) LCD Glass Co.	Sale of goods	30,141,225.64	3,238,938.04
Beijing Zhongsoft Wanwei Network Technology Co.	Sale of goods	29,493,587.23	
Xianyang Rainbow Optoelectronics Technology Co.	Sale of goods	19,925,915.43	3,181,574.28
Nanjing Ericsson Panda Communication Co.	Sale of goods	12,055,403.52	4,758,200.22
Shenzhen Jinghua Network Marketing Co.	Sale of goods	11,517,344.99	21,448,431.02
Rainbow Group Co.	Sale of goods	4,275,862.04	10,784,025.01
Faisheng (Shanghai) Electronic Technology Co.	Sale of goods	2,821,194.00	12,594,137.97
Gansu Changfeng Electronic Technology Co.	Sale of goods	2,487,515.04	24,149,787.58
Ji Cheng Xing Ye (Hong Kong) Co.	Sale of goods	2,181,521.22	2,734,303.17
Great Wall Power Technology Co.	Sale of goods	1,736,286.05	
Nanjing Panda Electronics Import & Export Co.	Sale of goods	1,223,312.08	7,004,086.79
Shenzhen Sandar Wireless Communication Technology Co. Panda Electronics Group Co.	Sale of goods	1,203,539.82	222,841.08
China Great Wall Technology Group Co.	Sale of goods	1,118,875.15	2,920,946.42
Nanjing Zhongdian Panda Lighting Co.	Sale of goods	1,079,642.85	1,467,863.67
China Electronic Materials Suzhe Company	Sale of goods	1,051,109.56	815,881.14
Nanjing Zhongdian Panda Liquid Crystal Materials Technology Co.	Sale of goods	899,861.30	645,575.23
Nanjing Zhongdian Panda Information Industry Group Co.	Sale of goods	668,563.50	441,242.04
Wuhan Zhongyuan Communication Co.	Sale of goods	487,149.07	193,805.31
Nanjing Panda Transport Co.	Sale of goods	421,238.95	155,104.69
Panda Technology (Beijing) Co.	Sale of goods	237,488.45	
Nanjing Zhongdian Panda Home Appliance Co.	Sale of goods	110,219.47	2,050,940.86
Shenzhen Zhongdian Power Technology Co.	Sale of goods	108,870.63	79,658.14
TPV Electronics Technology Co.	Sale of goods	83,086.43	107,329.82
Shenzhen Chebao Information Technology Co.	Sale of goods	67,964.42	
Nanjing Zhongdian Panda Modern Service Industry Co.	Sale of goods	65,635.50	19,063.20
		25,004.73	

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.1 Related transactions for the purchase and sale of goods, provision and receipt of services (Continued)

Sale of Goods/Supply of Services (Continued)

Related parties	Details	Year 2021	Year 2020
Nanjing Panda Investment Development Co.	Sale of goods	19,077.36	20,331.12
Nanjing Lejin Panda Electric Co.	Sale of goods	13,207.55	
Nanjing Panda Medical Service Co.	Sale of goods	4,983.02	
Nanjing Sanle Group Co.	Sale of goods	3,159.29	
Nanjing Zhongdian Panda Trade Development Co.	Sale of goods	1,433.96	6,349.05
Shenzhen Zhongdian Investment Co.	Sale of goods		56,681,713.12
Zhongdian Pengcheng Intelligent Equipment Co.	Sale of goods		22,600.80
Nanjing Panda Dasheng Electronic Technology Co.	Sale of goods		12,389.38
Nanjing Panda Investment Development Co.	Supply of labour	22,315,921.72	16,461,682.16
Panda Electronics Group Co.	Supply of labour	6,091,058.61	10,877,474.66
Nanjing Zhongdian Panda Liquid Crystal Display Technology Co.	Supply of labour	3,995,125.03	4,002,985.07
Xianyang Rainbow Optoelectronics Technology Co.	Supply of labour	3,269,920.04	14,774,939.36
CEC Defense Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	Supply of labour	3,246,684.00	387,424.65
Nanjing BOE Display Technology Co., Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co., Ltd)	Supply of labour	2,383,636.98	8,404,204.38
CLP Industrial Internet Co.	Supply of labour	963,758.85	2,215,934.68
Nanjing Zhongdian Panda Liquid Crystal Material Technology Co.	Supply of labour	791,496.76	796,547.96
Nanjing Ericsson Panda Communication Co.	Supply of labour	470,570.27	
Nanjing Panda Transport Co.	Supply of labour	329,381.16	430,128.26
Nanjing Zhongdian Panda Home Appliance Co.	Supply of labour	320,464.20	316,440.74
Wuhan Zhongyuan Communication Co.	Supply of labour	250,000.00	600,000.00
Nanjing Panda Electronics Import & Export Co.	Supply of labour	71,372.40	132,858.95
Shenzhen Jinghua Network Marketing Co.	Supply of labour	4,285.64	5,814.70
Shenzhen Chebao Information Technology Co.	Supply of labour	4,096.04	
Nanjing Panda Medical Service Co.	Supply of labour	475.48	
Liyang Panda Cui Zhu Yuan Hotel Co.	Supply of labour		3,020,561.97
Nanjing Lejin Panda Electric Co.	Supply of labour		430,822.75
China Electronic Systems Engineering Fourth Construction Co.	Supply of labour		1,650.00
Nanjing Rainbow New Energy Co.	Supply of labour		926.61

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.2 Related leases

As lessor:

Lessee	Type of leased asset	Lease fees recognized in current period	Lease fees recognized in last period
Nanjing Panda Transport Co.	Leasing of buildings	1,190,532.12	1,186,811.04
Nanjing Zhongdian Panda Home Appliance Co.	Leasing of buildings	680,245.92	668,422.08
Shenzhen Jinghua Intelligent Technology Co.	Leasing of buildings	318,628.57	522,720.00
Nanjing Panda Electronics Import & Export Co.	Leasing of buildings	247,310.04	247,310.04
Zhongdian Defense Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	Leasing of buildings	144,311.93	157,431.20
Shenzhen Chebao Information Technology Co.	Leasing of buildings	54,857.14	
Shenzhen Jinghua Network Marketing Co.	Leasing of buildings	51,200.00	45,000.00
Nanjing Panda Transport Co.	Equipment Rental	126,347.72	228,288.03
Panda Electronics Group Co.	Equipment Rental	13,716.81	
Liyang Panda Cui Zhu Yuan Hotel Co.	Equipment Rental	10,619.46	

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.2 Related leases (Continued)

As lessee:

Lessor	Type of leased asset	Current period amount				Prior period amount			
		Simplified short-term leases, rental costs for low-value asset leases and variable lease payments not included in the measurement of lease liabilities	Rent paid	Increase in right-of-use assets	Interest expense on lease liabilities	Simplified short-term leases, Rental costs for low-value asset leases and Variable lease payments not included in the measurement of lease liabilities	Rent paid	Increase in right-of-use assets	Interest expense on lease liabilities
Nanjing BOE Display Technology Co., Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co., Ltd)	House buildings					5,651.38			5,651.38
Nanjing Panda Transport Co.	Vehicles					28,700.00			28,700.00

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.3 Related Guarantees

As guarantor:

Guarantor	Amount	Start date	Maturity date	Performance completing status
Nanjing Panda Electronic Equipment Co.[1]	40,000,000.00	2021/8/17	2025/6/10	Not yet
Nanjing Panda Electronic Equipment Co.[2]	100,000,000.00	2021/1/19	2024/1/19	Not yet
Chengdu Panda Electronic Technology Co.[3]	88,000,000.00	2021/8/18	2025/8/17	Not yet
Nanjing Huag Electrical and Plastic Industry Co.[4]	50,000,000.00	2021/1/19	2024/1/19	Not yet
Nanjing Panda Electromechanical Manufacturing Co.[5]	15,000,000.00	2021/2/7	2025/1/12	Not yet
Nanjing Panda Information Industry Co.[6]	200,000,000.00	2021/5/17	2024/2/10	Not yet
Nanjing Panda Information Industry Co.[7]	50,000,000.00	2020/5/12	2023/5/11	Not yet

Notes.

[1]: The Company provided a maximum guarantee for a comprehensive bank credit facility in the amount of RMB40,000,000.00 with Clover Park Sub-branch of Industrial Bank Co., Ltd. for Nanjing Panda Electronic Equipment Co., a secondary subsidiary, for the period from 17 August 2021 to 10 June 2022, with no counter guarantee for this guarantee. The guarantee period is three years from the date of expiry of the performance period of the debt under each financial operation provided by the creditor to the debtor, both on and off-balance sheet. As at 31 December 2021, a total credit line of RMB3,053,365.18 was used by Nanjing Panda Electronic Equipment Company Limited, a subsidiary of the Company. Ltd., a subsidiary of the Company, amounted to RMB81,435.20 and RMB2,971,929.98 for the performance bond guarantee and bank acceptance bill guarantee.

[2]: The Company provided a maximum guarantee for a comprehensive bank credit facility of RMB100,000,000.00 with China Electronics Finance Corporation for Nanjing Panda Electronic Equipment Company Limited, a secondary subsidiary, for the period from 19 January 2021 to 19 January 2022, without any counter guarantee. The guarantee period is calculated separately according to the performance period of the debts under each specific credit contract under the Integrated Credit Contract, and the guarantee period under each specific credit contract is two years from the expiry of the performance period of the debts under the specific credit contract. As at 31 December 2021, a total credit facility of RMB8,900,398.63 was utilized by Nanjing Panda Electronic Equipment Company Limited, a subsidiary of the Company. Ltd., a subsidiary of the Company, amounted to RMB1,704,194.15 and RMB7,196,204.48 for the performance bond guarantee and bank acceptance bill guarantee.

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.3 Related Guarantees (Continued)

Notes. (Continued)

- [3]: The Company provided a maximum guarantee for a comprehensive bank credit facility in the amount of RMB88,000,000.00 with Bank of Chengdu Co., Ltd, Shuangliu Sub-branch for a period of 18 August 2021 to 17 August 2022 for a secondary subsidiary, Chengdu Panda Electronic Technology Company Limited, for which there is no counter guarantee. The guarantee period is three years from the expiry of the performance period of the debts under the financial operations provided by the creditor to the debtor for each of the on- and off-balance sheet financial operations. As at 31 December 2021, a total credit line of RMB66,689,071.67 was used by Chengdu Panda Electronic Technology Company Limited, a subsidiary of the Company. Ltd., a secondary subsidiary of the Company, in the amount of RMB66,689,071.67.
- [4]: The Company provided a maximum irrevocable guarantee for a comprehensive bank credit facility of RMB50,000,000.00 with China Electronics Finance Corporation for Nanjing Huagai Electric Plastic Industry Co. The guarantee period is calculated separately according to the performance period of the debts under each specific credit business contract under the Integrated Credit Contract, and the guarantee period under each specific credit business contract is two years from the expiry of the performance period of the debts under the specific credit business contract. As at 31 December 2021, a total credit facility of RMB8,076,654.11 had been utilised by Nanjing Huage-Dianzhu Plastic Industry Co. Ltd., a third-tier subsidiary of the Company, in the amount of RMB8,076,654.11.
- [5]: The Company provided a maximum guarantee for a comprehensive bank credit facility of RMB15,000,000.00 with Nanjing Branch of Industrial Bank Co., Ltd. for Nanjing Panda Electromechanical Manufacturing Company Limited, a Tier 3 subsidiary, for the period from 7 February 2021 to 12 January 2022, with no counter guarantee for this guarantee. The guarantee period is three years from the date of expiry of the performance period of the debt under each financial operation provided by the creditor to the debtor, both on and off-balance sheet. As at 31 December 2021, a total credit line of RMB4,800,000.00 was used by Nanjing Panda Mechanical & Electrical Manufacturing Company Limited, a subsidiary of the Company. Ltd., a third-tier subsidiary of the Company, in the amount of RMB4,800,000.00.
- [6]: The Company provided a maximum guarantee for a comprehensive bank credit facility of RMB200,000,000.00 in Nanjing Branch of Shanghai Pudong Development Bank Limited for Nanjing Panda Information Industry Co., Ltd, a Level 2 subsidiary, for the credit period from 17 May 2021 to 10 February 2022, with no counter guarantee for this guarantee. The guarantee period is two years from the date of expiry of the performance period of the debt under each financial operation provided by the creditor to the debtor, both on and off-balance sheet. As at 31 December 2021, a total guarantee amount of RMB55,350,794.33 was utilised by Nanjing Panda Information Industry Company Limited, a subsidiary of the Company. Of which, the Company provided a performance bond guarantee in the amount of RMB55,350,794.33 for its secondary subsidiary, Nanjing Panda Information Industry Co.

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.3 Related Guarantees (Continued)

Notes. (Continued)

[7]: The Company provided a maximum guarantee for a comprehensive bank credit facility in the amount of RMB50,000,000.00 with China Merchants Bank Corporation, Nanjing Branch for its second-tier subsidiary, Nanjing Panda Information Industry Co. The guarantee period is two years from the date of expiry of the performance period of the debt under each financial operation provided by the creditor to the debtor, both on and off-balance sheet. As at 31 December 2021, a total guarantee amount of RMB10,831,290.68 was utilised by Nanjing Panda Information Industry Company Limited, a subsidiary of the Company. Ltd., a secondary subsidiary of the Company, in the amount of RMB10,831,290.68.

In summary, as at 31 December 2021, the amount of guarantees provided by the Company for its subsidiaries was RMB157,701,574.60 of which: RMB89,733,860.24 for bank acceptance bills and RMB67,967,714.36 for letters of guarantee (31 December 2020: the amount of guarantees provided by the Company for its subsidiaries) The amount of guarantee was RMB260,783,039.77, of which: banker's acceptance guarantee amounted to RMB133,752,943.93, letter of guarantee guarantee amounted to RMB117,511,409.91, guaranteed loan guarantee amounted to RMB0.00 and letter of credit guarantee amounted to RMB9,518,685.93).

10.5.4 Transfer of assets and restructuring of debts by related parties

Related parties	Content	Year 2021	Year 2020
Panda Electronics Group Co.	Purchase of asset	426,300,000.00	

The Company purchased 30.00% of its shares in Nanjing Lejin Panda Electric Co., Ltd. from Panda Electronics Group Co. during the year at a share transfer price of RMB426,300,000.00, which was paid in full during the period.

10.5.5 Remuneration of key management

Item	Year 2021	Year 2020
Remuneration of key management	8,664,300	8,271,900

During the reporting period, there were 22 key management personnel including directors, supervisors, general manager, deputy general manager and secretary to the Board of Directors of the Company, of which 13 were remunerated by the Company.

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.5 Remuneration of key management (Continued)

Year 2021						Unit: million	
Name	director's emoluments	Salaries and allowances	Pension scheme contributions	performance bonus	Total	Notes	
Name of Director							
Zhou Guixiang						Get remuneration in the office of the related party	
Li Renzhi						Get remuneration in the office of the related party	
Shen Meilong[1]						The remuneration for being a director is zero	
Deng Weiming						Get remuneration in the office of the related party	
Xia De Chuan		30.60	4.81	56.86	92.27	general manager	
Yi Guofu		25.00	4.81	41.14	70.95		
Xiong Yanren						Employed on 2021.6.29	
Dai Keqin						Employed on 2021.6.29	
Zhu Weihu						Employed on 2021.6.29	
Li Changjiang		67.80	2.66		70.46	resign in 2021.11.19	
Du Jie	10.44				10.44		
Zhang Chun	10.44				10.44		
Gao Yajun	10.44				10.44		
Name of Supervisor							
Zhao Ji						Get remuneration in the office of the related party	
Fu Yuanyuan						Get remuneration in the office of the related party	
Zhou Yuxin		15.50	4.83	15.93	36.26		
Name of Executive							
Guo Qing		28.20	4.83	78.60	111.63		
Hu Huichun		28.20	4.81	95.59	128.60		
Shao Bo		23.40	4.78	32.32	60.50		
Hu Dali		23.40	4.79	43.70	71.89		
Wang Dongdong		23.40	4.78	35.68	63.86		
Huang Shaofeng		25.80	4.80	98.09	128.69		

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.5 Remuneration of key management (Continued)

pour:

- [1] Mr. Shen Jianlong joined the company in October 2021 as a director.
- [2] Mr. Yi Guofu has served as a director of the company since the approval of the second extraordinary general meeting of shareholders in 2021 held on December 28, 2021 by the company. The director remuneration is 0. Mr. Yi Guofu has received RMB661,400 as Party Secretary and other positions of the company during this reporting period.
- [3] Mr. Li Changjiang resigned as a non-executive director of the Company on November 19, 2021. His remuneration as a director of the Company is zero. During the reporting period, he received RMB678,000 while serving as the Party Secretary of the Company and other positions.

(Continues)

Year 2020

Unit: Millions

Name	director's emoluments	Salaries and allowances	Pension scheme contributions	performance bonus	Total	Notes
Name of directors						
Zhou Guixiang						
Lu Qing						
Shen Meilong						
Deng Weiming						
Xia De Chuan		30.60	3.63	57.67	91.90	
Li Changjiang		28.20	3.60	29.37	61.17	Employed on 2020.2.26
Du Jie	10.44				10.44	
Zhang Chun	10.44				10.44	
Gao Yaojun	10.44				10.44	
Name of Supervisor						
Zhao Ji						
Fu Yuanyuan					Z	Employed on 2020.6.29
Zhou Yuxin		15.50	3.65	17.78	36.93	
Name of Executives						
Guo Qing		28.20	3.65	94.80	126.65	
Hu Huichun		28.20	3.63	104.93	136.76	
Shao Bo		23.40	3.60	35.60	62.60	
Hu Dali		23.40	3.61	31.37	58.38	
Wang Dongdong		23.40	3.60	32.78	59.78	
Huang Shaofeng		25.80	3.62	77.41	106.83	
Song Yunfeng				13.97	13.97	Resigned in March, 2020
Liu Kun		11.75	1.34	27.81	40.90	Resigned on 2020.6.19

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.5 Remuneration of key management (Continued)

Top five highest paid individuals

The top five individuals with the highest emoluments in the Company in FY2021 include 0 directors (FY2020: 0 directors). The aggregate amount of remuneration paid to the other five individuals (FY2020: five) during the year is set out below:

Items	Year 2021 (millions)	Year 2020 (millions)
Wages and Allowances	626.00	601.00
Pension Scheme Contributions	35.80	15.80
Other		
Total	661.80	616.80

(Continued)

Salary range	No. of people	
	Year 2021	Year 2020
0-1,000,000.00		
1,000,000.00 above	5.00	5.00

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.6 Other related transactions

Related parties	Content	Year 2021	Year 2020
China Electronic Finance Co., Ltd. [1]	Receiving interest	6,217,570.14	4,258,232.54
China Electronic Finance Co., Ltd. [1]	Interest paid		682,708.34
China Electronic Finance Co., Ltd. [1]	Discounted interest paid	163,944.48	1,191,134.33
Nanjing Zhongdian Panda LCD Technology Co.[2]	Licensing of trademarks	188,679.25	188,679.25
Nanjing CLP Panda Home Appliances Co.[3]	Trademark licensing	181,194.34	186,962.26
Nanjing BOE Display Technology Co., Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co., Ltd)[2]	Trademark licensing		283,018.87

Notes.

[1]: The Company re-entered into the Financial Services Agreement (the "Service Agreement") with China Electronics Finance Corporation Limited in 2018. According to the Service Agreement, the Finance Company shall, subject to compliance with national laws and regulations and the operating rules of financial institutions, provide the Company with financial services including but not limited to handling financial and financing consultancy, credit visas, other related consulting and agency services, as well as providing guarantees, bill acceptance, discounting and deposit services, etc., with an upper limit of RMB600 million for the consolidated credit balance and RMB500 million for the fund settlement balance. The upper limit of the comprehensive credit balance is RMB600 million and the balance of fund settlement is RMB500 million, which is valid for three years from the effective date of the service agreement. The aforesaid service agreement has been considered and approved by the resolution of the first extraordinary general meeting of the Company on 28 December 2018. The Company held an extraordinary meeting of the Tenth Session of the Board of Directors on 15 November 2021 to consider and approve the renewal of the existing continuing connected transactions and annual caps with China Electronics Finance Corporation Limited, with a cap of RMB600.0 million for the consolidated credit balance and RMB500.0 million for the fund settlement balance adopted in the current agreement, which is valid for three years from the effective date of the service agreement.

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.5 Related party transactions (Continued)

10.5.6 Other related transactions (Continued)

Notes. (Continued)

[1]: (Continued)

As at 31 December 2021, the Company had a loan balance of RMB0.00 and a deposit balance of RMB496,800,654.26 with China Electronics Finance Corporation Limited. Cash received for discounting during the period was RMB11,836,055.52 and discount interest paid was RMB163,944.48. As at 31 December 2021, the Company had used a total credit line of RMB16,977,052.74 with CEC Finance Limited for the issuance of bank acceptance bills and performance bonds. As at 31 December 2021, the Company had discounted and not yet derecognised an amount of RMB0.00 with CEC Finance Limited.

[2]: The Company entered into trademark license contracts with Nanjing Zhongdian Panda Liquid Crystal Display Technology Company Limited and Nanjing BOE Display Technology Company Limited (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Company Limited) on 1 January 2020 to license the above two companies to use the trademark "PANDA" for their LCD products. Ltd. (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co., Ltd.) to use the trademark "PANDA" for the LCD products of the above two companies, with the trademark registration numbers 8717688 and 8717689. The scope of the licence is for domestic use in China (excluding Hong Kong, Macau and Taiwan) and the term of the licence is from the effective date of the contract to 31 December 2021. The fee for the right to use the trademark is set at RMB0.50 per LCD master.

[3]: The pricing policy for the use of the trademarks entered into between the Company and Nanjing Zhongdian Panda Home Appliances Company Limited is that the related party will pay a trademark royalty of RMB2 to RMB5 for each Panda brand colour television set sold. In view of the higher cost investment and resources required to enter overseas markets, the aforesaid per-unit licence fee will be reduced if the products manufactured and sold are used for export or if the said products incur losses.

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.6 Receivables from and payables to related parties

10.6.1 Receivables

Accounts	Related parties	Balance as at December 31, 2021		Balance as at December 31, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Money Fund	China Electronic Finance Co., Ltd.	496,800,654.26		495,766,965.50	
Accounts Receivables	Nanjing BOE Display Technology Co., Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co.)	143,060,257.30		177,293,847.85	
	Zhongdian Defense Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	134,293,617.88		119,573,772.70	
	Chengdu Zhongdian Panda Display Technology Co.	87,061,733.13		82,528,149.83	
	Nanjing Zhongdian Panda LCD Technology Co.	29,969,238.06		42,146,508.70	
	Beijing Zhongsoft Wanwei Network Technology Co.	18,642,919.89			
	Rainbow Group Limited	17,838,802.15		21,016,138.01	
	Xianyang Rainbow Optoelectronics Technology Co.	8,583,440.48		3,371,014.59	
	Gansu Changfeng Electronic Technology Co.	8,055,512.00		12,128,560.00	
	Panda Electronics Group Limited	5,565,495.92		613,950.87	146,659.19
	Nanjing Ericsson Panda Communication Co.	5,370,199.51		1,733,757.57	
	Nanjing Panda Investment Development Co.	4,036,896.42		25,161,409.00	
	Guizhou Zhenhua Yilong New Materials Co.	3,981,923.88		2,000,000.00	
	Xianyang Zhongdian Rainbow Group Holdings Co.	2,496,196.58		3,027,302.79	
	Nanjing Panda Electronics Import & Export Co.	2,163,778.70		3,195,810.13	
	Rainbow (Hefei) LCD Glass Co.	1,389,226.50		5,097,600.00	
	TPV Audio Visual Technology (Shenzhen) Co.	735,490.42			
	Great Wall Power Technology Co.	487,185.24			
	Wuhan Zhongyuan Communication Co.	250,000.00		24,000.00	

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.6 Receivables from and payables to related parties (Continued)

10.6.1 Receivables (Continued)

Accounts	Related parties	Balance as at December 31, 2021		Balance as at December 31, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Nanjing Zhongdian Panda Home Appliance Co.	192,066.30		36,490.30	
	Nanjing Zhongdian Panda Real Estate Co.	158,803.63	15,880.36	158,803.63	15,880.36
	Nanjing Zhongdian Panda Liquid Crystal Material Technology Co.	84,382.39		10,047.01	
	CEC Industrial Internet Co.	4,335.36		1,894,652.25	
	Nanjing Panda Jinling Hotel Co.	2,227.10	334.07	2,227.10	334.07
	Shenzhen Zhongdian Power Technology Co.	1,835.42		24,957.70	
	Nanjing Panda Transportation Co.			106,999.99	
	Nanjing Zhongdian Panda Modern Service Industry Co.			1,827.00	
	Faisheng (Shanghai) Electronic Technology Co.			433,997.97	
	Shenzhen Jinghua Network Marketing Co.			3,100,000.00	
	Nanjing Rainbow New Energy Co.			1,025.80	
	Liyang Panda Cui Zhu Yuan Hotel Co.			2,247,653.27	
	China Great Wall Technology Group Co.			678,895.76	
Notes receivables	CLP Defence Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	43,489,366.32		19,300,000.00	
Receivable financing	Nanjing Zhongdian Panda Home Appliance Co.	5,024,761.74			
	Nanjing Panda Electronics Import & Export Co.	2,700,000.00			
	Zhongdian Defense Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	1,576,000.00		4,200,000.00	
	Beijing Zhongsoft Wanwei Network Technology Co.	1,066,473.42			
	Great Wall Power Technology Co.	208,874.53			
	Xianyang Rainbow Optoelectronics Technology Co.			5,000,000.00	

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.6 Receivables from and payables to related parties (Continued)

10.6.1 Receivables (Continued)

Accounts	Related parties	Balance as at December 31, 2021		Balance as at December 31, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Nanjing BOE Display Technology Co., Ltd (formerly Nanjing Zhongdian Panda Flat Panel Display Technology Co., Ltd)			10,000,000.00	
	China Great Wall Technology Group Co.			213,414.67	
	Chengdu Zhongdian Panda Display Technology Co.			84,353,298.80	
	Rainbow (Hefei) LCD Glass Co.			4,000,000.00	
Prepaid accounts					
	Nanjing Panda Electronics Import & Export Co.	506,249.79		5,778,674.92	
	Nanjing Zhongdian Panda Home Appliance Co.	278,213.29		1,208,785.04	
	Nanjing Zhongdian Panda Liquid Crystal Display Technology Co.	15,000.00		15,000.00	
	China Electronics Import & Export Co.	1,500.00		239,021.69	
	Nanjing Zhenhua Packaging Material Factory	764.00			
	Chengdu Zhongdian Panda Display Technology Co.			2,600.00	
Contract asset					
	Rainbow (Hefei) LCD Glass Co.	4,060,958.50			
	Liyang Panda Cui Zhu Yuan Hotel Co.	873,375.26			
	Xianyang Rainbow Optoelectronics Technology Co.	525,021.40			
Other non-current assets					
	Panda Electronics Group Co.	16,716.23			
	Rainbow (Hefei) LCD Glass Co.			1,396,000.00	
	Xianyang Zhongdian Rainbow Group Holdings Co.			1,623,034.18	
	Rainbow Group Limited			2,431,078.00	
	Liyang Panda Cui Zhu Yuan Hotel Co.			873,375.25	
	Guizhou Zhenhua Yilong New Materials Co.			5,981,923.88	
	Nanjing Panda Investment Development Co.			7,503,349.19	

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.6 Receivables from and payables to related parties (Continued)

10.6.2 Payables

Accounts	Related parties	Balance as at December 31, 2021	Balance as at December 31, 2020
Payables			
	CEC Defense Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	10,931,753.25	88,638.00
	Nanjing Zhenhua Packaging Material Factory	1,494,168.50	1,338,178.33
	Panda Electronics Group Co. Xianyang Zhongdian Rainbow Group Holding Co.	1,441,833.94	3,558,714.49
	Nanjing Panda Transportation Co.	1,120,000.00	1,600,000.00
	Nanjing Zhongdian Panda Home Appliance Co.	921,998.30	935,523.55
	Shenzhen Sandar Wireless Communication Technology Co.	573,194.95	4,427,600.40
	Nanjing Panda Dasheng Electronic Technology Co.	567,000.00	
	Zhongdian Tai Risheng Maanshan Technology Co.	388,988.83	106,758.00
	China Zhenhua Group Yunke Electronics Co.	266,250.00	
	China Electronic Equipment International Co.	136,386.26	154,704.95
	Nanjing Panda Electronics Import & Export Co.	130,494.99	5,552,363.67
	Nanjing Zhongdian Panda Liquid Crystal Display Technology Co.	94,956.93	
	Guizhou Zhenhua Qunying Electric Co.	72,402.05	
	Guizhou Zhenhua Hualian Electronics Co.	63,350.00	37,150.00
	Nanjing Zhongdian Panda Crystal Technology Co.	21,070.79	18,048.00
	Rainbow Group Co.	1,923.23	380.78
	Xianyang Rainbow Intelligent Equipment Co.		80,000.00
	Shanghai Panda Huning Electronic Technology Co.		390,000.00
			122,520.69

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.6 Receivables from and payables to related parties (Continued)

10.6.2 Payables (Continued)

Accounts	Related parties	Balance as at December 31, 2021	Balance as at December 31, 2020
Notes payables			
	Nanjing Zhongdian Panda Home Appliance Co.	3,030,000.00	
	Nanjing Zhenhua Packaging Material Factory	292,200.51	120,426.60
	China Zhenhua Group Yunke Electronics Co.	132,472.95	
	Guizhou Zhenhua Hualian Electronics Co.		157,719.00
Other payables			
	Nanjing Zhongdian Panda Information Industry Group Co.	6,670,000.00	
	Panda Electronics Group Co.	5,395,731.47	6,900,334.06
	Nanjing Panda Transportation Co.	840,988.60	898,458.97
	China Electronics Import & Export Co.	195,539.62	195,539.62
	Shanghai Panda Huning Electronic Technology Co.	22,907.00	22,907.00
	Nanjing Panda Technology Park Development Co.	20,000.00	20,000.00
	Nanjing Zhongdian Panda Real Estate Co.	5,000.00	
	Nanjing Panda Medical Services Co.	2,114.00	
	Liyang Panda Cui Zhu Yuan Hotel Co.		7,022.00
Contract liabilities			
	Guizhou Zhenhua Yilong New Materials Co.	8,362,831.86	
	Zhongdian Defence Technology Co Ltd (formerly Nanjing Panda Handa Technology Co Ltd)	1,964,256.64	
	Nanjing Zhongdian Panda Liquid Crystal Display Technology Co.	275,487.98	
	Zhongdian Wangchen Technology Co.	245,409.29	
	Zhicheng Xingye (Hong Kong) Co.	43,035.98	478,862.41
	Xianyang Rainbow Optoelectronics Technology Co.		3,613,764.41
	Nanjing Panda Electronics Import & Export Co.		6,039.83

Notes to the 2021 Financial Statements (Continued)

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

10 Related parties and related party transactions (Continued)

10.7 Related Party Commitment

No material related party commitments for the current period.

10.8 Centralized fund management

10.8.1 The main elements of the centralized fund management arrangements in which the Company participates and operates are as follows:

The Company participates in and implements the centralized management of funds by entering into a Financial Services Agreement with China Electronics Finance Corporation Limited, depositing funds with China Electronics Finance Corporation Limited within the upper limit of the fund settlement balance, with no restriction on the withdrawal of deposits.

10.8.2 Funds pooled by the Company to the Group

Funds deposited directly into the finance company by the Company without being pooled into the Group parent's account

Items	Balance as at December 31, 2021		Balance as at December 31, 2020	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Monetary funds	496,800,654.26		495,766,965.50	
Total	496,800,654.26		495,766,965.50	

Of which: funds restricted from being drawn down due to centralized fund management

Notes.

[1]: Interest on deposits for the period and the Financial Services Agreement with China Electronics Finance Corporation Limited are detailed in 10. (5) 6. Other connected transactions.

[2]: The Company has no funds attributed to the account of the Group's parent company.

10.8.3 The Company has no funds borrowed from the Group's parent or member companies.

10.8.4 There are no funds borrowed from the Company by the Group's parent or member companies.

10.8.5 There are no funds attributed to the Company by the Group parent or member units.

Notes to the 2021 Financial Statements (Continued)

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

11 Share-based payment

There were no share-based payments during the period.

12 Commitments and Contingencies

12.1 Significant Commitments

Of these, unrecognized commitments relating to related parties are detailed in the corresponding section of this note under "10. Related parties and related transactions"; commitments relating to leases are detailed in this note under "5. (61) Leases".

As at the balance sheet date, the Company had commitments for capital expenditure which had been contracted for and were not yet required to be shown on the balance sheet as follows.

Items	Closing balanced	Beginning balance
Machinery and equipment	1,257,000.00	1,934,705.00
Intangible assets/software systems	86,725.66	1,197,300.00
Total	1,343,725.66	3,132,005.00

12.2 Contingencies

No material contingencies occurred during the period

Notes to the 2021 Financial Statements (Continued)

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

13 Post balance sheet events

13.1 No significant post-balance sheet non-adjusting events during the period

13.2 Distribution of profits

According to the profit distribution plan for the year 2021 approved at the 18th meeting of the 9th session of the Board of Directors of the Company, the distribution will be made on the basis of the total share capital of the Company of 913,838,529.00 shares as at the end of the reporting period. A cash dividend of RMB0.260 (including tax) will be distributed for every 10 shares, totaling RMB23,759,801.75. The profit distribution plan is subject to the approval of the Company's shareholders in general meeting.

13.3 Return of sales

No significant sales returns have occurred after the balance sheet date.

13.4 Notes on other post balance sheet events

13.4.1 Guarantees for subsidiaries

On 20 January 2022, the Company provided a guarantee for its secondary subsidiary - Nanjing Panda Electronic Equipment Company Limited for its financing in Bank of China Limited Nanjing Chengdong Sub-branch in the amount of RMB40 million, which is valid until 14 July 2022. The guarantee period is calculated separately for each debt guaranteed under the corresponding contract, and the guarantee period for each debt is three years from the date of expiry of the performance period of that debt, and there is no counter guarantee for this guarantee. As at 26 March 2022, the actual balance of the guarantee provided by the Company for Electronic Equipment Company was RMB11,568,400, which was within the amount approved by the shareholders' meeting.

Notes to the 2021 Financial Statements (Continued)

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

13 Post balance sheet events (Continued)

13.4 Notes on other post balance sheet events (Continued)

13.4.2 Use idle self-owned funds to entrust financial management

The Company has entrusted the Company's idle own funds for financial management in accordance with the proposal on "Use of Idle Funds for Cash Management" which was considered and approved at the Tenth Interim Meeting of the Board of Directors of the Company, details of which are set out in the table below:

No.	Entrusted party	Name of Trustee	Product type	Product name	Amount <i>(million)</i>	Interest Commencement Date	Product expiry date	Expected annualized rate of return	Estimated amount of earnings <i>(million)</i>	Product deadline	Revenue type	Structured arrangement	Refer to annualized rate of return	Estimated revenue (if have)	Whether to constitute a related transaction
1	Nanjing Panda Information Industry Co.	Bank of Communications Co Ltd	Bank Financial Products	Structured Deposits	5,000	2022/3/3	2022/6/7	1.70% 3.40% 3.60%	22.36 44.71 47.34	96 days	Capital Protected Floating Income	N/A	N/A	N/A	No
2	Nanjing Panda Communication Technology Co.	Bank of Communications Co Ltd	Bank Financial Products	Structured Deposits	2,000	2022/3/3	2022/6/7	1.70% 3.40% 3.60%	8.94 17.88 18.94	96 days	Capital Protected Floating Income	N/A	N/A	N/A	No
3	Nanjing Panda Electronics Manufacturing Co.	Bank of Communications Co Ltd	Bank Financial Products	Structured Deposits	5,000	2022/3/3	2022/6/7	1.70% 3.40% 3.60%	22.36 44.71 47.34	96 days	Capital Protected Floating Income	N/A	N/A	N/A	No
4	Nanjing Panda Electronic Equipment Co.	Bank of Communications Co Ltd	Bank Financial Products	Structured Deposits	3,000	2022/3/3	2022/6/7	1.70% 3.40% 3.60%	13.41 26.83 28.41	96 days	Capital Protected Floating Income	N/A	N/A	N/A	No
5	Nanjing Panda Information Industry Co.	Bank of Communications Co Ltd	Bank Financial Products	Structured Deposits	5,000	2022/3/25	2022/6/25	3.35%	42.22	92 days	Capital Protected Floating Income	N/A	N/A	N/A	No
6	Nanjing Panda Electronic Equipment Co.	Bank of Communications Co Ltd	Bank Financial Products	Structured Deposits	1,000	2022/3/25	2022/6/25	3.35%	8.44	92 days	Capital Protected Floating Income	N/A	N/A	N/A	No
Total					<u>21,000</u>			/	/						

As at 30 March 2022, the Company has no other disclosable post-balance sheet events ◦

Notes to the 2021 Financial Statements (Continued)

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

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.

The company's adjusted debt/capital ratio at the balance sheet date is as follows:

	Balance as at December 31, 2021	Balance as at December 31, 2020
Total liabilities	2,255,621,482.90	2,255,567,638.78
Less: Cash and cash equivalents	848,233,503.66	1,149,052,807.58
Adjusted net debt	1,407,387,979.24	1,106,514,831.20
Owner's equity	3,802,361,269.28	3,746,380,060.66
Adjusted capital	3,802,361,269.28	3,746,380,060.66
Adjusted debt/capital ratio	37.01	29.54

Notes to the 2021 Financial Statements (Continued)

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

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.

15.3 Segment reports

15.3.1 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.

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.

Notes to the 2021 Financial Statements (Continued)

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

15 Other significant events (Continued)

15.3 Segment reports (Continued)

15.3.2 Financial information of the reported segment

Items	Smart City Industry	Electronic Manufacturing Services	Intelligent Manufacturing Industry	Others	Unallocated amount	Offset	Total
Revenue from external transactions	1,763,167,514.86	2,559,300,582.08	200,891,209.27	8,483,124.30			4,531,842,430.51
Income from inter-segment transactions	181,168,489.56	621,472,580.51	31,295,466.99	14,426,853.19		-848,363,390.25	
Income from investments in associates and joint ventures	10,597.48				46,692,313.18		46,702,910.66
Impairment losses on assets	1,799,839.94	27,573,968.74	2,750,146.42			-13,615,598.28	18,508,356.82
Credit impairment losses	8,700,360.87	611,026.04	-3,404,051.14	56,431.55	1,583,398.29		7,547,165.61
Depreciation and amortisation charges	20,079,766.17	32,176,246.72	20,073,777.53	20,445,446.75	22,175,220.88	-1,458,625.84	113,491,832.21
Total profit	143,911,755.25	70,161,344.33	-74,300,445.27	-35,216,307.05	93,320,155.03	-92,195,355.50	105,681,146.79
Income tax expense	15,921,878.79	7,879,108.95	2,467,429.29	-257,679.75	-33,688.83	-428,589.07	25,548,459.38
Net profit	127,989,876.46	62,282,235.38	-76,767,874.56	-34,958,627.30	93,353,843.86	-91,766,766.43	80,132,687.41
Total assets	2,453,698,907.49	1,726,564,751.86	560,695,925.33	537,766,551.85	3,129,554,813.37	-2,350,298,197.72	6,057,982,752.18
Total liabilities	1,276,696,751.87	945,993,049.39	376,144,181.18	70,831,953.85	234,774,986.61	-648,819,440.00	2,255,621,482.90
Non-cash expenses other than depreciation and amortisation charges							
Long-term equity investments in associates and joint ventures	2,014,628.80				700,561,013.10		702,575,641.90
Increase in non-current assets other than long-term equity investments	-75,901,431.25	-6,836,431.98	-26,616,275.37	-18,555,792.23	-19,986,187.32	611,088.38	-147,285,029.77

15.4 Others

On 2 August 2021, the Company was notified by Panda Group Corporation, the controlling shareholder of the Company, that some of its shares in the Company were pledged. Panda Group Corporation pledged a total of 105,091,430 shares of the Company, representing 49.89% of the total number of shares held by it and 11.50% of the total share capital of the Company. For details, please refer to the relevant announcements of the Company published in China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 3 August 2021. The pledge commenced on 30 July 2021 and will end on 14 December 2023.

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements

16.1 Notes receivable

16.1.1 Presentation of notes receivable by category

Items	Closing balance	Beginning balance
Bank acceptance	100,000.00	
Commercial Acceptance Bill	2,538,210.00	
Total	2,638,210.00	

16.1.2 The Company had no pledged notes receivable at the end of the period.

16.1.3 Notes receivable endorsed or discounted by the company at the end of the period and not yet due at the balance sheet date

Items	Closing balance which has been derecognised	Closing balance which has not been derecognised
Bank acceptance		
Commercial Acceptance Bill		1,600,000.00
Total		1,600,000.00

16.1.4 At the end of the period, the Company had no notes that were transferred to accounts receivable due to non-performance by the drawer.

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.2 Accounts receivable

16.2.1 Aged disclosure of accounts receivable

Ageing of accounts	Closing balance	Beginning balance
Less than 1 year	73,720,071.65	93,367,582.20
Including: 0-6 months	72,609,665.15	83,952,106.75
7-12 months	1,110,406.50	9,415,475.45
1 to 2 years	25,133,892.68	1,402,214.71
2 to 3 years	1,108,225.30	4,464,473.67
3 to 4 years	3,473,659.67	3,654,000.00
4 to 5 years	2,364,000.00	1,158,948.96
5 above	2,077,090.86	1,066,890.00
Subtotal	107,876,940.16	105,114,109.54
Less: Provision for bad debts	6,603,972.44	3,522,460.77
Total	101,272,967.72	101,591,648.77

Note: The ageing of this receivable is disclosed on the basis of the ageing at the date of entry.

16.2.2 Disclosure of accounts receivable by method of bad debt accrual

Category	Closing balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percentage of accrual (%)	Book value	Amount	Proportion (%)	Amount	Percentage of accrual (%)	Book value
Provision for bad debts										
by individual items	5,787,886.00	5.37	2,169,940.80	37.49	3,617,945.20	6,981,700.00	6.64	1,023,010.00	14.65	5,958,690.00
Provision for bad debts is										
made on a portfolio basis	102,089,054.16	94.63	4,434,031.64	4.34	97,655,022.52	98,132,409.54	93.36	2,499,450.77	2.55	95,632,958.77
Including										
Ageing portfolio	48,512,299.75	44.97	4,434,031.64	9.14	44,078,268.11	33,319,878.93	31.70	2,499,450.77	7.50	30,820,428.16
Other combinations	53,576,754.41	49.66			53,576,754.41	64,812,530.61	61.66			64,812,530.61
Total	107,876,940.16	100.00	6,603,972.44		101,272,967.72	105,114,109.54	100.00	3,522,460.77		101,591,648.77

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.2 Accounts receivable (Continued)

16.2.2 Disclosure of accounts receivable by method of bad debt accrual (Continued)

Provision for bad debts is made on an individual basis:

Name	Closing balance			Accrual reason
	Book balance	Provision for bad debts	Percentage of accrual (%)	
Jiangsu Cable Network Development Co.	3,784,000.00	1,570,500.00	41.50	Expected to be partially uncollectible
China Cable Television Network Limited Hainan Branch	2,003,886.00	599,440.80	29.91	Expected to be partially uncollectible
Total	<u>5,787,886.00</u>	<u>2,169,940.80</u>		

Provision for bad debts is made on a portfolio basis.

Portfolio accrual items: Ageing portfolio

Name	Closing balance		
	Accounts receivable	Provision for bad debts	Percentage of accrual (%)
Less than 1 year	23,926,698.67	1,498.75	0.01
Including: 0-6 months	23,896,723.67		
7-12 months	29,975.00	1,498.75	5.00
1 to 2 years	21,350,511.25	2,135,051.13	10.00
2 to 3 years	846,725.30	127,008.80	15.00
3 to 4 years	311,273.67	93,382.10	30.00
4 to 5 years			
5 above	<u>2,077,090.86</u>	<u>2,077,090.86</u>	<u>100.00</u>
Total	<u>48,512,299.75</u>	<u>4,434,031.64</u>	

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.2 Accounts receivable (Continued)

16.2.2 Disclosure of accounts receivable by method of bad debt accrual (Continued)

Portfolio accrual items: Other portfolio

Name	Closing balance		
	Accounts receivable	Provision for bad debts	Percentage of accrual (%)
Related Party Portfolio	53,576,754.41		
Total	53,576,754.41		

16.2.3 Provision for bad debts charged, reversed or recovered during the period

Category	Balance at the end of the previous year	Changes of amount in this period			Closing balance
		Accrual	Recovered or reversed	Transfers or write-offs	
Provision for bad debts by individual items	1,023,010.00	1,146,930.80			2,169,940.80
Provision for bad debts is made on a portfolio basis	2,499,450.77	2,212,963.41	278,382.54		4,434,031.64
Including: Ageing portfolio	2,499,450.77	2,212,963.41	278,382.54		4,434,031.64
Other combinations					
Total	3,522,460.77	3,359,894.21	278,382.54		6,603,972.44

Of which the amount of provision for bad debts recovered or reversed during the period is significant.

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.2 Accounts receivable (Continued)

16.2.3 Provision for bad debts charged, reversed or recovered during the period (Continued)

Name	Recovered or reversed	Basis for determining the original provision for bad debts and its reasonableness	Recovered or reversed reason	Recovery methods
Sihong County Radio and Television Information Network Co.	179,919.50	Ageing Portfolio	Collection of repayments	Currency repayments
Other smaller summaries	98,463.04	Ageing Portfolio	Collection of repayments	Currency repayments
Total	<u>278,382.54</u>			

16.2.4 There were no actual write-offs of accounts receivable during the period.

16.2.5 Top five accounts receivable with closing balances, grouped by party owing

Company name	Closing balance		Provision for bad debts
	Accounts receivable	As a percentage of total accounts receivable (%)	
CEC Defense Technology Co., Ltd (formerly Nanjing Panda Handa Technology Co., Ltd)	31,418,096.55	29.12	
Nanjing Gusheng Enterprise Management Co.	20,469,311.67	18.97	
Sony Mobile Communication Products (China) Co.	17,075,200.00	15.83	1,707,520.00
Nanjing Panda Information Industry Group Co.	13,814,086.52	12.81	
Nanjing Panda Electronic Equipment Co.	8,155,105.34	7.56	
Total	<u>90,931,800.08</u>	<u>84.29</u>	<u>1,707,520.00</u>

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.4 Other receivables

Items	Closing balance	Beginning balance
Interest receivable		
Dividends receivable		
Other receivables	216,727,244.80	376,035,744.51
Total	216,727,244.80	376,035,744.51

16.4.1 Other receivables

a. Disclosure by age

Ageing of accounts	Closing balance	Beginning balance
Less than 1 year	9,322,706.07	62,374,700.49
Including: 0-6 months	9,322,706.07	2,374,700.49
7-12 months		60,000,000.00
1 to 2 years	20,018,000.00	70,100,387.00
2 to 3 years	50,000.00	817,988.08
3 to 4 years	817,988.08	410,591.45
4 to 5 years	410,591.45	31,539,900.00
5 years above	187,151,243.01	211,758,343.01
Subtotal	217,770,528.61	377,001,910.03
Less: Provision for bad debts	1,043,283.81	966,165.52
Total	216,727,244.80	376,035,744.51

Note: The ageing of this other receivable is disclosed on the basis of the ageing at the date of entry.

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.4 Other receivables (Continued)

16.4.1 Other receivables (Continued)

b. Disclosure by bad debt accrual method

Category	Closing balance					Beginning balance				
	Book value		Provision for bad debts			Book value		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percentage of accrual (%)	Book value	Amount	Proportion (%)	Amount	Percentage of accrual (%)	Book value
Bad debts are accrued on										
an individual basis	812,988.08	0.37	812,988.08	100.00		812,988.08	0.22	812,988.08	100.00	
Bad debt accrual by portfolio	216,957,540.53	99.63	230,295.73	0.11	216,727,244.80	376,188,921.95	99.78	153,177.44	0.04	376,035,744.51
Including:										
Ageing Portfolio	983,729.03	0.45	230,295.73	23.41	753,433.30	646,510.54	0.17	153,177.44	23.69	493,333.10
Other combinations	215,973,811.50	99.18			215,973,811.50	375,542,411.41	99.61			375,542,411.41
Total	217,770,528.61	100.00	1,043,283.81		216,727,244.80	377,001,910.03	100.00	966,165.52		376,035,744.51

Bad debts are accrued on an individual basis:

Name	Closing balance			
	Book value	Provision for bad debts	Percentage of accrual (%)	Accrual reason
Nanjing Panda Digital Technology Development Co.	812,988.08	812,988.08	100.00	Not expected to be recoverable
Total	812,988.08	812,988.08		

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.4 Other receivables (Continued)

16.4.1 Other receivables (Continued)

b. Disclosure by bad debt accrual method (Continued)

Bad debt accrual by portfolio

Portfolio accrual items: Ageing portfolio

Name	Closing balance		
	Other receivables	Provision for bad debts	Percentage of accrual (%)
Less than 1 year	548,137.58		
Including: 0-6 months	548,137.58		
7-12 months			
1 to 2 years			
2 to 3 years			
3 to 4 years			
4 to 5 years	410,591.45	205,295.73	50.00
5 years above	25,000.00	25,000.00	100.00
Total	983,729.03	230,295.73	

Portfolio accrual items: Other portfolio

Name	Closing balance		
	Other receivables	Provision for bad debts	Other receivables
Related Party Portfolio	212,801,311.50		
Deposit Guarantee and Standby Portfolio	3,172,500.00		
Total	215,973,811.50		

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.4 Other receivables (Continued)

16.4.1 Other receivables (Continued)

(3) Provision for bad debts accrual

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses for the next 12 months	Expected credit losses (no credit impairment) for the entire duration	Expected credit losses (credit impairment has occurred) throughout the life of the	
Balance at end of previous year	153,177.44		812,988.08	966,165.52
Prior year end balance in the current period				
- Carried forward to Phase II				
- Transferred to Phase III				
- transferred back to Phase II				
- transfer back to phase 1				
Accrued during the period	82,118.29			82,118.29
Reversal during the period	5,000.00			5,000.00
Transferred during the period				
Write-offs during the period				
Other movements				
Closing balance	<u>230,295.73</u>	<u></u>	<u>812,988.08</u>	<u>1,043,283.81</u>

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.4 Other receivables (Continued)

16.4.1 Other receivables (Continued)

(3) Provision for bad debts accrual (Continued)

Changes of book value of other receivables are as follows:

Book value	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses for the next 12 months	Expected credit losses (no credit impairment) for the entire duration	Expected credit losses (credit impairment has occurred) throughout the life of the	
Balance at end of previous year	376,188,921.95		812,988.08	377,001,910.03
Prior year end balance in the current period				
- Carried forward to Phase II				
- Transferred to Phase III				
- transferred back to Phase II				
- transferred back to phase 1				
New for the period	26,701,535.46			26,701,535.46
Derecognition during the period	185,932,916.88			185,932,916.88
Other changes				
Closing balance	<u>216,957,540.53</u>	<u></u>	<u>812,988.08</u>	<u>217,770,528.61</u>

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.4 Other receivables (Continued)

16.4.1 Other receivables (Continued)

- (4) Bad debts accrued, reversed or recovered during the period

Category	Balance at the end of the previous year	Changes of amount in this period			Closing balance
		Accrual	Recovered or reversed	Transfers or write-offs	
Provision for bad debts by individual items	812,988.08				812,988.08
Provision for bad debts is made on a portfolio basis	153,177.44	82,118.29	5,000.00		230,295.73
Including: Ageing portfolio	153,177.44	82,118.29	5,000.00		230,295.73
Other combinations					
Total	966,165.52	82,118.29	5,000.00		1,043,283.81

- (5) There were no actual write-offs of other receivables during the period.

- (6) Breakdown by nature of payments

Nature of payments	Book value at the end of the current period	Book value at the end of the last period
Operating transactions	212,801,311.50	375,386,013.84
Security deposits	4,349,579.53	231,397.57
Other	619,637.58	1,384,498.62
Total	217,770,528.61	377,001,910.03

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.4 Other receivables (Continued)

16.4.1 Other receivables (Continued)

(7) Top five other receivables with closing balances, grouped by party in arrears

Company name	Nature of payment	Closing balance	Age of accounts	As a percentage of the total closing balance of other receivables (%)	Closing balance for provision for bad debts
Nanjing Panda Electronic Equipment Co.	Current	119,979,546.35	5 years or more	55.10	
Hong Kong (GALANTLIMITED)	Current	60,569,150.00	More than 5 years	27.81	
Chengdu Panda Electronic Technology Co.	Current payments	20,675,068.49	1-2 years	9.49	
Nanjing Panda Electromechanical Manufacturing Co.	Current payments, rent	10,243,414.60	Less than 1 year, more than 5 years	4.70	
Sinotech International Bidding Co.	Security deposit	2,998,000.00	Less than 1 year	1.38	
Total		<u>214,465,179.44</u>		<u>98.48</u>	

16.5 Long-term equity investments

Items	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	1,435,785,546.36		1,435,785,546.36	1,435,785,546.36		1,435,785,546.36
Investments in associates and joint ventures	<u>713,753,331.09</u>	<u>13,192,317.99</u>	<u>700,561,013.10</u>	<u>306,070,098.32</u>	<u>13,192,317.99</u>	<u>292,877,780.33</u>
Total	<u>2,149,538,877.45</u>	<u>13,192,317.99</u>	<u>2,136,346,559.46</u>	<u>1,741,855,644.68</u>	<u>13,192,317.99</u>	<u>1,728,663,326.69</u>

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.5 Long-term equity investments (Continued)

16.5.1 Investment in subsidiaries

Investees	Beginning balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment during the period	Closing balance of provision for impairment
Nanjing Panda Information Industry Co.	176,736,513.98			176,736,513.98		
Nanjing Panda Electronics Manufacturing Co.	111,221,994.10			111,221,994.10		
Nanjing Panda Xinxing Industrial Co.	20,000,000.00			20,000,000.00		
Nanjing Panda Electronic Equipment Co.	190,000,000.00			190,000,000.00		
Nanjing Panda Electronic Technology Development Co.	700,000,000.00			700,000,000.00		
Nanjing Panda Communication Technology Co.	98,585,734.28			98,585,734.28		
Shenzhen Jinghua Electronics Co.	119,241,304.00			119,241,304.00		
Chengdu Panda Electronic Technology Co.	20,000,000.00			20,000,000.00		
Total	1,435,785,546.36			1,435,785,546.36		

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.5 Long-term equity investments (Continued)

16.5.2 Investments in associates and joint ventures

Investee	Beginning balance	Additional investment	Increase/decrease in 2021						Closing balance	Closing balance of provision for impairment	
			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
1. Associated companies											
Nanjing Ericsson Panda Communications Co.	228,877,780.33			36,199,757.75			65,309,080.41			199,768,457.67	
Beijing Suo Ai Putian Mobile Communication Co.	64,000,000.00									64,000,000.00	13,192,317.99
Nanjing Lejin Panda Electric Co.		426,300,000.00		10,492,555.43						436,792,555.43	
Nanjing Hua Xian Hi-Tech Co.											
Subtotal	292,877,780.33	426,300,000.00		46,692,313.18			65,309,080.41			700,561,013.10	13,192,317.99
Total	292,877,780.33	426,300,000.00		46,692,313.18			65,309,080.41			700,561,013.10	13,192,317.99

Note: Nanjing Hua Xian Hi-Tech Co., Ltd. is an associate of the Company and the book value of long-term equity investment Amount has been written down to RMB0.00. Nanjing Hua Xian Hi-Tech Co., Ltd. was written off on 23 October 2020 and was reversed in the current period.

16.6 Operating income and operating costs

16.6.1 Operating income and operating costs

Items	Year 2021		Year 2020	
	Revenue	Cost	Revenue	Cost
Primary business	105,492,233.40	70,032,510.31	99,008,407.43	71,601,720.68
Other business	39,745,639.81	14,997,970.67	29,956,840.25	8,621,555.66
Total	145,237,873.21	85,030,480.98	128,965,247.68	80,223,276.34

Notes to the 2021 Financial Statements (Continued)

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

16 Notes to the principal items in the parent company financial statements (Continued)

16.7 Investment income

Items	Year 2021	Year 2020
Investment income from long-term equity investments under the cost method	100,000,000.00	104,936,042.50
Investment income from long-term equity investments under equity method	46,692,313.18	67,270,888.11
Investment income from disposal of financial assets held for trading	2,773,353.90	2,094,885.56
Investment income from large certificates of deposit	2,209,700.00	
Interest on discounted bills	-163,944.48	
Total	151,511,422.60	174,301,816.17

17 Supplementary information

17.1 Details of non-recurring gains and losses for the period

Items	Amount	Notes
Gain or loss on disposal of non-current assets	-673,919.77	
Tax rebates and exemptions that are approved beyond authority or without formal approval documents		
Government subsidies included in current profit or loss (except for those closely related to the business of the enterprise, which are granted on a fixed or quantitative basis in accordance with the national standard)	13,350,447.24	
Fees charged to non-financial enterprises for the occupation of funds included in current profit or loss		
Gains or losses arising from the acquisition of subsidiaries, associates and joint ventures where the cost of the investment is less than the fair value of the identifiable net assets of the investee at the time the investment is acquired		
Gains or losses on exchange of non-monetary assets		
Gains or losses from entrusting others to invest or manage assets		
Provision for impairment of assets due to force majeure factors, such as natural disasters		

Notes to the 2021 Financial Statements (Continued)

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

17 Supplementary information (Continued)

17.1 Details of non-recurring gains and losses for the period (Continued)

Items	Amount	Notes
Gains and losses on debt restructuring		
Corporate restructuring costs, such as expenses for relocating employees, integration costs, etc.		
Gains or losses in excess of fair value arising from transactions where the transaction price is not clearly fair		
Net profit or loss for the period from the beginning of the period to the date of consolidation of subsidiaries arising from business combinations under common control		
Gains or losses arising from contingencies not related to the Company's normal business operations		
Gains or losses from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment gains on disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging activities related to the Company's normal business operations	14,376,445.85	
Reversal of provision for impairment of receivables and contract assets that are individually tested for impairment	4,791,973.55	
Gains or losses on external entrusted loans		
Gains or losses arising from changes in the fair value of investment properties subsequently measured using the fair value model		
Effect of one-off adjustments to current profit or loss in accordance with tax, accounting and other laws and regulations on current profit or loss		
Custody fee income earned from trustee operations		
Non-operating income and expenses other than those mentioned above	4,519,554.58	
Other items of profit or loss that meet the definition of non-recurring profit or loss		Personal Tax Handling Fee Refund
	247,625.33	
Subtotal	36,612,126.78	
Income tax effect	-4,946,675.86	
Minority interest impact (after tax)	-1,624,980.17	
Total	30,040,470.75	

Notes to the 2021 Financial Statements (Continued)

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

17 Supplementary information (Continued)

17.2 Return on net assets and earnings per share

Profits of the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		EPS	EPS
Net profit attributable to ordinary shareholders of the Company	1.12	0.0459	0.0459
Net profit after deducting extraordinary profit and loss attributable to ordinary shareholders of the Company	0.32	0.0130	0.0130