

**PANDA** Electronics

[www.panda.cn](http://www.panda.cn)

Nanjing Panda Electronics Company Limited

**2019**  
**Annual**  
**Report**

(H Share Stock Code: 0 5 5 3)

(A Share Stock Code: 600775)

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## IMPORTANT NOTICE

1. The board of directors (the "Board"), the supervisory committee and the directors, supervisors and senior management of the Company confirm that the information contained in this annual report is true, accurate and complete without any misrepresentation, misleading statements, or material omissions, and severally and jointly accept legal responsibility for the contents herein.
2. All directors of the Company attended the fourteenth meeting of the ninth session of the Board of the Company held on 30 March 2020.
3. BDO China Shu Lun Pan Certified Public Accountants LLP issued an unqualified auditors' report for the Company. The Company's financial statements for the year were prepared in accordance with the PRC Accounting Standards for Business Enterprises, and complied with the Hong Kong Companies Ordinance and the disclosure requirements of the Hong Kong Stock Exchange Listing Rules.
4. Mr. Xia Dechuan, the Company representative, Mr. Hu Dali, the chief accountant, and Ms. Liu Xianfang, the accounting supervisor (person in charge of accounting matters) of the Company, declared that they confirmed the truthfulness, accuracy and completeness of the financial report contained in this annual report.
5. Proposal for profit distribution or capitalization of capital reserves of the Company for the reporting period as considered by the Board: to distribute a cash dividend of RMB0.175 (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 2019, with the total cash dividend to be distributed amounting to RMB15,992,174.26, 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. Major risk warning: The Company has elaborated the potential risks in this annual report. For their details and the corresponding countermeasures, please refer to the paragraph headed "Potential Risks" under Section IV "Discussion and Analysis of the Operation" in this annual report.

# Definitions

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## I. Definitions

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

### Definitions of frequently-used terms

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

## Definitions (Continued)

Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫电子製造有限公司)
Communications Technology Company	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司)
Technology Development Company	Nanjing Panda Electronic Technology Development Company Limited (南京熊猫电子科技发展有限公司)
Huage Plastic	Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (南京华格电气塑業有限公司)
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
SMT	Surface Mounted Technology, the most commonly used technology and process in the electronics assembly industry
EMS	Electronic Manufacturing Services

## Definitions (Continued)

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MESH	Mesh Network, a multi-hop network and developed from ad hoc network, representing one of the critical technologies to solve the problem known as "The Last Kilometer"
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
MPP+HADOOP	MPP, Massively Parallel Processing framework for big data platform, comprising of a number of loose coupling processing units without sharing the resources. HADOOP, HADOOP framework for big data platform, the open source distributed storage, distributed computing platform framework. "Hadoop+MPP", the mash-up big data platform.
Wired Digital TS Stream	TS (Transport Stream), a file format of DVD
VPN	Virtual Private Network
DTMB	Digital Multimedia Broadcast, a mathematical television technology, i.e. watching television programme by receiving the digital multimedia broadcast signal giving by television tower
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
AI	Artificial Intelligence
TCON	Timer Control Register
Ku Satellite	KU (K-under band), the satellite in the band of 12-18GHz

# Company Profile and Major Financial Indicators

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## I. Company Information

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

## II. Contact Persons and Contact Information

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

## III. Basic Information

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

## Company Profile and Major Financial Indicators (Continued)

### IV. Places for Information Disclosure and Inspection

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

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

#### Overview of the Company's shares

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

### VI. Other Relevant Information

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

## Company Profile and Major Financial Indicators (Continued)

### VI. Other Relevant Information (Continued)

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

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

#### (I) Principle accounting data

Unit: Yuan Currency: RMB

Principle accounting data	2019	2018	Year-on-year increase/decrease (%)	2017	2016	2015
Operating income	<b>4,660,047,001.92</b>	4,500,505,653.14	3.54	4,191,928,908.95	3,702,763,356.54	3,613,482,935.50
Net profit attributable to shareholders of the Company	<b>52,657,894.58</b>	161,959,568.48	-67.49	107,382,077.64	119,240,512.92	143,836,663.39
Net profit attributable to shareholders of the Company after extraordinary items	<b>25,447,136.36</b>	113,580,264.77	-77.60	72,409,859.11	40,497,347.32	109,123,429.37
Net cash flow from operating activities	<b>-341,233,848.13</b>	45,563,017.57	-848.93	157,549,565.01	53,146,796.65	108,995,230.11

	As of the end of 2019	As of the end of 2018	year-on-year increase/decrease (%)	As of the end of 2017	As of the end of 2016	As of the end of 2015
Net assets attributable to shareholders of the Company	<b>3,448,072,752.25</b>	3,468,424,299.40	-0.59	3,363,593,136.77	3,320,270,553.39	3,263,279,379.67
Total assets	<b>6,020,147,479.47</b>	6,184,619,023.98	-2.66	5,665,503,486.59	5,239,976,417.98	4,891,799,403.91



## 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	2019	2018	Year-on-year increase/decrease (%)	2017	2016	2015
Basic earnings per share (RMB/share)	<b>0.0576</b>	0.1772	-67.49	0.1175	0.1305	0.1574
Diluted earnings per share (RMB/share)	<b>0.0576</b>	0.1772	-67.49	0.1175	0.1305	0.1574
Basic earnings per share after extraordinary items (RMB/share)	<b>0.0278</b>	0.1243	-77.63	0.0792	0.0443	0.1194
Weighted average return on net assets (%)	<b>1.49</b>	4.73	Decreased by 3.24 percentage points	3.20	3.67	4.46
Weighted average return on net assets after extraordinary items (%)	<b>0.72</b>	3.32	Decreased by 2.6 percentage points	2.17	1.25	3.39

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

Decrease of net profit attributable to shareholders of the Company and net profit attributable to shareholders of the Company after extraordinary items were mainly due to the increasing downward pressure of macro economy, increasingly fierce of the market competition of the manufacturing industry the Company is engaged in and the increasingly complex and challenging of the overall development environment facing the Company as compared with previous years; the industrialized application and marketing and promotion of industrial robots did not perform as expected, the smart factory business entered into the transformation period and the business scale and profits witnessed a gap as compared with the same period of last year, which had a considerable effect on the results of the Company for 2019; the Company has carried on transformation, adjustment and reconstruction to the radio and television business, which also had certain impact to the results of the Company for 2019.

### 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 2019

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating Revenue	1,076,443,782.90	1,052,901,993.64	1,073,554,315.53	1,457,146,909.85
Net profit attributable to shareholders of the Company	13,461,353.47	28,928,170.26	4,944,168.82	5,324,202.03
Net profit attributable to shareholders of the Company after extraordinary items	7,809,832.41	23,051,618.56	-553,456.52	-4,860,858.09
Net cash flows from operating activities	-238,571,084.53	-64,177,083.06	-22,338,084.29	-16,147,596.25

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

### X. Extraordinary items and amounts

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2019	Amount for 2018	Amount for 2017
Gains and losses from disposal of non-current assets	<b>54,505.88</b>	-1,065,209.62	-158,158.23
Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) included in gains and losses for the period	<b>19,562,047.54</b>	3,090,100.00	7,508,662.35
Gains and losses from entrusted investment			16,441,470.67
Investment income arising from gain or loss resulted from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except those arising from the effective hedging activities related to the Company's normal operation.	<b>15,854,818.29</b>	16,213,159.50	

## Company Profile and Major Financial Indicators (Continued)

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

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2019	Amount for 2018	Amount for 2017
Reversal of impairment provision for receivables subject to individual impairment test			10,928,999.33
Reversal of impairment provision for receivables and contract assets subject to individual impairment test	<b>3,235,791.21</b>	5,298,868.58	
Other non-operating income and expenses other than the aforesaid items	<b>958,279.17</b>	28,603,080.39	2,962,795.75
Affected minority interests	<b>-4,243,897.11</b>	-613,214.04	-1,795,913.82
Affected income tax amount	<b>-8,210,786.76</b>	-3,147,481.10	-915,637.52
Total	<b><u>27,210,758.22</u></b>	<u>48,379,303.71</u>	<u>34,972,218.53</u>

Note: the increase in government grants included into the current profit and loss, except for those closely related to the ordinary operation of the Company and received constantly at a fixed amount or quantity according to certain standard based on state policies was mainly due to the increase in government grants recognized in the period according to accounting standard; the decrease in other non-operating income and expenses other than the aforesaid items was mainly due to the more write-off of the unpayables during the previous period.

### 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	249,801,805.38	<b>347,259,336.87</b>	97,457,531.49	
Financial assets held for trading	360,000,000.00	<b>300,469,826.49</b>	-59,530,173.51	469,826.49
Other investments in equity instruments	3,905,351.83	<b>4,035,539.29</b>	130,187.46	
Total	<u>613,707,157.21</u>	<b><u>651,764,702.65</u></b>	<u>38,057,545.44</u>	<u>469,826.49</u>

Note: According to the provisions of relevant notices issued by Ministry of Finance, notes receivable measured at fair value and whose changes are included in other comprehensive income shall be reclassified and presented from "Note receivable" to "Financing receivables": comparison data are adjusted accordingly.

# An Overview of Company's Business

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

### (I) Principal activities

The Company takes smart manufacturing, smart city and electronic manufacturing services as its three main businesses. In the field of smart manufacturing, the Company committed to providing smart manufacturing solutions based on industrial Internet and core equipment of smart manufacturing, and focus on developing complete sets of system equipment and system integration services for smart factories; In the field of smart city, it focuses on building a new smart city ecosystem based on 5G mobile communication, artificial intelligence and big data technology, and focus on businesses of smart city including smart transportation, smart building, safe city and smart broadcast and television; in the field of electronic manufacturing services, it provides customers with professional and efficient green electronic manufacturing services, principally develop electronic manufacturing services with capabilities to realize smart, flexible, and lean manufacturing, the business covers 3C, new display module components, white electricity man-machine interaction display and control assembly, automotive electronics and communication equipment and other fields, products are widely used in consumer electronics, communications, automotive and other markets.

### (II) Operating model

Guided by demands of market and customers, the Company adheres to the basic principle of taking charge of production and operation according to market demands, improves its management through reform and innovation, enhances its core competitiveness through technological innovation, and consolidates its development foundation by overall lean management to contribute to high-quality development of the Company.

The Company deployed business areas related to intelligent manufacturing, smart city and electronic manufacturing services, organized research, development and production based on market and customer demands, and finally realized the delivery of an overall solution for core equipment product and system as well as system construction projects.

### (III) Industry overview

In 2019, the growth rate of electronic information manufacturing industry in China decreased under the more complicated overseas and domestic situation. The added value of electronic information manufacturing industries above designated size increased by 9.3% year-on-year, and growth rate dropped by 3.8 percentage points as compared with that of last year. Export delivery value of electronic information manufacturing industries above designated size accumulatively increased by 1.7% year-on-year, representing a decline of 8.1 percentage points as compared with that of last year.

# An Overview of Company's Business (Continued)

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

### (III) Industry overview (Continued)

Driven by the iterative progress of the next-generation of information technology, the industry environment has undergone significant changes with artificial intelligence, big data, 5G, cloud computing, industrial internet and others becoming the main driving forces of the electronic information industry, which promoted the rapid development of the construction of smart cities, urban rail transit and smart manufacturing systems as well as electronic manufacturing services.

The construction of a new smart city is listed in the national "13th Five-Year Plan" and is one of the important strategic layout of the country. The new smart city refers to the utilize of the next-generation information technology and big data to manage the city's operating system in an integrated and systematic way on the basis of putting emphasis on intelligent infrastructure, public service facilitation, and refined social governance so as to make all functions in the city work intelligently and coordinately, accordingly the comfort and satisfaction of citizens will be comprehensively improved. In the process of the development of new smart cities, 5G and big data will play an important role as important carriers. As an important element of smart cities, urban rail transit has also achieved tremendous development in 2019. By the end of 2019, 40 cities in China has opened rail transportation, and the total length of operating routes was 6,882.13 km, with an increase of 1,024 km and 6 new metro cities. Rail transportation projects are also under construction in other 12 cities, which will be launched in the near future. In 2020, more than 50 urban rail transit lines are expected to be opened nationwide. In addition to urban rail transportation, the suburban railway, intercity railway and high-speed rail also ushered in a huge development space. In particular, with increasing close connection between the central cities and the surrounding areas, the pattern of "central cities – metropolitan areas – urban clusters" is leading to the development of regional economy.

As one of the five major projects of "Made in China 2025" (《中國製造2025》), intelligent manufacturing engineering has become an important channel for China to build itself into a manufacturing power. In 2019, the market scale of the intelligent manufacturing industry of our country exceeded RMB2 trillion, which is expected to exceed RMB5 trillion by 2024. The industrial internet, as the basis for the development of intelligent manufacturing, combining with technologies such as the Internet of Things (物聯網), big data, artificial intelligence and 5G communications and deeply integrating with traditional manufacturing, has significantly improved the efficiency of manufacturing and driven the transformation and upgrading of traditional manufacturing. In 2019, the market scale of industrial internet of China was expected to up to RMB600 billion, and the industrial internet would be well integrated with 5G technology and become an important application scenario in the 5G era in the future. From the time the concept of "Industrial Internet" was proposed in 2012 to its inclusion in the "Government Work Report" in 2019, the industrial Internet construction of China is accelerating.

# An Overview of Company's Business (Continued)

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

### (III) Industry overview (Continued)

As a major point of change in the field of mobile communications, 5G will provide important industrial support for the development of emerging industries that our Country put priority on, including Industrial Internet, Internet of Vehicles(車聯網), Internet of Things(物聯網), Enterprise Cloud, Artificial Intelligence and Telemedicine etc. In 2019, a number of domestic provinces and cities have deployed 5G construction, Beijing, Shanghai, Tianjin, Guangdong, Guizhou, Hubei, Liaoning, and Jiangxi have announced the development goals of 5G. In terms of the construction of 5G network, global 5G commercial networks are expected to increase to 170 of 2020 from 60 of 2019, base stations and users of which will increase to 1.5 million from 0.5 million, and to 250 million from 10 million, respectively. It is estimated that by 2025, there will be 411 operators worldwide commercializing 5G networks in 119 countries and regions. The number of global 5G users will exceed 1.6 billion, and China will become the world's largest 5G market with 600 million users.

As big data has become a national strategy and the technology and business models of which have gradually matured, big data has expanded rapidly in each of industries and fields. Big data-related policies have been introduced in about thirty regions across the country, and the specialized Big Data Management Agency have been established in many regions. At present, big data has been fully applied in medical, marketing, public security, and industrial fields. According to the forecast by IDC, in 2020, the total revenue of big data market for China will be 11.87 billion US dollars and the related revenue of the global big data market will be 214.1 billion US dollars.

With the increasingly enhancement of the overall competitiveness of the electronic manufacturing industry in China and the huge demand in the electronic products consumer market, leading electronic brand owners in the world are advancing into China, transferring the global electronic manufacturing base to China, many EMS providers have made investments to set up factories in China. A relatively complete electronic industrial cluster has been developed in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim, and the upstream and downstream supporting industrial chain centered on such industries as consumer electronics, communication equipment, computer and network equipment has produced an industrial agglomeration effect. On the one hand, a group of EMS providers characterized by contracts and outsourcing as well as a batch of components and devices manufactures have grown up around the multinational electronics brand business enterprise; on the other hand, self-owned brand companies of China also benefit their own production capacity to take the outsourcing electronic manufacturing services for multinational companies while producing their own brand products, which has effectively promoted domestic EMS companies to enter the supply chain system of international brands. EMS model has become an important part of China's electronics manufacturing industry. Meanwhile, with the implementation of The Belt and Road Initiative, the cooperation between China and the countries along the Belt and the Road have achieved fruitful results in the field of electronic information manufacturing industry, multilateral regional industrial cooperation mechanisms have continued to deepen, and high-quality products and services have been widely used in many countries. It is foreseeable that in the future, there are wider cooperation space in the fields of collaborative innovation, market development, and service extension in the electronic information manufacturing industry between China and the countries along the Belt and the Road, which will create conditions for China to further open the international market for the electronics manufacturing services.

# An Overview of Company's Business (Continued)

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

As at 31 December 2019, total assets of the Company was RMB6,020,147,500, total liabilities of the Company was RMB2,331,590,700 and asset-liability ratio of the Company was 38.73%. Compared with those of 31 December 2018, total assets represent an decreased of 2.66%, asset-liability ratio decreased by 1.58 percentage points. The total assets declined slightly, of which the overseas assets amounted to RMB125,090,200, representing 2.08% of total assets. Moreover, the Company adjusted relevant items pursuant to the relevant notices issued by Ministry of Finance and the new accounting standards; for the details of the changes, please refer to the Section IV "Analysis of assets and liabilities" in this report. Save as the aforesaid, there were no substantial changes in major assets of the Company.

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

1. The Company made great efforts to push forward the intellectual property rights strategy, which increased the proportion of basic patents and core patents, with 111 patents applied for the year, in particular, 51 invention patents; and 67 patents licensed.
2. With respect to the smart city rail transit, the Company mastered the key technologies, such as NCC system, mobile payment gateway, AI security check identification, dual mode train scheduling of LTE/Tetra, the control management of rail transit wireless trunking communication, and successfully won the bidding for the railway NCC/AFC/ACC and communication projects in several domestic cities, which enabled the Company to continuously lead in market share. The construction of Nangao Intercity Rail Engineering Communication System Project (「南高城際軌道工程通信系統項目」) was classified into "Jinling Cup" Quality Project Award in Nanjing for 2019 (「金陵盃」2019年南京市優質工程獎) by Nanjing Construction Industry Association.

Nanjing NCC Project, constructed by the Company, have been review and approved by the experts, which marked a solid step forward for the "Panda" rail transit industry from the traditional AFC system, ACC system and communication system to the "Diversity" development in NCC system based in big data platform, expanding a new product category. Currently, the cities with need of NCC construction demand have gradually paid attention to and intended to adopt the design plan of MPP+HADOOP framework. Under such extensive market environment demand, the Company has the only one with construction experience in the MPP+HADOOP big data platform of metro industry in China, laying a solid foundation for subsequent market expansion of NCC.

3. With regard to smart city and safe city, the Company completed the development of the center timing equipment on schedule and bidding for finalists, its mobile video products consecutively secured the bid for the projects of "Mobile Communication General Information Network Construction" and "4G Video Terminal" with the fist rank in an aggregate score, and it completed the development of three Ku Satellite terminal products for civil use and dual mode special video gateway products.

# An Overview of Company's Business (Continued)

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

4. With respect to emergency broadcasting system in smart city, the Company exerted itself to build the emergency broadcasting platform among provinces, cities and counties three levels, covering the announcement of emergency broadcast, scheduling, management and other contents; and built the emergency message broadcast and management in terms of towns (or streets), villages (or communities). The system developed by the Company dominated by the wired digital TS stream + VPN special network transmission with cable digital television data network (IP network), FM (wireless) and Digital Multimedia Broadcast transmission as auxiliary. The inter-cut in towns (streets) and villages (communities) was transmitted to the superior platform through digital transmission console and smart broadcast and control broadcasting terminal, respectively, which was in conformity with the relevant requirements of the emergency information announcement system in China and has a high influence in the industry.
5. With respect to smart manufacturing, the Company has successfully entered the aerospace industry, took the lead in completing the construction of domestic smart manufacturing factory for drone, and broke the constraint that aviation and complicated military production shall not be produced in assembly line, offering infinite possibilities for developing the productivity of aviation industry. At the same time, the smart factory made a breakthrough in the field of application of tire production line and automatic shoe-making production line, which addressed the demand of traditional shoe-making industry for the flexible robot in shoe-making production line. Digital workshop for cold-sticky shoes has played an obvious role in promoting the related technology and technics in the international and domestic shoe-making industry, providing a fresh idea of technological transformation for similar conventional manufacturing industry, and an extensive room for expanding the application market for industrial robot products.

In 2019, the development of the smart manufacturing and development center and AI smart development center, which were newly built by the Company, was driven by technology innovation, in particular, the smart manufacturing and development center was engaged in the product development in respect of smart factory equipment, complete set system solution, etc., while AI smart development center in the product development of three aspects including enterprise information-based system, smart equipment unit and service robot. Meanwhile, the Company started to develop the industrial internet cloud platform aiming at the expansion of the use scenarios and scope of enterprise information-based system products.

6. With respect to electronics manufacturing industry, the Company has become a leading enterprise in professional automatic surface mount, board assembly testing, complete machine manufacturing, ancillary and modified material processing, molding, injection molding, extrusion molding, spray and painting, decoration and assembly services in Nanjing. The Company has adopted advanced production technology and ERP, MES and other software systems and developed advanced manufacturing capability in high smart and flexible products, providing the full services including development, procurement, material management, production and manufacture, testing and installment, quality guarantee and delivery for domestic and foreign customers as well as developing the complete electronic product industry chain completely.



# Discussion and Analysis of the Operation

## I. Discussion and analysis of the operation

In 2019, in face of the complex situation with the obvious increase in risks and challenges in all aspects, the Company stepped up to further transform and upgrade in industry, and deepened the implementation of comprehensive lean management, intensified the quality improvement, efficiency enhancement and cost reduction and focused on the building of core competitive capability, thus making all efforts to moving forward the high-quality development and maintaining the overall production and operation in a steady manner. Accordance with the Accounting Standards for Business Enterprises of the PRC, the Company's operating income for 2019 amounted to RMB4,660,047,000, with a total profit of RMB147,410,100 and a net profit of RMB113,685,600.

In 2019, both the Company and employees harvested new honors and awards. The Company and the brand "Panda" were honored the "Jiangsu Province Advanced Enterprise in Smart Manufacture" and "Jiangsu Province International Developing Brand with Major Support" respectively; Training and Management of Talents with New Skills in Electronic Manufacturing Enterprises Based on Skill Matrix (電子製造企業基於技能矩陣的新型技能人才培養管理) organized and prepared by the Company was awarded with the second prize at the 26th National Enterprise Management Modernization Innovation Achievement; FPD Engineering Automatic Transmission System Project (FPD工程自動傳輸系統項目) organized and declared by the Company was awarded with the Highest Level Award of China Association for Qualify among the projects at the Central Enterprise National Qualify Innovation Competition; Information Technology Framework and Network Safety Rules of Smart City Rail Transit (智慧城市軌道交通信息技術架構及網絡安全規範) participated in by the Company in the preparation was recognized as the first city rail transit "Cloud" rules in China; the Company's employees were honored the first, second and third prizes, respectively at the National Industrial Robot Application Technology Competition.

In 2019, the Company speeded up the pace to transform and upgrade. In light of planning improvement and planning for future, the Company revised and improved the middle and late stage planning for 13th Five-Year Plan in a timely manner in combination with actual situation and prepared the relevant documents regarding industrial planning. In light of reform of supply and core businesses expansion, intelligent manufacturing industry fastened the development of industrial robot series products and operation and maintenance of platform system, actively expanded the aerospace, glass, shoe-making, new energy material and other new businesses industry; smart city industry accelerated to transform to general contracting service provider of software and hardware system integration, thereby further enhancing the core competitiveness of independent intellectual property patent products; electronic manufacturing industry stepped up to component assembly transformation, from brown goods to white goods and automotive electronics.

In 2019, the Company adhered to technology innovation and sought for technological breakthrough. Throughout the year, technology funding invested in was RMB245,276,500, representing an increase of 4.09% over the previous year; the funds received from governance support throughout the year was approximately RMB16,000,000. AI development center, smart transit equipment development laboratory and wireless communication application technology laboratory were newly established. It completed acceptance for 2 provincial R&D projects and accreditation for 20 provincial and enterprise-level technological achievements for the year. 111 patents were applied for the year, of which, 51 invention patents; and 67 patents licensed, of which, 19 invention patents.

In 2019, the Company earnestly pushed for the enhancement of quality and efficiency. With respect to fully deepening the lean management, the Company studied, formulated and issued, implemented Comprehensive Lean Management Assessment and Appraisal Rules of Nanjing Panda in 2019 (南京熊貓2019年度全面精益管理考核評比細則). Throughout the year, 403 improved projects in various types were declared, 342 established, and 295 completed, which generated an outstanding economic efficiency. With respect to information construction, it advanced the online operation of SAP-ERP system in major subsidiaries, completed the updating and upgrading of the Company's OA, and further improved the performance appraisal information system, achieving the whole-process information management of performance appraisal.

# Discussion and Analysis of the Operation (Continued)

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

In 2019, the Company strengthened the building of talent team. It formulated and improved 2019-2021 Talent Development Planning (《2019-2021年人才發展規劃》). 1 foreman of National Technical Expert Workshop, 5 national technical experts, 1 central enterprise technical expert and 1 Jiangsu Craftsman were newly added. Throughout the year, the Company organized 542 training courses in different forms, representing an increase of 49.3% over the previous year. Throughout the year, 167 personnel with titles in various types were newly added, representing a year-on-year increase of 34% in number of personnel newly added.

In 2019, the Company exerted great effort in building a positive corporate image and enhanced its brand influence. The Company's products were introduced in CCBN2019 (中國國際廣電信息網絡展) in Beijing, China International Industry Fair in Shanghai, China International Software EXPO in Nanjing, World Intelligent Manufacturing Conference in Changsha, Hong Kong Electronics Fair and other well-known fairs. The Company participated in the third session of the Transportation Information Forum and Smart Transit EXPO in Nanjing, China (第三屆中國南京交通信息化論壇暨智慧交通博覽會) and the first session of the Yangtze River Delta Integration Innovation Achievement Fair in Jiangsu Province (江蘇省第一屆長三角一體化創新成果展). By seizing the opportunity of the celebration of the 70th anniversary of the founding of new China, the Company participated in the filming of CCTV documentary under the title of Our Journey (《我們的征程》) and the exhibition of "Praise New China and Forge Ahead for a New Era" (禮讚新中國·奮進新時代) in Jiangsu Province. It had 17 protective registrations of "Panda" trademark, cracked down 12 counterfeit goods and rejected 23 malicious registration and others, which effectively safeguarded the legal rights and interest of "Panda" brand.

In 2019, the Company implemented its social responsibility effectively. Firstly, the Company constantly stayed vigilant on safety production, strengthened the safe production awareness of all employees and carried out the safe production responsibility at all aspects. Secondly, it adhered to promoting the environmental technology reform throughout the year and the on-site external review over the safety management systems in regard of quality, environment and occupational health for the Company and six subordinate subsidiaries was passed, which facilitated the successful upgrade of the three major management systems. Thirdly, the Company prepared and published Nanjing Panda Social Responsibility Report for 2019 as per requirements. Fourthly, assistance and support to the difficulties, holiday greeting, special support, caring aid and other activities were carried out actively by the Company. During the outbreak of COVID-19, the Company assisted in the anti-epidemic work by donating a batch of epidemic prevention materials to the doctors and nurses who fought against the epidemic in the frontline. Fifth, wage growth mechanism was implemented actively and the goal agreed in the Wage Collective Contract was realized basically. Implementing rules for annuity of the Company was amended pursuant to the relevant new policies of national annuity and the presenting and withholding works of corporate annuity were advanced proactively. The positive publicity on new national income tax policy and the promotion training and specific implementation of the six additional deductions were implemented.

In 2019, the decrease in the Company's results was relative large with problems in all aspects being more prominent. Firstly, with respect to the transformation and upgrade, reform and innovation did not go far enough. In recent years, the Company constantly invested in the industrial robot research and development while the industrialized application and marketing and promotion did not perform as expected. In 2019, with the decrease in orders of the electronic product line of the Company's intelligent factory business, the Company proactively expanded the intellectualized upgrading projects in terms of aerospace and consumer product lines. However, as the business stayed in the transformation period, the business scale and profits witnessed a gap as compared with the same period of last year, which had a considerable effect on the results of the Company for 2019. Secondly, the core technology and industrial conversion mastered by the Company were not played solid enough, without competitive products in comprehensive competitive advantages.

## Discussion and Analysis of the Operation (Continued)

### II. Principal operations during the reporting period

In 2019, the Company paid close attention to the development and change trends of the sub-sectors in which the main business belongs to, actively strengthened and developed the existing business, as a result, the main business of the Company maintained steady development. Taken development strategy and economic benefits as guide, the Company standardized its investment decisions, strengthened risk management and control with the governance on accounts receivable and inventory, and the overall operation of the Company remains stable. Due to the downward pressure against China's macro economy, the market competitiveness of the businesses engaged by the Company has become increasingly intensified, as well as the smart factory business has entered into transformation period, the efficiency of the Company's smart manufacturing business has decreased.

#### (I) Analysis of principal operations

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

Unit: Yuan Currency: RMB

Item	Amount for the period	Amount for the same period last year	Change (%)
Operating income	<b>4,660,047,001.92</b>	4,500,505,653.14	3.54
Operating costs	<b>3,955,938,472.70</b>	3,777,408,587.41	4.73
Cost of sales	<b>54,111,280.14</b>	56,473,519.57	-4.18
Administrative expenses	<b>270,036,371.18</b>	249,028,876.39	8.44
R&D expenses	<b>239,196,398.72</b>	221,663,740.72	7.91
Financial expenses	<b>2,504,014.29</b>	6,290,074.04	-60.19
Net cash flows from operating activities	<b>-341,233,848.13</b>	45,563,017.57	-848.93
Net cash flows from investing activities	<b>-43,461,006.56</b>	81,068,704.67	-153.61
Net cash flows from financing activities	<b>-43,865,208.11</b>	-22,316,731.08	N/A
Other income	<b>22,868,902.54</b>	2,308,119.25	890.80
Gain or loss from fair value changes	<b>469,826.49</b>	0	N/A
Assets impairment losses	<b>-43,308,217.26</b>	-2,209,826.72	N/A
Gain from the disposal of assets	<b>383,216.04</b>	-1,178,977.14	N/A
Non-operating income	<b>4,932,373.77</b>	37,568,414.64	-86.87
Non-operating expenses	<b>895,287.76</b>	3,707,714.25	-75.85

Notes:

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

Decrease of net cash flow from operating activities: mainly due to the payment for purchases of commodities for the period;

# Discussion and Analysis of the Operation (Continued)

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

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

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

*Notes: (Continued)*

Decrease of net cash flow from investment activities: mainly due to the payment of the principal of wealth management products that had not yet expired at the end of the period;

Decrease of net cash flow from financing activities: mainly due to the repayment of short-term bank loans for the period;

Increase of other income: mainly due to the increase in government subsidy on operation recognized during the period;

Increase of gain or loss from fair value changes: mainly due to the revenue from changes in fair value of financial assets held for trading during the period;

Increase of impairment loss on assets: mainly due to the provision for impairment loss on long-term equity investments and the provision for inventory depreciation for the period;

Increase of gains on disposals of assets: mainly due to the increase of gains on disposals of non-current assets during the period;

Decrease of non-operating income: mainly due to the decrease in write-off of unpayables during the period.

Decrease of non-operating expenses: mainly due to the provision for estimated liabilities as a result of litigations during the previous period.

# Discussion and Analysis of the Operation (Continued)

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

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

#### 2. Analysis on revenue and cost

During the reporting period, the Company's operating income and operating cost increased by 3.54% and 4.73% respectively over the previous period. The increases in the overall operating cost of the Company is slightly higher than the operating income, with a slight decrease in gross profit margin. The decline in operating income of smart manufacturing business and related products is larger than that of operating costs, and the gross profit margin of related products has declined.

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

Unit: 0'000 Yuan Currency: RMB

By sector	Principal operations by business sector					
	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income from the same period last year (%)	Increase/decrease in operating cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Intelligent Manufacturing	62,407.92	58,797.58	5.79	-38.59	-32.74	Decreased by 8.2 percentage points
Smart city	212,075.60	179,627.25	15.30	13.72	16.10	Decreased by 1.73 percentage points
Electronic manufacturing services	182,630.55	153,709.20	15.84	15.94	15.65	Increased by 0.21 percentage points
Others	2,964.81	2,807.10	5.32	12.21	68.23	Decreased by 31.53 percentage points

# Discussion and Analysis of the Operation (Continued)

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

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

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

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

By product	Principal operations by business sector					
	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income from the same period last year (%)	Increase/ decrease in operating cost from the same period last year (%)	Increase/ decrease in gross profit margin from the same period last year (%)
Industrial robots	4,023.31	3,729.02	7.31	46.91	74.65	Decreased by 14.72 percentage points
Intelligent factories and systems	53,228.27	49,650.05	6.72	-39.60	-33.42	Decreased by 8.65 percentage points
Core components of smart manufacturing	5,156.34	5,418.52	-5.08	-52.13	-49.36	Decreased by 5.73 percentage points
Intelligent transportation	51,664.70	38,896.74	24.71	8.89	11.90	Decreased by 2.03 percentage points
Intelligent buildings	71,546.56	66,462.78	7.11	18.75	19.72	Decreased by 0.75 percentage points
Safe city and communication equipment	9,709.77	5,011.20	48.39	13.30	22.75	Decreased by 3.98 percentage points
Information network equipment and consumer electronic products	79,154.57	69,256.52	12.50	12.73	14.74	Decreased by 1.53 percentage points
Electronic manufacturing services	164,292.54	143,365.07	12.74	18.81	16.85	Increased by 1.47 percentage points
Modern service industry	18,338.01	10,344.13	43.59	-4.72	1.20	Decreased by 3.3 percentage points
Others	2,964.81	2,807.10	5.32	12.21	68.23	Decreased by 31.53 percentage points

# Discussion and Analysis of the Operation (Continued)

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

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

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

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

By geographical regions	Principal operations by business sector					
	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income from the same period last year (%)	Increase/decrease in operating cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Nanjing	376,511.31	328,451.54	12.76	-0.07	2.13	Decreased by 1.88 percentage points
Shenzhen	83,567.57	66,489.59	20.44	16.87	20.68	Decreased by 2.51 percentage points

Principal operations by business sector, product and geographical regions:

Principal subsidiaries of the Company are all engaged in smart manufacturing, smart city, electronic manufacturing services and related industries. The operating income from smart manufacturing decreased by 38.59% over the same period of last year as a result of the decrease in operating revenue related to smart factories and smart manufacturing core equipment. Due to the increase of orders in smart city business and electronic manufacturing service, the operating income increased by 13.72% and 15.94% respectively over the same period of the previous year.

During the reporting period, sales of industrial robots in major products of the Company fell short of expectations, but the investment of materials increased and gross profit margin decreased over the same period of the previous year. Due to intensified market competition, the smart manufacturing business saw its operating income decreased by 39.60% and 52.13% over the same period of the previous year due to the decrease in operating income related to smart factories and smart manufacturing core equipment. The operating income of the intelligent buildings increased by 18.75% over the same period of the previous year due to the large number of system integration projects completed by the Company in the current period.

The principal operations of the Company was primarily distributed in Nanjing and Shenzhen. During the reporting period, the operating income of Nanjing was basically the same over the same period of the previous year; while the operating income of Shenzhen increased by 16.87% compared with the same period of last year due to the increase in the business volume of consumer electronic products.

# Discussion and Analysis of the Operation (Continued)

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

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

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

#### (2) Analysis of volume of production and sales

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

Principal products	Unit	Production 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	5,147.58	5,001.06	240.01	42.13	40.57	
Intelligent transportation equipment and others	set	7,290	5,948	1,584	288.18	189.30	554.55
Information network equipment and others	set	1,822,108	1,836,284	80,725	-3.11	-10.22	-14.94

Explanation on the volume of production and sales:

For the surface mounting, the Company recorded significant increases in the production and sales volume as compared with the same period last year attributable to increased orders. For intelligent transportation equipment and other products, the Company recorded significant increases in the production, sales volume and stock as compared with the same period last year due to the promotion of relevant projects in rail transit.



# Discussion and Analysis of the Operation (Continued)

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

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

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

#### (3) Cost analysis

Unit: 0'000 Yuan Currency: RMB

#### By sector

By sector	Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
Smart manufacturing	Material cost	49,687.80	84.51	72,600.28	83.05	-31.56	
	Labor cost	1,806.87	3.07	2,934.27	3.37	-38.42	
	Manufacturing costs	7,302.92	12.42	11,878.35	13.59	-38.52	
Smart city	Material cost	160,857.42	89.55	136,473.04	88.21	17.87	
	Labor cost	13,140.83	7.32	12,194.04	7.88	7.76	
	Manufacturing costs	5,629.00	3.13	6,052.29	3.91	-6.99	
Electronic manufacturing services	Material cost	115,081.12	74.87	95,745.72	72.04	20.19	
	Labor cost	6,510.98	4.23	7,532.87	5.67	-13.57	
	Manufacturing costs	32,117.09	20.89	29,632.86	22.30	8.38	
Others	Material cost	486.07	17.32	283.18	16.98	71.65	
	Labor cost	145.56	5.19	198.96	11.92	-26.84	
	Other expenses	2,175.47	77.49	1,186.46	71.11	83.36	

#### By product

By product	Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
Industrial robots	Material cost	3,587.18	96.20	2,052.88	96.15	74.74	
	Labor cost	32.22	0.86	21.30	1.00	51.28	
	Manufacturing costs	109.62	2.94	61.01	2.86	79.66	

# Discussion and Analysis of the Operation (Continued)

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

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

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

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

Unit: 0'000 Yuan Currency: RMB

By product	Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
Intelligent factories and systems	Material cost	44,187.06	89.00	66,546.33	89.23	-33.60	
	Labor cost	942.62	1.90	972.75	1.30	-3.10	
	Manufacturing costs	4,520.37	9.10	7,058.08	9.46	-35.95	
Core components of smart manufacturing	Material cost	1,913.56	35.32	4,647.02	43.43	-58.82	
	Labor cost	832.03	15.36	1,731.49	16.18	-51.95	
	Manufacturing costs	2,672.93	49.33	4,322.04	40.39	-38.16	
Intelligent transportation	Material cost	37,716.87	96.97	33,111.26	95.26	13.91	
	Labor cost	562.14	1.45	800.92	2.29	-29.81	
	Manufacturing costs	617.73	1.59	848.47	2.44	-27.20	
Intelligent buildings	Material cost	56,226.26	84.60	45,564.04	82.08	23.40	
	Labor cost	9,842.57	14.81	9,598.52	17.29	2.54	
	Manufacturing costs	393.96	0.59	351.81	0.63	11.98	
Safe city and communication equipment	Material cost	4,696.32	93.72	3,867.39	94.74	21.43	
	Labor cost	0.00	0.00	0.00	0.00	0.00	
	Manufacturing costs	314.88	6.28	214.91	5.26	46.51	
Information network equipment and consumer electronic products	Material cost	62,217.96	89.84	53,561.57	88.73	16.16	
	Labor cost	2,736.13	3.95	2,254.39	3.73	21.37	
	Manufacturing costs	4,302.44	6.20	4,546.09	7.52	-5.36	
Electronic manufacturing services	Material cost	112,120.44	78.21	94,725.40	77.21	18.36	
	Labor cost	4,663.22	3.25	5,265.34	4.29	-11.44	
	Other expenses	26,581.41	18.54	22,699.20	18.50	17.10	
Modern service industry	Material cost	2,960.69	28.62	2,625.46	25.69	12.77	
	Labor cost	1,847.76	17.86	1,840.29	18.00	0.41	
	Other expenses	5,535.68	53.52	5,755.76	56.31	-3.82	
Others	Material cost	486.07	17.32	283.18	16.98	71.65	
	Labor cost	145.56	5.18	198.96	11.92	-26.84	
	Other expenses	2,175.47	77.50	1,186.46	71.11	83.36	

# Discussion and Analysis of the Operation (Continued)

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

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

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

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

Explanation on the cost analysis:

During the reporting period, the material cost, labor cost and manufacturing cost (other expenses) accounted for 82.57%, 5.47% and 11.96% of the cost of the principal operations of the Company, respectively, reflecting no material change in the cost structure as compared with the same period last year.

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

During the reporting period, sales to the top five customers amounted to RMB1,788,094,200, representing 38.37% of the total sales in 2019, of which sales to connected parties amounted to RMB1,542,958,100, representing 33.11% of the total sales in 2019.

During the reporting period, the aggregate amount of purchase from the top five suppliers of the Company amounted to RMB552,325,600, accounting for 16.31% of the total amount of purchase made by the Company in 2019. There were no connected parties in the top five suppliers.

#### 3. Expenses

During the reporting period, the cost of sales, administrative expenses, and financial expenses increased 4.77% as whole as compared with the same period last year, of which, the administrative expenses increased by RMB21,007,500, representing an increase of 8.44%, mainly due to the increase in payroll and other related expenses in the period; the financial expenses decreased by 60.19% over the same period of the previous year, mainly due to the decrease in exchange losses during the period resulting from changes in RMB exchange rate.

# Discussion and Analysis of the Operation (Continued)

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

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

#### 4. R&D expenses

##### Particulars of R&D expenses

Unit: Yuan Currency: RMB

R&D expenses for the period	239,196,398.72
Capitalized R&D expenses for the period	6,080,131.30
Total R&D expenses	245,276,530.02
The percentage of total R&D expenses over operating income (%)	5.26
The number of R&D personnel	687
The percentage of R&D personnel over total number of staff of the Company (%)	19.88
The percentage of capitalized R&D expenses (%)	2.48

##### Description:

The Company persisted in integrating technological innovation with mechanism innovation, in the meantime, the Company transformed the managerial style of technological innovation projects by giving prominence to scientificity of project, reasonability of expense budget and seriousness of implementation of plan as well as warranting profitable investment into R&D programs so as to ensure forward looking, catering to market as well as feasibility of R&D programs.

Major subsidiaries of the Company attained admirable scientific research achievements in their respective fields, with smooth progress made in key scientific research projects including Compact Medium-sized Multi-purpose Industrial Robot, artificial intelligence security gate system of rail transit and the R&D and industrialization of emergency broadcast intelligent terminals that in line with the latest national standards.

The Company focused on input for and output from scientific research and paid attention to the quality and management of research results, deployed and coordinated declaration and evaluation of scientific research results of various subsidiaries, and won the second prize of Jiangsu Science and Technology Progress in projects of "Technology and Application of Actively Collaborative Reconstruction for the Edge Internet of Vehicles (面向車聯邊緣網絡的主動協同重構技術與應用)" and the "Key Technology and Application of A New Generation of Polymer-based High-Frequency Transmittance and Multiple Protective Materials (新一代高分子基高頻透波與多重防護材料的關鍵技術與應用)".

# Discussion and Analysis of the Operation (Continued)

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

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

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

While strengthening the management of key scientific research projects, we also attached importance to the completion of projects, and organized external experts to complete the technical accreditation of more than ten projects; we completed the “Industrial Robot Quality Breakthroughs (工業機器人質量攻關)” project in the provincial scientific and technological quality breakthroughs scheme and the acceptance for two provincial-level projects of provincial scientific and technological achievements for the transformation of the “Research and Industrialisation of High-nationalization Industrial Robot (高國產化率工業機器人研發與產業化)” project.

The Company improved the intellectual property management system, mechanism and institution, and realized the standardization and institutionalization of the process management of intellectual property. The quantity and quality of the Company’s patent applications in industries such as intelligent manufacturing and smart cities were significantly improved. We enhanced the industry-university-research cooperation, expanded and improved the patent pools of intelligent manufacturing and smart cities, and strived to have some patents enter the national and industrial basic patents, core patents, key patents and high-value patents.

The Company will further strengthen the construction of the scientific research management system and the incentive system for scientific research personnel, to develop a scientific research management and guarantee mechanism where the Company’s headquarters and subsidiaries connect with and supplement each other, so as to ensure that the scientific and technological resources are concentrated towards the core industry. The Company will further increase the investment in scientific research, cultivate and improve the independent innovation capability of scientific research institutions at all levels, and deploy and coordinate the scientific research forces across the Company to build a collaborative innovation platform, strive for breakthroughs in the key common technologies and thus improve the core competitiveness of the Company.

#### 5. Cash flow

During the Reporting Period, the decrease in the net cash flow from operating activities was mainly due to the payment for purchases of commodities for the period; the decrease in the net cash flow from investment activities was mainly due to the payment of the principal of wealth management products that had not yet expired at the end of the Reporting Period; the decrease in net cash flow from financing activities was mainly due to the repayment of bank short-term borrowings for the period.

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

# Discussion and Analysis of the Operation (Continued)

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

### (III) Analysis of assets and liabilities

#### 1. Assets and liabilities

Unit: 0'000 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
Account financing	<b>34,725.93</b>	<b>5.77</b>	24,980.18	4.04	<b>39.01</b>	Mainly due to the decrease in notes receivable measured at fair value with changes included in other comprehensive income
Advance to suppliers	<b>11,334.19</b>	<b>1.88</b>	18,126.75	2.93	<b>-37.47</b>	Mainly due to the decrease in advance payment that has not been carried forward
Other receivables	<b>4,802.04</b>	<b>0.80</b>	8,857.31	1.43	<b>-45.78</b>	Mainly due to the recover dividends receivable received in current period
Contract assets	<b>54,197.82</b>	<b>9.00</b>	36,075.37	5.83	<b>50.23</b>	Mainly due to the increase in the right to receive consideration upon the transfer of goods to customers during the period
Other current assets	<b>5,508.99</b>	<b>0.92</b>	3,472.41	0.56	<b>58.65</b>	Mainly due to the increase in Value-added provision, Value-added tax recoverable
Investment property	<b>2,109.63</b>	<b>0.35</b>	1,946.20	0.31	<b>8.40</b>	Mainly due to the increase in operating leased assets during the period
Fixed assets	<b>118,817.42</b>	<b>19.73</b>	82,604.98	13.36	<b>43.84</b>	Mainly due to the current phase of construction in progress transformed into fixed assets
Construction in progress	<b>3,140.79</b>	<b>0.52</b>	30,480.84	4.93	<b>-89.70</b>	Mainly due to the current phase of construction in progress transformed into fixed assets
Right-of-use assets	<b>1,245.67</b>	<b>0.21</b>	-	-	<b>N/A</b>	Due to recognize eligible leased assets as right-to-use assets according to the new lease standard
Long-term deferred expenses	<b>1,172.06</b>	<b>0.19</b>	128.97	0.02	<b>808.78</b>	Mainly due to the increase in long-term deferred items during the period

# Discussion and Analysis of the Operation (Continued)

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

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

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

Unit: 0'000 Yuan Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period (%)	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Explanation
Other non-current assets	5,527.56	0.92	-	-	N/A	Due to the quality guarantee deposit for each project with guarantee period over one year
Short-term borrowings	5,000.00	0.83	9,500.00	1.54	-47.37	Due to the repayment of bank short-term loans during the period
Tax payable	2,140.42	0.36	18,538.71	3.00	-88.45	Mainly due to the payment for the land value-added tax payable during the period
Non-current liabilities due within one year	345.20	0.06	-	-	N/A	Due to lease liabilities due within one year
Lease liabilities	892.64	0.15	-	-	N/A	Due to recognize eligible leased assets as right-to-use assets according to the new lease standard and, the present value of the unpaid lease payments for over one year as a lease liability
Estimated liabilities	-	-	290.00	0.05	-100.00	Due to the full payment due for litigation matters during the period
Deferred income	1,726.19	0.29	705.02	0.11	144.84	Mainly due to the increase in government grants related to assets recognized during the period
Other comprehensive income	28.92	0.00	19.15	0.00	51.02	Due to change in fair value of other investments in equity instruments

# Discussion and Analysis of the Operation (Continued)

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

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

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

Item	Closing carrying amount	The reason
Cash and bank equivalents	190,728,389.96	Deposits of acceptance, performance, guarantee, letter of credit
Financing receivables	41,000,000.00	Deposits of bank acceptance issued at notes pool
Total	231,728,389.96	

### (IV) Analysis of industry operational information

1. Intelligent manufacturing

In recent years, "Made in China 2025", "Guidance on How to Boost the Coordinated Development between Manufacturing and the Internet" (關於深化製造業與互聯網融合發展的指導意見), "Intelligent Manufacturing Development Plan (2016—2020)", "Guiding Opinions on Deepening "Internet + Advanced Manufacturing" and Developing Industrial Internet" (關於深化「互聯網+先進製造業」發展工業互聯網的指導意見) and other significant strategy documents have been introduced successively in China, providing a powerful institutional supply for intelligent manufacturing development. After decades of development, intelligent manufacturing equipment has showed a development trend of automation, integration, informatization and greenness. In particular, automation mainly manifests in the manufacturing of the equipment that can be completed according to the requirements of the users; integration mainly manifests in the integration of production technologies, hardware, software and application technologies and the complete set of equipment, and also in the integration of interdisciplinary high technology. Informatization refers to the integration of information technology and advanced manufacturing technology. The ultimate goal of the digital, informational and intelligent design and manufacturing process is not only to accelerate the development of products or equipment, but also to work hard to realize the success of a large complex product. Greenness means green manufacturing, mainly in the improvement in resources recycling efficiency and the reduction of environmental emissions of intelligent manufacturing equipment. In the second half of 2019, there were 15 cases in which the investment amount of intelligent manufacturing industry in China exceeded RMB100 million. The development space of intelligent manufacturing market is relatively large with a preferably investment prospects.



# Discussion and Analysis of the Operation (Continued)

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

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

#### 1. Intelligent manufacturing (Continued)

In the first half of 2019, 19,281 industrial robots of China independent brands were sold with a year-on-year decrease in the sales volume for the first time. Nevertheless, from the perspective of general trend, industrial robots are in an explosive stage, which is only the beginning of the future market development currently and there is still a large improvement space for industrial robots density. With the development of AI, big data and other emerging technologies, robot industry itself will be reformed and face new opportunities, mainly due to the technological breakthrough and combination and the reform of manufacturing mode. It's expected that in the next 5 to 10 years, the substitution rate of robots in China will be more than 30%, while it was less than 1% in the past 40 years. In 2019, the market scale of Chinese industrial robots was approximately US\$6 billion. In 2021, the industrial robot density is estimated to break 130 units per 10 thousand people, reaching the level of developed countries.

Aiming to become a leading enterprise for intelligent manufacturing equipment and robots with international competitiveness, the Company increased the investment in the industrial chain for intelligent manufacturing, fastened the development of industrial robot series products and operation and maintenance of platform system, and actively expanded the aerospace, glass, shoe-making, new energy materials and other new businesses industry.

#### 2. Smart city

In recent years, as the Chinese government has vigorously promoted the smart city planning and construction, more than ten relevant policy documents have been issued at the national level, while at the local level, a total of over 700 cities among nationwide 100% vice-provincial cities and above and 90% cities at or above the prefectural level proposed to build or are building smart cities with 290 national smart cities have been piloted. With the continuous development of technology and the improvement of urbanization level in China, the market scale of the smart cities in China will be further expanded in the future. The rapid development of IoT, cloud computing and other technological areas has laid a solid foundation for the construction of the smart cities in China. Cloud computing, for instance, key technology of which has reached the international leading level and can support the requirements of complicated application scenarios, such as massive concurrency, mixing cloud, and multi-cloud management. According to the statistic estimation from China Smart City Work Committee (中國智慧城市工作委員會), by 2022, the market scale of the smart cities will arrive at RMB25 trillion in China. The smart city field boasts an extensive market with a promising prospect.

# Discussion and Analysis of the Operation (Continued)

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

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

#### 2. Smart city (Continued)

In accordance with the survey released on [www.rail-transit.com](http://www.rail-transit.com), during 2020 to 2021, an additional operation line mileage of China urban rail transit is expected to reach 2,635.93 kilometers with 1,604 stations and an investment of RMB1,782.926 billion under the latest bid of each line and construction process. In particular, in 2020, a total of 50 rail transit lines in 26 cities, including Chengdu, Shanghai, Shenzhen and Guangzhou, are expected to be put into operation with a total mileage of 1,197.88 kilometers, 723 stations and a total investment of RMB852.456 billion. And in 2021, a total of 53 rail transit lines in 31 cities, including Xi'an, Jinhua, Chongqing, Kunming and Nanjing, are expected to be put into operation with a total mileage of 1,438.05 kilometers, 881 stations and a total investment of RMB930.47 billion.

The Company has maintained the leading advantages in the technologies in the fields of AFC\ACC and special communication system for rail transit, accelerated the transformation to general contracting service provider of software and hardware system integration, so as to further enhance the core competitiveness of independent intellectual property patent products.

In order to make up for the "digital divide" in such aspects as urban and rural communication infrastructure and application, improve the per capita network resources and application level, promote the construction of modern Internet industry system and meet the needs of national economy and for social development, the government has promulgated the Development Plan for Information Communication Industry (2016-2020) and the Specific Plan for Internet of Things under the Development Plan for Information Communication Industry (2016-2020). By the end of 2020, the industry revenue from information communication across the country will amount to RMB3.5 trillion.

In 2019, based on the national construction of building China into a manufacturing power with a powerful network, the information communication industry started 5G for commercial use, and strengthened the construction of the emerging infrastructure such as 5G and industrial Internet; it exerted to promote the acceleration of the combination of the blockchain, big data, AI and other new generation information and communication technology with the real economy, so as to generate various smart applications; the Company adhered to the people-centered development principle, fully launched the "number portability" service, continued to advance the "speed upgrade and tariff reduction" and further carried out the work of "special rectification disregard infringes on the interests of the people", which significantly enhanced users' sense of acquisition and happiness and enabled the solid progress to be made in the high-quality development of the industry.

The Company has increased its investment in the field of safety city and military-civil integrated communication businesses with part of the products have been delivered to customers for use, which shall have a positive influence on the future development of the Company.

# Discussion and Analysis of the Operation (Continued)

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

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

#### 3. Electronic manufacturing services

With the increasingly enhancement of the overall competitiveness of the electronic manufacturing industry in China and the huge demand in the electronic products consumer market, leading electronic brand owners in the world are advancing into China, transferring the global electronic manufacturing base to China, many EMS providers have made investments to set up factories in China. A relatively complete electronic industrial cluster has been developed in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim, and the upstream and downstream supporting industrial chain centered on such industries as consumer electronics, communication equipment, computer and network equipment has produced an industrial agglomeration effect. On the one hand, a group of EMS providers characterized by contracts and outsourcing as well as a batch of components and devices manufactures have grown up around the multinational electronics brand business enterprise; on the other hand, self-owned brand companies of China also benefit their own production capacity to take the outsourcing electronic manufacturing services for multinational companies while producing their own brand products, which has effectively promoted domestic EMS companies to enter the supply chain system of international brands. EMS model has become an important part of China's electronics manufacturing industry.

Meanwhile, with the implementation of The Belt and Road Initiative, the cooperation between China and the countries along the Belt and the Road Initiative have achieved fruitful results in the field of electronic information manufacturing industry, multilateral regional industrial cooperation mechanisms have continued to deepen, and high-quality products and services have been widely used in many countries. It is foreseeable that in the future, there are wider cooperation space in the fields of collaborative innovation, market development, and service extension in the electronic information manufacturing industry between China and the countries along the Belt and Road Initiative, which will create conditions for China to further open the international market for the electronics manufacturing services.

The Company has, over the years, steadily expanded into automatic surface mount, board assembly testing, complete machine manufacturing, from brown goods to white goods and automotive electronics. The Company deepened the development in LCD logic controller and integrated TCON product businesses; meanwhile, long-term cooperation relationship was established with several well-known enterprises in terms of display control assembly in human-computer interaction of white household appliances; cooperation between the automobile electronic manufacturers to provide automobile electronic products for numerous automobile brands; ancillary and modified material processing, molding, injection molding, extrusion molding, spray and painting decoration and assembly services. The Company fully played its advantages of the complete electronic product industry chain completely for providing customers with perfect systematic solutions.

# Discussion and Analysis of the Operation (Continued)

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

### (V) Analysis of investment

#### 1. Overall analysis of external investment

In 2019, the Company cautiously made investments in fixed assets and relevant projects in a standard way in accordance with the capital expenditure budget and the actual operating conditions.

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

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

### (VII) Analysis of major invested companies

#### 1. Analysis of major subsidiaries

In 2019, the Company further optimized its corporate structure and resource allocation, adjusted its industrial layout, deregistered Shanghai Panda Robot Technology Co., Ltd. (上海熊猫机器人科技有限公司), and invested in the establishment of Chengdu Panda Electronics Manufacturing Co., Ltd., which had no significant impact on the overall operations and performance of the Company. The overview of major subsidiaries is set out below:

Unit: 0'000 Currency: RMB

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Electronics Equipment Company	Manufacturing and sales of automatic transmission equipment and industrial robot	19,000	87,833.43	30,563.17	68,624.96	-5,866.01	-5,784.01
Information Industry Company	Manufacturing and sales of railway transit AFC and ACC system, equipment, building intellectualization products and system integration	USD3194.6435	139,197.01	44,194.21	127,301.51	5,532.39	5,303.19
Electronic Manufacture Company	EMS services	USD2,000	115,293.55	52,157.01	163,228.15	9,491.18	8,256.02
Communications Technology Company	Manufacture and sales mobile communications, digital communication and network communications systems and products	10,000	25,680.37	16,528.39	10,307.96	1,048.17	1,035.38

# Discussion and Analysis of the Operation (Continued)

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

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

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

Unit: 0'000 Currency: RMB

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Technology Development Company	Manufacture of general purpose equipment, software development, and property management	70,000	66,155.46	60,072.85	2,291.65	-1,702.21	-1,656.68
Shenzhen Jinghua	Research and development, manufacture and sales of communications equipments and digital products	11,507	52,309.72	38,544.72	84,338.08	10,880.11	9,490.72
Nanjing Panda Xinxing Industrial Co., Ltd.	Supply of property management and catering services	2,000	7,392.72	4,423.89	14,465.27	640.88	465.86

Changes in net profit of major subsidiaries are as follows:

Unit: 0'000 Currency: RMB

Subsidiary	Net profit		Change (%)
	2019	2018	
Electronics Equipment Company	<b>-5,784.01</b>	2,815.05	-305.47
Information Industry Company	<b>5,303.19</b>	5,577.27	-4.91
Electronic Manufacture Company	<b>8,256.02</b>	6,021.51	37.11
Communications Technology Company	<b>1,035.38</b>	1,645.40	-37.07
Technology Development Company	<b>-1,656.68</b>	-1,697.62	N/A
Shenzhen Jinghua	<b>9,490.72</b>	7,753.49	22.41
Nanjing Panda Xinxing Industrial Co., Ltd.	<b>465.86</b>	766.67	-39.24

# Discussion and Analysis of the Operation (Continued)

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

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

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

Description of changes:

The operating revenue and net profit of Electronic Manufacture Company increased by 17% and 37.11% year-on-year, respectively, demonstrating economies of scale, which was mainly due to the increase in business scale attributable to undertaking new businesses. The operating revenue and net profit of Shenzhen Jinghua increased by 16.61% and 22.41% year-on-year, respectively, which was mainly due to the increase in export sales orders. The product gross profit and thus net profit of Electronics Equipment Company decreased, which was mainly due to the decrease in business orders and that some engineering orders entered into the last phase. The net profit of Communication Technology Company decreased for the period, which was mainly due to the year-on-year increase in research and development expenses.

#### 2. Analysis of major invested companies

- (1) Nanjing Ericsson Panda Communication Co., Ltd. (ENC) was set up on 15 September 1992 with a total investment of US\$40.88 million and a registered capital of US\$20.9 million. ENC is held as to 27% by the Company, 51% by Ericsson (China) Company Limited, 20% by China Potevio Co., Ltd., and 2% by Yung Shing Enterprise, Hong Kong. ENC mainly engages in production of mobile telecommunication system equipment and network communications system equipment, etc. As the biggest production and supply center of Ericsson in the world, ENC is now mainly in charge of the industrialization and mass production of the products that Ericsson Company Limited developed and provides delivery and shipment to customers worldwide. Operating income of ENC for 2019 amounted to RMB9,315,362,000, representing a year-on-year increase of 5.65%; net profit amounted to RMB170,748,000, representing a year-on-year increase of 3.18%. Reason(s) for changes in the main indicators: the increase in market orders.
- (2) The Company holds 20% of the shares of Beijing SE Putian Mobile Communications Co., Ltd. Beijing SE Putian Mobile Communications Co., Ltd. announced that it entered the liquidation period at the meeting of the Board of Directors held on 28 March 2019. At the end of the Reporting Period, the Company made provision for impairment loss for long-term equity investment in accordance with its recoverable amount. During the Reporting Period, it had no impact on the Company's investment revenue.

# Discussion and Analysis of the Operation (Continued)

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

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

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

- (3) During the reporting period, the Company's investment income amounted to RMB60,521,800. The investment income of major invested companies is as follows:

*Unit: 0'000 Currency: RMB*

<b>Invested companies</b>	<b>Operating income</b>	<b>Net profit</b>	<b>Shareholding of the Company</b>	<b>Investment income received by the Company</b>
ENC	931,536.20	17,074.80	27%	4,516.76

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

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

# Discussion and Analysis of the Operation (Continued)

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

### (I) Industrial landscape and trend

#### 1. Development trend of the industry

According to the analysis of the report of the Ministry of Industry and Information Technology, China's electronic information manufacturing industry continued to show a steady upward trend in 2019.

The rapid advancement of 5G, industrial internet, intelligent manufacturing upgrading and new digital infrastructure has brought important development opportunities to the electronic information manufacturing industry. While 5G brought the demand for the upgrading of communication networks, system and terminal equipment, its fusion application scenarios with medical, automotive, and power industries to promote the network and intelligent upgrading of traditional equipment, forming a new development space; New digital infrastructures such as artificial intelligence computing centers, internet of vehicle infrastructure, edge computing nodes will further promote the market growth of related components and complete equipment machines. Rail transit has developed greatly with the upgrading of multiple and new payment method of urban subway ticketing and fare clearing system and the establishment of NCC line network command centers.

The uncertainty in the external environment, intensified international competition and insufficient market momentum will bring new challenges to the development of the electronic information manufacturing. The rise of global trade protectionism has increased the uncertainty of global economic development, affected the vitality of investment and consumption, and posed challenges to the steady growth of electronic information manufacturing; meanwhile, developed countries have implemented the "re-industrialization" strategy and continued to increase investment in 5G, artificial intelligence, quantum science, etc., which increased the pressure on China's industrial competition. Developing countries have also made efforts to attract low-end and mid-end manufacturing industries, forcing China's electronic information companies to move outward. From the perspective of the industry, China still lags behind the international advanced level in basic fields such as key materials and high-end equipment and still needs to promote the supply-side quality and industrial structure balance and optimization.

Facing the complex and ever-changing domestic and international environment and increasing downward pressure on the economy, the electronic information enterprises actively responded to the risks and challenges, insisted on promoting transformation and upgrading, and continued to expand integrated applications. While maintaining a steady growth momentum overall, with the continuous burst of R&D and innovation momentum, it actively strengthened industry chain collaboration, integrated upstream and downstream and cross-sector resources, continued to improve profitability and enhanced core competitiveness, under which, the momentum of high-quality development has been more obvious. The industry was advancing from the quantity increase to the high-quality stage, presenting the two characteristics of "high gross profit and high-quality R&D". The business expansion of the Company in emerging fields is accelerating, and the agglomeration effect and demonstration role of leading industry are outstanding.



# Discussion and Analysis of the Operation (Continued)

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

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

#### 2. Developments of the Company

Under the continuous strategic guidance of the 13th Five-Year Plan, the Company adheres to the principle of quality first and efficiency in priority, exerts concentrated efforts on quality and efficiency enhancement, focuses on reform and innovation, deepens the lean management, promotes development quality, and steps up the efforts in promoting the expansion of the principal operations, the industrial transformation and upgrade and the enhancement of the management level of the Company.

In line with the plans and arrangements for the "13th Five-Year Plan" period, the Company further consolidated and reorganized the existing business, scientifically allocated the existing resources of the Company, and increased the investment in the main business to highlight the three core industries. The Company also specified the next-step overall development strategy centered on intelligent manufacturing, smart city and electronic manufacturing services. Firstly, the Company increased the investment in the intelligent manufacturing industrial chain, cultivated and developed the solutions for intelligent manufacturing system, the independent research and development and production capabilities for the core equipment and key components, promoted the organic integration of industrial robot, automatic equipment and information system, and completed the construction and renovation of digital and intelligent factories. Secondly, the Company determined to take intelligent transportation, intelligent building, safe city, and intelligent broadcast and television as the main direction and take the provision of system solutions and terminals for realizing the modernization of the cities as the objective, and attach importance to the cultivation of new economic growth points for the intelligent city industry, and consolidated and set up the Network Energy Company (non-independent legal entity), built the big data platform for smart city with intelligent transportation as the core, completed the construction of typical case and demonstration projects for modern intelligent cities, and accomplished the transformation from a product supplier with a single business to the general contractor with multi-business coordination. Thirdly, aiming to build itself into a first-class electronic ODM with high production, R&D, after-sales and supply chain management levels, the Company sped up the application of the high-end advanced EMS processes, equipment and systems to accelerate the construction of intelligent factories, vigorously strengthen the electronic manufacturing service capability with high intelligence and flexibility, and expand its coverage from the core electronic manufacturing bases within the electronic system in China to the high-end customers in the industry worldwide.

# Discussion and Analysis of the Operation (Continued)

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

### (II) Development strategies of the Company

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

In 2020, the Company will adhere to intensify the industrial transformation and upgrading and enterprise reform and innovation, make more effort to advance the development and industry inputs of the high-quality products and competitive products with comprehensive competitiveness; master the key and core cutting-edge technologies; explore the market demand, customers' pain point, as such, striving for the deep combination of the conflict between supply and demand; adjust innovative commercial mode for adapting to the operational environment in the new era; and establish scientific contemporary corporate governance system and governance mechanism.

The Company will promote high-quality development and build the corporate core competitiveness with reform and innovation and technological innovation. In face of fierce technological and market competitiveness, the Company will, in accordance with the industry trend and market demand, research and develop new products and upgrade technologies, accelerate to break through the key and core equipment technologies, make more effort to expand the high-end customers and businesses in high gross margin, specifically introduce marketable products, thereby grabbing the commanding heights of the emerging markets, enhancing the corporate core competitiveness and profitability and motivating the transformation and upgrading of the Company. It will improve the corporate basic management with overall lean management and comprehensive risk management, implement multiple measures and strict assessment, compact the specific responsibilities of reduction of accounts receivable and inventory, urge receivables and inventory, decrease the corporate capital occupation, optimize the funding structure of the Company, creating a positive condition for production and operation; attach great importance to quality enhancement, efficiency improvement, cost reduction, safety, environmental protection, stabilization and other works, maintain the rising and steady development momentum of the Company and completely eradicate the occurrence of various material risk cases, creating a safety and stable environment for the high-quality development of the Company, endeavoring to achieve the Company's development goal and laying a solid foundation for the new development of 14th Five-Year Plan.

#### 2. Development strategy of the Company

##### (1) Development strategies

The Company aims to build itself into a domestic top-notch leading enterprise in electronic information industry, which can control the proprietary key technologies; constantly increase its brand value and overall enterprise value; continually enhancing abilities to generate investment returns; and provide the industry-leading core equipment and system solution to smart manufacturing, core product and system solution for smart cities, as well as green and advanced electronic manufacturing services.

# Discussion and Analysis of the Operation (Continued)

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

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

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

The Company will concentrate its efforts on reform and innovation, deepen lean management and improve development quality, and integrate the "Internet Plus" in depth and strengthen the integrated development of military and civil products by means of structural adjustment, quality and efficiency enhancement, consolidation and reorganization and asset-backed securitization, etc. to develop synergies and economies of scale as soon as practicable, promote the transformation and upgrade of intelligent manufacturing and smart city industries, make new contributions to the new development of "Panda" and achieve leap-forward development, which will be implemented mainly under the following models.

- (1) Promote transformation of our business model

The Company will push for the transformation from a supplier merely providing equipment and engineering to a provider of whole products, large system and general operating services in terms of business model; from research and development of terminal products to research and development of core technologies and system equipment; from the traditional manufacture and operation model relying on orders to lean manufacturing based on big data analysis under the intelligent factory model; from sales of single unit/set of or auxiliary hardware products to marketing of software and hardware products as well as comprehensive solutions with our proprietary intellectual properties; from business enterprises fighting alone to cooperative engagement of all subsidiaries by integrating our internal resources and aggregating our overall advantages in terms of operating mode; and from undertaking single project to mainly undertaking system engineering as a general contractor in terms of source of business profits.

- (2) Uphold the "Internet Plus" concept

We will further increase our presence in the "Internet Plus" market, will fully utilize the "Internet Plus" concept in optimizing our production organization, resource allocation, product forms and business model, and facilitate the deep fusion between the Internet technologies and our research and design, production control, supply chain management and marketing of electronic products. We will focus on the following four aspects: the synergy of research and design, the intellectualized upgrading of traditional factories, the application of Internet marketing model and the industrial innovation in the field of the "Internet Plus". The Company will deepen the cooperation with the top-notch internet and communication operators and professional operators in China, focus on integrating the internet technology as well as other technologies such as intelligent perception, visual identity, intelligent analysis, intelligent control into smart city-related products such as intelligent transportation, intelligent home, intelligent terminal and dedicated communication systems with multi-network connections and 5G ultra-dense network products.

# Discussion and Analysis of the Operation (Continued)

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

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

#### 3. Changes in the operating model and business pattern, management style and strategic measures (Continued)

- (3) Focus on innovation-driven development and further promote transformation and upgrade

The Company will continue to concentrate on the optimization of resource allocation to accelerate the innovation in the operation mechanism and the management and control system, improve the work efficiency and the resource utilization ratio, enhance the capability of capitalized, modern, market-based and scientific operations in respect of integration and restructuring, business management, personnel selection and appointment, etc., and improve the vitality, capability, competitiveness and execution strength of the Company, with the view to explore a new path that is suitable for the development demands of "Panda" and being able to keeping abreast of the times in close compliance with the conditions of the new era and practical requirements.

- (4) Deepen the reform in all aspects and further development with fresh drivers

The Company will enhance corporate governance, and further improve the service and management capability of the management of the Company, the investment and integration capacity of the Company and innovation facility and profitability of the business enterprises, thereby setting up a highly efficient and structurally flat corporate management and control system.

- (5) Deepen the lean management and further enhance the quality and efficiency

The Company will promote the implementation of lean management in a comprehensive way, rationalize the management system and mechanism through institutionalization, programming, streamlining, standardization and data-orientation, improve the whole process, achieve systematic advancement, ensure that the management duties are specified, clarified and professional, strengthen effective supervision and performance appraisal, and insist on making continuous rectifications to ensure that every link of corporate management is precise, efficient and synergic and promote the Company to reduce costs, improve efficiency and profitability.

# Discussion and Analysis of the Operation (Continued)

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

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

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

- (5) Deepen the lean management and further enhance the quality and efficiency (Continued)

The Company will comprehensively carry out intelligent upgrade, aim to build customized manufacturing systems with high quality, high efficiency and a short delivery period, focus on the implementation of the upgrading and renovating projects in the intelligent electronic manufacturing industry to realize the information-based and automatic management during the whole production process, and streamline and re-optimize the whole process including R&D, production, storage and transportation to greatly improve the production efficiency, market share and corporate competitiveness of the Company. The Company will establish a production and management system capable of timely response to and adaptive to the market and the customers so as to shorten product development and production cycle, reduce overstocked raw material inventory and funds and boost the production efficiency, product reliability, market share and corporate competitiveness significantly.

- (6) Strengthen the scientific and technological R&D to further enhance the core competitiveness

The Company will improve the innovation ability for scientific research, increase the investment in technical research to cultivate and improve the independent innovation ability of all types of scientific research centers at all levels, coordinate the scientific research strength of each business enterprise gradually, build an interconnection channel and a coordination and innovation platform, full effort to make breakthroughs in the key common technologies, accelerate the marketization and industrialization of scientific research achievements, and improve the core corporate competitiveness.

- (7) Optimize talent structure and further strengthen the capability of sustained development

With the development and cultivation system for innovative talents as the core and the introduction and training of high-level talents and the talents urgently needed by principal operations as the focal point, the Company will speed up the adjustment of the talent structure, increase the investment in talent guarantee, perfect the talent incentive mechanism, and give full play to the strategic and fundamental role of leading and professional talents, thus providing a strong talent guarantee for the Company's development.

# Discussion and Analysis of the Operation (Continued)

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

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

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

- (8) Accelerate market exploration and further enhance the brand influence

The Company will maintain close relationship with major project contractors at home and abroad and strive to become their partners or specialized suppliers. The Company will positively respond to "The Belt and Road Initiative" and strive to make breakthroughs in overseas markets in the fields of emergency communication system, automatic ticket checking and communication system for urban rail transit, intelligent factory system, intelligent building system, broadcast and television wireless transmission and satellite-based ground receiving system.

The Company will coordinate and advance its efforts in shaping and communication of the "Panda" brand image, and consolidate the advertising resources in such aspects as advertisement publication, exhibition and display and public relations maintenance, to provide a strong support for the promotion of the Company's products. It will also give due weight to the utilization of the emerging media and means with strong immediacy, highly targeted and great influence to improve the influence of "Panda".

4. Development positioning and target for each business and market segment

Continually guided by the rolling adjustment of the strategic guidance of the 13th Five-Year Plan, the Company adheres to the principle of quality first and efficiency in priority, exerts concentrated efforts on quality and efficiency enhancement as well as the supply-side structural reform, focuses on reform and innovation, deepens the lean management, promotes development quality, and steps up the efforts in promoting the expansion of the principal operations, the industrial transformation and upgrade and the enhancement of the management level of the Company, so as to lay a solid foundation for the accomplishment of the objectives set by the Company for the 13th Five-Year Plan period in all aspects.

Guided by the market and oriented to the customers, the business enterprises are required to further adjust the operation philosophy and change the operating strategy, accelerate the research and development of key technologies and the adjustment of product structure, innovate in the way of market exploration and the mode of business cooperation, explore highly effective incentive means and team building methods, constantly look for new economic growth points and new development drivers to develop synergies and economies of scale as soon as possible and achieve high quality and leap-forward development.

# Discussion and Analysis of the Operation (Continued)

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

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

#### 4. Development positioning and target for each business and market segment (Continued)

Concentrating on the three principal operations and for the purpose of accelerating business transformation, improving innovation capability, branching out into new product categories and scaling up directly, the Company will carry out resource consolidation and reorganization, eliminate outdated production capacity, obtain quality equity interests, assets and businesses from outside through mergers and acquisitions, strive to make breakthroughs in key technologies, expand the effective and high-end supply, and push forward the supply-side restructuring adjustment through accelerated pace of creating competitive advantages in a bid to improve the scale and benefits of the principal operations and promote the Company's core businesses up to the high end of the value chain.

##### (1) Intelligent manufacturing industry

To make its way into the top domestic proprietary brands of intelligent manufacturing equipment with great efforts, become a provider of full-set solutions and core equipment of domestic intelligent factories, and strive to develop into one of the domestic leading enterprises of intelligent manufacturing equipment with international competitiveness.

##### (2) Smart city industry

① Intelligent transportation industry: the Company will transform from a supplier of a single system to a general contractor for mechatronic system, and set foot on inter-city rail and high-speed rail business. The Company will also build a big data platform for smart cities with intelligent transportation as the core, and complete the construction of relevant demonstration projects to achieve the industrialization of the payment systems, technologies and products based on the "Internet Plus". On the basis of maintaining its leading position in the domestic industry as to the first-rate rail transit ticket vending and fare collection equipment and systems and the communications devices and systems in the market segment of smart city, the Company strives to develop the Company into an internationally famous professional provider specialized in R&D and manufacturing of urban rail traffic information equipment and intelligent traffic solutions and system integration services.

# Discussion and Analysis of the Operation (Continued)

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

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

#### 4. Development positioning and target for each business and market segment (Continued)

##### (2) Smart city industry (Continued)

- ② Safe city industry: in terms of the safe city industry, the Company will focus on the application 5G, new generation of satellite mobile communication, base station sensing, mobile video and artificial intelligence technologies to form a integration solution and emergency communication general solution covering communication technologies of satellite, unmanned aerial vehicle and ground monitoring station. We are devoted to becoming a technology leading solution and equipment supplier for the military-civilian-integrated private communication network, providing first-class services to safe city and customers of other industries.

In respect of "intelligent services", the Company plans to launch an overall solution for "intelligent services" by cooperating with telecommunications operators and other units from the advantageous industrial perspective, such as "intelligent manufacturing park" and "smart transportation" and actively explore new business models. For example, using its own "base station proximity sensing" technology to provide users with "mobile phone detection" intelligent service; using the openness of 5G networks to provide users with "managed communication" intelligent service; using "5G high-definition images + AI behavior recognition" to provide users with "5S management" intelligent service.

- ③ Smart broadcast and television industry: the Company will focus on promoting the R&D and application of the next generation of broadcast and television transmission and terminal equipment, provide systematic solutions and equipment for the broadcast and television network from the transmitting terminal to the receiving terminal via the transmission coverage, and exert great efforts on the development of the industries such as connected smart communities, smart home and intelligent terminal with multi-network connections, thus striving to become a major player in the new generation of broadcast and television equipment and consumer electronics sectors in China.

- ④ Intelligent building industry: the Company will integrate modern communication technology, information technology, computer network technology and monitoring technology, etc., and master the automatic detection and optimization control technology related to the intelligence of buildings, to realize the intelligent control over the buildings and the optimal management on information resources, build its own intelligent building system and equipment integrated maintenance and management platform, and become a first-class domestic supplier of systematic solutions for intelligent buildings with various outstanding qualifications and a contractor for related construction projects and operation and maintenance management projects.



# Discussion and Analysis of the Operation (Continued)

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

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

#### 4. Development positioning and target for each business and market segment (Continued)

##### (3) Electronic manufacturing service

The Company will build an advanced EMS manufacturing system and develop a full range of electronic manufacturing service ranging from R&D, supply chain management, manufacturing, quality guarantee and global logistics, with a view to providing systemized, flexible and competitive solutions to clients. The Company will particularly enhance supply chain management, complete electronic machine design, manufacturing technique and capabilities to develop advanced manufacturing with high intelligence and flexibility, thus becoming an important manufacturing base for its own electronic information products and a top-notch electronics ODM that provide services all over the world.

### (III) Business plan

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

In 2019, against the backdrop of great challenges to products, technology and external environment, while riding on the existing production conditions and resource conditions, the Company speeded up the pace to transformation and upgrade, pursued technological innovation, explored technological breakthroughs, furthered the comprehensive lean management, strengthened compliance risk management and control, shaped a good corporate image, enhanced brand influence and worked hard around the annual operating targets.

The operating targets of the Company in 2019 were to achieve a revenue of RMB5,000,000,000 and total profit of RMB180,000,000. Based on the audited financial report, the operating revenue of the Company in 2019 was RMB4,660,047,000 and total profit was RMB147,410,100.

# Discussion and Analysis of the Operation (Continued)

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

### (III) Business plan (Continued)

#### 2. 2020 operating plan

The operating targets of the Company in 2020 are to achieve a revenue of RMB4,500,000,000 and total profit of RMB105,000,000. In 2020, due to the combined effect of various factors, the Company's growth is subject to great uncertainty. The Board has formulated the above operating targets based on the overall economic situation at home and abroad, taking into full account the developments of the industry segments in which the Company operates and the actual conditions of the Company. Although the Company may be subject to many uncertainties in its daily course of operations, it will insist on pragmatic approaches and seek progress while maintaining stability in an effort to achieve its operating targets.

- (1) Address the operational obstacles with reform and innovation. In face of the current risks and difficulties, the Company will break the existing framework system, change the fixed management idea, unswervingly promote the adjustment of organizational system, the sorting of personnel, optimization of assessment and motivation and improvement of management ability, and adhere to strengthen the basic market and customer-oriented principle as well as the basic principle of production and operation guided by the market demand, so as to boost the corporate development quality.
- (2) Improve core competitiveness with the technological innovation. In face of fierce technological and market competitiveness, the Company will, in accordance with the industry trend and market demand, research and develop new products and upgrade technologies, accelerate to break through the key and core equipment technologies, make more effort in expand the high-end customers and businesses in high gross margin, specifically introduce marketable products, thereby grabbing the commanding heights of the emerging markets, enhancing the corporate core competitiveness and profitability and motivating the transformation and upgrade of the Company.
- (3) Lay a solid foundation with overall lean management. The Company will adhere to further advance the overall lean management, reduce the waste, lower the cost, constantly improve and optimize the work process and shorten the management chain, thus comprehensively enhancing the corporate operational efficiency. Meanwhile, it will accelerate the comprehensive online operation of SAP-ERP system, realizing the integration of information resources, reengineering of business process, improvement of management and increase in economic profitability through the informatization.

# Discussion and Analysis of the Operation (Continued)

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

### (III) Business plan (Continued)

#### 2. 2020 operating plan (Continued)

- (4) Provide powerful guarantee with highly-competent personnel. The Company will continue to carry out the talents introduction and training, attached great importance on the training of youth backbone talents, focus on the present as well as the future, and appoint the competent and dynamic excellent youth cadre with plan and goal to exercise and grow at the works in significant reform businesses, the frontier of the market development, units with operation difficulties and major special projects, offering a powerful guarantee for the Company's reform and development.
- (5) Create safety and stable environment with comprehensive risk management and control. According to the target on reducing the established accounts receivable and inventory, the Company will implement multiple measures and strict assessment, put the specific responsibilities into effect, urge the receivables and vitalize the inventory, decrease the corporate capital occupation, optimize the funding structure of the Company, creating a positive condition for production and operation. It will continue to improve the management system and mechanism, firmly establish the awareness of compliance with the law and effectively procure, manage and control the funding and law risks. The Company will unremittingly ensure work concerning safety, environmental protection and confidentiality operations, creating safety and stable environment for the high-quality development of the Company.

### (IV) Potential risks

#### 1. Business Structure and Transformation Risks

Under the impact of the complicated and volatile economic situation at home and abroad, the intelligent manufacturing, rail transit and robot businesses of the Company are running up against intensive competition, which will bring about challenges for the Company in capturing a niche in the market and seeking for high-quality development in the future. In accordance with to the external environment and internal realities, the Company will accelerate the adjustment of industrial structure and product portfolio, thoroughly implement lean management and enhancement of quality and efficiency to promote the high quality development of the Company, intensify the workforce construction and increase efforts on application of new technology and development of new products so as to step up brand influence, boost the continuous improvement of core competitiveness of the Company and secure the leading position in the industry.

# Discussion and Analysis of the Operation (Continued)

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

### (IV) Potential risks (Continued)

#### 2. Operating risks

As core technologies of international intelligent manufacturing such as communication, big data and control algorithm are mainly under the control of foreign companies, the Company is still seeking for breakthroughs in independent core technology and following emerging technologies at the present stage, and is incapable of completely independently master certain core and critical technologies. In particular, the industrialized application of industrial robot products only takes up a small proportion, which causes the gap between the Company and the international and domestic first-class enterprises to widen. Considering its current actual condition, the Company will continue to increase input in the facilities, materials, funds and personnel for the R&D of the existing technologies on the one hand, and on the other hand master international and domestic leading technologies at a higher pace through various approaches such as external introduction and internal alliance and industry-university cooperation. In terms of intelligent manufacturing, in the future, development emphasis will be laid on the robots catered to the welding processing in the machinery manufacturing industry, collaborative robots geared to 3C electronic manufacturing industry, Intelligent transportation and storage system based on automatic transportation robot in liquid crystal panel industry, and the construction of the complete set of Intelligent production Line system with Industrial Machine as the Core. Meanwhile, priority will be given to breaking new grounds in the management, application and control software and systems of supporting platforms.

#### 3. Others

Since the outbreak of COVID-19 in China in January 2020, the Company expects that the pneumonia epidemic and the prevention and control measures against it, will have a certain temporary impact on the production and operation of the Company. The degree of impact will be determined by the progress and duration of the epidemic prevention as well as the control policies. The Company will continue to pay close attention to the development of the epidemic and actively respond to its impact on the Company's financial situation, operational results and other aspects.

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

# Discussion and Analysis of the Operation (Continued)

## V. Other Disclosures

### (I) Information on Board meetings

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolutions	Date of disclosure
4th meeting of the 9th session of the Board	2019-3-28	China Securities Journal, Shanghai Securities News	The resolutions in relation to the following matters were considered and approved: the 2018 work report of the Board, the 2018 work report of General Manager, the 2018 final account report, the 2019 financial budget report, the 2018 profit distribution plan, the appointment of auditor for 2019, the remuneration plan for directors and senior management in 2018, the 2018 annual report of the Company and its summary, the report of the independent directors of the Company for 2018, report on performance of duties of the audit committee for 2018, the 2018 corporate social responsibility report, 2018 internal control evaluation report, the Risk Assessment Report on China Electronics Financial Co., Ltd., capital expenditure project budget draft for 2019, the proposal for write-off of certain current accounts, the proposal for change of registered address and amendments to relevant articles of the Articles of Association of the Company, the amendments on proposal of the amendments to the Articles of Association and the amendments to the Rules of Procedure of General Meeting, the Shareholders' Return Plan of Nanjing Panda (2019-2021), the proposal on the termination of implementation of Investment Project of Shanghai Panda Robot Technology Co., Ltd., Nanjing Jiangbei New Area Land Project Investment Plan, the amendments to Rules of Procedure of Nomination Committee of the Company, the convening of 2018 annual general meeting	2019-3-29
Extraordinary meeting of the 9th session of the Board	2019-4-2	China Securities Journal, Shanghai Securities News	The resolution in relation to the guarantee amount provided by the Company to its subsidiaries was considered	2019-4-3
5th meeting of the 9th session of the Board	2019-4-26	China Securities Journal, Shanghai Securities News	The 2019 first quarterly report and the resolution in relation to the change of certain accounting policy of the Company were considered and approved	2019-4-29
6th meeting of the 9th session of the Board	2019-5-9	China Securities Journal, Shanghai Securities News	The resolution in relation to the appointment of chief accountant was considered and approved	2019-5-10
Extraordinary meeting of the 9th session of the Board	2019-5-24	China Securities Journal, Shanghai Securities News	The resolution in relation to the appointment of the company secretary was considered and approved.	2019-5-25
7th meeting of the 9th session of the Board	2019-5-28	China Securities Journal, Shanghai Securities News	The resolution in relation to the nomination of candidates for directors of the 9th session of the Board and relevant matters was considered and approved.	2019-5-29
8th meeting of the 9th session of the Board	2019-6-28	China Securities Journal, Shanghai Securities News	The resolutions in relation to the election of chairman and vice chairman of the 9th session of the Board, and election and re-designation of members of the related committee of the 9th session of the Board of the Company were considered and approved.	2019-6-29
Extraordinary meeting of the 9th session of the Board	2019-7-22	/	The resolution in relation to the acceptance of the electronic commercial drafts by Information Industry Company was considered and approved.	/
9th meeting of the 9th session of the Board	2019-8-12	China Securities Journal, Shanghai Securities News	The resolution in relation to the appointment of the secretary of the Board of the Company was considered and approved.	2019-8-13
10th meeting of the 9th session of the Board	2019-8-29	China Securities Journal, Shanghai Securities News	The 2019 interim report of the Company and its summary, the Risk Assessment Report on China Electronics Financial Co., Ltd., the resolutions in relation to the amendments to certain accounting policy and the setup of institutional framework of the Company were considered and approved.	2019-8-30
Extraordinary meeting of the 9th session of the Board	2019-9-29	/	The investment and establishment of Chengdu Panda Digital Technology Co., Ltd. was considered	/
11th meeting of the 9th session of the Board	2019-10-30	/	The 2019 third quarterly report of the Company was considered and approved	/
Extraordinary meeting of the 9th session of the Board	2019-11-8	/	The resolution in relation to using idle funds for cash management was considered and approved	/
12th meeting of the 9th session of the Board	2019-12-24	China Securities Journal, Shanghai Securities News	The resolution in relation to the appointment of deputy general manager of the Company was considered and approved	2019-12-25

# Discussion and Analysis of the Operation (Continued)

## V. Other Disclosures (Continued)

### (II) Liquidity of Capital

In accordance with the Accounting Standards for Business Enterprises of China, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 38.73%, RMB2,285,527,500, 1.88 and 1.47 respectively as at 31 December 2019 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB863,141,400 as at 31 December 2019 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans and other loans amounted to RMB50,000,000 as at 31 December 2018 as shown in the consolidated financial statements of the Company.

According to the Announcement [2019] No. 15 of the People's Bank of China, since 20 August 2019, the People's Bank of China authorized the National Interbank Funding Center to promulgate the loan prime rate (LPR) at 9:30 a.m. on the 20th of each month (postponed in case of holidays). The loan prime rate can be available for public inspection at websites of the National Interbank Funding Center and the People's Bank of China. As of 20 December 2019, the LPR for 1-year was 4.15%, and the LPR for more than 5-year was 4.80%; as of 20 March 2020, the LPR for 1-year was 4.05%, and the LPR for more than 5-year was 4.75%.

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

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

### (IV) Pre-emptive Rights

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

### (V) Highest Paid Individuals

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

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

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

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

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

# Discussion and Analysis of the Operation (Continued)

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## V. Other Disclosures (Continued)

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

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

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

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

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

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

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

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

Nanjing China Electronics Panda Panel Display Technology Co., Ltd., Chengdu China Electronics Panda Display Technology Co., Ltd. and Nanjing CEC Panda LCD Technology Co., Ltd. are the connected legal persons of the Company. And they are listed as the top five customers of the Company in 2019.

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

### (XII) Contracts of Significance

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

## Discussion and Analysis of the Operation (Continued)

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### V. Other Disclosures (Continued)

#### (XIII) Enter into Material Contracts

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

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

The Company had not issued or granted any convertible securities, options, warrants or similar rights as at 31 December 2019.

#### (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 2019 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.



## Discussion and Analysis of the Operation (Continued)

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### V. Other Disclosures (Continued)

#### (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.

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

The Independent Non-executive Directors of the Company, within their scope of duties, have reviewed the "Related party relationship and transactions" set out in the notes to the financial statements of the Company for 2019 prepared under the Accounting Standards for Business Enterprises of China, as well as the relevant letter of the auditors, and confirmed that:

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

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

#### (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.

# Discussion and Analysis of the Operation (Continued)

## V. 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 2019 Annual Social Responsibility Report covering strategy and governance, social responsibility management, professional advantages to serve social development, the creation of value with stakeholders and other aspects. In preparation of the report, the Company followed the reporting principles of materiality, quantitative, balance and consistency to the greatest possible extent. The report, which has been considered and approved by the 14th meeting of the 9th session of the Board, gives an account of the management approach, objectives, measures and results achieved in respect of environmental, social and governance areas of the Company and its subsidiaries during the period from 1 January 2019 to 31 December 2019. The report is also in compliance with the requirements of the Guidelines for the Preparation of the Report on the Performance of Corporate Social Responsibility (《〈公司履行社會責任的報告〉編制指引》) and the Notice on Further Improving the Information Disclosure of Listed Companies on Poverty Alleviation (《關於進一步完善上市公司扶貧工作信息披露的通知》) issued by Shanghai Stock Exchange. The 2019 Social Responsibility Report of the Company was published on the website of Shanghai Stock Exchange on 31 March 2020.

### (XXV) Others

1. For the principal operations of the Group, please refer to “Section III An Overview of Company’s Business” in this report for details.
2. The Board of the Company considered and approved the profit distribution proposal to distribute cash dividend for 2019, the details of which are set out in “Section V Significant Events” in this report.
3. Taxation policies applicable to the shareholders in respect of the cash dividend received for the shares held by them in the Company shall follow the laws and regulations as revised from time to time by the State, details in relation thereto will be otherwise announced by the Company.
4. As at the date of this report, based on the information announced by the Company and within the knowledge of the Directors, the Company has complied with the continuous requirements of Hong Kong Stock Exchange in relation to the sufficiency of public float.
5. During the year, the Company donated RMB83,000 to support impoverished families and help the children of school age to go to school.

### (XXVI) Annual General Meeting

The Board proposes to convene the 2019 annual general meeting of the Company before 30 June 2020, the announcement of which will be made separately.

By order of the Board  
**Zhou Guixiang**  
Chairman  
Nanjing, the PRC, 30 March 2020

# Significant Events

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

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

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

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

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

## Significant Events (Continued)

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

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

In 2019, the Company (as parent company) achieved a net profit of RMB-20,373,500. Given the cash dividend of RMB73,107,100 distributed in 2018, and the undistributed profit at the beginning of the period of RMB199,429, 600, the actual distributable profit to shareholders this year amounted to RMB105,949,000. In accordance with the Articles of Association and the relevant requirements of Shanghai Stock Exchange, it was proposed to distribute a cash dividend of RMB0.175 (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 2019, with the total cash dividend to be distributed amounting to RMB15,992,174.26, and the remaining part to be carried forward to next year. The Company will not transfer capital reserve into share capital. This proposal was considered and approved at the fourteenth meeting of the ninth session of the Board of the Company, and was agreed to submit to the annual general meeting for consideration.

The proposal for distribution of cash dividend is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on or before 30 June 2020 and the dividend is expected to be paid to the shareholders of H Shares of the Company on or before 10 August 2020. The Company will announce in due course the date of the AGM and the closure of its register of members in relation to the right to attend and vote at the AGM. The Company will announce the record date for the distribution of H Share dividend, the closure date of its register of members, the implementation measures, and the withholding of income tax for dividends in due course. The Company will comply with the relevant laws and regulations in respect of withholding and waiver of income tax for dividends.

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

Unit: yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax included) (RMB) (tax inclusive)	Number of shares transferred for every 10 shares (share)	Amount of cash dividends (tax included) (tax inclusive)	Net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement (%)
2019	-	0.175	-	15,992,174.26	52,657,894.58	30.37
2018	-	0.80	-	73,107,082.32	161,959,568.48	45.14
2017	-	0.70	-	63,968,697.03	107,382,077.64	59.57

## Significant Events (Continued)

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

(III) Repurchase of shares under cash offer included in cash dividend: N/A

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

### II. Fulfillment of Commitments

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

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

# Significant Events (Continued)

## II. Fulfillment of Commitments (Continued)

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

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

## II. Fulfillment of Commitments (Continued)

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

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

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

## Significant Events (Continued)

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### II. Fulfillment of Commitments (Continued)

(II) The Company has profit forecasts on assets or projects, and the reporting period was within the term of profit forecasts. The Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor: N/A

(III) The fulfillment of result commitments and its impact on impairment test to goodwill: N/A

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

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

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

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

1. The resolution on the Change in Some of the Company’s Accounting Policies was considered and approved at the fifth meeting of the ninth session of the Board of the Company on 26 April 2019. In 2018, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 21 – Leases, the Company being an enterprise concurrently listed on domestic and foreign stock exchanges, the Company shall adopt such accounting standard with effect from 1 January 2019. This change in accounting policies is a reasonable change in accordance with relevant documents of the Ministry of Finance, and is in compliance with Accounting Standards and relevant requirements, and actual conditions. The decision process is in compliance with the relevant laws and regulations and the Articles of Association. The changes in accounting policies will affect the items of statement of the Company but cause no material impact on the current financial conditions and operating results of the Company. For details of the change in accounting policies, please refer to the Announcement of Nanjing Panda on Change in Some of Accounting Policies (Lin 2019–029) published on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 29 April 2019 and the related announcement published on the website of the Hong Kong Stock Exchange on 26 April 2019.



## Significant Events (Continued)

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### 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)

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

2. The resolution on the Change in Some of the Company's Accounting Policies was considered and approved at the tenth meeting of the ninth session of the Board of the Company on 29 August 2019. On 30 April 2019, the Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (《關於修訂印發2019年度一般企業財務報表格式的通知》) (Cai Kuai [2019] No. 6), and has revised the format of financial statements for general enterprises. In accordance with the requirements of the above notice, the Company changed relevant accounting policies. The change in accounting policies was made by the Company on reasonable basis according to the relevant documents of the Ministry of Finance, which was in line with the accounting the relevant regulations and the actual situation of the Company. The decision-making process for this change in accounting policies is in compliance with relevant laws and regulations and the Articles of Association without prejudice to the interest of the Company and its minority Shareholders. The changes in accounting policies affects the presentation of the relevant items in the Company's financial statement, but has no material impact on the Company's financial positions and operating results for the period. For details, please refer to the Announcement of Nanjing Panda on Amendment of Some of Accounting Policies (Lin 2019-[056]) published by the Company on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 30 August 2019 and the related announcement published on the website of the Hong Kong Stock Exchange on 29 August 2019.
3. The resolution on Changes in the Company's Accounting Policies and Relevant Matters was considered and approved at the fourteenth meeting of the ninth session of the Board of the Company on 30 March 2020. On 19 September 2019, the Ministry of Finance issued the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Version) (《關於修訂印發合併財務報表格式(2019版)的通知》) (Cai Kuai [2019] No. 16). The Accounting Standards for Business Enterprises No. 7 – Non-monetary Asset Exchange (2019 Revision) (Cai Kuai [2019] No.8) on 9 May 2019. The Accounting Standards for Business Enterprises No. 12 – Debt Restructuring (2019 Revision) (Cai Kuai [2019] No.9) was promulgated on 16 May 2019. In accordance with the above regulations issued by the Ministry of Finance, the Company made corresponding changes in accounting policies and implemented the corresponding accounting treatments at the commencement date stipulated in the above document. The change in accounting policies was made on reasonable basis according to the relevant regulation issued by the Ministry of Finance, which was in line with the Accounting Standards for Business Enterprises and the relevant regulations. The decision-making process for this change in accounting policies is in compliance with relevant laws and regulations and the Articles of Association. The implementation of above notice and standards of the Company has no impact on the Company during the reporting period, nor does it involve retrospective adjustments in prior years. For details of the change in accounting policies, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2020-021) published on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 31 March 2020, and relevant announcements published on the website of the Hong Kong Stock Exchange on 30 March 2020.

## Significant Events (Continued)

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

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

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

### VI. Appointment and Dismissal of Accounting Firms

Unit: 0'000 Currency: RMB

Currently appointed	
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration for the domestic accounting firm	162
Audit years of the domestic accounting firm	4 years
Name of the overseas accounting firm	N/A
Remuneration for the overseas accounting firm	N/A
Audit years of the overseas accounting firm	N/A

Unit: 0'000 Currency: RMB

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

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

The fourth meeting of the ninth session of the Board of the Company considered and approved the Resolution related to the Appointment of the Auditor for 2019, and proposed the reappointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's international auditor, PRC auditor and internal control auditor for 2019 and the determination of the auditor's remuneration within the limit of the total amount of RMB2,100,000. The meeting also agreed to submit the resolution for consideration and approval at the 2018 annual general meeting.

At the 2018 annual general meeting of the Company, the reappointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's international auditor, PRC auditor and internal control auditor for 2019 was considered and approved, and the Board was authorized to determine the auditor's remuneration within the limit of the total amount of RMB2,100,000.

For details, please refer to the relevant announcements published by the Company in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 29 March 2019 and 29 June 2019 and on the website of the Hong Kong Stock Exchange on 28 March 2019 and 28 June 2019.

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

## Significant Events (Continued)

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

VIII. Possible delisting and reason therefor: N/A

IX. Bankruptcy and restructuring related matter: N/A

X. Material Litigation and Arbitration

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

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

Unit: 0'000 Currency: RMB

During the reporting period:

Suitor (sue)	Defendant (respondent)	Party with joint liability	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Nanjing Panda Information Industry Co., Ltd.	Hangzhou Guoxin Vision Technology Co., Ltd.	Nil	Litigation	In January 2018, Information Industry Company and Hangzhou Guoxin Vision Technology Co., Ltd. entered into "3256 (Village to Village Special Type) Purchase and Sales Contract". However, Hangzhou Guoxin Vision Technology Co., Ltd. failed to deliver goods according to the time specified in the contract, causing the cancellation of the contract by the customer of Information Industry Company.	1,463.04	N/A		Nanjing Qixia District People's Court has accepted the case in 2019, and would hold a hearing on 16 September 2019. Because of other circumstances that need to extend the processing time limit, the trial period of the case extended and was awaiting hearing.	

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

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

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

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

# Significant Events (Continued)

## XIV. Material Connected Transactions

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

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

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

At the fourteenth meeting and the tenth meeting of the ninth Board convened on 30 March 2020 and 29 August 2019 respectively, the resolution in relation to the Risk Assessment Report on China Electronics Financial Co., Ltd. (《關於中國電子財務有限責任公司風險評估報告》) was considered and approved to assess the risks related to the funds deposited with Financial Company. As reviewed, there were no material defects found in the risk control system regarding the financial statements of Financial Company as at 30 June 2019 and 31 December 2019. For details, please refer to the relevant announcements of the Company published on the website of the Shanghai Stock Exchange on 31 August 2019 and 31 March 2020 and on the website of the Hong Kong Stock Exchange on 29 August 2019 and 30 March 2020.

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

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

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

As at 31 December 2019, the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group amounted to RMB72,150,000 and the fund settlement balance (deposit services) of the Group with Financial Company amounted to RMB495,880,000. As at 30 March 2020, the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group amounted to RMB62,910,000 and the fund settlement balance (deposit services) of the Group with Financial Company amounted to RMB266,060,000. The connected transactions between the Group and Financial Company were also confirmed by the independent non-executive directors and the comprehensive credit balance and fund settlement balance did not exceed the approved annual caps.

- Matters not disclosed in interim announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1,488.55	0.47			
Xianyang IRICO Intelligent Equipment Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				345.13	0.11			
Nanjing IRICO New Energy Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				296.79	0.09			
Nanjing Zhenhua Packing Material Factory	Subsidiary owned by shareholders	Purchase of goods				242.03	0.08			
China Electronics Equipment International Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				157.84	0.05			
Shenzhen China Electronics Investment Company	Subsidiary owned by shareholders	Purchase of goods				100.39	0.03			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				92.81	0.03			
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				40.11	0.01			
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				32.26	0.01			
Chengdu China Electronic Panda Display Technology Co., Ltd.	Other	Purchase of goods				17.78	0.01			

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

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

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

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				16.31	0.01			
Guizhou Zhenhua Hualian Electronics Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				15.78	0.00			
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				13.98	0.00			
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				4.81	0.00			
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Subsidiary owned by shareholders	Purchase of goods				4.39	0.00			
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				2.36	0.00			
Shenzhen China Electronics International Information Technology Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				1.29	0.00			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				0.61	0.00			
Nanjing Panda Transport Co., Ltd	Subsidiary owned by shareholders	Receipt of services				792.07	4.33			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other	Receipt of services				618.60	3.38			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				108.22	0.59			
Panda Electronics Group Limited	Controlling shareholder	Receipt of services				104.80	0.57			
Caihong Group Co., Ltd	Subsidiary owned by shareholders	Receipt of services				75.47	0.41			
Xianyang CE Caihong Group Holdings Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				75.47	0.41			
China Electronics Import and Export Co., Ltd	Subsidiary owned by shareholders	Receipt of services				29.78	0.16			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Receipt of services				18.61	0.10			
China Electronics International Exhibition Advertising Co., Ltd	Subsidiary owned by shareholders	Receipt of services				13.16	0.07			

# Significant Events (Continued)

## XIV. Material Connected Transactions (Continued)

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

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

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
China Information Security Research Institute Co., Ltd	Subsidiary owned by shareholders	Receipt of services				0.09	0.00			
Chengdu China Electronic Panda Display Technology Co., Ltd	Other	Sale of goods				79,377.84	20.83			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				53,050.91	13.92			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				20,073.58	5.27			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				5,800.43	1.52			
Caihong Group Co., Ltd	Subsidiary owned by shareholders	Sale of goods				3,217.85	0.84			
Shenzhen Jinghua Network Marketing Co., Ltd	Associate	Sale of goods				2,307.99	0.61			
Shenzhen China Electronics Investment Company	Subsidiary owned by shareholders	Sale of goods				1,711.33	0.45			
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary owned by shareholders	Sale of goods				1,641.42	0.43			
Xianyang CE Caihong Group Holdings Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1,580.38	0.41			
Xianyang Caihong Optoelectronics Technology Co., Ltd	Other	Sale of goods				1,198.84	0.31			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Sale of goods				899.69	0.24			
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				685.29	0.18			
Feisheng (Shanghai) Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				563.90	0.15			
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Sale of goods				458.91	0.12			
China Greatwall Technology Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				218.78	0.06			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				86.91	0.02			

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

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

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

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
China Electronic Material Suzhe Company	Subsidiary owned by shareholders	Sale of goods				78.34	0.02			
Panda Electronics Group Limited	Controlling shareholder	Sale of goods				60.93	0.02			
Wuhan Zhongyuan Communications Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				49.20	0.01			
Nanjing Sanle Electronic Information Co., Ltd	Subsidiary owned by shareholders	Sale of goods				43.62	0.01			
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder	Sale of goods				42.66	0.01			
Nanjing Panda Transport Co., Ltd	Subsidiary owned by shareholders	Sale of goods				14.12	0.00			
Nanjing Huadong Electronic Information Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				7.83	0.00			
Shenzhen China Electronics Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				4.75	0.00			
Nanjing CEC Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				4.25	0.00			
Nanjing China Electronics Modern Service Industry Co., Ltd	Subsidiary owned by shareholders	Sale of goods				3.04	0.00			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2.52	0.00			
Guizhou Zhenhua Yilong New Materials New Material Co., Ltd	Subsidiary owned by shareholders	Sale of goods				1.62	0.00			
Nanjing China Electronics Panda Trade Development Co., Ltd	Subsidiary owned by shareholders	Sale of goods				1.09	0.00			
Nanjing Panda Investment Development Co., Ltd	Subsidiary owned by shareholders	Rendering of services				1,627.11	2.12			
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				1,194.98	1.56			
Panda Electronic Group Co., Ltd.	Controlling shareholders	Rendering of services				952.70	1.24			
IRICO (Hefei) LCD Glass Co., Ltd.	Other	Rendering of services				863.02	1.13			



# Significant Events (Continued)

## XIV. Material Connected Transactions (Continued)

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

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

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Subsidiary owned by shareholders	Rendering of services				635.73	0.83			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				598.51	0.78			
Xianyang Caihong Optoelectronics Technology Co., Ltd	Other	Rendering of services				261.01	0.34			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				76.30	0.10			
Nanjing CEC-Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				32.41	0.04			
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary owned by shareholders	Rendering of services				14.09	0.02			
Nanjing Panda Transport Co., Ltd	Subsidiary owned by shareholders	Rendering of services				12.54	0.02			
Nanjing Caihong New Energy Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				5.75	0.01			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Rendering of services				5.30	0.01			
China Tongguang Electronics Co., Ltd	Subsidiary owned by shareholders	Rendering of services				3.55	0.00			
Shenzhen Jinghua Network Marketing Co., Ltd	Associate	Rendering of services				0.84	0.00			
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary owned by shareholders	Leasing of assets				24.67	0.30			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Leasing of assets				15.74	0.19			
Nanjing Panda Transport Co., Ltd	Subsidiary owned by shareholders	Leasing of assets				32.41	0.40			
Nanjing Panda Transport Co., Ltd	Subsidiary owned by shareholders	Leasing of assets				38.19	0.47			
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Leasing of assets				66.69	0.82			
Shenzhen Jinghua Network Marketing Co., Ltd	Associate	Leasing of assets				4.83	0.06			

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

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

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

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shenzhen Jinghua Intelligent Technology Co., Ltd	Other	Leasing of assets				53.77	0.66			
Panda Electronic Group Co., Ltd.	Controlling shareholders	Leasing of assets				4.10	0.05			
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Assets leased				1.64	0.14			
Chengdu China Electronic Panda Display Technology Co., Ltd.	Other	Assets leased				5.18	0.44			
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Trademark licensing			28.33	21.45				
Total				/	/	184,456.90		/	/	/
<b>Details on return of bulk sales</b>	N/A									
<b>Explanation on connected transactions</b>	<p>During the reporting period, the continuing connected transactions conducted between the Group, and CEC Group (including Financial Company), NEIC Group and CEC Home Appliances (the continuing connected transactions which were conducted in the usual course of business and on normal commercial terms) were considered and approved at the extraordinary meeting of the eighth session of the Board of the Company and were approved by independent shareholders at the first extraordinary general meeting of 2018, the procedures of which were in compliance with relevant requirements. For details please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange respectively on 8 November and 29 December 2018 and the H share circular dispatched on 11 December 2018. All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.</p> <p>These continuing connected transactions were conducive to the stability of the Group's production and operation. In addition, the terms of these continuing connected transactions were fair and reasonable with fair pricing and had performed approval procedures in accordance with relevant requirements and these continuing connected transactions were conducted in the usual course of business and on normal commercial terms, were in the benefit of the Company and the shareholders as a whole and did not affect the Company's independence.</p>									

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

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

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

For details of the continuing connected transactions between the Group and CEC Group (including Financial Company), NEIC Group and CEC Home Appliances during the reporting period, please refer to the section headed “Related party relationship and transactions” in the notes to the financial statements of the 2019 annual report of the Company, summaries of which are as follows:

Unit: 0'000 Currency: RMB

Serial No.	Categories of the Continuing Connected Transaction	Pricing Principle	Actual Amount
(A)	Provision of sub-contracting services and composite services by the Group to the CEC Group	Market price, government guidance rate	5,159
(B)	Provision of sub-contracting services and composite services by the CEC Group to the Group	Market price, government guidance rate	1,218
(C)	Sale of materials, components and parts by the Group to the CEC Group	Market price, cost plus	168,781
(D)	Purchase of materials, components and parts by the Group from the CEC Group	Market price	2,873
(E)	Lease of premises and relevant equipment by the Group to the NEIC Group	Market price	182
(F)	Lease of premises and relevant equipment by the NEIC Group to the Group	Market price	7
(G)	Licensing of Trademark by the Group to CEC Home Appliances	Market price	28
(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	49,588
(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	7,215

Notes: (H), (I) were the fund settlement balance and comprehensive credit balance of the Group with the Financial Company under CEC as at 31 December 2019. During the reporting period, both of the fund settlement balance and comprehensive credit balance of the Group with the Financial Company did not exceed the approved annual caps.

# Significant Events (Continued)

## XIV. Material Connected Transactions (Continued)

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

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

As for such continuing connected transactions, the Company entered into agreements with each of CEC, NEIC, Financial Company and CEC Home Appliances in compliance with the requirements of relevant laws, regulations and 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 2019, the Group’s deposits with a fellow subsidiary of the Company, being a financial institution in the PRC, was RMB495,880,000 and the balance of the loans and other credit financing services provided by the fellow subsidiary to the Group was RMB72,150,000.

# Significant Events (Continued)

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## XIV. Material Connected Transactions (Continued)

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

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

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

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

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

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

## Significant Events (Continued)

### XIV. Material Connected Transactions (Continued)

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

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

Unit: yuan Currency: RMB

Connected parties	Connected relationship	Provision of funds to connected parties			Provision of funds to the Company by connected parties		
		Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Panda Electronics Group Limited	Controlling shareholder				6,970,553.13	-227,396.29	<b>6,743,156.84</b>
China Electronics Import/Export Corporation	Subsidiary owned by shareholders				195,539.62	0.00	<b>195,539.62</b>
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder				43,500.00	43,200.00	<b>86,700.00</b>
Nanjing Panda Transport Co., Ltd	Subsidiary owned by shareholders				35,533.25	38,524.00	<b>74,057.25</b>
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders				22,907.00	0.00	<b>22,907.00</b>
Nanjing Panda Technology Park Development Company Limited	Subsidiary owned by shareholders				20,000.00	0.00	<b>20,000.00</b>
Liyang Panda Bamboo Garden Hotel Co., Ltd.	Subsidiary owned by shareholders				4,668.00	1,212.00	<b>5,880.00</b>
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders				21,166,211.85	-21,166,211.85	
China Electronics Corporation	Indirect controlling shareholder				40,000.00	-40,000.00	
Nanjing Panda Dasheng Electronics Technology Company Limited	Subsidiary owned by shareholders				200.00	-200.00	
<b>Total</b>					<b>28,499,112.85</b>	<b>-21,350,872.14</b>	<b>7,148,240.71</b>
Reason of creditor's rights and debts							
Influence of creditor's rights and debts to the Company							

## Significant Events (Continued)

### XV. Material Contracts and Their Execution

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

(II) Guarantees

Unit: 0'000 Currency: RMB

Guarantees made by the Company (excluding those in favour of subsidiaries)														
Guarantor	Relationship between guarantor and the listed company		Secured party	Guaranteed amount	Date of guarantee (agreement execution date)	Commencement date	Expiry date	Type of guarantee	Whether the guarantee has been fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to the related parties	Relationship
Total amount of guarantees during the reporting period (excluding those in favour of subsidiaries)														0
Total balance of the amount of guarantees at the end of the reporting period (A) (excluding those provided to subsidiaries)														0
<b>Guarantees in favour of subsidiaries provided by the Company and its subsidiaries</b>														
Total amount of guarantees provided to subsidiaries during the reporting period														98,500
Total balance of the amount of guarantees provided to subsidiaries at the end of the reporting period (B)														33,861.66
<b>Total amount of guarantees made by the Company (including those in favour of subsidiaries)</b>														
Total amount of guarantees (A+B)														33,861.66
Percentage of total guarantee amount in net assets of the Company (%)														9.82
Including:														
Amount of guarantees provided to shareholders, de facto controller and other related parties (C)														0
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70% (D)														0
Amount of total guarantees in excess of 50% of net assets value (E)														0
Total amount of the above three items (C+D+E)														0
Statement on the contingent joint and several liability in connection with unexpired guarantee														0
Statement on guarantee														

The aforesaid guarantees totaling RMB338,616,600, representing 9.82% of the Company's net assets, are provided by the Company to its subsidiaries. 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 "Provision of guarantees" in notes to the financial statements of 2019.

## Significant Events (Continued)

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

#### (II) Guarantees (Continued)

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

The independent non-executive Directors of the Company have expressed their independent opinions on the above external guarantees as follows: all guarantee receivers were subsidiaries of the Company, over which the Company has actual control and thus the risk of guarantee is under control. Providing guarantees for the financing of the above 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, operation and capital needs. 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. This guarantee conducted relevant procedures of consideration and approval. And thereby agreed the Company to provide guarantees for the financing of the above subsidiaries.

#### (III) Entrusted cash assets management

##### 1. Entrusted wealth management

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

Unit: 0'000 Currency: RMB

Type	Source of Funds	Amount Incurred	Balance not yet due	Amount Overdue but yet to recovery
Wealth management products of banks	Internal funds	159,000	30,000	0



# Significant Events (Continued)

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

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

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

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

Other conditions:

At the extraordinary meeting of the ninth session of the Board of the Company convened on 20 September 2018, 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 2018-035) (《南京熊猫關於使用自有資金進行現金管理的公告》(臨2018-035)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 21 September 2018.

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

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 2019, the balance used to purchase wealth management products with internal temporarily idle fund by the Group amounted to RMB300,000,000 and as at 30 March 2020, the balance thereof amounted to RMB300,000,000.

# 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*	*Type 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 (if any)*	*Expected return (if any)*	*Actual income or loss*	*Actual amount recovered*	*Through a legal procedure or not*	*Have an entrusted wealth management plan or not*	*Amount of provision for the impairment (if any)*
Industrial Bank Co., Ltd.	*Principal guaranteed with floating returns*	10,000	2018.10.10	2019.1.10	Internal fund			4.15%	98.68	10,000				
Industrial and Commercial Bank of China Limited	*Principal guaranteed*	5,000	2018.10.18	2019.1.17	Internal fund			3.50%	40.42	5,000				
Bank of Ningbo Co., Ltd.	*Principal guaranteed floating*	6,000	2018.11.7	2019.2.11	Internal fund			4.10%	61.04	6,000				
Ping An Bank Co., Ltd.	*Principal guaranteed*	7,000	2018.11.8	2019.2.14	Internal fund			4.10%	72.70	7,000				
Bank of Ningbo Co., Ltd.	*Principal guaranteed floating*	4,000	2018.11.15	2019.2.15	Internal fund			4.20%	39.95	4,000				
Ping An Bank Co., Ltd.	*Principal guaranteed*	4,000	2018.11.15	2019.2.14	Internal fund			4.20%	39.51	4,000				
Industrial and Commercial Bank of China Limited	*Principal guaranteed*	5,000	2019.1.21	2019.4.23	Internal fund			3.50%	40.26	5,000				
Ping An Bank Co., Ltd.	*Principal guaranteed*	5,000	2019.1.11	2019.4.11	Internal fund			4.30%	50.01	5,000				
Ping An Bank Co., Ltd.	*Principal guaranteed*	4,000	2019.1.11	2019.4.11	Internal fund			4.30%	42.41	4,000				
Industrial Bank Co., Ltd.	*Principal guaranteed with floating returns*	10,000	2019.1.11	2019.4.11	Internal fund			4.30%	100.03	10,000				
Hua Xia Bank Co., Ltd.	*Principal guaranteed with floating returns*	5,000	2019.1.17	2019.4.15	Internal fund			4.30%	49.66	5,000				
*Shanghai Pudong Development Bank Co., Ltd.*	Returns guaranteed	5,000	2019.2.26	2019.4.2	Internal fund			3.75%	19.27	5,000				
Hua Xia Bank Co., Ltd.	*Principal guaranteed with floating returns*	16,000	2019.2.25	2019.5.26	Internal fund			4.30%	158.92	16,000				
Bank of Ningbo Co., Ltd.	*Principal guaranteed floating*	10,000	2019.4.18	2019.7.18	Internal fund			4.05%	95.26	10,000				
Industrial Bank Co., Ltd.	*Principal guaranteed with floating returns*	11,000	2019.4.17	2019.7.17	Internal fund			4.05%	104.78	11,000				
Industrial and Commercial Bank of China Limited	*Principal guaranteed floating*	3,000	2019.4.9	2019.7.10	Internal fund			3.35%	24.16	3,000				

# 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"	"Type 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 (if any)"	"Expected return (if any)"	"Actual income or loss"	"Actual amount recovered"	"Through a legal procedure or not"	"Have an entrusted wealth management plan or not"	"Amount of provision for the impairment (if any)"
Industrial and Commercial Bank of China Limited	"Principal guaranteed floating"	5,000	2019.5.5	2019.8.6	Internal fund			3.40%	41.3	5,000				
Industrial Bank Co., Ltd.	"Principal guaranteed with floating returns"	4,000	2019.4.19	2019.7.19	Internal fund			4.05%	40.39	4,000				
Industrial Bank Co., Ltd.	"Principal guaranteed with floating returns"	16,000	2019.6.5	2019.9.5	Internal fund			4.00%	152.18	16,000				
Industrial Bank Co., Ltd.	"Principal guaranteed with floating returns"	12,000	2019.7.25	2019.10.25	Internal fund			4.00%	116.38	12,000				
"China Merchants Bank Co., Ltd"	"Principal guaranteed"	5,000	2019.7.26	2019.10.28	Internal fund			3.70%	46.16	5,000				
Bank of Nanjing Co., Ltd.	"Principal guaranteed"	4,000	2019.7.26	2019.10.25	Internal fund			4.00%	40.44	4,000				
Industrial and Commercial Bank of China Limited	"Principal guaranteed"	5,000	2019.8.9	2019.11.11	Internal fund			3.25%	39.9	5,000				
"Shanghai Pudong Development Bank Co., Ltd."	"Principal guaranteed"	4,000	2019.10.30	2019.12.30	Internal fund			4.00%	24.67	4,000				
Industrial and Commercial Bank of China Limited	"Principal guaranteed"	5,000	2019.11.12	2020.2.17	Internal fund			3.15%						
"China Merchants Bank Co., Ltd"	"Principal guaranteed"	12,000	2019.11.14	2020.2.14	Internal fund			3.90%						
"Shanghai Pudong Development Bank Co., Ltd."	"Principal guaranteed"	12,000	2019.12.30	2020.2.3	Internal fund			3.60%						
"Shanghai Pudong Development Bank Co., Ltd."	"Principal guaranteed"	12,000	2019.12.30	2020.3.30	Internal fund			3.75%						
"Shanghai Pudong Development Bank Co., Ltd."	"Principal guaranteed"	3,000	2019.12.30	2020.3.30	Internal fund			3.75%						
Total	/	195,000	/	/	/			/		1,538.50	165,000	/	/	

# 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)

Others:

The purchases of wealth management products by the Group from banks had been considered and approved by the Board of the Company and did not involve litigation, and there was no failure of recovery of principal when due. As at 31 December 2019, save for the wealth management products not yet due, the Company recovered the internal funds that were used to purchase wealth management products and the respective return thereof as scheduled. For the wealth management products which remain to be due, principal and returns were recovered as scheduled on the due dates.

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

2. Entrusted loans: N/A

### (IV) Other material contracts

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

## XVI. Other Material Events

### (I) Tax policies

On 31 December 2019, 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. The Company pays the premiums for such basic medical insurance and the premiums are equivalent to 9% of the verified fee of all of the existing employees of the Company.

## Significant Events (Continued)

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### XVII. Fulfillment of Social Responsibilities

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

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

In 2019, the Company implemented the deployment of the Plan for Ending Poverty and Raising Standard of Living of Nanjing Municipality in the “13th Five-Year Plan” Period (Ning Wei Ban Fa [2016] No. 13), and took great efforts to carry through the spirit of the Notice on Implementation of Partner Assistant Activities of “Ten Thousands of Party Members and Cadres Assisting Ten Thousands of Households” and “Hundreds of Enterprises Assisting Hundreds of Villages” and Promotion of Target Poverty Alleviation (《關於開展「萬名黨員幹部幫萬戶」、「百企掛鉤幫百村」結對幫扶活動·推進精準扶貧工作的通知》) of Nanjing Municipal Party Committee and Municipal Government. By taking into consideration of the actual situation of an undeveloped village paired up in Gaochun District, Nanjing City, the Company seriously researched and formulated efficient schemes for assisting the poverty-stricken households in the target village. The Company also fully implemented the measures on poverty alleviation of its target village to achieve the goals of targeted poverty alleviation set by Nanjing Municipal Party Committee and Municipal Government through a variety of means including the financial aid programs and donation to the poverty-stricken households

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

In August 2019, according to the work requirements of the Nanjing Municipal Government on targeted poverty alleviation as well as the annual poverty alleviation plan of the Company, relevant persons in charge of Discipline Inspection Committee, Labour Union and Youth League Committee of the Company visited the village and gave away subsidies and school supplies to 11 school students (including two undergraduates, one senior high school student, one junior middle school student and seven primary school students) from poverty-stricken households through the financial aid programs. In December 2019, the Company donated additional RMB70,000 to provide targeted financial assistance to 60 poverty-stricken families in the village. The targeted poverty alleviation funds for this year amounted to RMB84,913.

## Significant Events (Continued)

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

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

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

Unit: 0'000 Currency: RMB

Items	Amount and relevant implementations
I. General information	
of which: 1. Capital	8.30
2. Supplies converted to cash	0.1913
3. Number of registered poor people lifted out of poverty ( <i>person</i> )	
II. Injection by project	
1. Poverty alleviation through industrial development	N/A
2. Poverty alleviation through transferring the form of employment	N/A
3. Poverty alleviation through relocation	N/A
4. Poverty alleviation through education	
of which: 4.1 Capital injected to subsidize poor students	1.4913
4.2 Number of poor students subsidized ( <i>person</i> )	11
4.3 Capital injected to improve educational resources in poor areas	
5. Poverty alleviation through improving health	N/A
6. Poverty alleviation through ecological protection	N/A
7. Basic protection	N/A
8. Poverty alleviation in the society	N/A
9. Other projects	
of which: 9.1. Number of projects	1
9.2. Capital injected	7.00
9.3. Number of registered poor people lifted out of poverty ( <i>person</i> )	
9.4. Details about other projects	Assistance to 60 poverty-stricken households in the pair-up village
III. Awards and its level	N/A

# Significant Events (Continued)

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## XVII. Fulfillment of Social Responsibilities (Continued)

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

#### 4. Subsequent plan for targeted poverty alleviation

2020 is the year of decisive battle against poverty for Nanjing City. According to the deployment of the plan for Ending Poverty and Raising Standard of Living of Nanjing Municipality in the “13th Five-Year Plan” period, the Company continued to earnestly promote the poverty alleviation work in an underdeveloped village in Gaochun District, Nanjing City. The specific measures are as follows:

- (1) Investigate the actual situation of the target village, to understand the actual needs of the poverty-stricken households and find the reasons of poverty and make precise measures, so as to ensure that the “targeted poverty alleviation” work is effective.
- (2) Within the Company’s annual budget, appropriately increase the fund input of “targeted poverty alleviation” to enhance the fund guarantee of poverty alleviation.

### (II) Overview of social responsibility

The Company considered and approved the 2019 Social Responsibility Report at the fourteenth meeting of the ninth session of the Board on 30 March 2020, the full text of which was published on the website of the Shanghai Stock Exchange on 31 March 2020.

### (III) Environmental information

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

According to the Notice on Issuing the List of Key Pollutant Discharging Units in Nanjing in 2019 (《關於印發2019年南京市重點排污單位名錄的通知》) issued by Nanjing Environmental Protection Bureau, Huage Plastic, a third-tier wholly-owned subsidiary of the Company, was included in the list in terms of the atmosphere.

## Significant Events (Continued)

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

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

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

- (1) Information on emission of pollutants

Huage Plastic has one waste water outlet on the west side of Block 5 Plant, No. 1 Hengtong Avenue, Nanjing Economic and Technological Development Zone, which intermittently emit COD and ammonia nitrogen in compliance with the Grade III standard ( $\text{COD} \leq 500 \text{mg/L}$ , and ammonia nitrogen  $\leq 35 \text{mg/L}$ ) under "Integrated Wastewater Discharge Standards" (《污水綜合排放標準》) (GB8978-1996). With the approved pollutant emission of 15.3 tons/year for COD and 0.864 ton/year for ammonia nitrogen, the actual measured average values were 273 mg/L for COD and 4.53mg/L for ammonia nitrogen respectively, and it had no excessive emission.

Huage Plastic has three exhaust gas outlets on the roof of Block 5 Plant, No. 1 Hengtong Avenue, Nanjing Economic and Technological Development Zone, which regularly and continuously emit toluene, xylene and non-methane hydrocarbon, regular continuous emission in compliance with the Grade II standard under "Emission Standards for Air Pollutants" (《大氣污染物綜合排放標準》) (GB16297-1996) toluene  $\leq 40 \text{mg/m}^3$ , xylene  $\leq 70 \text{mg/m}^3$ , non-methane hydrocarbon  $\leq 120 \text{mg/m}^3$ . With the approved pollutant emission of 0.227 tons/year for toluene, 0.227 tons/year for xylene, and 1.33 tons/year for non-methane hydrocarbon, the actual measured average values of toluene, xylene were no xylene detected, 2.23mg/L for ammonia nitrogen, and it had no excessive emission.

The information on emission of pollutants has been published on the website of Environmental Information Disclosure Platform for Enterprises and Institutions in Nanjing.

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

Exhaust gas treatment devices for paint coating production lines: 3 sets in total, the processing method is as follows:

The exhaust gas discharged from the paint coating production lines of the mechanical arms on the first floor is treated by way of regenerative catalytic combustion. The exhaust gas outlet is equipped with VOCs online monitoring equipment, and it is simultaneously connected to the development zone and the online platform of the Municipal Environmental Protection Bureau.

Exhaust gas from manual production lines on the second floor is treated by activated carbon adsorption.

The exhaust gas from the automatic production lines on the third floor is treated by activated carbon adsorption and catalytic combustion.

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



# Significant Events (Continued)

## XVII. Fulfillment of Social Responsibilities (Continued)

### (III) Environmental information (Continued)

1. Statement on the environmental protection practice of companies and their major subsidiaries belonging to key pollutant discharging units published by national environmental protection authorities: (Continued)
  - (3) Environmental impact assessment of construction projects and other administrative licenses of environmental protection
    - A. Environmental impact assessment (EIA)

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

Project name: project of optimization of production lines and upgrading and renovation of supporting pollution control facilities; document number and time for EIA approval: Ning Kai Wei Xing Shen Xu Ke Zi [2018] No. 267, 29 August 2018. At present, the pilot production and acceptance monitoring of the project has been completed.
    - B. Pollutant emission license

License No.: 320101-2013-200074, validity period: from 1 April 2016 to 30 March 2019.
  - (4) Emergency plan for emergency environmental incidents

Jiangsu Rainfine Environmental Science and Technology Co., Ltd. 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 320113-2018-038-L.
  - (5) Environmental self-monitoring plan

A third-party (Crown Pillar Monitoring Technology (Shanghai) Co., Ltd (頂柱監測技術(上海)股份有限公司)) has been engaged to carry out annual "three wastes" (i.e. waste gas, wastewater and solid wastes) testing for 1 to 2 times. Number of the report: TCC-HJ-19120504.
  - (6) Other discloseable environmental information

N/A

## Significant Events (Continued)

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

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

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

The Company and its subsidiaries other than Huage Plastic do not belong to the key pollutant discharging units published by national environmental protection authorities. The Company practices the development concept of harmonious coexistence between human and nature, and actively responds to the national green development and the call of “protecting green hills and clear waters and building beautiful China”, to create green products, green park and green industry and promote green, low-carbon and returnable industrial structure adjustment. In combination with its own business situation, the Company promoted the construction of environmental management system, formulated corresponding environmental management measures, and will continuously improve and implement them.

In accordance with relevant regulations, the Company has made special disclosures on emission reduction, waste management, energy management and water resources management. The specific details are shown in the 2019 Social Responsibility Report published by the Company on the website of the Shanghai Stock Exchange on 31 March 2020.

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

### XVIII. Convertible Bonds: N/A

# Changes in Ordinary Shares and Information of Shareholders

## I. Changes in ordinary share capital

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

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

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

As at 30 March 2020, the latest practicable and recent date prior to the date of announcement of the annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the requirements of the Hong Kong Stock Exchange in relation to sufficiency of public float.

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

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

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

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

## II. Securities Issue and Listings

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

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

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

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

## III. Shareholders and Actual Controller

### (I) Total number of shareholders

Total number of shareholders as at the end of the reporting period	80,951 shareholders including 80,921 A shareholders and 30 H shareholders
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Total number of shareholders at the end of last month prior to the disclosure of this annual report	77,614 shareholders including 77,584 A shareholders and 30 H shareholders
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## Changes in Ordinary Shares and Information of Shareholders (Continued)

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

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

Unit: share

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

Name of Shareholder	Increase/Decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage of shareholding (%)	Number of shares held subject to trading moratorium	Pledged or locked up Status of shares	Number of shares	Type of shareholders
HKSCC (Nominees) Limited	564,512	244,189,467	26.72	0	Unknown		Overseas legal person
Panda Electronics Group Limited	0	210,661,444	23.05	0	Unknown		State-owned legal person
China Huarong Asset Management Co., Ltd.	-17,211,176	65,146,691	7.13	0	Unknown		State-owned legal person
Nanjing Electronics Information Industrial Corporation	-27,414,000	35,888,611	3.93	0	Unknown		State-owned legal person
Bank of China Limited – Harvest CSI Central SOE Innovation-driven ETF Securities Investment Fund (嘉實中證央企創新驅動交易型開放式指數證券投資基金)	12,184,775	12,184,775	1.33	0	Unknown		Others
China Merchants Bank Co., Ltd.- Boser CSI Central SOE Innovation-driven ETF Securities Investment Fund (博時中證央企創新驅動交易型開放式指數證券投資基金)	6,650,600	6,650,600	0.73	0	Unknown		Others
Zhao Dongling	2,658,100	2,658,100	0.29	0	Unknown		Domestic natural person
Industrial and Commercial Bank of China Limited – GF CSI State-Owned Enterprises Innovation driven Index ETF Securities Investment Fund (廣發中證央企創新驅動交易型開放式指數證券投資基金)	2,114,900	2,114,900	0.23	0	Unknown		Others
Cheng Lijun	1,935,000	1,935,000	0.21	0	Unknown		Domestic natural person
Chen Qiang	1,934,244	1,934,244	0.21	0	Unknown		Domestic natural person

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

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

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

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

Name of Shareholder	Number of shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC (Nominees) Limited	244,189,467	Overseas listed foreign shares	241,377,470
Panda Electronics Group Limited	210,661,444	RMB ordinary shares	2,811,997
China Huarong Asset Management Co., Ltd.	65,146,691	RMB ordinary shares	210,661,444
Nanjing Electronics Information Industrial Corporation	35,888,611	RMB ordinary shares	65,146,691
Bank of China Limited- Harvest CSI Central SOE Innovation-driven ETF Securities Investment Fund	12,184,775	Overseas listed foreign shares	22,120,611
China Merchants Bank Co., Ltd.- Boseru CSI Central SOE Innovation-driven ETF Securities Investment Fund	6,650,600	RMB ordinary shares	13,768,000
Zhao Dongling	2,658,100	RMB ordinary shares	12,184,775
Industrial and Commercial Bank of China Limited – GF CSI Central SOE Innovation-driven ETF Securities Investment Fund	2,114,900	RMB ordinary shares	6,650,600
Cheng Lijun	1,935,000	RMB ordinary shares	2,658,100
Chen Qiang	1,934,244	RMB ordinary shares	2,114,900
Details for the connected relationship or party acting in concert among the aforesaid shareholders		NEIC holds 100% equity interests of PEG, 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 PEG, representing 23.05% of the total number of shares. In total, NEIC holds 26.98% equity interests of the Company. Save as the above, the Company is not aware of any connected relationship or party acting in concert among the aforesaid shareholders.	

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

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

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

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

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

Notes:

1. As at the end of the reporting period, HKSCC (Nominees) Limited held 244,189,467 shares of the Company (including 241,377,470 H shares and 2,811,997 A shares), representing 26.72% of the total issued share capital of the Company, on behalf of several clients, including 13,768,000 H shares held by NEIC. 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 18 September 2019, NEIC exchanged 18,276,000 A shares directly held in the Company for the fund units of Harvest CSI Central SOE Innovation-driven ETF Securities Investment Fund ("Harvest ETF") of the corresponding market value, and exchanged 9,138,000 A shares directly held in the Company for the fund units of Bosera CSI Central SOE Innovation-driven ETF Securities Investment Fund ("Bosera ETF") of the corresponding market value. NEIC undertook not to reduce the fund units acquired by subscription with shares of the Company within six months after the establishment of the above Harvest ETF and Bosera ETF. Upon completion of purchasing, NEIC will hold 22,120,611 A shares and 13,768,000 H shares directly and through an asset management plan, totaled 35,888,611 shares of the Company, representing 3.93% of the total share capital of the Company.

For details, please refer to the relevant announcement published by the Company in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 20 September 2019 (Lin 2019-058) and on the website of the Hong Kong Stock Exchange on 19 September 2019.

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

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

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

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

1. On 2 January 2019, the Company received from China Huarong a written plan in relation to reduction its shareholding in the Company. During the reporting period, China Huarong reduced its shareholding in the Company by 17,211,176 A shares in aggregate from 25 February 2019 to 23 July 2019, representing 1.88% of the total share capital of the Company. For details of the plan, please refer to the relevant announcements of the Company published in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 3 January, 24 April, 9 May, 24 July 2019 respectively and on the website of the Hong Kong Stock Exchange on 2 January 2019, 23 April 2019, 8 May 2019 and 23 July 2019.
2. On 4 September 2019, the Company received from China Huarong a written plan in relation to reduction of its shareholding in the Company. During the reporting period, China Huarong did not reduce the shareholding in the Company within the given reduction period. For details, please refer to the relevant announcements of the Company published in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 5 September, 9 November and 27 December 2019, respectively and on the website of the Hong Kong Stock Exchange on 4 September 2019, 8 November 2019 and 27 December 2019.
3. On 10 January 2020, the Company received from China Huarong a written plan in relation to the reduction of its shareholding in the Company. For details, please refer to the relevant announcements of the Company published in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 11 January 2020 and on the website of the Hong Kong Stock Exchange on 10 January 2020.

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

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

#### (I) Controlling shareholder

1. Legal person	
Name	Panda Electronics Group Limited
The person in charge of the entity or legal representative	Zhong Youxiang
Date of establishment	5 December 1990
Principal business	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.
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 2019, apart from the Company, equity interests of the following listed companies were held: <ol style="list-style-type: none"> <li>(1) Shanghai Bailian (600827), 91,013 shares;</li> <li>(2) Jiangsu Expressway (600377), 500,000 shares;</li> <li>(3) Bank of Communications (601328), 1,257,029 shares;</li> <li>(4) Bank of Nanjing (601009), 9,698,353 shares;</li> <li>(5) Nanjing Xinbai (600682), 1,006,500 shares;</li> <li>(6) Nanjing Securities (833868), 29,121,068 shares;</li> <li>(7) Guotai Junan (601211), 1,436,858 shares.</li> </ol>
Other explanations	N/A



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

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

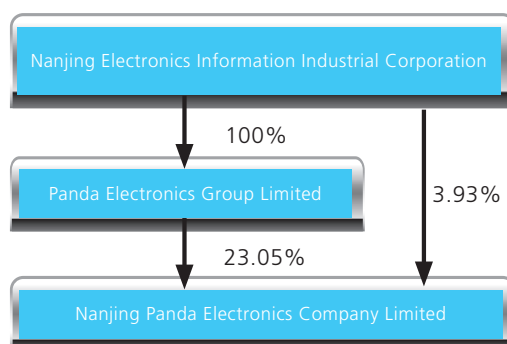
#### (I) Controlling shareholder (Continued)

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

As at the end of the reporting period, NEIIC held 100% of PEG's share capital, which is the controlling shareholder of the Company. NEIIC 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 NEIIC 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.
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 2019, other than its equity interests in the Company, NEIIC held 24.51% equity interests of Huadong Technology (000727).

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



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

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

#### (II) De facto controllers

1. Legal person	
Name	CEC
The person in charge of the entity or legal representative	Rui Xiaowu
Date of establishment	26 May 1989
Principal business	Research, development, design, and manufacture of electronic raw materials, electronic devices and components, electronic instruments and meters, complete sets of electronic products, electronic application products and systems, special electronic equipment, auxiliary products and software as well as sales of complete sets of relevant products; general contracting, organization and management of electronic application system projects, communication projects, and water treatment projects; development, promotion and application of environment protection and energy saving technologies; development and operation of real estate; sales of automobiles, auto parts, hardware and electrical equipment, photographic apparatus, construction materials, decorative materials and apparel; exhibition management; house repairing business; consulting services, technical services and transfer; maintenance and sales of home appliances.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	Please refer to the chart below for details.
Other explanations	

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

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

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

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

As at 31 December 2019, equities of other domestic and overseas listed companies (other than the Company) in which the de facto controller held controlling shares or shares were as follows:

No.	Abbreviation of listed company	Securities code	Percentage of CEC's shareholding <sup>Note</sup>
1	Shanghai Beiling	600171	25.32%
2	Shenzhen SEDA	000032	59.33%
3	Kaifa	000021	43.51%
4	China Great Wall	000066	41.79%
5	China Software	600536	30.25%
6	Huadong Technology	000727	28.13%
7	Zhenhua Science & Technology	000733	32.94%
8	Irigo Display	600707	24.64%
9	China Electronics Huada Technology	00085HK	59.42%
10	Solomon Systech	02878HK	28.50%
11	IRICO New Energy	00438HK	73.15%
12	China Electronics Optics Valley	00798HK	33.67%

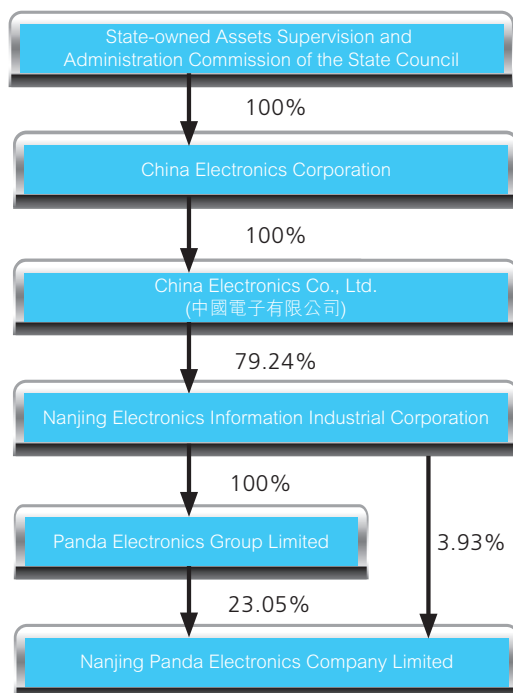
*Note:* Percentage of CEC's shareholding represents the aggregate of the shareholdings held through relevant connected parties or party acting in concert among the shareholders of listed companies.

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

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

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

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



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

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

As at the end of the reporting period, HKSCC (Nominees) Limited held 244,189,467 shares of the Company (including 241,737,470 H shares and 2,811,997 A shares), representing 26.72% of the issued share capital of the Company, on behalf of several clients, including 13,768,000 H shares held by NEIIC. 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 2019, there is no other legal person shareholders holding 10% or more of shares of the Company.

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

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

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

As at 31 December 2019, 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 interest of PEGL and in total held 246,550,055 shares in the Company which was held as corporate interest or in the capacity of beneficial owner, accounting for approximately 26.98% of the total shares in issue. (3) China Huarong held 65,146,691 domestic shares, accounting for approximately 9.70% of domestic shares in issue and approximately 7.13% 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) 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.

As at 30 March 2020, the latest practicable period prior to the date of publication of this annual report, save as disclosed above, China State Shipbuilding Corporation held 12,524,000 H shares, accounting for approximately 5.18% of H shares in issue and approximately 1.37% 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.

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 2019.

# Profiles of Directors, Supervisors, Senior Management and Staff

## I. Change in Shareholdings and Remuneration

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

As of 31 December 2019, interests of the Directors, supervisors and senior management staff of the Company in the domestic shares of the Company which were recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (Chapter 571) (“SFO”) or notified to the Company or Hong Kong Stock Exchange according to the “Model Code for Securities Transactions by Directors of Listed Issuers” under Appendix X to the Listing Rules are as follows (the nature of such interests is personal interest):

Name	Position	Gender	Age	Effective date of appointment	Expire date of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in the number of shares held in the year	Reason for the change	Total remuneration received from the Company during the reporting period (before tax) (RMB'000)	Remuneration received from the connected parties of the Company
Zhou Guixiang	Chairman Executive Director	M	49	2019-06-28	2021-06-29	1,639	1,639	0		0	YES
Lu Qing	Vice Chairman Executive Director	M	55	2019-06-28	2021-06-29	0	0	0		0	YES
Shen Jianlong	Non-executive Director	M	57	2019-06-28	2021-06-29	0	0	0		0	YES
Deng Weiming	Non-executive Director	M	56	2010-05-28	2021-06-29	0	0	0		0	YES
Xia Dechuan	Executive Director	M	50	2015-06-30	2021-06-29	0	0	0		0	NO
Li Changjiang	Non-executive Director	M	41	2020-03-26	2021-06-29	0	0	0		0	NO
Du Jie	Independent Non-executive Director	F	65	2015-06-30	2021-06-29	0	0	0		10.44	NO
Zhang Chun	Independent Non-executive Director	M	41	2015-06-30	2021-06-29	0	0	0		10.44	NO
Gao Yajun	Independent Non-executive Director	M	45	2018-06-29	2021-06-29	0	0	0		10.44	NO
Zhao Ji	Chairman of the Supervisory Committee	M	57	2019-06-28	2021-06-29	0	0	0		0	YES
Song Yunfeng	Employee Representative Supervisor	M	56	2016-06-03	2021-06-29	0	0	0		72.14	NO

# Profiles of Directors, Supervisors, Senior Management and Staff

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

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

Name	Position	Gender	Age	Effective date of appointment	Expire date of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in the number of shares held in the year	Reason for the change	Total remuneration received from the Company during the reporting period (before tax) (RMB'000)	Remuneration received from the connected parties of the Company
Zhou Yuxin	Employee Representative Supervisor	M	56	2008-10-28	2021-06-29	0	0	0		34.91	NO
Xia Dechuan	General Manager	M	50	2011-10-24	2021-06-29	0	0	0		88.19	NO
Liu Kun	Deputy General Manager	M	54	2002-08-14	2021-06-29	0	0	0		70.03	NO
Guo Qing	Deputy General Manager	M	58	2013-07-24	2021-06-29	0	0	0		85.23	NO
Hu Huichun	Deputy General Manager	M	47	2016-05-23	2021-06-29	0	0	0		83.83	NO
Shao Bo	Deputy General Manager	M	40	2016-05-23	2021-06-29	0	0	0		63.63	NO
Hu Dali	Chief Accountant	M	42	2019-05-09	2021-06-29	0	0	0		15.60	NO
Wang Dongdong	Secretary to the Board, Company Secretary	M	39	2019-08-12	2021-06-29	0	0	0		35.43	NO
Huang Shaofeng	Deputy General Manager	M	47	2019-12-24	2021-06-29	0	0	0		63.42	NO
Shen Jianlong	Former Chief Accountant, Secretary to the Board and Company Secretary	M	57	2006-04-20	2019-04-29	0	0	0		17.00	NO
Xu Guofei	Former Chairman and Executive Director	M	58	2016-06-30	2019-05-17	2,546	2,546	0		0	NO
Chen Kuanyi	Former Deputy Chairman and Executive Director	M	58	2016-06-30	2019-05-17	0	0	0		0	NO
Gao Gan	Former Non-executive Director		53	2016-06-30	2020-01-08	0	0	0		0	
Total						4,184	4,184	0		660.73	

Note: Mr. Shen Jianlong received remuneration from the Company before his resignation as the Chief Accountant, Secretary to the Board and Company Secretary, and took office in and received remuneration from the controlling shareholder after his resignation. Mr. Hu Dali received remuneration from the Company upon his serving as the Chief Accountant of the Company; he took office in and received remuneration from the related party before taking office in the Company.

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

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

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

1. In 2019, the total remunerations of Directors, supervisors and senior management members were RMB6,607,300, which was within the range approved by the general meeting. Of such total remunerations, RMB5,536,800 was for the Directors and senior management, and RMB1,070,500 was for the supervisors. The above remunerations did not include contributions to the pension scheme for the Directors and supervisors. The pension scheme applicable to relevant Directors 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 RMB900,000 for the year.
2. In 2019, 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 2019, none of the Directors, Supervisors and senior management staff of the Company or their associates had any interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”)), (a) which were required to be notified to the Company or the Stock Exchange under Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were regarded or deemed to have pursuant to such provisions of the SFO); or (b) which were required to be recorded in the register required to be kept by the Company under such provision of Section 352 of SFO; or (c) which were required to be separately notified to the Company or the Stock Exchange according to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix X to the Listing Rules. None of the Directors or Supervisors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

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



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

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

#### (II) Major working experiences

##### 1. Executive Directors

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

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

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

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

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

#### 1. Executive Directors (Continued)

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

#### 2. Non-executive directors

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

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

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

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

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

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

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

##### 3. Independent non-executive directors

**Ms. Du Jie**, born in July 1955, a DPP member, holds a doctoral degree. She has served as a representative of the Eleventh National People's Congress, a member of the National Committee of CPPCC, a member of the Standing Committee of the National People's Congress of Jilin Province, a member of the Standing Committee of CPPCC of Jilin Province and a Chinese Certified Public Accountant. She is currently a professor, a doctoral tutor of the School of Economics of Jilin University, a counsellor of the Jilin Provincial Government, an independent director of Changchun Gas Co., Ltd., an Independent Director of Nanjing Panda Electronics Company Limited, and an Independent Director of Northeast Securities Co., Ltd.

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

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

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

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

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

##### 4. Supervisors

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

**Mr. Song Yunfeng**, born in 1964, is a senior political work specialist with a bachelor's degree. He has successively served as the Vice Chairman of the Labour Union, Deputy Head of Human Resources Department and Head of Personnel Division, and Office Director, an assistant to the General Manager and head of the Administrative and Legal Department of PEGE, Deputy Head of the Party-Mass Work Department (a temporary post) of China Electronics Corporation, etc.. He has served as Deputy Secretary of the Discipline Inspection Committee from November 2010 to November 2016 and as Secretary of the Party Committee of the Company from November 2010 to November 2016 and Secretary of the Party Committee of the Company from March 2015 to December 2019. He was elected as employee Supervisors of the Company since June 2016. Mr. Song Yunfeng has long been engaged in enterprise management and Party affairs and has extensive experience in operation and management and Party affairs.

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

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

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

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

##### 5. Senior management

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

**Mr. Liu Kun**, born in 1966, is a senior engineer and holds a bachelor's degree. Mr. Liu has served as Deputy Head of the Precision Machinery Department, General Manager of Nanjing Panda Accurate Machinery Co., Ltd., Deputy General Manager and General Manager of Electromechanical Instruments Industrial Corporation (機電儀產業集團), and Deputy General Manager of Nanjing Panda Electronics Company Limited etc. He has been a Deputy General Manager of Nanjing Panda Electronics Company Limited since August 2002 up to now, and the General Manager of Nanjing Panda Electronics Equipment Co., Ltd. From June 2009 to December 2019, Mr. Liu has long been engaged in the development and management of electronic and industrial automation equipment, as well as environmental protection equipment, has extensive professional knowledge and experience in operation and management.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### (I) Positions in shareholder entities

Name	Name of shareholder entity	Position(s)	Effective date of appointment	Expire date of appointment
Zhou Guixiang	NEIC	Secretary of the Party Committee and General Manager	February 2019	
Lu Qing	PEGL	Deputy General Manager	December 2008	
	NEIC	Deputy General Manager	March 2016	
Zhao Ji	PEGL	Executive Supervisor	December 2018	
	NEIC	Chief Accountant	December 2018	
Shen Jianlong	NEIC	Assistant to General Manager	April 2019	
Explanations for positions in shareholder entities	N/A			



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

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

#### (II) Positions in other entities

Name	Name of entity	Position(s)	Effective date of appointment	Expire date of appointment
Zhou Guixiang	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Chairman	18 May 2018	13 November 2021
Lu Qing	Nanjing CEC-Panda Home Appliances Co., Ltd.	Chairman	May 2018	
	Nanjing Panda Handa Technology Co., Ltd.	Executive Supervisor	April 2016	
	Nanjing Sanle Electronic Information Co., Ltd.	Executive Supervisor	April 2016	
	Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Executive Supervisor	April 2016	
Zhao Ji	Nanjing Keruida Electronic Equipment Co., Ltd. (南京科瑞達電子裝備有限責任公司)	Executive Supervisor	April 2016	
	Jiangsu CEC Panda Intelligent Technology Co., Ltd. (江蘇中電熊貓智能科技有限公司)	Chairman	September 2018	
	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Chairman of the Supervisory Committee	24 June 2019	13 November 2021
	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Director	December 2018	
	Nanjing CEC Panda LCD Technology Co., Ltd.	Director	December 2018	
	Nanjing CEC Panda Real Estate Co., Ltd.	Chairman of the Supervisory Committee	December 2018	
	Nanjing CEC-Panda Home Appliances Co., Ltd.	Director	May 2019	
Shen Jianlong	Chengdu China Electronics Panda Display Technology Co., Ltd.	Employee Supervisor	May 2019	
	Nanjing Huadong Electronic Information & Co., Ltd.	Director	19 June 2019	13 November 2021
Deng Weiming	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Chairman of the Supervisory Committee	December 2108	
	Nanjing CEC-Panda Home Appliances Co., Ltd.	General Manager	June 2009	
Xia Dechuan	Nanjing Panda Electronics Import and Export Company	General Manager	January 2011	
	Nanjing Ericsson Panda Communication Co., Ltd.	Vice Chairman	April 2016	
Explanations for positions in other entities	N/A			

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

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

Decision making process of remuneration of Directors, Supervisors and Senior Management	According to relevant requirements of the Articles of Association and the Rules of Procedure of the Remuneration and Appraisal Committee, and based on the operating results, scope of work, main duties and other information, the Remuneration and Appraisal Committee shall appraise the actual performance of the Directors and senior management and submit the appraisal result to the Board for consideration. The remuneration of Directors and supervisors shall be determined by general meetings while that of senior management by the Board.
Basis for determination of remuneration of Directors, Supervisors and Senior Management	Basis for determination of remuneration includes: achievement status of major financial indicators and operational targets of the Company, scope of work and main duties of senior management, completion of indicators contained in the position based on performance appraisal system for Directors and senior management, operational performance in respect of business innovation capability and profit making capability of Directors and senior management, and proposed remuneration distribution plan and distribution method based on the Company's performance.
Actual payment of remuneration of Directors, Supervisors and Senior Management	Since the 2019 annual performance appraisal for the senior management of the Company has not been completed yet, the performance payment for 2019 was excluded from the remuneration during the reporting period, whereas the annual performance payment for 2018 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 RMB6,607,300 (before tax).

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

Name	Position	Change	Reasons for change
Zhou Guixiang	Chairman, executive director	Election	Work engagement
Lu Qing	Vice chairman, executive director	Election	Work engagement
Shen Jianlong	Non-executive director	Election	Work engagement
Li Changjiang	Non-executive director	Election	Work engagement
Zhao Ji	Chairman of the Supervisory Committee	Election	Work engagement
Hu Dali	Chief accountant	Appointment	Work engagement
Wang Dongdong	Secretary to the Board, Company secretary	Appointment	Work engagement
Huang Shaofeng	Deputy general manager	Appointment	Work engagement
Xu Guofei	Former chairman, executive director	Retirement	Work adjustment
Chen Kuanyi	Former vice chairman, executive director	Retirement	Work adjustment
Gao Gan	Former non-executive director	Retirement	Work adjustment
Tu Changbai	Former chairman of the Supervisory Committee	Retirement	Work adjustment
Shen Jianlong	Former secretary to the Board, chief accountant, Company secretary	Retirement	Work adjustment

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

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

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

1. On 29 April 2019, Mr. Shen Jianlong, the former chief accountant of the Company, resigned as chief accountant of the Company due to job adjustment.
2. On 9 May 2019, the Company convened the sixth meeting of the ninth session of the Board and appointed Mr. Hu Dali as the chief accountant of the Company, whose term is in line with the term of the ninth session of the Board of the Company.
3. On 17 May 2019, Mr. Xu Guofei, the former chairman of the Company, resigned as a director, chairman and the relevant positions of the subordinate committees of the Board of the Company due to job adjustment.
4. On 17 May 2019, Mr. Chen Kuanyi, the former vice chairman of the Company, resigned as a director, vice chairman and the relevant positions of the subordinate committees of the Board of the Company due to job adjustment.
5. On 24 May 2019, Mr. Shen Jianlong, the former secretary to the Board of the Company, resigned as the secretary to the Board and Company secretary due to job adjustment.
6. On 24 May 2019, the Company convened the extraordinary meeting of the ninth session of the Board and appointed Mr. Wang Dongdong as the Company secretary, whose term is in line with the term of the ninth session of the Board of the Company.
7. On 28 May 2019, the nominations of Mr. Zhou Guixiang as a candidate for executive director of the ninth session of the Board of the Company; Mr. Lu Qing re-designated as a candidate for executive director of the ninth session of the Board of the Company from a non-executive director; and Mr. Shen Jianlong as a candidate for non-executive director of the ninth session of the Board of the Company were considered and approved at the seventh meeting of the ninth session of the Board of the Company. Mr. Zhou Guixiang, Mr. Lu Qing and Mr. Shen Jianlong were elected and appointed at the 2018 annual general meeting of the Company convened on 28 June 2019 and their terms of office are in line with the term of the ninth session of the Board of the Company.
8. On 28 May 2019, the nomination of Mr. Zhao Ji as a candidate for the non-employee representative supervisor of the ninth session of the Supervisory Committee of the Company was considered and approved at the seventh meeting of the ninth session of the Board of the Company. Mr. Zhao Ji was elected and appointed at the 2018 annual general meeting of the Company convened on 28 June 2019, whose term is in line with the term of the ninth session of the Board of the Company.

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

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

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

9. On 28 June 2019, the eighth meeting of the ninth session of the Board was held, at which Mr. Zhou Guixiang was elected as the chairman of the ninth session of the Board of the Company; Mr. Lu Qing was elected as the vice chairman of the ninth session of the Board of the Company; Mr. Zhou Guixiang and Mr. Shen Jianlong were elected as members of the Strategy Committee of the ninth session of the Board of the Company; Mr. Zhou Guixiang was elected as the chairman of the Strategy Committee; Mr. Zhou Guixiang and Mr. Lu Qing were elected as members of the Nomination Committee of the ninth session of the Board of the Company; Mr. Shen Jianlong was elected to replace Mr. Lu Qing as the member of the Audit Committee of the ninth session of the Board of the Company.
10. On 28 June 2019, the eighth meeting of the ninth session of the Board of the Company was held, at which Mr. Zhao Ji was elected as the chairman of the Supervisory Committee of the Company.
11. On 12 August 2019, the ninth meeting of the ninth session of the Board of the Company was held and Mr. Wang Dongdong was appointed as the secretary to the Board of the Company, whose term is in line with the term of the ninth session of the Board of the Company.
12. On 24 December 2019, the twelfth meeting of the ninth session of the Board of the Company was held and Mr. Huang Shaofeng was appointed as the deputy general manager of the Company, whose term is in line with the term of the ninth session of the Board of the Company.
13. On 8 January 2020, Mr. Gao Gan, the former director of the Company, resigned as a director and the relevant positions of the subordinate committees of the Board of the Company due to work adjustment.
14. On 7 February 2020, the nomination of Mr. Li Changjiang as a candidate for the non-executive director of the ninth session of the Board of the Company was considered and approved at the thirteenth meeting of the ninth session of the Board of the Company. Mr. Li Changjiang was elected and appointed at the first extraordinary general meeting of 2020 of the Company convened on 26 March 2020 and his term of office is in line with the term of the ninth session of the Board.

For particulars of the above matters, please refer to the announcements of the Company published on the website of Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 30 April, 10 May, 18 May, 25 May, 29 May, 29 June, 13 August, 25 December 2019, and 9 January and 8 February 2020 and on the website of the Hong Kong Stock Exchange on 29 April 2019, 9 May 2019, 17 May 2019, 24 May 2019, 28 May 2019, 28 June 2019, 12 August 2019, 24 December 2019, 8 January 2020 and 7 February 2020.

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

### V. Punishment by Securities Regulatory Authorities in the Last Three Years

In 2017, Mr. Guo Qing, the deputy general manager of the Company, was subject to administrative penalties (a warning and a fine of RMB30,000) imposed by the Hunan Supervision Bureau of the China Securities Regulatory Commission. For further details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 28 July 2017, 21 December and 27 December 2017 and on the website of the Hong Kong Stock Exchange on 27 July 2017, 20 December 2017 and 27 December 2017.

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

#### (I) Details of staff

Number of on-the-job employees of the Company	313
Number of on-the-job employees of major subsidiaries	3,143
Total number of on-the-job employees	3,456
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	3,014

#### Composition of professions

Type of profession	Number of persons
Production staff	1,423
Sales staff	273
Technical staff	1,289
Financial staff	181
Administrative staff	290
Total	3,456

#### Educational Background

Education level	Number of persons
Masters or above	208
Bachelors	989
Associate degree	851
Other	1,408
Total	3,456

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

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

#### (II) Remuneration policies

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

#### (III) Training plan

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

#### (IV) Labor outsourcing

Total hours of labor outsourcing ( <i>Hour</i> )	1,929,038.17
Total remuneration paid to labor outsourcing ( <i>RMB0'000</i> )	38,580,763.30

### VII. Others

In 2019, there were no changes in the core technical team or key technical staff (other than the Directors, supervisors and senior management) of the Company which have great impact on the core competitiveness of the Company.

# Corporate Governance

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## I. Explanations on Corporate Governance

In 2019, the Company 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, in view of its own actual situation, the Company continued to refine its corporate governance structure and internal rules and systems, reinforced management of internal control, optimized the risk management and internal control system and boosted the standard operation level of the Company. The actual corporate governance of the Company was in compliance with the regulative requirements of the Corporate Governance Standards for Listed Companies released by the CSRC. During the reporting period, the Company adopted and tried its best endeavour to comply 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 2019 Internal Control Evaluation Report of Nanjing Panda Electronics Company Limited published by the Company on the websites of Shanghai Stock Exchange on 31 March 2020.

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

## Corporate Governance (Continued)

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

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

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

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



# Corporate Governance (Continued)

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## I. Explanations on Corporate Governance (Continued)

The Company identifies, assesses and manages material risk and internal control by the closed-loop management and allows time for rectification in internal control assessment. After issuing the report, the Audit Department will convey the defects identification and rectification suggestions to the responsible unit and department concerned for their implementation of such rectifications 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 risk management and internal 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.

Focusing on its principal operations in intelligent manufacturing, smart city and electronic manufacturing services, the Company performed further optimization of the resource allocation, accelerated the promotion of transformation and upgrade of industries and structural adjustment, and further implemented comprehensive lean management, striving to push for high-quality development to secure generally stable and orderly production and operation. During the reporting period, there was no material deficiency or failure in relation to the control system of the Company.

During the reporting period, the Company revised the Rules of Procedure of the Nomination Committee by adopting the board diversity policy in accordance with the requirement set out in the Corporate Governance Code, which sets out the approach to achieve diversity on the Board. According to the Decision of the Standing Committee of the National People's Congress on Amendments to the Company Law of the People's Republic of China considered and approved at the sixth meeting of the Standing Committee of the 13th National People's Congress, the Opinions on Supporting Share Repurchase by Listed Companies jointly issued by the China Securities Regulatory Commission, the Ministry of Finance and the State-owned Assets Supervision and Administration Commission, the Guidelines for the Articles of Association for Listed Companies and other relevant provisions, the Company amended relevant articles on share repurchase in the Articles of Association; The amended Articles of Association stipulates that the Company shall repurchase shares in compliance with laws and regulations of the place where the Company's shares are listed and the Listing Rules. In order to further level up the operation standard of the Company, the Company amended the relevant rules of the Rules of Procedure at General Meeting in accordance with the Guidelines on the Articles of Association of Listed Companies and the Rules for the Shareholders' General Meeting of Listed Companies. In accordance with the relevant requirements of CSRC and Shanghai Stock Exchange, the Company prepared the Plan for Return of Shareholders of Nanjing Panda (2019–2021) (《南京熊猫股東回報規劃(2019–2021)》).

## Corporate Governance (Continued)

### II. Overview of General Meetings

During the reporting period, the Company convened one general meetings altogether, details of which are as follows:

Session of the meeting	Date of the meeting	Query index of the designated website where the resolutions were published	Disclosure date of the resolutions
2018 annual general meeting	28 June 2019	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	29 June 2019

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

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

## Corporate Governance (Continued)

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### III. Performance of Duties by Directors

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

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

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

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

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

## Corporate Governance (Continued)

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

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

Name of director	Independent director or not	Required attendance at Board meetings for the year	Attendance at Board meetings				Absence in person from the Board meetings for two consecutive times	Attendance at general meetings
			Attendance in person	Attendance by way of communications	Attendance by proxy	Absence		
Zhou Guixiang	No	8	8	7	0	0	No	1
Lu Qing	No	14	14	12	0	0	No	1
Shen Jianlong	No	8	8	7	0	0	No	1
Deng Weiming	No	14	14	12	0	0	No	1
Xia Dechuan	No	14	14	12	0	0	No	1
Li Changjiang	No	0	0	0	0	0	No	0
Du Jie	Yes	14	14	12	0	0	No	1
Zhang Chun	Yes	14	14	12	0	0	No	1
Gao Yajun	Yes	14	14	12	0	0	No	1
Xu Guofei	No	4	4	3	0	0	No	0
Chen Kuanyi	No	4	4	3	0	0	No	0
Gao Gan	No	14	14	13	0	0	No	0

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

Number of Board meetings held in the year	14
Of which: Number of on-site meetings	2
Number of meetings held by way of communication	12
Number of on-site meetings combined with the communication means	0

# Corporate Governance (Continued)

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

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

In 2019, the Independent Non-executive Directors of the Company did not raise any objection to the resolutions of the Board and other meetings.

In 2019, pursuant to the requirements of the Company Law, the Securities Law, and provisions under the Articles of Association, the System for the Independent Directors of the Company, the independent non-executive directors of the Company diligently and faithfully performed their duties, proactively and carefully attended meetings, prudently and properly exercised their rights to express fair and objective opinions, and fully brought into play their experiences and expertise, devoting much to the improvement of corporate governance and major decisions of the Company, which practically safeguarded the interest of the Company and its shareholders as a whole. For details of performance, please refer to the Report of the Independent Directors of Nanjing Panda Electronics Company Limited for the Year 2019 published on the websites of Shanghai Stock Exchange on 31 March 2020 and on the website of the Hong Kong Stock Exchange on 30 March 2020.

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

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

### (I) Audit Committee

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

## Corporate Governance (Continued)

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

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

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

1. The first meeting of 2019 of the Audit Committee of the ninth session of the Board was convened on 27 March 2019 and all members attended the meeting. At the meeting, the committee reviewed the 2018 financial report; agreed to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the Company's auditor for 2019; and agreed to submit the above matters to the Board for consideration.
2. The second meeting of 2019 of the Audit Committee of the ninth session of the Board was convened on 26 April 2019 and all members attended the meeting. At the meeting, the committee reviewed and approved the 2019 first quarterly financial report of the Company; approved the resolution on the Change in the Company's Certain Accounting Policies; agreed to submit the above matters to the Board for consideration.
3. The third meeting of 2019 of the Audit Committee of the ninth session of the Board was convened on 29 August 2019 and all members attended the meeting. At the meeting, the committee reviewed and approved the 2019 interim financial report of the Company; approved the resolution on the Amendment to the Company's Certain Accounting Policies; agreed to submit the above matters to the Board for consideration.
4. The fourth meeting of 2019 of the Audit Committee of the ninth session of the Board was convened on 30 October 2019 and all members attended the meeting. At the meeting, the committee reviewed and approved the 2019 third quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.

## Corporate Governance (Continued)

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

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

5. A special meeting of the Audit Committee of the ninth session of the Board on the work regarding Company's 2019 annual report was convened on 18 December 2019. The main contents are as follows:
  - (1) At the meeting, the Audit Committee heard the reports of the audit plan for the 2019 annual report and the relevant conditions. The Audit Committee required the accountant firm to have sufficient auditing capacity to complete the auditing of the 2019 annual report within the scheduled time frame, with high quality and according to the relevant regulations of CSRC; and to enhance testing on key operations and timely report major issues encountered during the auditing process to the Audit Committee. The Audit Committee also required the Company to try its best to coordinate with the accountant firm to conduct 2019 annual report audit, internal control audit and the relevant work; and to maintain communication with the accountant firm for auditing the annual report and forecast the operating results in accordance with the relevant requirements.
  - (2) The management reported to the Audit Committee about the production & operation and the progresses of material matters for the year 2019. The Audit Committee expressed its general recognition with the work of the management in 2019. The Audit Committee required the Company to clearly analyze and correctly understand the current situation and difficulties and pay close attention to the complex and severe external economic situation. The Audit Committee considers that the Company should adhere to the reform and innovation and the new development concept, devote efforts in consolidating lean management, improve the risk control capacity, further enhance its core competitiveness and strive to promote high-quality development of the Company.
  - (3) At the meeting, the Audit Committee heard the reports of 2019 internal control audit and relevant information. The Audit Committee required the registered accountant for internal control audit to timely communicate with the Company on the issues identified and provide specific suggestions or opinions for these issues. The Audit Committee also required the internal audit department and the relevant persons in charge to maintain communication with the registered accountant for internal control audit, provide support for the internal control audit work and issue audit report; track and implement the matters submitted for attention; and propose and carry out rectification measures.

## Corporate Governance (Continued)

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

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

5. A special meeting of the Audit Committee of the ninth session of the Board on the work regarding Company's 2019 annual report was convened on 18 December 2019. The main contents are as follows: (Continued)
  - (4) At the meeting, the Audit Committee heard the reports of: 2019 internal control evaluation work plan and the relevant conditions and provided guidelines on the internal audit work. The Audit Committee expressed its general satisfaction with the work of the internal audit department in 2019. All members participating in the internal control evaluation are required to attach great importance to the internal control evaluation work, pay attention to the appropriateness of the design and the effectiveness of operation of the Company's internal control system, devoted efforts in the internal control evaluation, and complete the internal control self-evaluation report. According to internal control evaluation report and internal control audit results, the rectification of internal control defects shall be completed. The Audit Committee required the internal audit department to: conduct supervision on risks and internal control of important units, operations and projects; and supervise and urge the rectification of major issues, and timely report to the Audit Committee should a major issue arise.
  - (5) The person in charge of finance reported the financial conditions for the year ended 30 November 2019 to the Audit Committee. The Audit Committee also required the Company to strengthen risk management and internal control; try its best to complete basic work of financial accounting; further enhance management of accounts receivable and control of inventory scale, and improve the capital utilisation efficiency; further improve and clarify the Company's credit and work policies, determine a reasonable amount of guarantee provided for the subsidiary and maintain the credit scale at a reasonable level; and conduct disclosure of connected transactions in an appropriate manner.

In addition, during the process of preparing and disclosing the 2019 annual report of the Company, the Audit Committee conducted various communication with the Company's management, person in charge of finance and the registered accountant for annual audit in accordance with the "Audit Committee's Work Regulation Regarding Annual Report" (《審核委員會年報工作規程》) and received the report on the preparation of 2019 annual report and met with the registered accountant for annual audit. The Audit Committee reviewed audit reports and financial statements and communicated on issues found during the audit process. It emphatically reviewed the key audit matters, accounting policy changes, external guarantees, connected transactions and other important matters. The Company and the registered accountant for annual audit were required to seriously study all the latest provisions of the CSRC and of the relevant annual report as released by the local stock exchange where the Company was listed. The audit and disclosure of annual report were required to be conducted in an appropriate manner.



# Corporate Governance (Continued)

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

### (II) Nomination Committee

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

#### 1. Board Diversity Policy

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

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

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

## Corporate Governance (Continued)

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

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

##### 2. Nomination Policy

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

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

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

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

## Corporate Governance (Continued)

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

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

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

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

1. The Company convened the first meeting of 2019 of the Nomination Committee of the ninth session of the Board on 27 March 2019 and all members attended the meeting. The following resolutions were passed at the meeting:

(1) The structure, size and composition of the Board (including skills, knowledge, experience and diversity) basically matched the Company's operational activities, assets scale, equity structure, etc. It was suggested to further improve the corporate governance structure and organizations, and effectively level up the standard operation of the Company according to the relevant national regulations and the Company's actual operations. (2) The Company has adopted the Board diversity policy according to the requirements of Corporate Governance Code. Such policy aims to set out the approach to achieve diversity on the Board. Thereby the terms of reference of the Nomination Committee in the Rules of Procedure of the Nomination Committee were revised and submitted to the Board for consideration. (3) The Independent Non-executive Directors of the Company were in compliance with the independence-related requirements of CSRC, SFC, Shanghai Stock Exchange and Stock Exchange of Hong Kong Limited. (4) The senior management members of the Company had the necessary professional skills to perform their duties. (5) All Directors and senior management members should conscientiously study the relevant regulations of the regulators on trading Company's stocks to ensure compliance of the procedures and full disclosure of information.

2. The second meeting of 2019 was convened by way of written resolutions on 9 May 2019 and all members attended the meeting. It is agreed to nominate Mr. Hu Dali as the candidate for Chief Accountant of the Company, and submit the same to the Board for discussion.
3. The third meeting of 2019 was convened by way of written resolutions on 28 May 2019 and all members attended the meeting. It is agreed to nominate Mr. Zhou Guixiang and Mr. Shen Jianlong as the candidates for Directors of the Company, and submit the same to the Board for consideration.
4. The fourth meeting of 2019 was convened by way of written resolutions on 12 August 2019 and all members attended the meeting. It is agreed to nominate Mr. Wang Dongdong as the candidate for Secretary to the Board of the Company, and submit the same to the Board for discussion.
5. The fifth meeting of 2019 was convened by way of written resolutions on 24 December 2019 and all members attended the meeting. It is agreed to nominate Mr. Huang Shaofeng as the candidate for Deputy General Manager of the Company, and submit the same to the Board for discussion.

## Corporate Governance (Continued)

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

#### (III) Strategy Committee

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

The Strategy Committee convened its first meeting for 2019 on 27 March 2019 and all members attended the meeting. The following resolutions were passed at the meeting:

1. Strengthen planning guidance. We shall give further play to the leading role of the Company's "13th Five-Year" Plan and refine and quantify various development indicators and key work tasks to ensure that all objectives and plans are made based on the present situation and for the purpose of long-term development and guarantee that all tasks are firmly decomposed and effectively implemented.
2. Strengthen plan and task management. All professional companies should take the annual business objectives and key work tasks as the starting point, carefully study and formulate detailed work plans, so as to achieve clear objectives, highlight key points, take effective measures and ensure responsibilities in place. The headquarters of the Company shall ensure that business plans and key work are transformed into operation results through the enhancement of process tracking, dynamic monitoring and supervision.
3. Conduct in-depth implementation of the cost and expense project, and strengthen the control over accounts receivable and inventory. We will further improve the management and control system for costs and expenses, comprehensively analyze and investigate the key and weak points of cost and expense management, determine the improvement objectives and measures and implement them well to reduce costs and increase efficiency. We attached great importance to the control over accounts receivable and inventory, optimize internal control and strengthen appraisal and supervision to ensure the realization of the goal of reducing pressure.
4. Vigorously promote the development of smart cities. By taking the construction of large-scale projects as an opportunity, we will strengthen our capabilities in industrial layout, market development, scientific and technological innovation and internal coordination to form our core competitiveness. We will actively promote key projects, such as "Yihaotong" project, to increase market promotion.
5. Promote structural optimization and adjustment. We will further promote the optimization and adjustment of the industrial structure, product structure and organizational structure, shift resources to advantageous industries and reduce the scale of non-main businesses. We will vigorously develop superior products with high added value and good brand effect so as to increase market promotion. According to the actual needs of work, we need to optimize the organizational setup, optimize the work process and improve work efficiency.
6. Further strengthen comprehensive risk management. We should raise the awareness of standardized operation, further improve the internal control and risk management system, and attach great importance to the risk prevention and control of unconventional and non-routine work, especially in environmental protection, safe production, legal disputes and other aspects, to effectively improve the overall risk control level.

## Corporate Governance (Continued)

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

#### (IV) Remuneration and Appraisal Committee

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

The Company convened the first meeting of the Remuneration and Appraisal Committee of the ninth session of the Board for 2019 on 27 March 2019 and all members attended the meeting. At the meeting, performance of duties by the then Directors and senior management was evaluated and the remuneration policy and system for Directors and senior management of the Company were discussed. According to the evaluation results, the 2018 annual remuneration before tax of Directors and senior management of the Company was approved. It was agreed to be organize the performance by the general manager according to the review opinions of the Remuneration and Appraisal Committee of the Board, and submitted the same to the Board for consideration.

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

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

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

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

## Corporate Governance (Continued)

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

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

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

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

According to the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Content and Format of Annual Reports (Revision 2017) (《公開發行證券的公司信息披露內容與格式準則第2號—年度報告的內容與格式(2017年修訂)》) of the CSRC and the Notice on the Preparation of 2018 Annual Reports by Listed Companies (《關於做好上市公司2018年年度報告披露工作的通知》) issued by the Shanghai Stock Exchange, the Board of the Company has prepared the Self-assessment Report on the Internal Control of the Company for 2019, which was disclosed along with the 2019 annual report. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange on 31 March 2020 and on the website of the Hong Kong Stock Exchange on 30 March 2020 by the Company. There was no significant deficiency in internal control in relation to financial report of the Company, nor was any significant deficiency in internal control in relation to non-financial report identified.

### IX. Auditors' Report on Internal Control

The Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP to audit the effectiveness of the internal control relating to the financial report of the Company, which issued the auditors' report with standard unqualified audit opinions. The auditor's report was disclosed along with the 2019 annual report. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange on 31 March 2020 and on the website of the Hong Kong Stock Exchange on 30 March 2020 by the Company.

### X. Others

#### (1) 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). During the reporting period, Mr. Zhou Guixiang was elected as the new Chairman of the Board of the Company at the eighth meeting of the ninth session of the Board held on 28 June 2019. The General Manager (Chief Executive Officer) is responsible to the Board. His principal duties include presiding over the production, operation and management of the Company, to organize the implementation of resolutions of the Board, to organize the implementation of the annual operation plan and investment proposal (Details are set out in Article 161 of Chapter 12 of the Articles of Association).

# Corporate Governance (Continued)

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## X. Others (Continued)

### (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 2019. Remuneration paid by the Company for its audit services for the annual report (including the internal control audit service) was RMB2,100,000, among which RMB1,620,000 was paid to international and PRC auditors and RMB480,000 to the internal control auditor.

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

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

1. The annual general meeting and extraordinary general meetings held during the reporting period provided a forum for shareholders to raise comments and exchange views with the Board;
2. The annual reports, interim reports and so forth have been sent to the shareholders and interested investors containing therein a full financial and operational review of the Company;
3. Discharge obligations of information disclosure by disclosing financial results and various transactions in quarterly reports, various announcements and circulars (if applicable);
4. Set up other channels such as investor hotlines, site visiting by investors, stock analysts and fund managers, organized holding press conferences and road shows and etc.

### (IV) Shareholders Rights

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

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

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

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

# Corporate Governance (Continued)

## X. Others (Continued)

### (IV) Shareholders Rights (Continued)

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

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

### (V) Dividend Policy

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

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

In order to further implement inside information management and prevention of insider trading, according to the requirements of the CSRC, the "Insiders Management System of NPEC" was formulated by the Company and considered and approved by the Board, which specifies the scope and confidentiality management of inside information, as well as the scope, registration and filing of the insiders. The Significant Information Internal Report System of Nanjing Panda (《南京熊猫重大信息内部报告制度》) was formulated by the Company and considered and approved by the Board, which specifies the reporting scope, division of responsibilities, procedures and formats, confidentiality obligations and legal liabilities in respect of the material information. The Company delivered to the controlling shareholder and the ultimate controller the "Opinions on the Implementation of Strengthened Inside Information Management of State-owned and Controlled Listed Companies" (《關於加強國有控股上市公司內幕信息管理工作的實施意見》) (Su Guo Zi [2012] No. 54) jointly issued by State-Owned Assets Supervision and Administration Commission of Jiangsu Provincial Government and the CSRC Jiangsu Bureau. 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 aforesaid administrative documents.

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

In order to enhance the quality of information disclosure and ensure the truthfulness, accuracy and completeness of the information disclosed in the annual report, the Company established the Accountability System for Major Disclosure Errors in Annual Report. The Board of the Company would impose administrative or financial penalties on relevant responsible persons according to the seriousness of the matter, e.g. correction of major accounting errors and supplementation of omitted major information and correction of results prediction, which take place in the information disclosure in the annual report. There was no major error found in information disclosure in the 2019 annual report. During the reporting period, there was no correction of major accounting errors and supplementation of omitted major information and correction of results prediction.



# Financial Report

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This 2019 Financial Report of the Company was audited by BDO China Shu Lun Pan Certified Public Accountants LLP pursuant to Accounting Standard for Business Enterprises, and standard unqualified audit report was issued.

# Auditors' Report

Xin Kuai Shi Bao Zi [2020] No. ZG10462

**To the shareholders of Nanjing Panda Electronics Company Limited:**

## **I. Audits' opinion**

We have audited the accompanying financial statements of Nanjing Panda Electronics Company Limited (hereinafter as "the Company" or "Nanjing Panda"), which comprise the consolidated and company balance sheets as at 31st December 2019, the consolidated and company income statements, the consolidated and company cash flow statements, and the consolidated and company statements of changes in shareholders' equity for the year of 2019 then ended, as well as notes to financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Nanjing Panda as at 31st December 2019 and of its consolidated and company operating results and cash flows for 2019.

## **II. Basis of auditors' opinion**

We have conducted our audit in accordance with the Chinese Auditing Standards for Certified Public Accountants. The "Responsibilities of Certified Public Accountants for Auditing of Financial Statements" in the audit report further illustrate our responsibilities under those standards. In accordance with the Code of Professional Ethics of Chinese Certified Public Accountants, we are independent of Nanjing Panda and have performed other responsibilities in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Auditors' Report (Continued)

## 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.

Key audit matters	Audit reaction
<p><b>(I) Recognition of the revenue</b></p> <p>Please Refer to Note III. (XXVIII) for the accounting standard of recognising revenue and Note V. (XXXX) for the disclosure of revenue</p> <p>For the period of 2019, the consolidated main operation revenue of Nanjing Panda is RMB4.66 billion, of which mainly is from the segment of industrial robots, intelligent factory systems engineering, intelligent transportation, intelligent building installation. The revenue also includes the sales and leasing of electronic manufacturing products, information network equipment and consumer electronics.</p> <p>The general principle for the Company to recognise revenue is: for intelligent factory system integration, intelligent transportation and building installation services, the performance obligations satisfied over time, and the Company recognises revenue via contract performance schedule and the project progress certificate is used as the basis for revenue confirmation; and for the sales of industrial robots, electronic manufacturing products, information network equipment, and electronic products, the Company recognises revenue when customers obtain control of related products. Regarding the leasing of property, estate management etc., the revenue was recognised via straight line method in accordance with the lease term in the contract.</p> <p>Since revenue is one of the key performance indicators of Nanjing Panda, there is inherent risk that management will control the timing of revenue recognition in order to achieve specific goals or expectations, so we recognise revenue recognition as a key audit matter.</p>	<p>Our audit procedures for revenue recognition are mainly:</p> <ol style="list-style-type: none"><li>1. we understood and evaluated design of the key internal control designed by management and we tested the effectiveness of implementing key controls;</li><li>2. We select the sample to review the sales contract and interview with the management. We also analyse 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><li>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 recognised revenue;</li></ol>

# Auditors' Report (Continued)

Key audit matters	Audit reaction
	<ol style="list-style-type: none"><li data-bbox="837 448 1377 754">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 recognised revenue;</li><li data-bbox="837 786 1377 935">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.</li></ol>

## Auditors' Report (Continued)

Key audit matters	Audit reaction
<p data-bbox="316 448 778 476"><b>(II) Expected credit loss of receivables</b></p> <p data-bbox="316 513 836 627">Please refer to Note III (XI) for the accounting policies on the impairment of accounts receivable. Please refer to Note V (IV) for disclosure of account receivables</p> <p data-bbox="316 664 836 810">As of December 31, 2019, the book balance of Nanjing Panda accounts receivable was 1.042 billion, and the balance of bad debt provision was 46 million. The balance of account receivables was 996 million.</p> <p data-bbox="316 847 836 1306">According to the credit risk characteristics of various accounts receivable, Nanjing Panda management measured the loss reserves based on the single accounts receivable and combined accounts receivable in the light of the expected credit loss amount in the whole accounting period. For single receivable that is accrued and have incurred credit loss, Nanjing Panda management determines the credit loss separately by estimating the expected cash flow based on the objective evidence of credit loss. In addition to separately determining the credit loss, the management adopts the aging combination method or other methods to determine the expected credit loss considering the forward-looking information and common credit risk characteristics.</p> <p data-bbox="316 1343 836 1554">The determination of the expected credit loss of accounts receivable which is important for the overall financial statements involves the management's usage of significant accounting estimates and judgments. Based on the above reasons, we consider the expected credit loss of accounts receivable as a key audit item.</p>	<p data-bbox="868 513 1401 573">Our audit procedures for the expected credit loss of receivables mainly include:</p> <ol data-bbox="868 610 1401 1580" style="list-style-type: none"><li data-bbox="868 610 1401 724">1. Understand the key internal controls related to the impairment of accounts receivable, evaluate the efficiency and effectiveness of these internal controls;</li><li data-bbox="868 761 1401 907">2. Review the subsequent reversal or actual loss of bad debt provision of receivables in previous years, and judge the accuracy of historical data estimated by Nanjing Panda management;</li><li data-bbox="868 944 1401 1090">3. Select samples for which credit loss is individually determined to review the basis and rationality of the management's assessment regarding the expected future available cash flow;</li><li data-bbox="868 1127 1401 1425">4. For those accounts receivable whose credit loss were determined by the combination method and based on the common credit risk characteristics, we examined the appropriateness of the classification of event nature and account-age by sampling. Meanwhile, we take into account the historical rate of loss and forward-looking information, to assess the rationality of the expected credit loss rate determined by the management;</li><li data-bbox="868 1461 1401 1580">5. Review if the information related to the expected credit loss of accounts receivable has been properly presented in the financial statements.</li></ol>

# Auditors' Report (Continued)

## IV. Other information

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

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

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

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

## V. Responsibilities of the management and governing bodies for the financial statements

The management of Nanjing Panda shall be responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to enable them to be fairly reflected and to design, implement and maintain the necessary internal controls so that there is no material misstatement due to fraud or error in the financial statements.

In the preparation of the financial statements, the management is responsible for assessing the Nanjing Panda's continuing operating capacity, disclosing matters relating to continuing operations (if applicable) and applying the continuing operating assumptions unless the management plans to liquidate Nanjing Panda, cease to operate or otherwise realistic choice.

The governing bodies are responsible for overseeing the financial reporting process of Nanjing Panda.

## VI. Responsibilities of CPA for the audit of the financial statements

Our objective is to obtain reasonable assurance of the financial statements as a whole whether there is a material misstatement due to fraud or error and to issue an audit report containing audit opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that audits carried out in accordance with the audit criteria will always be found in the presence of a material misstatement. Misstatements may be caused by fraud or error, and it is generally considered that the misstatement is material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also performed the following works:

- (1) to 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.

## Auditors' Report (Continued)

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- (2) to understand the internal control related to the audit to design the appropriate audit procedures.
- (3) to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management..
- (4) to draw conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Nanjing Panda to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Nanjing Panda to cease to continue as a going concern.
- (5) to evaluate the overall presentation, structure and content (including disclosure) of the financial statements and to assess whether the financial statements reflect the relevant transactions and events fairly.
- (6) to obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of the Nanjing Panda in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

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

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

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

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

Public Accountant (Project Partner):

Shanghai • China

Certified Public Accountant:

30<sup>th</sup> March 2020

# Consolidated Balance Sheet

As at 31<sup>st</sup> December 2019 (Unless otherwise stated, all amounts are denominated in RMB)

Asset	Note	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary capital	V. 1	1,053,869,767.19	1,448,751,802.35
Settlement reserve			
Due from banks and other financial institutions			
Trading financial assets	V. 2	300,469,826.49	360,000,000.00
Derivative assets			
Notes receivables	V. 3	21,780,418.49	18,467,911.00
Accounts receivables	V. 4	996,359,257.15	1,003,441,127.48
Receivables financing	V. 5	347,259,336.87	249,801,805.38
Advanced payments	V. 6	113,341,943.82	181,267,525.19
Premium receivables			
Reinsurance premium receivables			
Reserves for reinsurance contract receivables			
Other receivables	V. 7	48,020,435.60	88,573,078.94
Securities purchased under agreement to resell			
Inventories	V. 8	816,955,476.60	867,808,744.86
Contract assets	V. 9	541,978,173.94	360,753,744.24
Assets held for sale			
Non-current assets due within one year			
Other current assets	V. 10	55,089,857.84	34,724,089.13
<b>Total current assets</b>		<b>4,295,124,493.99</b>	<b>4,613,589,828.57</b>
<b>Non-current assets:</b>			
Loans and advances			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	V. 11	276,388,843.98	293,775,084.76
Other equity investments	V. 12	4,035,539.29	3,905,351.83
Other non-current financial assets			
Investment property	V. 13	21,096,325.77	19,461,979.00
Fixed assets	V. 14	1,188,174,150.27	826,049,821.47
Construction in progress	V. 15	31,407,899.18	304,808,394.92
Productive biological assets			
Oil and gas assets			
Right of use assets	V. 16	12,456,669.33	
Intangible assets	V. 17	109,121,914.00	109,121,966.50
Development expenditure			
Good will			
Long-term expenses to be amortised	V. 18	11,720,569.43	1,289,730.68
Deferred income tax assets	V. 19	15,345,449.29	12,616,866.25
Other non-current assets	V. 20	55,275,624.94	
<b>Total non-current assets</b>		<b>1,725,022,985.48</b>	<b>1,571,029,195.41</b>
<b>Total assets</b>		<b>6,020,147,479.47</b>	<b>6,184,619,023.98</b>



# Consolidated Balance Sheet (Continued)

As at 31<sup>st</sup> December 2019 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term debts	V. 21	50,000,000.00	95,000,000.00
Borrowing from central bank			
Placement from banks and other financial institutions			
Trading financial liabilities			
Derivative financial liabilities			
Notes payables	V. 22	234,736,827.23	187,360,370.61
Accounts payable	V. 23	1,628,435,817.44	1,544,459,424.66
Advanced received	V. 24	2,581,558.74	2,051,740.10
Contract liability	V. 25	160,540,186.87	221,380,505.81
Securities sold under agreement to repurchase			
Deposit and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Staff remuneration payable	V. 26	39,274,102.16	34,316,099.14
Tax payable	V. 27	21,404,214.61	185,387,137.32
Other payable	V. 28	78,425,560.86	101,554,174.51
Fees and commissions payable			
Reinsurance amount payable			
Liabilities held for sale			
Non-current liabilities due within in one year	V. 29	3,451,972.08	
Other current liabilities	V. 30	66,677,266.21	86,456,520.71
<b>Total current liabilities</b>		<b>2,285,527,506.20</b>	<b>2,457,965,972.86</b>
<b>Non-current liabilities:</b>			
Reserve insurance contract			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bond			
Lease liabilities	V. 31	8,926,407.51	
Long-term payables			
Long-term employee benefits payable	V. 32	19,767,429.75	24,722,333.29
Estimate liabilities	V. 33		2,900,000.00
Deferred income	V. 34	17,261,888.00	7,050,224.14
Deferred income tax liabilities	V. 19	107,441.42	102,132.39
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>46,063,166.68</b>	<b>34,774,689.82</b>
<b>Total liabilities</b>		<b>2,331,590,672.88</b>	<b>2,492,740,662.68</b>

## Consolidated Balance Sheet (Continued)

As at 31<sup>st</sup> December 2019 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note	Closing balance	Opening balance
<b>Owners' equity:</b>			
Paid-in-capital (share capital)	V. 35	<b>913,838,529.00</b>	913,838,529.00
Other equity instruments Including: preferred stock Perpetual bond			
Capital reserve	V. 36	<b>1,470,691,800.13</b>	1,470,691,800.13
Less: Treasury stock			
Other comprehensive income	V. 37	<b>289,154.46</b>	191,513.87
Specialised reserve			
Surplus reserve	V. 38	<b>258,647,274.54</b>	258,647,274.54
General risk reserve			
Undistributed profit	V. 39	<b>804,605,994.12</b>	825,055,181.86
<b>Equity attributable to parent company</b>		<b>3,448,072,752.25</b>	3,468,424,299.40
<b>Minority interest</b>		<b>240,484,054.34</b>	223,454,061.90
<b>Total owners' equity</b>		<b>3,688,556,806.59</b>	3,691,878,361.30
<b>Total liabilities and owners' equity</b>		<b>6,020,147,479.47</b>	6,184,619,023.98

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

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

# Balance Sheet

As at 31<sup>st</sup> December 2019 (Unless otherwise stated, all amounts are denominated in RMB)

Asset	Note	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary capital		59,376,665.62	238,805,153.90
Trading financial assets		120,011,835.62	310,000,000.00
Derivative financial assets			
Note receivables			
Accounts receivables	XVI. 1	77,883,947.57	50,707,782.74
Receivables financing	XVI.2	6,000,000.00	2,700,000.00
Advanced payment		1,623,591.01	3,768,695.26
Other receivables	XVI.3	395,937,554.47	295,423,983.44
Inventories		22,621,153.30	20,183,017.20
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		27,552,360.61	
<b>Total current assets</b>		<b>711,007,108.20</b>	<b>921,588,632.54</b>
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	XVI.4	1,710,218,840.58	1,733,874,170.35
Other equity instrument investments		4,035,539.29	3,905,351.83
Other non-current financial assets			
Investment property		159,384,219.01	176,978,570.90
Fixed assets		302,786,588.45	64,501,654.72
Construction in progress		2,319,713.81	248,705,534.64
Productive biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets		12,090,267.24	13,069,376.80
Development expenditure			
Goodwill			
Long-term expenses to be amortised		3,922,128.00	
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>2,194,757,296.38</b>	<b>2,241,034,659.24</b>
<b>Total assets</b>		<b>2,905,764,404.58</b>	<b>3,162,623,291.78</b>

## Balance Sheet (Continued)

As at 31<sup>st</sup> December 2019 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		2,525,779.62	4,827,406.90
Accounts payable		63,661,767.44	33,881,404.21
Advanced received		160,842.29	4,000.00
Contract liabilities		157,964.60	
Staff remuneration payable		2,134,066.65	2,946,015.92
Tax payable		1,685,195.08	153,711,832.83
Other payables		119,765,500.53	154,312,183.92
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities		20,535.40	
<b>Total current liabilities</b>		<b>190,111,651.61</b>	<b>349,682,843.78</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: preferred stock perpetual debt			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable		1,961,534.25	2,998,820.29
Estimate liabilities			2,900,000.00
Deferred income			
Deferred income tax liabilities		96,384.83	63,837.96
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>2,057,919.08</b>	<b>5,962,658.25</b>
<b>Total liabilities</b>		<b>192,169,570.69</b>	<b>355,645,502.03</b>

## Balance Sheet (Continued)

As at 31<sup>st</sup> December 2019 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note	Closing balance	Opening balance
<b>Owners' equity:</b>			
Paid-in capital (share capital)		913,838,529.00	913,838,529.00
Other equity instruments			
Including: preferred stock			
perpetual bond			
Capital reserve		1,434,870,834.28	1,434,870,834.28
Less: treasury shares			
Other comprehensive income		289,154.46	191,513.87
Specialised reserve			
Surplus reserve		258,647,274.54	258,647,274.54
Undistributed profit		105,949,041.61	199,429,638.06
<b>Total owners' equity</b>		<b>2,713,594,833.89</b>	<b>2,806,977,789.75</b>
<b>Total liabilities and owners' equity</b>		<b>2,905,764,404.58</b>	<b>3,162,623,291.78</b>

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

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

# Consolidated Income Statement

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

Items	Note	Current period	Preceding period
<b>I. Total operating revenue</b>		<b>4,660,047,001.92</b>	4,500,505,653.14
Including: Operating revenue	V. 40	<b>4,660,047,001.92</b>	4,500,505,653.14
Interest income			
Premium earned			
Fees and commissions income			
<b>II. Total operating cost</b>		<b>4,544,961,530.16</b>	4,331,464,986.98
Including: Operating cost	V. 40	<b>3,955,938,472.70</b>	3,777,408,587.41
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance contract reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	V. 41	<b>23,174,993.13</b>	20,600,188.85
Selling expenses	V. 42	<b>54,111,280.14</b>	56,473,519.57
Administrative expenses	V. 43	<b>270,036,371.18</b>	249,028,876.39
Research and development expenses	V. 44	<b>239,196,398.72</b>	221,663,740.72
Finance expenses	V. 45	<b>2,504,014.29</b>	6,290,074.04
Including: Interest expenses		<b>3,631,924.64</b>	3,672,880.22
Interest income		<b>13,040,696.48</b>	15,557,845.37
Add: Other incomes	V. 46	<b>22,868,902.54</b>	2,308,119.25
Investment income ("-" for losses)	V. 47	<b>60,521,783.15</b>	62,613,654.75
Including: Investment incomes in associates and joint ventures		<b>45,436,683.21</b>	46,572,091.82
Revenue from derecognition of financial assets measured at amortised cost			
Foreign exchange gains (or less: losses)			
Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for losses)	V. 48	<b>469,826.49</b>	
Credit impairment losses ("-" for losses)	V. 49	<b>-12,648,007.98</b>	-13,430,024.78
Impairment on assets ("-" for losses)	V. 50	<b>-43,308,217.26</b>	-2,209,826.72
Gains on disposal of assets ("-" for losses)	V. 51	<b>383,216.04</b>	-1,178,977.14
<b>III. Operating profit ("-" for losses)</b>		<b>143,372,974.74</b>	217,143,611.52
Add: Non-operating income	V. 52	<b>4,932,373.77</b>	37,568,414.64
Less: Non-operating expenses	V. 53	<b>895,287.76</b>	3,707,714.25
<b>IV. Profit before tax ("-" for losses)</b>		<b>147,410,060.75</b>	251,004,311.91
Less: Income tax expenses	V. 54	<b>33,724,437.23</b>	38,470,211.64
<b>V. Net profit ("-" for losses)</b>		<b>113,685,623.52</b>	212,534,100.27
(I) Classification of business operation			
1. Net profit from continuing operations ("-" for losses)		<b>113,685,623.52</b>	212,534,100.27
2. Net profit from discontinued operations ("-" for losses)			
(II) Classification of ownership			
1. Net income attributable to minority shareholders		<b>52,657,894.58</b>	161,959,568.48
2. Net income attributable to parent company owners		<b>61,027,728.94</b>	50,574,531.79

## Consolidated Income Statement (Continued)

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

Items	Note	Current period	Preceding period
<b>VI. Other comprehensive income after tax</b>		<b>97,640.59</b>	191,513.87
Other comprehensive income after tax attributable to parent company owners		<b>97,640.59</b>	191,513.87
(I) Other comprehensive income which cannot be reclassified subsequently to profit or loss		<b>97,640.59</b>	191,513.87
1. Changes in remeasurement on the net defined benefit liability/asset			
2. Other comprehensive income cannot be transferred to profit and loss under equity method			
3. Net gain on equity instruments at fair value through other comprehensive income		<b>97,640.59</b>	191,513.87
4. Fair value changes in enterprise's own credit risk			
(II) Other comprehensive income which will be reclassified subsequently to profit or loss			
1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Gains from changes in fair values (less losses) on other debt investment			
3. The amount of financial assets reclassified into other comprehensive income			
4. Other debt investment credit impairment provision			
5. Profit or loss on cash flow hedging			
6. Translation difference of financial statements in foreign currencies			
7. Others			
Other comprehensive income after tax attributable to minority shareholders			
<b>VII. Total comprehensive income</b>		<b>113,783,264.11</b>	212,725,614.14
Total comprehensive income attributed to parent company owners		<b>52,755,535.17</b>	162,151,082.35
Total comprehensive income attributable to minority shareholders		<b>61,027,728.94</b>	50,574,531.79
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share (RMB/share)		<b>0.0576</b>	0.1772
(II) Diluted earnings per share (RMB/share)		<b>0.0576</b>	0.1772

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

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

# Income Statement

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

Item	Note	Current period	Preceding period
<b>I. Operating revenue</b>	XVI 5	<b>105,540,010.24</b>	114,879,391.95
Less: Operating cost	XVI 5	<b>54,632,844.54</b>	77,946,492.16
Taxes and surcharges		<b>4,370,529.62</b>	5,310,874.73
Selling expenses		<b>3,029,059.62</b>	3,046,495.07
Administrative expenses		<b>109,484,485.89</b>	103,794,864.39
Research and development expenses		<b>37,025,842.52</b>	23,425,998.17
Financial expenses		<b>-5,794,704.52</b>	-6,358,000.30
Including: Interest expenses			
Interest income		<b>2,609,136.84</b>	3,493,091.89
Add: Other income		<b>18,910.30</b>	
Investment income ("-" for losses)	XVI 6	<b>90,960,382.95</b>	95,490,828.99
Including: Investment income in associates and joint ventures		<b>45,167,594.22</b>	45,790,347.38
Revenue from derecognised financial assets measured at amortised cost			
Net exposure hedging returns ("-" for losses)			
Gain from fair value changes ("-" for losses)		<b>11,835.62</b>	
Credit impairment losses ("-" for losses)		<b>-681,092.44</b>	14,950,459.00
Impairment on asset ("-" for losses)		<b>-13,186,312.38</b>	-282,848.12
Gain on disposal of assets ("-" for losses)			-223,732.69
<b>II. Operating profit ("-" for losses)</b>		<b>-20,084,323.38</b>	17,647,374.91
Add: non-operating profit		<b>2.17</b>	22,043,114.80
Less: non-operating expenses		<b>289,192.92</b>	3,174,110.66
<b>III. Profit before tax ("-" for losses)</b>		<b>-20,373,514.13</b>	36,516,379.05
Less: income tax expenses			
<b>IV. Net profit ("-" for losses)</b>		<b>-20,373,514.13</b>	36,516,379.05
(I) Net profit from continuing operations ("-" for losses)		<b>-20,373,514.13</b>	36,516,379.05
(II) Net profit from discontinued operations ("-" for losses)			
<b>V. Other comprehensive income after tax</b>		<b>97,640.59</b>	191,513.87



## Income Statement (Continued)

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

Item	Note	Current period	Preceding period
(I) Other comprehensive income which cannot be reclassified to profit or loss		<b>97,640.59</b>	191,513.87
1. Changes in remeasurement on the net defined benefit plans			
2. Other comprehensive income which cannot be transferred to profit and loss under equity method			
3. Changes in fair values of other equity instrument investment		<b>97,640.59</b>	191,513.87
4. Changes in fair values of enterprise's own credit risk			
(II) Other comprehensive income which will be reclassified to profit and loss			
1. Other comprehensive income which can be transferred to profit and loss under equity method			
2. Changes in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision of impairment on other debt investment credit			
5. Reserve for cash flow hedging			
6. Translation difference of financial statements in foreign currencies			
7. Others			
<b>VI. Total comprehensive income</b>		<b>-20,275,873.54</b>	36,707,892.92

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

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

# Consolidated Cash Flow Statement

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

Item	Note	Current period	Preceding period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>4,465,987,746.96</b>	4,531,140,339.58
Net increase in customer deposits and deposits with banks			
Net increase in borrowings from the central bank			
Net increase in borrowings from other financial institutions			
Cash received from premium of original insurance contract			
Net cash received from reinsurance business			
Net increase in deposit and investment of the insured			
Net Cash received from interest, handling charge and commission			
Net increase in borrowed funds			
Net increase in repurchase business funds			
Cash received from acting trading securities			
Refunds of taxes		<b>77,602,619.72</b>	90,702,248.63
Other cash receipts relating to operating activities	V.57.1	<b>193,588,491.67</b>	166,252,903.23
<b>Sub-total of cash inflows from operating activities</b>		<b>4,737,178,858.35</b>	4,788,095,491.44
Cash paid for goods and services		<b>3,902,192,914.30</b>	3,824,851,268.23
Net increase in customer loans and advances for customer			
Net increase in deposits with the central bank and other banks			
Cash paid for indemnity under the original insurance contract			
Net increase in lending funds			
Cash paid for interest, handling charge and commission			
Cash paid for policy dividend			
Cash paid to and for employees		<b>554,872,811.94</b>	511,541,677.45
Taxes paid		<b>333,710,832.18</b>	200,344,271.78
Other cash payment related to operating activities	V.57.2	<b>287,636,148.06</b>	205,795,256.41
<b>Sub-total of cash outflows from operating activities</b>		<b>5,078,412,706.48</b>	4,742,532,473.87
<b>Net Cash Flows from Investing Activities</b>		<b>-341,233,848.13</b>	45,563,017.57
<b>II. Cash Flows from Investing Activities:</b>			
Cash received from recovery of investments			8,895,569.03
Cash received from return on investments		<b>84,558,902.54</b>	73,462,367.50
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>3,596,859.22</b>	601,086.21
Net cash received from disposal of subsidiaries and other business units	V.58.3	<b>5,465,659.67</b>	
Other cash received related to investment activities	V.57.3	<b>1,656,419,000.00</b>	1,550,000,000.00
<b>Sub-total of cash inflows from investing activities</b>		<b>1,750,040,421.43</b>	1,632,959,022.74
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>197,082,427.99</b>	91,890,318.07
Cash paid for investment			
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payment related to investment activities	V.57.4	<b>1,596,419,000.00</b>	1,460,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>1,793,501,427.99</b>	1,551,890,318.07
<b>Net Cash Flows from Investing Activities</b>		<b>-43,461,006.56</b>	81,068,704.67

## Consolidated Cash Flow Statement (Continued)

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

Item	Note	Current period	Preceding period
<b>III. Cash Flows from Financing Activities:</b>			
Cash received from investors' funding			
Including: cash received from minority shareholders' investment in subsidiaries			
Cash received from borrowings		95,000,000.00	95,000,000.00
Other cash receipts relating to financing activities	V.57.5	124,394,222.30	39,198,666.76
<b>Sub-total of cash inflows from financing activities</b>		<b>219,394,222.30</b>	<b>134,198,666.76</b>
Cash paid for debt repayment		140,000,000.00	45,000,000.00
Cash paid for distribution of dividends, profits or payment or interest		118,517,590.98	111,230,033.75
Including: payments for distribution of dividends or profit to minorities of subsidiaries		42,117,860.74	43,998,639.18
Other cash payments relating to financing activities	V.57.6	4,741,839.43	285,364.09
<b>Sub-total of cash outflows from financing activities</b>		<b>263,259,430.41</b>	<b>156,515,397.84</b>
<b>Net Cash Flows from Financing Activities</b>		<b>-43,865,208.11</b>	<b>-22,316,731.08</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		-412,752.77	-3,797,914.09
<b>V. Net Increase in Cash and Cash Equivalents</b>			
		-428,972,815.57	100,517,077.07
Add: Opening balance of Cash and Cash Equivalents		1,292,114,192.80	1,191,597,115.73
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
		863,141,377.23	1,292,114,192.80

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

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

# Cash Flow Statement

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

Item	Note	Current period	Preceding period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		79,885,210.37	123,424,840.18
Refunds of taxes			
Other cash payments relating to operating activities		337,650,954.61	150,767,549.71
<b>Sub-total of cash inflows from operating activities</b>		<b>417,536,164.98</b>	274,192,389.89
Cash paid for goods and services		40,763,889.86	75,578,302.03
Cash paid to and for employees		78,093,081.74	67,662,065.27
Taxes paid		185,314,721.55	15,327,121.89
Other cash payment related to operating activities		501,692,238.90	222,611,191.81
<b>Sub-total of cash outflows from operating activities</b>		<b>805,863,932.05</b>	381,178,681.00
<b>Net Cash Flows from Investing Activities</b>		<b>-388,327,767.07</b>	-106,986,291.11
<b>II. Cash Flows from Investing Activities:</b>			
Cash received from recovery of investments		5,465,659.67	
Cash received from return on investments		115,501,039.80	122,204,799.01
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investment activities		1,160,000,000.00	1,410,000,000.00
<b>Sub-total of cash inflows from investing activities</b>		<b>1,280,966,699.47</b>	1,532,204,799.01
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		29,098,547.65	5,800,547.24
Cash paid for investment			20,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payment related to investment activities		970,000,000.00	1,270,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>999,098,547.65</b>	1,295,800,547.24
<b>Net Cash Flows from Investing Activities</b>		<b>281,868,151.82</b>	236,404,251.77

## Cash Flow Statement (Continued)

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

Item	Note	Current period	Preceding period
<b>III. Cash Flows from Financing Activities:</b>			
Cash received from investors' funding			
Cash received from borrowings			
Other cash receipts relating to financing activities			
<b>Sub-total of cash inflows from financing activities</b>			
Cash paid for debt repayment			
Cash paid for distribution of dividends, profits or payment or interest		<b>73,107,082.32</b>	63,968,697.03
Other cash payments relating to financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>73,107,082.32</b>	63,968,697.03
<b>Net Cash Flows from Financing Activities</b>		<b>-73,107,082.32</b>	-63,968,697.03
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		<b>300.14</b>	426.35
<b>V. Net Increase in Cash and Cash Equivalents</b>			
		<b>-179,566,397.43</b>	65,449,689.98
Add: Opening balance of Cash and Cash Equivalents		<b>236,485,704.31</b>	171,036,014.33
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
		<b>56,919,306.88</b>	236,485,704.31

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

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

# Consolidated statement of changes in equity

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

Items	Current period												Minority interests	Total owners' equity	
	Equity attributable to parent company														
	Share capital	Other equity instrument			Capital reserve	Less:		Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others			Total
Preference shares		Perpetual bond	Others	treasury shares		Other comprehensive									
I. Balance at the end of prior year	913,838,529.00				1,470,691,800.13		191,513.87		258,647,274.54		825,055,181.86		3,468,424,299.40	223,454,061.90	3,691,878,361.30
Add: Changes in accounting policies															
Error correction of prior period															
Business combination involving entities under common control															
Others															
II. Balance at the beginning of current year	913,838,529.00				1,470,691,800.13		191,513.87		258,647,274.54		825,055,181.86		3,468,424,299.40	223,454,061.90	3,691,878,361.30
III. Current period increase (or less: decrease)															
(I) Total comprehensive income							97,640.59				-20,449,187.74		-20,351,547.15	17,029,992.44	-3,321,554.71
(II) Capital contributed or withdrew by owners							97,640.59				52,755,535.17		52,755,535.17	61,027,728.94	113,783,264.11
1. Ordinary shares contributed by owners															
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payment included															
4. Others															
(III) Profit distribution													-73,107,082.32	-73,107,082.32	-43,997,736.50
Including: 1. Appropriation of surplus reserve															
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners															
4. Others															
(IV) Internal carry-over within equity															
1. Transfer of capital reserve to capital (or share capital)															
2. Transfer of surplus reserve to capital (or share capital)															
3. Surplus reserve to cover losses															
4. Defined benefit plan changes carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Appropriation and application of special reserve															
1. Appropriation of special reserve															
2. Application of special reserve															
(VI) Others															
IV. Balance at the end of current year	913,838,529.00				1,470,691,800.13		289,154.46		258,647,274.54		804,605,994.12		3,448,072,752.25	240,484,054.34	3,688,556,806.59

The following notes is the part of financial statement.

Legal Representative:  
Xia Dechuan

Financial controller:  
Hu Dali

Head of the financial department:  
Liu Xianfang

# Consolidated statement of changes in equity (Continued)

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

Items	Preceding period												Total	Minority interests	Total owners' equity
	Other equity instrument				Equity attributable to parent company										
	Share capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: treasury shares	Other comprehensive	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others			
I. Balance at the end of prior year	913,838,529.00				1,464,043,022.82				254,995,636.63		730,715,948.32		3,363,593,136.77	208,050,616.66	3,571,643,753.43
Add: Changes in accounting policies															
Error correction of prior period															
Business combination involving entities under common control															
Others															
II. Balance at the beginning of current year	913,838,529.00				1,464,043,022.82				254,995,636.63		730,715,948.32		3,363,593,136.77	208,050,616.66	3,571,643,753.43
III. Current period increase (or less: decrease)					6,648,777.31		191,513.87		3,651,637.91		94,339,233.54		104,831,162.63	15,403,445.24	120,234,607.87
(I) Total comprehensive income					6,648,777.31		191,513.87		3,651,637.91		94,339,233.54		104,831,162.63	15,403,445.24	120,234,607.87
(II) Capital contributed or withdrew by owners					6,648,777.31								6,648,777.31	8,827,552.63	15,476,329.94
1. Ordinary shares contributed by owners															
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payment included															
4. Others					6,648,777.31								6,648,777.31	8,827,552.63	15,476,329.94
(III) Profit distribution									3,651,637.91		-67,620,334.94		-63,968,697.03	-43,998,639.18	-107,967,336.21
Including: 1. Appropriation of surplus reserve									3,651,637.91		-3,651,637.91				
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners															
4. Others													-63,968,697.03	-43,998,639.18	-107,967,336.21
(IV) Internal carry-over within equity															
1. Transfer of capital reserve to capital (or share capital)															
2. Transfer of surplus reserve to capital (or share capital)															
3. Surplus reserve to cover losses															
4. Defined benefit plan changes carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
(V) Appropriation and application of special reserve															
1. Appropriation of special reserve															
2. Application of special reserve															
(VI) Others															
IV. Balance at the end of current year	913,838,529.00				1,470,691,800.13		191,513.87		258,647,274.54		825,055,181.86		3,468,424,299.40	223,454,061.90	3,691,878,361.30

The following notes is the part of financial statement.

*Legal Representative:*  
**Xia Dechuan**

*Financial controller:*  
**Hu Dali**

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

# Statement of changes in equity

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

Items	Current period										
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bond	Others							
I. Balance at the end of prior year	913,838,529.00			1,434,870,834.28		191,513.87		258,647,274.54	199,429,638.06	2,806,977,789.75	
Add: Changes in accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	913,838,529.00			1,434,870,834.28		191,513.87		258,647,274.54	199,429,638.06	2,806,977,789.75	
III. Current period increase (or less: decrease)											
(I) Total comprehensive income						97,640.59			-93,480,596.45	-93,480,596.45	
(II) Capital contributed or withdrew by owners						97,640.59			-20,373,514.13	-20,373,514.13	
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included											
4. Others											
(III) Profit distribution									-73,107,082.32	-73,107,082.32	
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover losses											
4. Defined benefit plan changes carried forward to retained earnings											
5. Others											
(V) Appropriation and application of special reserve											
1. Appropriation of special reserve											
2. Application of special reserve											
(VI) Others											
IV. Balance at the end of current year	913,838,529.00			1,434,870,834.28		289,154.46		258,647,274.54	105,949,041.61	2,713,594,833.89	

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

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



# Statement of changes in equity (Continued)

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

Items	Current period										
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bond	Others							
I. Balance at the end of prior year	913,838,529.00			1,434,870,834.28				254,995,636.63	230,533,593.95	2,834,238,593.86	
Add: Changes in accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	913,838,529.00			1,434,870,834.28				254,995,636.63	230,533,593.95	2,834,238,593.86	
III. Current period increase (or less: decrease)											
(I) Total comprehensive income						191,513.87		3,651,637.91	-31,103,955.89	-27,260,804.11	
(II) Capital contributed or withdrew by owners						191,513.87			36,516,379.05	36,707,892.92	
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included											
4. Others											
(III) Profit distribution								3,651,637.91	-67,620,334.94	-63,968,697.03	
1. Appropriation of surplus reserve								3,651,637.91	-3,651,637.91		
2. Appropriation of profit to owners									-63,968,697.03	-63,968,697.03	
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover losses											
4. Defined benefit plan changes carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Appropriation and application of special reserve											
1. Appropriation of special reserve											
2. Application of special reserve											
(VI) Others											
IV. Balance at the end of current year	913,838,529.00			1,434,870,834.28		191,513.87		258,647,274.54	199,429,638.06	2,806,977,789.75	

The following notes is the part of financial statement.

Legal Representative:  
**Xia Dechuan**

Financial controller:  
**Hu Dali**

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

# Notes to the 2019 Financial Statements

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

## I. Information about the company

### (I) Company profile

Nanjing Panda Electronics Company Limited (hereinafter as the “Company”) was reorganised 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 authorised to split and recombine the assets and liabilities of Company, and Panda Electronics Group Company reconfirmed the shareholding of state-owned enterprise legal person and selling H shares and A shares of the Company on 27 May 1994. According to this meeting, the net assets were adjusted to RMB322,873,348, including the registered capital of RMB322,870,000. 287,870,000 shares were held by state-owned enterprise legal person, 35,000,000 shares were held by employees and the rest of RMB3,348 was adjusted to capital reserve.

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

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

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

# Notes to the 2019 Financial Statements (Continued)

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

## I. Information about the company (Continued)

### (I) Company profile (Continued)

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

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

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

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").

# Notes to the 2019 Financial Statements (Continued)

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

## I. Information about the company (Continued)

### (I) Company profile (Continued)

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 authorised 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.

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 NEIIC, 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; NEIIC 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 NEIIC, the shares subscribed by the other eight Investors had lifted restricted conditions, and could be transferred in the share market.

# Notes to the 2019 Financial Statements (Continued)

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

## I. Information about the company (Continued)

### (I) Company profile (Continued)

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

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

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

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

By the end of 31 December 2019, the company totally issued 913,838,529 shares; registered capital is RMB913,838,529.00. Registered address is 1701, No. 301, Zhongshan East Road, Xuanwu District, Nanjing. The principal activities of the Company are the development, manufacture and sale of wireless broadcast television transmitting equipment, together with the after service and technology service; developing, manufacturing and sale of communication equipment, computer and other electronics devices; instruments, apparatus and office machine; electronic apparatus and equipment; plastic products; draught fan, weighing apparatus, package equipment and general equipment; processing equipment of chemical engineering, wood and non-metal; PTD and control equipment; environment-friendly, social public security products and etc.; financial and tax-control devices; power products; modelling; computing industry, software industry, system integration; property management; together with the after service and technology service. (As for the items approved legally, the Company can operate the business after the approval of related department). The Parent of the Company is Panda Electronics Group Co., Ltd.

The financial statements were approved for submission by the board of directors on 30th March 2020.

# Notes to the 2019 Financial Statements (Continued)

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

## I. Information about the company (Continued)

### (II) Scope of consolidated financial statements

As of December 31st, 2019, the significant subsidiaries in the company scope of consolidated financial statements are as follows:

Name of subsidiaries
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Nanjing Panda Communication Technology Co., Ltd
Shenzhen Jinghua Electronics Technology Co., Ltd.
Nanjing Panda Information Industry Co., Ltd
Nanjing Panda Electronic Manufacture Co., Ltd
Chengdu Panda Electronics Technology Co., Ltd
Nanjing Panda Electronic Equipment Co., Ltd
Nanjing Panda Industrial Enterprise Co., Ltd
Nanjing Panda Electronic Technology Development Co., Ltd
Chengdu Panda Electronics Manufacturing Co., Ltd
Galant Limited

Details of the scope of the consolidated financial statement for the period and its changes were set out in “VI. Changes in the consolidated scope” and “VII. Equity in other entities” of the note.

## II. Basis of preparation of financial statements

### (I) Preparation of basis

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

### (II) Going concern

For the reporting period and at least 12 months since the end of the reporting period, the Company’s production and operation was stable with reasonable asset and liability structure, therefore it has ability to continue as a going concern and there’s no significant risk affecting its ability to continue as a going concern.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates

Notes to specific accounting policies and accounting estimates

The following disclosures cover the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its production and operation. Please refer to the notes “III. (XI) Impairment of receivables”, “III. (XXVIII) Revenue”.

### (I) Statement of compliance of accounting standards for business enterprise

The financial statements have been prepared by the Company in conformity with the China Accounting Standards for Business Enterprises, and present truly and completely the Company's financial position, operating results and cash flow and other related information in there porting period.

### (II) Accounting period

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

### (III) Operating Cycle

The Company's operating cycle is 12 months.

### (IV) Reporting currency

The reporting currency of the Company is Renminbi (“RMB”).

### (V) Accounting treatments for business combinations involving entities under 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 recognise 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.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (V) Accounting treatments for business combinations involving entities under and not under common control (Continued)

The agency fee which incurred directly for business combination shall be recognised 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 recognised as the initial recognition amount of equity securities or debt securities.

### (VI) Preparation of consolidated financial statements

#### 1. Scope of consolidation

The scope of consolidation of the consolidated financial statements of the Company is based on controlling interests, and all the subsidiaries (including separate entities of the investee controlled by the Company) are included in the consolidated financial statements.

#### 2. Consolidation method

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 subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the date of acquisition. For subsidiaries acquired from a business combination involving entities under common control, the individual financial statements of the subsidiaries are adjusted based on 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.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where losses attributable to the minority shareholders of a subsidiary exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority shareholders interest.



# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (VI) Preparation of consolidated financial statements (Continued)

#### 2. Consolidation method (Continued)

##### (1) Acquisition of subsidiaries or business

For acquisition of subsidiaries or business due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity had been in existence since the beginning of the control by the ultimate controlling party.

An investor that may impose control over the investee under joint control due to additional investment shall be deemed a party participating in the combination, and shall be adjusted at current status when the ultimate controlling party begins the control. The equity investment held before gaining the control of the combined party is recognised as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance retained earnings or current profit or loss in the comparative reporting period.

For acquisition of subsidiaries due to business combination involving entities not under common control during the reporting period, the opening balance of consolidated balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognised as investment income in current period; if the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (VI) Preparation of consolidated financial statements (Continued)

#### 2. Consolidation method (Continued)

##### (2) Disposal of subsidiaries or business

##### i. General treatment

For disposal of subsidiaries or business during the reporting period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

Where control of the investee is lost due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets recorded from the acquisition date or combination date and the sum of goodwill, is recognised in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when control is lost, except the other comprehensive income as a result of the changes arising from the remeasurement of the net assets and net liabilities of the investee's defined benefit plan.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (VI) Preparation of consolidated financial statements (Continued)

#### 2. Consolidation method (Continued)

##### (2) Disposal of subsidiaries or business (Continued)

##### ii. Disposal of subsidiary achieved by stages

When disposal of equity interests of subsidiaries through multiple transaction until control is lost, generally transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of disposal of the subsidiary's equity interests comply with one or more of the following:

- (i) These transactions are achieved at the same time or the mutual effects on each other are considered.
- (ii) A complete set of commercial results can be achieved with reference to the series of transactions as a whole.
- (iii) Achieving a transaction depends on at least achieving of one of the other transaction.
- (iv) One transaction recognised separately is not economical, but it is economical when considered together with other transactions.

If losing control of a subsidiary in disposal of equity interests through multiple transactions is recognised as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the differences between price on each disposal and disposal of investment on the subsidiary's net assets shall be recognised in other comprehensive income in the consolidated financial statements, and included in profit or loss for the period when the control is lost

If all transactions in disposal of equity interests of subsidiaries until losing control are not a package deals, accounting treatment for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be used.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (VI) Preparation of consolidated financial statements (Continued)

#### 2. Consolidation method (Continued)

##### (3) Acquisition of minority interest of subsidiaries

The Company shall adjust the share premium in the capital reserve of the consolidated balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the parent company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination) or, adjust the retained earnings in case the share premium in the capital reserve is insufficient for write-down.

##### (4) Partial disposal of equity investment in subsidiaries without losing control

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing control and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient

### (VII) Classification of accounting method and the joint arrangements

A joint arrangement is classified as either a joint operation or a joint venture.

When the Company is a joint operator of joint arrangement, which means the Company have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognizes the following items in relation to its interest in a joint operation, and method for them in accordance with relevant accounting standards:

- (1) The Company's solely-held assets, and the Company's share of any assets held jointly;
- (2) The Company's solely-assumed liabilities, and the Company's share of any liabilities incurred jointly;
- (3) The Company's revenue from the sale of its share of the output arising from the joint operation.
- (4) The Company's share of the revenue from the sale of the output by the joint operation;
- (5) Its solely-incurred expenses and the Company's share of any expenses incurred jointly.

Please refer to Note III. (XV). 'Long-term equity investment' for details on the Company's accounting policy of joint arrangements.

# Notes to the 2019 Financial Statements (Continued)

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

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## III. Significant accounting policies, accounting estimates (Continued)

### (VIII) Determination of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognised as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change are recognised as cash equivalents.

### (IX) Foreign currency transactions and translation of foreign currency financial statements

#### 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 recognised 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 capitalised as cost of the assets

#### 2. Translation of foreign currency financial statements

All assets and liabilities items in balance sheet are translated based on spot exchange rate on the balance sheet date; owners' equity items other than "undistributed profit" are translated at a spot exchange rate when accrued. Revenue and expense items in the income statement are translated at a spot exchange rate at the transaction occurrence date.

For disposal of overseas operation, the translation difference as stated in the foreign currency financial statements relating to overseas operation, is accounted for in the profit and loss account in the current period from owners' equity items.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (X) Financial instruments

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

#### 1. Classification of the financial instruments

According to the business model of the Company's management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as: Financial assets measured at amortised cost, financial assets measured at fair value through profit or loss, and other financial assets that are measured at fair value through profit or loss. For non-trading equity instrument investments, the Company determines at the initial recognition whether it is designated as a financial asset (equity instrument) that is measured at fair value and whose changes are included in other comprehensive income. The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The goal of financial instrument is to collect the contract cash flow which merely includes the payment of the principal and the interest based on the outstanding principal amount. This financial asset shall be classified as the financial assets measured by the amortized cost. Financial assets whose business model is to receive contract cash flow and sell the financial assets, and its contract cash flow is only based on the principal and the outstanding principal amount, shall be classified as financial assets (debt instruments) measured at fair value with changes included in other comprehensive income. Other financial assets are classified as financial assets measured at fair value with changes included in current profit and loss.

For non-tradable equity instrument investment, the company determines whether to designate it as a financial asset (equity instrument) measured at fair value with its changes included in other comprehensive income at the time of initial recognition. In the initial recognition, in order to eliminate or significantly reduce accounting mismatch, financial assets can be designated as financial assets measured at fair value with changes included in current profits and losses.

Financial liabilities are classified at initial recognition as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost.

When meeting the criteria as followed, the Company may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss:

- (1) It eliminates or significantly reduces a measurement or recognition inconsistency.
- (2) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (X) Financial instruments (Continued)

#### 1. Classification of the financial instruments (Continued)

- (3) The financial liabilities conclude embedded derivatives which can be split separately.

#### 2. Recognition and measurement of financial instruments

- (1) Financial assets measured at amortised cost

Financial assets measured at amortised cost include notes receivable and accounts receivable, other receivables, long-term receivables, and debt investment, which are initially measured at fair value, and related transaction costs are included in the initial recognition amount; Accounts receivable that do not contain significant financing components and accounts receivable that the Company has decided not to consider for a financing component of no more than one year are initially measured at the contractual transaction price.

Interest calculated by the effective interest method during the period of holding is included in the current profit and loss.

When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in the current profit and loss.

- (2) Financial assets measured at fair value and whose changes are included in other comprehensive income (debt instruments)

Financial assets (debt instruments) that are measured at fair value and whose changes are included in other comprehensive income include receivables financing, other debt investments, which are initially measured at fair value, and related transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value. Changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains and losses calculated using the effective interest method.

When the recognition is terminated, the accumulated gain or loss previously recognised in other comprehensive income is transferred from other comprehensive income and recognised in profit or loss.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (X) Financial instruments (Continued)

#### 2. Recognition and measurement of financial instruments (Continued)

- (3) Financial assets measured at fair value and whose changes are included in other comprehensive income (equity instruments)

Financial assets measured by fair value and whose changes are included in other comprehensive income (equity instruments), including other equity instruments, are initially measured at fair value, and related transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value, and changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profits and losses.

When the recognition is terminated, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in retained earnings.

- (4) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include held-for-trading financial assets, derivative financial assets and other non-current financial assets, which are initially measured at fair value. The financial assets are subsequently measured at fair value, and changes in fair value are recognised in profit or loss.

- (5) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, including held-for-trading financial liabilities, derivative financial liabilities, etc., are initially measured at fair value, and related transaction expense is recognized in profit or loss. The financial liabilities are subsequently measured at fair value, and changes in fair value are recognised in profit or loss.

When the recognition is terminated, the difference between the book value and the consideration is include in the profit and loss.

- (6) Financial liabilities measured at amortised cost

Financial liabilities measured at amortized cost include short-term borrowings, bills payable and accounts payable, other payables, long-term borrowings, bonds payable, long-term payables, initially measured at fair value, and related transaction costs are included in the initial recognition amount.



# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (X) Financial instruments (Continued)

#### 2. Recognition and measurement of financial instruments (Continued)

##### (6) Financial liabilities measured at amortised cost (Continued)

Interest calculated by the effective interest method during the period of holding is included in the current profit and loss.

When the derecognition is terminated, the difference between the consideration paid and the carrying amount of the financial liability is recognized in profit or loss.

#### 3. Recognition and measurement of transfer of financial assets

A financial asset shall be derecognised while the has transferred nearly all the risks and rewards related to the ownership of the financial asset to the transferee, and it shall not be derecognised if the Group has retained nearly all the risks and rewards related to the ownerships of the financial asset.

The substance-over-form principle shall be adopted while making a judgment on whether the transfer of financial assets satisfies the above conditions for termination of recognition. The transfer of financial assets could be classified into entire transfer and partial transfer.

If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the two amounts below shall be recorded into profit or loss for the period:

- (1) The carrying amount of the financial asset transferred.
- (2) The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously recorded into the owners' equities (the transferred Financial assets are financial assets (debt instruments) measured at fair value with changes included in other comprehensive income).

If the partial transfer of financial assets satisfies the conditions for termination of recognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognised part and the remaining part, and the difference between the two amounts below shall be recorded into profit or loss for the current period:

- (1) The carrying amount of the derecognised portion;
- (2) The sum of consideration of the derecognised portion and the corresponding portion of accumulated change in fair value previously recorded into owners' equity (in cases where the transferred financial assets are available for-sale financial assets).

Financial assets will still be recognised if they fail to satisfy the conditions for termination of recognition, with the consideration received recognised as a financial liability.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (X) Financial instruments (Continued)

#### 4. Conditions for de-recognition of financial liabilities

When the current obligation under a financial liability is completely or partially discharged, the whole or relevant portion of the liability is derecognised; an agreement is entered between the Group and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

If all or part of the contract terms of the original financial liabilities are substantially amended, the original financial liabilities will be derecognised in full or in part, and the financial liabilities whose terms have been amended shall be recognised as a new financial liability.

When financial liabilities is derecognised in full or in part, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the current period.

Where the Company repurchases part of its financial liabilities, the carrying amount of such financial liabilities will be allocated according to the relative fair value between the continued recognised part and derecognised part on the repurchase date. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the current period.

#### 5. Method of determining the fair values of financial assets and liabilities

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Company uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (X) Financial instruments (Continued)

#### 6. Testing method and accounting for impairment of financial assets

The Company considers all reasonable and evidenced information, including forward-looking information, to estimate the expected credit losses of financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income, either individually or in combination. The measurement of expected credit losses depends on whether the financial assets have increased significantly since the initial recognition.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depreciated by the Company or purchased by the Company shall be discounted according to the actual interest rate adjusted by the financial assets.

If there is objective evidence that a financial asset has suffered credit impairment, the company shall make provision for impairment of the financial asset on a single basis.

For accounts receivable and contract assets, regardless of whether they contain significant financing elements or not, the company always measures its loss reserves in accordance with the amount equivalent to the expected credit loss in the whole duration.

For lease receivables and long-term receivables formed by the company through the sale of goods or the provision of services, the company always chooses to measure its loss reserves in accordance with the amount equivalent to the expected credit loss in the whole duration.

### (XI) Impairment of receivables

Receivables of the company mainly include receivables, notes receivable, receivables financing, contract assets, other receivables and long-term receivables. If there is objective evidence on the balance sheet date that accounts receivable is impaired, the Company recognises the impairment loss based on the difference between the carrying amount and the present value of estimated future cash flows.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XI) Impairment of receivables (Continued)

#### 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.

- (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 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XI) Impairment of receivables (Continued)

#### 1. Accounts receivable and notes receivable (Continued)

##### (2) Receivables accruing bad debt provision in credit risk characteristic portfolio (Continued)

The Company combines the portfolio of accounts receivables with similar credit risk characteristics and the Company estimates the proportion of accruing bad debt provision based on all reasonable and evidenced information, including forward-looking information:

Aging	Proportion (%)
0-6 months	0
7-12 months	5
1-2 years	10
2-3 years	15
3-4 years	30
4-5 years	50
Over 5 years	100

In the portfolio, other methods are used to accrual provision for bad debts:

When there is objective evidence that the Company will not be able to recover all the amount in accordance with the original terms of the receivables, the impairment test is carried out separately and the provision for bad debts is made based on the difference between the present value of its future cash flow and its book value.

#### 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 "III. (X) 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.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XI) Impairment of receivables (Continued)

#### 2. Receivable financing (Continued)

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 notes receivable and accounts receivable divided into combinations, the impairment loss measurement method of the aforesaid accounts receivable shall be applied.

#### 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.

#### 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.

### (XII) Inventories

#### 1. Category of inventory

Inventories include raw materials, work in progress, turnover materials, goods in process, commissioned processing materials, cost of contract performance and so on.

#### 2. Determination of cost

Cost of inventories is determined using the weighted average method.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XII) Inventories (Continued)

#### 3. Basis for the determination of net realisable value and different type of inventories

Net realisable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated sales less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realisable value of inventories held for execution of sales contracts or labour contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realisable value of the exceeding part shall be calculated on the ground of general selling price.

Decline in value of inventories is made on an item-by item basis at the end of the period. For large quantity and low value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

Unless there is evidence clearly shows that abnormality in market price exists as of the balance sheet date, the net realisable value of inventories is determined based on the market price as of the balance sheet date.

The net realisable value of inventories at the end of current period is determined based on the market price of the balance sheet date.

#### 4. Inventory system

The perpetual inventory system is adopted.

#### 5. Amortisation of low-value consumables and packaging materials

- (1) Low-value consumables are amortised using the immediate write-off method.
- (2) Packaging materials are amortised using the immediate write-off method.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XIII) Contract assets

#### 1. Recognition methods and standards of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The right (the right is determined by other factors except times) to collect consideration on account of has transferred the goods or provided services to customers is listed as contract assets. Contract assets and liabilities under the same contract are presented in net amount

#### 2. Recognition and accounting treatment of expected credit loss of contract assets

For the recognition and accounting treatment of expected credit loss of contract assets, please refer to “(X) 6. Testing method and accounting for impairment of financial assets”.

### (XIV) Assets held-for-sale

The Company recognises component (or non-current assets) which meet the following conditions as assets held for sale:

- (1) The component must be under the current conditions only according to the usual terms of the sale of such part, then sell immediately;
- (2) The assets are highly likely to be sold, that is to say, the Company has been offered a resolution with disposition of the assets. The Company has entered into agreement on irrevocable transfer with the transferee and the transfer will be completed within 1 year. If regulation needs to be approved by shareholders, it has approved by the general meeting of shareholders or relevant authority;

### (XV) Long-term equity investments

#### 1. Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. The Company together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is 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, the formulation of such policies with other parties. Where the Company can exercise significant influence over the investee, the investee is an associate of the Company.



# Notes to the 2019 Financial Statements (Continued)

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

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## III. Significant accounting policies, accounting estimates (Continued)

### (XV) Long-term equity investments (Continued)

#### 2. Determination of initial investment cost

##### (1) Long-term equity investments formed through business combination of entities

For business combinations involving entities under common control: where the Company pays cash, transfers non-cash assets, bears debts or issues equity securities as consideration of combinations, the initial investment cost of long-term equity investments are the share with reference to the book value of the shareholders' equity of the acquiree in the financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of carrying amounts in the consolidated financial statement of the ultimate controlling party by net assets of the combined party after the combination. The difference between initial investment cost and the carrying value of long term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

Business combinations involving entities not under common control: the cost of the combination ascertained on the date of acquisition shall be taken as the initial investment cost of the long-term equity investments. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

##### (2) Long-term equity investments acquired by other means

The initial cost of investment of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid.

The initial cost of investment of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XV) Long-term equity investments (Continued)

#### 2. Determination of initial investment cost (Continued)

##### (2) Long-term equity investments acquired by other means (Continued)

If the non-monetary assets transaction has commercial nature and the fair value of the assets received or surrendered can be reliably measured, the fair value is considered as the basic measurement. If the fair value of the assets received or surrendered can be reliably measured, initial cost of investment of a long-term equity investment received shall be determined on the basis of the fair value of the assets surrendered and the related tax payable, unless there are concrete evidence that the fair value of the assets received is more reliable. For non-monetary assets transaction in which assets received or surrendered cannot be reliably measured, the initial cost of investment of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable.

The initial cost of investment of a long-term equity investment obtained by the company through debt restructurings shall be ascertained based on other costs such as the fair value of the surrendered creditor's rights and taxes directly attributable to the asset. And the difference between the fair value and carrying value of the surrendered creditor's rights is included in current profit and loss.

#### 3. Subsequent measurement and recognition of profit or loss

##### (1) Long-term equity investment accounted for by cost method

Long-term equity investment in subsidiaries of the Company is accounted for by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognised as the Company' shares of the cash dividends or profits declared by the investee.

##### (2) Long-term equity investment accounted for by equity method

Long-term equity investments of associates and jointly controlled entities are accounted for using equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XV) Long-term equity investments (Continued)

3. Subsequent measurement and recognition of profit or loss (Continued)
  - (2) Long-term equity investment accounted for by equity method (Continued)

The Company recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realised by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments; The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Company, adjustment shall be made to the net profit of the investee. During the period of holding investments, when preparing consolidated financial statements by the investee, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner's equity in the consolidated financial statements.

The unrealised profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in portion to the investor's equity interest of investee, based on which investment income or loss shall be recognised. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognised. Transactions of the assets casted and sold that are able to constitute an agreement between the Company and associates, joint venture shall be dealt with in accordance with Note "III.(V) Accounting method for business combination involving enterprises under common control and not under common control" and Note III(VI)" Preparation of consolidated financial statements".

In recognition of share of losses in the investee, the Company treats it in the following order: Firstly, the Company will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognised based on the obligations which are expected to assume and included in the investment loss for the current period.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XV) Long-term equity investments (Continued)

#### 3. Subsequent measurement and recognition of profit or loss (Continued)

##### (3) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included in the current profit or loss.

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognised due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into the current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

When the Group loses the controls or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognised in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognised due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

When the Group loses the controls over the investee due to partially disposal of equity investment and other reasons, the remaining equities after disposal shall be accounted for under equity method in preparation of individual financial statements provided that common control or material influence over the investee can be imposed, and shall be adjusted as if such remaining equities has been accounted for under the equity method since they are obtained. Where the remaining equities after disposal cannot impose common control or material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in the current profit or loss.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XV) Long-term equity investments (Continued)

3. Subsequent measurement and recognition of profit or loss (Continued)
  - (3) Disposal of long-term equity investments (Continued)

The disposed equity interest was acquired in a business combination as resulted from such as making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity recognised when the equity interests held on the acquisition date is accounted for using equity method and shall be transferred on pro rata basis; For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

### (XVI) Investment property

Investment property is held to earn rentals or for capital appreciation or both which include leased land use rights; land use rights held for sale after appreciation; leased buildings (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

The Company's existing investment property is measured at cost. Investment property measured at cost — buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

### (XVII) Fixed assets

1. Conditions for recognition 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 recognised when it meets the following conditions:

- (1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) Its cost can be reliably measured.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XVII) Fixed assets (Continued)

#### 2. Method for depreciation

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				

#### 3. Recognition basis and measurement method of fixed assets under finance lease (applicable before January 1, 2019)

Where any one of the following conditions is provided in the lease agreement between the Company and the lesser, assets under finance lease will be recognised:

- (1) upon the expiry of lease, the ownership of the leased asset is transferred to the Company;
- (2) the Company has the option to purchase the leased asset, the purchase consideration entered into is expected to be far less than the fair value of the leased asset upon the exercise of the option;
- (3) the lease term accounts for the majority of the useful life of the leased asset;
- (4) the present value of the minimum lease payment upon the commencement of the lease is substantially the same as the fair value of the leased asset.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XVII) Fixed assets (Continued)

3. Recognition basis and measurement method of fixed assets under finance lease (applicable before January 1, 2019) (Continued)

On the commencement of the lease, the leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognised finance charge.

### (XVIII) Construction in progress

Criteria and time point for construction in progress being transferred to the fixed asset  
Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to depreciation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

### (XIX) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs refers to the borrowing interests, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalized and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalisation are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XIX) Borrowing costs (Continued)

#### 1. Criteria for recognition of capitalised borrowing costs (Continued)

Capitalisation of borrowing costs begins when the following three conditions are fully satisfied:

- (1) expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalisation) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

#### 2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalisation of borrowing costs, excluding the period in which capitalisation of borrowing costs is temporarily suspended.

Capitalisation of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalisation of borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

#### 3. Suspension of capitalisation period

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognised as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalisation of borrowing costs commences.



# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XIX) Borrowing costs (Continued)

#### 4. Calculation of capitalisation rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalisation, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

General borrowings for the acquisition, construction or production of assets qualified for capitalisation, the to-be-capitalized amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalisation rate of the general borrowing used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

### (XX) Intangible assets

#### 1. Valuation method of intangible assets

##### (1) Intangible assets are initially measured at cost upon acquisition

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions, it has financing nature in effect and the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring shall be recorded at the fair value of the surrendered creditor's rights and other costs directly attributable to the taxes and putting the assets into the condition for its intended use, and the difference between the fair value of the surrendered creditor's rights and the book value shall be included in the current profit and loss.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the fair value is considered as the basic measurement. If the fair value of the assets received or surrendered can be reliably measured, initial cost of investment of an intangible asset received shall be determined on the basis of the fair value of the surrendered assets and the related tax payable, unless there are concrete evidence that the fair value of the assets received is more reliable. For non-monetary assets transaction which has commercial nature or in which assets received or surrendered cannot be reliably measured or has no commercial nature, the initial cost of investment of an intangible received shall be the book value of the assets surrendered and the relevant taxes payable.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XX) Intangible assets (Continued)

1. Valuation method of intangible assets (Continued)

(2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition. As for intangible assets with a finite useful life, they are amortized using the straight-line method over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortised.

2. Estimated useful lives for the intangible assets with finite useful life:

Item	Estimated useful lives (year(s))	Amortisation 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. The judgment basis and review procedure of intangible assets with uncertain useful life

At the end of each period, review the useful life of intangible assets with uncertain useful life.

4. Specific criteria for the division of research phase and development phase

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially improved materials, devices, products, etc.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XX) Intangible assets (Continued)

5. Specific criteria for capitalisation at development phase.

Expenses arising from development phase and fulfil all following criteria shall be recognised as intangible assets.

- 1) It is technically feasible to complete the intangible assets so that they can be used or sold.
- 2) The management has the intention to complete the intangible assets and use or sell them.
- 3) It can be proven that the intangible assets will generate economic benefits.
- 4) Company has sufficient technical, financial and other resources support to complete the development of the intangible assets, thereafter, has the ability to use it or sell it.
- 5) The expenditure attributable to the development stage of the intangible assets can be reliably measured.

Expenditures in the development stage that do not satisfy the above criteria shall be included in the current profit and loss as incurred. The development expenditure that has been included in the profit and loss in the earlier period shall not be recognized as assets in the later period. The capitalized expenditure in the development stage is listed as the development expenditure on the balance sheet, and is transferred to intangible assets from the date when the project reaches the expected usable state.

When the recoverable amount of development expenditure is lower than its book value, the book value is written down to the recoverable amount.

### (XXI) 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 recognised 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 recognised 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 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXI) 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 recognised, it will not be reversed in the subsequent accounting periods.

### (XXII) Long-term expenses to be amortised

Long-term expenses to be amortised are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods.

The long-term expenses to be amortised of the Company take the price according to the actual cost and average amortization based on the expected benefit period, for the Long-term expenses to be amortised which cannot make the benefit of the future accounting period, in the determination of the project's amortised value shall be included in the current profit and loss.

### (XXIII) 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 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXIV) Employee Remuneration

#### 1. Method of accounting treatment for short-term remuneration

During the accounting period when the staff provides service, the Company will recognize the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

The Company will pay social insurance and housing funds, and will make provision of trade union funds and staff education costs in accordance with the requirements. During the accounting period when the staff provides service, the Group will determine the relevant amount of employee benefits in accordance with the required provision basis and provision ratios.

Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

#### 2. Method of accounting treatment for retirement benefit plan

##### (1) Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognised as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

In addition to basic pension insurance, the company also established the enterprise annuity payment system enterprise annuity scheme according to relevant policy of national enterprise annuity system. The Company makes payment to local social insurance agencies based on a certain proportion of total staff remunerations. Corresponding expenditure is included in the profit or loss for the current period or costs of related assets.

##### (2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognised as net liabilities or net assets. When the defined benefit scheme has surplus, the company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXIV) Employee Remuneration (Continued)

#### 2. Method of accounting treatment for retirement benefit plan (Continued)

##### (2) Defined benefit scheme (Continued)

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, were discounted based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged into the current profits and loss or relevant costs of assets. The changes generated from the re-calculation of the net liabilities or net assets of the defined benefit scheme would be included in the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period. When the defined benefit scheme is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

#### 3. Method of accounting treatment for termination benefits

The Company will pay termination benefits when the group can no longer withdraw the offer of termination plan or layoff proposal or when the Group recognizes costs for restructuring which involving the payment of termination benefits (whichever the earliest). The remuneration incurred by the termination benefits will be recognised as liabilities which would be charged into current profits and loss.

### (XXV) Estimated liabilities

#### 1. Recognition criteria for estimated liabilities

The Company shall recognise the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, restructuring as estimated liabilities, when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the group;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

# Notes to the 2019 Financial Statements (Continued)

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

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## III. Significant accounting policies, accounting estimates (Continued)

### (XXV) Estimated liabilities (Continued)

#### 2. Method of measuring the various estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognised as an asset when it is virtually certain that the reimbursement will be received. The amount recognised for the reimbursement is limited to the carrying amount of the liability recognised.

### (XXVI) Share-based payment

The Company's share-based payment represents transactions in which the Company receives services from employee by granting equity instruments or incurring liabilities that are based on the price of the equity instruments to the employee or other suppliers. The Company's share-based payments included equity-settled share-based payments and cash-settled share-based payments.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXVI) Share-based payment (Continued)

#### 1. Equity-settled share-based payment and equity instrument

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the Company make the share-based payment by restricted shares, employees will subscribe the share but those shares shall not be listed on the market or transferred before it fulfill the unlocking condition and unlocked. If the unlocking conditions stipulated in the equity incentive scheme cannot be fulfilled eventually, the Company will repurchase those shares based on the predetermined price. Upon obtaining the payment for subscribing restricted shares made by the employees, the Company will recognized the share capital and capital reserve (share capital premium) according to the payment it received, while fully recognize a liability for its repurchasing obligation as well as its treasury shares. On each balance sheet date within the vesting period, the Company will make the best estimation of the number of vested equity instruments based on the subsequent information such as the updated changes in the number of executives and the achievement of performance standard. Based on the above results, the services received in the current period will be included in the relevant cost or expense based on the fair value on the date of grant, and the capital reserve will be increased accordingly. The recognized cost or expense and owners' interest will not be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant will be included in the relevant cost or expense based on its fair value on the date of grant, and the capital reserve will be increased accordingly.

For the share-based payments that are not vested eventually, no cost or expense will be recognised, except the vesting condition is market condition or non-exercisable condition. Under such circumstances, no matter whether the market condition or non-exercisable condition can be fulfilled, the share-based payment will be deemed as vested as long as all the non-market conditions in the vesting condition are fulfilled.

If the terms of the equity-settled share-based payment are amended, the Company shall recognize the services received at least based on the situation before the amendment was made. In addition, any amendment resulting in the increase of the fair value of the equity instrument granted or changes that are beneficial to the staff on the amendment date, will be recognised as an increase in the service received.

If the equity-settled share-based payment is cancelled, it will be accounted for as accelerated exercise on the cancellation date and the unrecognised amount will be recognized immediately. Employees and other parties are able to satisfy the non-vesting conditions. If the conditions are not fulfilled during the vesting period, the equity settled share-based payment will be deemed as cancelled. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to cancelled equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument.



# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXVI) Share-based payment (Continued)

#### 2. Cash-settled share-based payments and equity instrument

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 Group. It is initially measured at fair value on the date of grant, taking account into the terms and conditions of the equity instrument granted. If the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured and the changes will be included in the profit or loss for the current period.

### (XXVII) Preference shares, perpetual bonds and other financial instruments

The company classifies the issued preference shares/perpetual bonds as financial assets, financial liabilities or equity instruments upon initial recognition in accordance with the terms of the contract and the economic substance reflected therein rather than in legal form only.

Financial instruments such as perpetual bonds/preference shares issued by the company meet one of the following conditions, shall be classified as financial liabilities as a whole or its components at initial recognition:

- (1) The company cannot unconditionally avoid contractual obligations performing by delivering cash or other financial assets;
- (2) Contract obligations including delivery of variable number of own equity instruments for settlement;
- (3) It includes derivative instruments (such as equity transfer, etc.) that are settled by their own equity, and the derivative instruments can not exchange fixed amount of cash or other financial assets with fixed amount of their own equity instruments for settlement;
- (4) There are contract terms that indirectly form contractual obligations;
- (5) When the issuer liquidates, the perpetual bonds are in the same order as the ordinary bonds and other debts issued by the issuer.

Financial instruments such as perpetual bonds/preference shares that do not meet any of the above conditions shall be classified as equity instruments at initial recognition.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXVIII) Revenue

#### 1. Principle of recognition of revenue

The Company shall determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If one of the following criteria is met, the Company satisfy a performance obligation over time, the performance obligation is satisfied at a point in time:

- (1) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Company performs;
- (2) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- (3) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The Company may not be able to reasonably measure the outcome of a performance obligation, but the entity expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the entity shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The Company shall recognise revenue when the Company satisfies a performance obligation at a point in time by transferring a promised good or service to a customer and customer obtains control of a promised asset. The Company shall consider indicators of the transfer of control, which include the following:

- (1) The Company has a present right to receive the payment, i.e. a customer has a present right to payment for the asset;
- (2) The Company has transferred the legal title of the goods to the customer, i.e. the customer already owns the legal title of the goods.
- (3) The Company has transferred physical possession of the asset, i.e. the customer has possessed the goods;
- (4) The Company has transferred significant risks and rewards of ownership of an asset to the customer, i.e. the customer has the significant risks and rewards of ownership of the asset;
- (5) The customer has accepted the goods;
- (6) Other indications that the customer has obtained control of goods.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXVIII) Revenue (Continued)

#### 2. Principle of measurement of revenue

- (1) The Company measure revenue through allocating the transaction price to each performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (2) If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration by using either of the expected value or the most likely amount. But the transaction price which concludes the variable consideration does not exceed the amount that the accumulative recognised income is unlikely to undergo a major reversal when the relevant uncertainty is eliminated.
- (3) Where there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable in cash when it is assumed that the customer has taken the control of goods or services. The difference between the transaction price and the contract consideration is amortised using the effective interest method during the contract period. On the contract start date, the Company does not consider the major financing components in the contract when it expects that the difference between customer taking control of the purchase of goods or services and the payment of the customer price is not more than one year.
- (4) Where the contract includes two or more performance obligations, the Company shall amortise the transaction price to each individual performance obligation on the contract start date in line with the relative proportion of the individual selling prices of the goods.

#### 3. Specific circumstances of revenue recognition

- (1) Revenue recognition at a point in time

The sales of industrial robots, electronic manufacturing products, information network equipment and electronic products and etc. are performance obligations fulfilled at a point in time to recognize revenue. The recognition of the revenue of domestic products should meet the following conditions: the company has delivered the products to the customer based on contract and the customer has accepted the goods; the payment has been recovered or the receipt of goods has been obtained; the relevant economic benefits are likely to flow in; the main risk of ownership of the goods has been transferred, and the legal title of the goods has been transferred. The recognition of the revenue of the exported products should meet the following conditions: the company has declared the goods according to the contract, obtained the bill of lading, has recovered the payment or obtained the receipt certificate and the relevant economic benefits are likely to flow in, and the main risks and rewards of the ownership of the goods have been transferred. The legal title of the goods has been transferred.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXVIII) Revenue (Continued)

#### 3. Specific circumstances of revenue recognition (Continued)

##### (2) Revenue recognition over time

For the service of providing intelligent factory system integration, intelligent transportation and building installation, the Company recognise revenue over time because the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs obligation performance and the Company has the right to ask for payment for the part of the performance that has been completed so far throughout the contract period, unless the performance of the performance cannot be reasonably determined. The Company determines the progress of the performance of the service in accordance with the output method. If the performance of the Company is expected to be compensated if the performance cannot be reasonably determined, the revenue will be recognised according to the amount of cost incurred, until the performance of the performance can be reasonably determined.

##### (3) others

Others are applicable to rent leasing, property management, etc. Revenue shall be recognized according to the straight line method during the lease period stipulated in the contract.

### (XXIX) Contract costs

Contract costs are divided into contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract are recognised as an asset as contract performance costs when the following conditions are met:

- (1) This cost is directly related to a current or expected contract.
- (2) This cost increases the resources of the company to fulfill its performance obligations in the future.
- (3) The cost is expected to be recovered.

The Company shall recognise as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs.

Assets related to the cost of the contract are amortized on the same basis as the revenue recognition of the goods or services related to the asset; however, if the amortization period of the contract acquisition cost is less than one year, the Company will account for the current profits and losses when incurred.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXIX) Contract costs (Continued)

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

- (1) The remaining price expected to be obtained by the transfer of goods or services related to the asset;
- (2) Estimate costs that will occur in order to transfer the relevant goods or services.

If the above-mentioned asset impairment provision is reversed, the book value of the transferred asset shall not exceed the book value of the asset on the reversal date without presuming the provision for impairment.

### (XXX) Government grant

#### 1. Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the company at no consideration and are classified into government grant related to asset and government grant related to income.

Government grants related to assets is obtained by the Company for the purposes of constructing or forming long-term assets in other ways including funds allocation for purchase of fixed assets or intangible assets, financial discount of special loans for fixed assets. Government grants related to revenue refer to the government grants other than those related to assets.

#### 2. Recognition time point

Government grants related to revenue is recognised when the grant is received;

#### 3. Accounting treatment

Government grants related to assets should be presented as deferred income. Government grants are recognised in profit or loss on a systematic basis over the periods (recognised as other income when related to operating activities; and recognised as non-operating income when not related to operating activities).

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognised as deferred income, and recognised as other income for daily operating activities and non-operating income for non-operating activities over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred by the Company, the grant shall be recognised immediately in profit or loss for the current period, alternatively, they are deducted in reporting the related expense.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXX) Government grant (Continued)

#### 3. Accounting treatment (Continued)

The Company receives the loan interest with policy reference and treats in different ways in accordance with two situations below:

- (1) 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.
- (2) If the interest grants paid directly to the Company, the Company will deduct the interest grants from borrowing costs.

### (XXXI) Deferred income tax assets and liabilities

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognised to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save as the exceptions, deferred income tax liabilities shall be recognised for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Group, at the same time, the net amount after offsetting its current income tax assets and current income tax liabilities shall be recorded.

The group was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Group records the net amount after offsetting its current income tax assets and current income tax liabilities.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXII) Leases

Accounting policy applicable after January 1st, 2019

Lease refers to a contract in which the lessor transfers the right to use the assets to the lessee for consideration within a certain period.

On the contract commencement date, the company evaluates whether the contract is a lease or includes a lease. If a party of a contract transfers the right to control the use of one or more identified assets for a certain period in exchange for consideration, the contract is a lease or includes a lease.

If the contract includes multiple separate leases at the same time, the lessee and the lessor shall separate the contract and conduct accounting treatment for each separate lease. If the contract includes both lease and non-lease parts, the lessee and the lessor shall separate the lease and non-lease parts.

#### 1. The company as lessee

##### (1) right of use asset

At the beginning of the lease term, the company recognizes the right of use assets for leases other than short-term leases and low value asset leases. The right of use assets are initially measured at cost. This cost includes:

- The initial measurement amount of the lease liability:

Amount of lease payment paid on or before the lease term, if there is lease incentive, the relevant amount of the enjoyed lease incentive shall be deducted.

- Initial direct expenses incurred by the company:

The estimated cost incurred by the company to dismantle and remove the leased assets, restore the site where the leased assets are located or restore the leased assets to the status which agreed in the lease terms. The company shall recognize and measure the cost in accordance with the recognition standards and measurement methods described in "III. (XXV) estimated liabilities" in this note. The cost is included in the inventory cost incurred for the production of inventory.

The company adopts the average life method to accrue depreciation for the right of use assets. If the company can reasonably identify the ownership of the leased asset at the end of the lease term, the right of use asset shall be depreciated within the remaining useful life of the leased asset; if the company cannot reasonably identify the ownership of the leased asset at the end of the lease term, the depreciation shall be accrued within the shorter one of the lease term or the remaining use life of the leased asset.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXII) Leases (Continued)

Accounting policy applicable after January 1st, 2019 (Continued)

1. The company as lessee (Continued)

(2) Lease liability

At the beginning of the lease term, the company recognizes lease liabilities for leases other than short-term leases and low value asset leases. Lease liabilities are initially measured at the present value of the unpaid lease payments. Lease payments include:

- Fixed payment amount (including actual fixed payment amount), if there is lease incentive, deduct the relevant amount of lease incentive.
- Variable lease payments depending on index or ratio.
- The estimated amount to be paid according to the guarantee residual value provided by the company.
- The exercise price of the purchase option, provided that the company reasonably determines that it will exercise the option.
- The payment to be paid for the exercise of the option to terminate the lease, provided that the lease term reflects that the company will exercise the option to terminate the lease.

The company adopts the implicit interest rate in lease as the discount rate, but if the interest rate implicit in lease cannot be reasonably determined, the incremental borrowing interest rate of the company shall be used as the discount rate.

The company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate and includes it in the current profit and loss or related asset cost.

The variable lease payments excluded from the measurement of lease liabilities shall be included in the current profit and loss or relevant asset costs when they are actually incurred.

After the commencement date of the lease term, in case of any of the following circumstances, the company shall remeasure the lease liabilities according to the present value of the changed lease payments.

- Changes in the expected amount payable according to the guarantee residual value.
- Changes in the index or ratio used to determine the amount of lease payments.



# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXII) Leases (Continued)

Accounting policy applicable after January 1st, 2019 (Continued)

1. The company as lessee (Continued)

(2) Lease liability (Continued)

- The company's evaluation results of purchase option, renewal option or termination option have changed, or the actual exercise of renewal option or termination option is inconsistent with the original evaluation results.

When remeasuring the lease liabilities, the company shall adjust the book value of the right of use assets accordingly. If the book value of the right to use asset has been reduced to zero, but the lease liability still needs to be further reduced, the company shall record the remaining amount into the current profit and loss.

(3) Short-term lease and low value asset lease

The company chooses not to recognize the right of use assets or lease liabilities for short-term lease or low-value asset lease, and records the relevant lease payments into the current profit and loss or relevant asset costs according to the straight-line method in each period of the lease term. Short term lease refers to the lease with a lease term of no more than 12 months and no purchase option at the beginning of the lease term. Low value asset leasing refers to the leasing with lower value when the single leased asset is a new asset. If the company subleases or expects to sublease the leased assets, the original lease is not a low value asset lease.

(4) Change of lease

If the lease changes and meets the following conditions at the same time, the company will treat the lease change as a separate lease for accounting treatment:

- The lease change expands the lease scope by adding the one or more right of use assets.
- The increased consideration is equivalent to the adjusted amount of individual prices which adjusted according to the conditions of the contract for the expansion of the lease scope.

If the lease change is not deemed as a separate lease, on the effective date of the lease change, the company shall redistribute the consideration of the changed contract, redetermine the lease term, and remeasure the lease liability according to the present value of the changed lease payment and the revised discount rate.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXII) Leases (Continued)

Accounting policy applicable after January 1st, 2019 (Continued)

#### 2. The company as lessor

On the lease commencement date, the company divides the lease into financial lease and operating lease. Financial leasing refers to the leasing that transfers almost all the risks and returns related to the ownership of the leased asset, regardless of whether the ownership is ultimately transferred or not. The term "operating lease" refers to a lease other than a financial lease. When the company is the sublessee, the sublease is classified based on the use right assets generated from the original lease contract.

##### (1) Accounting for operating lease

The lease receipts of operating leases are recognized as rental income according to the straight-line method in each period of the lease term. The company capitalizes the initial direct expenses related to operating lease and amortizes them into the current profit and loss according to the same basis as the recognition of rental income during the lease term. The variable lease payments excluded from the lease receipts shall be included in the current profits and losses when they are actually incurred.

##### (2) Accounting for financial lease

On the lease commencement date, the company recognizes the financial lease receivable and derecognizes the financial lease assets. The net investment in the lease is taken as the entry value of the financial lease receivable as the company initially measures the financial lease receivable. The net investment in a lease is the sum of the present value of the unguaranteed residual value and unreceived lease receipts at the beginning of the lease term, discounted at the interest rate implicit in lease.

The company calculates and recognizes the interest income of each period in the lease term according to the fixed periodic interest rate. The derecognition and impairment of financial lease receivables shall be accounted for in accordance with "III. (X) financial instruments" in this note.

The variable lease payments excluded from the measurement of net investment in lease shall be included in the current profit and loss when they are actually incurred.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXII) Leases (Continued)

Accounting policy applicable after January 1st, 2019 (Continued)

#### 3. Sale-leaseback transaction

The company assesses and determines whether the asset transfer in the sale-leaseback transaction accounts for the sale according to the principle of "III. (XXVIII) income" in the note.

##### (1) The company as lessee

If the asset transfer in the sale-leaseback transaction accounts for the sales, the company, as the lessee, measures the right of use assets according to the book value of the original assets regarding the right of use obtained by the leaseback, and only recognizes the relevant gains or losses for the right transferred to the lessor. If the asset transfer in the sale-leaseback transaction does not account for the sales, the company, as the lessee, continues to recognise the transferred assets and recognise a financial liability whose amount equal to the transferred income at the same time. For the accounting treatment of financial liabilities, please refer to "III. (X) financial instruments" in this note.

##### (2) The company as a lessor

If the asset transfer in the sale-leaseback transaction is considered as sales, the company, as the lessor, shall record the asset purchase and the asset lease in accordance with the aforesaid "(2) The company, as the lessor". If the asset transfer in the sale-leaseback transaction is not considered as sales, the company, as the lessor, shall not recognize the transferred asset, but recognize an equal amount in financial assets. For the accounting treatment of financial assets, please refer to "III. (X) financial instruments" in this note.

Accounting policies applicable before January 1st, 2019

#### 4. Accounting of operating lease

- (1) As the lessee of operating leases, rental payments under operating leases are recognised as costs or expenses on a straight line basis over the lease term (including rent free periods). Initial direct costs that are attributable to an operating lease incurred by the Company are charged to current profit and loss.

When the lesser bears the lease related expenses which should be undertaken by the Company, the Company shall deduct this part of expense from the rent and amortize the net amount over the lease term.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXII) Leases (Continued)

Accounting policies applicable before January 1st, 2019 (Continued)

#### 4. Accounting of operating lease (Continued)

- (2) Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and recognised as leasing income. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses; if the mount is significant, it shall be capitalized and charged to current income evenly on the same basis as the leasing income is recognised over the lease term.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct this part of expense from the rent income, and amortize the net amount over the lease term.

#### 5. Accounting of finance lease

- (1) When the Company is a lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the beginning of the lease period. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortized using the effective interest method over the period of the lease. The Company, by means of the real interest method, amortizes the unacknowledged financial charges during the lease term of the assets and includes them into financing expenses. Initial direct cost incurred by the Company will be included in the leased asset value.
- (2) When the Company is a lesser, the difference between the recorded amount of the leased asset and the minimum lease receivables is accounted for as unrecognised finance income and is recognised as rental income over the period of the lease at the beginning of the lease period. Initial direct costs shall be included in the initial accounting of the lease payment receivables and deduct by the revenue recognised over the lease term.

### (XXXIII) Segment reporting

The company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system, and determines the reporting segments and discloses the segment information based on the operating segments.

Operating segment refers to the component parts of the company that meet the following conditions at the same time: (1) the business unit can generate income and expenses in daily activities; (2) the management of the company can regularly evaluate the operating results of the business unit to decide allotment of resources and evaluate its performance; (3) the company can obtain the financial status, operating results and cash flow and other relevant accounting information. If two or more business segments have similar economic characteristics and meet certain conditions, they can be combined into one operation segment.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXIV) The change in significant accounting policies and accounting estimates

#### 1. The change in significant accounting policies

- (1) Execution of "Notice by the Ministry of Finance of Revising and Issuing the Format of 2019 Financial Statements of General Enterprises" and "Notice on revising and issuing the format of consolidated financial statement (2019 version).

On April 30th, 2019 and September 19th, 2019, the Ministry of Finance issued the "Notice by the Ministry of Finance of Revising and Issuing the Format of 2019 Financial Statements of General Enterprises" (Finance (2019) No. 6) and the "Notice on revising and issuing the format of consolidated financial statement (2019 version)" (Finance (2019) No. 16), thereon, revised the format of financial statement of general enterprises. The influence of adopting this policy is as followed:

The nature, content and reasons for changes of accounting policies	Approval approach	The account name and amount which have been influenced	
		Consolidations	Company
(1) In the balance sheet, "notes receivable and accounts receivable" are divided into "notes receivable" and "accounts receivable"; "notes payable and accounts payable" are divided into "notes payable" and "accounts payable"; the comparative data is adjusted accordingly.	Board of directors	"Notes receivable and accounts receivable" are divided into "notes receivable" and "accounts receivable". In the preceding year, the closing balance of notes receivable was RMB18,467,911, and the closing balance of accounts receivable was RMB1,003,441,127.48.	"Notes receivable and accounts receivable" is divided into "notes receivable" and "accounts receivable". The last year closing balance of "notes receivable" was RMB0.00, and the closing balance of "accounts receivable" was RMB50,707,782.74.
		"Notes payable and accounts payable" was divided into "notes payable" and "accounts payable". In the preceding year closing balance of "notes payable" was RMB187,360,370.61, and the closing balance of "accounts payable" is RMB1,544,459,424.66.	"Notes payable and accounts payable" is divided into "notes payable" and "accounts payable". Last year, the closing balance year of "notes payable" was RMB4,827,406.90, and the closing balance of "accounts payable" was RMB33,881,404.21.
(2) Notes receivable measured at fair value with changes included in other comprehensive income are reclassified from "notes receivable" to "accounts receivable financing"; the comparative data are adjusted accordingly.	Board of directors	"Notes receivable" is reclassified as "accounts receivables financing". The last year closing balance of "accounts receivables financing" after reclassification is RMB249,801,805.38.	"Notes receivable" is reclassified as "accounts receivables financing". After reclassification, the last year closing balance of accounts receivables financing is RMB2,700,000.00.
(3) The discount interest of notes receivable measured at fair value with changes included in other comprehensive income is reclassified from "financial expenses" to "investment income"; the comparative data is adjusted accordingly.	Board of directors	"Finance expenses" of prior year were reclassified to investment income of RMB -285,364.09.	"Finance expenses" of prior year were reclassified to investment income of RMB0.00.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXIV) The change in significant accounting policies and accounting estimates (Continued)

#### 1. The change in significant accounting policies (Continued)

##### (1) (Continued)

The nature, content and reasons for changes of accounting policies	Approval approach	The account name and amount which have been influenced	
		Consolidations	Company
(4) In the income statement, under the item of investment income, add the item of "including: derecognised income of financial assets measured at amortized cost "; the comparative data shall be adjusted accordingly.	Board of directors	The closing balance of "Derecognised income of financial assets measured at amortized cost" in prior year was RMB0.00	The closing balance of "Derecognised income of financial assets measured at amortized cost" in prior year was RMB0.00

##### (2) Implementation of "accounting standards for Business Enterprises No. 21 – leasing" (revised in 2018)

In 2018, the Ministry of Finance revised the "accounting standards for Business Enterprises No. 21 – leasing" (hereinafter referred to as the "new leasing standards"). The revised standards shall come into force as of January 1st, 2019. According to the standard, for contracts existing before the first execution date (i.e. January 1, 2019), the company chooses not to re-evaluate whether they are leases or include leases on the first execution date.

- the company as lessee

The company chooses to adjust the amount of retained earnings and other related items in the financial statements at the beginning of the first implementation year according to the cumulative impact of the first implementation of the new lease criteria, and does not adjust the information in comparable periods.

For the existing operating leases prior to the first execution date, the company measures the lease assets according to the present value of the remaining lease payments which discounted based on the company's incremental borrowing rate on the first execution date. And company measures the right of use assets according to the following methods: Assuming that the book value of the new lease criteria is adopted from the beginning of the lease term, and the incremental borrowing interest rate of the company on the first execution date is adopted as the discount rate.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXIV) The change in significant accounting policies and accounting estimates (Continued)

#### 1. The change in significant accounting policies (Continued)

##### (2) Implementation of "accounting standards for Business Enterprises No. 21 – leasing" (revised in 2018) (Continued)

- the company as lessee (Continued)

For the operating lease before the first execution date, the company adopts one or more of the following simplified treatments according to the selection of each lease while applying the above methods:

- 1) The lease completed within 12 months after the first execution date shall be treated as a short-term lease.
- 2) As measuring the lease liabilities, the leasing with similar characteristics adopts the same discount rate.
- 3) The measurement of the right of use assets does not include the initial direct costs.
- 4) If there is an option to renew or terminate the lease, the lease term shall be determined according to the actual exercise of the option before the first execution date and other latest situations.
- 5) As an alternative to the impairment test on the right of use assets, evaluate whether the contract including the lease is a loss contract before the first execution date according to the accounting standards for Business Enterprises No. 13 – contingencies, and adjust the right of use assets according to the loss reserves included in the balance sheet before the first execution date.
- 6) For the lease changes occurring before the beginning of the first implementation year, no retroactive adjustment shall be made. The accounting treatment shall be conducted according to the new lease standards and the final arrangement of lease changes.

# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXIV) The change in significant accounting policies and accounting estimates (Continued)

#### 1. The change in significant accounting policies (Continued)

##### (2) Implementation of "accounting standards for Business Enterprises No. 21 – leasing" (revised in 2018) (Continued)

- the company as lessee (Continued)

As measuring the lease liabilities, the company uses the lessee's incremental borrowing rate (weighted average: 4.35%) on January 1, 2019 to discount the lease payments.

The unpaid minimum lease payments of major operating leases disclosed in the consolidated financial statements on December 31st, 2018	0.00
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Present value discounted at the incremental borrowing rate of January 1st, 2019	0.00
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Lease liabilities under the new lease standard on January 1, 2019	0.00
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The difference between the above discounted present values and the lease liability	0.00
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For the existing financial leasing before the first execution date, the company will measure the right of use assets and lease liabilities respectively based on the original book value of financial lease asset and the financial lease payable on the first execution date.

- the company as lessor

For subleases classified as operating leases before the first execution date and still existing after the first execution date, the company reassesses the remaining contract term and terms of the original lease and sublease on the first execution date, and classifies them according to the the new lease criteria. If it is reclassified as financial lease, the company will take it as a new financial lease.

Except for sublease, as the lessor, the company does not need to adjust the lease in accordance with the new lease criteria. The company shall carry out accounting treatment in accordance with the new leasing standards since the first implementation date.



# Notes to the 2019 Financial Statements (Continued)

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

## III. Significant accounting policies, accounting estimates (Continued)

### (XXXIV) The change in significant accounting policies and accounting estimates (Continued)

#### 1. The change in significant accounting policies (Continued)

##### (2) Implementation of “accounting standards for Business Enterprises No. 21 – leasing” (revised in 2018) (Continued)

- The company’s implementation of the new leasing standards has no impact on the opening financial statements.

##### (3) Implementation of “accounting standards for Business Enterprises No. 7 – exchange of non-monetary assets” (revised in 2019)

On May 9th, 2019, the Ministry of Finance issued the “accounting standards for Business Enterprises No. 7 – exchange of non-monetary assets” (revised 2019) (Finance [2019] No. 8). The revised standards shall come into effect on June 10th, 2019. The exchange of non-monetary assets between January 1st, 2019 and the implementation date of the standards shall be adjusted in accordance with the standards. The exchange of non-monetary assets before January 1st, 2019 is not demanded to be retroactively adjusted in accordance with these standards. The company’s implementation of the above standards has no impact during the reporting period.

##### (4) Implementation of “accounting standards for Business Enterprises No. 12 – debt restructure” (revised in 2019)

On May 16th, 2019, the Ministry of Finance issued the “accounting standards for Business Enterprises No. 12 – debt restructuring” (revised 2019) (Finance [2019] No. 9). The revised standards shall come into force on June 17th, 2019. The debt restructure between January 1, 2019 and the implementation date of the standards shall be adjusted in accordance with the standards. For debt restructure before January 1, 2019, retroactive adjustment is not required to be retroactively adjusted in conformity to these standards. The company’s implementation of the above standards has no impact during the reporting period.

#### 2. The change in significant accounting estimates

There is no change in significant accounting estimates for the period.

# Notes to the 2019 Financial Statements (Continued)

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

## IV. Taxation

### (I) Main types of taxes and corresponding rates

Tax Type	Tax basis	Tax rate
Value-added Tax ("VAT")	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	16%, 13%, 10%, 9%, 6%, 5%, 3%
City maintenance and construction tax	Based on business tax paid, VAT and sale tax	7%, 5%
Enterprise income tax	Based on taxable profits	25%, 20%, 15%, 16.5%

Companies subject to different income tax rates are disclosed as follows:

Name of the companies	Income tax rate
Nanjing Panda Electronic Manufacture Co., Ltd.	15.00%
Nanjing Panda Communication Technology Co., Ltd.	15.00%
Nanjing Huage Electronics Plastic Industry Co., Ltd	15.00%
Nanjing Panda Information Industry Co., Ltd.	15.00%
Nanjing Panda Electromechanical Instrument Technology Co., Ltd	15.00%
Shenzhen Jinghua Information Technology Co., Ltd	15.00%
Nanjing Panda Electronic Equipment Co., Ltd.	15.00%
Shenzhen Jinghua Property Management Co., Ltd	20.00%
Parking lot of Shenzhen Jinghua Electronic 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 2019 Financial Statements (Continued)

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

## IV. Taxation (Continued)

### (II) Tax Preference

1. Nanjing Panda Electronic Manufacture Co., Ltd, a subsidiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission and other commission on 7 December 2017, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201732003580). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2017 to 31 December 2019.
2. Nanjing Panda Communication Technology Co., Ltd, a subsidiary of the Company, is recognised as a high-tech enterprise by Jiangsu Science & Technology Commission and other commission on 7 December 2017, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201732003313). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2017 to 31 December 2019.
3. Nanjing Huage Appliance and Plastic Industrial Co., Ltd, a sub-subsiary of the Company, is recognised as a high-tech enterprise by Jiangsu Science & Technology Commission on 7 December 2017, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201732002602). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2017 to 31 December 2019.
4. Nanjing Panda Information Industry Co., Ltd, a subsidiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission on 28 November 2018, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201832002286). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2018 to 31 December 2020.
5. Nanjing Panda Electromechanical Instrument Technology Co., Ltd, a sub-subsiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission on 28 November 2018, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201832002778). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2018 to 31 December 2020.
6. Shenzhen Jinghua Information Technology Co., Ltd, a sub-subsiary of the Company, has passed the review of high-tech enterprise by Guangdong Science & Technology Commission on 9 November 2018, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201844204258). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2018 to 31 December 2020.
7. Nanjing Panda Electronic Equipment Co., Ltd, a sub-subsiary of the Company, has passed the application of high-tech enterprise by Jiangsu Science & Technology Commission on 28 November 2018, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201832001770). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2018 to 31 December 2020.

# Notes to the 2019 Financial Statements (Continued)

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

## IV. Taxation (Continued)

### (II) Tax Preference (Continued)

8. The fourth level subsidiaries of the company, Shenzhen Jingjia Property Management Co., Ltd., Shenzhen Jinghua Property Management Co., Ltd. and Parking lot of Shenzhen Jinghua Electronics Co., Ltd., are recognized as low profit small enterprises in the current period. According to the "The enterprise income tax law of the people's Republic of China" and its implementing regulations, the "Circular of the Ministry of Finance and the State Administration of Taxation on the implementation of the inclusive tax relief policy for small and micro enterprises", etc, from January 1st, 2019 to December 31, 2021, for the low profit small enterprises' annual taxable income which not exceeding RMB1 million, the preferential policy of reducing the amount of taxable income to 25% and paying the enterprise income tax by rate of 20%. And for the part of the annual taxable income exceeding RMB1 million but not exceeding RMB3 million, the preferential policy reduce the amount of taxable income to 50% and paying the income tax by rate of 20%.
9. The companies registered in Hong Kong, such as Galant Limited and JWD Trading (HK) Co., Ltd. are applicable to the profit tax rate of 16.5%.
10. According to Article 30 of the "Enterprise Income Tax Law" and Article 95 of the "Regulations for the Implementation of the Enterprise Income Tax Law" and other relevant policies, the financial year 2019 meets the preferential conditions of additional deduction of income tax for R & D expenses. And the actual amount of R & D expenses shall enjoy 75% additional deduction according to the regulations.
11. Nanjing Panda Industrial Enterprise Co., Ltd., the second tier subsidiary of the company, enjoys the preferential policy of 10% of the added value tax deduction from April 1, 2019 to December 31, 2021 according to the "announcement on deepening the VAT reform" (Announcement No. 39, 2019 of the General Administration of Customs of the Ministry of Finance). According to the "announcement on defining the added value tax deduction policy of the life service industry" (Announcement of the State Administration of Taxation No. 87, 2019), from October 1, 2019 to December 31, 2021, the company enjoy the preferential policy of 15% of added value tax deduction.
12. Shenzhen Jinghua Property Management Co., Ltd., the fourth level subsidiary of the company, enjoys the preferential policy of 10% of added value tax deduction from April 1, 2019 to December 31, 2021 in accordance with the "announcement on policies related to deepening the reform of value added tax" (Announcement No. 39, 2019 of the General Administration of Customs of the Ministry of finance). According to the "announcement on defining the added value tax deduction policy of the life service industry Announcement" (Announcement No. 87, 2019 of the State Administration of Taxation of the Ministry of Finance), from October 1, 2019 to December 31, 2021, the company enjoy the preferential policy of 15% of added value tax deduction.

# Notes to the 2019 Financial Statements (Continued)

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

## IV. Taxation (Continued)

### (II) Tax Preference (Continued)

13. The Parking Lot of Shenzhen Jinghua Electronics Co., Ltd. and Shenzhen Jingjia Property Management Co., Ltd., both the four tier subsidiaries of the company, enjoy the preferential policy of “six taxes and two fees” levied by Shenzhen City on small-scale VAT taxpayers at a reduced rate of 50% in accordance with the “Notice of the Ministry of Finance and the State Administration of Taxation on the implementation of inclusive tax reduction policies for small and micro enterprises” (CS [2019] No. 13).
14. According to “Taxation on Value-added Tax Policies for Software Products” (CS [2011] No. 110), if general VAT taxpayers sell self-developed and produced software products or sell the imported software products after localization and transformation, after VAT has been collected at a tax rate of 16%, the refund-upon-collection policy shall be applied to the part of actual VAT burden in excess of 3%. The second-tier subsidiary of the company, Nanjing Panda Communication Technology Co., Ltd. could enjoy this preferential policy.

## V. Notes to key items in consolidated financial statement

### 1. Monetary Capital

Items	Closing balance	Closing balance at preceding year
Cash	<b>399,930.44</b>	413,440.88
Bank deposit	<b>862,741,446.79</b>	1,291,700,751.92
Other currency	<b>190,728,389.96</b>	156,637,609.55
Total	<b>1,053,869,767.19</b>	1,448,751,802.35
Among: total amount of currency in foreign countries	<b>16,773,237.20</b>	29,854,369.32

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 1. Monetary Capital (Continued)

The monetary capital which was limited to use by mortgage, pledge, and frozen, or limited to remit to China in foreign countries are as following:

Items	Closing balance	Closing balance at preceding year
The bank acceptance deposit	98,037,989.50	76,063,902.67
Guarantee deposit	92,604,083.63	80,196,342.74
The L/C deposit	7.51	377,364.14
Financial capital supervision account	86,309.32	0.00
total	<u>190,728,389.96</u>	<u>156,637,609.55</u>

### 2. Trading financial assets

Items	Closing balance	Closing balance at preceding year
Financial assets measured at fair value through profit or loss	300,469,826.49	360,000,000.00
Including: debt instrument investment	50,211,438.36	50,000,000.00
Equity instrument investment		
Financial derivative	250,258,388.13	310,000,000.00
Total	<u>300,469,826.49</u>	<u>360,000,000.00</u>

Note: The trading financial assets of the company at the end of the period are all bank financial products. Including:

Debt instrument investment:

The principal is RMB50 million, which is the No.2 legal person extension financial product of ICBC principal guaranteed "Shuixin E". It was purchased on November 11, 2019, and the maturity date is February 18, 2020. The product is intended to invest 0% – 80% of high liquidity assets such as bonds and deposits, 20% – 100% of creditor's rights assets, 0% – 80% of other assets or asset portfolio. At the end of the period, the fair value is adjusted according to the performance benchmark interest rate of the product and recorded into the fair value income of RMB211,438.36.

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 2. Trading financial assets (Continued)

Derivative financial assets:

- (1) China Merchants Bank's three-tier gold linked three-month structured deposit product of RMB50 million, which was purchased by the company on November 13, 2019, and whose income is linked to the gold price.
- (2) Shanghai Pudong Development Bank's structured deposit linked to financial derivatives, RMB20 million was purchased by the company on December 30, 2019, and the income of the product is linked to the one month US dollar inter-bank lending rate (USD1m LIBOR) in London. At the end of the period, after adjusting the fair value according to the expected rate of return of the product, the recorded amount of income at fair value is RMB258,388.13.

### 3. Notes receivable

1. Notes receivable shown as classification

Type	Closing balance	Closing balance at preceding year
Bank acceptance	21,780,418.49	18,467,911.00
Commercial acceptance		
Total	<u>21,780,418.49</u>	<u>18,467,911.00</u>

2. There is no notes receivable which was pledged
3. The company has no undue notes receivable that have been endorsed or discounted on the balance sheet date
4. There is no notes receivable turning into accounts receivable due to issuer's default at the year end.
5. Notes receivables at the end of the period are within 6 months

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 4. Accounts receivable

#### 1. Accounts receivable shown by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year(including 1 year)	<b>888,517,226.88</b>	813,839,720.38
Of witch: 0-6 months	<b>831,972,710.15</b>	725,641,282.40
7-12 months	<b>56,544,516.73</b>	88,198,437.98
1-2 years	<b>71,782,021.94</b>	134,159,927.69
2-3 years	<b>37,383,185.91</b>	46,519,427.29
3-4 years	<b>14,855,019.84</b>	36,902,008.95
4-5 years	<b>21,275,141.86</b>	2,526,063.17
Over 5 years	<b>8,724,891.67</b>	9,329,730.51
Subtotal	<b>1,042,537,488.10</b>	1,043,276,877.99
Less: bad debt provision	<b>46,178,230.95</b>	39,835,750.51
Total	<b>996,359,257.15</b>	1,003,441,127.48

#### 2. Accounts receivable shown by classification of bad debt provisions

Type	Closing balance					Closing balance at preceding year				
	Carrying amount		Bad debt provision		Carrying amount	Carrying value		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable accruing bad debt provision in individual portfolio	85,612,136.43	8.21	26,441,239.05	30.88	59,170,897.38	233,783,226.75	22.41	22,264,703.00	9.52	211,518,523.75
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	956,925,351.67	91.79	19,736,991.90	2.06	937,188,359.77	809,493,651.24	77.59	17,571,047.51	2.17	791,922,603.73
Of witch: The portfolio of aging	520,032,228.45	49.88	19,479,475.27	3.75	500,552,753.18	407,220,829.20	39.03	17,287,845.29	4.25	389,932,983.91
Other portfolio	436,893,123.22	41.91	257,516.63	0.06	436,635,606.59	402,272,822.04	38.56	283,202.22	0.07	401,989,619.82
合計	1,042,537,488.10	100.00	46,178,230.95		996,359,257.15	1,043,276,877.99	100.00	39,835,750.51		1,003,441,127.48



# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 4. Accounts receivable (Continued)

#### 2. Accounts receivable shown by classification of bad debt provisions (Continued)

Accounts receivable accruing bad debt provision in individual portfolio

Item	Closing balance			Reason
	Carrying value	Bad debt provision	Percentage (%)	
Nari Technology Development Limited Company	41,242,478.30	4,502,747.19	10.92	Expect part of it cannot be recovered
Nanjing Metro Group Co., Ltd.	14,275,594.00	14,275,594.00	100.00	Not expected to be recovered
Baweitong Technology Co., Ltd	8,100,000.00	675,568.97	8.34	Expect part of it cannot be recovered
Jiangsu cable network development Co., Ltd Sihong branch	5,284,000.00	696,600.00	13.18	Expect part of it cannot be recovered
Xinjiang Uygur Autonomous Region Press and Publications Bureau of Radio and Television	4,762,156.95	1,290,542.09	27.10	Expect part of it cannot be recovered
China cable television network Co., Ltd Hainan Branch	3,275,600.00	326,410.00	9.96	Expect part of it cannot be recovered
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	2,633,239.16	72,213.62	2.74	Not expected to be recovered
XX military command information department	2,023,000.00	2,023,000.00	100.00	Expect part of it cannot be recovered
Zhejiang Bajun Plastic Industry Co., Ltd	1,600,000.00	240,000.00	15.00	Not expected to be recovered
Beijing Zhonghua original technology Co., Ltd	1,155,000.00	1,155,000.00	100.00	Not expected to be recovered
Changzhou Hengcheng Plastic Machinery Co., Ltd	512,258.90	512,258.90	100.00	Not expected to be recovered
Lianyungang Yintai Real Estate Development Co., Ltd	424,000.00	424,000.00	100.00	Expect part of it cannot be recovered
Summary of other small sums	324,809.12	247,304.28	76.14	
Total	85,612,136.43	26,441,239.05		

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 4. Accounts receivable (Continued)

#### 2. Accounts receivable shown by classification of bad debt provisions (Continued)

Accounts receivable accruing bad debt provision in aging portfolio

Aging	Closing balance		
	Carrying amount	Bed debt	Percentage (%)
Within 1 year(including 1 year)	448,270,805.56	1,500,619.53	
Of witch: 0-6 months	418,258,414.59		
7-12 months	30,012,390.97	1,500,619.53	5.00
1-2 years	37,134,986.82	3,713,498.68	10.00
2-3 years	12,960,014.36	1,944,002.15	15.00
3-4 years	10,997,704.29	3,299,311.29	30.00
4-5 years	3,293,347.60	1,646,673.80	50.00
Over 5 years	7,375,369.82	7,375,369.82	100.00
Total	520,032,228.45	19,479,475.27	

Accounts receivable accruing bad debt provision in other portfolio

The name of portfolio	Closing balance		
	Account receivable	Bad debt provision	Percentage (%)
The portfolio of related parties	436,893,123.22	257,516.63	0.06
Total	436,893,123.22	257,516.63	

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 4. Accounts receivable (Continued)

#### 3. Provision, transfer and recovery of bad debts in the period

Type	Closing balance at preceding year	Changes during the period			Closing balance
		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	22,264,703.00	6,838,746.27	2,662,210.22		26,441,239.05
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	17,571,047.51	7,442,097.84	5,267,273.45	8,880.00	19,736,991.90
Of which: Accounts receivable accruing bad debt provision in aging portfolio	17,287,845.29	7,440,097.84	5,239,587.86	8,880.00	19,479,475.27
Of which: Accounts receivable accruing bad debt provision in related parties	<u>283,202.22</u>	<u>2,000.00</u>	<u>27,685.59</u>		<u>257,516.63</u>
Total	<u>39,835,750.51</u>	<u>14,280,844.11</u>	<u>7,929,483.67</u>	<u>8,880.00</u>	<u>46,178,230.95</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 4. Accounts receivable (Continued)

#### 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
Shanghai Weien Trading Co., Ltd	1,361,039.99	Aging portfolio	Debt collection	Cash and Bank
Nanjing Houhua communication equipment Co., Ltd	1,116,000.00	Individual portfolio	Debt collection	Cash and Bank
Zhejiang Zheda network Xinzonghe Railway Engineering Co., Ltd	722,355.72	Aging portfolio	Debt collection	Cash and Bank
Xinjiang Uygur Autonomous Region Press and Publications Bureau of Radio and Television	698,045.53	Individual portfolio	Debt collection	Cash and Bank
Shinshin Corporation of Japan	653,376.49	Aging portfolio	Debt collection	Cash and Bank
Fujian Jiuding Construction Group Co., Ltd	574,085.29	Individual portfolio	Debt collection	Cash and Bank
Fuqing Wanda Plaza Co., Ltd	268,163.79	Aging portfolio	Debt collection	Cash and Bank
Henan Longdun Trading Co., Ltd	190,553.32	Individual portfolio	Debt collection	Cash and Bank
Shaanxi University of science and technology	142,762.42	Aging portfolio	Debt collection	Cash and Bank
Kunshan micro Tieke Photoelectric Equipment Co., Ltd	125,663.67	Aging portfolio	Debt collection	Cash and Bank
Jiangsu cable network development Co., Ltd Funing branch	125,000.00	Aging portfolio	Debt collection	Cash and Bank
Zhengzhou Xinzheng International Airport	105,228.80	Aging portfolio	Debt collection	Cash and Bank
Nanjing Jiangning Economic and Technological Development Corporation	92,681.70	Aging portfolio	Debt collection	Cash and Bank
Shandong Quanqing Communication Co., Ltd	90,000.00	Aging portfolio	Debt collection	Cash and Bank
Xuzhou Wanda Plaza Co., Ltd	81,245.62	Aging portfolio	Debt collection	Cash and Bank
Beijing Beikong Telecom Technology Co., Ltd	79,274.30	Aging portfolio	Debt collection	Cash and Bank
China Mobile Sichuan Co., Ltd	75,500.10	Aging portfolio	Debt collection	Cash and Bank
Nanjing Hongyang wharf Co., Ltd	77,327.87	Aging portfolio	Debt collection	Cash and Bank
China Construction Second Engineering Bureau Co., Ltd	71,131.74	Aging portfolio	Debt collection	Cash and Bank
Summary of other small sum	1,280,047.32	Aging, Individual portfolio, related party	Debt collection	Cash and Bank
Total	<u>7,929,483.67</u>			

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 4. Accounts receivable (Continued)

4. Accounts receivable written off in the period

Item	The amount written-off
Accounts receivable written off	<u><u>8,880.00</u></u>

5. The top five debtors of accounts receivable at the end of the year

Debtor	Closing balance		Bad debt provision
	Amount	Proportion of total account receivable (%)	
Nanjing China Electronics panda flat panel display technology Co., Ltd	143,771,883.80	13.79	
Chengdu China Electronics Panda Display Technology Co., Ltd	106,877,946.54	10.25	
Nanjing China Electronics panda LCD Technology Co., Ltd	87,410,809.47	8.38	
Nanjing Panda Handa Technology Co., Ltd	66,559,947.19	6.38	11,242.63
Nari Technology Development Limited Company	41,242,478.30	3.96	4,502,747.19
Total	<u><u>445,863,065.30</u></u>	<u><u>42.76</u></u>	<u><u>4,513,989.82</u></u>

6. In the current period, the accounts receivable which have not been confirmed due to the transfer of financial assets.
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.
8. The situation of overdue accounts receivable

Item	Closing balance
Accounts receivable not overdue and not impaired	<b>831,972,710.15</b>
Accounts receivable overdue and not impaired – within 3 months	<b>29,526,718.55</b>
Accounts receivable overdue and not impaired – over 3 months	<u><u>134,859,828.45</u></u>
Total	<u><u>996,359,257.15</u></u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 5. Receivables financing

#### 1. Details of receivables financing

Item	Closing balance	Closing balance at preceding year
Note receivables	347,259,336.87	249,801,805.38
Account receivables		
Total	<u>347,259,336.87</u>	<u>249,801,805.38</u>

#### 2. Changes of receivables financing and fair value in current period

Item	Closing balance at preceding year	Increase in current period	Derecognised in current period	Other changes	Closing balance	Accumulated loss reserves recognized in other comprehensive income
Bank acceptance	249,801,805.38	1,131,265,241.88	1,034,408,587.39		346,658,459.87	
Commercial acceptance		600,877.00			600,877.00	
Total	<u>249,801,805.38</u>	<u>1,131,866,118.88</u>	<u>1,034,408,587.39</u>		<u>347,259,336.87</u>	

#### 3. Notes receivable pledged at the end of the period

Item	Amount pledged at the end of the period
Bank acceptance	41,000,000.00
Commercial acceptance	
Total	<u>41,000,000.00</u>

Note: the pledged notes is the guarantee for the bill pool to issue bank acceptance.

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 5. Receivables financing (Continued)

4. Notes receivable endorsed or discounted and not yet due at the balance sheet date

Item	Derecognised amount at end of period	Recognised amount at end of period
Bank acceptance	100,086,221.66	
Commercial acceptance		
Total	<u>100,086,221.66</u>	

5. Notes receivable at the end of the period are all within 6 months

### 6. Advanced payments

1. Categorised by age

Aging	Closing balance		Closing balance at preceding year	
	Carrying value	Percentage (%)	Carrying value	Percentage (%)
Within 1 year (including 1 year)	98,901,982.73	87.26	156,915,577.79	86.57
1 to 2 years (including two years)	9,314,341.38	8.22	7,802,713.07	4.30
2 to 3 years (including three years)	2,478,350.60	2.19	7,921,177.50	4.37
Over 3 years	<u>2,647,269.11</u>	<u>2.33</u>	<u>8,628,056.83</u>	<u>4.76</u>
Total	<u>113,341,943.82</u>	<u>100.00</u>	<u>181,267,525.19</u>	<u>100.00</u>

Among them, the prepayment with an account age more than one year is RMB14,439,961.09, which is mainly comprised of the prepayment for procurement or project. Due to the acceptance inspection, the payment has not yet been settled.

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 6. Advanced payments (Continued)

2. Advances payment with top 5 balances at the end of the period classified by receivers

Receivers of advances	Closing balance	Attributed shares in aggregate closing balance
Douzang Co., Ltd	13,427,446.05	11.85
JOC International Technical Engineering Co., Ltd	5,475,321.40	4.83
China Railway Communication Signal Shanghai Engineering Bureau Group Co., Ltd	5,029,680.83	4.44
Hangzhou Guoxin Video Technology Co., Ltd	4,308,233.68	3.80
Shanghai Aiji Information Technology Co., Ltd	3,787,964.43	3.34
Total	32,028,646.39	28.26

### 7. Other receivables

Items	Closing balance	Closing balance at preceding year
Interest receivable		
Dividend receivable		18,859,839.55
Other receivables	48,020,435.60	69,713,239.39
Total	48,020,435.60	88,573,078.94

1. Dividend receivable

(1) Details of dividend receivable

Items (or investee)	Closing balance	Closing balance at preceding year
Beijing Sony Ericsson Mobile Communications Co., Ltd		18,859,839.55
Sub-total		18,859,839.55
Less: bad debt provision		
Total		18,859,839.55



# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 7. Other receivables (Continued)

#### 2. Other receivables

##### (1) Other receivables shown by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year (including 1 year)	<b>33,903,214.71</b>	35,251,056.45
Including: 0–6 months	<b>31,873,589.43</b>	25,642,871.01
7–12 months	<b>2,029,625.28</b>	9,608,185.44
1–2 years	<b>7,314,793.66</b>	7,021,292.26
2–3 years	<b>6,412,833.98</b>	24,147,598.83
3–4 years	<b>2,956,348.85</b>	7,968,990.29
4–5 years	<b>7,787,082.34</b>	1,466,146.11
Over 5 years	<b>4,319,763.54</b>	2,935,213.76
Sub-total	<b>62,694,037.08</b>	78,790,297.70
Less: Bad debt provision	<b>14,673,601.48</b>	9,077,058.31
Total	<b>48,020,435.60</b>	69,713,239.39

##### (2) Other receivables classified by classification of bad debt provisions

Classification	Closing balance				Carrying value	Closing balance at preceding year				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Amount	
Provision for bad debts by single item	8,353,802.68	13.32	8,353,802.68	100.00	0.00	37,864,765.69	48.06	4,891,975.67	12.92	32,972,790.02
Provision for bad debts by portfolio	54,340,234.40	86.68	6,319,798.80	11.63	48,020,435.60	40,925,532.01	51.94	4,185,082.64	10.23	36,740,449.37
Including: aging portfolio	36,456,923.76	58.15	5,500,045.16	15.09	30,956,878.60	27,364,470.55	34.73	3,260,094.56	11.91	24,104,375.99
Other portfolios	17,883,310.64	28.53	819,753.64	4.58	17,063,557.00	13,561,061.46	17.21	924,988.08	6.82	12,636,073.38
Total	62,694,037.08	100.00	14,673,601.48		48,020,435.60	78,790,297.70	100.00	9,077,058.31		69,713,239.39

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 7. Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (2) Other receivables classified by classification of bad debt provisions (Continued)

Provision for bad debts by single item

Name	Closing balance			Reason
	Carrying amount	Bad debt provision	Percentage (%)	
MCT Worldwide LLC	6,937,000.00	6,937,000.00	100.00	Not expected to be recovered
Nanjing Panda Digital Technology Development Co., Ltd	812,988.08	812,988.08	100.00	Not expected to be recovered
Nanjing Huipai Communication Technology Co., Ltd	300,000.00	300,000.00	100.00	Not expected to be recovered
Hugele, Japan	78,342.00	78,342.00	100.00	Not expected to be recovered
Nanjing Kuangshi Material Co., Ltd	74,300.00	74,300.00	100.00	Not expected to be recovered
Shanye (Shanghai) Trading Co., Ltd	62,560.00	62,560.00	100.00	Not expected to be recovered
Summary of other small sums	88,612.60	88,612.60	100.00	Not expected to be recovered
Total	<u>8,353,802.68</u>	<u>8,353,802.68</u>		

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 7. Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (2) Other receivables classified by classification of bad debt provisions (Continued)

Provision for bad debts by portfolio

Portfolio: aging portfolio

Item	Closing balance		
	Other receivables	Bad debt	Percentage (%)
Within 1 year (including 1 year)	21,614,445.24	72,623.08	
Including: 0-6 months	20,161,983.74		
7-12 months	1,452,461.50	72,623.08	5.00
1-2 years	5,401,149.87	540,114.99	10.00
2-3 years	4,253,638.94	638,045.84	15.00
3-4 years	1,074,849.26	322,454.78	30.00
4-5 years	372,067.96	186,033.98	50.00
Over 5 years	3,740,772.49	3,740,772.49	100.00
Total	36,456,923.76	5,500,045.16	

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 7. Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (2) Other receivables classified by classification of bad debt provisions (Continued)

Provision for bad debts by portfolio (Continued)

Portfolio: other portfolios

Item	Closing balance		
	Other receivables	Bad debt provision	Percentage (%)
Portfolio of deposit, security deposit and employee reserve fund	17,883,310.64	819,753.64	4.58
Total	<u>17,883,310.64</u>	<u>819,753.64</u>	

##### (3) Details of accrued bad debt provision

Bad debt provision	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)	
Closing balance last year	7,660,255.63		1,416,802.68	9,077,058.31
Opening balance				
--transfer to third stage	-3,121,650.00		3,121,650.00	
-- transfer to second stage				
--transfer back to first stage				
Accrued in current period	2,494,016.13		3,815,350.00	6,309,366.13
Reversal in current period	712,822.96			712,822.96
Written-off in current period				
Other changes				
Closing balance	<u>6,319,798.80</u>		<u>8,353,802.68</u>	<u>14,673,601.48</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 7. Other receivables (Continued)

#### 2. Other receivables (Continued)

#### (3) Details of accrued bad debt provision (Continued)

Changes in carrying value of other receivables

Bad debt provision	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)	
Closing balance last year	77,373,495.02		1,416,802.68	78,790,297.70
Opening balance				
--transfer to third stage	-6,937,000.00		6,937,000.00	
-- transfer to second stage				
--transfer back to first stage				
Accrued in current period	3,927,378.47			3,927,378.47
Reversal in current period				
Written-off in current period	20,023,639.09			20,023,639.09
Other changes				
Closing balance	<u>54,340,234.40</u>	<u></u>	<u>8,353,802.68</u>	<u>62,694,037.08</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 7. Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (4) Bad debt provision, reversal and recovery in the current period

Item	Closing balance at preceding year	Changes in current period			Closing balance
		Provision for bad debt incurred in current period	Reversed or received	Written off	
Other receivable accruing bad debt provision in single item	4,891,975.67	3,815,350.00	353,522.99		8,353,802.68
Other receivables accruing bad debt provision in credit risk characteristic portfolio	4,185,082.64	2,494,016.13	359,299.97		6,319,798.80
Including: aging portfolio	3,260,094.56	2,410,793.15	170,842.55		5,500,045.16
Other portfolios	924,988.08	83,222.98	188,457.42		819,753.64
<b>Total</b>	<b>9,077,058.31</b>	<b>6,309,366.13</b>	<b>712,822.96</b>		<b>14,673,601.48</b>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 7. Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (4) Bad debt provision, reversal and recovery in the current period (Continued)

Thereinto, the significant amount of bad debt provision reversal or received:

Name of debtors	Amount reversed or received	Reason for bad debt provision	Reason for reversal or recovery	Approach
Shenzhen Qianhai Zhongshi Technology Co., Ltd	112,653.08	Aging portfolio	Debt collection	Cash and Bank
Peixian Construction Engineering Trading Centre	75,000.00	Single item	Debt collection	Cash and Bank
Suzhou public resources trading centre	70,000.00	Single item	Debt collection	Cash and Bank
Financial escrow fund account of Taixing Finance Bureau	54,380.00	Single item	Debt collection	Cash and Bank
Lu'an bidding supervision and Administration Bureau	39,000.00	Single item	Debt collection	Cash and Bank
Guangde non tax revenue administration	35,400.00	Single item	Debt collection	Cash and Bank
Xinjiang zhongzi Construction Project Management Co., Ltd	30,000.00	Aging portfolio	Debt collection	Cash and Bank
Nantong Social Welfare Institute	30,000.00	Single item	Debt collection	Cash and Bank
Nanning financial investment group	21,382.56	Aging portfolio	Debt collection	Cash and Bank
Qidong Engineering Trading Center	20,000.00	Single item	Debt collection	Cash and Bank
Jiangsu Maosen engineering consulting and Supervision Co., Ltd	18,637.50	Other portfolios	Debt collection	Cash and Bank
Jiangsu Jinshiyuan Liquor Co., Ltd	17,500.00	Other portfolios	Debt collection	Cash and Bank
Jiangsu Jianxin bidding Co., Ltd	15,650.00	Other portfolios	Debt collection	Cash and Bank
Suzhou capital pool Tendering Co., Ltd	15,182.00	Other portfolios	Debt collection	Cash and Bank
Guilin public resources trading center	12,290.00	Other portfolios	Debt collection	Cash and Bank
Chengdu Huarui Special Vehicle Co., Ltd	12,000.00	Other portfolios	Debt collection	Cash and Bank
Chongqing United Property Exchange Group Co., Ltd	12,000.00	Other portfolios	Debt collection	Cash and Bank
Summary of small sums	121,747.82	Single item, aging, Other portfolios	Debt collection	Cash and Bank
Total	<u>712,822.96</u>			

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 7. Other receivables (Continued)

#### 2. Other receivables (Continued)

(5) There are no other receivables written off in the current period

(6) Other receivables classified by nature

Nature of receivables	Closing balance	Closing balance at preceding year
Deposit, security deposit and employee reserve fund	<b>51,729,358.87</b>	69,750,495.10
Export tax refund	<b>6,698,760.48</b>	4,062,943.92
Others	<b>4,265,917.73</b>	4,976,858.68
Total	<b><u>62,694,037.08</u></b>	<u>78,790,297.70</u>

(7) Other receivables with top 5 balances at the end of the period classified by borrowers

Name of debtor	Nature	Closing balance	Aging	Proportion (%)	Closing balance of bad debt provision
MCT Worldwide LLC	Deposit	6,937,000.00	3-5 year	11.06	6,937,000.00
State Administration of Taxation	Export tax refund	6,698,760.48	Within 1 year	10.68	
Hangzhou Lin'an District People's court	Litigation security	4,870,000.00	Within 1 year	7.77	
Nanjing Public Resources Trading Center	Security deposit	2,018,262.17	Within 1 year	3.22	
Chongqing Ruyang Technology Co., Ltd.	Installation cost	1,600,000.00	2-3 year	2.56	240,000.00
Total		<u>22,124,022.65</u>		<u>35.29</u>	<u>7,177,000.00</u>



# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 8. Inventories

#### 1. Inventories category

Item	Closing balance			Closing balance at preceding year		
	Carrying amount	Inventory impairment provision and contract performance cost impairment provision	Carrying value	Carrying amount	Inventory impairment provision and contract performance cost impairment provision	Carrying value
Raw materials	240,068,489.16	23,341,648.59	216,726,840.57	322,084,321.11	6,793,423.78	315,290,897.33
Contract performance cost	378,623,946.12		378,623,946.12	248,927,352.67		248,927,352.67
Stored commodities	105,389,831.63	16,807,177.60	88,582,654.03	156,663,709.84	12,562,324.72	144,101,385.12
Delivered commodities	95,209,552.39	6,237,011.65	88,972,540.74	108,583,243.61	1,115,560.68	107,467,682.93
Goods in process	45,337,290.47	5,432,029.03	39,905,261.44	47,639,082.55	1,607,160.53	46,031,922.02
Circulating materials	4,756,366.02	612,132.32	4,144,233.70	2,554,051.02		2,554,051.02
Consigned processing material				3,435,453.77		3,435,453.77
Total	869,385,475.79	52,429,999.19	816,955,476.60	889,887,214.57	22,078,469.71	867,808,744.86

#### 2. Provision for decline in inventory and contract performance cost

Items	Closing balance at preceding year	Increment in this period		Reduction in this period		Closing balance
		Provision	Others	Recovery	Written-off	
Raw materials	6,793,423.78	17,173,404.85		501,382.04	123,798.00	23,341,648.59
Stored commodities	12,562,324.72	7,415,485.62		3,159,455.24	11,177.50	16,807,177.60
Delivered commodities	1,115,560.68	7,125,053.15		2,003,602.18		6,237,011.65
Goods in progress	1,607,160.53	4,278,666.54		453,798.04		5,432,029.03
Circulating materials		877,868.80		265,736.48		612,132.32
Total	22,078,469.71	36,870,478.96		6,383,973.98	134,975.50	52,429,999.19

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 9. Contract assets

#### 1. Details of Contract assets

Project	Closing balance			Closing balance at preceding year		
	Carrying amount	Provision for impairment	Carrying value	Carrying amount	Provision for impairment	Carrying amount
Intelligent factory	371,864,195.95	2,150,369.83	369,713,826.12	240,520,070.38	1,230,207.46	239,289,862.92
Intelligent traffic	90,869,620.80		90,869,620.80	42,033,057.40		42,033,057.40
Intelligent construction	80,743,660.20	538,933.18	80,204,727.02	76,960,115.10	538,933.18	76,421,181.92
Information network equipment and consumer electronics	1,190,000.00		1,190,000.00	3,229,700.00	220,058.00	3,009,642.00
Total	544,667,476.95	2,689,303.01	541,978,173.94	362,742,942.88	1,989,198.64	360,753,744.24

#### 2. Significant changes in book value during the reporting period and reasons

Project	Amount of change	Reason of change
Intelligent factory	130,423,963.20	Amount increased due to the change of performance progress measurement
Intelligent traffics	48,836,563.40	Amount increased due to the change of performance progress measurement
Intelligent construction	3,783,545.10	Amount increased due to the change of performance progress measurement
Information network equipment and consumer electronics	-1,819,642.00	Transfer of contract assets recognized at the beginning of the year into receivables
Total	181,224,429.70	

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 9. Contract assets (Continued)

#### 3. Provision for impairment of contract assets in the current period

Project	Closing balance at preceding year	Provision	Reversal	Written-off	Closing balance	Reason
Intelligent factory	1,230,207.46	920,162.37			2,150,369.83	
Intelligent construction	538,933.18				538,933.18	
Information network equipment and consumer electronics	220,058.00		220,058.00			note
Total	<u>1,989,198.64</u>	<u>920,162.37</u>	<u>220,058.00</u>		<u>2,689,303.01</u>	

*Note:* the reason for the reversal in provision of impairment of Project Information Network Equipment and Consumer Electronics is that the contract assets recognized at the beginning of the year are transferred into receivables, and the amount has been recovered.

### 10. Other current assets

Items	Closing balance	Closing balance at preceding year
VAT allowance, Input tax to be credited and Input tax to be certified	<b>51,655,838.01</b>	32,736,291.48
Enterprise Income Tax paid in advance	<b>3,434,019.83</b>	1,384,758.04
Other tax paid in advance		603,039.61
Total	<u><b>55,089,857.84</b></u>	<u>34,724,089.13</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 11. Long-term equity investments

Investee	Closing balance at preceding year	The current period changes							Closing balance	Impairment provision at the end of the year	
		Increase	Decrease	Under the equity method to confirm the investment profit and loss	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits	Provision for impairment			Others
1. Associated Enterprises											
Nanjing Ericsson Panda Communication Co., Ltd.	213,059,906.00			45,167,594.22			47,794,206.00			210,433,294.22	
Beijing SE Putian Mobile Communications Co., Ltd	79,028,717.99						1,836,400.00	13,192,317.99		64,000,000.00	13,192,317.99
Shenzhen Jinghua Network Marketing Co., Ltd	1,426,910.59			261,477.45						1,688,388.04	
Shenzhen Chebao Information Technology Co., Ltd	259,550.18			7,611.54						267,161.72	
Subtotal	293,775,084.76			45,436,683.21			49,630,606.00	13,192,317.99		276,388,843.98	13,192,317.99
Total	293,775,084.76			45,436,683.21			49,630,606.00	13,192,317.99		276,388,843.98	13,192,317.99

Note: On March 28, 2019, the board of directors of Beijing Sony Ericsson Putian Mobile Communication Co., Ltd., a joint venture of the company, announced that Beijing Sony Ericsson Putian Mobile Communication Co., Ltd. entered the liquidation period, and the impairment was accrued according to the recoverable amount at the end of the period.

### 12. Other investment in equity instrument

#### 1. Details of other investment in equity instrument

Item	Closing balance	Closing balance at preceding year
Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd.	4,035,539.29	3,905,351.83
Total	4,035,539.29	3,905,351.83

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 12. Other investment in equity instrument (Continued)

#### 2. Details of significant trading equity instrument investment

Item	The dividend recognised in this period	Accumulated profits	Accumulated losses	The amount of other comprehensive income transferred into retained earning	The reason of targeting a s 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.		385,539.29			Non-trading investment	

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 13. Investment property

#### 1. Investment properties measured by cost

Items	Housing and buildings	Land-use right	Construction in progress	Total
<b>1. Original carrying value</b>				
(1) Closing balance at preceding year	84,171,722.69			84,171,722.69
(2) Increase in the period	5,321,231.59			5,321,231.59
– acquired				
– inventory/fixed assets transferred from construction in progress	5,321,231.59			5,321,231.59
– increase in mergers				
– others				
(3) Decrease in the period				
– disposal				
– others				
(4) Closing balance	89,492,954.28			89,492,954.28
<b>2. Accumulated depreciation and accumulated amortisation</b>				
(1) Closing balance at preceding year	64,709,743.69			64,709,743.69
(2) Increase in the period	3,686,884.82			3,686,884.82
– accrued or amortised	1,482,201.47			1,482,201.47
– transferred in	2,204,683.35			2,204,683.35
(3) Decrease in the period				
– disposal				
– others				
(4) Closing balance	68,396,628.51			68,396,628.51
<b>3. Provision for impairment</b>				
(1) Closing balance at preceding year				
(2) Increase in the period				
– accrued				
– others				
(3) Decrease in the period				
– disposal				
– others				
(4) Closing balance				
<b>4. Carrying Value</b>				
(1) Carrying value at the end of the year	21,096,325.77			21,096,325.77
(2) Carrying value at the beginning of the year	19,461,979.00			19,461,979.00

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 13. Investment property (Continued)

2. There are no investment properties without property certificate
3. The investment properties of the Company are all landed in Mainland China and leased for office-use in a short-term (within 10 years).

### 14. Fixed assets

1. Fixed assets and disposal of fixed assets

Item	Closing balance	Closing balance at preceding year
Fixed assets	<b>1,188,139,053.46</b>	826,017,353.87
Disposal of fixed assets	<b>35,096.81</b>	32,467.60
Total	<b>1,188,174,150.27</b>	826,049,821.47

2. Details of fixed assets

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
1. Original carrying value						
(1) Closing balance at preceding year	823,220,033.01	418,318,528.91	28,608,301.51	63,973,672.32	58,771,280.51	1,392,891,816.26
(2) Increase in the period	288,354,971.28	136,288,714.36	583,297.80	11,292,856.22	6,824,900.74	443,344,740.40
– acquired		68,451,218.38	583,297.80	8,368,481.42	6,386,844.46	83,789,842.06
– transferred from construction in progress	288,354,971.28	67,837,495.98		2,924,374.80	438,056.28	359,554,898.34
(3) Decrease in the period	5,321,231.59	30,474,520.23	3,075,998.97	941,452.28	4,190,211.32	44,003,414.39
– disposal		30,474,520.23	3,075,998.97	941,452.28	4,190,211.32	38,682,182.80
– transferred to investment property	5,321,231.59					5,321,231.59
(4) Closing balance	<u>1,106,253,772.70</u>	<u>524,132,723.04</u>	<u>26,115,600.34</u>	<u>74,325,076.26</u>	<u>61,405,969.93</u>	<u>1,792,233,142.27</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 14. Fixed assets (Continued)

#### 2. Details of fixed assets (Continued)

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
2. Accumulated depreciation						
(1) Closing balance at preceding year	192,118,643.73	280,272,522.40	18,135,962.62	38,882,198.96	37,424,527.11	566,833,854.82
(2) Increase in the period – accrued	26,563,675.82	27,790,147.12	2,393,397.30	10,788,960.66	7,094,256.71	74,630,437.61
(3) Decrease in the period – disposal or retired – others	2,204,683.35	27,957,353.93	2,546,680.37	907,868.01	3,794,225.53	37,410,811.19
(4) Closing balance	216,477,636.20	280,105,315.59	17,982,679.55	48,763,291.61	40,724,558.29	604,053,481.24
3. Provision for impairment						
(1) Closing balance at preceding year		10,700.00		29,907.57		40,607.57
(2) Increase in the period – accrued						
(3) Decrease in the period – disposal or retired – others						
(4) Closing balance		10,700.00		29,907.57		40,607.57
4. Carrying Value						
(1) Carrying value at the end of the year	889,776,136.50	244,016,707.45	8,132,920.79	25,531,877.08	20,681,411.64	1,188,139,053.46
(2) Carrying value in the beginning of the year	631,101,389.28	138,035,306.51	10,472,338.89	25,061,565.79	21,346,753.40	826,017,353.87

*Note:* the accrued depreciation in this period is RMB74,630,437.61, which is included in the current profit and loss respectively according to the beneficiary. The transfer out in this period is caused by the transfer into investment property.



# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 14. Fixed assets (Continued)

#### 3. Fixed assets with unfinished certificate

Items	Carrying value	Reasons for unfinished certificate
Housing and building (Shenzhen Longgang Jinghua Electronic Co., Ltd)	<b>15,561,156.91</b>	Cooperative construct – The land is collectively -owned land from Shenzhen Longgang Liang'an Tian Economic Development Co., Ltd
No.3 Workshop in Xingang industrial park	<b>5,972,290.09</b>	The certificate is in progress

#### 4. Fixed assets lease out through operating leases

Item	Closing balance	Closing balance at preceding year
Buildings	<b>10,637,000.72</b>	11,219,112.26
Transportations	<b>1,163,389.13</b>	1,949,216.21
Total	<b>11,800,389.85</b>	13,168,328.47

#### 5. Notes to fixed asset

The situation of fixed assets used in Mainland China:

Located in China	Closing balance	Closing balance at preceding year
Medium term(10-50 years)	<b>889,776,136.50</b>	631,101,389.28
Short term(within 10 years)	<b>298,362,916.96</b>	194,915,964.59

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 14. Fixed assets (Continued)

#### 6. Disposal of fixed asset

Item	Closing balance	Opening balance
Electronic equipment	<u>35,096.81</u>	<u>32,467.60</u>
Total	<u><u>35,096.81</u></u>	<u><u>32,467.60</u></u>

### 15. Construction in process

#### 1. Construction in process and construction material

Item	Closing balance	Closing balance at preceding year
Construction in process	<u>31,407,899.18</u>	<u>304,808,394.92</u>
Construction materials		
Total	<u><u>31,407,899.18</u></u>	<u><u>304,808,394.92</u></u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 15. Construction in process (Continued)

#### 2. Status of construction in progress

Items	Closing balance			Closing balance at preceding year		
	Remaining carrying amount	Provision for impairment	Carrying value	Remaining carrying amount	Provision for impairment	Carrying value
Supporting Facilities for Electronic Equipment Industry	11,655,011.17		11,655,011.17	143,215.69		143,215.69
Intelligent transformation of panda equipment sheet metal processing workshop	11,319,817.81		11,319,817.81			
Park construction project	3,669,606.21		3,669,606.21			
Second Stage of SAP	2,319,713.81		2,319,713.81	2,319,713.81		2,319,713.81
Regenerative catalytic oxidation unit	1,490,980.95		1,490,980.95			
Machinery and Equipment	428,123.90		428,123.90	4,800,000.00		4,800,000.00
Block A of Research Centre of Block (First project of Land No. 301)				243,442,804.73		243,442,804.73
Digitalised factory of industrial robot manufacturing project				49,528,065.32		49,528,065.32
Smart city Exhibition Hall Construction Project				1,935,101.25		1,935,101.25
Smart city Showroom Multimedia Display System				1,007,914.85		1,007,914.85
Other sporadic projects	524,645.33		524,645.33	1,631,579.27		1,631,579.27
<b>Total</b>	<b>31,407,899.18</b>		<b>31,407,899.18</b>	<b>304,808,394.92</b>		<b>304,808,394.92</b>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 15. Construction in process (Continued)

#### 3. Changes in key construction in progress

Project	Budget	Closing balance		Amount transfer to fixed assets in the period	Other decreased amount in the period	Closing balance	Ratio of accumulated contribution to the construction to budget (%)	Progress of construction	Accumulated amount of capitalised interest	Including: capitalised amount if the period	Rate of capitalisation of interest in the period (%)	Source of funding
		at preceding year	Increase in the period									
Supporting Facilities for Electronic Equipment Industry	74,114,500.00	143,215.69	11,511,795.48			11,655,011.17	15.73	15.73				Owned fund
Intelligent transformation of panda equipment sheet metal processing workshop	19,990,000.00		11,319,817.81			11,319,817.81	56.63	56.63				Owned fund
Park construction project	87,900,000.00	735,572.84	65,561,845.24	62,627,811.87		3,669,606.21	75.42	75.42				Owned fund
Second Stage of SAP	15,000,000.00		2,319,713.81			2,319,713.81	40.91	40.91				Owned fund
Regenerative catalytic oxidation device	/	530,689.68	960,291.27			1,490,980.95						Owned fund
Machinery and Equipment	/	4,800,000.00	8,551,830.35	12,923,706.45		428,123.90						Owned fund
Block A of Research Centre of Block (First project of Land No. 301)	/	243,442,804.73	5,250,115.47	225,125,564.42	23,567,355.78							Owned fund
Digitalised factory of industrial robot manufacturing project	55,000,000.00	49,528,065.32	803,963.60	50,332,028.92			91.51	100.00				Owned fund
Smart city Exhibition Hall Construction Project	/	1,935,101.25	3,308,977.67	1,255,474.17	3,988,604.75							Owned fund
Smart city Showroom Multimedia Display System	/	1,007,914.85	284,671.36	1,292,586.21								Owned fund
Other sporadic projects	/	365,316.75	6,157,054.88	5,997,726.30		524,645.33						Owned fund
<b>Total</b>		<b>304,808,394.92</b>	<b>113,710,363.13</b>	<b>359,554,898.34</b>	<b>27,555,960.53</b>	<b>31,407,899.18</b>						

Note: the amount of park construction project at the end of last year at RMB735,572.84, and the amount of regenerative catalytic oxidation device at the end of last year at RMB530,689.68, were classified and disclosed in other sporadic projects.

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 16. Right of use asset

Item	Buildings	Machine and equipment	Total
1. Original carrying value			
(1) Opening balance			
(2) Increase in current period	11,082,420.71	6,641,154.01	17,723,574.72
– acquire	11,082,420.71	6,641,154.01	17,723,574.72
– increase in mergers			
– revaluation adjustment			
(3) Decrease in current period			
– transferred to fixed asset			
– disposal			
(4) Closing balance	11,082,420.71	6,641,154.01	17,723,574.72
2. Accumulated depreciation			
(1) Opening balance			
(2) Increase in current period	1,072,492.33	4,194,413.06	5,266,905.39
– Accrued	1,072,492.33	4,194,413.06	5,266,905.39
(3) Decrease in current period			
– transferred to fixed asset			
– disposal			
(4) Closing balance	1,072,492.33	4,194,413.06	5,266,905.39
3. Provision for impairment			
(1) Opening balance			
(2) Increase in current period			
– provision			
(3) Decrease in current period			
– transferred to fixed asset			
(4) Closing balance			
4. Carrying value			
(1) Carrying value at the end of the year	10,009,928.38	2,446,740.95	12,456,669.33
(2) Carrying at the beginning of the year			

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 17. Intangible assets

#### 1. Status of intangible assets

Items	Land use right	Trademark use rights	Computer software	Patents	Software copyright	Non-patented technology	Total
1. Original carrying value							
(1) Closing balance at preceding year	91,907,351.90	158,340,000.00	14,688,147.82	30,105.00	9,768,026.49	34,478,101.92	309,211,733.13
(2) Increase in the period			5,463,363.72			6,372,381.06	11,835,744.78
– acquired			5,463,363.72			292,249.76	5,755,613.48
– internal research and development						6,080,131.30	6,080,131.30
(3) Decrease in the period							
– disposal							
(4) Closing balance	<u>91,907,351.90</u>	<u>158,340,000.00</u>	<u>20,151,511.54</u>	<u>30,105.00</u>	<u>9,768,026.49</u>	<u>40,850,482.98</u>	<u>321,047,477.91</u>
2. Accumulated amortisation							
(1) Closing balance at preceding year	14,304,211.29	158,340,000.00	8,510,741.33	23,978.11	1,691,686.43	17,219,149.47	200,089,766.63
(2) Increase in the period	2,137,946.22		1,688,787.26	2,884.01	967,857.46	7,038,322.33	11,835,797.28
– accrued	2,137,946.22		1,688,787.26	2,884.01	967,857.46	7,038,322.33	11,835,797.28
(3) Decrease in the period							
– disposal							
(4) Closing balance	<u>16,442,157.51</u>	<u>158,340,000.00</u>	<u>10,199,528.59</u>	<u>26,862.12</u>	<u>2,659,543.89</u>	<u>24,257,471.80</u>	<u>211,925,563.91</u>
3. Provision for impairment							
(1) Closing balance at preceding year							
(2) Increase in the period							
– accrued							
(3) Decrease in the period							
– disposal							
– invalid and derecognised							
(4) Closing balance							
4. Carrying value							
(1) Carrying value at the end of the year	75,465,194.39		9,951,982.95	3,242.88	7,108,482.60	16,593,011.18	109,121,914.00
(2) Carrying value in the beginning of the year	<u>77,603,140.61</u>		<u>6,177,406.49</u>	<u>6,126.89</u>	<u>8,076,340.06</u>	<u>17,258,952.45</u>	<u>109,121,966.50</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 17. Intangible assets (Continued)

#### 1. Status of intangible assets (Continued)

*Note:* intangible assets generated from internal R & D of the company accounted for 14.16% of intangible assets at the end of the period. The amortization amount of the current period was RMB11,835,797.28, all of which were recognised in the current profit and loss.

2. There is no land use rights without certificates.

3. Notes for intangible assets

All intangible assets of the company are in Mainland China. The life span was stated as following:

Item	Closing balance	Closing balance at preceding year
Long-term (within 50 years)	<b>53,192,585.12</b>	54,432,023.96
Short-term (10-50 years)	<b>55,929,328.88</b>	54,689,942.54

### 18. Long-term expenses to be amortised

Items	Closing balance at preceding year	Increase in the period	Amortised in the period	Other decreased amount	Closing balance
Smart city exhibition hall project		3,988,604.75	66,476.75		<b>3,922,128.00</b>
Decoration project of equipment Park		3,449,915.60	586,894.85		<b>2,863,020.75</b>
Decoration project of information software building		2,604,204.58	20,172.28		<b>2,584,032.30</b>
Decoration project of Jinghua dormitory building		1,726,800.00	173,020.02		<b>1,553,779.98</b>
Purification Room Renovation Project	844,066.91		460,399.92		<b>383,666.99</b>
Decoration of Xingang office area		149,430.52	31,025.98		<b>118,404.54</b>
Waterproof Insulation Fire Control Project	43,246.98		43,246.98		
Other Sporadic Project	402,416.79		106,879.92		<b>295,536.87</b>
Total	<u>1,289,730.68</u>	<u>11,918,955.45</u>	<u>1,488,116.70</u>		<u><b>11,720,569.43</b></u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 19. Deferred income tax assets and deferred income tax liabilities

#### 1. Deferred income tax assets not yet offset

Items	Closing balance		Closing balance at preceding year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment of assets	70,714,690.60	10,756,302.32	54,154,946.19	8,327,451.33
Internal offset of unrealised profit	1,401,953.53	320,872.65	1,296,081.44	324,020.36
Accrued expenses	4,842,110.69	1,009,472.76	4,848,781.79	1,025,561.81
Salaries payable	17,936,473.25	3,258,801.56	17,251,003.46	2,939,832.75
Total	<u>94,895,228.07</u>	<u>15,345,449.29</u>	<u>77,550,812.88</u>	<u>12,616,866.25</u>

#### 2. Deferred income tax liabilities not yet offset

Items	Closing balance		Closing balance at preceding year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
The changes of fair value of other equity instrument investment	385,539.32	96,384.83	255,351.83	63,837.96
Depreciation of fixed assets	73,710.60	11,056.59	255,296.20	38,294.43
Total	<u>459,249.92</u>	<u>107,441.42</u>	<u>510,648.03</u>	<u>102,132.39</u>

#### 3. Breakdown of unrecognised deferred income tax assets

Items	Closing balance	Closing balance at preceding year
Deductible temporary difference	71,863,773.82	20,917,498.13
Deductible losses	237,183,869.24	144,675,255.79
Total	<u>309,047,643.06</u>	<u>165,592,753.92</u>



# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 19. Deferred income tax assets and deferred income tax liabilities (Continued)

4. Deductible loss of unrecognised deferred income tax assets due next year:

Year	Closing balance	Closing balance at preceding year	
		Notes	
2019		359,025.02	
2020	<b>21,476,115.15</b>	22,201,909.49	
2021	<b>21,446,781.99</b>	21,446,781.99	
2022	<b>26,715,852.33</b>	26,715,852.33	
2023	<b>37,353,359.32</b>	37,554,515.54	
2024 and onwards	<b>130,191,760.45</b>	36,397,171.42	
Total	<b>237,183,869.24</b>	144,675,255.79	

### 20. Other non-current assets

Item	Closing balance			Closing balance at preceding year		
	Carrying amount	Provision for impairment	Carrying value	Carrying amount	Provision for impairment	Carrying value
Intelligent traffic	35,970,932.57		35,970,932.57			
Intelligent factory	13,700,202.37		13,700,202.37			
Information net equipment and consumer electronics	5,604,490.00		5,604,490.00			
Total	<b>55,275,624.94</b>		<b>55,275,624.94</b>			

Note: Other non-current assets are each project's quality assurance deposit of which warranty period exceeding one year.

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 21. Short-term borrowings

#### 1. Category of short-term borrowings

Items	Closing balance	Closing balance at preceding year
Guaranteed borrowings	<u>50,000,000.00</u>	<u>95,000,000.00</u>
Total	<u><u>50,000,000.00</u></u>	<u><u>95,000,000.00</u></u>

#### 2. Details of short-term borrowings

Period	Amount	Creditor	Approach	Annual interest rate
2018/4/11-2019/4/11	<u>50,000,000.00</u>	China Electronics Finance Co., Ltd.	Guaranteed	4.35%
Total	<u><u>50,000,000.00</u></u>			

### 22. Notes payable

Type	Closing balance	Closing balance at preceding year
Bank acceptance notes	<u>234,736,827.23</u>	<u>187,360,370.61</u>
Commercial acceptance		
Total	<u><u>234,736,827.23</u></u>	<u><u>187,360,370.61</u></u>

Note: There is no unpaid notes payable due at current period.

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 23. Accounts payable

- List of accounts payable classified by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year (including 1 year)	<b>1,354,289,654.38</b>	1,359,695,678.37
1–2 years	<b>186,252,779.24</b>	111,329,297.59
2–3 years	<b>45,350,521.82</b>	46,995,341.56
Over 3 years	<b>42,542,862.00</b>	26,439,107.14
Total	<b>1,628,435,817.44</b>	1,544,459,424.66

- Significant account payables aged over 1 year

Items	Closing balance	Reasons for outstanding or carried forward
Sankyo Co., Ltd	<b>52,060,999.35</b>	Not settled
Yukawa Co., Ltd	<b>33,462,955.30</b>	Not settled
Iwasaki Manufacturing Co., Ltd	<b>31,258,956.24</b>	Not settled
Jiangsu Bodiyan Electronic Technology Co., Ltd	<b>19,635,554.37</b>	Not settled
Suzhou Fuqiang Technology Co., Ltd	<b>8,612,694.70</b>	Not settled
NIVEK Co., Ltd	<b>6,863,408.78</b>	Not settled
Suzhou Golden Brain Intelligent System Engineering Co. Ltd	<b>6,602,012.08</b>	Not settled
China Railway Communication Signal Shanghai Engineering Bureau Group Co., Ltd	<b>5,415,329.07</b>	
Not settled Dafu, Japan	<b>5,342,454.67</b>	Not settled
Beijing Xingwangweitong Technology Development Co., Ltd	<b>5,027,660.49</b>	Not settled
IFLYTEK Zhiyuan Information Technology Co., Ltd	<b>4,946,622.00</b>	Not settled
Shanghai Zhongka Smart Card Co., Ltd	<b>4,647,290.00</b>	Not settled
Jiangsu Hengxin Technology Co., Ltd.	<b>3,602,937.72</b>	Not settled
Dongba engineering installation Co., Ltd	<b>3,184,177.34</b>	Not settled
Jiangsu Sumeng Information Technology Co., Ltd	<b>2,941,921.78</b>	Not settled
Zhongtian Radio Frequency Cable Co., Ltd	<b>2,860,908.40</b>	Not settled
Kunshan Judong Photoelectric Equipment Co., Ltd	<b>2,658,180.00</b>	Not settled
Shanghai Xingzhida Automation Technology Co., Ltd	<b>2,366,306.00</b>	Not settled
Total	<b>201,490,368.29</b>	

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 23. Accounts payable (Continued)

#### 3. Classified by nature

Items	Closing balance	Closing balance at preceding year
Payment for goods	<b>1,172,838,445.91</b>	1,188,473,834.78
Project funds	<b>412,609,654.32</b>	304,111,326.91
Processing and maintenance funds	<b>23,100,766.77</b>	19,429,824.88
Logistics warehousing funds	<b>4,536,666.39</b>	8,126,415.82
Others	<b>15,350,284.05</b>	24,318,022.27
Total	<b><u>1,628,435,817.44</u></b>	<u>1,544,459,424.66</u>

### 24. Advances received

#### 1. List of advances received

Items	Closing balance	Closing balance at preceding year
Service fees and others	<b><u>2,581,558.74</u></b>	<u>2,051,740.10</u>
Total	<b><u>2,581,558.74</u></b>	<u>2,051,740.10</u>

#### 2. There is no significant advances received aged over 1 year

### 25. Contract liabilities

#### 1. Details of contract liabilities

Item	Closing balance	Closing balance at preceding year
Intelligent traffic	<b>81,760,438.00</b>	62,225,906.99
Intelligent construction	<b>46,786,393.06</b>	62,406,136.67
Electronic manufacturing service	<b>22,275,571.73</b>	3,391,483.28
Intelligent factory	<b>8,172,912.03</b>	78,733,835.64
Information net equipment and consumer electronics	<b><u>1,544,872.05</u></b>	<u>14,623,143.23</u>
Total	<b><u>160,540,186.87</u></b>	<u>221,380,505.81</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 25. Contract liabilities (Continued)

#### 2. Significant changes in book value during the reporting period and reasons

Project	Amount of change	Reasons of change
Intelligent traffic	19,534,531.01	Receipt of contract advance payment
Intelligent construction	-15,619,743.61	Contract liabilities at the beginning of the period was recognized as revenue in current period
Electronic manufacturing service	18,884,088.45	Receipt of contract advance payment
Intelligent factory	-70,560,923.61	Contract liabilities at the beginning of the period was recognized as revenue in current period
Information net equipment and consumer electronics	-13,078,271.18	Contract liabilities at the beginning of the period was recognized as revenue in current period
Total	<u>-60,840,318.94</u>	

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 26. Staff Remuneration Payable

#### 1. Staff Remuneration Payable

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Short-term Remuneration	26,667,979.90	522,536,703.18	517,269,897.33	<b>31,934,785.75</b>
Post-employment benefit established withdrawal and deposit scheme	312,568.96	55,941,251.03	55,952,034.62	<b>301,785.37</b>
Termination benefits	7,335,550.28	8,454,339.23	8,752,358.47	<b>7,037,531.04</b>
Other benefits due within 1 year				
<b>Total</b>	<b>34,316,099.14</b>	<b>586,932,293.44</b>	<b>581,974,290.42</b>	<b>39,274,102.16</b>

#### 2. Short-term Remuneration

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
(1) Salary, inducement, allowance and subsidies	22,618,850.81	381,780,605.72	376,646,587.77	<b>27,752,868.76</b>
(2) Employee benefits fee		33,236,184.67	33,236,184.67	
(3) Social insurance fee	156,787.22	22,879,599.03	22,874,396.28	<b>161,989.97</b>
Inc.: medical insurance fee	145,471.44	20,500,873.79	20,497,275.13	<b>149,070.10</b>
work injury insurance fee	2,263.16	542,467.91	542,577.78	<b>2,153.29</b>
maternity insurance fee	9,052.62	1,836,257.33	1,834,543.37	<b>10,766.58</b>
(4) Housing provident fund	830,460.00	33,116,622.68	33,022,255.92	<b>924,826.76</b>
(5) Staff Union fee and Staff training cost	728,777.31	8,843,501.14	8,741,487.63	<b>830,790.82</b>
(6) Labour fee	353,104.56	38,991,968.18	38,580,763.30	<b>764,309.44</b>
(7) Short-term profit sharing scheme	1,980,000.00	3,688,221.76	4,168,221.76	<b>1,500,000.00</b>
<b>Total</b>	<b>26,667,979.90</b>	<b>522,536,703.18</b>	<b>517,269,897.33</b>	<b>31,934,785.75</b>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 26. Staff Remuneration Payable (Continued)

3. Established withdrawal and deposit scheme

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Basic retirement insurance	301,504.46	41,408,282.30	41,421,239.80	<b>288,546.96</b>
Unemployment insurance fee	11,064.50	1,202,339.85	1,200,165.94	<b>13,238.41</b>
Corporate annuity		13,330,628.88	13,330,628.88	
Total	312,568.96	55,941,251.03	55,952,034.62	<b>301,785.37</b>

### 27. Tax payable

Tax Items	Closing balance	Closing balance at preceding year
Enterprise income tax	<b>10,641,432.76</b>	19,555,642.87
Value-added tax	<b>4,901,046.85</b>	14,793,439.07
Individual income tax	<b>2,555,539.28</b>	1,902,442.06
Property Tax	<b>1,826,507.87</b>	1,690,202.71
Urban maintenance and construction tax	<b>530,134.69</b>	2,909,514.74
Land-use tax	<b>411,870.21</b>	417,701.14
Educational surtax	<b>237,256.98</b>	1,974,156.80
Stamp tax	<b>148,455.37</b>	818,472.61
Local educational surtax	<b>141,468.67</b>	104,987.81
Other taxes	<b>10,501.93</b>	3,594,690.80
Land value added tax		115,837,390.35
Deed tax		21,788,496.36
Total	<b>21,404,214.61</b>	185,387,137.32

### 28. Other payables

Items	Closing balance	Closing balance at preceding year
Interest payable		
Dividend payable	<b>4,529,410.46</b>	4,152,246.79
Other payables	<b>73,896,150.40</b>	97,401,927.72
Total	<b>78,425,560.86</b>	101,554,174.51

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 28. Other payables (Continued)

#### 1. Dividend Payable

Items	Closing balance	Closing balance at preceding year
Ordinary share dividends-minority shareholders	<b>4,529,410.46</b>	4,152,246.79
Total	<b>4,529,410.46</b>	4,152,246.79

Notes: dividend payable over one year amounts to RMB4,116,592.95 which is dividend payable to minority shareholders from subsidiary.

#### 2. Other Payables

##### (1) Other payables by nature

Items	Closing balance	Closing balance at preceding year
Deposits	<b>32,980,132.65</b>	35,015,420.83
Current account	<b>18,562,292.72</b>	32,880,546.45
Operating activity related	<b>17,309,430.55</b>	22,521,704.12
Others	<b>5,044,294.48</b>	6,984,256.32
Total	<b>73,896,150.40</b>	97,401,927.72

##### (2) Significant other payables aged over 1 year

Creditors	Closing balance	Reasons for outstanding
Panda Electronic Group Co., Ltd.	<b>6,743,156.84</b>	Current account
Jiangsu Huimin Auto Parts Manufacturing Co., Ltd	<b>2,126,396.34</b>	Undue deposit
Jiangsu XCMG Information Technology Co., Ltd	<b>1,400,000.00</b>	Undue deposit
PLA University of science and technology	<b>1,080,000.00</b>	Undue deposit
Total	<b>11,349,553.18</b>	



## Notes to the 2019 Financial Statements (Continued)

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

### V. Notes to key items in consolidated financial statement (Continued)

#### 29. Non-current liabilities due within in one year

Item	Closing balance	Closing balance at preceding year
Lease liabilities due within one year	<b>3,451,972.08</b>	
Total	<b>3,451,972.08</b>	

#### 30. Other current liabilities

Items	Closing balance	Closing balance at preceding year
Output VAT	<b>16,964,618.46</b>	27,616,520.71
Special Project for Technical Transformation of Electronic Information Industry for the year of 2017	<b>30,000,000.00</b>	30,000,000.00
Jiangsu Province new industrial development special fund	<b>10,000,000.00</b>	10,000,000.00
Allocation for new model project	<b>4,550,000.00</b>	5,000,000.00
New display product green supply chain construction project of East China Electronic	<b>1,000,000.00</b>	
Research, development and industrialization of high-speed traffic management integrated platform based on Artificial Intelligence	<b>1,000,000.00</b>	
AFC ticketing system on Internet	<b>800,000.00</b>	
Special funds for Provincial high-end equipment catching up project	<b>620,000.00</b>	620,000.00
Development of intelligent monitoring system for oil and gas pipeline based on distributed optical fibre sensing and the Internet	<b>450,000.00</b>	900,000.00
AFC regional center (ZLC)	<b>300,000.00</b>	
R & D and industrialization of high localization industrial robot and intelligent complete equipment		8,120,000.00
Key research on UHD virtual reality based on eye tracking human-computer interaction		4,000,000.00
Special fund for the update and transferring between industry and information industry		200,000.00
Others	<b>992,647.75</b>	
Total	<b>66,677,266.21</b>	86,456,520.71

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 31. Lease liabilities

Item	Closing balance
Lease payment	10,252,965.99
Less: unrecognised financial charges	1,326,558.48
Total	8,926,407.51

### 32. Long-term employee benefits payables

List of long-term employee benefits payables

Items	Closing balance	Closing balance at preceding year
1. Post-employment benefits		
2. Termination benefits	19,767,429.75	24,722,333.29
3. Other long-term employee benefits		
Total	19,767,429.75	24,722,333.29

### 33. Estimated liabilities

Item	Closing balance at preceding year	Increase in current period	Decrease in current period	Closing balance	Reason
Pending litigation	2,900,000.00		2,900,000.00		
Total	2,900,000.00		2,900,000.00		

### 34. Deferred income

Items	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	7,050,224.14	14,404,173.71	4,192,509.85	17,261,888.00	Allotment
Total	7,050,224.14	14,404,173.71	4,192,509.85	17,261,888.00	

## Notes to the 2019 Financial Statements (Continued)

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

### V. Notes to key items in consolidated financial statement (Continued)

#### 34. Deferred income (Continued)

The project related to government grants:

Project	Closing balance at preceding year	The government grants given in the year	The amount recorded in profits and losses	Other variation	Closing balance	Related to assets/profit and loss
Auto-transferring system industrialisation of new panel display industry	7,050,224.14		884,165.05		<b>6,166,059.09</b>	Related to assets
R & D and industrialization of high localization industrial robot and intelligent complete equipment		8,120,000.00	848,070.74		<b>7,271,929.26</b>	Related to assets
Nanjing industrial enterprise technology and equipment investment inclusive award supplement fund		1,420,000.00	284,000.00		<b>1,136,000.00</b>	Related to assets
Special fund for Preschool Education – average cost per student		4,864,173.71	2,176,274.06		<b>2,687,899.65</b>	Related to Profit and loss
<b>Total</b>	<b>7,050,224.14</b>	<b>14,404,173.71</b>	<b>4,192,509.85</b>		<b>17,261,888.00</b>	

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 35. Share capital

Item	Closing balance at preceding year	Changes during the period (increase (+), decrease (-))				Sub-total	Closing balance
		Issue new shares	Bonus shares	Conversion of the accumulation funds into shares	Others		
Total shares	913,838,529.00					913,838,529.00	

### 36. Capital reserve

Items	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
Capital surplus (share premium)	1,450,743,806.12			1,450,743,806.12
Other capital surplus	19,947,994.01			19,947,994.01
Total	1,470,691,800.13			1,470,691,800.13

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 37. Other comprehensive income

Item	Closing balance at preceding year	Changes during the period					Closing balance
		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 earnings	Less: Income tax expenses	After tax attribution to the parent company	
1. Other comprehensive income cannot be reclassified to profit or loss	191,513.87	130,187.46			32,546.87	97,640.59	289,154.46
Including: Changes by							
remeasurement of defined benefit plan							
Changes in fair value of other equity instruments investment.	191,513.87	130,187.46			32,546.87	97,640.59	289,154.46
Total other comprehensive income	191,513.87	130,187.46			32,546.87	97,640.59	289,154.46

### 38. Surplus reserve

Items	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	188,270,633.21			188,270,633.21
Discretionary surplus reserve	70,376,641.33			70,376,641.33
Total	258,647,274.54			258,647,274.54

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 39. Undistributed profit

Items	Current period	Preceding period
Balance before adjustment at the end of preceding period	825,055,181.86	730,715,948.32
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	825,055,181.86	730,715,948.32
Add: Net profit attributable to owners of the parent company	52,657,894.58	161,959,568.48
Less: Appropriation of statutory surplus reserve		3,651,637.91
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares	73,107,082.32	63,968,697.03
Dividend on ordinary share converted to share capital		
Closing balance	804,605,994.12	825,055,181.86

### 40. Operating revenue and operating cost

#### 1. Details of operating revenue and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Primary businesses	4,600,788,758.77	3,949,411,335.30	4,482,801,293.35	3,767,123,251.69
Other businesses	59,258,243.15	6,527,137.40	17,704,359.79	10,285,335.72
Total	4,660,047,001.92	3,955,938,472.70	4,500,505,653.14	3,777,408,587.41

#### Details of operating revenue and operating cost

Item	Amount in current period	Amount in preceding period
Smart city industry	2,123,817,689.13	1,866,305,364.97
Electronic manufacturing services	1,834,878,039.13	1,584,416,113.13
Intelligent manufacturing industry	633,226,163.33	1,022,214,985.30
Others	68,125,110.33	27,569,189.74
合計	4,660,047,001.92	4,500,505,653.14

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 40. Operating revenue and operating cost (Continued)

#### 2. Details of income from contracts

Categories of contracts	Intelligent manufacturing industry	Smart city industry	Electronic manufacturing service	Others	Eliminations among segments	Total
Categorised by operating region:						
Nanjing District	691,016,953.34	1,486,884,817.91	1,851,589,925.92	82,397,903.33	-295,191,769.60	3,816,697,830.90
Shenzhen District		728,984,011.89	92,984,338.07	21,412,458.22	-31,637.16	843,349,171.02
Total	691,016,953.34	2,215,868,829.80	1,944,574,263.99	103,810,361.55	-295,223,406.76	4,660,047,001.92
Categorised by transfer time of commodities:						
Recognised at a certain point of time						
	90,588,751.11	1,006,860,960.00	1,944,574,263.99	103,810,361.55	-267,828,232.45	2,878,006,104.20
Recognised during a certain period						
	600,428,202.23	1,209,007,869.80			-27,395,174.31	1,782,040,897.72
Total	691,016,953.34	2,215,868,829.80	1,944,574,263.99	103,810,361.55	-295,223,406.76	4,660,047,001.92

#### 3. Performance obligation

The Company shall recognise revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer obtains control of that asset. Whether performance obligations satisfied over time or at a point in time is based on the contracts and related law regulations. The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
2. the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

If the performance obligations satisfied over time, the Company will recognise revenue via contract performance schedule, otherwise the Company satisfies the performance obligation at a point in time. Contract performance schedule is based on the value of the goods that have been transferred to the customer to determine the contract performance schedule.

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 40. Operating revenue and operating cost (Continued)

#### 4. Transaction price allocating to performance obligations

Performance Obligation	Estimated to be recognised revenue for the year of 2020
Intelligent manufacturing industry	77,519,824.19
Smart city industry	877,499,834.75
Total	955,019,658.94

### 41. Taxes and surcharges

Items	Current period	Preceding period
Property tax	7,360,846.34	7,655,160.07
City maintenance and construction tax	7,001,867.71	5,558,804.63
Education surcharge	5,020,693.78	3,900,636.32
Land-use tax	2,034,553.56	1,333,089.42
Stamp tax	1,582,634.35	1,205,444.85
Land value added tax		711,551.52
Others	174,397.39	235,502.04
Total	23,174,993.13	20,600,188.85

### 42. Selling expenses

Items	Current period	Preceding period
Salaries and Benefits	20,988,410.59	18,867,220.36
Transport fee	13,676,569.15	15,807,490.35
Advertising and exhibition fee	5,625,577.54	9,144,469.47
Storage expenses	2,489,464.19	2,434,394.83
Travelling expenses	2,295,276.65	2,083,361.57
Office expenses	2,230,016.97	2,866,654.03
Entertainment expenses	2,025,457.40	1,538,506.01
Labour expenses	1,116,190.70	729,355.62
Others	3,664,316.95	3,002,067.33
Total	54,111,280.14	56,473,519.57



# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 43. Administrative expenses

Items	Current period	Preceding period
Salaries and benefits	<b>164,599,324.62</b>	153,076,425.22
Depreciation and amortisation	<b>44,383,590.49</b>	39,997,066.07
Entertainment and travelling expenses	<b>10,612,090.06</b>	9,585,362.93
Office, telephone, meeting expenses	<b>10,051,341.94</b>	9,760,889.75
Agent fee	<b>9,320,916.13</b>	8,308,791.41
Labour expenses	<b>7,904,407.27</b>	5,472,814.56
Transportation expenses	<b>6,090,003.93</b>	6,217,394.64
Maintenance expenses	<b>6,076,730.29</b>	5,595,361.35
Audit fee	<b>1,981,132.08</b>	1,981,132.08
Utilities expenses	<b>1,053,198.91</b>	2,494,995.38
Others	<b>7,963,635.46</b>	6,538,643.00
Total	<b>270,036,371.18</b>	249,028,876.39

### 44. Research and development expenses

Items	Current period	Preceding period
Salaries and benefits	<b>132,958,003.74</b>	119,592,566.34
Materials, fuel and power	<b>43,718,162.43</b>	40,553,056.31
Commissioned development fee	<b>30,723,566.45</b>	37,567,456.41
Depreciation and amortisation	<b>16,820,754.69</b>	9,351,994.15
Travelling expenses	<b>4,544,263.44</b>	3,755,629.24
Testing, inspection and maintenance expenses	<b>3,163,741.08</b>	6,595,925.54
Rent expenses	<b>786,371.37</b>	1,419,849.60
Design fees	<b>543,636.28</b>	196,164.36
Others	<b>5,937,899.24</b>	2,631,098.77
Total	<b>239,196,398.72</b>	221,663,740.72

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 45. Financial expenses

Items	Current period	Preceding period
Interest expenses	<b>3,631,924.64</b>	3,672,880.22
Including: interest expenses of lease liabilities	<b>319,276.93</b>	
Less: interest income	<b>13,040,696.48</b>	15,557,845.37
Exchange gain and loss	<b>7,968,506.42</b>	15,508,573.77
Handling charges and others	<b>3,944,279.71</b>	2,666,465.42
Total	<b>2,504,014.29</b>	6,290,074.04

### 46. Other income

Item	Amount in current period	Amount in preceding period
Government grants	<b>22,868,902.54</b>	2,308,119.25
Total	<b>22,868,902.54</b>	2,308,119.25

Government grants recorded into profit and loss

Projects of government grant	Amount in current period	Amount in preceding period	Related to assets/ related to profit and loss
Special funds for transformation of provincial scientific and technological achievements in 2019	<b>7,000,000.00</b>		related to profit and loss
Research and development of key technologies of UHD virtual reality based on eye tracking human-computer interaction	<b>4,000,000.00</b>		related to profit and loss
Steady post subsidies	<b>3,921,280.09</b>	940,307.45	related to profit and loss
Special fund for Preschool Education – average cost per student	<b>2,176,274.06</b>		related to profit and loss
Tax return	<b>1,405,458.87</b>	433,715.84	related to profit and loss

## Notes to the 2019 Financial Statements (Continued)

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

### V. Notes to key items in consolidated financial statement (Continued)

#### 46. Other income (Continued)

Government grants recorded into profit and loss (Continued)

Projects of government grant	Amount in current period	Amount in preceding period	Related to assets/ related to profit and loss
The fifth batch of enterprises and projects to be supported by science and technology innovation sub item of industrial development special fund of Futian District in 2018 – Science and Technology Innovation Award	1,000,000.00		related to profit and loss
Industrialization project of automatic transplanting system in Xinxing flat panel display factory	884,165.05	934,095.96	related to asset
R & D and industrialization of high localization industrial robot and intelligent complete equipment	848,070.74		related to asset
Input tax additional deduction	512,268.17		related to profit and loss
Government special support bonus for technological transformation	351,000.00		related to profit and loss
Nanjing industrial enterprise technology equipment investment inclusive award and supplementary fund In 2019	284,000.00		related to asset
Special funds for transformation and upgrading of industry and information industry	200,000.00		related to profit and loss
Reward for environmental improvement in 2019	160,000.00		related to profit and loss

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 46. Other income (Continued)

Government grants recorded into profit and loss (Continued)

Projects of government grant	Amount in current period	Amount in preceding period	Related to assets/ related to profit and loss
Shenzhen industrial and commercial power cost reduction subsidy	111,825.56		related to profit and loss
The Sixth Batch of enterprises and projects to be supported – patent support funds	13,000.00		related to profit and loss
2018 employment information monitoring Award	1,160.00		related to profit and loss
Work injury allowance	400.00		related to profit and loss
Total	<u>22,868,902.54</u>	<u>2,308,119.25</u>	

### 47. Investment income

Items	Current period	Preceding period
Income from long-term equity investments under equity method	45,436,683.21	46,572,091.82
Gains on disposal of long-term equity investments		113,767.52
Investment return on disposal of trading financial assets	15,384,991.80	16,213,159.50
Discounted interest of receivables financing	-1,234,257.64	-285,364.09
Others	934,365.78	
Total	<u>60,521,783.15</u>	<u>62,613,654.75</u>

## Notes to the 2019 Financial Statements (Continued)

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

### V. Notes to key items in consolidated financial statement (Continued)

#### 48. Gain from fair value changes

Sources of gains from fair value changes	Current period	Preceding period
Trading financial assets		
Including: Gains from changes in fair value of derivative financial instruments	258,388.13	
Gains from changes in fair value of debt instrument investment	211,438.36	
Total	469,826.49	

#### 49. Credit impairment losses

Items	Current period	Preceding period
Notes receivable and bad debt losses of accounts receivable	6,351,360.44	11,440,826.14
Bad debt losses of other receivables	5,596,543.17	
Contract asset impairment loss	700,104.37	1,989,198.64
Total	12,648,007.98	13,430,024.78

#### 50. Assets impairment loss

Items	Current period	Preceding period
Inventory impairment and contract performance cost provision	30,486,504.98	2,420,044.57
Impairment losses of long-term equity investment	13,192,317.99	
Bad debts of advanced payment	-370,605.71	-210,217.85
Total	43,308,217.26	2,209,826.72

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 51. Gains on disposal of assets

Item	Current period	Preceding period	Amount included in non-recurring profits and losses
Gains on disposal of non-current asset ("-" for losses)	<b>383,216.04</b>	-1,178,977.14	383,216.04
Including: gains on disposal of fixed asset ("-" for losses)	<b>383,216.04</b>	-1,178,977.14	383,216.04
Total	<b>383,216.04</b>	-1,178,977.14	383,216.04

### 52. Non-operating income

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Government grants	<b>3,407,517.00</b>	5,257,620.00	3,407,517.00
The amount do not need to pay	<b>1,267,506.88</b>	29,796,611.30	1,267,506.88
Others	<b>257,349.89</b>	2,514,183.34	257,349.89
Total	<b>4,932,373.77</b>	37,568,414.64	4,932,373.77

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 52. Non-operating income (Continued)

Government grants recorded into profit and loss

Items	Current period	Preceding period	Related to assets/ related to income
Reward for High-tech Enterprise	1,730,000.00	1,550,000.00	Related to income
The first batch of enterprise research and development funding plan in 2018	936,000.00		Related to income
Provincial financial reward for research and development expenses for the year of 2017	300,000.00	714,000.00	Related to income
Reward for performance evaluation of enterprise R & D institutions in 2019	300,000.00		Related to income
Special subsidy for 2019 intellectual property demonstration advantage enterprise award	50,000.00		Related to income
Wastewater reached the discharging standard	20,000.00	10,000.00	Related to income
incentives and subsidies of Shenzhen for early elimination of old cars (2018-2020)	33,000.00		Related to income
Provincial and municipal patent special awards	12,017.00	5,000.00	Related to income
2018 City technology Development Plan and Technology Funding Indicators	11,500.00	2,000.00	Related to income
Intellectual property funding in 2019 Supported by Jinqiao in 2018	10,000.00		Related to income
Fund from Shenzhen Science and Technology Innovation Committee	5,000.00		Related to income
Xuanwu Financial Appropriation (Industrial and Informatisation Fund)		1,092,000.00	Related to income
Subway automatic ticket gate localisation project		500,000.00	Related to income
Subsidy of participating in intelligence exhibition		500,000.00	Related to income
Key technologies of multi terminal cooperation under ubiquitous network		480,000.00	Related to income
		204,500.00	Related to income

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 52. Non-operating income (Continued)

Government grants recorded into profit and loss (Continued)

Items	Current period	Preceding period	Related to assets/ related to income
Funding Program for Enterprise Domestic Market Development Project of the year of 2018		59,520.00	Related to income
High-tech talent overseas training class subsidy for the year of 2018		40,000.00	Related to income
Award of Nanjing annual standard qualified enterprise for the year of 2018		40,000.00	Related to income
Special funds for foreign trade and economic development for the year of 2017		26,600.00	Related to income
Second batch of funding for patent application		16,000.00	Related to income
Futian District Enterprise Development Service Centre Technology Innovation – Patent Support Bonus		8,000.00	Related to income
“Talk about ideal, make contribution” characteristic project subsidy by municipal bureau of finance for the year of 2017		5,000.00	Related to income
Funds for the Provincial Intellectual Property Program for the year of 2018 (third batch)		3,000.00	Related to income
Invention patent grant funding for the year of 2017		2,000.00	Related to income
Total	<b>3,407,517.00</b>	<b>5,257,620.00</b>	



# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 53. Non-operating expenses

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Donation to external parties	140,992.92	231,602.00	140,992.92
Penalty expenditure	119,481.48	124,480.29	119,481.48
Legislation compensation		2,900,000.00	
Return of government subsidies	204,500.00		204,500.00
Others	430,313.36	451,631.96	430,313.36
Total	<u>895,287.76</u>	<u>3,707,714.25</u>	<u>895,287.76</u>

### 54. Income tax expenses

#### 1. List of income tax expenses

Items	Current period	Preceding period
Current income tax	36,480,258.11	41,894,517.80
Deferred income tax	<u>-2,755,820.88</u>	<u>-3,424,306.16</u>
Total	<u>33,724,437.23</u>	<u>38,470,211.64</u>

#### 2. Explain of the relationship of income Tax Expenses and accounting profit

Items	Current period
Total profit	147,410,060.75
Income tax expenses calculated at the applicable tax rate	36,852,515.19
Different tax rate of subsidiaries	-11,144,481.75
Adjustment on previous income tax	607,117.45
Income not subject to tax	-11,658,406.87
Expenses not deductible for tax purposes	1,964,858.66
Utilisation of previously unrecognised tax losses	
Unrecognised deductible temporary difference and deductible tax loss	35,863,722.29
Effect of additional deductible cost under tax law	<u>-18,760,887.74</u>
Total income tax expenses	<u>33,724,437.23</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 55. Earnings per share

#### 1. Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company by the weighted average number of common shares issued by the company:

Item	Current period	Preceding period
Consolidated net profit attributable to common shareholders of the parent company	<b>52,657,894.58</b>	161,959,568.48
Weighted average number of common shares issued by the company	<b>913,838,529.00</b>	913,838,529.00
Basic earnings per share	<b>0.0576</b>	0.1772
Including:		
Basic earnings per share of continuing operation	<b>0.0576</b>	0.1772
Basic earnings per share of discontinued operations		

The weighted average of common shares is calculated as follows:

Item	Current period	Preceding period
Number of ordinary shares issued at the beginning of the year	<b>913,838,529.00</b>	913,838,529.00
Add: weighted number of common shares issued in the current period		
Less: weighted number of common shares repurchased in the current period		
Weighted number of common shares outstanding at the end of the year	<b>913,838,529.00</b>	913,838,529.00

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 55. Earnings per share (Continued)

#### 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	Current period	Preceding period
Consolidated net profit attributable to common shareholders of the parent company (diluted)	<b>52,657,894.58</b>	161,959,568.48
Weighted average number of common shares issued by the company (diluted)	<b>913,838,529.00</b>	913,838,529.00
Diluted earnings per share	<b>0.0576</b>	0.1772
Including:		
Diluted earnings per share of continued operation	<b>0.0576</b>	0.1772
Diluted earnings per share of discontinued operation		

The weighted average (dilution) of common shares is calculated as follows:

Weighted average number of common shares outstanding at the end of the year when calculating basic earnings per share	913,838,529.00	913,838,529.00
Effect of convertible bonds impact of share options		
Weighted average number of common shares at the end of the year (diluted)	<u>913,838,529.00</u>	<u>913,838,529.00</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 56. Supplementary information of income statement classified by nature of expenses

The operating cost, sales expense, management expense, R&D expense and financial expense in the income statement are classified according to their nature as follows:

Item	Current period	Preceding period
Cost of raw materials, power energy	<b>3,573,918,919.46</b>	3,423,644,522.21
Employee compensation expenses	<b>586,932,293.44</b>	551,486,844.75
Process cost	<b>119,194,009.58</b>	139,987,655.11
Depreciation and amortization	<b>94,706,856.23</b>	79,970,909.03
Office, telephone and conference expenses	<b>58,601,877.52</b>	35,634,315.12
Entertainment and travelling expenses	<b>34,055,345.63</b>	34,528,602.43
Commission development	<b>30,723,566.45</b>	37,567,456.41
Transportation and handling charges	<b>27,554,707.63</b>	32,558,514.78
Test, inspection and maintenance cost	<b>14,400,572.46</b>	20,708,475.31
Listing fee, audit fee, attorney fee and consulting fee	<b>11,319,748.21</b>	10,376,323.49
Advertising fee and exhibition fee	<b>6,024,392.92</b>	9,159,495.74
Financial cost	<b>2,504,014.29</b>	6,290,074.04
Changes in finished goods and product in process	<b>-62,747,231.94</b>	-111,339,472.60
Others	<b>24,597,465.15</b>	40,291,082.31
Total	<b>4,521,786,537.03</b>	4,310,864,798.13

### 57. Information of cash flow statement

#### 1. Other cash received relating to operating activities

Items	Current period	Preceding period
Cash receipts from acceptance deposit & Commitment deposit	<b>151,875,530.99</b>	108,195,783.68
Government grants	<b>27,646,841.52</b>	38,371,643.29
Interest Income	<b>13,040,696.48</b>	15,557,845.37
Others	<b>1,025,422.68</b>	4,127,630.89
Total	<b>193,588,491.67</b>	166,252,903.23

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 57. Information of cash flow statement (Continued)

#### 2. Other cash paid relating to operating activities

Items	Current period	Preceding period
Payment of security deposit and restricted funds	<b>185,880,002.08</b>	127,685,212.46
Payment of expenses	<b>97,132,044.63</b>	74,954,690.83
Handling expenses	<b>4,094,569.86</b>	2,666,465.42
Others	<b>529,531.49</b>	488,887.70
Total	<b><u>287,636,148.06</u></b>	<u>205,795,256.41</u>

#### 3. Other cash receipt related to investment activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<b>1,650,000,000.00</b>	1,550,000,000.00
Letter of Credit deposit	<b>6,419,000.00</b>	
Total	<b><u>1,656,419,000.00</u></b>	<u>1,550,000,000.00</u>

#### 4. Other cash paid related to investment activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<b>1,590,000,000.00</b>	1,460,000,000.00
Letter of Credit deposit	<b>6,419,000.00</b>	
Total	<b><u>1,596,419,000.00</u></b>	<u>1,460,000,000.00</u>

#### 5. Other cash received related to financing activities

Items	Current period	Preceding period
Cash received from notes discounted	<b>123,401,574.55</b>	39,198,666.76
Other financing	<b>992,647.75</b>	
Total	<b><u>124,394,222.30</u></b>	<u>39,198,666.76</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 57. Information of cash flow statement (Continued)

#### 6. Other cash paid related to financing activities

Items	Current period	Preceding period
Cash paid for lease liability	<b>4,741,839.43</b>	
Others		285,364.09
Total	<b>4,741,839.43</b>	285,364.09

### 58. Supplementary information of cash flow statements

#### 1. Supplementary information of cash flow statements

Items	Current period	Preceding period
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	<b>113,685,623.52</b>	212,534,100.27
Add: Provision for credit impairment	<b>12,648,007.98</b>	13,430,024.78
Provision for credit impairment	<b>43,308,217.26</b>	2,209,826.72
Depreciation of fixed assets and investment property	<b>76,112,639.08</b>	69,578,516.78
Depreciation of right of use	<b>5,266,905.39</b>	
Amortisation of intangible assets	<b>11,835,797.28</b>	8,048,234.64
Amortisation of long-term deferred expenses	<b>1,488,116.70</b>	2,344,157.61
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" for gain)	<b>-383,216.04</b>	1,065,209.62
Loss on scrapped fixed assets ("-" for gain)	<b>328,710.16</b>	
Loss on change in fair value ("-" for gain)	<b>-469,826.49</b>	
Financial expenses ("-" for gain)	<b>3,631,924.64</b>	3,672,880.22
Investment loss ("-" for gain)	<b>-60,521,783.15</b>	-62,613,654.75
Decrease in deferred tax assets ("-" for increase)	<b>-2,728,583.04</b>	-3,382,820.29
Increase in deferred tax liabilities ("-" for decrease)	<b>-27,237.84</b>	-41,485.87
Decrease in inventories ("-" for increase)	<b>20,636,714.28</b>	-276,236,077.89

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 58. Supplementary information of cash flow statements (Continued)

#### 1. Supplementary information of cash flow statements (Continued)

Items	Current period	Preceding period
Decrease of operating receivables ("-" for increase)	<b>-407,077,602.51</b>	-213,703,096.22
Increase of operating payables ("-" for decrease)	<b>-158,968,255.35</b>	288,657,201.95
Others		
Net cash flows from operating activities	<b>-341,233,848.13</b>	45,563,017.57
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	<b>863,141,377.23</b>	1,292,114,192.80
Less: cash at the beginning of period	<b>1,292,114,192.80</b>	1,191,597,115.73
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	<b>-428,972,815.57</b>	100,517,077.07

#### 2. No cash paid for disposal of subsidiaries during the period

#### 3. Cash received for disposal of subsidiaries during the period

	Amount
Cash or cash equivalents received from disposal of subsidiaries in the current period	5,465,659.67
Less: cash and cash equivalents held by the company on the date of losing control	
Plus: cash or cash equivalents received from disposal of subsidiaries in the previous period	
Net cash received from disposal of subsidiaries	<u>5,465,659.67</u>

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 58. Supplementary information of cash flow statements (Continued)

4. The composition of cash and cash equivalents:

Items	Current period	Preceding period
1. Cash	<b>863,141,377.23</b>	1,292,114,192.80
Inc.: Cash in hand	<b>399,930.44</b>	413,440.88
Bank deposit available for payment at any time	<b>862,741,446.79</b>	1,291,700,751.92
Other monetary funds available for payment at any time		
Deposits in central banks available for payment		
2. Cash equivalents		
Including: Bond investment due in three months		
3. Cash and cash equivalents at the end of the period	<b>863,141,377.23</b>	1,292,114,192.80
Including: Restricted cash and cash equivalents within the group		

### 59. Assets with title or use right restrictions

Items	Closing carrying amount	The reason
Monetary capital	<b>190,728,389.96</b>	Deposits of acceptance, performance and letter of credit
Receivables financing	<b>41,000,000.00</b>	Deposit in bill pool for issuing bank acceptance
Total	<b>231,728,389.96</b>	



# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 60. Foreign currency monetary items

#### 1. Foreign currency monetary items

Items	Foreign currency at the end of the year	Exchange rate	Converted into RMB at the end of the period
Cash on hand			98,743,780.13
Inc.: USD	<b>13,732,919.51</b>	6.9762	95,803,593.09
Euro	<b>68,942.82</b>	7.8155	538,822.61
HKD	<b>198,844.43</b>	0.8958	178,124.84
JYP	<b>34,683,925.00</b>	0.0641	2,223,239.59
Accounts receivable			33,893,437.36
Inc.: USD	<b>4,274,481.22</b>	6.9762	29,819,635.89
Euro	<b>83,586.13</b>	7.8155	653,267.40
JYP	<b>53,362,466.00</b>	0.0641	3,420,534.07
Other receivables			8,020,606.44
Inc.: USD	<b>1,149,157.78</b>	6.9762	8,016,754.50
HKD	<b>4,300.00</b>	0.8958	3,851.94
Accounts payable			221,304,931.03
Inc.: USD	<b>13,973,875.38</b>	6.9762	97,484,549.43
JYP	<b>1,931,675,220.00</b>	0.0641	123,820,381.60
Other payables			3,177,251.58
Inc.: USD	<b>451,490.78</b>	6.9762	3,149,689.98
HKD	<b>30,767.58</b>	0.8958	27,561.60

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 61. Government grants

#### 1. Government grants related to assets

Project	Amount	Closing balance	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
				Current period	Preceding period	
Special Project for Technical Transformation of Electronic Information Industry for the year of 2017	30,000,000.00	30,000,000.00	Other current liabilities			
Jiangsu Province new industrial development special fund	10,000,000.00	10,000,000.00	Other current liabilities			
Allocation for new model project	5,000,000.00	4,550,000.00	Other current liabilities			
Special funds for Provincial high-end equipment catching up project	620,000.00	620,000.00	Other current liabilities			
High localization rate of industrial robots and intelligent equipment development and industrialisation	8,120,000.00	7,271,929.26	Deferred income	848,070.74		Other income
Industrialization project of automatic transplanting system in Xinxing flat panel display factory	30,000,000.00	6,166,059.09	Deferred income	884,165.05	934,095.96	Other income
Nanjing industrial enterprise technology and equipment investment inclusive award and supplementary fund	1,420,000.00	1,136,000.00	Deferred income	284,000.00		Other income

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 61. Government grants (Continued)

#### 2. Government grants related to income

Project	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
		Current period	Preceding period	
New display product green supply chain construction project of East China Electronic	1,000,000.00			
Research & development and industrialization of high-speed traffic management integrated platform based on Artificial Intelligence	1,000,000.00			
AFC ticketing system on Internet	800,000.00			
Development of intelligent monitoring system for oil and gas pipeline based on distributed optical fibre sensing and the Internet	450,000.00			
AFC regional centre (ZLC)	300,000.00			
Special funds for transformation of provincial scientific and technological achievements in 2019	7,000,000.00	7,000,000.00		Other income
Key research on UHD virtual reality based on eye tracking human-computer interaction	4,000,000.00	4,000,000.00		Other income
Steady post subsidies	3,921,280.09	3,921,280.09	940,307.45	Other income
Special fund for Preschool Education – average cost per student	2,176,274.06	2,176,274.06		Other income
Tax refund	1,405,458.87	1,405,458.87	433,715.84	Other income
The fifth batch of enterprises and projects to be supported by science and technology innovation sub item of industrial development special fund of Futian District in 2018 – Science and Technology Innovation Award	1,000,000.00	1,000,000.00		Other income
Input tax additional deduction	512,268.17	512,268.17		Other income
Government special support bonus for technological transformation	351,000.00	351,000.00		Other income
Special funds for transformation and upgrading of industry and information industry	200,000.00	200,000.00		Other income
Subsidy for pollution prevention and clean production projects in Nanjing	160,000.00	160,000.00		Other income
Shenzhen industrial and commercial power cost reduction subsidy	111,825.56	111,825.56		Other income
The Sixth Batch of enterprises and projects to be supported – patent support funds	13,000.00	13,000.00		Other income
2018 employment information monitoring Award	1,160.00	1,160.00		Other income
Work injury allowance	400.00	400.00		Other income

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 61. Government grants (Continued)

#### 2. Government grants related to income (Continued)

Project	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
		Current period	Preceding period	
High tech Enterprise Award	1,730,000.00	1,730,000.00	1,550,000.00	Non-operating income
The first batch of enterprises to be funded under the research and development funding plan in 2018	936,000.00	936,000.00		Non-operating income
Provincial financial reward for research and development expenses for the year of 2017	300,000.00	300,000.00	714,000.00	Non-operating income
Reward for performance evaluation of enterprise R & D institutions in 2019	300,000.00	300,000.00		Non-operating income
Special subsidy for 2019 intellectual property demonstration advantage enterprise award of market supervision administration	50,000.00	50,000.00		Non-operating income
Wastewater reached the discharging standard	20,000.00	20,000.00	10,000.00	Non-operating income
Incentives and subsidies of Shenzhen on for early elimination of old cars (2018-2020))	33,000.00	33,000.00		Non-operating income
Provincial and municipal patent special awards	12,017.00	12,017.00	5,000.00	Non-operating income
City technology Development Plan and Technology Funding Indicators in 2018	11,500.00	11,500.00	2,000.00	Non-operating income
Intellectual property funding in 2019	10,000.00	10,000.00		Non-operating income
Supported by Jinqiao in 2018	5,000.00	5,000.00		Non-operating income
Fund from Shenzhen Science and Technology Innovation Committee			1,092,000.00	Non-operating income
Xuanwu Financial Appropriation (Industrial and Informatization Fund)			500,000.00	Non-operating income
Domestication of subway gates			500,000.00	Non-operating income
Subsidy of participating in intelligence exhibition			480,000.00	Non-operating income

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 61. Government grants (Continued)

#### 2. Government grants related to income (Continued)

Project	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
		Current period	Preceding period	
Multi-terminal collaboration key technology under ubiquitous network			204,500.00	Non-operating income
Funding Program for Enterprise Domestic Market Development Project of the year of 2018			59,520.00	Non-operating income
High-tech talent overseas training class subsidy for the year of 2018			40,000.00	Non-operating income
Award of Nanjing annual standard qualified enterprise for the year of 2018			40,000.00	Non-operating income
Special funds for foreign trade and economic development for the year of 2017			26,600.00	Non-operating income
Second batch of funding for patent application			16,000.00	Non-operating income
Futian District Enterprise Development Service Centre Technology Innovation – Patent Support Bonus			8,000.00	Non-operating income
“Talk about ideal, make contribution” characteristic project subsidy by municipal bureau of finance for the year of 2017			5,000.00	Non-operating income
Funds for the Provincial Intellectual Property Program for the year of 2018 (third batch)			3,000.00	Non-operating income
Invention patent grant funding for the year of 2017			2,000.00	Non-operating income
2017 special fund for foreign economic and Trade Development(import discount)	956,600.00	956,600.00		Finance expenses

# Notes to the 2019 Financial Statements (Continued)

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

## V. Notes to key items in consolidated financial statement (Continued)

### 61. Government grants (Continued)

#### 3. Return of government grants

Project	Amount	Cause
National Science and Technology Major Project (privately operated )	<b>204,500.00</b>	Adjustments to project balances accepted by 3G Division

## VI. Changes in consolidated scope

### (I) Business combination not involving enterprises under common control

Nil

### (II) Business combination involving enterprises under common control

Nil

### (III) Reversed Purchase

Nil

### (IV) Disposal of subsidiaries in the current period.

Nil

### (V) Other reasons that resulted in changes in the range of consolidation.

The Company wrote off the subsidiary of Shanghai Panda robot Co., Ltd. Before the settlement of whiten-off, the companies above was consolidated in the Company's consolidated financial statements. Chengdu Panda Electronics Manufacturing Co., Ltd. is invested and incorporated in current period.

# Notes to the 2019 Financial Statements (Continued)

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

## VII. Interests in other entities

### (I) Interests in subsidiaries

#### 1. Structure of the Group

Name of subsidiaries	Business operating location	Registered capital (Thousand)	Business nature	Proportion of shareholdings (%)		Way of procurement
				Direct	Indirect	
Nanjing Panda Electronic Manufacture Co., Ltd.1	Nanjing	20,000.00	Manufacturing	75.00	25.00	Establishment
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing	20,000.00	Service	100.00		Establishment
Nanjing Panda Electronic Equipment Co., Ltd.	Nanjing	190,000.00	Manufacturing	100.00		Establishment
Galant Limited	Hong Kong		Communication Industry research and development	100.00		Establishment
Nanjing Panda Information Industry Co., Ltd.1	Nanjing	31,946.435	Manufacturing	82.00	18.00	Establishment
Nanjing Panda Communication Technology Co., Ltd.	Nanjing	100,000.00	Manufacturing	100.00		Business combination under common control
Nanjing Panda Electronic Technology Development Co., Ltd.	Nanjing	700,000.00	Manufacturing	100.00		Establishment
Chengdu Panda Electronic Technology Co., Ltd.	Shanghai	20,000.00	Manufacturing	100.00		Establishment
Chengdu Panda Electronics Manufacturing Co., Ltd.	Chengdu	50,000.00	Manufacturing	100.00		Establishment
Shenzhen Jinghua Electronics Co., Ltd 2	Shenzhen	115,070.00	Service industry	43.34		Business combination under common control

*Note1:* Nanjing Panda Electronic Manufacture Co., Ltd and Nanjing Panda Information Industry Co., Ltd. registered capital of US dollars.

*Note2:* The type of subsidiaries: Shenzhen Jinghua Electronics Co., Ltd is in the type of company limited (unlisted). Other subsidiaries are in the type of Limited Liability Company.

# Notes to the 2019 Financial Statements (Continued)

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

## VII. Interests in other entities (Continued)

### (I) Interests in subsidiaries (Continued)

#### 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
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Shenzhen Jinghua Electronics Co., Ltd.	56.66%	61,027,728.94	43,997,736.50	240,484,054.34
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Note: The Company recommended 4 candidates out of 7 board of directors, therefore, the Company holds 57.14% right to vote.

#### 3. Key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Balance at the end of period					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	

Shenzhen Jinghua Electronics Co., Ltd.	481,712,516.46	41,384,706.20	523,097,222.66	133,742,287.55	3,907,708.96	137,649,996.51
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Name of subsidiaries	Balance at the beginning of period					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	

Shenzhen Jinghua Electronics Co., Ltd.	433,541,054.95	42,253,704.87	475,794,759.82	112,027,158.18	4,293,781.79	116,320,939.97
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# Notes to the 2019 Financial Statements (Continued)

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

## VII. Interests in other entities (Continued)

### (I) Interests in subsidiaries (Continued)

#### 3. Key financial information of significant non-wholly owned subsidiaries (Continued)

Name of subsidiaries	Current period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	843,380,808.18	94,907,185.30	94,907,185.30	104,921,411.98

Name of subsidiaries	Preceding period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	723,262,193.50	77,534,862.67	77,534,862.67	93,753,913.48

### (II) The company does not have changes in equity of the subsidiary's share of owners and still control of the subsidiary.

### (III) Significant joint ventures or associates

#### 1. Significant joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Business nature	Proportion of shareholding (%)		Accounting treatment for investment in joint ventures or associates	strategic significance to the company's activities
				Direct	Indirect		
Nanjing Ericsson Panda Communication Co., Ltd.	Nanjing	Nanjing	Manufacturing	27.00		Equity method	Negative

# Notes to the 2019 Financial Statements (Continued)

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

## VII. Interests in other entities (Continued)

### (III) Significant joint ventures or associates (Continued)

#### 2. Key financial information of significant associates

Items	Closing balance/current period	Opening balance/preceding period
	Nanjing Ericsson Panda Communication Co., Ltd.	Nanjing Ericsson Panda Communication Co., Ltd.
Current assets	2,264,774,000.00	2,643,412,000.00
Non-current assets	1,897,516,000.00	2,019,370,000.00
Total assets	4,162,290,000.00	4,662,782,000.00
Current liabilities	3,374,097,000.00	3,873,311,000.00
Non-current liabilities	4,990,000.00	
Total liabilities	3,379,087,000.00	3,873,311,000.00
Minority interest		
Shareholders' equity attributable to the parent company	783,203,000.00	789,471,000.00
Proportionate share in net assets	211,464,810.00	213,157,170.00
Adjustments	-1,031,515.78	-97,264.00
– Goodwill		
– Internal offset of unrealised profit	-934,251.78	
– Others	-97,264.00	-97,264.00
Carrying amount of investments in associates	210,433,294.22	213,059,906.00

# Notes to the 2019 Financial Statements (Continued)

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

## VII. Interests in other entities (Continued)

### (III) Significant joint ventures or associates (Continued)

#### 2. Key financial information of significant associates (Continued)

Items	Closing balance/current period	Opening balance/preceding period
	Nanjing Ericsson Panda Communication Co., Ltd.	Nanjing Ericsson Panda Communication Co., Ltd.
Fair value of equity investments in associates		
Operating income	9,315,362,000.00	8,816,970,000.00
Net profit	170,748,000.00	165,489,000.00
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	170,748,000.00	165,489,000.00
Dividend from joint ventures received	47,794,206.00	57,249,208.00

# Notes to the 2019 Financial Statements (Continued)

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

## VII. Interests in other entities (Continued)

### (III) Significant joint ventures or associates (Continued)

#### 3. Combined financial information of immaterial joint ventures and associates

Items	Closing balance/ current period	Opening balance/ preceding period
Associates:		
Total carrying amount of investment	<b>65,955,549.76</b>	80,715,178.75
The followings were calculated by		
– Net profit	<b>269,088.99</b>	1,890,061.81
– Other comprehensive income		
– Total comprehensive income	<b>269,088.99</b>	1,890,061.81

## VIII. Risk associated with financial instruments

The Company faces various financial risks in the course of its business: credit risk, market risk and liquidity risk. The Board of Directors is responsible for the overall risk management objectives and policies and assumes ultimate responsibility for risk management objectives and policies. The Board of Directors checks the effectiveness of the procedures which have been implemented and the reasonability of the overall risk management objectives and policies. The internal auditors also audit the risk management objectives and policies and record the results to the audit committee.

The objective of the Company's overall risk management is to strike a proper balance between risk and profit, to minimise the negative impact of risk on operating results

### (I) Credit risks

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations and causes financial losses to the other. The company is mainly facing customer credit risk caused by credit sales. Before the signing of the new contract, the company will evaluate the credit risk of the new customer, including the external credit rating and, in some cases, the bank credit certificate (when this information is available). The company sets a credit limit for each customer, which is the maximum amount that does not require additional approval.

The company ensures that the company's overall credit risk is within control of the company through quarterly monitoring of existing customer credit ratings and monthly review of accounts receivable aging analysis. When monitoring the customer's credit risk, they are grouped according to their credit characteristics. Customers rated as "high-risk" will be placed on the list of restricted customers, and the company can only sell them on the premise of additional approval, otherwise they must be required to pay in advance.

The financial assets which are identified in specific provision without impairment are as follows:

# Notes to the 2019 Financial Statements (Continued)

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

## VIII. Risk associated with financial instruments (Continued)

### (II) Market risks

The market risk of financial instruments refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market prices, including foreign exchange risk and interest rate risk.

#### (1) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market interest rates. Due to no long-term liability, the Company does not suffer from interest rate risk at present.

#### (2) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in foreign exchange rates. The company tries to match the revenue and cost in foreign currencies in order to reduce the exchange rate risk. The company does not sign any contract of forward exchange agreement and currency swap agreement.

The main foreign exchange risk is the financial assets and financial liabilities with USD, JPY. The amount of the financial assets and liabilities in foreign currencies converted into RMB is as follows:

Item	Closing balance			Opening balance		
	USD	Other currency	Total	USD	Other currency	Total
Monetary capital	95,803,593.09	2,940,187.04	98,743,780.13	80,981,615.79	1,600,959.23	82,582,575.02
Account receivables	29,819,635.89	4,073,801.47	33,893,437.36	44,271,669.73	15,677,510.23	59,949,179.96
Other receivables	8,016,754.50	3,851.94	8,020,606.44	366,205.12	49,185.49	415,390.61
Subtotal	<u>133,639,983.48</u>	<u>7,017,840.45</u>	<u>140,657,823.93</u>	<u>125,619,490.64</u>	<u>17,327,654.95</u>	<u>142,947,145.59</u>
Account payable	97,484,549.43	123,820,381.60	221,304,931.03	153,386,776.53	170,837,267.65	324,224,044.18
Other payables	3,149,689.98	27,561.60	3,177,251.58	2,231,569.48	4,869.92	2,236,439.40
Subtotal	<u>100,634,239.41</u>	<u>123,847,943.20</u>	<u>224,482,182.61</u>	<u>155,618,346.01</u>	<u>170,842,137.57</u>	<u>326,460,483.58</u>

# Notes to the 2019 Financial Statements (Continued)

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

## VIII. Risk associated with financial instruments (Continued)

### (II) Market risks (Continued)

#### (2) Foreign exchange risk (Continued)

The effects of exchange rate fluctuation are as follows:

Items	Closing balance			Opening balance		
	Exchange increase/ decrease	Total profit increase/ decrease	Shareholder equity increase/ decrease	Exchange increase/ decrease	Total profit increase/ decrease	Shareholder equity increase/ decrease
Depreciation of RMB against USD	5%	1,650,287.20	1,650,287.20	5%	-1,499,942.77	-1,499,942.77
Appreciation of RMB against USD	5%	-1,650,287.20	-1,650,287.20	5%	1,499,942.77	1,499,942.77
Depreciation of RMB against JPY	5%	-5,908,830.40	-5,908,830.40	5%	-7,740,882.81	-7,740,882.81
Appreciation of RMB against JPY	5%	5,908,830.40	5,908,830.40	5%	7,740,882.81	7,740,882.81

### (III) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances.

The maturity profile of the Company's financial assets and financial liabilities at each balance sheet date based on contractual undiscounted payments is analysed below:

Items	Closing balance			
	Within 1 year	1-3 years	3 years above	Total
Short-term borrowings	50,000,000.00			50,000,000.00
Notes payable	234,736,827.23			234,736,827.23
Accounts payable	1,628,435,817.44			1,628,435,817.44
Contract liabilities	160,540,186.87			160,540,186.87
Other payables	78,425,560.86			78,425,560.86
Total	2,152,138,392.40			2,152,138,392.40

# Notes to the 2019 Financial Statements (Continued)

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

## VIII. Risk associated with financial instruments (Continued)

### (III) Liquidity risk (Continued)

Items	Opening balance			Total
	Within 1 year	1-3 years	3 years above	
Short-term borrowings	95,000,000.00			95,000,000.00
Notes payable	187,360,370.61			187,360,370.61
Accounts payable	1,544,459,424.66			1,544,459,424.66
Contract liabilities	221,380,505.81			221,380,505.81
Other payables	101,554,174.51			101,554,174.51
Total	<u>2,149,754,475.59</u>			<u>2,149,754,475.59</u>

## IX. Fair value disclosure

The inputs used to measure fair value are categorised into three hierarchies:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level of fair value measurement is determined by the lowest level inputs that are significant to the fair value measurement as a whole.

Since financial assets and financial liabilities of the company only include cash, accounts receivable and accounts payable, etc., of which fair values are equal to their carrying amounts, currently none of the 3 levels of input above are used in the measurement of fair value.

# Notes to the 2019 Financial Statements (Continued)

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

## IX. Fair value disclosure (Continued)

### (I) Closing fair value of assets and liabilities measured at fair value

Type	Fair value at the end of period			Total
	Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	
<b>1. Continuing fair value measurement</b>				
◆ Trading financial assets			300,469,826.49	300,469,826.49
1.1 Financial assets at fair value through profit and loss			300,469,826.49	300,469,826.49
1.1.1 Debt instrument investment			50,211,438.36	50,211,438.36
1.1.2 Equity instrument investment				
1.1.3 Derivative assets			250,258,388.13	250,258,388.13
1.2.4 Others				
◆ Receivables financing			347,259,336.87	347,259,336.87
◆ Other debt investment				
◆ Other equity instrument investment			4,035,539.29	4,035,539.29
◆ Other non-current assets				
<b>Total continuing assets measured at fair value</b>			<b>651,764,702.65</b>	<b>651,764,702.65</b>

### (II) Regarding continuing and discontinued third level fair value measurement items, valuation technology adopted and qualitative & quantitative information of important parameters

- The trading financial assets measured at the third level of fair value measurement held by the company are bank wealth investment product. At the end of the period, the fair value is adjusted according to the expected return rate or performance benchmark interest rate of financial products.
- The receivables financing measured at the third level of fair value held by the company are notes receivables with the intention of endorsement, and the remaining maturity is short with the book value equalled to its fair value.
- The Other equity investment instruments measured at the third level of fair value measurement held by the company is that 7.30% equity of Jiangsu urban rail transit research and Design Institute Co., Ltd. The company is a non-listed company, and the fair value is determined by the net asset basis method as of the balance sheet date.



# Notes to the 2019 Financial Statements (Continued)

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

## IX. Fair value disclosure (Continued)

### (III) Adjustment information between the carrying value of opening and closing balance, and sensitivity analysis of unobservable parameters for continuous project with level 3 of the fair value hierarchy

Adjustment information of continuous project with level 3 of the fair value hierarchy

Type	Opening balance	Transfers in level 3	Transfers out of level 3	Gains (losses) recognised in the period		Purchase, issue, selling and settlement				Closing balance	For assets held at the end of the reporting period, the gains or losses are not realised in the current period of profit or loss.
				In profits and losses	In other comprehensive income	Purchase	issue	selling	settlement		
◆ Trading financial assets	360,000,000.00	1,590,000,000.00		469,826.49				1,650,000,000.00		300,469,826.49	
Financial assets at fair value through profit and loss	360,000,000.00	1,590,000,000.00		469,826.49				1,650,000,000.00		300,469,826.49	
- Debt instrument investment	50,000,000.00	280,000,000.00		211,438.36				280,000,000.00		50,211,438.36	
- Equity instrument investment											
- Derivative assets	310,000,000.00	1,310,000,000.00		258,388.13				1,370,000,000.00		250,258,388.13	
- Others											
◆ Receivable financing	249,801,805.38	1,131,866,118.88	1,034,408,587.39							347,259,336.87	
◆ Other creditor investment											
◆ Other equity instrument investment	3,905,351.83				130,187.46					4,035,539.29	
<b>Total</b>	<b>613,707,157.21</b>	<b>2,721,866,118.88</b>	<b>1,034,408,587.39</b>	<b>469,826.49</b>	<b>130,187.46</b>			<b>1,650,000,000.00</b>		<b>651,764,702.65</b>	
Including: profit and loss related to financial assets				469,826.49							
Profit and loss related to non-financial assets											

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions

### (I) Details of parent company

Name of parent company	Place of registration	Business nature	Registered Capital (ten thousand)	Holding proportion over the Company (%)	Voting right Proportion over the Company (%)
Panda Electronics Group Limited	Nanjing	Manufacturing	163,297	23.05	55.56

Ultimately controlled by: China Electronics Corporation. Registered place: Beijing China

*Note:* the voting right proportion of Company's parent company higher than the proportion of shareholdings is due to the situation that 5 of 9 board of directors are recommended by the parent company.

### (II) Details on the Company's subsidiaries

Please refer to (I). Interests in subsidiaries under Note VII. 'Interests in other entities' for details on the Company's subsidiaries.

### (III) Detail is on the Company's joint ventures and associates

Please refer to (II). Interests in joint arrangement or associates under Note VII. Interests in other entities for details on the Company's significant joint ventures and associates.

Information of the Company's other joint ventures or associates, that had transactions with the company in current period, or balances resulted from transactions with the Company in the prior period is as follows:

The name of joint ventures or associates	The Company's relationship with Joint venture or associate
Nanjing Ericsson Panda Communication Co., Ltd.	Subsidiary's associates
Beijing SE Putian Mobile Communications Co., Ltd	Subsidiary's associates
Shenzhen Chebao Information Technology Co., Ltd	Subsidiary's associates
Shenzhen Jinghua Network Marketing Co., Ltd	Subsidiary's associates

*Notes:* Beijing Sony Ericsson Putian Mobile Communication Co., Ltd. claimed to entered the liquidation period at the board meeting held on March 28, 2019.

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (IV) Details on other related parties

Other related parties Name	The Company relationships with other related party
Nanjing Panda Handa Technology Co., Ltd	Subsidiary of the Group
Nanjing Panda Investment Development Co., Ltd	Subsidiary of the Group
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary of the Group
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary of the Group
Nanjing Panda Technology Park Development Company Limited	Subsidiary of the Group
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Subsidiary of the Group
Nanjing Zhenhua Packing Material Factory	Subsidiary of the Group
Nanjing Panda Transport Co., Ltd	Subsidiary of the Group
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Subsidiary of the Group
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Subsidiary of the Group
Panda (Beijing) International Information Technology Co., Ltd	Subsidiary of the Group
Chengdu China Electronic Panda Display Technology Co., Ltd	Other related parties
Xianyang Caihong Optoelectronics Technology Co., Ltd	Other related parties
IRICO (Hefei) LCD Glass Co., Ltd.	Other related parties
Shenzhen Jinghua Intelligent Technology Co., Ltd	Other related parties
Nanjing CEC panda flat panel display technology Co., Ltd.	Ultimately controlled by the same party
Nanjing Zhongdian panda LCD Technology Co., Ltd	Ultimately controlled by the same party
China Great Wall Technology Group Co., Ltd	Ultimately controlled by the same party
China Electronic Finance Co., Ltd	Ultimately controlled by the same party
Nanjing CEC Panda Real Estate Co., Ltd.	Ultimately controlled by the same party
Nanjing Zhongdian panda Information Industry Group Co., Ltd	Ultimately controlled by the same party
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Ultimately controlled by the same party
Shenzhen Zhongdian Power Technology Co., Ltd	Ultimately controlled by the same party
Nanjing China Electronics Modern Service Industry Co., Ltd	Ultimately controlled by the same party
Nanjing Panda Jinling Hotel Co., Ltd	Ultimately controlled by the same party
Nanjing Huadong Electronic Information Technology Co., Ltd	Ultimately controlled by the same party
Guizhou Zhenhua E-Chem Co., Ltd	Ultimately controlled by the same party

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (IV) Details on other related parties (Continued)

Other related parties Name	The Company relationships with other related party
Caihong Group Co., Ltd	Ultimately controlled by the same party
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Ultimately controlled by the same party
Langfang China Electronics Panda Crystal Technology Co., Ltd.	Ultimately controlled by the same party
Xianyang CE Caihong Group Holdings Co., Ltd.	Ultimately controlled by the same party
China Electronics Import and Export Co., Ltd	Ultimately controlled by the same party
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party
Shenzhen China Electronics Investment Company	Ultimately controlled by the same party
China Electronics Equipment International Co., Ltd.	Ultimately controlled by the same party
Xianyang Caihong Intelligent Equipment Co., Ltd.	Ultimately controlled by the same party
Nanjing Zhongdian panda Property Management Co., Ltd	Ultimately controlled by the same party
China Zhenhua Group Yunke Electronics Co., Ltd	Ultimately controlled by the same party
Guizhou Zhenhua Hualian Electronics Co., Ltd	Ultimately controlled by the same party
Nanjing CEC Panda illumination Co., Ltd.	Ultimately controlled by the same party
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Ultimately controlled by the same party
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Ultimately controlled by the same party
Nanjing Caihong New Energy Co., Ltd.	Ultimately controlled by the same party
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Ultimately controlled by the same party
Shenzhen China Electronics International Information Technology Co., Ltd	Ultimately controlled by the same party
China Electronics International Exhibition Advertising Co., Ltd	Ultimately controlled by the same party
China Academy of Information Security Co., Ltd	Ultimately controlled by the same party
Nanjing Huadong Electronics Group Co., Ltd	Ultimately controlled by the same party
Feisheng (Shanghai) Electronic Technology Co., Ltd	Ultimately controlled by the same party
N CEC Materials Suzhe Corporation	Ultimately controlled by the same party
Wuhan Zhongyuan Electronics Group Co., Ltd	Ultimately controlled by the same party
Nanjing Sanle Electronic Information Co., Ltd	Ultimately controlled by the same party
Nanjing China Electronics Panda Trade Development Co., Ltd	Ultimately controlled by the same party
China Tongguang Electronics Co., Ltd	Ultimately controlled by the same party
Wuhan Zhongyuan Electronics Information Co., Ltd	Ultimately controlled by the same party

Note: Shenzhen Zhongdian Huaxing Electronic Technology Co., Ltd. is not a related party since 2019.

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions

- Purchase and sale of goods, rendering and receiving services in related party transactions

Purchase of goods/receiving of service:

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Purchase of goods	<b>14,885,451.56</b>	28,928,284.56
Xianyang Caihong Intelligent Equipment Co., Ltd.	Purchase of goods	<b>3,451,327.43</b>	3,362,068.97
Nanjing Caihong New Energy Co., Ltd.	Purchase of goods	<b>2,967,942.09</b>	2,115,578.46
Nanjing Zhenhua Packing Material Factory	Purchase of goods	<b>2,420,305.87</b>	3,018,630.68
China Electronic Equipment International Co., Ltd	Purchase of goods	<b>1,578,387.40</b>	
Shenzhen China Electronics Investment Company	Purchase of goods	<b>1,003,910.84</b>	3,136,744.29
Nanjing CEC Panda LCD Technology Co., Ltd.	Purchase of goods	<b>928,148.19</b>	4,491,339.92
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Purchase of goods	<b>401,106.18</b>	762,835.75
Shanghai Panda Huning Electronic Technology Co., Ltd.	Purchase of goods	<b>322,586.22</b>	374,340.00
Chengdu China Electronic Panda Display Technology Co., Ltd	Purchase of goods	<b>177,757.82</b>	33,158.00
Nanjing China Electronics Panda Appliances Co., Ltd	Purchase of goods	<b>163,121.48</b>	1,046,183.10
Guizhou Zhenhua Hualian Electronics Co., Ltd	Purchase of goods	<b>157,806.26</b>	162,845.82
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Purchase of goods	<b>139,775.22</b>	37,748,099.67

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions

Purchase of goods/receiving of service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Panda Electronics Import/Export Co., Ltd	Purchase of goods	<b>48,146.57</b>	124,137.94
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Purchase of goods	<b>43,893.81</b>	57,931.03
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Purchase of goods	<b>23,613.21</b>	15,782.09
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Purchase of goods	<b>12,876.11</b>	30,564.70
Shenzhen China Electronics International Information Technology Co., Ltd	Purchase of goods	<b>6,066.04</b>	
Nanjing Panda Handa Technology Co., Ltd	Purchase of goods		4,087,816.22
Nanjing Huadong Electronics Group Co., Ltd	Purchase of goods		801,372.82
China Electronics Import and Export Co., Ltd	Purchase of goods		290,344.83
Nanjing CEC Panda illumination Co., Ltd.	Purchase of goods		111,120.00
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Purchase of goods		40,813.61
Nanjing Panda Transport Co., Ltd	Receipt of services	<b>7,920,689.20</b>	3,446,288.57
Shenzhen Jinghua Intelligent Technology Co., Ltd	Receipt of services	<b>6,185,978.09</b>	6,127,446.92
Nanjing CEC Panda LCD Technology Co., Ltd.	Receipt of services	<b>1,082,202.49</b>	2,008,147.40
Panda Electronic Group Co., Ltd.	Receipt of services	<b>1,048,041.20</b>	221,845.24
Caihong Group Co., Ltd	Receipt of services	<b>754,716.98</b>	

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

1. Purchase and sale of goods, rendering and receiving services in related party transactions

Purchase of goods/receiving of service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Xianyang CEC Caihong Group Holding Co., Ltd	Receipt of services	<b>754,716.98</b>	
China Electronics Import and Export Co., Ltd	Receipt of services	<b>297,836.54</b>	30,500.40
Nanjing Panda Handa Technology Co., Ltd	Receipt of services	<b>186,058.49</b>	344,540.92
China Electronics International Exhibition Advertising Co., Ltd	Receipt of services	<b>131,640.00</b>	117,980.00
China Academy of Information Security Co., Ltd	Receipt of services	<b>943.40</b>	
Nanjing Huadong Electronic Group Co., Ltd	Receipt of services		544,414.54
Shanghai Panda Huning Electronic Technology Co., Ltd.	Receipt of services		55,028.46
Xianyang Caihong Optoelectronics Technology Co., Ltd	Receipt of services		48,615.64
Nanjing Electronics Information Industrial Corporation	Receipt of services		42,452.83
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Receipt of services		42,241.38

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Sales of goods/rendering the service:

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Chengdu China Electronic Panda Display Technology Co., Ltd	Sales of goods	<b>793,778,350.86</b>	692,612,243.15
Nanjing CEC panda flat panel display technology Co., Ltd.	Sales of goods	<b>530,509,069.35</b>	402,356,184.00
Nanjing CEC Panda LCD Technology Co., Ltd.	Sales of goods	<b>200,735,797.31</b>	163,758,349.58
Nanjing Panda Handa Technology Co., Ltd	Sales of goods	<b>58,004,305.33</b>	77,917,085.12
Caihong Group Co., Ltd	Sales of goods	<b>32,178,471.26</b>	
Shenzhen Jinghua Network Marketing Co., Ltd	Sales of goods	<b>23,079,868.82</b>	32,767,144.47
Shenzhen China Electronics Investment Company	Sales of goods	<b>17,113,279.15</b>	
Nanjing Panda Electronic Import and Export Co., Ltd	Sales of goods	<b>16,414,249.37</b>	37,942,406.44
Xianyang CE Caihong Group Holdings Co., Ltd.	Sales of goods	<b>15,803,750.36</b>	14,345,822.29
Xianyang Caihong Optoelectronics Technology Co., Ltd	Sales of goods	<b>11,988,382.19</b>	107,097,340.46
Nanjing Ericsson Panda Communication Co., Ltd.	Sales of goods	<b>8,996,894.72</b>	1,578,557.77
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Sales of goods	<b>6,852,912.73</b>	34,757,755.24
Feisheng (Shanghai) Electronic Technology Co., Ltd	Sales of goods	<b>5,639,004.55</b>	
Nanjing China Electronics Panda Appliances Co., Ltd	Sales of goods	<b>4,589,061.33</b>	4,353,588.61
China Great Wall Technology Group Co., Ltd	Sales of goods	<b>2,187,823.67</b>	1,826,057.73
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Sales of goods	<b>869,094.78</b>	534,635.63



# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receipting services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
N CEC Materials Suzhe Corporation	Sales of goods	<b>783,433.95</b>	762,624.55
Panda Electronic Group Co., Ltd.	Sales of goods	<b>609,281.22</b>	1,695,882.06
Wuhan Zhongyuan Communication Co., Ltd	Sales of goods	<b>492,035.40</b>	
Nanjing Sanle Group Co., Ltd	Sales of goods	<b>436,164.80</b>	
Nanjing Electronics Information Industrial Corporation	Sales of goods	<b>426,648.13</b>	411,693.43
Nanjing Panda Transport Co., Ltd	Sales of goods	<b>141,189.63</b>	186,593.24
Nanjing Huadong Electronic Information Technology Co., Ltd	Sales of goods	<b>78,300.57</b>	243,748.59
Shenzhen China Electronics Technology Co., Ltd	Sales of goods	<b>47,480.98</b>	43,876.55
Nanjing CEC Panda Real Estate Co., Ltd.	Sales of goods	<b>42,453.62</b>	229,235.68
Nanjing China Electronics Modern Service Industry Co., Ltd	Sales of goods	<b>30,449.08</b>	31,317.00
Nanjing Panda Investment Development Co., Ltd	Sales of goods	<b>25,228.30</b>	1,001,592.67
Guizhou Zhennyi Hualong New Material Co., Ltd	Sales of goods	<b>16,175.86</b>	17,930,362.07
Nanjing China Electronics Panda Trade Development Co., Ltd	Sales of goods	<b>10,877.36</b>	3,301.89
IRICO (Hefei) LCD Glass Co., Ltd.	Sales of goods		4,310,344.84
Nanjing Panda Technology Park Development Company Limited	Sales of goods		245,102.65
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Sales of goods		57,435.90

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Panda (Beijing) International Information Technology Co., Ltd	Sales of goods		668.72
Nanjing Panda Investment Development Co., Ltd	Rendering of services	<b>16,271,079.02</b>	49,070,815.37
Nanjing CEC panda flat panel display technology Co., Ltd.	Rendering of services	<b>11,949,816.63</b>	10,909,995.71
Panda Electronic Group Co., Ltd.	Rendering of services	<b>9,526,983.68</b>	8,831,955.06
IRICO (Hefei) LCD Glass Co., Ltd.	Rendering of services	<b>8,630,188.68</b>	
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Rendering of services	<b>6,357,303.06</b>	5,124,513.91
Nanjing CEC Panda LCD Technology Co., Ltd.	Rendering of services	<b>5,985,056.08</b>	3,978,711.33
Xianyang Caihong Optoelectronics Technology Co., Ltd	Rendering of services	<b>2,610,135.28</b>	21,127,016.73
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Rendering of services	<b>763,017.22</b>	683,568.81
Nanjing China Electronics Panda Appliances Co., Ltd	Rendering of services	<b>324,102.60</b>	359,973.83
Nanjing Panda Electronics Import/Export Co., Ltd	Rendering of services	<b>140,879.79</b>	260,694.92
Nanjing Panda Transport Co., Ltd	Rendering of services	<b>125,380.32</b>	71,802.12
Nanjing Caihong new energy Co., Ltd	Rendering of services	<b>57,544.76</b>	
Nanjing Panda Handa Technology Co., Ltd	Rendering of services	<b>52,996.23</b>	59,286.80
China Tongguang Electronics Co., Ltd	Rendering of services	<b>35,454.55</b>	
Shenzhen Jinghua Network Marketing Co., Ltd	Rendering of services	<b>8,370.70</b>	8,822.82
Nanjing CEC Panda Real Estate Co., Ltd.	Rendering of services		432,507.79

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

#### 2. Leases in related party transactions

Asset leased to related parties

Name of lessee	Types of leased assets	Rental income recognised in this period	Rental income recognised in prior period
Nanjing Panda Electronics Import/Export Co., Ltd	Lease of houses	<b>246,747.99</b>	244,325.92
Nanjing Panda Handa Technology Co., Ltd	Lease of houses	<b>157,431.20</b>	130,000.00
Nanjing Panda Transport Co., Ltd	Lease of cars	<b>324,140.36</b>	617,042.07
Nanjing Panda Transport Co., Ltd	Lease of houses	<b>381,925.24</b>	50,052.92
Nanjing China Electronics Panda Appliances Co., Ltd	Lease of houses	<b>666,902.92</b>	660,356.40
Shenzhen Jinghua Network Marketing Co., Ltd	Lease of houses	<b>48,285.71</b>	50,142.86
Shenzhen Jinghua Intelligent Technology Co., Ltd	Lease of houses	<b>537,654.86</b>	537,654.86
Panda Electronic Group Co., Ltd.	Lease of houses	<b>41,025.82</b>	40,653.67
Panda Electronic Group Co., Ltd.	Lease of cars		25,641.03

Assets leased from related parties

Name of lessee	Types of leased assets	Rental income recognised in this period	Rental income recognised in prior period
Nanjing CEC panda flat panel display technology Co., Ltd.	Lease of houses	<b>16,363.64</b>	
Chengdu China Electronic Panda Display Technology Co., Ltd	Lease of houses	<b>51,769.91</b>	105,405.41

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

#### 3. Guarantee in related party transactions

Guarantee provided to related parties

Secured party	Guarantee amount	Guarantee start date	Expiry date	Whether the guarantee has been fulfilled
Nanjing Panda Information Industry Co., Ltd. 1	280,000,000.00	2019-7-1	2021-11-26	No
Nanjing Panda Information Industry Co., Ltd. 2	50,000,000.00	2019-3-28	2023-3-27	No
Nanjing Panda Electronic Equipment Co., Ltd. 3	170,000,000.00	2018-9-29	2021-6-30	No
Nanjing Panda Electronics Equipment Co., Ltd. 4	150,000,000.00	2019-11-20	2022-9-16	No
Nanjing Panda Electronics Equipment Co., Ltd. 5	100,000,000.00	2019-12-30	2022-12-30	No
Nanjing Panda Electronics Manufacturing Co., Ltd 6	60,000,000.00	2019-12-6	2022-12-5	No
Nanjing Panda Electronics Manufacturing Co., Ltd 7	60,000,000.00	2019-2-26	2023-2-25	No
Nanjing Panda Electronics Manufacturing Co., Ltd 8	50,000,000.00	2019-7-1	2021-11-26	No
Nanjing Huage Appliance and Plastic Industrial Co., Ltd. 9	50,000,000.00	2019-12-30	2022-12-30	No
Nanjing Panda electromechanical Manufacturing Co., Ltd 10	15,000,000.00	2019-12-9	2022-12-8	No

*Note 1:* The company provides the maximum irrevocable guarantee for the bank comprehensive credit line of RMB280,000,000.00 to Nanjing Panda Information Industry Co., Ltd., a secondary subsidiary, in Nanjing Branch of Shanghai Pudong Development Bank Co., Ltd., with the credit period from July 1, 2019 to November 26, 2019. The guarantee period is calculated according to each creditor's right, from the date when the performance period of each creditor's right contract expires to two years later. As of December 31, 2019, Nanjing Panda Information Industry Co., Ltd. has used a total credit line of RMB92,403,656.49. And the amount of performance guarantee provided by the company for the secondary subsidiary Nanjing Panda Information Industry Co., Ltd. is RMB92,403,656.49.

*Note 2:* The company provides the maximum amount of irrevocable guarantee for the bank comprehensive credit line of RMB50,000,000.00 to the secondary subsidiary Nanjing Panda Information Industry Co., Ltd. in China Merchants Bank Co., Ltd. Nanjing Branch. The credit period is from March 28th, 2019 to March 27th, 2020. The guarantee liability period is from the effective date of this guarantee, to the maturity date of each loan; or other financing under the credit agreement; or the receivable creditor's rights transferred by the bank; three years after the date of each advances. If any specific credit extension is extended, the guarantee period will accordingly extend to three years after the expiration of the extension period. As of December 31, 2019, Nanjing Panda Information Industry Co., Ltd. has used a total credit line of RMB47,726,509.98. The amount of performance guarantee provided by the company for the secondary subsidiary Nanjing Panda Information Industry Co., Ltd. is RMB47,726,509.98.

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

#### 3. Guarantee in related party transactions (Continued)

*Note 3:* The company provides the highest irrevocable guarantee for the bank comprehensive credit line of RMB170,000,000.00 to Nanjing Panda Electronic Equipment Co., Ltd., a secondary subsidiary, in Ping An Bank Co., Ltd. Nanjing Branch, with the credit period from September 29th, 2018 to June 30th, 2019. The credit line period is one year, last from the effective date of the contract to two years after the expiration of the debtor's performance term. Nanjing Panda Electronic Equipment Co., Ltd. provides counter guarantee with all its assets. As of June 30, 2019, Nanjing Panda Electronic Equipment Co., Ltd. has used the credit line of RMB54,074,647.14 (including JPY L/C guarantee deposit of JPY 847,352,500.00. According to the central exchange rate in the inter-bank foreign exchange market on June 30, 2019 (JPY 100 to RMB6.3816), the amount converted equal to RMB54,074,647.14). After June 30, 2019, Nanjing Panda Electronic Equipment Co., Ltd. did not continue credit business with Ping An Bank. As of December 31st, 2019, Nanjing Panda Electronic Equipment Co., Ltd. has used a total credit line of RMB29,349,785.85. The guarantee amount of the letter of credit provided by the company for the secondary subsidiary Nanjing Panda Electronic Equipment Co., Ltd. is RMB29,349,785.85 (It includes the guarantee amount of the JPY 457,975,000.00. According to the middle rate of RMB exchange rate in the inter-bank foreign exchange market on December 31, 2019: JPY 100 yen to RMB6.4086, the converted amount is RMB29,349,785.85.). The L/C and L/C margin account have been cancelled on January 10, 2020.

*Note 4:* The company provides the highest amount of irrevocable guarantee for the bank comprehensive credit line of RMB150,000,000.00 for the secondary subsidiary Nanjing Panda Electronic Equipment Co., Ltd. in the Industrial Bank Co., Ltd., Central Road branch. And the credit period is from November 20th, 2019 to September 16th, 2020. The guarantee last for two years from the expire date of the debtor's obligation. As of December 31, 2019, Nanjing Panda Electronic Equipment Co., Ltd. has used a total credit line of RMB7,948,622.58. The guarantee provided by the company for the subsidiary is RMB3,072,045.40, and the guarantee amount of bank acceptance is RMB4,876,577.18.

*Note 5:* The company provides the maximum amount of irrevocable guarantee for the bank comprehensive credit line of RMB100,000,000.00 to the secondary subsidiary Nanjing Panda Electronic Equipment Co., Ltd. in China Electronic Finance Co., Ltd.. And the credit period is from December 30th, 2019 to December 30th, 2020. The guarantee period is calculated according to the debt performance period stipulated in each specific credit business contract under the comprehensive credit contract. The guarantee period under each specific credit business contract is two years from the date of the debt performance period stipulated in the specific credit business contract. As of December 31st, 2019, Nanjing Panda Electronic Equipment Co., Ltd. has used a total credit line of RMB62,907,443.23. The guarantee amount of performance guarantee provided by the company for the secondary subsidiary is RMB12,907,443.23, and the guarantee amount of credit loan is RMB500,000.00.

*Note 6:* The company provides the maximum amount guarantee for the bank comprehensive credit line of RMB60,000,000.00 to its secondary subsidiary of Nanjing Panda Electronics Manufacturing Co., Ltd. in Industrial Bank Co., Ltd. from December 6th, 2019 to December 5th, 2020. The guarantee period last two year after debt performance period expires. As of December 31, 2019, Nanjing Panda Electronics Manufacturing Co., Ltd. has used a total credit line of RMB20,254,471.07. The bank acceptance as the guarantee provided by the company for the secondary subsidiary is RMB20,254,471.07.

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

#### 3. Guarantee in related party transactions (Continued)

*Note 7:* The Company offers maximum guarantee of RMB60,000,000.00, which is the comprehensive bank credit amount offered by China Merchants Bank Co., Ltd., Nanjing Branch, to Nanjing Panda Electronics Manufacturing Co., Ltd, subsidiary of The Company. The bank credit has duration from 26th February 2017 to 25th February 2018, and the guarantee lasts for 3 years from the deadline of performance of the debtor. As of 31st December 2019, Nanjing Panda Electronics Manufacturing Co., Ltd has used RMB42,407,948.39 of its total comprehensive bank credit. The bank acceptance as the guarantee provided by the company for the secondary subsidiary is RMB42,407,948.39.

*Note 8:* The company provides the maximum irrevocable guarantee for the bank comprehensive credit line of RMB50,000,000.00 to Nanjing Panda Electronics Manufacturing Co., Ltd, a secondary subsidiary, in Nanjing Branch of Shanghai Pudong Development Bank Co., Ltd., with the credit period from July 1, 2019 to November 26, 2019. The guarantee period is calculated according to each creditor's right, from the date when the performance period of each creditor's right contract expires to two years later. As of December 31, 2019, Nanjing Panda Electronics Manufacturing Co., Ltd. has used a total credit line of RMB22,718,002.78. And the guarantee provided by the company for the secondary subsidiary Nanjing Panda Information Industry Co., Ltd. is RMB22,718,002.78.

*Note 9:* The company provides the maximum irrevocable guarantee for the bank comprehensive credit line of RMB50,000,000.00 to Nanjing Huage Electronics Plastic Industry Co., Ltd, a third subsidiary, in China Electronic Finance Co., Ltd, with the credit period from December 31st, 2019 to December 31st, 2020. The guarantee period is calculated according to each creditor's right, from the date when the performance period of each creditor's right contract expires to two years later. As of December 31, 2019, Nanjing Huage Electronics Plastic Industry Co., Ltd. has used a total credit line of RMB9,240,150.95. And the guarantee provided by the company for the third subsidiary Nanjing Huage Electronics Plastic Industry Co., Ltd. is RMB9,240,150.95.

*Note 10:* The company provides the highest amount of irrevocable guarantee for the bank comprehensive credit line of RMB15,000,000.00 to Nanjing Panda electromechanical Manufacturing Co., Ltd., a third tier subsidiary, in Industrial Bank Co., Ltd. Nanjing Branch, with the credit period from December 9th, 2019 to December 8th, 2020. The Guarantee period is two years from the date of the expiration of the debt performance period under the financial business. As of December 31, 2019, Nanjing Panda electromechanical Manufacturing Co., Ltd. has used a total credit line of RMB3,660,000.00. The bank acceptance as guarantee provided by the company for the third level subsidiary Nanjing Panda electromechanical Manufacturing Co., Ltd. is RMB3,660,000.00.

In conclusion, as of December 31, 2019, the amount of guarantee provided by the company for the subsidiary is RMB338,616,591.32, including the bank acceptance at RMB103,157,150.37. The guarantee is RMB156,109,655.10. and the guarantee amount of credit loan is RMB50,000,000.00, and the guarantee amount of letter of credit is RMB29,349,785.85 (December 31, 2018, the amount of guarantee provided by the company for subsidiaries is RMB370,712,021.61, including RMB112,395,455.95 for bank acceptance, RMB105,890,790.74 for letter of guarantee, RMB95,000,000.00 for credit loan and RMB57,425,774.92 for letter of credit).

#### 4. Capital borrowing and lending with related party

There is no related party funds lending in current period.

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

#### 5. Remuneration of key management

Item	Current period	Preceding period
Remuneration of key management	<b>7.0909 million</b>	5.9387 million

The key management includes directors, supervisor, general manager, vice manager and secretary of the board, totally to 19 and 14 of which is paid from the Company.

The remuneration of directors and supervisor:

FY2019

Unit: thousand

Name	Current period (RMB ten thousand)				Total
	Director's fee	Salary and allowance	Pension scheme	Others	
<b>Directors</b>					
Guixiang ZHOU					
Qing LU					
Jianlong SHEN		170.00	18.2		188.20
Weiming DENG					
Dechuan XIA					
Jie DU	104.40				104.40
Chun ZHANG	104.40				104.40
Yajun GAO	104.40				104.40
Guofei XU					
Kuanyi CHEN					
Gan Gao					
<b>Supervisors</b>					
Yi ZHAO					
Yunfeng SONG		721.40	46.30		767.70
Yuxin ZHOU		349.10	46.30		395.40
Bochang TU					
Senior Executives					
Dechuan Xia		881.90	46.10		928.00
Kun LIU		700.30	46.20		746.50
Qing GUO		852.30	46.30		898.60
Huichun HU		838.30	46.10		884.40
Bo SHAO		636.30	58.10		694.40
Dali HU		156.00	38.20		194.20
Dongdong WANG		354.30	45.80		400.10
Shaofeng HUANG		634.20	46.00		680.20

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

#### 5. Remuneration of key management (Continued)

FY 2018

Unit: thousand

Name	Preceding period (RMB ten thousand)				Total
	Director's fee	Salary and allowance	Pension scheme	Others	
<b>Directors</b>					
Guofei XU					
Kuanyi CHEN					
Qing LU					
Weiming DENG					
Dechuan XIA		720.90	52.20		773.10
Gan GAO					
Jie DU	136.80				136.80
Chun ZHANG	136.80				136.80
Yajun GAO					
Weixun ZHU	136.80				136.80
<b>Supervisors</b>					
Changbai TU					
Yunfeng SONG		652.40	52.20		704.60
Yuxin ZHOU		272.90	52.20		325.10

The remuneration of top five:

No directors are in the list of top five highest remuneration in the year of 2019 and 2018. The details of top five highest remuneration in the year of 2019 and 2018 are as follows:

Item	RMB million (the year of 2019)	RMB million (the year of 2018)
Salary and allowance	5.07	4.86
Pension scheme	0.2498	0.261
Others		
Total	5.3198	5.121

Salary range	Number of people	
	Current period	Preceding period
Between RMB0.00 and RMB1,000,000.00	2.00	3.00
Over RMB1,000,000.00	3.00	2.00



# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (V) Related parties transactions (Continued)

#### 6. Other related party transactions

Related party	Nature of transaction	Current period	Preceding period
China Electronic Finance Co., Ltd 1	Interest received	<b>3,166,400.67</b>	5,776,981.09
China Electronic Finance Co., Ltd 1	Interest paid	<b>2,199,166.67</b>	1,534,583.33
China Electronic Finance Co., Ltd 1	Discounted interest paid	<b>1,234,257.64</b>	285,364.09
China Electronic Finance Co., Ltd 2	Trademark licensing	<b>283,301.89</b>	312,452.83

Note 1: In 2018, the company and the Finance Company resigned the financial service agreement (hereinafter referred to as the "service agreement"). According to the service agreement, under the premise of complying with national laws and regulations and operating rules of financial institutions, the financial company provides financial services for the company, including but not limited to handling financial and financing consultants, credit certificate, other related consulting, agency services, guarantee, acceptance, discounted notes and deposit services, etc. The maximum comprehensive credit balance is RMB600 million. The maximum fund settlement balance is RMB500 million. The validity period is three years from the effective date of the service agreement. The above service agreement has been deliberated and approved at the first extraordinary general meeting of shareholders of the company on December 28th, 2018.

As of December 31, 2019, the company's loan balance in the financial company is RMB50,000,000.00, the deposit balance is RMB495,883,416.03. The cash received via discounted notes in the current period is RMB123,401,574.55, and the discount interest paid is RMB1,234,257.64. As of December 31, 2019, the company's discounted but not derecognized amount in China Electronic Finance Co., Ltd. is RMB 0.00.

Note 2: Pricing policy for licensing related parties to use trademarks: for each panda colour TV set sold by related parties, a trademark usage fee of RMB 2-5 will be paid. In case of the high cost and enormous resources required for entering the global market, license fee will be reduced if the products are export or suffer losses.

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (VI) Balance due to or from related parties

#### 1. Receivables

Items	Related parties	Closing balance		Closing balance at preceding year	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Nanjing CEC panda flat panel display technology Co., Ltd.	143,771,883.80		84,361,250.24	
	Chengdu China Electronic Panda Display Technology Co., Ltd	106,877,946.54		101,915,790.71	
	Nanjing CEC Panda LCD Technology Co., Ltd.	87,410,809.47		54,170,251.31	
	Nanjing Panda Handa Technology Co., Ltd	66,559,947.19	11,242.63	82,624,701.99	33,649.22
	Nanjing Panda Investment Development Co., Ltd	16,771,367.20		16,071,082.51	
	Nanjing Panda Electronics Import/Export Co., Ltd	6,062,492.19	76,756.38	12,214,317.84	76,756.38
	Shenzhen Jinghua Network Marketing Co., Ltd	5,926,810.00		9,500,000.00	
	Nanjing China Electronics Panda Appliances Co., Ltd	1,321,726.40		486,120.00	
	China Great Wall Technology Group Co., Ltd	745,828.56		219,245.26	
	Xianyang Caihong Optoelectronics Technology Co., Ltd	618,927.76		10,349,807.07	
	Nanjing Ericsson Panda Communication Co., Ltd.	440,774.32	1,404.00	273,063.69	1,404.00
	Nanjing CEC Panda Real Estate Co., Ltd.	158,803.63	15,880.36	897,208.60	15,880.36
	Panda Electronic Group Co., Ltd.	148,722.19	146,659.19	173,933.21	146,659.19
	Nanjing Electronics Information Industrial Corporation	47,960.00		37,065.00	
	Nanjing CEC Panda LCD Materials Technology Co., Ltd	10,047.01		209,047.01	
	Shenzhen CEC Electric Power Technology Co., Ltd	8,065.86			
	Langfang China Electronics Panda Crystal Technology Co., Ltd.	3,240.00	3,240.00	3,240.00	3,240.00
	Nanjing CEC panda Modern Service Industry Co., Ltd	2,704.00			
	Nanjing Panda Jinling Hotel Co., Ltd	2,227.10	334.07	2,227.10	334.07

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (VI) Balance due to or from related parties (Continued)

#### 1. Receivables (Continued)

Items	Related parties	Closing balance		Closing balance at preceding year	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	Wuhan Zhongyuan Electronics Group Co., Ltd	2,000.00	2,000.00	2,000.00	
	Nanjing Huadong Electronic Information Technology Co., Ltd	840.00		1,200.00	
	Guizhou Zhenhua Yilong New Material Co., Ltd			23,999,317.50	
	IRICO (Hefei) LCD Glass Co., Ltd.			3,500,000.00	
	Caihong Group Co., Ltd			1,081,078.00	
	Nanjing Panda Technology Park Development Company Limited			75,295.00	
	Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd			67,200.00	3,360.00
	Nanjing Panda Dasheng Electronics Technology Co., Ltd			38,380.00	1,919.00
Contract assets	Chengdu China Electronic Panda Display Technology Co., Ltd	168,198,568.37			
	Nanjing CEC panda flat panel display technology Co., Ltd.	36,678,777.57		65,948,172.79	
	Xianyang Caihong Optoelectronics Technology Co., Ltd	31,688,714.40		75,297,385.13	
	Caihong Group Co., Ltd	22,171,595.29		6,800,000.00	
	IRICO (Hefei) LCD Glass Co., Ltd.	14,026,800.00		7,415,200.00	
	Guizhou Zhenyi Hualong New Material Co., Ltd	8,055,327.88		7,999,772.50	
	Xianyang CE Caihong Group Holdings Co., Ltd.	6,546,087.83		1,176,153.84	
	Nanjing CEC Panda LCD Technology Co., Ltd.	3,097,299.95		4,240,854.36	
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	1,004,599.40		1,007,897.40	

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (VI) Balance due to or from related parties (Continued)

#### 1. Receivables (Continued)

Items	Related parties	Closing balance		Closing balance at preceding year	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other non-current asset	Nanjing CEC panda flat panel display technology Co., Ltd.	6,393,399.36			
	Xianyang Caihong Optoelectronics Technology Co., Ltd	4,105,644.82			
	Chengdu China Electronic Panda Display Technology Co., Ltd	1,390,983.97			
	Caihong Group Co., Ltd	905,534.48			
	Nanjing CEC Panda LCD Technology Co., Ltd.	300,000.00			
	Xianyang CE Caihong Group Holdings Co., Ltd.	219,316.24			
Notes receivable	Nanjing Panda Handa Technology Co., Ltd	13,000,000.00		6,660,000.00	
Receivables financing	Chengdu China Electronic Panda Display Technology Co., Ltd	216,349,424.73		46,631,199.00	
	Nanjing CEC panda flat panel display technology Co., Ltd.	64,690,797.81		58,000,000.00	
	Caihong Group Co., Ltd	10,992,586.20		867,000.00	
	Nanjing CEC Panda LCD Technology Co., Ltd.	10,258,476.00		87,368,530.00	
	Nanjing Panda Handa Technology Co., Ltd	6,000,000.00		2,700,000.00	
	China Great Wall Technology Group Co., Ltd	409,116.56			
	IRICO (Hefei) LCD Glass Co., Ltd.			1,497,560.00	
	Nanjing Panda Electronics Import/Export Co., Ltd			1,042,459.32	
	Nanjing China Electronics Panda Appliances Co., Ltd			496,181.72	

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (VI) Balance due to or from related parties (Continued)

#### 1. Receivables (Continued)

Items	Related parties	Closing balance		Closing balance at preceding year	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Advance payment	Nanjing Cec Panda Home Appliances Co., Ltd.	155,579.04		2,200.00	
	Nanjing CEC panda flat panel display technology Co., Ltd.	76,362.01		34,198.80	
	Panda Electronic Group Co., Ltd.	69,921.75		69,921.75	
	Nanjing CEC Panda LCD Technology Co., Ltd.	54,857.36		20,061.73	
	Chengdu China Electronic Panda Display Technology Co., Ltd	10,400.00		10,400.00	
	China Electronics Import and Export Co., Ltd	800.00			
	Panda Huning Electronic Technology Co., Ltd.			374,340.00	
	Nanjing Panda Electronics Import/Export Co., Ltd			162,139.26	
	Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd			106,400.00	
	Shenzhen China Electronics Investment Company			0.01	
Dividend receivable	Beijing SE Putian Mobile Communications Co., Ltd			18,859,839.55	

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (VI) Balance due to or from related parties (Continued)

#### 2. Payables

Items	Related parties	Closing balance	Opening balance
Accounts payable	Panda Electronic Group Co., Ltd.	<b>3,546,942.49</b>	4,251,813.17
	Nanjing Zhenhua Packing Material Factory	<b>1,907,635.82</b>	1,174,287.21
	China Electronic Equipment International Co., Ltd	<b>1,533,605.95</b>	
	Nanjing Panda Transport Co., Ltd	<b>1,112,314.39</b>	671,612.39
	Xianyang Caihong Intelligent Equipment Co., Ltd	<b>975,000.00</b>	
	Nanjing Panda Electronics Import/Export Co., Ltd	<b>845,695.45</b>	21,455,349.86
	Caihong Group Co., Ltd	<b>800,000.00</b>	
	Xianyang CE Caihong Group Holdings Co., Ltd.	<b>800,000.00</b>	
	Nanjing China Electronics Panda Appliances Co., Ltd	<b>147,600.40</b>	146,644.40
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	<b>97,706.00</b>	272,480.00
	Nanjing Panda Handa Technology Co., Ltd	<b>95,858.00</b>	95,858.00
	China Zhenhua Group Yunke Electronics Co., Ltd	<b>94,218.00</b>	1,346.00
	Nanjing CEC Panda illumination Co., Ltd.	<b>22,224.00</b>	108,707.15
	China Zhenhua Group Yunke Electronics Co., Ltd	<b>17,632.00</b>	17,632.00
	Nanjing China Electronics Panda Crystal Technology Co., Ltd	<b>380.78</b>	137,649.27
	Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd		97,630.00
	Notes payable	Xianyang Caihong Intelligent Equipment Co., Ltd.	<b>1,755,000.00</b>
Nanjing Zhenhua Packing Material Factory		<b>200,000.00</b>	597,309.92

# Notes to the 2019 Financial Statements (Continued)

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

## X. Related party relationship and transactions (Continued)

### (VI) Balance due to or from related parties (Continued)

#### 2. Payables (Continued)

Items	Related parties	Closing balance	Opening balance	
Other payables	Panda Electronic Group Co., Ltd.	<b>6,743,156.84</b>	6,970,553.13	
	China Electronics Import and Export Co., Ltd	<b>195,539.62</b>	195,539.62	
	Nanjing Electronics Information Industrial Corporation	<b>86,700.00</b>	43,500.00	
	Nanjing Panda Transport Co., Ltd	<b>74,057.25</b>	35,533.25	
	Shanghai Panda Huning Electronic Technology Co., Ltd.	<b>22,907.00</b>	22,907.00	
	Nanjing Panda Technology Park Development Company Limited	<b>20,000.00</b>	20,000.00	
	Liyang Panda Cuizhuyuan Hotel Co., Ltd	<b>5,880.00</b>	4,668.00	
	Nanjing Panda Investment Development Co., Ltd		21,166,211.85	
	China Electronic Information Industry Group Co., Ltd		40,000.00	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd		200.00	
	Contract Liabilities	Panda Electronics Import and Export (Hong Kong) Co., Ltd	<b>47,089.35</b>	1,167,375.42
		Liyang Panda Cuizhuyuan Hotel Co., Ltd	<b>0.01</b>	1,190,443.38
Chengdu China Electronic Panda Display Technology Co., Ltd			2,117,799.59	
Advances received	Nanjing Cec Panda Home Appliances Co., Ltd.		12.50	

## XI. Share-based payment

There is no share-based payment in this period.

# Notes to the 2019 Financial Statements (Continued)

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

## XII. Commitments and contingencies

### (I) Significant commitments

The total minimum lease payment in the future according to irrevocable operating lease contracts signed by the company is summarised below:

Item	Closing balance	Opening balance
Within 1 year	<b>8,204,976.42</b>	4,545,601.85
1-2 year	<b>2,714,982.00</b>	47,280.00
2-3 year	<b>2,714,982.00</b>	
3 years above	<b>4,054,217.00</b>	
Total	<b>17,689,157.42</b>	4,592,881.85

At financial statement date, commitment made by the company that has been contracted but not listed on the Statement of Financial Position is shown below:

Item	Closing balance	Opening balance
Housing and building	<b>16,323,594.44</b>	1,056,830.00
Machinery and Equipment	<b>3,821,505.00</b>	9,942,870.91
Intangible assets/software	<b>2,790,001.00</b>	1,678,300.00
Total	<b>22,935,100.44</b>	12,678,000.91



# Notes to the 2019 Financial Statements (Continued)

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

## XII. Commitments and contingencies (Continued)

### (II) Contingencies

1. For the guarantee provided by the company for the bank loans of its subsidiaries, please refer to note "section 10,5,(3) ".
2. On October 11, 2019, the company received a lawsuit from Hangzhou Linanzixin Cable Co., Ltd. (hereinafter referred to as "Zixin cable"). Zixin cable claimed that from May 2017 to March 2019, it had multiple batches of feeder business with the company. As of March 30, 2019, the company still owed RMB3.3476 million. The company is now suing the company for payment of goods and interest loss totaling RMB3.5014 million. On December 13, 2019, the company paid RMB3.55 million of litigation security to the people's Court of Lin'an District, Hangzhou city. After the trial on December 13, 2019 in the court of Lin'an District, Hangzhou City, the company decided to transfer the case to the people's Court of Xuanwu District, Nanjing city for jurisdiction. At present, the court has not yet held.
3. Nanjing Panda Information Industry Co., Ltd. (hereinafter referred to as "panda information") a subsidiary of the company received a lawsuit from Hangzhou Linanzixin Cable Co., Ltd. (hereinafter referred to as "Zixin cable") on October 11, 2019, alleging that from June 2016 to December 2018, it had multiple batches of feeder sales business with panda information. As of March 30, 2019, panda information still owed RMB1.1768 in arrears. Zixin cable is now suing the company for payment and interest losses totaling RMB1.2928 million. Panda information paid RMB1.32 million of litigation guarantee to the people's Court of Lin'an District, Hangzhou on December 20, 2019. After the trial in the court of Lin'an District, Hangzhou on December 13, 2019, it decided to transfer the case to the people's Court of Xuanwu District, Nanjing for jurisdiction, and the trial has not yet been held.

## XIII. Post balance sheet events

### (I) No significant non-adjusted events at the current period

### (II) Profit distribution

According to the profit distribution proposal of 2019 adopted at the 14th meeting of the 9th board of directors of the company, the total share capital of the company at the end of the reporting period is 913,838,529.00 shares. RMB0.175 (including tax) will be distributed for every 10 shares, totalled RMB15,992,174.26. The profit distribution proposal shall be implemented after being approved by the general meeting of shareholders of the company.

### (III) Sales return

There is no significant sales return after balance sheet day.

# Notes to the 2019 Financial Statements (Continued)

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

## XIII. Post balance sheet events (Continued)

### (IV) Notes about events after balance sheet date

#### 1. Shareholders reducing shareholding

The Company received a written document of the reduction plan from China Huarong Asset Management Co., Ltd. (hereinafter referred to as "China Huarong") on 10th January 2020. The main content of the reduction plan is: Due to the operating consideration, China Huarong proposed to reduce the holding of no more than 18,276,770 A shares, accounting for 2.00% of the Company's total share capital. The reduction period is within six months after fifteen trading days from 10th January 2020. The reduction refers to the market price. The reduction method is centralised bidding.

As of 10th January 2020, China Huarong Asset Management Co., Ltd., the major shareholder of the Company, held 65,146,691 A shares of the Company, accounting for 7.13% of total share capital, of which were unrestricted shares. The source of the shareholding is from shareholding replacement.

China Huarong promised to reduce no more than 1.00% of the total number of shares of the listed company through Stock Exchange within 90 consecutive days. China Huarong will decide whether to implement this share reduction plan based on market conditions and the Company's share price. There is uncertainty about the reduction of holding time and the reduction of the price.

#### 2. Licensing of trademark

On January 1st, 2020, the company signed trademark license contracts with Nanjing Zhongdian Panda LCD Technology Co., Ltd. and Nanjing Zhongdian Panda Flat Panel Display Technology Co., Ltd, respectively. The contract licenses the LCD products of the above two companies to use the trademarks of "Panda" and "PANDA" with the registration numbers of 8717688 and 8717689. The company collects the royalty payment for no more than RMB500,000 (RMB200,000 for Nanjing CEC Panda LCD Technology Co., Ltd. and RMB300,000 for Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.) every year. The authorized scope is in China (excluding Hong Kong, Macao and Taiwan), and the authorization period is from the effective date of the contract to December 31ST, 2021.

# Notes to the 2019 Financial Statements (Continued)

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

## XIII. Post balance sheet events (Continued)

### (IV) Notes about events after balance sheet date (Continued)

#### 3. Guarantees for subsidiaries

On March 16, 2020, the company provided guarantee for Nanjing Panda Information Industry Co., Ltd., the second level subsidiary of the company, in Shanghai Pudong Development Bank Co., Ltd Nanjing Branch. with a comprehensive credit line of RMB280 million, which is valid until January 8, 2021. This guarantee has no counter guarantee. As of March 30, 2020, the actual guarantee balance provided by the company for Nanjing Panda Information Industry Co., Ltd. is RMB139.1158 million, within the limit approved by the general meeting of shareholders.

On March 16, 2020, the company provided guarantee for the comprehensive credit line of RMB40 million of Nanjing Panda Electronic Equipment Co., Ltd., the secondary subsidiary of the company, in Nanjing Branch of Shanghai Pudong Development Bank Co., Ltd., which is valid until January 8, 2021. This guarantee has no counter guarantee. As of March 30, 2020, the actual balance of guarantee provided by the company for Nanjing Panda Electronic Equipment Co., Ltd. is 73.3582 million yuan, within the limit approved by the general meeting of shareholders.

On March 16, 2020, the company provided guarantee for Nanjing Panda Electronics Manufacturing Co., Ltd., the second level subsidiary of the company, with a comprehensive credit line of RMB50 million in Nanjing Branch of Shanghai Pudong Development Bank Co., Ltd., which is valid until January 8, 2021. This guarantee has no counter guarantee. As of March 30, 2020, the actual guarantee balance provided by the company for Nanjing Panda Electronics Manufacturing Co., Ltd. is RMB95.634 million, within the limit approved by the general meeting of shareholders.

#### 4. Epidemic of coronavirus

Since the outbreak of coronavirus (COVID-19) in China in January 2020, the prevention and control of the epidemic has been carried out nationwide. The company actively responds to the initiatives of government and strictly implements the party's and government's regulations and requirements at all levels on the prevention and control of epidemic. For controlling epidemic while production, the employees of the company and its subsidiaries have gradually returned to work in succession. The company supports the country in the battle against epidemic in many ways, including supply security, social responsibility and internal management.

The company expects that the epidemic, the prevention and control measures against it, will have a certain temporary impact on the production and operation of the company. And the degree of impact will be determined by the progress and duration of the epidemic prevention as well as the control policies in various regions. The company will continue to pay close attention to the development of the pneumonia epidemic and actively respond to its impact on the company's financial situation, operational results and other aspects.

As of March 30, 2020, the company has no other events to be disclosed after the balance sheet day.

# Notes to the 2019 Financial Statements (Continued)

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

## XIV. 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:

	Closing balance	Opening balance
Total liabilities	<b>2,331,590,672.88</b>	2,492,740,662.68
Less: Cash and cash equivalent	<b>863,141,377.23</b>	1,292,114,192.80
Adjusted net liabilities	<b>1,468,449,295.65</b>	1,200,626,469.88
Shareholder's equity	<b>3,688,556,806.59</b>	3,691,878,361.30
Adjusted capital	<b>3,688,556,806.59</b>	3,691,878,361.30
Adjusted debt/capital ratio	<b>39.81</b>	32.52

## XV. Other significant events

### (I) No accounting error correction of prior period

### (II) Annuity plan

Apart from basic endowment insurances, the Company established an enterprise annuity plan based on the relevant policies of the national annuity system. The annuity plan fits for officially employed employees and the employees who have worked for the Company for over one year. The annuity maintenance model adopts a certain type of mode. The Company pays annuity for employees is based on total salary of the previous year. The contribution rate is temporarily set at 5.00%, and the personal contribution ratio is temporarily set at 1.00%. The corresponding expenditure is recognised in profits and losses.

# Notes to the 2019 Financial Statements (Continued)

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

## XV. Other significant events (Continued)

### (II) Annuity plan (Continued)

Apart from basic endowment insurances, Shenzhen Jinghua Electronics Co., Ltd., a subsidiary of the company, also establishes annuity plan according to relevant policies of the enterprise annuity system of the state. Formal employees and shareholder representatives who hold Shenzhen citizenship and currently work for the company are eligible for the plan. The annuity plan uses a defined-contribution model, in which the percentage of contribution is determined by previous year's economic performance. Eligible employees pay to the plan on a monthly basis at a certain amount according to their job levels, and Shenzhen Jinghua covers all contribution at an amount no more than 15.00% of eligible employee's total annual salary, the amount is brought to profit or loss for the year. Apart from the above, the company and its subsidiaries makes no major social security commitments to their employees.

### (III) Lease

#### 1. Company as a Lessee

Item	Current period
Interest expense on lease liabilities	319,276.93
Simplified short term lease expense included in current profit and loss	11,755,563.37
Simplified lease expenses of low value assets (excluding short-term lease expenses of low value assets) included in the current profit and loss	
Variable lease payments not included in lease liabilities	
Income from sublease of right of use assets	
Total cash outflow related to lease	12,460,897.17
Relevant profit and loss arising from leaseback transactions	

The company's future potential cash outflow not included in lease liabilities mainly comes from the committed lease committed which was not yet implemented.

The company's committed lease which was not yet implemented. The expected cash outflow in the future is as follows:

Remaining leasing term	Undiscounted lease payment
Within one year	8,204,976.42
1 to 2 years	2,714,982.00
2 to 3 years	2,714,982.00
3 years above	4,054,217.00
Total	17,689,157.42

# Notes to the 2019 Financial Statements (Continued)

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

## XV. Other significant events (Continued)

### (III) Lease (Continued)

#### 2. Company as a lessor

##### (1) Operating lease

	Current period
Operating lease income	81,060,498.27
Including: Income related to variable lease payments not included in lease receipts	

The undiscounted lease receipts to be received after the balance sheet date are as follows:

Remaining lease term	Undiscounted lease receipts
Within 1 year	57,674,079.77
1 to 2 year	16,183,036.02
2 to 3 year	313,332.00
3 to 4 year	
4 to 5 year	
5 years above	
Total	<u>74,170,447.79</u>

##### (2) Financial lease

There is no financial lease in current period.

# Notes to the 2019 Financial Statements (Continued)

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

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## XV. Other significant events (Continued)

### (IV) Segment reports

1. The basis of determination accounting policy for segment information

The company established 4 parts of segment reports on the basis of the internal organisational 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 2019 Financial Statements (Continued)

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

## XV. Other significant events (Continued)

### (IV) Segment reports (Continued)

#### 2. Financial information of the reported segment

Item	Smart city industry	Electronic manufacturing service	Intelligent manufacturing industry	Other products	Undistributed	Eliminations among segments	Total
Trade income from third party	2,123,817,689.13	1,834,878,039.13	633,226,163.33	68,125,110.33			4,660,047,001.92
Trade income between segments	92,051,140.67	109,696,224.86	57,790,790.01	35,685,251.22		-295,223,406.76	
Investment income from joint ventures and associated enterprises		269,088.99			45,167,594.22		45,436,683.21
Impairment of assets	3,014,486.70	7,930,336.78	18,594,742.05	576,333.74	13,192,317.99		43,308,217.26
Credit impairment	7,469,159.94	-745,430.53	1,976,972.01	3,926,776.99	20,529.57		12,648,007.98
Depreciation and amortisation expense	8,648,156.61	33,961,933.05	10,162,720.44	29,738,001.33	12,262,229.18	-69,582.16	94,703,458.45
Total Profit	109,404,755.82	183,598,457.87	-57,772,206.69	-42,344,914.21	11,181,951.98	-56,657,984.02	147,410,060.75
Income tax expense	9,282,757.57	25,486,039.35		-574,730.68		-469,629.01	33,724,437.23
Net profit	100,121,998.25	158,112,418.52	-57,772,206.69	-41,770,183.53	11,181,951.98	-56,188,355.01	113,685,623.52
Total assets	2,042,479,130.13	1,914,349,879.63	939,615,850.27	730,066,656.99	2,888,691,499.35	-2,495,055,536.90	6,020,147,479.47
Total liabilities	1,258,239,789.85	973,719,842.98	579,918,647.33	148,236,045.71	149,921,993.40	-778,445,646.39	2,331,590,672.88
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises		1,955,549.76			274,433,294.22		276,388,843.98
Increase in other non-current assets besides long-term investment	61,707,295.19	114,608,416.46	29,372,721.67	-12,124,528.49	-24,997,221.14	2,813,347.16	171,380,030.85



# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement

### (I) Accounts Receivable

#### 1. Accounts receivable shown by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	<b>64,817,181.88</b>	37,855,533.07
Of witch: 0-6 months	<b>64,169,690.95</b>	27,564,138.99
7-12 months	<b>647,490.93</b>	10,291,394.08
1-2 years	<b>8,018,132.60</b>	11,782,901.22
2-3 years	<b>5,081,647.94</b>	1,831,067.39
3-4 years	<b>1,831,066.96</b>	262,400.00
4-5 years	<b>262,400.00</b>	
Over 5 years	<b>2,790,053.12</b>	3,231,853.12
Sub-total	<b>82,800,482.50</b>	54,963,754.80
Less: bed debt provision	<b>4,916,534.93</b>	4,255,972.06
Total	<b>77,883,947.57</b>	50,707,782.74

#### 2. Accounts receivable shown by classification of bad debt provisions

Category	Current period					Closing balance at preceding year				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable accruing bad debt provision in single item	11,192,839.16	13.52	1,095,223.62	9.79	10,097,615.54	16,603,697.95	30.21	604,025.93	3.64	15,999,672.02
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	71,607,643.34	86.48	3,821,311.31	5.34	67,786,332.03	38,360,056.85	69.79	3,651,946.13	9.52	34,708,110.72
Including:										
Aging portfolio	33,206,502.02	40.10	3,821,311.31	11.51	29,385,190.71	14,487,242.82	26.36	3,646,667.13	25.17	10,840,575.69
Other portfolios	38,401,141.32	46.38			38,401,141.32	23,872,814.03	43.43	5,279.00	0.02	23,867,535.03
Total	<b>82,800,482.50</b>	<b>100.00</b>	<b>4,916,534.93</b>		<b>77,883,947.57</b>	54,963,754.80	100.00	4,255,972.06		50,707,782.74

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (I) Accounts Receivable (Continued)

#### 2. Accounts receivable shown by classification of bad debt provisions (Continued)

Accounts receivable accruing bad debt provision in single item

Item	Closing balance			Reason
	Carrying value	Bad debt provision	Percentage (%)	
Jiangsu cable network development Co., Ltd Sihong branch	5,284,000.00	696,600.00	13.18	Expected recovery of part of it.
China cable television network Co., Ltd Hainan Branch	3,275,600.00	326,410.00	9.96	Expected recovery of part of it.
Jiangsu Radio and Television Cable Information Network Co., Ltd. Nanjing Branch	2,633,239.16	72,213.62	2.74	Expected recovery of part of it.
Total	<u>11,192,839.16</u>	<u>1,095,223.62</u>		

Accounts receivable accruing bad debt provision in credit risk characteristic portfolio:

Aging portfolio

Item	Closing balance		
	Account receivables	Bad debt provision	Percentage (%)
Within 1 year (Including 1 year)	25,486,019.88	6,312.50	0.02
Including: within 6 months	25,359,769.88		
7-12 months	126,250.00	6,312.50	5.00
1 to 2 years	1,622,374.10	162,237.41	10.00
2 to 3 years	1,214,587.97	182,188.20	15.00
3 to 4 years	1,831,066.96	549,320.09	30.00
4 to 5 years	262,400.00	131,200.00	50.00
5 years above	2,790,053.11	2,790,053.11	100.00
Total	<u>33,206,502.02</u>	<u>3,821,311.31</u>	

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (I) Accounts Receivable (Continued)

#### 2. Accounts receivable shown by classification of bad debt provisions (Continued)

Other portfolios

Item	Closing balance		
	Account receivables	Bad debt provision	Percentage (%)
Related parties	<b>38,401,141.32</b>		
Total	<b>38,401,141.32</b>		

#### 3. Provision, reversal and recovery of bad debts in the period

Item	Opening balance	Current period			Closing balance
		Provision	Recovery or reversal	Written-off	
Accounts receivable accruing bad debt provision in single item	604,025.93	491,197.69			1,095,223.62
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	3,651,946.13	392,545.12	223,179.94		3,821,311.31
Including: Aging portfolio	3,646,667.13	392,545.12	217,900.94		3,821,311.31
Other portfolios	5,279.00		5,279.00		
Total	4,255,972.06	883,742.81	223,179.94		4,916,534.93

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (I) Accounts Receivable (Continued)

#### 3. Provision, reversal and recovery of bad debts in the period (Continued)

Including: Significant recovered or reversed amount in the current period

Company name	Recovery or reversal	Reasons for provision	Reasons for recovery or reversal	Approach
Jiangsu cable network development Co., Ltd Funing branch	125,000.00	Aging portfolio	Debt collection	Cash and bank
Funing radio and television station	25,000.00	Aging portfolio	Debt collection	Cash and bank
Mengcheng radio and Television Network Development Co., Ltd	22,450.00	Aging portfolio	Debt collection	Cash and bank
Jiangsu cable network development Co., Ltd Sheyang branch	12,575.00	Aging portfolio	Debt collection	Cash and bank
Nanjing CEC electric power Co., Ltd	12,435.52	Aging portfolio	Debt collection	Cash and bank
Jiangsu cable network development Co., Ltd Ganyu branch	11,680.00	Aging portfolio	Debt collection	Cash and bank
Summary of other small sums	14,039.42	Aging portfolio, other portfolios	Debt collection	Cash and bank
Total	<u>223,179.94</u>			

#### 4. There is no accounts receivable written-off in the current period

#### 5. The top five debtors of accounts receivable at the end of the year

Company name	Closing balance		Bad debt provision
	Account receivables	Percentage (%)	
Sony mobile communication products (China) Co., Ltd	21,200,000.00	25.60	
Nanjing Panda Handa Technology Co., Ltd	18,750,460.23	22.65	
Jiangsu cable network development Co., Ltd Sihong branch	5,284,000.00	6.38	696,600.00
China cable television network Co., Ltd Hainan Branch	3,275,600.00	3.96	326,410.00
Jiangsu Radio and Television Cable Information Network Co., Ltd. Nanjing Branch	2,633,239.16	3.18	72,213.62
Total	<u>51,143,299.39</u>	<u>61.77</u>	<u>1,095,223.62</u>

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (II) Other receivables

#### 1. Receivables financing

Item	Closing balance	Closing balance at preceding year
Notes receivables	6,000,000.00	2,700,000.00
Account receivables		
Total	<u>6,000,000.00</u>	<u>2,700,000.00</u>

#### 2. Changes of receivables financing in current period and changes in fair value

Item	Opening balance	Increase in current period	Derecognised in current period	Other changes	Closing balance	Accumulated loss provision recognized in other comprehensive income
Bank acceptance	2,700,000.00	26,443,320.00	23,143,320.00		6,000,000.00	
Commercial acceptance						
Total	<u>2,700,000.00</u>	<u>26,443,320.00</u>	<u>23,143,320.00</u>		<u>6,000,000.00</u>	

### (III) Other receivables

Items	Closing balance	Closing balance at preceding year
Interest receivable		
Dividend receivable		18,859,839.55
Other receivables	<u>395,937,554.47</u>	<u>276,564,143.89</u>
Total	<u>395,937,554.47</u>	<u>295,423,983.44</u>

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (III) Other receivables (Continued)

#### 1. Dividend receivable

Items (or investee)	Closing balance	Closing balance at preceding year
Beijing Sony Ericsson Mobile Communications Co., Ltd		18,859,839.55
Sub-total		18,859,839.55
Less: bad debt provision		
Total		18,859,839.55

#### 2. Other receivables

##### (1) Other receivables shown by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year (including 1 year)	<b>145,149,363.53</b>	26,394,964.83
Including: 0-6 months	<b>145,073,755.53</b>	25,962,037.30
7-12 months	<b>75,608.00</b>	432,927.53
1-2 years	<b>4,452,529.53</b>	6,000,000.00
2-3 years	<b>3,000,000.00</b>	31,746,223.85
3-4 years	<b>31,741,223.85</b>	151,432,742.18
4-5 years	<b>151,377,742.18</b>	1,147,429.40
Over 5 years	<b>61,379,276.38</b>	60,984,835.06
Sub-total	<b>397,100,135.47</b>	277,706,195.32
Less: bad debt provision	<b>1,162,581.00</b>	1,142,051.43
Total	<b>395,937,554.47</b>	276,564,143.89

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (III) Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (2) Other receivables shown by classification of bad debt provisions

Category	Closing balance					Closing balance at preceding year				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Other receivable accruing bad debt provision in single item	812,988.08	0.20	812,988.08	100.00		277,706,195.32	100.00	1,142,051.43	0.41	276,564,143.89
Other receivable accruing bad debt provision in credit risk characteristic portfolio	396,287,147.39	99.80	349,592.92	0.09	395,937,554.47					
Including:										
Aging portfolio	4,684,734.41	1.18	349,592.92	7.46	4,335,141.49					
Other portfolios	391,602,412.98	98.82			391,602,412.98					
Total	397,100,135.47	100.00	1,162,581.00		395,937,554.47	277,706,195.32	100.00	1,142,051.43		276,564,143.89

Other receivable accruing bad debt provision in single item:

Name	Closing balance at preceding year			Reason
	Carrying amount	Bad debt provision	Percentage (%)	
Nanjing Panda Digital Technology Development Co., Ltd	812,988.08	812,988.08	100.00	Not expected to be recovered.
Total	812,988.08	812,988.08		

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (III) Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (2) Other receivables shown by classification of bad debt provisions (Continued)

Accounts receivable accruing bad debt provision in credit risk characteristic portfolio:

Aging portfolio

Item	Closing balance		
	Other receivables	Bad debt provision	Percentage (%)
Within 1 year (Including 1 year)	3,986,138.76		
Including: within 6 months	3,986,138.76		
7-12 months			
1 to 2 years			
2 to 3 years	410,591.45	61,588.72	15.00
3 to 4 years			
4 to 5 years			
5 years above	288,004.20	288,004.20	100.00
Total	4,684,734.41	349,592.92	

Other portfolios

Item	Closing balance		
	Other receivables	Bad debt provision	Percentage (%)
Related parties	390,362,150.21		
Deposit, security and employee reserve fund	1,240,262.77		
Total	391,602,412.98		



# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (III) Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (3) Details of bad debt provision

	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
Closing balance last year	329,063.35		812,988.08	1,142,051.43
Opening balance				
-transfer to second stage				
-transfer to second stage				
-transfer to second stage				
-transfer back to first stage				
Accrued in current period	20,529.57			20,529.57
Reversal in current period				
Transfer in current period				
Written-off in current period				
Other changes				
Closing balance	349,592.92		812,988.08	1,162,581.00

##### Changes in carrying amount of other receivables

	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
Closing balance last year	276,893,207.24		812,988.08	277,706,195.32
Opening balance				
-transfer to second stage				
-transfer to second stage				
-transfer to second stage				
-transfer back to first stage				
Accrued in current period	145,230,989.72			145,230,989.72
Direct write down in current period				
Derecognised in current period	25,837,049.57			25,837,049.57
Other changes				
Closing balance	396,287,147.39		812,988.08	397,100,135.47

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (III) Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (4) Provision, reversal and recovery of bad debts in the period

Item	Opening balance	Current period			Closing balance
		Provision	Recovery or reversal	Written-off	
Accounts receivable accruing bad debt provision in single item	1,142,051.43		329,063.35		812,988.08
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio		349,592.92			349,592.92
Including: Aging portfolio		349,592.92			349,592.92
Other portfolios					
<b>Total</b>	<b>1,142,051.43</b>	<b>349,592.92</b>	<b>329,063.35</b>		<b>1,162,581.00</b>

Note: The bad debt reversal in single item is transfer between portfolios, and there is no actual reversal in the current period.

##### (5) There is no other receivables written off in current period.

##### (6) Other receivables classified by nature

Nature of receivables	Closing balance	Opening balance
Operating current account	391,176,588.29	276,257,957.06
Deposit	4,058,450.00	477,650.00
Others	1,865,097.18	970,588.26
<b>Total</b>	<b>397,100,135.47</b>	<b>277,706,195.32</b>

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (III) Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (7) The top five debtors of accounts receivable at the end of the year

Company's name	Nature	Closing balance	Age of account	Percentage (%)	Closing balance of bad debt provision
Chengdu Panda Electronic Technology Co., Ltd	Current account	136,174,500.00	Within 1 year	34.29	
Nanjing Panda Electronic Equipment Co., Ltd	Current account	119,979,546.35	4 years above	30.21	
Galant Limited	Current account	66,273,900.00	1-5 years	16.69	
Nanjing Panda Electronic Technology Development Co., Ltd	Current account	54,729,600.00	3-5 years	13.78	
Nanjing Panda electromechanical Manufacturing Co., Ltd	Current account	8,243,414.60	1-5 years	2.08	
Total		<u>385,400,960.95</u>		<u>97.05</u>	

### (IV) Long-term equity investment

Items	Closing Balance		
	Carrying amount	Bad debt Provision	Carrying value
Investment in subsidiaries	1,435,785,546.36		1,435,785,546.36
Investment in associates and joint ventures	<u>287,625,612.21</u>	<u>13,192,317.99</u>	<u>274,433,294.22</u>
Total	<u>1,723,411,158.57</u>	<u>13,192,317.99</u>	<u>1,710,218,840.58</u>

Items	Opening Balance		
	Carrying amount	Bad debt Provision	Carrying value
Investment in subsidiaries	1,441,785,546.36		1,441,785,546.36
Investment in associates and joint ventures	<u>292,088,623.99</u>		<u>292,088,623.99</u>
Total	<u>1,733,874,170.35</u>		<u>1,733,874,170.35</u>

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (IV) Long-term equity investment (Continued)

#### 1. Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	losing balance of provision for impairment
Nanjing Panda Electronic Technology Development Co., Ltd.	700,000,000.00			700,000,000.00		
Nanjing Panda Electronic Equipment Co., Ltd.	190,000,000.00			190,000,000.00		
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98			176,736,513.98		
Shenzhen Jinghua Electronic Co., Ltd	119,241,304.00			119,241,304.00		
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10			111,221,994.10		
Nanjing Panda Communication Technology Co., Ltd.	98,585,734.28			98,585,734.28		
Nanjing Panda Industrial Enterprise Co., Ltd.	20,000,000.00			20,000,000.00		
Chengdu Panda Electronic Technology Co., Ltd.	20,000,000.00			20,000,000.00		
Shanghai Panda Robot Technology Co., Ltd.	6,000,000.00		6,000,000.00			
Total	1,441,785,546.36		6,000,000.00	1,435,785,546.36		

Note: Shanghai Panda Robot Technology Co., Ltd was written off in current period.

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (IV) Long-term equity investment (Continued)

#### 2. Investment in associates and joint ventures

Investee	Opening balance	Increase/Decrease								Closing balance	Closing balance of provision for impairment	
		Investments increased	Investments decreased	Investment income or loss		Adjustments in other comprehensive income	Other changes in equity	Dividends or profits declared	Provision for impairment			Others
				Increased	recognised							
Associates												
Nanjing Ericsson Panda Communication Co., Ltd.	213,059,906.00			45,167,594.22				47,794,206.00			210,433,294.22	
Beijing SE Putian Mobile Communications Co., Ltd.	79,028,717.99							1,836,400.00	13,192,317.99		64,000,000.00	13,192,317.99
Subtotal	292,088,623.99			45,167,594.22				49,630,606.00	13,192,317.99		274,433,294.22	13,192,317.99
Total	292,088,623.99			45,167,594.22				49,630,606.00	13,192,317.99		274,433,294.22	13,192,317.99

### (V) Operating income and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	52,480,654.56	46,347,369.52	82,972,206.49	69,864,586.82
Other operation	53,059,355.68	8,285,475.02	31,907,185.46	8,081,905.34
Total	105,540,010.24	54,632,844.54	114,879,391.95	77,946,492.16

# Notes to the 2019 Financial Statements (Continued)

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

## XVI. Notes to items of parent company financial statement (Continued)

### (VI) Investment income

Items	Current period	Preceding period
Investment income from long-term equity investments under cost method	34,936,042.50	49,936,042.50
Investment income from long-term equity investments under equity method	45,167,594.22	45,790,347.38
Investment income from disposal of long-term investment	-534,340.33	-15,230,785.73
Investment income of trading financial assets during the holding period	11,391,086.56	14,995,224.84
Total	90,960,382.95	95,490,828.99

## XVII. Supplementary information

### (I) Breakdown of extraordinary profit and loss for the period

Items	Amount	Note
Gain or loss on disposal of non-current assets	54,505.88	
Tax refund or exemption with unauthorised approval or no formal approval document		
Government grants included in profits or losses (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	19,562,047.54	
Capital use fee received from non-financial enterprises recognised as gain or loss for the period		
Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee's identifiable net assets, where investment cost is less than the share of the fair value		
Gains or losses on exchange of non-monetary assets		
Gains or losses on entrusted investment or management of assets		

# Notes to the 2019 Financial Statements (Continued)

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

## XVII. Supplementary information (Continued)

### (I) Breakdown of extraordinary profit and loss for the period (Continued)

Items	Amount	Note
Provision for impairment of assets due to force majeure such as natural disasters		
Gains or losses on debt restructuring		
Expenses for reorganization such as expenditure for staffing and integration expenses, etc.		
Gains or losses on the excess beyond fair value in the transaction with unfair price		
Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net		
Gains or losses on contingencies that is in no connection with the normal operation of the Company		
Gain or loss on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale	15,854,818.29	
Reversal of provisions for impairment of trade receivables individually subjected to impairment test	3,235,791.21	
Profit or losses from external entrusted loans		
Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value		

# Notes to the 2019 Financial Statements (Continued)

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

## XVII. Supplementary information (Continued)

### (I) Breakdown of extraordinary profit and loss for the period (Continued)

Items	Amount	Note
Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for current period		
Trustee fee income from entrusted operations		
Other non-operating income and expenses other than the aforementioned items	958,279.17	
Other items of gain or loss in accordance with the definition of extraordinary profit and loss		
Subtotal	39,665,442.09	
Impact of income tax	-8,210,786.76	
Impact of minority shareholders' interests	-4,243,897.11	
Total	<u>27,210,758.22</u>	

### (II) Return on net assets and earnings per share:

Profits of the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	1.49	0.0576	0.0576
Net profit after deducting extraordinary profit and loss attributable to ordinary shareholders of the Company	0.72	0.0278	0.0278

Nanjing Panda Electronics Company Limited  
Company Chop  
30th March 2020



# Documents Available for Inspection

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1. Financial statements signed and sealed by the Head of the Company, the Chief Accountant and the Head of the Accounting Department (person in charge of accounting matters).
2. Original auditors' report, with the auditing firm's chop affixed, signed and sealed by certified public accountants.
3. Originals of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the reporting period.
4. This annual report is prepared in Chinese and English. In case of any discrepancies in interpretation, the Chinese version shall prevail.

**Nanjing Panda Electronics Company Limited**

*Chairman: Zhou Guixiang*

Date of approval by the Board for submission: 30 March 2020