THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Nanjing Panda Electronics Company Limited**, you should at once hand this circular and the form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

南京熊猫電子股份有限公司
NANJING PANDA ELECTRONICS COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00553)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO EQUITY TRANSFER OF 30% OF EQUITY INTEREST IN LG PANDA AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of Nanjing Panda Electronics Company Limited

Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 1 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 35 of this circular. Please refer to the announcement of the Company dated 18 November 2021 for details of the EGM to be held at the Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China on Wednesday, 8 December 2021 at 2:30 p.m..

A notice convening the EGM and the Proxy Form for use at the EGM have been despatched to the Shareholders on 18 November 2021. Whether or not you are able to attend and vote at the EGM, please complete and return the Proxy Form in accordance with the instructions printed thereon to the office of the Company as soon as possible and in any event not less than 24 hours before the time of the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

23 November 2021

CONTENTS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

"Board"	the board of Directors;
"Business Day"	any day on which the Stock Exchange is open for the business of dealing in securities;
"CEC"	China Electronics Corporation (中國電子信息產業集團有限公司);
"Company"	Nanjing Panda Electronics Company Limited (南京熊猫電子股份有限公司), a joint stock company incorporated in the PRC with limited liability;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened and held on Wednesday, 8 December 2021 for the purposes of considering and, if thought fit, approving, inter alia, the Equity Transfer, the execution of the Equity Transfer Agreement and the transaction contemplated thereunder;
"Enlarged Group"	the Group as enlarged upon completion of the Equity Transfer;
"Equity Transfer"	the transfer of 30% equity interests in LG Panda by PEGL (as the transferor) to the Company (as the transferee) at the cash consideration of RMB426,300,000 as contemplated under the Equity Transfer Agreement;
"Equity Transfer Agreement"	an equity transfer agreement dated 25 October 2021 in respect of the Equity Transfer entered into by the Company and PEGL, major terms of which are set out in this circular;

"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under SFO and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administration Region of the PRC;
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Baggio;
"Independent Shareholder(s)"	Shareholders not involved in or having material interests in the Equity Transfer Agreement and the transaction contemplated thereunder Shareholders other than PEGL and its associates;
"Independent Third Part(ies)"	third part(ies) independent of the Company and its connected persons as defined under the Listing Rules;
"Latest Practicable Date"	19 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"LG Electronics"	LG Electronics Co., Ltd., a company incorporated under the laws of South Korea；
"LG Panda" or "Target Company"	Nanjing LG Panda Appliances Co., Ltd. (南京樂金熊猫電器有限公司), a Sino-foreign joint venture incorporated in the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
"NEIIC"	Nanjing Electronics Information Industrial Corporation (南京中電熊猫信息產業集團有限公司);

"PEGL"	Panda Electronics Group Limited (熊猫電子集團有限公司), the Controlling Shareholder (by virtue of its ability to control the composition of a majority of the Board) of the Company holding approximately 23.05% of the total issued share capital of the Company as at the Latest Practicable Date;
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
"PRC Valuer"	Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司);
"Proxy Form"	the form of proxy for use at the EGM;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	The Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong);
"Shareholder(s)"	holder(s) of the share(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Valuation Report"	an asset evaluation report in respect of all equity interests of LG Panda prepared and issued by the PRC Valuer;
"%"	per cent;

The English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

南京熊猫電子股份有限公司
NANJING PANDA ELECTRONICS COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00553)

Executive Directors
Mr. Zhou Guixiang *(Chairman)*
Mr. Li Renzhi
Mr. Xia Dechuan

Non-executive Directors
Mr. Shen Jianlong
Mr. Deng Weiming

Independent non-executive Directors
Mr. Dai Keqin
Ms. Xiong Yanren
Mr. Chu Wai Tsun, Baggio

Registered Address:
Room 1701,
301 Zhongshan East Road,
Xuanwu District,
Nanjing, the PRC

Office Address:
7 Jingtian Road,
Nanjing, the PRC
Postal Code: 210033

23 November 2021

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO EQUITY TRANSFER OF 30% OF EQUITY INTEREST IN LG PANDA AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1. INTRODUCTION

Reference is made to the announcement issued by the Company dated 25 October 2021 in relation to the Major and Connected Transaction in relation to the acquisition of 30% equity interests in LG Panda; and the announcement issued by the Company dated 26 October 2021 in relation to the proposed amendments to the Articles of Association. Both matters are subject to the approval of Shareholders at the EGM.

The purpose of this circular is to provide you with details of (i) the Equity Transfer; (ii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its advice on the Equity Transfer; (iii) a letter from the Independent Board Committee with its recommendations on the Equity Transfer to the Independent Shareholders; (iv) the proposed amendments to the Articles of Association and (v) other information prescribed by the Listing Rules.

2. THE EQUITY TRANSFER

On 25 October 2021, the Company entered into the Equity Transfer Agreement with PEGL, pursuant to which, PEGL (as the transferor) agreed to transfer 30% equity interests in LG Panda to the Company (as the transferee) at the cash consideration of RMB426,300,000.

Upon completion of the Equity Transfer, the Company will hold 30% equity interests in LG Panda. LG Panda will become an associated company (therefore not a subsidiary) of the Company while its financial results will not be consolidated into the financial accounts of the Company.

EQUITY TRANSFER

Summary of the main terms of the Equity Transfer Agreement is set out as follows:

Date of agreement:

25 October 2021

Parties:

(i) PEGL (as the transferor)

(ii) the Company (as the transferee)

Subject matter of the Equity Transfer

As at the date of the Equity Transfer Agreement, PEGL held 30% equity interests in LG Panda. According to the Equity Transfer Agreement, PEGL (as the transferor) agreed to transfer its 30% equity interests in LG Panda to the Company (as the transferee).

Consideration and its basis

According to the Valuation Report (Dong Zhou Ping Bao Zi [2021] No. 1746) issued by Shanghai Orient Appraisal Co., Ltd. with 30 June 2021 as the valuation benchmark date, the appraised value of the entire shareholders' equity interest in LG Panda was RMB1,421,000,000 (adopting income approach to conclude the valuation results). Therefore, based on such valuation result and with relevant negotiations, the parties have agreed that the total consideration of the Equity Transfer shall be RMB426,300,000.

Condition precedent

The completion of the Equity Transfer shall be subject to the approval of the Equity Transfer Agreement and the Equity Transfer at the general meeting of the Company.

Payment of consideration and completion

The total consideration of the Equity Transfer of RMB426,300,000 will be paid to PEGL in cash in a lump sum within 10 days by the Company after the above condition precedent has been fulfilled and LG Panda has completed the business registration procedures for the Equity Transfer.

According to the Equity Transfer Agreement, the Company shall assume the profit and loss to be incurred by LG Panda for the transition period (the "**Transition Period**", ranging from the valuation benchmark date (i. e. 30 June 2021) to the completion date). This arrangement of the Company assuming such profit and loss during the Transition Period (which will not affect the amount of total consideration to be paid by the Company for the Equity Transfer) will be realized from the following two perspectives: (i) from the perspective of the investment value of LG Panda's equity interest, if LG Panda makes profits during the Transition Period, taking into account a high degree of stability and continuity of the dividend distribution policy of LG Panda, the return to the Company attributable to such profit will be realized through the future profit distributions by LG Panda to the Company; if LG Panda incurs losses during the Transition Period, such losses will affect the fair value of LG Panda's identifiable net assets, whereby a goodwill will be incurred from the fair value of the LG Panda's identifiable net assets (which shall be enjoyed by the Company at the completion of the Equity Transfer) being less than the investment cost that is actually paid by the Company to PEGL; and (ii) from the perspective of the Company's internal accounting treatment, if LG Panda makes profit during the Transition Period, then such profit will be regarded as an adjustment to the Company's investment cost, the Company's investment cost will be directly offset upon the recording of such profit, and such treatment will be reflected in the Company's financial statements as the decrease in long-term equity investment and the increase in bank deposit; if LG Panda incurs losses during the Transition Period, the intrinsic nature of such losses will be goodwill, which will not be reflected in the individual financial statements of the Company and thus also not in the consolidated financial statements of the Group according to the Accounting Standards for Business Enterprises as LG Panda will not be consolidated into the financial statements of the Group after the completion of the Equity Transfer..

The above arrangement about the attribution of profit and loss during the Transition Period was negotiated and agreed by both contractual parties to the transaction, and based on the following reasons and considerations: (i) the arrangement of the acquirer assuming the profit and loss during the Transition Period falls within the scope of commercial arrangements based on the party autonomy of both contractual parties and is commonly adopted in similar mergers and acquisitions transactions. Therefore, this arrangement is in line with market practices; and (ii) after analyzing the possible performance of LG Panda during the Transition Period, the Company envisaged that the operating performance of LG Panda during the Transition Period is likely to continue the development trend of the first half of the year of 2021 and achieve good operating results. Pursuant to the relevant provisions of No. 2 “Long-term Equity Investment” and No. 20 “Business Combination” of the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC, the agreement between the parties to the transaction on the attribution of profit and loss during the transition period will in principle affect the investment cost of the acquirer: from the perspective of the internal financial and accounting treatment of this transaction, if LG Panda achieves profitability during the Transition Period, it will be regarded as a deduction of the investment cost of the Company; if LG Panda incurs loss during the Transition Period , It will be regarded as an increase of the investment cost of the Company.

The Company had consulted and discussed with the reporting accountant of the Company on the above arrangement for the profit and loss during the Transition Period and the reasons, realization and accounting treatments of such arrangement.

Profit Forecast in respect of the Valuation of Equity Interests of LG Panda

From the technical perspective of asset valuation, either asset-based approach or income approach can be adopted for the valuation of LG Panda’s equity interests. However, compared with the income approach, asset-based approach only evaluates the value of individual tangible assets and identifiable intangible assets, and cannot fully reflect the value contribution of each individual asset portfolio to the entire company, nor can it fully measure the overall effect value of the enterprise that may be generated by the mutual matching and organic combination among individual assets. Therefore, the PRC Valuer finally adopted the income approach for the relevant valuation of LG Panda (for more information on the selection and adoption of the evaluation method, please see Appendix V – “Summary of the Valuation Report of the Target Company” in this Circular).

Given the adoption of the income approach in the above valuation of LG Panda, this valuation is deemed to be a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the Company discloses the following details of the valuation in accordance with the Listing Rules.

The appraised value of the entire equity interest in LG Panda adopted in the valuation report has been determined based on the following principal assumptions:

(I) Basic Assumptions

1. Transaction assumption

The transaction assumption is to assume that all assets to be valuated are already in the process of transaction, and the asset appraiser conducts value valuation based on the simulated market such as the transaction conditions of the assets to be valuated. Transaction assumption is the most basic premise for asset valuation to be carried out.

2. Open market assumption

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. Enterprise going concern assumption

Enterprise going concern assumption is assuming that, the appraised entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. Assumption about the use of an asset for an existing purpose

Assumption about the use of an asset for an existing purpose is assuming that the asset will continue to be used for its existing purpose. First, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(II) General Assumptions

1. The valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.

2. The valuation does not consider the impact on the appraised entity's valuation conclusion of any collateral or guarantee that the appraised entity and its assets may assume in the future, or any additional price that may be paid as a result of special transactions.

3. It is assumed that there will be no significant changes in the socio-economic environment in which the appraised entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.

4. The current and future business operations of the appraised entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

(III) Special valuation assumptions for the income approach

1. The future earnings of the appraised entity can be reasonably expected and measured in monetary terms; the risks associated with the expected earnings can be measured; and the period of future earnings can be determined or reasonably expected.

2. It is assumed that the current and future management of the appraised entity is complied with the laws and regulations, diligently performing its operation and management functions. After the implementation of such capital increase, there will be no serious impact on the development of the enterprise or damage to the interests of shareholders, and it will continue to maintain the existing operation management model and management level.

3. It is assumed that the core management and technical team of the appraised entity will remain stable in the future forecast period, and there will be no significant changes affecting the business development and profit realization of the enterprise.

4. It is assumed that the accounting policies adopted by the appraised entity after the valuation benchmark date is consistent with the accounting policies adopted for the preparation of this valuation report in material aspects.

5. It is assumed that the appraised entity will have even cash inflow and cash outflow after the valuation benchmark date.

6. It is assumed that the appraised entity will continue to be licensed after the expiry of its business qualification.

7. This valuation assumes that upon expiry of the lease agreement of the premise of the appraised entity, the appraised entity will be able to be renewed for further use in accordance with the terms of the lease agreement or that premises of similar terms and scales will then be available at market rental prices.

BDO China Shu Lun Pan Certified Public Accountants LLP, the reporting accountant of the Company, has reviewed the arithmetical accuracy of calculations of relevant forecasts by income approach in the valuation, which does not involve reasonableness for the adoption of accounting policies and assumptions. The Board confirms that the profit forecast (including assumptions) of LG Panda as set out in the valuation report has been made after due and careful enquiry. The letters issued by BDO China Shu Lun Pan Certified Public Accountants LLP and the Board are set out in Appendix VII and Appendix VI to this circular, respectively.

Information of LG Panda

LG Panda is a Sino-foreign joint venture established in the PRC on 21 December 1995 with a registered capital of US$35.7 million as at the Latest Practicable Date. As at the Latest Practicable Date, LG Panda is owned as to 30%, 50% and 20% by PEGL, LG Electronics and LG Electronics (China) Co., Ltd., respectively. LG Panda does not have any subsidiary as at the Latest Practicable Date.

At the time of LG Panda's establishment in 1995, PEGL made a capital contribution of US$4.71 million (holding 40% of LG Panda's equity interest then). In June 2002, as PEGL did not participate in the capital increase of LG Panda, the shareholding percentage of PEGL decreased to 30%. In August 2012, PEGL participated in the capital increase of LG Panda by contributing an amount of US$6 million on a pro-rata basis. After such capital injection, PEGL's total capital contribution to LG Panda increased to US$10.71 million. Therefore, its shareholding percentage in LG Panda remained at 30%.

The principal businesses of LG Panda include the development and production of fully automatic washing machines, related components and other household appliances; research and development of white goods; research, development and production of automotive components such as automotive drive motors, in-vehicle infotainment systems and inverters; automotive and mould design services; sales (including domestic sales and export) of self-produced products and provision of related after-sales services; wholesale, import and export business of its own products, similar products, moulds, fixtures, equipment, parts and components, etc.; and educational and cultural exchange and consultation services.

The audited financial information of LG Panda for the two financial years ended 31 December 2020 and the six months ended 30 June 2021 (in accordance with the PRC Accounting Standards for Business Enterprises) is set out below.

	Six months ended 30 June 2021 (Audited) *RMB*	**Year ended 31 December 2020 (Audited)** *RMB*	**Year ended 31 December 2019 (Audited)** *RMB*
Net (Loss)/profit before tax	122,889,011.62	174,817,017.14	274,147,498.42
Net (Loss)/profit after deduction of tax	95,098,298.63	133,947,553.02	208,508,441.02

	As at 30 June 2021 (Audited) *RMB*	**As at 31 December 2020 (Audited)** *RMB*	**As at 31 December 2019 (Audited)** *RMB*
Total assets	2,826,490,763.89	3,109,125,588.19	2,743,679,550.51
Total liabilities	1,803,532,538.53	2,087,502,374.35	1,710,047,980.98
Net assets	1,022,958,225.36	1,021,623,213.84	1,033,631,569.53

Reasons for and Benefits of the Equity Transfer

1. Improving Industrial Synergy

The Company's acquisition of LG Panda's equity is conducive to promoting and expanding the bilateral cooperation in electronic manufacturing services and related fields, and improving industrial synergy. The Company has cooperated with LG Panda in business fields such as circuit board and injection molding. After the acquisition, it is conducive to promoting the further expansion and upgrading of these businesses; relying on its service foundation, experience and capability in the field of white appliances, the Company may provide new materials, ODM and electronic manufacturing services for LG Panda washing machine products in an all-round way; at the same time, it provides opportunities for the Company to build a complete industry chain from component R&D and manufacturing to terminal product production and manufacturing, which is conducive to further promoting our own brand influence.

2. Promoting our digital transformation

The Company's acquisition of LG Panda's equity is conducive to pushing forward the bilateral cooperation in the field of smart manufacturing, and promoting the practices of digital transformation and supporting application of the Company's smart manufacturing in the field of white appliances.

3. Improving profitability and increasing return to shareholders

For a long time, the Company has been faced with market risks and operation risks caused by the intensified industry market competition, the rapid change of technologies and the continuous emergence of new business models. LG Panda is a profit-making company, and the market share of LG Panda's LG brand washing machine is among the best, with stable business in recent three years. Its profitability is sustainable and it has certain growth potential in the future. At the same time, the resolution of the board of directors of LG Panda stipulates that its dividend distribution shall be based on the audited after-tax profit for the year, and the distribution ratio shall be 70%. The Company's acquisition of LG Panda's equity will increase the Company's investment gains, improve profitability, increase return to shareholders, increase earnings per share and obtain stable cash flow.

For the above reasons and benefits, the Directors of the Company (including the independent non-executive Directors) consider that the terms of the transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Effect on Earnings and Assets and Liabilities

Upon Completion, the Target Company will become an associated company of the Company and the financial results of the Target Company will not be consolidated into the accounts of the Company. The financial results of the Target Company will be equity accounted for in the consolidated financial statements of the Company upon Completion.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming completion of the Acquisition had taken place on 30 June 2021, the pro forma total assets of the Enlarged Group would have increased by approximately RMB426.30 million from approximately RMB6,237.27 million to approximately RMB6,663.57 million, and the total liabilities of the Enlarged Group would have increased by approximately RMB427.34 million from approximately RMB2,475.07 million to approximately RMB2,902.40 million. It is also anticipated that the Equity Transfer will have positive impact to the Group's revenue and earnings. After the completion of the Equity Transfer, although LG Panda will not become a subsidiary of the Company, the Company will receive dividend income on a continuing basis for its 30% interest equity in LG Panda; secondly, as the Group has been continuously providing circuit board processing and injection molding services to LG Panda, the acquisition of the equity interest of LG Panda is conducive to further expansion and improvement of these businesses, thereby creating a more stable and optimistic prospect for the income to be generated for the Company from these businesses; thirdly, relying on its service foundation, experience and capabilities in the field of white household appliances, the Group is able to provide new materials, ODM and electronic manufacturing services to LG Panda for its washing machine products in an all-round way. therefore the acquisition of LG Panda's equity interest is conducive to further realization and promotion of the cooperation between both parties in such fields and thus the improvement of the income level for both parties.

Information on Relevant Parties

The principal businesses of the Group include 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; moulds; computing industry, software industry, system integration; property management; together with the after service and technology service.

PEGL is principally engaged in 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 services. Licensed items: accommodation services; real estate development and management. PEGL is an indirect subsidiary of CEC. CEC is principally engaged in the 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. The ultimate beneficial owner of CEC is State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會).

The principal businesses of LG Electronics include manufacturing (non-financial) of electronic components, computers, and video, audio and communication equipment. LG Electronics (China) Co., Ltd., the wholly-owned subsidiary of LG Electronics, is principally engaged in investment activities; assisting or agency services for the invested enterprises to purchase equipment from home and abroad; sales and after-sales services; consulting services for the parent company. The common ultimate beneficial owner of LG Electronics and LG Electronics (China) Co., Ltd. is LG Corporation which is a South Korean multinational conglomerate corporation which has a substantive business and is generally known to the public. The principal businesses of LG Corporation include, among others, industrial and operating activities in various industries including (but not limited) electronics, chemicals, and communication and services.

Listing Rules Implications

As PEGL is the Controlling Shareholder of the Company, it is a connected person of the Company as defined by Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer exceeds 5%, therefore, the Equity Transfer constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Equity Transfer exceeds 25% but is less than 100%, therefore, the Equity Transfer also constitutes a major transaction of the Company and is subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Given that Mr. Zhou Guixiang, Mr. Li Renzhi and Mr. Shen Jianlong all hold positions in NEIIC, the controlling Shareholder of PEGL, Mr. Deng Weiming holds position in Nanjing CEC PANDA Home Appliances Co., Ltd.* (南京中電熊猫家電有限公司), the subsidiary of NEIIC, Mr. Li Changjiang holds position in Nanjing Changjiang Electronics Group Co., Ltd.* (南京長江電子信息產業集團有限公司), the subsidiary of NEIIC, and Mr. Xia Dechuan holds position in LG Panda, they have abstained from voting on the resolution regarding the abovementioned transaction at the relevant Board meeting. Save for the disclosed above, as at the date when the Board considered the abovementioned resolution, no other Directors have any material interest in the Equity Transfer contemplated under the Equity Transfer Agreement and therefore no other Directors have abstained from voting on such resolution of the Board.

3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 26 October 2021 in relation to the proposed amendments to the Articles of Association. In order to meet the actual needs of business development of the Company, the Board resolved to change the registered address of the Company and therefore the Board resolved to propose to make corresponding amendments to Article 3 of the Articles of Association of the Company. The Board believes that such amendments will align the Company's Articles of Association with its actual needs of business development and operation. Set out below are the details of the proposed amendments:

No.	Before amendment	After amendment
1	Article 3 Company's corporate domicile: Room 1701, No. 301 Zhongshan East Road, Xuanwu District, Nanjing, Jiangsu Province, the PRC Postcode: 210002 Telephone: (8625) 84801144 Facsimile: (8625) 84820729	Article 3 Company's corporate domicile: **No. 7 Jingtian Road, Economic and Technological Development Zone, Nanjing, Jiangsu Province, the PRC** Postcode: 210002 Telephone: (8625) 84801144 Facsimile: (8625) 84820729

The proposed amendments to the Articles of Association are subject to the Shareholders' consideration and approval by way of a special resolution at the EGM, at which an authorization will also be sought to authorize to the senior management of the Company to handle the specific matters in relation to the amendments to the corresponding articles of the Articles of Association.

4. THE EGM

A notice convening the EGM and the Proxy Form for the EGM have been despatched to the Shareholders on 18 November 2021. Please refer to the announcement of the Company dated 18 November 2021 for details of the EGM which is to be held at the Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China on Wednesday, 8 December 2021 at 2:30 p.m. The register of members relating to H-shares of the Company will be closed from 3 December 2021 to 8 December 2021, both days inclusive, during which period no transfer of H-shares of the Company will be registered. In order to attend the EGM, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 2 December 2021.

Pursuant to the Listing Rules, PEGL and its close associates (holding and being entitled to exercise control over the voting right in respect of 232,782,055 A shares and 41,182,000 H shares in the Company, being 273,964,055 shares in aggregate, representing approximately 29.98% of the total issued shares of the Company as at the Latest Practicable Date) will abstain from voting on the EGM resolution approving the Equity Transfer.

The Shareholders participating in the meeting shall approve, confirm and ratify the execution of Equity Transfer Agreement and the transactions contemplated thereunder and the implementation thereof , and authorize any one or more Directors of the Company to execute on behalf of the Company all such other documents, instruments and agreements and to do all such actions or matters as they deem incidental to, ancillary to or relating to the matters contemplated by the execution of Equity Transfer Agreement and the transactions contemplated thereunder and the implementation thereof.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders is materially interested in the proposed amendments to the Articles of Association and therefore, no Shareholder is required to abstain from voting on the relevant resolution at the EGM.

5. PROXY ARRANGEMENT

The Proxy Form for use at the EGM has been despatched to the Shareholders on 18 November 2021. Whether or not you intend to attend the EGM, you are requested to complete the Proxy Form in accordance with the instructions printed thereon and return the same to the office of the Company as soon as possible but in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

6. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. The results of the poll will be published on the HKExnews website at www.hkexnews.hk and the Company’s website at www.panda.cn after the EGM as soon as possible.

7. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Equity Transfer is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

The text of the letter from the Independent Board Committee is set out on page 16 of this circular. The text of the letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 35 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

The Directors (including the independent non-executive Directors) recommend all the Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the proposed amendments to the Articles of Association.

8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular as required under the Listing Rules.

By order of the Board
Nanjing Panda Electronics Company Limited
Zhou Guixiang
Chairman

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.

南京熊貓電子股份有限公司
NANJING PANDA ELECTRONICS COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00553)

23 November 2021

To the Independent Shareholders

Dear Sir or Madam,

EQUITY TRANSFER, EQUITY TRANSFER AGREEMENT AND TRANSACTION CONTEMPLATED THEREUNDER

We have been appointed as members of the Independent Board Committee to advise you in connection with the Equity Transfer, Equity Transfer Agreement and the transaction contemplated thereunder, details of which are set out in the Letter from the Board contained in the circular dated 23 November 2021 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

Having considered the terms of the Equity Transfer Agreement and the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned and having considered the advice of Gram Capital and the principal factors and reasons taken into consideration by it in arriving at its advice as set out on pages 17 to 35 of the Circular, we are of the opinion that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer is on normal commercial terms although not in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Mr. Dai Keqin **Ms. Xiong Yanren** **Mr. Chu Wai Tsun, Baggio**
Independent Non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

23 November 2021

To: The independent board committee and the independent shareholders of
Nanjing Panda Electronics Company Limited

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 23 November 2021 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 October 2021, the Company entered into the Equity Transfer Agreement with PEGL, pursuant to which, PEGL (as the transferor) agreed to transfer 30% equity interests in LG Panda to the Company (as the transferee) at the cash consideration of RMB426,300,000.

Upon completion of the Equity Transfer, the Company will hold 30% equity interests in LG Panda. LG Panda will become an associated company of the Company while its financial results will not be consolidated into the financial accounts of the Company.

With reference to the Board Letter, the Equity Transfer constitute a major and connected transaction of the Company, and is subject to the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Baggio (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Equity Transfer are on normal commercial terms and are fair and reasonable; (ii) whether the Equity Transfer is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Equity Transfer at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital is engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to discloseable and continuing connected transactions (details of which are set out in the Company's announcement dated 15 November 2021). Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Hong Kong Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid engagement is only independent financial adviser engagement with advisory fee being insignificant portion of our revenue for relevant period and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Equity Transfer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of LG Panda and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on LG Panda prepared by the PRC Valuer, summary of which is set out in Appendix V to the Circular. Since we are not experts in the valuation of assets or business, we have relied solely upon the Valuation Report for the valuation of LG Panda as at 30 June 2021 (the "**Valuation Reference Date**").

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, PEGL, LG Panda or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Equity Transfer. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Equity Transfer, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the principal businesses of the Group include 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; moulds; computing industry, software industry, system integration; property management; together with the after service and technology service.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2020 and the six months ended 30 June 2021 as extracted from the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**") and the Company's interim report for the six months ended 30 June 2021 (the "**2021 Interim Report**"):

	For the six months ended 30 June 2021	**For the year ended 31 December 2020**	**For the year ended 31 December 2019**	**Year-on-year change**
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(unaudited)	*(audited)*	*(audited)*	
Continuing operations				
Total operating income	2,169,456.3	3,952,265.0	4,660,047.0	(15.19)
Operating profit	52,658.4	140,013.0	143,373.0	(2.34)
Net profit attributable to the shareholders of the parent company	18,273.0	77,318.2	52,657.9	46.8

The Group recorded total operating income of approximately RMB3,952.3 million for the year ended 31 December 2020 ("**FY2020**"), representing a decrease of approximately 15.19% as compared to that for the year ended 31 December 2019 ("**FY2019**"). Despite that the Group recorded a decrease in total operating income in FY2020, the net profit attributable to the shareholders of the parent company for FY2020 was substantially increased, which was mainly due to the increase in extraordinary profit and loss as a result of the deduction of part of social insurance due to the COVID-19 pandemic for the period.

For the six months ended 30 June 2021 ("**1H2021**"), the Group recorded an increase of approximately 26.56% in total operating income as compared to that for the corresponding period in 2020 ("**1H2020**"). The aforesaid change was mainly due to the period-on-period increase in income from modern digital city business (1H2021: approximately RMB1,062.6 million; 1H2020: approximately RMB722.3 million). The Group also recorded an increase of approximately 44.07% in net profit attributable to the shareholders of the parent company as compared to that for 1H2020, which was mainly due to the period-on-period increase in income and profit from modern digital city business.

As at 30 June 2021, the Group recorded monetary fund of approximately RMB1,334.7 million and total shareholders' equity of approximately RMB3,762.2 million.

Information on PEGL

With reference to the Board Letter, PEGL is principally engaged in 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 services. Licensed items: accommodation services; real estate development and management. PEGL is an indirect subsidiary of China Electronics Corporation. China Electronics Corporation is principally engaged in the 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.

As at the Latest Practicable Date, PEGL is the Controlling Shareholder of the Company who can control the composition of a majority of the Board and is a connected person of the Company as defined by Chapter 14A of the Listing Rules.

Information on LG Panda

With reference to the Board Letter, LG Panda is a sino-foreign joint venture established in the PRC on 21 December 1995 with a registered capital of US$35.7 million. As at the Latest Practicable Date, LG Panda is owned as to 30%, 50% and 20% by PEGL, LG Electronics and LG Electronics (China) Co., Ltd., respectively.

The principal businesses of LG Panda include the development and production of fully automatic washing machines, related components and other household appliances; research and development of white goods; research, development and production of automotive components such as automotive drive motors, in-vehicle infotainment systems and inverters; automotive and mould design services; sales (including domestic sales and export) of self-produced products and provision of related after-sales services; wholesale, import and export business of its own products, similar products, moulds, fixtures, equipment, parts and components, etc.; and educational and cultural exchange and consultation services.

Set out below are the key audited financial information of LG Panda for the three years ended 31 December 2020 and the six months ended 30 June 2021 as extracted from the accountants reports of LG Panda as set out in Appendix II to the Circular:

	For the six months ended 30 June 2021	**For the year ended 31 December 2020**	**For the year ended 31 December 2019**	**For the year ended 31 December 2018**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Operating income	2,873.7	4,689.6	4,706.2	3,942.7
Operating profit	122.9	174.8	273.9	147.0
Net profit	95.1	133.9	208.5	109.2

LG Panda recorded net assets of approximately RMB1,023.0 million as at 30 June 2021.

According to the above table, the operating income of LG Panda for the three years ended 31 December 2020 and for the six months ended 30 June 2021 were approximately RMB3,942.7 million, RMB4,706.2 million, RMB4,689.6 million and RMB2,873.7 million respectively. The operating income of LG Panda for 2019 increased significantly as compared to 2018, and that in 2020 remained at similar level as in 2019. The increase in operating revenue in 2019 was mainly due to the growth in the sales of washing machines of LG Panda.

In addition, LG Panda recorded (i) a significant increase in net profit for the year ended 31 December 2019 as compared to that for the year ended 31 December 2018, which was mainly due to an increase in operating profit of RMB126.9 million as a result of the increase in sales revenue of washing machines in 2019; and (ii) a substantial decrease in net profit for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019, which was mainly due to a decrease in operating profit of RMB99.1 million as a result of the impact of COVID-19 pandemic for 2020, which lead to the increase in washing machines transportation cost and accordingly lead to the increase in the sales cost in 2020.

Reasons for and benefits of the Equity Transfer

With reference to the Board Letter, LG Panda is a profit-making company with stable business in recent three years. Its profitability is sustainable and it has certain growth potential in the future. Upon our request, we also obtained a copy of board resolution of LG Panda in 2020. It stipulates that the distributable profit shall be based on the audited after-tax profit for the year, and the distribution ratio shall be 70%.

We noted from LG Panda's financial information that cash paid on distribution of dividends or profits amounted to approximately RMB93.8 million in the first six months ended 30 June 2021 and approximately RMB146.0 million in 2020, the dividend payout ratios for 2020 and 2019 amounted to approximately 70% and 70%. Therefore, we concur with the Directors that the Company's acquisition of LG Panda's equity is expected to improve the Company's investment income of associates and improve the cash flow of the Group.

With reference to the Board Letter, the Company's acquisition of LG Panda's equity is conducive to pushing forward the bilateral cooperation in the field of smart manufacturing, promoting the practices of digital transformation, and the supporting application of the Company's smart manufacturing in the field of white appliances.

According to the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035 of the People's Republic of China, the country shall embrace the digital age, unleash the potential of data, enhance its strength in cyberspace, accelerate the construction of digital economy, digital society and digital government, and promote digitalization-based upgrading of production methods, lifestyles and governance methods in general. It calls for efforts to speed up the construction of a digital society, promote the construction of new smart cities by stage and type, establish and optimize urban information model platform and operation and management service platform, develop urban data resource systems and urban data brain. The Company closely follows the national "14th Five-Year Plan" and proactively promotes the digitalization in the fields of intelligent transportation and safe city.

The outline of the 14th Five-Year Plan calls for the promotion of industrial digitalization and digital industrialization. In response, the Company is driving the deep integration of internet, big data, and artificial intelligence into the industrial manufacturing industry to promote the development of 5G+ industrial internet industry.

We understood from the Directors that with the continuous enhancement of the comprehensive strength of China's electronic information manufacturing industry, professional electronic manufacturing service providers keep improving their process, efficiency, quality and supply chain services to better cater to market demand, which has a profound impact on the supply chain arrangement and value chain management of the electronic information industry and has created more stable division of labor and cooperation. The upstream and downstream supporting industry chains of consumer electronics, communication equipment, computer and network equipment industries have matured, and professional electronic manufacturers have become the core participants in the electronic information industry chain. Focusing on its main business, the Company actively responded to market changes and continuously explored new growth points. It has gradually extended its electronic manufacturing business from the LCD and communication product markets to the fields of automotive electronics and components of white goods (白色家電), and made new achievements in these new business areas.

Based on the above, the Equity Transfer is also in line with the Company's development strategy.

Having considered the above, we consider that although the Equity Transfer is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Equity Transfer

Set out below is the principal terms of the Equity Transfer, details of which are set out under the section headed "Equity Transfer" of the Board Letter.

Date:	25 October 2021
Parties:	(i) PEGL (as the transferor); and (ii) the Company (as the transferee)
Subject matter of the Equity Transfer:	As at the date of the Equity Transfer Agreement, PEGL held 30% equity interests in LG Panda. According to the Equity Transfer Agreement, PEGL (as the transferor) agreed to transfer its 30% equity interests in LG Panda to the Company (as the transferee).
Consideration:	According to the Valuation Report (Dong Zhou Ping Bao Zi [2021] No. 1746) issued by Shanghai Orient Appraisal Co., Ltd. with 30 June 2021 as the valuation benchmark date, the appraised value of the entire shareholders' equity interest in LG Panda was RMB1,421,000,000 (adopting income approach to conclude the valuation results). Therefore, based on such valuation result and with relevant negotiations, the parties have agreed that the total consideration of the Equity Transfer shall be RMB426,300,000.

Equity Transfer Consideration

According to the Valuation Report, the appraised value of the entire shareholders' equity interest in LG Panda was RMB1,421,000,000 as at the Valuation Reference Date. The consideration equals to 30% of the appraised value of the entire shareholders' equity interest in LG Panda as at the Valuation Reference Date.

I. Valuer's qualification

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the PRC Valuer; (ii) the PRC Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the PRC Valuer for conducting the valuation.

As regards the qualifications and experience of the PRC Valuer, we have conducted reasonable checks to assess the relevant qualifications, experience and expertise of the PRC Valuer, including reviewing supporting documents and discussed with the PRC Valuer their qualifications and experience.

The PRC Valuer obtained relevant qualifications and registered in China Appraisal Society, completed filing procedures in CSRC and is allowed to conduct asset appraisal engaged in securities. Based on the supporting documents provided by the PRC Valuer, the PRC Valuer conducted various appraisal works for PRC companies.

We also noted from the mandate letter that the PRC Valuer was engaged by the Company, PEGL and China Electronics Corporation (being the ultimate beneficial owner of PEGL) jointly to prepare the Valuation Report. Having considered the following factors, including:

(i) as required under provision four of《資產評估基本準則》(Asset Evaluation Standards – Basic Standards*, the "**Valuation Standards**") as issued by Ministry of Finance of the PRC and updated in 2017, asset appraisal institution and its professional staff shall carry out asset appraisal activities in accordance with provisions of laws and administrative regulations, uphold to the principle of independence, objectivity and impartiality;

(ii) as required under provision six of the Valuation Standards, when asset appraisal institution and its professional staff shall carry out asset appraisal activities, they (a) should perform independently in analysing, evaluating and forming their opinion; (b) should not be affected by client or its relevant persons; and (c) should not determine the value on pre-setting basis;

(iii) 《資產評估職業道德準則－獨立性》(Code of Professional Ethics for Asset Evaluation – Independence*) as issued by China Appraisal Society in 2012 further elaborate and emphasis the independence of asset appraisal institution and certified valuers; and

(iv) upon our request, the PRC Valuer confirmed that they are independent to the Company, PEGL, CEC and their respective associates,

we are satisfied with the independence of the PRC Valuer in respect of the preparation of the Valuation Report.

II. Valuation on LG Panda

We reviewed the Valuation Report and enquired into the PRC Valuer on the methodology adopted and the basis and assumptions adopted in arriving at the valuation in order for us to understand the Valuation Report. Details of the assumptions are set out in the section headed "VALUATION ASSUMPTIONS" of the summary of Valuation Report as contained in Appendix V to the Circular.

In preparing the valuation report, the PRC Valuer selected the income approach for the conclusion of the LG Panda's valuation. With reference to the Valuation Report and as confirmed by the PRC Valuer, the PRC Valuer considered each of the fundamental valuation approaches and is of the view that:

(i) **Market approach:** There are two commonly used specific methods under the market approach, which are listed-company comparison and transaction-case comparison. The preconditions for the adoption of the market approach are a developed, fair and active open market with sufficient market information and the availability of comparable transaction cases on the open market.

Upon our enquiry, we understood from the PRC Valuer that, majority of the listed companies operate in the home appliance industry are engaged in the production and sales of a wide range of home appliances whereas LG Panda is principally engaged in the production and sales (including domestic sales and export) and wholesale of washing machines, the size, scale, production technologies, sales channels, customer relationships and operating teams are substantially different. As such, these listed companies operating in the home appliance industry were not applicable as comparable companies for the purpose of the valuation under market approach.

Upon our independent research, we could not find any listed companies which are principally engaged in the same/similar business activities of LG Panda (i.e. production and sales of washing machines) or any acquisition transactions involving target company similar to LG Panda. Therefore, we concur with the PRC Valuer that the market approach is not applicable.

(ii) **Asset-based approach:** The asset-based approach only appraised the value of the individual tangible assets and independent intangible assets, and it may not fully reflect the contribution of each individual assets (or their combination) to the value of the entire company.

Accordingly, the income approach is more appropriate to conclude the valuation of LG Panda as compared to the asset-based approach.

(iii) **Income approach:** According to the Valuation Report, the adoption of income approach in appraising enterprise value emphasizes the overall expected profitability of the enterprise.

We also noted from the Valuation Report that the Valuation Report was prepared by the PRC Valuer in accordance with various requirements/standards, including《資產評估基本準則》(Asset Evaluation Standards – Basic Standards*) as issued by the Ministry of Finance of the PRC.

According to the《資產評估基本準則》(Asset Evaluation Standards – Basic Standards*), (i) the fundamental valuation approaches of assets valuation include income approach, market approach and asset-based approach, and (ii) the valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation methodology.

Having considered that (i) the Valuation Report was prepared by the the PRC Valuer in accordance with various requirements/standards; (ii) the aforesaid reasons for not adopting market approach and asset-based approach to conclude LG Panda's valuation, we concur with the PRC Valuer on the adoption of income approach for concluding the valuation.

As the PRC Valuer adopted the income approach to conclude the Valuations. In such cases, it is stipulated under Rule 14.62 of the Listing Rules that the Company is required to obtain:

(i) a letter from the its auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and containing their report; and

(ii) a report from the its financial advisers confirming that they are satisfied that the forecast has been made by the directors after due and careful enquiry. If no financial advisers have been appointed in connection with the transaction, the Company must provide a letter from the board of directors confirming they have made the forecast after due and careful enquiry.

We consider that the above stipulation of the Listing Rules could safeguard the interest of the Shareholders. We noted that (i) the Company's auditor confirmed that in their opinion, so far as the arithmetical accuracy of the calculations are concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the valuation; and (ii) the Board confirmed that they are of the opinion that the forecast has been made after due and careful enquiry. For details of principal assumptions of the valuation, please refer to the section headed "Profit Forecast in respect of the Valuation of Equity Interests of LG Panda" of the Board Letter.

We also understood from the PRC Valuer in respect of various factors/assumptions that the PRC Valuer considered/adopted during the course of valuation, such as discount rate, risk-free rate, market expectation rate of return, etc..

Free cash flow to equity

The valuation is based on operating results recorded in 2018, 2019, 2020 and first half of 2021 of LG Panda. The estimates on future operation and revenue of LG Panda are conducted through analyses over segments, revenue, costs, growth movements, etc.. As advised by the PRC Valuer, the PRC Valuer believed that the free cash flow to equity was reasonable after considering the historical performance of LG Panda and relevant assumptions regarding the valuation. As mentioned above, we also noted that the Board issued the letter confirming that they have made the profit forecast of the LG Panda after due and careful enquiry.

We noted that the revenue (including estimated revenue) of LG Panda comprised (i) revenue generated (to be generated) from the sale of washing machines (accounted for approximately 74% and 77% of the total revenue for FY2020 and 1H2021 respectively); and (ii) revenue generated (to be generated) from the sale of other products (accounted for approximately 26% and 23% of the total revenue for FY2020 and 1H2021 respectively). The estimated sale of washing machines was based on (i) the estimated sale volume of washing machines with estimated growth rates applied for each of 2021 to 2026 while no growth rate applied from 2027 onward, and (ii) the estimated selling price of washing machines (based on the average historical selling price of washing machines). The estimated sale of other products was based on the historical sales amount with estimated growth rates applied for each of 2021 to 2026 and no growth rate was applied from 2027 onward.

To assess the fairness and the reasonableness of the estimated revenue, we obtained the sales breakdown of LG Panda. From the breakdown and per our discussion with the PRC Valuer and the Company, we noted the following:

(i) The historical sales volume of washing machines recorded year-on-year growth rates of 19.65% and 16.02% for FY2019 and FY2020 respectively. The annualised sales volume for the year ending 31 December 2021 ("**FY2021**") (based on the actual sales volume for 1H2021) would represent a year-on-year growth of 14.17% while the estimated sales volume for FY2021 represents a year-on-year decrease of 3.30%. The increase in sales volume of washing machines for FY2020 was mainly due to COVID-19 pandemic which boosted the online sales volume of washing machines, as such, the estimated sales volume for FY2021 was downward adjusted by 3.30% to coincide with the market expectation as the pandemic gradually eased off. As the estimated sales volume of washing machines for FY2021 was lower than the annualised sale volume for FY2021, we consider that (i) the estimated sales volume was not overestimated in the aspect of actual sales volume of washing machines for 1H2021); and (ii) such estimation is in the interest of the Company (as purchaser).

(ii) The estimated growth rates applied to the estimated sales volume of washing machines for 2022 to 2026 were 3%. As advised by the Directors, the growth rates of 3% were determined with reference to the historical compound annual growth rate of approximately 3.49% on sales volume of washing machines from 2017 to 2020 and as the COVID-19 pandemic is expected to gradually eased off, LG Panda is expected to achieve a stable growth in sales volume of washing machines.

In addition, we noted from the Statista[(Note)] website that the retail unit volume of laundry appliances worldwide increased from approximately 138.4 million units for 2015 to 154.3 million units for 2019, representing a compound annual growth rate of approximately 2.76%. We further noted from the Statista website that the retail unit volume of laundry appliances worldwide is estimated to increase from approximately 148.8 million units for 2020 to 178.9 million units for 2024, representing a compound annual growth rate of 4.71%. Based on the aforesaid, we do not doubt the estimated growth rate of 3% applied to the estimated sales volume of washing machines for 2022 to 2026.

(iii) We noted that the estimated selling price during the forecast period represents an increase of approximately 2.10% and 11.66% as compared to the average selling price for FY2019 and FY2020 respectively and the average selling price for FY2020 represents a year-on-year decrease of approximately 8.56% as compared to that for FY2019. As advised by the Directors, the decrease in average selling price for FY2020 was primarily due to the COVID-19 pandemic, which boosted the online sales volume of washing machines as the models of washing machines sold online mainly consist of low-end models with lower selling prices as compared to those sold through retail sales which normally are higher-end models with higher selling prices. As the COVID-19 pandemic is expected to gradually ease off, the retail sales volume is expected to increase and the proportion of online sales for FY2021 is expected to decrease. The estimated selling price is expected to restore to similar level in the pre-pandemic period (with difference of approximately 2.10% to average selling price immediately before the pandemic period) and is also expected to remain the same as that for 1H2021, being at similar level as the historical average selling price. We consider the estimated selling price, being at similar level to that at pre-pandemic period, to be fair and reasonable.

Note: Statista is specialized in market and consumer data, its platform consolidates statistical data on over 80,000 topics from more than 22,500 sources on 170 industries.

(iv) The historical growth in the sales amounts of other products were approximately 21.46% and -15.09% for FY2019 and FY2020 respectively, with an average of approximately 3.19% per annum from FY2018 to FY2020. The sales of other products mainly represent the sales of components for the assembly of washing machines to factories of LG Electronics (being a controlling shareholder of LG Panda) in certain countries in Southeast Asia region. As the exports of such components was adversely affected by the COVID-19 pandemic in FY2020, LG Panda recorded a year-on-year decrease of 15.13% in the sales of other products as compared to that for FY2019. As the COVID-19 pandemic is expected to gradually ease off and the global economy (including international trade) resumed gradually, the annualised sales amount for FY2021 (being the estimated sales amounts of other products for FY2021, calculated based on the actual sales amount for 1H2021) represents a year-on-year growth of 8.37% as compared to that for FY2020 and represents a decrease of approximately 8% as compared to that for FY2019. The estimated growth rates applied to the estimated sales amounts of other products for 2022 to 2026 were 4% per annum, which is in line with the estimated sales volume of washing machines for 2022 to 2026 and the average change in the sales amounts of other products from FY2018 to FY2020.

As aforementioned, based on the estimated sales volume of laundry appliances worldwide for the five years ending 31 December 2024 as published by Statista, the sales volume of laundry appliances worldwide is estimated to record a compound annual growth rate of 4.71%. Based on the aforesaid and given the other products represent components for the assembly of washing machines, we do not doubt the estimated growth rate of 4% applied to the estimated sales of other products for 2022 to 2026.

The costs of LG Panda were mainly determined with reference to the historical performance of LG Panda. We noted that the implied estimated net profit margin of LG Panda for the forecasted period were lower than the net profit margins of LG Panda for each of 2018, 2019 and 2020, indicating that the costs of LG Panda were not underestimated as compared to LG Panda's historical performance.

We also searched for the net profit margin of companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange that (i) participate in the home appliances industry; and (ii) are profit making for FY2020. Based on the information obtained from Wind Financial Terminal, the net profit margins of such companies ranged from 0.05% to 31.00%, with an average net profit margin of 10.25%. The estimated net profit margin of LG Panda for the forecasted period were significantly lower than the aforesaid average. In light of the aforesaid, we are of the view that the estimated costs of LG Panda for the forecasted period were not underestimated as compared to those companies within the home appliances industry.

Discount rate

When applying the income approach (which involved discounted cash flow method) in conducting the valuation, an appropriate discount rate was necessary. With reference to the Valuation Report, the weighted average cost of capital of 12.30% was adopted as the discount rate for the free cash flow.

We noted that the PRC Valuer used the capital asset pricing model (the "**CAPM**") to estimate cost of equity of LG Panda. In arriving at the cost of equity, the PRC Valuer took into account a number of factors including (i) risk free rate; (ii) market expectation rate of return; (iii) specific risk adjustment factor of LG Panda; and (iv) expected market risk factor for equity capital (i.e. β).

For our due diligence purposes, we performed the following analyses:

- We understood that the CAPM technique is widely accepted for the purpose of estimating required rate of return on equity.

- the PRC Valuer adopted 3.13% as risk free rate, which was determined with reference to 10-year yield of PRC sovereign debt. We noted from the website of China Foreign Exchange Trade System – National Interbank Funding Center that 10-year yield of PRC sovereign debt was approximately 3.1368% as at 30 June 2021. Therefore, we consider the risk-free rate of 3.13% adopted by the PRC Valuer, to be justifiable.

- Furthermore, we noted that the PRC Valuer calculated re-levered beta based on comparable companies with certain criteria. Upon our enquiry, we understood from the PRC Valuer that:

  - beta is an indicator of systematic risks and is often used to measure the volatility of a type of securities or an investment portfolio to the overall market. Given the aforesaid purpose, the sampling basis often includes trading interval (often range from two to four years) and the comparability of industry. Also, there should be sufficient sample size to obtain a representative measure of risks;

  - the selection criteria for comparable companies for the purpose of calculating re-levered beta are (i) operating in the PRC; (ii) principal products include washing machines; and (iii) engaged in sales of products to overseas;

- despite there were no comparable companies identified for the purpose of the valuation under market approach, as aforementioned, beta is an indicator of systematic risks and the volatility of such securities to the overall market would not be materially different regardless of whether they operate in the broader industry (i.e. home appliance industry) or a more specific industry (i.e. washing machines industry, being part of the home appliance industry).

We obtained the list of comparable companies used for the purpose of calculating the re-levered beta from the PRC Valuer and noted that these companies met the selection criteria as aforementioned. We have no doubt on the representativeness of the comparable companies used for the calculation of re-levered beta.

- According to the Valuation Report, the PRC Valuer adopted 7.00% as market risk premium.

In arriving at the cost of debt, China Appraisal determined cost of debt based on the loan prime rate with a maturity of more than 5 years published by the National Interbank Funding Center authorized by the People's Bank of China.

Based on the above and information/documents (e.g. explanation to key factors, calculations, etc.) in respect of the valuation provided to us by the PRC Valuer/Company and having considered the PRC Valuer's qualification and experience, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the valuation (including value of the surplus or non-operating assets (liabilities)).

Having also considered (i) our due diligence work on the Valuation Report; and (ii) the Rule 14.62 of Listing Rules requirement, in particular, the Board confirmed that they are of the opinion that the forecast has been made after due and careful enquiry, we consider that principal bases and assumptions adopted for the Valuation to be reasonable.

Having considered that the consideration of the Equity Transfer equals to 30% of the appraised value of LG Panda (being the equity interest of LG Panda to be transferred), we are of the opinion that the consideration for the transfer of 30% equity interest in LG Panda to be fair and reasonable.

Completion

With reference to the Board Letter, the total consideration of the Equity Transfer of RMB426,300,000 will be paid to PEGL in cash in a lump sum within 10 days by the Company after the condition precedent has been fulfilled and LG Panda has completed the business registration procedures for the Equity Transfer.

The Company shall assume the profit and loss to be incurred by LG Panda from the Valuation Reference Date (i.e. 30 June 2021) to the completion date.

Having considered that the consideration of the Equity Transfer was based on the Valuation (by income approach); and the profit or loss from Valuation Reference Date to the completion date was considered in the process of the Valuation, we consider the arrangement for profit and loss to be reasonable.

Having reviewed and considered the terms of the Equity Transfer, in particular the key terms as listed above (including the total consideration for the Equity Transfer being fair and reasonable; and no abnormal term observed), we are of the view that the terms of the Equity Transfer are on normal commercial terms and are fair and reasonable.

Possible financial effects of the Equity Transfer

With reference to the Board Letter, upon completion of the Equity Transfer, the Company will hold 30% equity interests in LG Panda. LG Panda will become an associated company (therefore not a subsidiary) of the Company while its financial results will not be consolidated into the financial accounts of the Company.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, assuming completion of the Equity Transfer had taken place on 30 June 2021, the pro forma total assets of the Enlarged Group would increase by approximately RMB426.30 million from approximately RMB6,237.27 million to approximately RMB6,663.57 million, and the total liabilities of the Enlarged Group would increase by approximately RMB427.34 million from approximately RMB2,475.07 million to approximately RMB2,902.40 million.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Equity Transfer.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Equity Transfer are on normal commercial terms and are fair and reasonable; and (ii) although the Equity Transfer is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Equity Transfer and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the Company's 2018 annual report dated 26 April 2019, 2019 annual report dated 27 April 2020 and 2020 annual report dated 28 April 2021, respectively. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 are disclosed in the Company's 2021 interim report dated 21 September 2021. These annual reports and interim report have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.panda.cn).

INDEBTEDNESS

Lease liabilities

As at 30 September 2021 (which is the latest practicable date solely for the purpose of making this indebtedness statement before this circular is printed), the outstanding contractual lease payment of the Group (as the lessee) was RMB3,836,059.33 for the remaining relevant lease period, which was unsecured and non-guaranteed.

General

As at the end of business hours on 30 September 2021, save for the aforementioned and inter-company liabilities within the Group, the Group did not have any issued and outstanding, and authorized or otherwise added but unissued debt securities, any other outstanding loan capital, any loan or debt of the nature of borrowing, including bank overdrafts and acceptance liabilities (excluding general commercial notes) or similar debts, debentures, mortgages, pledges, loans, acceptance credits, hire and purchase commitments, recognised lease liabilities, guarantees or other major contingent liabilities.

The Directors confirmed that no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2021 up to and including the Latest Practicable Date.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the transaction contemplated under the Equity Transfer Agreement and the financial resources of the Group, including the internally generated revenue and funds and in the absence of unforeseen circumstances, the Group has sufficient working capital for its demands for the current period (which means at least the next twelve months from the date of this circular).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company's key business segments comprise modern digital city, industrial internet and intelligent manufacturing, and service-oriented electronic manufacturing. Among them, in the field of modern digital city, the Company exploits big data, cloud computing, artificial intelligence, 5G and other technologies to focus on developing modern digital city service clusters with smart transportation at the core and comprising safe city, digital park and others. In the fields of industrial internet and intelligent manufacturing, the Company focuses on delivering core intelligent manufacturing equipment based on industrial internet and total smart factory solutions, providing overall planning for manufacturing enterprises to effectuate digital transformation so that they build their core competitiveness and achieve sustainable innovation and growth. In the field of service-oriented electronic manufacturing, the Company provides the research and development and electronic manufacturing services for 3C, components of new display module and white goods, automotive electronics, communication equipment and other electronic products for domestic and overseas brand manufacturers through smart, flexible and lean management approach.

In the first half of 2021, the added value of electronic information manufacturing enterprises above designated size increased by 19.8% period-on-period, up by 14.1 percentage points over the same period of last year, with a compound growth rate of 12.5% in the past two years. The ex-factory prices of electronic and information manufacturers dropped by 1.4% period-on-period, in sharp contrast to the 5.1% period-on-period increase in the ex-factory price of industrial producers. Nowadays, electronic information technology is the field with the most R&D investment, the most active innovation, the most widely employed applications and the greatest ripple effects throughout the world. The new generation of electronic information technologies, represented by 5G, big data, cloud computing, artificial intelligence and block chain, are rapidly evolving and converging, and play an increasingly important role in driving industry development, bringing profound changes to global industrial technology system and the mode of global economic development.

According to the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035 of the People's Republic of China, the country shall embrace the digital age, unleash the potential of data, enhance its strength in cyberspace, accelerate the construction of digital economy, digital society and digital government, and promote digitalization-based upgrading of production methods, lifestyles and governance methods in general. It calls for efforts to speed up the construction of a digital society, promote the construction of new smart cities by stage and type, establish and optimize urban information model platform and operation and management service platform, develop urban data resource systems and urban data brain. The Company closely follows the national "14th Five-Year Plan" and proactively promotes the digitalization in the fields of intelligent transportation and safe city.

The outline of the 14th Five-Year Plan calls for the promotion of industrial digitalization and digital industrialization. In response, the Company is driving the deep integration of internet, big data, and artificial intelligence into the industrial manufacturing industry to promote the development of 5G+ industrial internet industry.

With the continuous enhancement of the comprehensive strength of China's electronic information manufacturing industry, professional electronic manufacturing service providers keep improving their process, efficiency, quality and supply chain services to better cater to market demand, which has a profound impact on the supply chain arrangement and value chain management of the electronic information industry and has created more stable division of labor and cooperation. The upstream and downstream supporting industry chains of consumer electronics, communication equipment, computer and network equipment industries have matured, and professional electronic manufacturers have become the core participants in the electronic information industry chain. Focusing on its main business, the Company actively responded to market changes and continuously explored new growth points. It has gradually extended its electronic manufacturing business from the LCD and communication product markets to the fields of automotive electronics and components of white goods, and made new achievements in these new business areas.

The following is the full text of a report, prepared for the purpose of inclusion in this circular, received from the Company's independent reporting accountants, BDO China Shu Lun Pan Certified Public Accountants LLP.

Accountant's Report of Target Company

XIN KUAI SHI BAO ZI [2021] No. ZG215178

To the Directors of Nanjing LG Panda Appliances Co., Ltd.:

I. Opinion

We have audited the financial statements of Nanjing LG Panda Appliances Co., Ltd. (hereinafter referred to as the "**Company**"), which comprise the balance sheets as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021, and income statement, cash flow sheet, statement of changes in equity and relevant notes to the financial statements for the year 2018, 2019, 2020 and the period from January to June in 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's financial position as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021 and the financial performance and cash flows for the year 2018, 2019, 2020 and the period from January to June in 2021 in accordance with Accounting Standards for Business Enterprises ("**ASBEs**").

II. Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("**CSAs**"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

IV. Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) conclude on the appropriateness of the management's use of the going concern 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

V. Corresponding Financial Information

For the purpose of the report, we have reviewed the corresponding unaudited interim financial information of the Company, including the income statement, the statement of changes in equity and the statement of cash flows for the period from 1 January 2020 to 30 June 2020, together with the related notes, for which the Directors of the Company are responsible.

The Directors of the Company are responsible for the preparation and presentation of the corresponding financial information on the same basis as that adopted for the financial information.

Our responsibility is to express a conclusion based on our review of the corresponding financial information. We have conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

A review of the corresponding financial information mainly consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, for the purpose of the report, nothing has come to our attention that causes us to believe that the corresponding financial information is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 to section II below.

BDO China Shu Lun Pan Certified Public Accountants LLP
Chinese Certified Public Accountant:
Xu Pei Mei

Chinese Certified Public Accountant:
Gu Xin

Shanghai, China
23 November 2021

Balance Sheet

(All amounts are presented in RMB except otherwise stated)

Assets	*Note*	2021.6.30	2020.12.31	2019.12.31	2018.12.31
Current assets:					
Monetary funds	V (I)	3,585,116.61	1,952,294.83	3,167,357.77	1,885,608.11
Financial assets held for trading					
Derivative financial assets					
Notes receivables	V (II)	34,615,694.76	22,130,950.66	25,067,584.83	25,242,156.27
Accounts receivable	V (III)	848,772,918.89	996,684,382.53	1,060,323,766.69	639,573,389.19
Financing receivables	V (IV)	40,807,230.11	95,153,638.27	30,891,924.95	
Prepayments	V (V)	671,661.31	820,054.43	802,067.69	2,556,336.41
Other receivables	V (VI)	15,992,012.09	17,742,216.18	31,290,939.15	29,476,726.26
Inventories	V (VII)	241,040,533.12	262,949,394.73	241,057,774.30	173,221,948.96
Contract assets					
Held-for-sale assets					
Non-current assets due within one year					
Other current assets	V (VIII)	938,686,213.11	969,964,559.22	576,319,011.66	666,853,167.85
Total current assets		2,124,171,380.00	2,367,397,490.85	1,968,920,427.04	1,538,809,333.05

Assets	*Note*	2021.6.30	2020.12.31	2019.12.31	2018.12.31
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables					
Long-term equity investments					
Other equity instruments investments					
Other non-current financial assets					
Investment properties					
Fixed assets	V (IX)	620,027,615.74	655,134,912.52	664,846,487.03	687,330,132.43
Construction in progress	V (X)	11,355,966.14	12,975,088.16	6,658,015.77	7,757,507.44
Biological assets for production					
Fuel assets					
Right-of-use assets	V (XI)	365,746.47	2,076,074.15	5,506,130.46	
Intangible assets	V (XII)	69,831,055.54	70,138,201.74	71,826,558.05	73,595,458.26
Development expenses					
Goodwill					
Long-term deferred expenses	V (XIII)				518,626.24
Deferred income tax assets	V (XIV)		664,820.77	25,182,932.16	26,826,420.39
Other non-current assets	V (XV)	739,000.00	739,000.00	739,000.00	739,000.00
Total non-current assets		702,319,383.89	741,728,097.34	774,759,123.47	796,767,144.76
Total assets		2,826,490,763.89	3,109,125,588.19	2,743,679,550.51	2,335,576,477.81

The accompanying notes to financial statements form an integral part of these financial statements.

Liabilities and owners' equity	*Note*	**2021.6.30**	**2020.12.31**	**2019.12.31**	**2018.12.31**
Current liabilities:					
Short-term loans					
Financial liabilities held for trading					
Derivative financial liabilities					
Notes payables	V (XVI)	741,250,103.45	821,341,917.35	609,972,282.14	492,153,698.23
Accounts payable	V (XVII)	868,762,682.87	992,854,098.10	872,726,036.92	751,717,437.27
Advance receipts from customers	V (XVIII)				7,986,631.18
Contract liabilities	V (XIX)	24,261,291.81	24,888,621.91	13,243,532.98	
Staff salaries payable	V (XX)	11,171,237.18	18,001,562.93	17,380,205.13	17,561,212.43
Taxes payable	V (XXI)	26,256,211.30	29,635,669.46	48,049,573.74	24,411,788.21
Other payables	V (XXII)	75,950,145.87	153,364,742.16	94,924,355.52	140,039,514.88
Liabilities held for sale					
Non-current liabilities due within one year	V (XXIII)	40,598.98	40,598.98	5,388,207.26	
Other current liabilities	V (XXIV)	49,438,850.23	47,336,289.63	48,342,255.61	
Total current liabilities		1,797,131,121.69	2,087,463,500.52	1,710,026,449.30	1,433,870,282.20

Liabilities and owners' equity	*Note*	2021.6.30	2020.12.31	2019.12.31	2018.12.31
Non-current liabilities:					
Long-term loans					
Bonds payable					
Including: Preferred shares					
Perpetual bonds					
Lease liabilities	V (XXV)	19,647.90	38,873.83		
Long-term payables					
Long-term staff salaries payables					
Estimated liabilities	V (XXVI)				2,060.65
Deferred income					
Deferred income tax liabilities	V (XIV)	6,381,768.94			
Other non-current liabilities	V (XXVII)			21,531.68	
Total non-current liabilities		6,401,416.84	38,873.83	21,531.68	2,060.65
Total liabilities		1,803,532,538.53	2,087,502,374.35	1,710,047,980.98	1,433,872,342.85

Liabilities and owners' equity	*Note*	**2021.6.30**	**2020.12.31**	**2019.12.31**	**2018.12.31**
Owners' equity:					
Paid-up capital	V (XXVIII)	257,380,022.40	257,380,022.40	257,380,022.40	257,380,022.40
Other equity instruments:					
Including: Preferred shares					
Perpetual bonds					
Capital reserve	V (XXIX)	47,572,919.85	47,572,919.85	47,572,919.85	47,572,919.85
Less: treasury share					
Other comprehensive income					
Special reserve					
Surplus reserve	V (XXX)	153,721,380.55	144,211,550.69	123,360,706.59	112,437,110.92
Undistributed profits	V (XXXI)	564,283,902.56	572,458,720.90	605,317,920.69	484,314,081.79
Total owners' equity		1,022,958,225.36	1,021,623,213.84	1,033,631,569.53	901,704,134.96
Total liabilities and owners' equity		2,826,490,763.89	3,109,125,588.19	2,743,679,550.51	2,335,576,477.81

The accompanying notes to financial statements form an integral part of these financial statements.

Income Statement

(All amounts are presented in RMB except otherwise stated)

Item	Note	From January to June 2021	From January to June 2020 (unaudited)	2020	2019	2018
I. Operating income	V (XXXII)	2,873,677,543.62	1,729,549,769.17	4,689,558,924.03	4,706,212,063.93	3,942,659,749.90
Less: Operating income	V (XXXII)	2,709,739,269.47	1,628,077,221.52	4,423,545,387.19	4,318,690,002.17	3,542,398,380.83
Tax and surcharges	V (XXXIII)	6,800,274.39	2,797,601.70	9,378,168.65	20,073,680.88	17,002,344.36
Selling expenses	V (XXXIV)	10,678,726.73	8,742,146.23	18,623,807.49	19,008,732.13	186,011,218.56
Administrative expenses	V (XXXV)	35,139,454.33	31,827,498.81	72,769,175.58	74,588,835.30	70,814,272.06
R&D costs						
Financial expenses	V (XXXVI)	3,754,147.52	-3,225,060.87	7,637,511.27	-2,101,730.64	-7,065,143.68
Including: Interest expense		3,285.25	101,448.00	143,107.90	269,941.65	3,407.95
Interest income		249,540.71	1,217,179.97	1,425,558.70	2,512,440.28	369,802.53
Add: Other gains	V (XXXVII)	125,261.72	193,272.50	193,272.50	311,751.89	
Investment income (losses are represented by "-")	V (XXXVIII)	8,325,412.73	5,026,552.06	11,327,213.89	8,736,803.16	7,966,320.18
Including: Investment income from associates and joint ventures						
Derecognition of gain from financial assets at amortised cost						
Income on hedging the net exposure (losses are represented by "-")						
Gains arising from changes in fair value (losses are represented by "-")						
Credit impairment loss (losses are represented by "-")						
Asset impairment loss (losses are represented by "-")	V (XXXIX)	6,604,039.04	11,608,294.84	5,692,487.62	-10,669,241.46	4,483,228.24
Gains on disposal of assets (losses are represented by "-")	V (XXXX)	244,976.90	145,451.80	-17,434.76	-390,630.72	1,004,722.25

Item	Note	From January to June 2021	From January to June 2020 (unaudited)	2020	2019	2018
II. Operating profit (losses are represented by "-")		122,865,361.57	78,303,932.98	174,800,413.10	273,941,226.96	146,952,948.44
Add: Non-operating income	V (XL)	23,650.05	8,512.50	46,604.04	206,271.46	364,342.26
Less: Non-operating expenses	V (XLI)		30,000.00	30,000.00		153,971.41
III. Total profit (total losses are represented by "-")		122,889,011.62	78,282,445.48	174,817,017.14	274,147,498.42	147,163,319.29
Less: Income tax expense	V (XLII)	27,790,712.99	16,430,957.55	40,869,464.12	65,639,057.40	37,927,362.58
IV. Ne t profit (net losses are represented by "-")		95,098,298.63	61,851,487.93	133,947,553.02	208,508,441.02	109,235,956.71
(1) Net profit for going concern (net losses are represented by "-")		95,098,298.63	61,851,487.93	133,947,553.02	208,508,441.02	109,235,956.71
(2) Net profit for discontinued operation (net losses are represented by "-")						
V. Net other comprehensive income after tax						
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss						
1. Changes as a result of remeasurement of defined benefit plan						
2. Other comprehensive income accounted for using equity method which will not be reclassified to profit and loss						
3. Changes in fair value of other equity instruments investment						
4. Changes in fair value of the enterprise's own credit risk						

Item	*Note*	From January to June 2021	From January to June 2020 (unaudited)	2020	2019	2018
(2) Other comprehensive income which will be reclassified to profit and loss						
1. Other comprehensive income accounted for using equity method which will be reclassified to profit and loss						
2. Changes in fair value of other debt investment						
3. Amount of financial assets reclassified to other comprehensive income						
4. Provision for credit impairment of other debt investment						
5. Cash flow hedging reserve (effective part of hedging gains and losses from cash flows)						
6. Translation difference of financial statements in foreign currencies						
7. Others						
Net other comprehensive income after tax attributable to minority shareholders						
VI. Total comprehensive income		95,098,298.63	61,851,487.93	133,947,553.02	208,508,441.02	109,235,956.71

The accompanying notes to financial statements form an integral part of these financial statements.

Cash Flow Statement

(All amounts are presented in RMB except otherwise stated)

Item	Note	From January to June 2021	From January to June 2020 (unaudited)	2020	2019	2018
I. Cash flows from operating activities						
Cash received from the sale of goods and rendering of services		2,796,289,050.83	2,067,129,852.55	4,733,886,481.55	4,365,220,541.26	4,442,990,687.52
Refunds of taxes		310,404,694.32	194,369,929.18	438,865,830.75	537,307,352.30	499,443,993.53
Cash received relating to other operating activities		1,761,491.78	2,344,386.79	5,645,482.80	4,497,142.24	734,144.79
Sub-total of cash inflows from operating activities		3,108,455,236.93	2,263,844,168.52	5,178,397,795.10	4,907,025,035.80	4,943,168,825.84
Cash paid on purchase of goods and services received		2,693,324,083.47	2,015,928,493.74	4,236,058,454.92	4,371,199,104.25	4,220,094,836.07
Cash paid to and on behalf of employees		57,973,328.48	47,153,882.82	98,539,454.07	118,827,852.52	112,983,766.47
Cash paid for all types of taxes		32,261,497.60	37,309,502.28	44,278,221.00	60,722,907.91	49,878,695.12
Cash paid relating to other operating activities		211,546,765.72	75,111,972.14	250,380,372.07	216,659,863.14	224,750,641.34
Sub-total of cash outflows from operating activities		2,995,105,675.27	2,175,503,850.98	4,629,256,502.06	4,767,409,727.82	4,607,707,939.00
Net cash flows generated from operating activities		113,349,561.66	88,340,317.54	549,141,293.04	139,615,307.98	335,460,886.84

Item	Note	From January to June 2021	From January to June 2020 (unaudited)	2020	2019	2018
II. Cash flows from investing activities						
Cash received from disposal of investments						
Cash received from return on investments		8,375,462.36	4,942,898.27	11,134,568.23	8,752,586.04	7,841,566.89
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		288,509.72	161,099.15	7,451,658.56	6,371,084.43	7,158,345.44
Net cash received from disposal of subsidiaries and other operating entities						
Cash received relating to other investing activities			75,400,045.50		40,719,939.35	
Sub-total of cash inflows from investing activities		8,663,972.08	80,504,042.92	18,586,226.79	55,843,609.82	14,999,912.33
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		13,267,495.07	24,190,986.82	66,986,798.29	117,442,056.79	88,790,844.15
Cash paid for investments						
Net cash paid on acquisition of subsidiaries and other operating entities						
Cash paid relating to other investing activities		13,349,929.78		355,999,875.77		180,100,126.29
Sub-total of cash outflows from investing activities		26,617,424.85	24,190,986.82	422,986,674.06	117,442,056.79	268,890,970.44
Net cash flows generated from investing activities		-17,953,452.77	56,313,056.10	-404,400,447.27	-61,598,446.97	-253,891,058.11

Item	*Note*	From January to June 2021	From January to June 2020 (unaudited)	2020	2019	2018
III. Cash flows from financing activities						
Cash received from investment						
Cash received from borrowings						
Cash received relating to other financing activities						
Sub-total of cash inflows from financing activities						
Cash paid on repayment of borrowings						
Cash paid on distribution of dividends or profits, or interests expenses		93,763,287.11	145,955,908.71	145,955,908.71	76,735,111.35	83,327,992.33
Cash paid on other financing activities						
Sub-total of cash outflows from financing activities		93,763,287.11	145,955,908.71	145,955,908.71	76,735,111.35	83,327,992.33
Net cash flows generated from financing activities		-93,763,287.11	-145,955,908.71	-145,955,908.71	-76,735,111.35	-83,327,992.33
IV. Effect of fluctuations in exchange rates on cash and cash equivalents						
V. Net increase in cash and cash equivalents		1,632,821.78	-1,302,535.07	-1,215,062.94	1,281,749.66	-1,758,163.60
Add: balance of cash and cash equivalents at the beginning of the period		1,952,294.83	3,167,357.77	3,167,357.77	1,885,608.11	3,643,771.71
VI. Balance of cash and cash equivalents at the end of the period		3,585,116.61	1,864,822.70	1,952,294.83	3,167,357.77	1,885,608.11

The accompanying notes to financial statements form an integral part of these financial statements.

Statement of Changes in Equity

(All amounts are presented in RMB except otherwise stated)

	From January to June 2021										
		Other equity instruments				Less:	Other				Total
Item	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	treasury shares	comprehensive income	Special reserve	Surplus reserve	Undistributed profit	shareholders' equity
I. Balance at the end of last year	257,380,022.40				47,572,919.85				144,211,550.69	572,458,720.90	1,021,623,213.84
Add: Changes in accounting policies											
Error correction of previous period											
Others											
II. Balance at the beginning of current year	257,380,022.40				47,572,919.85				144,211,550.69	572,458,720.90	1,021,623,213.84
III. Changes of current period (decreases are represented by "-")									9,509,829.86	-8,174,818.34	1,335,011.52
(1) Total comprehensive income										95,098,298.63	95,098,298.63
(2) Share capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											

Item	From January to June 2021										
		Other equity instruments				Less:	Other				Total
	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	treasury shares	comprehensive income	Special reserve	Surplus reserve	Undistributed profit	shareholders' equity
3. Amount of share-based payment included in shareholders' equity											
4. Others											
(3) Profit distribution									9,509,829.86	-103,273,116.97	-93,763,287.11
1. Appropriation of surplus reserve									9,509,829.86	-9,509,829.86	
2. Appropriation of profit to owners (or shareholders)										-93,763,287.11	-93,763,287.11
3. Others											
(4) Internal carry-over within owners' 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. Change in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											

	From January to June 2021										
		Other equity instruments				Less:	Other				Total
Item	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	treasury shares	comprehensive income	Special reserve	Surplus reserve	Undistributed profit	shareholders' equity
(5) Special reserve											
1. Appropriation of special reserve in the period											
2. Application of special reserve in the period											
(6) Others											
IV. Balance at the end of the period	257,380,022.40	–	–	–	47,572,919.85	–	–	–	153,721,380.55	564,283,902.56	1,022,958,225.36

The accompanying notes to financial statements form an integral part of these financial statements.

Item	Paid- up capital (or share capital)	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
	From January to June 2020 (unaudited)										
I. Balance at the end of last year	257,380,022.40				47,572,919.85				123,360,706.59	605,317,920.69	1,033,631,569.53
Add: Changes in accounting policies											
Error correction of previous period											
Others											
II. Balance at the beginning of current year	257,380,022.40				47,572,919.85				123,360,706.59	605,317,920.69	1,033,631,569.53
III. Changes of current period (decreases are represented by "-")									20,850,844.10	-104,955,264.88	-84,104,420.78
(1) Total comprehensive income										61,851,487.93	61,851,487.93
(2) Share capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in shareholders' equity											
4. Others											

Item	From January to June 2020 (unaudited)										
		Other equity instruments									
	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
(3) Profit distribution									20,850,844.10	-166,806,752.81	-145,955,908.71
1. Appropriation of surplus reserve									20,850,844.10	-20,850,844.10	
2. Appropriation of profit to owners (or shareholders)										-145,955,908.71	-145,955,908.71
3. Others											
(4) Internal carry-over within owners' 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. Change in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											

Item	From January to June 2020 (unaudited)										
		Other equity instruments					Other				
	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
(5) Special reserve											
1. Appropriation of special reserve in the period											
2. Application of special reserve in the period											
(6) Others											
IV. Balance at the end of the period	257,380,022.40	—	—	—	47,572,919.85	—	—	—	144,211,550.69	500,362,655.81	949,527,148.75

The accompanying notes to financial statements form an integral part of these financial statements.

Head of the Company:	**Head of Accounting:**	**Head of Accounting Institution:**
Bai Chengtai	*Cui Guangbiao*	*Song Yunhe*

Item	2020										
	Paid- up capital (or share capital)	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at the end of last year	257,380,022.40				47,572,919.85				123,360,706.59	605,317,920.69	1,033,631,569.53
Add: Changes in accounting policies											
Error correction of previous period											
Others											
II. Balance at the beginning of current year	257,380,022.40				47,572,919.85				123,360,706.59	605,317,920.69	1,033,631,569.53
III. Changes of current period (decreases are represented by "-")									20,850,844.10	-32,859,199.79	-12,008,355.69
(1) Total comprehensive income										133,947,553.02	133,947,553.02
(2) Share capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											

	2020										
		Other equity instruments									
Item	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
3. Amount of share-based payment included in shareholders' equity											
4. Others											
(3) Profit distribution									20,850,844.10	-166,806,752.81	-145,955,908.71
1. Appropriation of surplus reserve									20,850,844.10	-20,850,844.10	
2. Appropriation of profit to owners (or shareholders)										-145,955,908.71	-145,955,908.71
3. Others											
(4) Internal carry-over within owners' 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. Change in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											

	2020										
		Other equity instruments									
Item	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
(5) Special reserve											
1. Appropriation of special reserve in the period											
2. Application of special reserve in the period											
(6) Others											
IV. Balance at the end of the period	257,380,022.40	—	—	—	47,572,919.85	—	—	—	144,211,550.69	572,458,720.90	1,021,623,213.84

The accompanying notes to financial statements form an integral part of these financial statements.

Item	2019										
	Paid- up capital (or share capital)	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at the end of last year	257,380,022.40				47,572,919.85				112,437,110.92	484,314,081.79	901,704,134.96
Add: Changes in accounting policies										-115,836.75	-115,836.75
Error correction of previous period											
Others											
II. Balance at the beginning of current year	257,380,022.40				47,572,919.85				112,437,110.92	484,198,245.04	901,588,298.21
III. Changes of current period (decreases are represented by "-")									10,923,595.67	121,119,675.65	132,043,271.32
(1) Total comprehensive income										208,508,441.02	208,508,441.02
(2) Share capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											

Item	2019										
		Other equity instruments									
	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
3. Amount of share-based payment included in shareholders' equity											
4. Others											
(3) Profit distribution									10,923,595.67	-87,388,765.37	-76,465,169.70
1. Appropriation of surplus reserve									10,923,595.67	-10,923,595.67	
2. Appropriation of profit to owners (or shareholders)										-76,465,169.70	-76,465,169.70
3. Others											
(4) Internal carry-over within owners' 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. Change in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											

	2019										
		Other equity instruments									
Item	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
(5) Special reserve											
1. Appropriation of special reserve in the period											
2. Application of special reserve in the period											
(6) Others											
IV. Balance at the end of the period	257,380,022.40	—	—	—	47,572,919.85	—	—	—	123,360,706.59	605,317,920.69	1,033,631,569.53

The accompanying notes to financial statements form an integral part of these financial statements.

	2018										
		Other equity instruments									
Item	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at the end of last year	257,380,022.40				47,572,919.85				98,549,680.19	472,290,140.19	875,792,762.63
Add: Changes in accounting policies											
Error correction of previous period											
Others											
II. Balance at the beginning of current year	257,380,022.40				47,572,919.85				98,549,680.19	472,290,140.19	875,792,762.63
III. Changes of current year (decreases are represented by "-")									13,887,430.73	12,023,941.60	25,911,372.33
(1) Total comprehensive income										109,235,956.71	109,235,956.71
(2) Share capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in shareholders' equity											
4. Others											

	2018										
		Other equity instruments									
Item	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
(3) Profit distribution									13,887,430.73	-97,212,015.11	-83,324,584.38
1. Appropriation of surplus reserve									13,887,430.73	-13,887,430.73	
2. Appropriation of profit to owners (shareholders)										-83,324,584.38	-83,324,584.38
3. Others											
(4) Internal carry-over within owners' 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. Change in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											

	2018										
		Other equity instruments									
Item	Paid- up capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
(5) Special reserve											
1. Appropriation of special reserve in the period											
2. Application of special reserve in the period											
(6) Others											
IV. Balance at the end of the year	257,380,022.40				47,572,919.85				112,437,110.92	484,314,081.79	901,704,134.96

The accompanying notes to financial statements form an integral part of these financial statements.

NANJING LG PANDA APPLIANCES CO., LTD.
NOTES TO FINANCIAL STATEMENTS

I. INFORMATION ABOUT THE COMPANY

(I) Company Profile

Nanjing LG Panda Appliances Co., Ltd. (hereinafter referred to as the "**Company**") was established by LG Electronics Co., Ltd., LG Electronics (China) Co., Ltd. ("**LG China**") and Panda Electronic Group Co., Ltd. (with capital contribution of 50%, 20% and 30%, respectively) on 21 December 1995 as a Sino-foreign joint venture in Nanjing, Jiangsu Province, the People's Republic of China. The approved operating period of the Company is 40 years and the registered capital is US$35,700,000.

The parent company of the Company is LG Electronics Co., Ltd., and the ultimate holding company is LG Corporation.

The Company is approved to engage in the development and production of fully automatic washing machines, related parts and components and other household appliances; the research and development of white household appliances; the research, development and production of automobile drive motors, in-vehicle infotainment systems, inverters and other automotive components parts; automobile and mold design services; sales (including domestic and export) of self-produced products and provision of related product after-sales services; self-produced products of the Company, similar products, molds, fixtures, equipment, parts and other wholesale and import and export (excluding goods subject to the state-run trade administration, application shall be made in accordance with the relevant state requirements for the import and export of goods subject to quotas and license); educational and cultural exchange consulting services. (For projects requiring approval in accordance with the laws, the commencement of operating activities shall be subject to the approval of the relevant authorities).

This financial statement was approved to issue by the management of the Company on 23 November 2021.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENT

(I) Basis of Preparation

The financial statements have been prepared in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standards 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**").

(II) Going Concern

The financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND 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. For details, please refer to the paragraph headed "(XXV) Revenue" and "(XXIX) Leases" under Note III herein.

(I) Statement of Compliance with the CAS

The financial statements have been prepared by the Company in conformity with requirements of the CAS promulgated by the Ministry of Finance, and give a true and complete view of the financial position of the Company as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021 as well as the operating results and cash flows of the Company for 2018, 2019, 2020 and the first half of 2021.

(II) Accounting Period

The accounting year 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) Classification of Joint Arrangements and Accounting for Joint Operations

A joint arrangement is classified as either a joint operation or a joint venture.

A joint operation is a joint arrangement under which various joint operators are entitled to the assets and assuming the liabilities relating to the arrangement

The Company recognizes the following items in relation to its interest in a joint operation:

(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.

The investment of the Company in joint ventures is accounted for using the equity method. For details, please refer to "(XII) Long-term Equity Investments" under Note III herein.

(VI) Determination of Cash and Cash Equivalents

The term "cash" refers to the cash on hand and the unrestricted deposits of the Company. The term "cash equivalents" refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(VII) 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 balance shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange differences are recognized in profit or loss for the current period, except for those exchange differences related to a specific-purpose borrowing denominated in foreign currency for acquisitions and construction of the qualified assets, which should be capitalized as cost of the borrowings.

(VIII) Financial Instruments

When the Company becomes a party to a financial instrument contract, it recognizes a financial asset, financial liability or equity instrument.

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 amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, and financial assets that are measured at fair value through profit or loss.

The Company classifies the financial assets that meet the following conditions and are not designated to be measured at fair value through profit or loss of the current period as financial assets measured at amortized cost:

– The goal of business model is to collect the contract cash flow;

– The contract cash flow is only used for payment of the principal and the interest based on the outstanding principal amount.

The Company classifies the financial assets that simultaneously meet the following conditions and are not designated to be measured at fair value through profit or loss as financial assets that are measured at fair value through other comprehensive income (debt instruments):

– The goal of business model is to both collect the contract cash flow and to sell the financial asset;

– The contract cash flow is only used for payment of the principal and the interest based on the outstanding principal amount.

For non-trading equity instrument investments, the Company may at the initial recognition irrevocably designate them as a financial asset (equity instrument) that is measured at fair value through other comprehensive income. The designation is made on a single investment basis and the related investments meet the definition of an equity instrument from an issuer's perspective.

Except for the above financial assets that are measured at amortized cost and at fair value through other comprehensive income, the Company classifies all remaining financial assets as financial assets measured at fair value through profit or loss.

The Company may, at initial recognition, irrevocably designate a financial asset that shall be otherwise reclassified as financial assets measured at amortized cost or at fair value through other comprehensive income as financial assets that are measured at fair value through profit or loss if doing so would eliminate or significantly reduce any accounting mismatch.

Financial liabilities are, at initial recognition, classified 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, designate a financial liability as measured at fair value through profit or loss:

1) It eliminates or significantly reduces any accounting mismatch.

2) A group of financial liabilities or a mix of 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.

3) The financial liabilities conclude embedded derivatives which can be split separately.

2. Recognition and measurement of financial instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, 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 through other comprehensive income (debt instruments)

Financial assets (debt instruments) that are measured at fair value through other comprehensive income include financing receivables, 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 recognized in other comprehensive income is transferred from other comprehensive income and recognized in profit or loss.

(3) Financial assets measured at fair value through other comprehensive income (equity instruments)

Financial assets measured by fair value through other comprehensive income (equity instruments), including other equity instruments investment, 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 and related transaction costs are recognized in profit or loss. The financial assets are subsequently measured at fair value, and changes in fair value are recognized 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 recognized in profit or loss.

In the case of derecognition, the difference between the book value and the consideration paid is recognized in profit or loss.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term borrowings, bills payable, 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.

Interest calculated by the effective interest method during the period of holding is included in the current profit and loss.

In the case of derecognition, the difference between the consideration paid and the carrying amount of the financial liability is recognized in profit or loss.

3. Derecognition and transfer of financial assets

The Company shall derecognize a financial asset if one of the following conditions is satisfied:

– termination of the contractual right to receive cash flows from the financial asset;

– the financial asset has been transferred and virtually all the risks and rewards of the ownership of the financial asset have been transferred to the transferee;

– the financial asset has been transferred, and while the Company has neither transferred nor retained virtually all of the risks and rewards of ownership of the financial asset, it has not retained control on the financial asset.

When a financial asset is transferred by the Company, it shall not be derecognized if the Company 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 derecognition.

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 derecognition, 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 directly (in cases where 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 derecognized 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 derecognized portion;

(2) The sum of consideration of the derecognized portion and the corresponding portion of accumulated change in fair value previously recorded into owners' equity (in cases where the transferred financial assets are financial assets (debt instruments) measured at fair value with changes included in other comprehensive income).

Financial assets will remain to be recognized if they fail to satisfy the conditions for derecognition, with the consideration received recognized as a financial liability.

4. Derecognition 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 derecognized; an agreement is entered between the Company 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 derecognized in full or in part, and the financial liabilities whose terms have been amended shall be recognized as a new financial liability.

When financial liabilities are derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized 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 recognized part and derecognized part on the repurchase date. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized 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. In valuation, the Company uses the valuation technique that is appropriate under the circumstances and supported by sufficient available data and other information, and selects inputs that are consistent with the characteristics of the asset or liability that market participants consider in the transaction of the asset or liability, with priority given to relevant observable inputs. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible.

6. Testing methodology and accounting for impairment of financial assets

The Company estimates the expected credit losses of financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income and financial guarantee contract, either individually or in combination.

The Company calculates the probabilistic weighted amount of the present value of the difference between the cash flows receivable under the Contract and the cash flows expected to be received and recognizes the expected credit loss, taking into account reasonable and evidential information concerning past events, current conditions and projections of future economic conditions, and weighting the risk of default.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision at the amount equivalent to the expected credit loss for the entire life of the financial instrument; If the credit risk of the financial instrument has not increased significantly since the initial confirmation, the Company measures its loss provision at the amount equivalent to the expected credit loss for the financial instrument over the next 12 months. Amount increased or reversed of the loss provision resulting therefrom shall be credited to the current profit or loss as an impairment loss or gain.

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the balance sheet date with the risk of a default occurring on the date of initial recognition to determine the relative change in the risk of a default occurring over the expected life of the financial instrument. Generally, once the overdue period is more than 30 days, the Company may consider that there is obvious increase in credit risk of such financial instrument, unless there is unambiguous evidence that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If the credit risk of a financial instrument on the balance sheet date is low, the Company does not consider that the credit risk of the financial instrument has increased significantly since its initial recognition.

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 receivables and contract assets arising from transactions regulated by Accounting Standards for Business Enterprises No. 14 – Revenue (2017), the Company always measures its loss provision at an amount equivalent to the expected credit loss over the lifetime, whether or not it contains a material financing component.

For lease receivables, the Company always elects to measure its loss allowance at an amount equal to lifetime expected credit losses.

Where the Company no longer reasonably expects the contractual cash flows of a financial asset to be recovered in whole or in part, the carrying amount of the financial asset is written down directly.

(IX) Inventories

1. Category and cost of inventory

Inventories include raw materials, work in progress and finished goods.

Inventories are initially measured at cost, which contains procurement cost, processing cost and other expenses incurred for bringing such inventories to their present location and condition.

2. Determination of cost of inventories delivered

Cost of inventories on delivery is determined using weighted average method.

3. Basis for the determination of net realisable value of different type of inventories

At the balance sheet date, inventories shall be measured at the lower of cost and net realizable value. Where the cost of an inventory exceeds its net realizable value, a provision shall be made for the decline of the inventory price. Net realizable value refers to the estimated selling price of inventories in daily activities after deducting the estimated costs to be incurred up to the time of completion, the estimated sales expenses and the relevant taxes and fees.

Net realisable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale materials, during the normal course of production and operation, shall be determined by their estimated selling price 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.

If the net realizable value of the inventory is higher than its book value due to the disappearance of the factors that previously wrote down the value of the inventory after the withdrawal of the inventory depreciation provision, it shall be reversed within the amount of the inventory depreciation provision that has been originally withdrawn, and the reversed amount shall be recorded into the current profit and loss.

4. Inventory system

The perpetual inventory system is adopted.

5. Amortization of low-value consumables and packaging materials

(1) Low-value consumables are amortized using the immediate write-off method;

(2) Packaging materials are amortized using the immediate write-off method.

(X) 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 Company's right to receive consideration for goods transferred or services provided to customers is presented as a contract asset if such right is conditional on factors other than the passage of time. Contract assets and contract liabilities under the same contract are presented on a net basis. The Company's rights to receive consideration from customers are presented separately as receivables if such rights are unconditionally (only the passage of time is required before payment is due).

2. Determination and accounting treatment of expected credit loss of contract assets

For the determination and accounting treatment of expected credit loss of contract assets, please refer to the paragraph headed "X. Testing methodology and accounting for impairment of financial assets" under Note X herein.

(XI) Assets Classified as Held-for-Sale

A non-current asset or disposal group is classified as held for sale if its carrying amount is recovered primarily through a sale (including the exchange of non-monetary assets with commercial substance) rather than through continuing use.

The Company classifies non-current assets or disposal groups that meet both of the following conditions as assets held for sale:

(1) The assets or disposal groups must be available for immediate sale immediately in their present condition subject only to terms that are usual and customary for sales of such assets or disposal groups in similar transactions;

(2) The disposal is highly probable, i.e. the Company has made a resolution on a disposal plan and has obtained a firm purchase commitment, and the disposal is expected to be completed within one year. Where the relevant regulations require the Company to obtain approval from relevant authority or regulator for the sale, such approval has been obtained.

For non-current assets held for sale (excluding financial assets, deferred income tax assets, assets formed by employee compensation) or disposal groups, whose book value is higher than the net value of their fair value minus the disposal expenses, the book value is written down to the net value of fair value minus the disposal expenses, the written down amount is recognized as asset impairment loss and included in the current profit and loss, together with a provision for impairment of assets held for sale.

(XII) Long-term Equity Investments

1. Criteria of common control or significant influence

Common 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 investee, 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.

2. Determination of initial investment cost

The initial investment cost of a long-term equity investment in associates and joint venture obtained by the Company by cash payment shall be the purchase cost which it is actually paid.

The initial investment cost of a long-term equity investment in associates and joint venture obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

3. Subsequent measurement and recognition of profit or loss

(1) Accounting for long-term equity investment

Long-term equity investments in associated companies and joint ventures are accounted for under 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 included in profit or loss for the current period, and the cost of long-term equity investments shall be adjusted at the same time.

The Company recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee 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 in owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee ("**other changes in owner's equity**"), 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, other comprehensive income and other changes in owner's equity 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 and other comprehensive income of the investee.

The unrealized 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 recognized, except that the assets contributed or sold constitute a business. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized.

For the net loss incurred by a joint venture or an associated company, except for the obligation to bear additional losses, the Company may share the losses, to the extent that the carrying amount of the long-term equity investment and other long-term interests that in substance constitute a net investment in the joint venture or the associate are written off to zero. Where a joint venture or associated company subsequently achieves net profit, the Company resumes recognition of the share of profits after the share of profits covers the unrecognized share of losses.

(2) *Disposal of long-term equity investments*

For disposal of long-term equity investment, the difference between the carrying amount and the consideration actually received shall be included in the current profit or loss.

For partial disposal of long-term equity investment under the equity method, if the remaining equity interests are still accounted for under the equity method, other comprehensive income originally accounted for under equity method shall be carried forward in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The other changes in owner's equity shall be transferred in proportion into the current profit or loss.

When the Group loses the controls or material influence over the investee due to disposal of equity investment and other reasons, for other comprehensive income recognized 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 other changes in owner's equities 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. Other comprehensive income recognized before obtaining control of the investee shall be carried forward on a pro-rata basis on the same basis as the related assets or liabilities directly disposed of by the investee, and other changes in owners' equity recognized under the equity method are carried forward on pro-rata basis to the current profit or loss. Where the remaining equities after disposal cannot impose common control or material influence over the investee, it shall be recognized as financial assets, 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. All other comprehensive income and other changes in owner's equity recognized before obtaining control of the investee shall be carried forward.

Where the equity investment in a subsidiary is disposed of step by step through a series of transactions until the loss of control, ach transaction is accounted for as a transaction that disposes of the equity investment in the subsidiary and loses control. The difference between the consideration of each disposal before the loss of control and the carrying amount of the long-term equity investment corresponding to the equity interest disposed of is recognized as other comprehensive income in the individual financial statements and transferred to profit or loss for the current period when the control is lost. Where the disposal is not carried out through a series of transactions, each transaction is accounted for separately.

(XIII) Investment Properties

Investment properties are 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).

Subsequent expenses relating to investment properties are included in the cost of investment properties when it is probable that the related economic benefits will flow in and the cost can be measured reliably. Otherwise, they are included in profit or loss when incurred.

The Company's existing investment properties are measured at cost. Investment properties 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 as.

(XIV) Fixed Assets

1. Recognition and initial measurement of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed asset is recognized when it meets the following conditions:

(1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;

(2) Its cost can be reliably measured.

Fixed assets are initially measured at cost, taking into account the effect of expected discarding costs.

Subsequent expenditures relating to fixed assets are included in the cost of fixed assets when it is probable that economic benefits will flow in and the cost can be measured reliably. The carrying amount of the replaced part is derecognized; all other subsequent expenses are charged to profit or loss when incurred.

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. For fixed assets for which an impairment allowance has been made, the amount of depreciation is determined in future periods based on the carrying amount net of the impairment allowance and based on the useful life. 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	10–40	1 Yuan	2.5–10
Machinery and equipment	straight line method	5–10	1 Yuan	10–20
Manufacturing instrument	straight line method	5	1 Yuan	20
Office equipment	straight line method	5	1 Yuan	20
Transportation instrument	straight line method	5	1 Yuan	20
Mould	straight line method	2–3	1 Yuan	33–50

3. *Disposal of fixed assets*

A fixed asset is derecognized when it is disposed of, or no economic benefits are expected from its use or disposal. Disposal income from the sale, transfer, retirement or damage of fixed assets is included in the current profit or loss after deducting its carrying amount and relevant taxes and fees.

(XV) Construction in Progress

Construction in progress is measured at actual costs incurred. Actual costs include construction costs, installation costs, borrowing costs qualified for capitalization and other expenses necessary to bring the work in progress to its intended usable conditions. Construction in progress is transferred to fixed assets and depreciated from the following month when it reaches its intended usable conditions.

(XVI) Borrowing Costs

1. *Criteria for recognition of capitalized borrowing costs*

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalization, the costs will be capitalized and included in the costs of the related assets. Other borrowing costs shall be recognized as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalization 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.

2. *Capitalization period of borrowing costs*

The capitalization period shall refer to the period between the commencement and the cessation of capitalization of borrowing costs, excluding the period in which capitalization of borrowing costs is temporarily suspended.

Capitalization 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 bearing interest-bearing debt for the acquisition, construction or production of assets qualified for capitalization) 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.

Capitalization 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.

3. *Suspension of capitalization period*

Capitalization 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 capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalization of borrowing costs continues.

4. Calculation of capitalization rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalization, 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 capitalization.

General borrowings for the acquisition, construction or production of assets qualified for capitalization, 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 capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined according to the weighted average actual interest rate of the general borrowing.

During the capitalization period, the difference between the exchange of the principal and interest of the special foreign currency borrowing shall be capitalized and accounted into the cost of the assets eligible for capitalization. The exchange difference arising from the principal and interest of foreign currency borrowings other than special foreign currency borrowings is included into the current profit and loss.

(XVII) 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.

(2) Subsequent measurement

The Company shall analyses and judges the useful life of intangible assets upon acquisition.

As for intangible assets with a finite useful life, they are amortized 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 amortized.

2. Estimated useful lives for the intangible assets with finite useful life

The estimated useful lives and amortization method for the intangible assets with limited useful lives are reviewed and adjusted appropriately at the end of each year.

3. Specific criteria for the division of research stage and development stage

The expenses for internal research and development projects of the Company are divided into expenses in the research stage and expenses in the development stage.

Research stage: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development stage: 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.

4. Specific criteria for capitalization at development stage

Expenditures for the research stage are charged to profit or loss when incurred. Expenditures for the development stage and fulfilling all following criteria shall be recognized as intangible assets while those failing to meet the following criteria shall be included in profit or loss of the current period:

(1) It is technically feasible to complete the intangible assets so that they can be used or sold;

(2) The Company has intention to complete the intangible assets and use or sell them;

(3) The way in which the intangible asset generates economic benefits, including the ability to prove the existence of a market for the products produced using the intangible asset or the existence of a market for the intangible asset itself, and the usefulness of the intangible asset if it is to be used internally;

(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.

If it is not possible to separate the research stage expenditure from the development stage expenditure, all the research and development expenditure incurred shall be included in the profit or loss of the current period.

(XVIII) Impairment of Long-term Assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, projects under construction, right-of-use assets, intangible assets with a finite useful life and oil and gas assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are tested for impairment at least at the end of each year, regardless of whether there is an indication of impairment.

(XIX) Long-term Deferred Expenses

Long-term deferred expenses are those expenses that have been incurred but for which the period of apportionment is more than one year and should be borne by the current and future periods.

(XX) 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.

(XXI) Employee Remuneration

1. Method of accounting treatment for short-term remuneration

During the accounting period when the staff provides service, the Company recognizes the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profit and loss or costs of relevant assets.

The Company pays 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 determines the relevant amount of employee benefits in accordance with the required provision basis and provision ratios.

Employee benefits incurred by the Company are included in the current profit or loss or the related cost of assets based on the actual amount incurred when actually incurred, among which non-monetary benefits are measured at fair value.

2. Method of accounting treatment for retirement benefit plan

(1) Defined contribution scheme

The Company pays 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 calculates the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profits and loss or costs of 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 relevant 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 recognized 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.

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-measurement 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. The portion originally included in other comprehensive income is carried forward to unallocated profit to the extent of equity upon termination of the original defined benefit schemes.

When the defined benefit scheme is settled, the gain or loss is recognized 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

Where the Company provides termination benefits to employees, the employee compensation liability arising from the termination benefits shall be recognized and included in the current profit or loss in the following cases(whichever the earliest): when the Company cannot unilaterally withdraw the termination benefits provided due to the termination of labor relationship plan or dismissal proposal; or when the Company recognizes costs or expenses associated with a reorganization involving the payment of termination benefits.

(XXII) Estimated Liabilities

The Company shall recognize the obligations related to contingencies 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.

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.

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 recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the liability recognized.

If the Company reviews the carrying amount of the estimated liabilities at the balance sheet date and there is conclusive evidence that the carrying amount cannot reflect the current best estimate, the carrying amount is adjusted based on the current best estimate.

(XXIII) Share-based Payment

The Company's share-based payment represents transactions in which the Company receives services from employees or other parties 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.

1. Equity-settled share-based payment and equity instrument

The equity-settled share-based payment in return for services of employees shall be measured at the fair value of the equity instrument granted to the employees. For share-based payment transactions with immediate vesting rights, the related costs or expenses are included at the grant date at the fair value of the equity instruments, with a corresponding increase in capital reserve. For share-based payment transactions which is exercisable after the vesting period or subject to the required performance conditions, the Company included the services received in the current period to the related costs or expenses based on the best estimate of the number of vesting equity instruments at the fair value at the grant date at each balance sheet date in the vesting period, with a corresponding increase in capital reserve.

If the terms of an equity-settled share-based payment are modified, the received services are recognized at least pursuant to the terms before the modification. In addition, any modification that increases the fair value of the equity instruments granted, or changes that benefit employees on the date of modification, the increase of received serves is recognized.

If the granted equity instruments are cancelled during the vesting period, the Company treats the cancellation of the granted equity instruments as an accelerated exercise of rights by immediately crediting the amount to be recognized during the remaining vesting period to the profit or loss of the current period and simultaneously recognizing the capital reserve. However, if new equity instruments are granted and they are verified at the granting date of new equity instrument as alternatives vested to cancel equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of original equity instrument.

2. Cash-settled share-based payments and equity instrument

A cash-settled share-based payment shall be measured at fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. For share-based payment transactions with immediate vesting rights, 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. For share-based payment transactions which are exercisable after the vesting period or subject to the required performance conditions, the services received 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 Company at each balance sheet date in the vesting period. 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.

(XXIV) Preference Shares, Perpetual Bonds and Other Financial Instruments

In accordance with the terms of the contract and the economic substance of the issued preference shares/perpetual bonds reflected therein rather than in legal form only, the Company classifies the financial instrument or its components as financial assets, financial liabilities or equity instruments upon initial recognition.

Financial instruments such as perpetual bonds/preference shares issued by the Company meeting 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 rights to convert into shares, etc.) that are settled by their own equity, and the derivative instruments cannot 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.

(XXV) Revenue

1. Accounting policy adopted by revenue recognition and measurement

The Company recognizes revenue when it meets its contractual performance obligation, namely when the customers obtain the control over the related goods or services. Obtaining control over a related good or service means being able to dominate the use of the good or service and derive substantially all of its economic benefits therefrom.

Where a contract contains two or more performance obligations, the Company allocates the transaction price to each individual performance obligation at the commencement date of the contract based on a relative proportion of the individual selling prices of the goods or services to which the individual performance obligations relate. The Company measures revenue at the transaction price allocated to each individual performance obligation.

Transaction price represents the amount of consideration to which the Company is expected to be entitled for the transfer of goods or services to customers, excluding amounts received on behalf of third parties and amounts expected to be returned to customers. The Company determines the transaction price in accordance with the terms of the contract and with reference to its past practice. In determining the transaction price, the Company takes into account the effects of variable consideration, significant financing components in the contract, non-cash consideration, consideration payable to customers and other factors. The Company determines the transaction price that contains the variable consideration at an amount that does not exceed the amount that is highly unlikely to result in a material reversal of the revenue that has been recognized cumulatively when the relevant uncertainty is eliminated. Where there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable that is assumed to be paid in cash when the customer obtains control of the goods or services and amortizes the difference between the transaction price and the contract consideration over the contract period using the effective interest method.

If one of the following criteria is met, the Company satisfies a performance obligation over time, the performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

- customers are able to control the goods created during the Company's performance.

- the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date during the term of the contract.

For performance obligations that are performed over time, the Company recognizes revenue based on the progress of the performance over that period of time, except where the progress of the performance cannot be reasonably determined. The Company uses the output method or the input method to determine the performance progress, taking into account the nature of the goods or services. When the performance progress cannot be reasonably determined, the Company recognizes revenue based on the amount of costs incurred, if the costs incurred are expected to be reimbursed, until the performance progress can be reasonably determined.

For performance obligations performed at a point in time, the Company recognizes revenue at the point in time when the customer obtains control over the related goods or services. In determining whether the customer has obtained control over the goods or services, the Company considers the following indicators:

- The Company has a present right to receive the payment for the goods or services, i.e. a customer has a present right to payment for the goods or services.

- 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.

- The Company has transferred physical possession of the goods to the customer, i.e. the customer has possessed the goods.

- The Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e. the customer has the significant risks and rewards of ownership of the goods.

- The customer has accepted the goods or services.

2. Specific principle

The Company manufactures and sells washing machines to the parent company and affiliates within the Group. The Company transports the washing machine products to the delivery locations as agreed in the contracts, and recognizes revenue after acceptance by the parent company and affiliates within the Group and the signing of the goods delivery sheets by both parties. The credit period granted by the Company to the parent company and affiliates within the Group is in line with the industry practice, and does not involve significant financing.

(XXVI) Contractual Costs

Contract costs comprise contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract, which are not covered by relevant standards on inventories, fixed assets or intangible assets, are recognized as an asset as contract performance costs when the following conditions are met:

- This cost is directly related to a current or expected contract.

- This cost increases the resources of the company to fulfill its performance obligations in the future.

- The cost is expected to be recovered.

The incremental costs incurred by the Company for obtaining a contract shall be recognized as an asset as contract acquisition cost 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.

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 consideration 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 factors resulted in impairment in previous periods change later so that the aforesaid difference is higher than the carrying amount of the asset, the Company will reverse the impairment provision previously provided and include it in the current profit or loss. The carrying amount of the transferred asset shall not exceed the carrying amount of the asset on the reversal date presuming without the provision for impairment.

(XXVII) Government Grants

1. Types

Government grants are monetary assets or non-monetary assets granted by the government to the Company at no consideration, and are classified into government grants related to assets and government grants related to revenue.

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. Timing of recognition

Government grants are recognized when the Company can comply with the conditions attaching to them and the grants can be received.

3. Accounting treatment

Government grants related to assets should be presented as deferred income. Government grants are recognized in profit or loss on a systematic basis over the periods (recognized as other income when related to operating activities; and recognized as non-operating income when not related to operating activities);

Government grants relating to revenue that compensate the Company for related costs, expenses or losses in subsequent periods are recognized as deferred income and credited to profit or loss in the period in which the related costs, expenses or losses are recognized (those related to the Company's daily activities are included in other income; those unrelated to the Company's daily activities, included in non-operating income) or offset against related costs or losses; those used to compensate the Company for the related costs or losses incurred are directly included in the current profit or loss (those related to the Company's daily activities are included in other income; those unrelated to the Company's daily activities, included in non-operating income) or offset related costs or losses.

The Company receives the interest grants with policy reference and treats in different ways in accordance with the following situations:

(1) If the financial authorities allocate the interest subsidies to the lending bank, and the lending bank provides the loan to the Company at the preferential interest rate according to relevant policies, the Company takes the actually received loan amount as the recorded value of the loan, and calculates the relevant borrowing costs based on the loan principal and the preferential interest rate.

(2) If the financial authorities directly allocate the interest subsidies to the Company, the Company will offset the corresponding interest subsidies against the relevant borrowing costs.

(XXVIII) Deferred Income Tax Assets and Liabilities

Income tax includes current income tax and deferred income tax. Except for income tax arising from business combinations and transactions or events that are directly included in owners' equity (including other comprehensive income), the Company records current income tax and deferred income tax in profit or loss of the current period.

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their carrying amounts.

Deferred income tax assets are recognized 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 recognized 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 recognized 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.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in associates and joint venture, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with investments in associates and joint venture when it is probable that the temporary differences will reverse in the foreseeable future and it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured under the tax laws at the tax rates applicable to the period in which the related assets are expected to be recovered or the related liabilities are settled.

At the balance sheet date, the Company reviews the carrying amount of deferred income tax assets. The carrying amount of deferred income tax assets is written off if it is probable that sufficient taxable income will not be available against which the benefits of the deferred income tax assets can be utilized in future periods. The amount written down is reversed when it is probable that sufficient taxable income will be available.

Current income tax assets and current income tax liabilities are presented on a net basis upon offsetting when there is a legal right to settle on a net basis and there is an intention to settle on a net basis or to acquire assets and settle liabilities simultaneously.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented on net basis upon offsetting if they meet the following conditions:

- The taxpayer has a legal right to settle the current income tax assets and current income tax liabilities on a net basis;

- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities, but in each future period in which significant deferred income tax assets and liabilities are reversed, the taxable entities involved intend to settle current income tax assets and liabilities on a net basis or acquire assets and settle liabilities simultaneously.

(XXIX) Leases

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 to 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 Company 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 assets

At the commencement date 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, excluding the costs attributable to the production of inventories.

The Company depreciates the right-of-use assets with reference to the relevant depreciation policies in the paragraph headed "(XIV) Fixed Assets" under Note III herein. Where it is reasonably certain that ownership of the leased asset will be acquired at the end of the lease term, the Company depreciates the leased asset over its remaining useful life; Otherwise, the leased asset is depreciated over the shorter of the lease term and the remaining useful life of the leased asset.

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in the paragraph headed "(XVIII) Impairment of Long-term Assets" under Note III herein and makes corresponding accounting treatment for the identified impairment losses.

(2) Lease liability

At the commencement date 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:

1) Fixed payment amount (including actual fixed payment amount), if there is lease incentive, deduct the relevant amount of lease incentive;

2) Variable lease payments depending on index or ratio;

3) The estimated amount to be paid according to the guarantee residual value provided by the Company;

4) The exercise price of the purchase option, provided that the Company reasonably determines that it will exercise the option;

5) 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 liabilities 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 re-measure the lease liabilities, and adjust the corresponding right-of-use assets. If the carrying amount of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference is included in the current profit or loss:

- When there is a change in the outcome of the assessment or actual exercise of a purchase option, a renewal option or a termination option, the Company re-measures the lease liabilities at the present value of the revised lease payments and the revised discount rate;

- When there is a change in the amount of a fixed payment in substance, the amount expected to be payable for the remaining value of the guarantee, or the index or rate used to determine the amount of the lease payments, the Company re-measures the lease liabilities based on the present value of the revised lease payments and the original discount rate. However, where the change in lease payments arises from a change in floating interest rates, the present value is calculated using the revised discount rate.

(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 a 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 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, re-determine the lease term, and re-measure the lease liability according to the present value of the changed lease payment and the revised discount rate.

If the lease scope is reduced or the lease period is shortened as a result of the lease change, the Company will reduce the carrying amount of the right-to-use assets accordingly, and include the related gains or losses related to partial or complete termination of the lease in the current profit and loss. If other lease changes lead to re-measurement of lease liabilities, the Company shall adjust the carrying amount of the right-to-use assets accordingly.

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. Operating lease refers to a lease other than a financial lease. When the Company is the sub-lessee, the sublease is classified based on the right-to-use assets generated from the original lease contract.

(1) Accounting for operating lease

The lease amount received under 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 future lease payments at the commencement date 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 the requirements set out in the paragraph headed "(VIII) Financial Instruments" under Note III herein.

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.

If the financial lease changes and meets the following conditions at the same time, the Company will regard the change as a separate lease for accounting treatment:

- The change expands the lease scope by increasing the right-to-use of one or more leased assets;
- The increased consideration is equivalent to the individual price of the expanded part of the lease scope adjusted according to the contract conditions.

If the change of financial lease is not accounted for as a separate lease, the Company will deal with the changed lease under the following circumstances:

- If the change takes effect on the lease commencement date, the lease will be classified as an operating lease, and the Company will treat it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the carrying amount of the leased assets;

- If the change takes effect on the commencement date of the lease, the lease will be classified as a financial lease, and the Company will carry out accounting treatment according to the policy on modifying or renegotiating a contract set out in the paragraph headed "(VIII) Financial Instruments" under Note III herein.

3. Sale and leaseback transaction

The Company assesses and determines whether the asset transfer in the sale and leaseback transaction is a sale according to the principles set out in the paragraphs headed "(XXV) Income" under Note III herein.

(1) The Company as lessee

If the asset transfer in the sale and leaseback transaction is a sale, the Company, as the lessee, measures the right-of-use assets according to the carrying amount 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 and leaseback transaction is not a sale, the Company, as the lessee, continues to recognize the transferred assets and recognize a financial liability whose amount equal to the transferred income at the same time. For the accounting treatment of financial liabilities, please refer to the paragraph headed "(VIII) Financial Instruments" under Note III herein.

(2) The Company as a lessor

If the asset transfer in the sale and leaseback transaction is considered as sales, the Company, as the lessor, shall record the asset purchase and the asset lease in accordance with the policy in the aforesaid "(2) The Company as the lessor". If the asset transfer in the sale and 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 the paragraph headed "(VIII) Financial Instruments" under Note III herein.

(XXX) Discontinued Operations

Discontinued operations refer to the component meeting any of the following conditions that can be separately distinguished and that has been disposed by the Company or classified as held for sale by the Company:

(1) the component represents a separate major business or a sole major business area;

(2) the component is a part of the plan on intended disposal of an independent major business or a sole major business area;

(3) the component is a subsidiary acquired only for re-sale.

The profit and loss from continuing operation and the profit and loss from discontinuing operation are separately presented in the income statement. Operating gains and losses, such as impairment loss and reversal amount, and disposal gains and losses of discontinued operations are reported as profit and losses of discontinued operations. For the discontinued operation reported in the current period, the Company will present the information originally presented as profit and loss from continuing operation as profit and loss from discontinued operation for the comparable accounting period in the current financial statements.

(XXXI) **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 allocation of resources and evaluate its performance; (3) the Company can obtain the financial status, operating results and cash flow and other relevant accounting information of the business unit. If two or more business segments have similar economic characteristics and meet certain conditions, they can be combined into one operating segment.

(XXXII) **Major Accounting Estimates and Analysis**

(XXXIII) **Changes in Significant Accounting Policies and Accounting Estimates**

1. The change in significant accounting policies

(1) Implementation of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting" and "Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument" (revised in 2017) (hereinafter collectively referred to as the "**New Financial Instruments Standards**")

In 2017, the Ministry of Finance revised "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting" and "Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument". According to the standards after revised, for the financial instruments that have not been derecognized on the date of first implementation, if the previous recognition and measurement are inconsistent with the revised standards, they shall be retroactively adjusted. If the comparative figures in financial statements for the prior period are inconsistent with the revised standards, no adjustment is required.

The Company has implemented the New Financial Instruments Standards since 1 January 2019, and adjusted the retained earnings and other comprehensive earnings as at the beginning of 2019 due to the accumulative affected amount caused by retroactive adjustment, and no adjustment has been made to the financial statements for the year 2018.

Major impacts of the implementation of new financial instrument standards are as follows:

Content of and reasons for the change in accounting policy	**Review and approval procedures**	**Affected statement items**	**Amount of impact on the balance on 1 January 2019 balance**
Reclassify some "receivables" to "financial assets at fair value through other comprehensive income (debt instruments)".	Board approval	Notes receivable	-17,820,000.00
		Financing receivables	17,820,000.00

(2) *Implementation of "Accounting Standard for Business Enterprises No. 14 – Revenue" (revised in 2017) (hereinafter referred to as the "**New Revenue Standards**")*

In 2017, the Ministry of Finance revised "Accounting Standard for Business Enterprises No.14 – Revenue". The revised standard stipulates that entities at the first implementation of the standards shall adjust the opening balance of retained earnings and other related items in the financial statements at the beginning of the year based on the cumulative affected amounts, and the information for the comparable period shall not be adjusted.

The Company has implemented the New Revenue Standards since 1 January 2019. In accordance with the standards, the Company adjusted the amount of retained earnings and other related items in the financial statements at the beginning of the year 2019 only for the cumulative affected amount of the outstanding contracts as at the date of the first implementation, and no adjustment has been made to the financial statements for the year 2018. Major impacts of the implementation of the standards are as follows:

Content of and reasons for the change in accounting policy	**Review and approval procedures**	**Affected statement items**	**Amount of impact on the balance on 1 January 2019**
Partially reclassify the obligation to be transferred to customers in the future in the advance receipts from customers related to the sales of goods and the provision of services to contract liabilities, and reclassify the VAT payment obligation not yet incurred therein to other current liabilities as tax to be transferred.	Board approval	Advance receipts from customers	-7,986,631.18
		Contract liabilities	6,885,026.88
		Other current liabilities	1,101,604.30

(3) *Implementation of "Accounting Standards for Business Enterprises No.21 – Lease" (revised in 2018)*

In 2018, the Ministry of Finance revised Accounting Standards for Business Enterprises No.21 – Leases (hereinafter referred to as the "**New Lease Standards**"). The Company has implemented the New Lease Standards since 1 January 2019. In accordance with the revised standards, for the contracts existing prior to the date of the first implementation, the Company has chosen not to re-evaluate whether it is a lease or contains a lease.

- 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 year of the first implementation of New Lease Standards in accordance with the cumulative affected amount of first implementation of New Lease Standards, and the information for the comparable period shall not be adjusted.

  For the operating lease existing prior to the date of first implementation, the Company measures the lease liabilities on the date of first implementation based on the present value of the remaining lease payments discounted at the Company's incremental borrowing rate as at the date of first implementation, and measures the right-of-use assets based on each lease by one of the following two methods:

  – Assume that the book value of the New Lease Standards is adopted from the commencement date of the lease term, using the Company's incremental borrowing rate on the date of first implementation as the discounting rate.

  – The amount equal to the lease liabilities and the necessary adjustments based on the prepaid rent.

  For the operating lease prior to the date of first implementation, the Company applies the above methods and at the same time chooses one or more of the following simplified treatments based on each lease:

  1) account for leases which would be completed within 12 months after the date of first implementation as short-term leases;

  2) apply the same discount rate to leases with similar characteristics when measuring lease liabilities;

  3) exclude initial direct costs in the measurement of right-of-use assets;

  4) determine the lease term according to the actual exercise of options and other updates before the date of first implementation where there is an option to renew the lease or terminate the lease;

5) as an alternative to an impairment review of right-of-use assets, assess whether the contract containing a lease is an onerous contract before the date of first implementation in accordance with the "(XXII) – Estimated Liabilities" under Note III herein, and adjust the right-of-use assets based on the amount of loss allowance included in balance sheet prior to the date of first implementation;

6) account for lease modifications before the date of first implementation according to the final arrangement of the change under New Lease Standards without retroactive adjustments.

When measuring lease liabilities, the Company discounts lease payments using its incremental borrowing rate (4.35%) at 1 January 2019.

Outstanding minimum lease payments under significant operating leases as disclosed in the financial statements as at 31 December 2018	8,335,975.17
Present value discounted at the Company's incremental borrowing rate as at 1 January 2019	7,768,218.69
Less: the present value of payments under lease contracts within 12 months	-761,906.91
Lease liabilities under the New Lease Standards as at 1 January 2019	7,006,311.78
Difference between the above present value and the lease liabilities	0.00

For financing leases existing prior to the date of first implementation, the Company measures right-of-use assets and lease liabilities at the original carrying amounts of the financing leased assets and financing lease payable, respectively, on the date of first implementation.

- The Company as lessor

  For subleases that are classified as operating leases prior to the date of first implementation and continue after the date of first implementation, the Company reassesses them on the date of first implementation based on the remaining contractual term and terms of the original lease and the sublease, and classifies them in accordance with the provisions of the New Lease Standards. For those reclassified as a financing lease, the Company accounts for it as a new financing lease.

  Except for subleases, the Company is not required to adjust the lease for which it acts as the lessor in accordance with the New Lease Standards. The Company accounts for a lease in accordance with the New Lease Standards from the date of first implementation.

(4) Implementation of "Accounting Standards for Business Enterprises Interpretation No. 13"

The Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 13 (Finance and Accounting [2019] No. 21, hereinafter referred to as "**Interpretation No. 13**") on 10 December 2019, which took effect on 1 January 2020 and does not require retroactive adjustment.

① Identification of related parties

Interpretation No. 13 makes it clear that the following circumstances constitute an affiliated party: a joint venture or associates between the enterprise and other members of the enterprise group (including the parent company and subsidiaries); Joint ventures of an enterprise and other joint ventures or associates of an enterprise. In addition, interpretation No. 13 also makes it clear that only two or more enterprises that are materially affected by one party do not constitute affiliated parties, and adds that associates include associates and their subsidiaries, and joint ventures include joint ventures and their subsidiaries.

② Definition of business

Interpretation No. 13 improves the three elements of business composition, elaborates the judgment conditions of business composition, and introduces the choice of "concentration test" to simplify the judgment of whether a portfolio acquired under different control constitutes business to a certain extent.

The Company has implemented Interpretation No. 13 since 1 January 2020, and the comparative financial statements have not been adjusted. The implementation of Interpretation No. 13 has not had a significant impact on the Company's financial position and operating results.

(5) Implementation of "Interim Provisions on Accounting Treatment Related to Carbon Emission Permit Trading"

On 16 December 2019, the Ministry of Finance issued the Interim Provisions on Accounting Treatment Related to Carbon Emission Permit Trading (Cai Kuai [2019] No. 22), which is applicable to relevant enterprises that are engaged in trading carbon emission permit of key emission units (hereinafter referred to as "**key emission enterprises**") in accordance with the Interim Measures for the Administration of Carbon Emission Permit Trading. Such provisions took effect on 1 January 2020 and shall be applied by the key emission enterprises with the adoption of the prospective application method.

The Company has implemented such provisions since 1 January 2020, and the comparative financial statements have not been adjusted. The implementation of such provisions has not had a material impact on the Company's financial position and results of operations.

(6) Implementation of "Provisions on the Accounting Treatment of Rental Concession Related to COVID-19 Pandemic"

On 19 June 2020, the Ministry of Finance issued the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic (Cai Kuai [2020] No. 10), with effect from 19 June 2020, allowing enterprises to adjust the relevant rent concessions that occurred between 1 January 2020 and the implementation date of this regulation. According to such provisions, enterprises can choose to adopt a simplified method for accounting treatment of rent concessions, such as rent remission and deferred payment, which are directly caused by COVID-19 Pandemic.

The Company adopts the simplified method for accounting treatment of all rent concessions that fall within the applicable scope of the Provisions, and makes corresponding adjustments to the relevant rent concessions that occur between 1 January 2020 to the effective date of the Provisions.

2. The change in significant accounting estimates

There is no change in significant accounting estimates for the Reporting Period.

IV. TAXATION

(I) Main types of taxes and corresponding rates

		Tax rate			
Tax type	**Basis of tax calculation**	**January to June 2021**	**2020**	**2019**	**2018**
Value-added tax ("**VAT**")	Output VAT is calculated based on taxable sales revenue and service revenue calculated in accordance with tax laws and VAT payable shall be the difference between the output VAT and input VAT deductible in the same period	6%-13% (tax rebate rate is 6%-13%)	16%, 6%-13% (tax rebate rate is 6%-13%)	6%-16% (tax rebate rate is 6%-16%)	17%, 16%, 6%, 5%
Urban maintenance and construction tax	Levied on the basis of the actual VAT and consumption tax paid	7%	7%	7%	7%
Enterprise income tax	Levied based on taxable income	25%	25%	25%	25%

(II) Tax concessions

(1) Pursuant to the Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances (Cai Shui [2018] No. 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the newly purchased equipment of less than RMB5 million can be included in the current cost at a lump sum in the next month after the asset is put into use fully deducted against taxable profit for tax filing, instead of being depreciated annually.

V. NOTES TO ITEMS IN FINANCIAL STATEMENTS

(I) Monetary funds

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Cash on hand				
Bank deposits	3,585,116.61	1,952,294.83	3,167,357.77	1,885,608.11
Other monetary funds				
Total	3,585,116.61	1,952,294.83	3,167,357.77	1,885,608.11
Including: Total amount deposited overseas				

There are no monetary funds of the Company that are restricted in use due to the mortgage, pledge or freezing, and that are deposited overseas and subject to restrictions on the repatriation of funds.

(II) Notes receivable

1. Notes receivable by type

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Bank acceptances	34,615,694.76	22,130,950.66	25,067,584.83	25,242,156.27
Trade acceptances				
Total	34,615,694.76	22,130,950.66	25,067,584.83	25,242,156.27

2. The Company has no notes receivable with pledge at the year end

3. The notes receivable that had been endorsed or discounted but not yet matured on the balance sheet date

	30 June 2021		31 December 2020		31 December 2019		31 December 2018	
Items	The amount of termination at closing date	The amount of not termination at closing date	The amount of termination at closing date	The amount of not termination at closing date	The amount of termination at closing date	The amount of not termination at closing date	The amount of termination at closing date	The amount of not termination at closing date
Bank acceptances		25,630,808.88		17,177,880.58		21,990,330.66		
Trade acceptances								
Total		25,630,808.88		17,177,880.58		21,990,330.66		

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

(III) Accounts receivable

1. Accounts receivable shown by aging

Aging	30 June 2021	31 December 2020	31 December 2019	31 December 2018
0–6 months	848,772,918.89	996,164,848.47	1,050,977,684.41	621,698,081.74
7–12 months		519,534.06	9,346,082.28	17,875,307.45
1–2 years				
2–3 years				
3–4 years				
4–5 years				2,002,664.81
Over 5 years			2,002,664.81	
Subtotal	848,772,918.89	996,684,382.53	1,062,326,431.50	641,576,054.00
Less: bad debt provision			2,002,664.81	2,002,664.81
Total	848,772,918.89	996,684,382.53	1,060,323,766.69	639,573,389.19

2. Accounts receivable disclosed by classification of bad debt provisions

30 June 2021

	Carrying amount		Bad debt provision		
Type	Value	Percentage	Value	Provision percentage	Carrying value
		(%)		*(%)*	
Accounts receivable with bad debt provision on individual basis					
Accounts receivable with bad debt provision on group basis	848,772,918.89	100.00			848,772,918.89
Including: related parties group	839,588,064.79	98.92			839,588,064.79
aging group	9,184,854.10	1.08			9,184,854.10
Total	848,772,918.89	100.00			848,772,918.89

31 December 2020

Type	Carrying amount Value	Percentage (%)	Bad debt provision Value	Provision percentage (%)	Carrying value
Accounts receivable with bad debt provision on individual basis					
Accounts receivable with bad debt provision on group basis	996,684,382.53	100.00			996,684,382.53
Including: related parties group	976,205,323.94	97.95			976,205,323.94
aging group	20,479,058.59	2.05			20,479,058.59
Total	996,684,382.53	100.00			996,684,382.53

31 December 2019

Type	Carrying amount Value	Percentage (%)	Bad debt provision Value	Provision percentage (%)	Carrying value
Accounts receivable with bad debt provision on individual basis	2,002,664.81	0.19	2,002,664.81	100.00	
Accounts receivable with bad debt provision on group basis	1,060,323,766.69	99.81			1,060,323,766.69
Including: related parties group	1,047,978,941.36	98.65			1,047,978,941.36
aging group	12,344,825.33	1.16			12,344,825.33
Total	1,062,326,431.50	100.00	2,002,664.81		1,060,323,766.69

Bad debt provision on an individual basis:

	31 December 2019			
Name	Carrying amount	Bad debt provision	Provision percentage (%)	Reasons for provision
Nanjing Yitian Electronic Technology Co., Ltd.	2,002,664.81	2,002,664.81	100.00	Expected not to be recovered
Total	2,002,664.81	2,002,664.81		

Bad debt provision on group basis:

	30 June 2021			31 December 2020			31 December 2019		
Name	Accounts receivable	Bad debt Provision	Provision percentage (%)	Accounts receivable	Bad debt Provision	Provision percentage (%)	Accounts receivable	Bad debt Provision	Provision percentage (%)
Related parties group	839,588,064.79			976,205,323.94			1,047,978,941.36		
Aging group	9,184,854.10			20,479,058.59			12,344,825.33		
Total	848,772,918.89			996,684,382.53			1,060,323,766.69		

Provision by group: Aging group

	30 June 2021			31 December 2020			31 December 2019		
Name	Accounts receivable	Bad debt Provision	Provision percentage (%)	Accounts receivable	Bad debt Provision	Provision percentage (%)	Accounts receivable	Bad debt Provision	Provision percentage (%)
0–6 months	9,184,854.10			20,479,058.59			12,344,825.33		
7–12 months									
Total	9,184,854.10			20,479,058.59			12,344,825.33		

31 December 2018

	Carrying amount		Bad debt provision		
Type	Value	Percentage (%)	Value	Provision percentage (%)	Carrying value
Accounts receivable with individual significance and accruing bad debt provision on individual basis	2,002,664.81	0.31	2,002,664.81	100.00	
Receivables with bad debt provision on group basis (credit risk characteristics)	639,573,389.19	99.69			639,573,389.19
Accounts receivable with individual insignificance but individually accruing bad debt provision					
Total	641,576,054.00	100.00	2,002,664.81		639,573,389.19

Accounts receivable of individually significant amount and with individual provision for bad debts:

	31 December 2018			
Accounts receivable	**Accounts receivable**	**Bad debt provision**	**Provision percentage**	**Reasons for provision**
			(%)	
Nanjing Yitian Electronic Technology Co., Ltd.	2,002,664.81	2,002,664.81	100.00	Expected not to be recovered
Total	2,002,664.81	2,002,664.81		

In a portfolio, accounts receivable accruing bad debt provision by credit risk portfolio:

	31 December 2018		
Aging	**Accounts receivable**	**Bad debt provision**	**Provision percentage**
			(%)
Aging group	7,232,587.55		
Related parties group	632,340,801.64		
Total	639,573,389.19		

Provision by group: Aging group

	31 December 2018		
Aging	**Accounts receivable**	**Bad debt provision**	**Provision percentage**
			(%)
0–6 months	7,232,587.55		
7–12 months			
Total	7,232,587.55		

3. *Accrual, reversal and recovery of bad debts in the reporting period*

Type	31 December 2017	Change and adjustment of accounting policy	1 January 2018	Change during the period Accrual	Change during the period Reversal or recovery	Change during the period Transfer or written off	31 December 2018
Accounts receivable with bad debt provision on individual basis	2,002,664.81		2,002,664.81				2,002,664.81
Accounts receivable with bad debt provision on group basis							
Total	2,002,664.81		2,002,664.81				2,002,664.81

Type	31 December 2018	Change during the period Accrual	Change during the period Reversal or recovery	Change during the period Transfer or written off	31 December 2019
Accounts receivable with bad debt provision on individual basis	2,002,664.81				2,002,664.81
Accounts receivable with bad debt provision on group basis					
Total	2,002,664.81				2,002,664.81

Type	31 December 2019	Change during the period: Accrual	Reversal or recovery	Transfer or written off	31 December 2020
Accounts receivable with bad debt provision on individual basis	2,002,664.81			2,002,664.81	
Accounts receivable with bad debt provision on group basis					
Total	2,002,664.81			2,002,664.81	

No provision for impairment was made from January to June 2021.

4. *Accounts receivable written off in the reporting period*

Items	January to June 2021	2020	2019	2018
Accounts receivable written off		2,002,664.81		

Among them important accounts receivable write-off situation:

Name	Nature of accounts receivable	Write-off amount	Reasons for write-off	Write-off procedures performed	Whether arising from related transactions	Write-off time
Nanjing Yitian Electronic Technology Co., Ltd.	Payment of goods	2,002,664.81	Corporate cancellation	The publicity system confirms the cancellation and the Company applies comments on the write-off of accounts receivable	No	25 May 2020
Total		2,002,664.81				

5. *Status of top five debtors in the closing balance of accounts receivable*

	30 June 2021		
Name	**Accounts receivable**	**Percentage of total receivables** *(%)*	**Provision for bad debt**
LG Electronics Co., Ltd.	548,880,689.49	64.67	
LG Electronics (China) Co., Ltd.	71,808,726.42	8.46	
LG Electronics Wroclaw Sp.Z.O.O.	59,881,973.39	7.06	
LG Electronics RUS, LLC	53,419,160.71	6.29	
LG Electronics Vietnam Haiphong Co., Ltd.	43,402,030.23	5.11	
Total	777,392,580.24	91.59	

	31 December 2020		
Name	**Accounts receivable**	**Percentage of total receivables** *(%)*	**Provision for bad debt**
LG Electronics Co., Ltd.	663,296,529.63	66.55	
LG Electronics Wroclaw Sp.Z.O.O.	68,125,163.57	6.84	
LG Electronics (China) Co., Ltd.	60,831,084.65	6.10	
LG Electronics Vietnam Haiphong Co., Ltd.	50,294,381.38	5.05	
LG Electronics India Pvt. Ltd.	44,415,220.58	4.46	
Total	886,962,379.81	89.00	

Name	Accounts receivable	31 December 2019 Percentage of total receivables *(%)*	Provision for bad debt
LG Electronics Co., Ltd.	570,502,864.02	53.70	
LG Electronics (China) Co., Ltd.	154,847,686.74	14.58	
LG Electronics Wroclaw Sp.Z.O.O.	98,780,528.26	9.30	
LG Electronics RUS, LLC	98,274,540.59	9.25	
LG Electronics Vietnam Haiphong Co., Ltd.	63,004,649.67	5.93	
Total	985,410,269.28	92.76	

Name	Accounts receivable	31 December 2018 Percentage of total receivables *(%)*	Provision for bad debt
LG Electronics Co., Ltd.	194,594,241.61	30.33	
LG Electronics (China) Co., Ltd.	129,671,834.33	20.21	
LG Electronics Vietnam Haiphong Co., Ltd.	84,318,837.87	13.14	
LG Electronics RUS, LLC	72,478,127.74	11.30	
LG Electronics Wroclaw Sp.Z.O.O.	53,492,442.33	8.34	
Total	534,555,483.88	83.32	

6. *The situation of overdue accounts receivable*

Item	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Accounts receivable not overdue and not impaired	846,993,949.77	982,153,813.07	965,399,543.20	540,061,548.03
Accounts receivable overdue and not impaired – within 3 months	1,778,969.12	14,530,569.46	87,431,622.03	96,037,411.50
Accounts receivable overdue and not impaired – over 3 months			7,492,601.46	3,474,429.66
Total	848,772,918.89	996,684,382.53	1,060,323,766.69	639,573,389.19

(Ⅳ) Financing receivables

1. Breakdown of financing receivables

Items	30 June 2021	31 December 2020	31 December 2019
Notes receivable	40,807,230.11	95,153,638.27	30,891,924.95
Accounts receivable			
Total	40,807,230.11	95,153,638.27	30,891,924.95

2. Changes of financing receivables and change in fair value in current period

Items	1 January 2021	Increase in current period	Derecognized in current period	Other changes	30 June 2021	Accumulated loss allowance recognized in other comprehensive income
Notes receivable	95,153,638.27	215,408,711.65	269,755,119.81		40,807,230.11	
Total	95,153,638.27	215,408,711.65	269,755,119.81		40,807,230.11	

Items	1 January 2020	Increase in current period	Derecognized in current period	Other changes	30 December 2020	Accumulated loss allowance recognized in other comprehensive income
Notes receivable	30,891,924.95	371,240,339.02	306,978,625.70		95,153,638.27	
Total	30,891,924.95	371,240,339.02	306,978,625.70		95,153,638.27	

Item	31 December 2018	Changes in accounting policies	1 January 2019	Increase in current period	Derecognized current period	Other changes	31 December 2019	Accumulated loss allowance recognized in other comprehensive income
Notes receivable		17,820,000.00	17,820,000.00	276,610,822.65	263,538,897.70		30,891,924.95	
Total		17,820,000.00	17,820,000.00	276,610,822.65	263,538,897.70		30,891,924.95	

(V) Prepayments

1. Prepayments by aging

Aging	30 June 2021		31 December 2020		31 December 2019		31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	671,661.31	100.00	820,054.43	100.00	802,067.69	100.00	2,556,336.41	100.00
1–2 years								
2–3 years								
Over 3 years								
Total	671,661.31	100.00	820,054.43	100.00	802,067.69	100.00	2,556,336.41	100.00

2. *Top five debtors in terms of closing balance of prepayments*

Debtor	30 June 2021	Proportion in closing balance of total prepayments
		(%)
PICC Property and Casualty Company Limited Guangzhou Branch	207,057.37	30.83
National Tax Authority of Nanjing City, Jiangsu Province	86,790.86	12.92
Liu Yingguo	77,661.95	11.56
Ji Wei	48,262.30	7.19
LG CNS China	38,465.75	5.73
Total	458,238.23	68.23

Debtor	31 December 2020	Proportion in closing balance of total prepayments
		(%)
PICC Property and Casualty Company Limited Guangzhou Branch	511,751.55	62.40
Liu Yingguo	52,219.78	6.37
Ji Wei	47,920.88	5.84
Yang Xiaoqing	32,583.33	3.97
Zhou Jun	26,400.00	3.22
Total	670,875.54	81.80

Debtor	31 December 2019	Proportion in closing balance of total prepayments
		(%)
PICC Property and Casualty Company Limited Guangzhou Branch	477,652.43	59.55
Li Jiang	47,439.34	5.91
Nanjing Gardening of Eden Co., Ltd.	31,320.19	3.90
Beijing Dentons Law Office LLP (Nanjing)	31,188.78	3.89
Zhou Jun	26,406.59	3.29
Total	614,007.33	76.54

Debtor	31 December 2018	Proportion in closing balance of total prepayments
		(%)
Jiangsu Bestbond Investment Management Co., Ltd.	1,706,400.00	66.75
PICC Property and Casualty Company Limited Guangzhou Branch	453,834.27	17.75
Nanjing Antianxia Fire Protection Technology Service Co., Ltd.	136,252.05	5.33
Nanjing Gardening of Eden Co., Ltd.	36,298.59	1.42
Yan Xiulin	27,000.00	1.06
Total	2,359,784.91	92.31

(VI) Other receivables

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Interest receivable				
Dividend receivable				
Other receivables	15,992,012.09	17,742,216.18	31,290,939.15	29,476,726.26
Total	15,992,012.09	17,742,216.18	31,290,939.15	29,476,726.26

1. Other receivables

(1) Other receivables shown by aging

Aging	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Within 1 year	2,557,203.71	3,297,419.57	8,479,006.04	6,922,665.75
1–2 years	434,808.38	14,796.61	6,881,933.11	
2–3 years				6,624,060.51
3–4 years				
4–5 years				
Over 5 years	13,000,000.00	14,430,000.00	15,930,000.00	15,930,000.00
Subtotal	15,992,012.09	17,742,216.18	31,290,939.15	29,476,726.26
Less: bad debt provision				
Total	15,992,012.09	17,742,216.18	31,290,939.15	29,476,726.26

(2) Other receivables disclosed by classification of bad debt provisions

30 June 2021

	Carrying amount		Bad debt provision		
Type	**Value**	**Percentage**	**Value**	**Provision percentage**	**Carrying value**
		(%)		*(%)*	
Other receivables with bad debts provision on group basis	15,992,012.09	100.00			15,992,012.09
Including:					
related parties group	1,416,282.80	8.86			1,416,282.80
other groups	14,575,729.29	91.14			14,575,729.29
Total	15,992,012.09	100.00			15,992,012.09

31 December 2020

	Carrying amount		Bad debt provision		
Type	**Value**	**Percentage**	**Value**	**Provision percentage**	**Carrying value**
		(%)		*(%)*	
Other receivables with bad debts provision on group basis	17,742,216.18	100.00			17,742,216.18
Including:					
related parties group	1,269,933.94	7.16			1,269,933.94
other groups	16,472,282.24	92.84			16,472,282.24
Total	17,742,216.18	100.00			17,742,216.18

31 December 2019

Type	Carrying amount Value	Carrying amount Percentage	Bad debt provision Value	Bad debt provision Provision percentage	Carrying value
		(%)		*(%)*	
Other receivables with bad debts provision on group basis	31,290,939.15	100.00			31,290,939.15
Including:					
related parties group	11,151,855.78	35.64			11,151,855.78
other groups	20,139,083.37	64.36			20,139,083.37
Total	31,290,939.15	100.00			31,290,939.15

Bad debt provision by group:

Provision by group:

Name	30 June 2021 Other receivables	30 June 2021 Bad debt provision	30 June 2021 Provision percentage	31 December 2020 Other receivables	31 December 2020 Bad debt provision	31 December 2020 Provision percentage	31 December 2019 Other receivables	31 December 2019 Bad debt provision	31 December 2019 Provision percentage
			(%)			*(%)*			*(%)*
Related parties group	1,416,282.80			1,269,933.94			11,151,855.78		
Other groups	14,575,729.29			16,472,282.24			20,139,083.37		
Total	15,992,012.09			17,742,216.18			31,290,939.15		

Other groups:

Name	30 June 2021 Other receivables	Bad debt provision	Provision percentage (%)	31 December 2020 Other receivables	Bad debt provision	Provision percentage (%)	31 December 2019 Other receivables	Bad debt provision	Provision percentage (%)
Deposits, security deposit and reserve fund group	1,575,729.29			2,042,282.24			4,209,083.37		
Energy-saving subsidies group	13,000,000.00			14,430,000.00			15,930,000.00		
Total	14,575,729.29			16,472,282.24			20,139,083.37		

31 December 2018

Type	Carrying amount Value	Percentage (%)	Bad debt provision Value	Provision percentage (%)	Carrying amount
Other receivables with individual significance and accruing bad debt provision individually					
Other receivables with bad debt provision on group basis (credit risk characteristics)	29,476,726.26	100.00			29,476,726.26
Other receivables with individual insignificance but individually accruing bad debt provision					
Total	29,476,726.26	100.00			29,476,726.26

In a portfolio, other receivables accruing bad debt provision by credit risk characteristics:

	31 December 2018		
Name	**Other receivables**	**Bad debt provision**	**Provision percentage** *(%)*
Related parties group	8,857,327.62		
Other groups	20,619,398.64		
Total	29,476,726.26		

Others by groups:

	31 December 2018		
Name	**Other receivables**	**Bad debt provision**	**Provision percentage** *(%)*
Deposits, security deposit and reserve fund group	15,930,000.00		
Energy-saving subsidies group	4,689,398.64		
Total	20,619,398.64		

(3) Details of accrued bad debt provision

No provision for impairment of other receivables was made in 2018, 2019, 2020 and January to June 2021.

Changes in carrying amount of other receivables:

Carrying Amount	First stage 12-month expected credit loss	Second stage Lifetime expected credit loss (not credit-impaired)	Third stage Lifetime expected credit loss (credit-impaired)	Total
Balance on 1 January 2019	29,476,726.26			29,476,726.26
Balance for the period on 1 January 2019				
– transfer to second stage				
– transfer to third stage				
– transfer back to second stage				
– transfer back to first stage				
Increase in the current	1,814,212.89			1,814,212.89
Derecognized in the current period				
Other changes				
Balance on 31 December 2019	31,290,939.15			31,290,939.15

Carrying Amount	First stage 13-month expected credit loss	Second stage Lifetime expected credit loss (not credit-impaired)	Third stage Lifetime expected credit loss (credit-impaired)	Total
Balance on 31 December 2019	31,290,939.15			31,290,939.15
Balance for the period on 31 December 2019				
– transfer to second stage				
– transfer to third stage				
– transfer back to second stage				
– transfer back to first stage				
Increase in the current period				
Derecognized in the current period	13,548,722.97			13,548,722.97
Other changes				
Balance on 31 December 2020	17,742,216.18			17,742,216.18

Carrying Amount	First stage 12-month expected credit loss	Second stage Lifetime expected credit loss (not credit-impaired)	Third stage Lifetime expected credit loss (credit-impaired)	Total
Balance on 31 December 2020	17,742,216.18			17,742,216.18
Balance for the period on 31 December 2020				
– transfer to second stage				
– transfer to third stage				
– transfer back to second stage				
– transfer back to first stage				
Increase in the current period				
Derecognized in the current period	1,750,204.09			1,750,204.09
Other changes				
Balance on 30 June 2021	15,992,012.09			15,992,012.09

(4) *Other receivables classified by nature*

	Carrying Amount			
Nature	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Energy-saving subsidy receivable	13,000,000.00	14,430,000.00	15,930,000.00	15,930,000.00
Account receivable due from the related parties	1,416,282.80	1,269,933.94	11,151,855.78	8,857,327.62
Security deposits and Others	1,575,729.29	2,042,282.24	4,209,083.37	4,689,398.64
Total	15,992,012.09	17,742,216.18	31,290,939.15	29,476,726.26

(5) Top five debtors in terms of closing balance of other receivables

Debtor	Nature	30 June 2021	Aging	Proportion of total balance of other receivables at the end of the period (%)	Closing balance of provision for bad debts
Nanjing Bureau of Finance	Energy-saving subsidy	13,000,000.00	Over 5 years	81.29	
LG Electronics Co., Ltd	Current account	563,159.45	Within 1 year	3.52	
LG Electronics (China) Co., Ltd.	Current account	246,933.17	Within 1 year	1.54	
LG Electronics (Tianjin) Electric Appliance Co., Ltd.	Current account	164,163.72	Within 1 year	1.03	
LG Electronics Nanjing New Technology Co., Ltd.	Current account	142,489.26	Within 1 year	0.89	
Total		14,116,745.60		88.27	

Debtor	Nature	30 December 2020	Aging	Proportion of total balance of other receivables at the end of the period (%)	Closing balance of provision for bad debts
Nanjing Bureau of Finance	Energy-saving subsidy	14,430,000.00	Over 5 years	81.33	
LG Electronics Co., Ltd.	Current account	514,646.88	Within 1 year	2.90	
LG Electronics (China) Co., Ltd.	Current account	267,091.41	Within 1 year	1.51	
LG Electronics (Tianjin) Electric Appliance Co., Ltd.	Current account	126,446.72	Within 1 year	0.71	
LG Electronics Nanjing New Technology Co., Ltd.	Current account	108,040.03	Within 1 year	0.61	
Total		15,446,225.04		87.06	

Debtor	Nature	31 December 2019	Aging	Proportion of total balance of other receivables at the end of the period (%)	Closing balance of provision for bad debts
Nanjing Bureau of Finance	Energy-saving subsidy	15,930,000.00	Over 5 years	50.91	
Nanjing LG Auto Parts Co., Ltd.	Asset disposal funds, current account	6,888,428.05	1–2 years, Within 1 year	22.01	
LG Electronics Co., Ltd.	Current account	3,697,696.79	Within 1 year	11.82	
LG Electronics (China) Co., Ltd.	Current account	152,216.94	Within 1 year	0.49	
LG Electronics (Tianjin) Electric Appliance Co., Ltd.	Current account	93,798.56	Within 1 year	0.30	
Total		26,762,140.34		85.53	

Debtor	Nature	30 December 2018	Aging	Proportion of total balance of other receivables at the end of the period (%)	Closing balance of provision for bad debts
Nanjing Bureau of Finance	Energy-saving subsidy	15,930,000.00	Over 5 years	54.04	
Panda (Beijing) International Information Technology Co., Ltd.	Asset disposal funds	6,624,060.51	2–3 years	22.47	
LG Electronics Co., Ltd.	Current account	1,614,128.54	Within 1 year	5.48	
LG Electronics (China) Co., Ltd.	Current account	161,312.91	Within 1 year	0.55	
GIL	Current account	140,785.24	Within 1 year	0.48	
Total		24,470,287.20		83.02	

(6) *Other receivables related to government grants*

Debtor	Items	30 June 2021	Aging	Expected receiving time, balance and reason
Nanjing Bureau of Finance	Subsidy policies for energy-saving to benefit the people	13,000,000.00	Over 5 years	
Total		13,000,000.00		

Debtor	Items	31 December 2020	Aging	Expected receiving time, balance and reason
Nanjing Bureau of Finance	Subsidy policies for energy-saving to benefit the people	14,430,000.00	Over 5 years	
Total		14,430,000.00		

Debtor	Items	31 December 2019	Aging	Expected receiving time, balance and reason
Nanjing Bureau of Finance	Subsidy policies for energy-saving to benefit the people	15,930,000.00	Over 5 years	
Total		15,930,000.00		

Debtor	Items	31 December 2018	Aging	Expected receiving time, balance and reason
Nanjing Bureau of Finance	Subsidy policies for energy-saving to benefit the people	15,930,000.00	Over 5 years	
Total		15,930,000.00		

(VII) Inventories

1. Inventories by category

	30 June 2021			31 December 2020		
Items	Carrying amount	Impairment provision for inventories/ costs of contract performance	Carrying value	Carrying amount	Impairment provision for inventories/ costs of contract performance	Carrying value
Raw materials	69,997,247.98	259,031.57	69,738,216.41	73,436,528.66	192,475.64	73,244,053.02
Goods in process	20,139,430.67	1,734.73	20,137,695.94	35,809,618.09	219.33	35,809,398.76
Stored commodities	154,278,461.98	3,113,841.21	151,164,620.77	163,681,894.53	9,785,951.58	153,895,942.95
Total	244,415,140.63	3,374,607.51	241,040,533.12	272,928,041.28	9,978,646.55	262,949,394.73

	31 December 2019			31 December 2018		
Items	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Raw materials	58,843,314.03	221,016.43	58,622,297.60	46,498,481.86	244,560.56	46,253,921.30
Goods in process	17,280,287.61		17,280,287.61	22,562,481.84	724.28	22,561,757.56
Stored commodities	180,605,306.83	15,450,117.74	165,155,189.09	109,162,877.97	4,756,607.87	104,406,270.10
Total	256,728,908.47	15,671,134.17	241,057,774.30	178,223,841.67	5,001,892.71	173,221,948.96

2. Impairment provision for inventories and costs of contract performance

Items	31 December 2017	Increase in current period: Provision	Increase in current period: Others	Decrease in current period: Reversal or Write-off	Decrease in current period: Others	31 December 2018
Raw materials	112,953.71	131,606.85				244,560.56
Goods in process		724.28				724.28
Stored commodities	9,408,531.85			4,651,923.98		4,756,607.87
Total	9,521,485.56	132,331.13		4,651,923.98		5,001,892.71

Items	31 December 2018	Increase in current period: Provision	Increase in current period: Others	Decrease in current period: Reversal or Write-off	Decrease in current period: Others	31 December 2019
Raw materials	244,560.56			23,544.13		221,016.43
Goods in process	724.28			724.28		
Stored commodities	4,756,607.87	10,693,509.87				15,450,117.74
Total	5,001,892.71	10,693,509.87		24,268.41		15,671,134.17

Items	31 December 2019	Increase in current period: Provision	Increase in current period: Others	Decrease in current period: Reversal or Write-off	Decrease in current period: Others	31 December 2020
Raw materials	221,016.43			28,540.79		192,475.64
Goods in process		219.33				219.33
Stored commodities	15,450,117.74			5,664,166.16		9,785,951.58
Total	15,671,134.17	219.33		5,692,706.95		9,978,646.55

Items	31 December 2020	Increase in current period: Provision	Increase in current period: Others	Decrease in current period: Reversal or Write-off	Decrease in current period: Others	30 June 2021
Raw materials	192,475.64	72,827.47		6,271.54		259,031.57
Goods in process	219.33	1,515.40				1,734.73
Stored commodities	9,785,951.58	629,310.20		7,301,420.57		3,113,841.21
Total	9,978,646.55	703,653.07		7,307,692.11		3,374,607.51

(VIII) Other current assets

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Input tax retained	44,498,196.06	89,126,471.95	51,673,445.82	101,471,879.78
Entrusted loans	894,188,017.05	880,838,087.27	524,645,565.84	565,381,288.07
Total	938,686,213.11	969,964,559.22	576,319,011.66	666,853,167.85

(IX) Fixed assets

1. Fixed assets and disposal of fixed assets

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Fixed assets	620,027,615.74	655,134,912.52	664,846,487.03	687,330,132.43
Disposal of fixed assets				
Total	620,027,615.74	655,134,912.52	664,846,487.03	687,330,132.43

2. *Details of fixed assets*

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Office equipment	Production tools	Molds	Total
1. Original carrying value							
(1) 31 December 2017	491,630,584.64	394,116,222.72	2,824,460.31	56,603,965.70	60,366,871.75	143,401,645.04	1,148,943,750.16
(2) Increase in the period	5,238,500.00	95,413,977.59	1,359,675.00	3,328,688.82	2,100,499.43	18,386,864.68	125,828,205.52
– acquired	5,238,500.00	59,465,663.48	1,023,465.00	3,328,688.82	2,053,767.66	16,412,766.59	87,522,851.55
– transfer from construction in progress		35,948,314.11	336,210.00		46,731.77	1,974,098.09	38,305,353.97
(3) Decrease in the period		2,761,650.30		1,623,327.95	2,081,625.39	19,016,497.84	25,483,101.48
– disposal or retired		2,761,650.30		1,623,327.95	2,081,625.39	19,016,497.84	25,483,101.48
(4) 31 December 2018	496,869,084.64	486,768,550.01	4,184,135.31	58,309,326.57	60,385,745.79	142,772,011.88	1,249,288,854.20
2. Accumulated depreciation							
(1) 31 December 2017	82,953,539.90	192,162,001.08	2,526,799.04	44,054,630.31	48,817,531.62	122,168,008.82	492,682,510.77
(2) Increase in the period	17,422,370.05	33,596,538.79	124,296.40	5,040,595.89	4,763,537.04	11,378,915.62	72,326,253.79
– accrued	17,422,370.05	33,596,538.79	124,296.40	5,040,595.89	4,763,537.04	11,378,915.62	72,326,253.79
(3) Decrease in the period		985,986.29		1,582,053.79	2,070,527.74	17,461,648.90	22,100,216.72
– disposal or retired		985,986.29		1,582,053.79	2,070,527.74	17,461,648.90	22,100,216.72
(4) 31 December 2018	100,375,909.95	224,772,553.58	2,651,095.44	47,513,172.41	51,510,540.92	116,085,275.54	542,908,547.84
3. Impairment provision							
(1) 31 December 2017		18,888,506.20		122,258.12	14,629.54		19,025,393.86
(2) Increase in the period		25,832.31					25,832.31
– accrued		25,832.31					25,832.31
(3) Decrease in the period				1,052.24			1,052.24
– disposal or retired				1,052.24			1,052.24
(4) 31 December 2018		18,914,338.51		121,205.88	14,629.54		19,050,173.93
4. Carrying value							
(1) Carrying value on 31 December 2018	396,493,174.69	243,081,657.92	1,533,039.87	10,674,948.28	8,860,575.33	26,686,736.34	687,330,132.43
(2) Carrying value on 31 December 2017	408,677,044.74	183,065,715.44	297,661.27	12,427,077.27	11,534,710.59	21,233,636.22	637,235,845.53

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Office equipment	Production tools	Molds	Total
1. Original carrying value							
(1) 31 December 2018	496,869,084.64	486,768,550.01	4,184,135.31	58,309,326.57	60,385,745.79	142,772,011.88	1,249,288,854.20
(2) Increase in the period	498,500.00	35,044,612.61		3,138,263.88	577,713.80	30,361,097.86	69,620,188.15
– purchase	79,000.00	21,420,782.70		2,779,364.28	577,713.80	19,591,000.00	44,447,860.78
– transfer from construction in progress	419,500.00	13,623,829.91		358,899.60		10,770,097.86	25,172,327.37
(3) Decrease in the period		5,284,481.36	273,500.02	507,514.08	510,488.07	9,130,987.58	15,706,971.11
– disposal or retired		5,284,481.36	273,500.02	507,514.08	510,488.07	9,130,987.58	15,706,971.11
(4) 31 December 2019	497,367,584.64	516,528,681.26	3,910,635.29	60,940,076.37	60,452,971.52	164,002,122.16	1,303,202,071.24
2. Accumulated depreciation							
(1) 31 December 2018	100,375,909.95	224,772,553.58	2,651,095.44	47,513,172.41	51,510,540.92	116,085,275.54	542,908,547.84
(2) Increase in the period	17,859,950.48	42,883,206.49	354,820.66	4,842,703.66	3,890,542.35	15,365,200.32	85,196,423.96
– accrued	17,859,950.48	42,883,206.49	354,820.66	4,842,703.66	3,890,542.35	15,365,200.32	85,196,423.96
(3) Decrease in the period			273,498.02	300,543.40	510,465.07	7,715,055.03	8,799,561.52
– disposal or retired			273,498.02	300,543.40	510,465.07	7,715,055.03	8,799,561.52
(4) 31 December 2019	118,235,860.43	267,655,760.07	2,732,418.08	52,055,332.67	54,890,618.20	123,735,420.83	619,305,410.28
3. Impairment provision							
(1) 31 December 2018		18,914,338.51		121,205.88	14,629.54		19,050,173.93
(2) Increase in the period							
– accrued							
(3) Decrease in the period							
– disposal or retired							
(4) 31 December 2019		18,914,338.51		121,205.88	14,629.54		19,050,173.93
4. Carrying value							
(1) Carrying value on 31 December 2019	379,131,724.21	229,958,582.68	1,178,217.21	8,763,537.82	5,547,723.78	40,266,701.33	664,846,487.03
(2) Carrying value on 31 December 2018	396,493,174.69	243,081,657.92	1,533,039.87	10,674,948.28	8,860,575.33	26,686,736.34	687,330,132.43

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Office equipment	Production tools	Molds	Total
1. Original carrying value							
(1) 31 December 2019	497,367,584.64	516,528,681.26	3,910,635.29	60,940,076.37	60,452,971.52	164,002,122.16	1,303,202,071.24
(2) Increase in the period	2,210,000.00	53,348,702.74		3,118,629.23	3,253,147.15	22,248,230.96	84,178,710.08
– purchase	2,210,000.00	37,560,440.19		3,118,629.23	3,228,397.15	18,710,166.44	64,827,633.01
– transfer from construction in progress		15,788,262.55			24,750.00	3,538,064.52	19,351,077.07
(3) Decrease in the period		587,596.94	571,420.06	2,878,361.76	136,652.10	1,040,000.00	5,214,030.86
– disposal or retired		587,596.94	571,420.06	2,878,361.76	136,652.10	1,040,000.00	5,214,030.86
(4) 31 December 2020	499,577,584.64	569,289,787.06	3,339,215.23	61,180,343.84	63,569,466.57	185,210,353.12	1,382,166,750.46
2. Accumulated depreciation							
(1) 31 December 2019	118,235,860.43	267,655,760.07	2,732,418.08	52,055,332.67	54,890,618.20	123,735,420.83	619,305,410.28
(2) Increase in the period	17,908,394.23	46,807,272.45	350,646.85	3,633,758.80	2,858,479.05	21,744,573.00	93,303,124.38
– accrued	17,908,394.23	46,807,272.45	350,646.85	3,633,758.80	2,858,479.05	21,744,573.00	93,303,124.38
(3) Decrease in the period		4,896.64	571,418.06	2,873,911.85	136,646.10	1,039,998.00	4,626,870.65
– disposal or retired		4,896.64	571,418.06	2,873,911.85	136,646.10	1,039,998.00	4,626,870.65
(4) 31 December 2020	136,144,254.66	314,458,135.88	2,511,646.87	52,815,179.62	57,612,451.15	144,439,995.83	707,981,664.01
3. Impairment provision							
(1) 31 December 2019		18,914,338.51		121,205.88	14,629.54		19,050,173.93
(2) Increase in the period							
– accrued							
(3) Decrease in the period							
– disposal or retired							
(4) 31 December 2020		18,914,338.51		121,205.88	14,629.54		19,050,173.93
4. Carrying value							
(1) Carrying value on 31 December 2020	363,433,329.98	235,917,312.67	827,568.36	8,243,958.34	5,942,385.88	40,770,357.29	655,134,912.52
(2) Carrying value on 31 December 2019	379,131,724.21	229,958,582.68	1,178,217.21	8,763,537.82	5,547,723.78	40,266,701.33	664,846,487.03

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Office equipment	Production tools	Molds	Total
1. Original carrying value							
(1) 31 December 2020	499,577,584.64	569,289,787.06	3,339,215.23	61,180,343.84	63,569,466.57	185,210,353.12	1,382,166,750.46
(2) Increase in the period		10,698,563.36		821,105.93	997,269.52	314,139.65	12,831,078.46
– purchase		9,237,765.01		821,105.93	965,500.00		11,024,370.94
– transfer from construction in progress		1,460,798.35			31,769.52	314,139.65	1,806,707.52
(3) Decrease in the period			795,695.17	1,117,342.59	829,076.16	3,809,185.03	6,551,298.95
– disposal or retired			795,695.17	1,117,342.59	829,076.16	3,809,185.03	6,551,298.95
(4) 30 June 2021	499,577,584.64	579,988,350.42	2,543,520.06	60,884,107.18	63,737,659.93	181,715,307.74	1,388,446,529.97
2. Accumulated depreciation							
(1) 31 December 2020	136,144,254.66	314,458,135.88	2,511,646.87	52,815,179.62	57,612,451.15	144,439,995.83	707,981,664.01
(2) Increase in the period	9,047,363.82	24,849,926.59	149,662.53	1,482,470.77	1,089,688.78	11,319,143.75	47,938,256.24
– accrued	9,047,363.82	24,849,926.59	149,662.53	1,482,470.77	1,089,688.78	11,319,143.75	47,938,256.24
(3) Decrease in the period			795,693.17	1,117,270.59	829,057.16	3,809,159.03	6,551,179.95
– disposal or retired			795,693.17	1,117,270.59	829,057.16	3,809,159.03	6,551,179.95
(4) 30 June 2021	145,191,618.48	339,308,062.47	1,865,616.23	53,180,379.80	57,873,082.77	151,949,980.55	749,368,740.30
3. Impairment provision							
(1) 31 December 2020		18,914,338.51		121,205.88	14,629.54		19,050,173.93
(2) Increase in the period							
– accrued							
(3) Decrease in the period							
– disposal or retired							
(4) 30 June 2021		18,914,338.51		121,205.88	14,629.54		19,050,173.93
4. Carrying value							
(1) Carrying value on 30 June 2021	354,385,966.16	221,765,949.44	677,903.83	7,582,521.50	5,849,947.62	29,765,327.19	620,027,615.74
(2) Carrying value on 31 December 2020	363,433,329.98	235,917,312.67	827,568.36	8,243,958.34	5,942,385.88	40,770,357.29	655,134,912.52

3. *Temporarily idle fixed assets*

30 June 2021

Items	Original carrying value	Accumulated depreciation	Impairment provision	Carrying value	Note
Housing and buildings	1,445,263.76	1,270,075.23		175,188.53	
Total	1,445,263.76	1,270,075.23		175,188.53	

31 December 2020

Items	Original carrying value	Accumulated depreciation	Impairment provision	Carrying value	Note
Housing and buildings	1,445,263.76	1,200,390.27		244,873.49	
Total	1,445,263.76	1,200,390.27		244,873.49	

31 December 2019

Items	Original carrying value	Accumulated depreciation	Impairment provision	Carrying value	Note
Housing and buildings	793,821.98	562,422.41		231,399.57	
Total	793,821.98	562,422.41		231,399.57	

31 December 2018

Items	Original carrying value	Accumulated depreciation	Impairment provision	Carrying value	Note
Housing and buildings	886,972.89	576,154.00		310,818.89	
Total	886,972.89	576,154.00		310,818.89	

(X) Construction in progress

1. Construction in progress and construction material

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Construction in progress	11,355,966.14	12,975,088.16	6,658,015.77	7,757,507.44
Construction material				
Total	11,355,966.14	12,975,088.16	6,658,015.77	7,757,507.44

2. Status of construction in progress

	30 June 2021			31 December 2020		
Items	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Production line equipment of LG	11,355,966.14		11,355,966.14	12,975,088.16		12,975,088.16
Total	11,355,966.14		11,355,966.14	12,975,088.16		12,975,088.16

	31 December 2019			31 December 2018		
Items	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Production line equipment of LG	6,658,015.77		6,658,015.77	7,757,507.44		7,757,507.44
Total	6,658,015.77		6,658,015.77	7,757,507.44		7,757,507.44

3. *Changes in key projects under construction*

Project	Budget	31 December 2017	Increase in current period	Amount transferred to fixed assets in the period	Other decrease in the period	31 December 2018	Proportion of accumulated project investment to budget (%)	Progress of construction	Accumulated amount of capitalised interest	Including: capitalised amount of interest in the period	Rate of capitalisation of interest in the period (%)	Source of funding
Production line equipment of LG	—	43,472.01	46,019,389.40	38,305,353.97	—	7,757,507.44	—	—	—	—	—	Self-financing
Total	—	43,472.01	46,019,389.40	38,305,353.97	—	7,757,507.44	—	—	—	—	—	

Project	Budget	31 December 2018	Increase in current period	Amount transferred to fixed assets in the period	Other decrease in the period	31 December 2019	Proportion of accumulated project investment to budget (%)	Progress of construction	Accumulated amount of capitalised interest	Including: capitalised amount of interest in the period	Rate of capitalisation of interest in the period (%)	Source of funding
Production line equipment of LG	—	7,757,507.44	24,072,835.70	25,172,327.37	—	6,658,015.77	—	—	—	—	—	Self-financing
Total	—	7,757,507.44	24,072,835.70	25,172,327.37	—	6,658,015.77	—	—	—	—	—	

Project	Budget	31 December 2019	Increase in current period	Amount transferred to fixed assets in the period	Other decrease in the period	31 December 2020	Proportion of accumulated project investment to budget (%)	Progress of construction	Accumulated amount of capitalised interest	Including: capitalised amount of interest in the period	Rate of capitalisation of interest in the period (%)	Source of funding
Production line equipment of LG	—	6,658,015.77	25,668,149.46	19,351,077.07	—	12,975,088.16	—	—	—	—	—	Self-financing
Total	—	6,658,015.77	25,668,149.46	19,351,077.07	—	12,975,088.16	—	—	—	—	—	

Project	Budget	31 December 2020	Increase in current period	Amount transferred to fixed assets in the period	Other decrease in the period	30 June 2021	Proportion of accumulated project investment to budget (%)	Progress of construction	Accumulated amount of capitalised interest	Including: capitalised amount of interest in the period	Rate of capitalisation of interest in the period (%)	Source of funding
Production line equipment of LG	—	12,975,088.16	187,585.50	1,806,707.52	—	11,355,966.14	—	—	—	—	—	Self-financing
Total	—	12,975,088.16	187,585.50	1,806,707.52	—	11,355,966.14	—	—	—	—	—	

(XI) Right-of-use assets

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Parking lot	Total
1. Original carrying value					
(1) Balance on 1 January 2019					
(2) Increase in the period	9,977,170.67		358,024.16	580,000.00	10,915,194.83
– implement the new guidelines adjustment	9,977,170.67		358,024.16	580,000.00	10,915,194.83
(3) Decrease in the period					
– transferred to fixed assets					
– disposal					
(4) Balance on 31 December 2019	9,977,170.67		358,024.16	580,000.00	10,915,194.83
2. Accumulated depreciation					
(1) Balance on 1 January 2019					
(2) Increase in the period	4,991,415.05		238,682.82	178,966.50	5,409,064.37
– accrued	3,328,553.27		119,341.43	58,133.17	3,506,027.87
– implement the new guidelines adjustment	1,662,861.78		119,341.39	120,833.33	1,903,036.50
(3) Decrease in the period					
– transferred to fixed assets					
– disposal					
(4) Balance on 31 December 2019	4,991,415.05		238,682.82	178,966.50	5,409,064.37
3. Impairment provision					
(1) Balance on 1 January 2019					
(2) Increase in the period					
– accrued					
(3) Decrease in the period					
– transferred to fixed assets					
– disposal					
(4) Balance on 31 December 2019					
4. Carrying value					
(1) Carrying value on 31 December 2019	4,985,755.62		119,341.34	401,033.50	5,506,130.46
(2) Carrying value on 1 January 2019					

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Parking lot	Total
1. Original carrying value					
(1) Balance on 31 December 2019	9,977,170.67		358,024.16	580,000.00	10,915,194.83
(2) Increase in the period		106,654.27			106,654.27
– new lease		106,654.27			106,654.27
(3) Decrease in the period					
– transferred to fixed assets					
– disposal					
(4) Balance on 31 December 2020	9,977,170.67	106,654.27	358,024.16	580,000.00	11,021,849.10
2. Accumulated depreciation					
(1) Balance on 31 December 2019	4,991,415.05		238,682.82	178,966.50	5,409,064.37
(2) Increase in the period	3,323,837.08	35,551.42	119,341.34	57,980.74	3,536,710.58
– accrued	3,323,837.08	35,551.42	119,341.34	57,980.74	3,536,710.58
(3) Decrease in the period					
– transferred to fixed assets					
– disposal					
(4) Balance on 31 December 2020	8,315,252.13	35,551.42	358,024.16	236,947.24	8,945,774.95
3. Impairment provision					
(1) Balance on 31 December 2019					
(2) Increase in the period					
– accrued					
(3) Decrease in the period					
– transferred to fixed assets					
– disposal					
(4) Balance on 31 December 2020					
4. Carrying value					
(1) Carrying value on 31 December 2020	1,661,918.54	71,102.85	0.00	343,052.76	2,076,074.15
(2) Carrying value on 31 December 2019	4,985,755.62		119,341.34	401,033.50	5,506,130.46

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Parking lot	Total
1. Original carrying value					
(1) Balance on 31 December 2020	9,977,170.67	106,654.27	358,024.16	580,000.00	11,021,849.10
(2) Increase in the period		-37.26			-37.26
– adjustment on Revaluation		-37.26			-37.26
(3) Decrease in the period	9,977,170.67		358,024.16		10,335,194.83
– transferred to fixed assets					
– disposal	9,977,170.67		358,024.16		10,335,194.83
(4) Balance on 30 June 2021		106,617.01		580,000.00	686,617.01
2. Accumulated depreciation					
(1) Balance on 31 December 2020	8,315,252.13	35,551.42	358,024.16	236,947.24	8,945,774.95
(2) Increase in the period	1,661,918.54	19,381.50		28,990.38	1,710,290.42
– accrued	1,661,918.54	19,381.50		28,990.38	1,710,290.42
(3) Decrease in the period	9,977,170.67		358,024.16		10,335,194.83
– transferred to fixed assets					
– disposal	9,977,170.67		358,024.16		10,335,194.83
(4) Balance on 30 June 2021		54,932.92		265,937.62	320,870.54
3. Impairment provision					
(1) Balance on 31 December 2020					
(2) Increase in the period					
– accrued					
(3) Decrease in the period					
– transferred to fixed assets					
– disposal					
(4) Balance on 30 June 2021					
4. Carrying value					
(1) Carrying value on 30 June 2021		51,684.09		314,062.38	365,746.47
(2) Carrying value on 31 December 2020	1,661,918.54	71,102.85		343,052.76	2,076,074.15

(XII) Intangible assets

1. Details of intangible assets

Items	Land use right	Computer software	Emission right	Total
1. Original carrying value				
(1) 31 December 2017	80,396,052.88	13,038,969.64	1,987,905.00	95,422,927.52
(2) Increase in the period		1,145,468.00		1,145,468.00
– purchase		1,145,468.00		1,145,468.00
(3) Decrease in the period				
– disposal				
(4) 31 December 2018	80,396,052.88	14,184,437.64	1,987,905.00	96,568,395.52
2. Accumulated depreciation				
(1) 31 December 2017	7,960,988.89	11,998,282.66	165,658.75	20,124,930.30
(2) Increase in the period	1,862,805.46	586,931.01	398,270.49	2,848,006.96
– accrued	1,862,805.46	586,931.01	398,270.49	2,848,006.96
(3) Decrease in the period				
– disposal				
(4) 31 December 2018	9,823,794.35	12,585,213.67	563,929.24	22,972,937.26
3. Impairment provision				
(1) 31 December 2017				
(2) Increase in the period				
– accrued				
(3) Decrease in the period				
– disposal				
(4) 31 December 2018				
4. Carrying value				
(1) Carrying value on 31 December 2018	70,572,258.53	1,599,223.97	1,423,975.76	73,595,458.26
(2) Carrying value on 31 December 2017	72,435,063.99	1,040,686.98	1,822,246.25	75,297,997.22

Items	Land use right	Computer software	Emission right	Total
1. Original carrying value				
(1) 31 December 2018	80,396,052.88	14,184,437.64	1,987,905.00	96,568,395.52
(2) Increase in the period		1,372,146.00		1,372,146.00
– purchase		1,372,146.00		1,372,146.00
(3) Decrease in the period		137,361.00		137,361.00
– disposal		137,361.00		137,361.00
(4) 31 December 2019	80,396,052.88	15,419,222.64	1,987,905.00	97,803,180.52
2. Accumulated depreciation				
(1) 31 December 2018	9,823,794.35	12,585,213.67	563,929.24	22,972,937.26
(2) Increase in the period	1,861,705.87	769,798.91	397,363.27	3,028,868.05
– accrued	1,861,705.87	769,798.91	397,363.27	3,028,868.05
(3) Decrease in the period		25,182.84		25,182.84
– disposal		25,182.84		25,182.84
(4) 31 December 2019	11,685,500.22	13,329,829.74	961,292.51	25,976,622.47
3. Impairment provision				
(1) 31 December 2018				
(2) Increase in the period				
– accrued				
(3) Decrease in the period				
– disposal				
(4) 31 December 2019				
4. Carrying value				
(1) Carrying value on 31 December 2019	68,710,552.66	2,089,392.90	1,026,612.49	71,826,558.05
(2) Carrying value on 31 December 2018	70,572,258.53	1,599,223.97	1,423,975.76	73,595,458.26

Items	Land use right	Computer software	Emission right	Total
1. Original carrying value				
(1) 31 December 2019	80,396,052.88	15,419,222.64	1,987,905.00	97,803,180.52
(2) Increase in the period		1,151,378.00		1,151,378.00
– purchase		1,151,378.00		1,151,378.00
(3) Decrease in the period				
– disposal				
(4) 31 December 2020	80,396,052.88	16,570,600.64	1,987,905.00	98,954,558.52
2. Accumulated depreciation				
(1) 31 December 2019	11,685,500.21	13,329,829.75	961,292.51	25,976,622.47
(2) Increase in the period	1,861,705.83	579,576.55	398,451.93	2,839,734.31
– accrued	1,861,705.83	579,576.55	398,451.93	2,839,734.31
(3) Decrease in the period				
– disposal				
(4) 31 December 2020	13,547,206.04	13,909,406.30	1,359,744.44	28,816,356.78
3. Impairment provision				
(1) 31 December 2019				
(2) Increase in the period				
– accrued				
(3) Decrease in the period				
– disposal				
(4) 31 December 2020				
4. Carrying value				
(1) Carrying value on 31 December 2020	66,848,846.84	2,661,194.34	628,160.56	70,138,201.74
(2) Carrying value on 31 December 2019	68,710,552.67	2,089,392.89	1,026,612.49	71,826,558.05

Items	Land use right	Computer software	Emission right	Total
1. Original carrying value				
(1) 31 December 2020	80,396,052.88	16,570,600.64	1,987,905.00	98,954,558.52
(2) Increase in the period		1,285,980.00		1,285,980.00
– purchase		1,285,980.00		1,285,980.00
(3) Decrease in the period				
– disposal				
(4) 30 June 2021	80,396,052.88	17,856,580.64	1,987,905.00	100,240,538.52
2. Accumulated depreciation				
(1) 31 December 2020	13,547,206.04	13,909,406.30	1,359,744.44	28,816,356.78
(2) Increase in the period	930,852.94	465,224.63	197,048.63	1,593,126.20
– accrued	930,852.94	465,224.63	197,048.63	1,593,126.20
(3) Decrease in the period				
– disposal				
(4) 30 June 2021	14,478,058.98	14,374,630.93	1,556,793.07	30,409,482.98
3. Impairment provision				
(1) 31 December 2020				
(2) Increase in the period				
– accrued				
(3) Decrease in the period				
– disposal				
(4) 30 June 2021				
4. Carrying value				
(1) Carrying value on 30 June 2021	65,917,993.90	3,481,949.71	431,111.93	69,831,055.54
(2) Carrying value on 31 December 2020	66,848,846.84	2,661,194.34	628,160.56	70,138,201.74

(XIII) Long-term deferred expenses

Items	31 December 2017	Increase for the period	Amount of amortisation for the period	Other decrease amount	31 December 2018
Car park rental fee	516,966.78		57,952.52		459,014.26
Other	127,225.67		67,613.69		59,611.98
Improvements to fixed assets under operating leases	415,539.22		415,539.22		
Total	1,059,731.67		541,105.43		518,626.24

(XIV) Deferred income tax assets and deferred income tax liabilities

1. *Deferred income tax assets not yet offset*

	30 June 2021		31 December 2020		31 December 2019		31 December 2018	
Items	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	22,424,781.44	5,606,195.36	29,028,820.48	7,257,205.12	36,723,972.91	9,180,993.22	26,054,731.45	6,513,682.86
Accrued expenses	23,513,046.46	5,878,261.62	31,222,964.97	7,805,741.24	35,961,174.36	8,990,293.59	43,404,502.47	10,851,125.62
Depreciation of fixed assets and tax difference in amortisation of intangible assets					27,741,939.41	6,935,484.85	37,844,386.96	9,461,096.74
Other non-current liabilities					21,531.68	5,382.92		
Lease liabilities					283,110.30	70,777.58		
Estimated liabilities							2,060.69	515.17
Total	45,937,827.90	11,484,456.98	60,251,785.45	15,062,946.36	100,731,728.66	25,182,932.16	107,305,681.57	26,826,420.39

2. Deferred income tax liabilities not yet offset

	30 June 2021		31 December 2020		31 December 2019		31 December 2018	
Items	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Depreciation of fixed assets and tax difference in amortisation of intangible assets	71,432,867.49	17,858,216.87	55,938,953.76	13,984,738.44				
Lease liabilities	32,036.19	8,009.05	1,653,548.58	413,387.15				
Total	71,464,903.68	17,866,225.92	57,592,502.34	14,398,125.59				

3. Deferred income tax assets or liabilities presented as net of offsetting

	30 June 2021		31 December 2020		31 December 2019		31 December 2018	
Items	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	11,484,456.98		14,398,125.59	664,820.77		25,182,932.16		26,826,420.39
Deferred income tax liabilities	11,484,456.98	6,381,768.94	14,398,125.59					

(XV) Other non-current assets

	30 June 2021			31 December 2020			31 December 2019			31 December 2018		
Items	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Golf membership right	739,000.00		739,000.00	739,000.00		739,000.00	739,000.00		739,000.00	739,000.00		739,000.00
Total	739,000.00		739,000.00	739,000.00		739,000.00	739,000.00		739,000.00	739,000.00		739,000.00

(XVI) Notes payable

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Bank acceptances	633,160,000.00	699,490,000.00	520,540,000.00	413,086,964.80
Trade acceptances	108,090,103.45	121,851,917.35	89,432,282.14	79,066,733.43
Total	741,250,103.45	821,341,917.35	609,972,282.14	492,153,698.23

(XVII) Accounts payable

1. List of accounts payable

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Payment for material	868,762,682.87	992,854,098.10	872,726,036.92	751,717,437.27
Total	868,762,682.87	992,854,098.10	872,726,036.92	751,717,437.27

(XVIII) Advance receipts from customers

1. List of advances receipts from customers

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Advances on sales				7,986,631.18
Total				7,986,631.18

(XIX) Contract Liabilities

1. Details of contract liabilities

Items	30 June 2021	31 December 2020	31 December 2019
Transportation fee related to product sales	24,261,291.81	24,888,621.91	13,130,269.89
Contract loans related to product sales			113,263.09
Total	24,261,291.81	24,888,621.91	13,243,532.98

2. Significant changes in carrying value during the Reporting Period and the reasons therefor

January to June 2021

Items	Amount of change	Reasons for change
Transportation fee related to product sales	-627,330.10	Differences between the progress of collection and the progress of revenue recognition result in changes in the balance of contract liabilities
Total	-627,330.10	

2020

Items	Amount of change	Reasons for change
Transportation fee related to product sales	11,645,088.93	Differences between the progress of collection and the progress of revenue recognition result in changes in the balance of contract liabilities
Total	11,645,088.93	

2019

Items	Amount of change	Reasons for change
Transportation fee related to product sales	6,885,026.88	Differences between the progress of collection and the progress of revenue recognition result in changes in the balance of contract liabilities
Total	6,885,026.88	

(XX) Staff remuneration payable

1. List of staff remuneration payable

Items	31 December 2017	Increase for the period	Decrease for the period	31 December 2018
Short-term remuneration	14,983,538.51	98,757,096.98	96,467,123.95	17,273,511.54
Post-employment benefits – defined contribution plans	533,095.10	15,430,915.30	15,676,309.51	287,700.89
Termination benefits				
Other benefits due within one year				
Total	15,516,633.61	114,188,012.28	112,143,433.46	17,561,212.43

Items	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
Short-term remuneration	17,273,511.54	102,200,925.22	102,314,638.69	17,159,798.07
Post-employment benefits – defined contribution plans	287,700.89	13,963,891.06	14,031,184.89	220,407.06
Termination benefits				
Other benefits due within one year				
Total	17,561,212.43	116,164,816.28	116,345,823.58	17,380,205.13

Items	31 December 2019	Increase for the period	Decrease for the period	31 December 2020
Short-term remuneration	17,159,798.07	93,202,605.92	92,548,097.65	17,814,306.34
Post-employment benefits – defined contribution plans	220,407.06	6,977,925.94	7,011,076.41	187,256.59
Termination benefits				
Other benefits due within one year				
Total	17,380,205.13	100,180,531.86	99,559,174.06	18,001,562.93

Items	31 December 2020	Increase for the period	Decrease for the period	30 June 2021
Short-term remuneration	17,814,306.34	51,330,259.32	57,973,328.48	11,171,237.18
Post-employment benefits – defined contribution plans	187,256.59	7,459,244.70	7,646,501.29	
Termination benefits				
Other benefits due within one year				
Total	18,001,562.93	58,789,504.02	65,619,829.77	11,171,237.18

2. List of short-term remuneration

Items	31 December 2017	Increase for the period	Decrease for the period	31 December 2018
(1) Wages, bonuses, allowances and subsidies	13,950,233.71	69,403,720.26	67,102,813.15	16,251,140.82
(2) Employee welfare fee		10,963,767.20	10,963,767.20	
(3) Social insurance premiums		7,278,166.60	7,278,166.60	
Including: medical insurance premiums		4,383,893.14	4,383,893.14	
Work-related injury insurance premiums		359,734.99	359,734.99	
Maternity insurance premiums		336,926.82	336,926.82	
Major diseases insurance premiums		2,197,611.65	2,197,611.65	
(4) Housing provident funds	1,033,304.80	11,052,561.92	11,063,496.00	1,022,370.72
(5) Trade union expenditures and staff training costs		58,881.00	58,881.00	
(6) Short-term paid absence				
(7) Short-term profit-sharing plan				
Total	14,983,538.51	98,757,096.98	96,467,123.95	17,273,511.54

Items	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
(1) Wages, bonuses, allowances and subsidies	16,251,140.82	68,118,815.99	68,239,698.10	16,130,258.71
(2) Employee welfare fee		15,273,407.26	15,273,407.26	
(3) Social insurance premiums		6,951,889.49	6,951,889.49	
Including: medical insurance premiums		6,203,053.89	6,203,053.89	
Work-related injury insurance premiums		220,374.76	220,374.76	
Maternity insurance premiums		451,130.84	451,130.84	
Major diseases insurance premiums		77,330.00	77,330.00	
(4) Housing provident funds	1,022,370.72	11,799,616.48	11,797,197.84	1,024,789.36
(5) Trade union expenditures and staff training costs		57,196.00	52,446.00	4,750.00
(6) Short-term paid absence				
(7) Short-term profit-sharing plan				
Total	17,273,511.54	102,200,925.22	102,314,638.69	17,159,798.07

Items	31 December 2019	Increase for the period	Decrease for the period	31 December 2020
(1) Wages, bonuses, allowances and subsidies	16,130,258.71	67,233,791.94	66,669,342.29	16,694,708.36
(2) Employee welfare fee		8,723,611.02	8,723,611.02	
(3) Social insurance premiums		5,961,833.05	5,961,833.05	
Including: medical insurance premiums		5,399,497.94	5,399,497.94	
Work-related injury insurance premiums		16,829.05	16,829.05	
Maternity insurance premiums		466,856.06	466,856.06	
Major diseases insurance premiums		78,650.00	78,650.00	
(4) Housing provident funds	1,024,789.36	11,223,489.40	11,134,540.64	1,113,738.12
(5) Trade union expenditures and staff training costs	4,750.00	59,880.51	58,770.65	5,859.86
(6) Short-term paid absence				
(7) Short-term profit-sharing plan				
Total	17,159,798.07	93,202,605.92	92,548,097.65	17,814,306.34

Items	31 December 2020	Increase for the period	Decrease for the period	30 June 2021
(1) Wages, bonuses, allowances and subsidies	16,694,708.36	34,544,488.67	41,344,084.92	9,895,112.11
(2) Employee welfare fee		6,802,556.76	6,802,556.76	
(3) Social insurance premiums		4,026,199.72	3,820,683.59	205,516.13
Including: medical insurance premiums		3,451,345.81	3,245,829.68	205,516.13
Work-related injury insurance premiums		42,350.00	42,350.00	
Maternity insurance premiums		281,499.50	281,499.50	
Major diseases insurance premiums		251,004.41	251,004.41	
(4) Housing provident funds	1,113,738.12	5,922,465.92	5,971,167.12	1,065,036.92
(5) Trade union expenditures and staff training costs	5,859.86	34,548.25	34,836.09	5,572.02
(6) Short-term paid absence				
(7) Short-term profit-sharing plan				
Total	17,814,306.34	51,330,259.32	57,973,328.48	11,171,237.18

3. Breakdown of defined contribution plans

Items	31 December 2017	Increase for the period	Decrease for the period	31 December 2018
Basic pension insurance premium	533,095.10	14,870,681.40	15,116,075.61	287,700.89
Unemployment insurance premiums		560,233.90	560,233.90	
Corporate annuity				
Total	533,095.10	15,430,915.30	15,676,309.51	287,700.89

Items	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
Basic pension insurance premium	287,700.89	13,419,434.68	13,486,728.51	220,407.06
Unemployment insurance premiums		544,456.38	544,456.38	
Corporate annuity				
Total	287,700.89	13,963,891.06	14,031,184.89	220,407.06

Items	31 December 2019	Increase for the period	Decrease for the period	31 December 2020
Basic pension insurance premium	220,407.06	6,629,535.94	6,662,686.41	187,256.59
Unemployment insurance premiums		348,390.00	348,390.00	
Corporate annuity				
Total	220,407.06	6,977,925.94	7,011,076.41	187,256.59

Items	31 December 2020	Increase for the period	Decrease for the period	30 June 2021
Basic pension insurance premium	187,256.59	7,159,467.00	7,346,723.59	
Unemployment insurance premiums		299,777.70	299,777.70	
Corporate annuity				
Total	187,256.59	7,459,244.70	7,646,501.29	

(XXI) Taxes and surcharges payable

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Enterprise income tax	11,713,086.38	15,182,007.41	32,681,599.14	8,220,841.62
Individual income tax	1,545,786.39	1,615,014.40	1,650,649.02	1,523,820.81
Urban maintenance and construction tax	6,859,565.21	6,723,464.90	7,254,736.94	7,853,024.46
Property tax	1,021,612.82	1,021,612.82	1,021,519.37	1,007,314.27
Educational surcharges	4,899,689.44	4,802,474.93	5,181,954.96	5,609,303.18
Land use tax	151,405.09	151,405.09	151,405.09	151,405.09
Others	65,065.97	139,689.91	107,709.22	46,078.78
Total	26,256,211.30	29,635,669.46	48,049,573.74	24,411,788.21

(XXII) Other payables

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Interest payable				
Dividend payable				
Other payables	75,950,145.87	153,364,742.16	94,924,355.52	140,039,514.88
Total	75,950,145.87	153,364,742.16	94,924,355.52	140,039,514.88

1. Other payables

(1) List of other payables by nature

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Transportation fee	51,353,090.74	70,123,679.89	33,366,366.88	24,154,562.05
Security deposits	17,562,000.00	11,592,000.00	17,192,000.00	13,232,000.00
Purchase of equipment	5,807,637.09	42,988,531.47	18,328,169.29	65,896,065.11
Others	1,227,418.04	28,660,530.80	26,037,819.35	36,756,887.72
Total	75,950,145.87	153,364,742.16	94,924,355.52	140,039,514.88

(2) Other major payables aged more than one year

Items	**30 June 2021**	**Reasons for outstanding or carried forward**
Nanjing Tengyu Plastic Electric Co., Ltd. (南京騰宇塑膠電器有限公司)	1,754,000.00	Security deposit not returned
Nanjing Shuangxing Plastic Mould Co., Ltd. (南京雙星塑料模具有限公司)	1,703,000.00	Security deposit not returned
Nanjing Daen Electromechanical Co., Ltd. (南京大恩機電有限公司)	1,500,000.00	Security deposit not returned
Nanjing Yonghu Electronics Co., Ltd. (南京永湖電子有限公司)	1,400,000.00	Security deposit not returned
SNT CO., LTD	900,355.58	Tariff credits, not confirmed by customer
Taixin Electric (Suzhou) Co., Ltd. (泰信電機(蘇州)有限公司)	900,000.00	Security deposit not returned
Xinxingtaike Electronics (Nanjing) Co., Ltd. (新幸泰克電子(南京)有限公司)	600,000.00	Security deposit not returned
Nanjing Erbao Electronics Co., Ltd. (南京爾寶電子有限公司)	500,000.00	Security deposit not returned
Nanjing Xian'an Electric Co., Ltd. (南京先安電機有限公司)	500,000.00	Security deposit not returned
Total	9,757,355.58	

Items	31 December 2020	Reasons for outstanding or carried forward
Nanjing Daen Electromechanical Co., Ltd.	1,950,000.00	Security deposit not returned
Nanjing Shuangxing Plastic Mould Co., Ltd.	1,703,000.00	Security deposit not returned
Nanjing Tengyu Plastic Electric Co., Ltd.	1,604,000.00	Security deposit not returned
Nanjing Yonghu Electronics Co., Ltd.	1,400,000.00	Security deposit not returned
SNT CO., LTD	900,355.58	Tariff credits, not confirmed by customer
Taixin Electric (Suzhou) Co., Ltd.	900,000.00	Security deposit not returned
Xinxingtaike Electronics (Nanjing) Co., Ltd.	600,000.00	Security deposit not returned
Nanjing Xian'an Electric Co., Ltd.	500,000.00	Security deposit not returned
Total	9,557,355.58	

Items	31 December 2019	Reasons for outstanding or carried forward
Nanjing Shuangxing Plastic Mould Co., Ltd.	4,103,000.00	Security deposit not returned
Nanjing Tengyu Plastic Electric Co., Ltd.	1,854,000.00	Security deposit not returned
Nanjing Daen Electromechanical Co., Ltd.	1,400,000.00	Security deposit not returned
Nanjing Yonghu Electronics Co., Ltd.	1,050,000.00	Security deposit not returned
Taixin Electric (Suzhou) Co., Ltd.	1,000,000.00	Security deposit not returned
Nanjing Xian'an Electric Co., Ltd.	650,000.00	Security deposit not returned
Xinxingtaike Electronics (Nanjing) Co., Ltd.	600,000.00	Security deposit not returned
Nanjing Dasi Metal Products Co., Ltd.	550,000.00	Security deposit not returned
Total	11,207,000.00	

Items	31 December 2018	Reasons for outstanding or carried forward
Nanjing Xiongzhou Mechanical and Electrical Manufacturing Co., Ltd.	3,753,000.00	Security deposit not returned
Jiangsu Hengxiang Environmental Recycling Resources Co., Ltd.	1,854,000.00	Security deposit not returned
Nanjing Erbao Electronics Co., Ltd. (南京爾寶電子有限公司)	1,400,000.00	Security deposit not returned
Nanjing Shuangxing Plastic Mould Co., Ltd.	1,210,278.00	Security deposit not returned
Taixin Electric (Suzhou) Co., Ltd.	1,050,000.00	Security deposit not returned
Nanjing Daen Electromechanical Co., Ltd.	1,000,000.00	Security deposit not returned
Nanjing Tengyu Plastic Electric Co., Ltd.	600,000.00	Security deposit not returned
Nanjing Dasi Metal Products Co., Ltd.	500,000.00	Security deposit not returned
Nanjing Zaicheng Precision Machinery Co., Ltd. (南京載承精密機械有限公司)	500,000.00	Security deposit not returned
Total	11,867,278.00	

(XXIII) Non-current liabilities due within one year

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Lease liabilities due within one year	40,598.98	40,598.98	5,388,207.26	
Total	40,598.98	40,598.98	5,388,207.26	

(XXIV) Other current liabilities

Items	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Notes receivable endorsed and not yet due	49,438,850.23	47,336,289.63	48,342,255.61	
Total	49,438,850.23	47,336,289.63	48,342,255.61	

(XXV) Lease liabilities

Items	30 June 2021	31 December 2020
Lease liabilities	19,647.90	38,873.83
Total	19,647.90	38,873.83

(XXVI) Estimated liabilities

Items	31 December 2017	Increase for the period	Decrease for the period	31 December 2018	Reasons
Short-term sales funds	19,962.47		17,901.82	2,060.65	Related party after-sales service fees
Total	19,962.47		17,901.82	2,060.65	

(XXVII) Other non-current liabilities

Items	30 June 2021	31 December 2021	31 December 2019	31 December 2018
Short-term sales funds			21,531.68	
Total			21,531.68	

(XXVIII) Paid-in capital

	31 December 2017				31 December 2018	
Name of investor	Investment amount	Percentage (%)	Increase for the period	Decrease for the period	Investment amount	Percentage (%)
Total	257,380,022.40	100.00			257,380,022.40	100.00
LG Electronics Co., Ltd.	128,690,011.20	50.00			128,690,011.20	50.00
Panda Electronics Group Limited	77,214,006.72	30.00			77,214,006.72	30.00
LG Electronics (China) Co., Ltd.	51,476,004.48	20.00			51,476,004.48	20.00

	31 December 2018				31 December 2019	
Name of investor	Investment amount	Percentage (%)	Increase for the period	Decrease for the period	Investment amount	Percentage (%)
Total	257,380,022.40	100.00			257,380,022.40	100.00
LG Electronics Co., Ltd.	128,690,011.20	50.00			128,690,011.20	50.00
Panda Electronics Group Limited	77,214,006.72	30.00			77,214,006.72	30.00
LG Electronics (China) Co., Ltd.	51,476,004.48	20.00			51,476,004.48	20.00

Name of investor	31 December 2019 Investment amount	Percentage (%)	Increase for the period	Decrease for the period	31 December 2020 Investment amount	Investment amount
Total	257,380,022.40	100.00			257,380,022.40	100.00
LG Electronics Co., Ltd.	128,690,011.20	50.00			128,690,011.20	50.00
Panda Electronics Group Limited	77,214,006.72	30.00			77,214,006.72	30.00
LG Electronics (China) Co., Ltd.	51,476,004.48	20.00			51,476,004.48	20.00

Name of investor	31 December 2020 Investment amount	Percentage (%)	Increase for the period	Decrease for the period	30 June 2021 Investment amount	Percentage (%)
Total	257,380,022.40	100.00			257,380,022.40	100.00
LG Electronics Co., Ltd.	128,690,011.20	50.00			128,690,011.20	50.00
Panda Electronics Group Limited	77,214,006.72	30.00			77,214,006.72	30.00
LG Electronics (China) Co., Ltd.	51,476,004.48	20.00			51,476,004.48	20.00

(XXIX) Capital reserves

Items	31 December 2017	Increase for the period	Decrease for the period	31 December 2018
Capital premium (share premium)				
Other capital reserves	47,572,919.85			47,572,919.85
Total	47,572,919.85			47,572,919.85

Items	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
Capital premium (share premium)				
Other capital reserves	47,572,919.85			47,572,919.85
Total	47,572,919.85			47,572,919.85

Items	31 December 2019	Increase for the period	Decrease for the period	31 December 2020
Capital premium (share premium)				
Other capital reserves	47,572,919.85			47,572,919.85
Total	47,572,919.85			47,572,919.85

Items	31 December 2020	Increase for the period	Decrease for the period	30 June 2021
Capital premium (share premium)				
Other capital reserves	47,572,919.85			47,572,919.85
Total	47,572,919.85			47,572,919.85

(XXX) **Surplus reserves**

Items	31 December 2017	Increase for the period	Decrease for the period	31 December 2018
Statutory surplus reserve	78,753,031.86	13,887,430.73		92,640,462.59
Corporate development funds	19,796,648.33			19,796,648.33
Others				
Total	98,549,680.19	13,887,430.73		112,437,110.92

Items	31 December 2018	Adjustments for changes in accounting policies	1 January 2019	Increase for the period	Decrease for the period	31 December 2019
Statutory surplus reserve	92,640,462.59		92,640,462.59	10,923,595.67		103,564,058.26
Corporate development funds	19,796,648.33		19,796,648.33			19,796,648.33
Others						
Total	112,437,110.92		112,437,110.92	10,923,595.67		123,360,706.59

Items	31 December 2019	Adjustments for changes in accounting policies	1 January 2020	Increase for the period	Decrease for the period	31 December 2020
Statutory surplus reserve	103,564,058.26		103,564,058.26	20,850,844.10		124,414,902.36
Corporate development funds	19,796,648.33		19,796,648.33			19,796,648.33
Total	123,360,706.59		123,360,706.59	20,850,844.10		144,211,550.69

Items	31 December 2020	Increase for the period	Decrease for the period	30 June 2021
Statutory surplus reserve	124,414,902.36	9,509,829.86		133,924,732.22
Corporate development funds	19,796,648.33			19,796,648.33
Total	144,211,550.69	9,509,829.86		153,721,380.55

(XXXI) Retained profits

Items	January to June 2021	2020	2019	2018
Retained profit before adjustment at the end of last year	572,458,720.90	605,317,920.69	484,314,081.79	472,290,140.19
Adjustment to the retained profit in total at the beginning of the year (increase +, decrease -)			-115,836.75	
Retained profit after adjustment at the beginning of the year	572,458,720.90	605,317,920.69	484,198,245.04	472,290,140.19
Add: Net profit attributable to owners of the parent of the period	95,098,298.63	133,947,553.02	208,508,441.02	109,235,956.71
Less: Appropriation of statutory surplus reserve	9,509,829.86	20,850,844.10	10,923,595.67	13,887,430.73
Appropriation of discretionary surplus reserve				
Appropriation of general risk reserve				
Dividend payable on ordinary shares	93,763,287.11	145,955,908.71	76,465,169.70	83,324,584.38
Dividend on ordinary share converted to share capital				
Retained profit at the end of the period	564,283,902.56	572,458,720.90	605,317,920.69	484,314,081.79

Adjustments to the retained profit breakdown as at the beginning of the year:

	Impact to the retained profit as at the beginning of the year			
Items	January to June 2021	2020	2019	2018
Retrospective adjustments arising from Accounting Standards for Business Enterprises and their new related requirements			-115,836.75	
Changes in accounting policies				
Total			-115,836.75	

The Company implemented the New Lease Standards for the first time on 1 January 2019. In accordance with the relevant provisions, the Company does not reassess contractual options that already existed prior to the date of first implementation. The Company adjusted the amount of the relevant items in the financial statements at the beginning of 2019 for the cumulative effect amount of the standards, and the comparative financial statements for 2018 have not been restated.

(XXXII) Operating revenue and operating costs

1. Breakdown of operating revenue and operating costs

	January to June 2021		January to June 2020 (unaudited)		2020	
Items	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal businesses	2,214,216,720.83	2,089,774,670.76	1,252,444,171.48	1,201,642,104.78	3,473,702,903.42	3,336,713,988.36
Other businesses	659,460,822.79	619,964,598.71	477,105,597.69	426,435,116.74	1,215,856,020.61	1,086,831,398.83
Total	2,873,677,543.62	2,709,739,269.47	1,729,549,769.17	1,628,077,221.52	4,689,558,924.03	4,423,545,387.19

	2019		2018	
Items	Revenue	Cost	Revenue	Cost
Principal businesses	3,274,347,814.16	3,067,143,236.08	2,763,797,725.95	2,514,501,291.02
Other businesses	1,431,864,249.77	1,251,546,766.09	1,178,862,023.95	1,027,897,089.81
Total	4,706,212,063.93	4,318,690,002.17	3,942,659,749.90	3,542,398,380.83

Details of operating revenue:

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Washing machines	2,214,216,720.83	1,252,444,171.48	3,473,702,903.42	3,274,347,814.16	2,763,797,725.95
Materials and parts and components	641,417,514.70	460,375,007.84	1,189,157,425.79	1,411,838,140.78	1,162,404,034.48
Defective products	6,093,270.57	7,518,789.95	8,361,590.29	8,814,909.22	6,097,873.39
Others	11,950,037.52	9,211,799.90	18,337,004.53	11,211,199.77	10,360,116.08
Total	2,873,677,543.62	1,729,549,769.17	4,689,558,924.03	4,706,212,063.93	3,942,659,749.90

(XXXIII) Taxes and surcharges

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Urban maintenance and construction tax	2,245,915.28	36,160.03	2,112,684.53	8,351,147.14	6,570,044.48
Educational surcharges	1,604,225.22	25,828.64	1,509,060.47	5,965,105.13	4,692,888.87
Stamp tax	690,113.59	400,524.79	1,075,594.79	1,055,891.57	1,038,098.39
Property tax	1,957,210.12	2,032,278.06	4,075,208.50	4,095,916.68	4,095,692.25
Land use tax	302,810.18	302,810.18	605,620.36	605,620.36	605,620.37
Total	6,800,274.39	2,797,601.70	9,378,168.65	20,073,680.88	17,002,344.36

(XXXIV) Selling expenses

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Transportation and logistics fees					168,946,790.18
Service fee	2,094,039.95	953,876.80	3,355,943.37	3,714,956.81	3,493,292.41
Staff remuneration	5,401,334.46	4,905,869.22	9,372,074.12	8,440,715.71	7,476,450.42
Packaging fee	1,803,247.92	1,703,026.22	3,146,133.33	2,770,943.46	2,259,787.85
Material fee	365,196.86		13,432.11	807,541.48	631,286.83
Aftersales services fees	180,949.81	422,913.48	931,009.14	2,268,225.88	2,214,986.89
Depreciation expenses	132,010.86	132,010.86	264,021.81	305,782.26	350,392.07
Travelling and transportation expenses	90,410.68	107,038.60	244,961.67	392,846.49	424,111.48
Lease expenses	71,595.20	119,540.54	194,976.92		
Insurance premiums	51,450.52	34,193.85	75,155.06	86,486.89	82,326.34
Advertising fee	30,382.27	14,625.36	39,109.27	42,395.00	70,912.88
Entertainment expenses	10,377.00	11,029.77	19,433.76	101,223.11	52,333.21
Others	447,731.20	338,021.53	967,556.93	77,615.04	8,548.00
Total	10,678,726.73	8,742,146.23	18,623,807.49	19,008,732.13	186,011,218.56

(XXXV) Administrative expenses

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Staff salaries	13,190,787.65	12,276,988.72	27,185,400.66	28,453,026.44	25,740,599.44
Consulting service fees	8,422,773.45	7,729,919.50	17,331,399.69	15,760,687.27	17,882,847.89
Depreciation and amortization	6,515,437.13	6,758,241.91	13,415,840.90	14,744,248.85	10,319,384.05
Technical usage fees	1,393,816.27	1,443,537.45	3,901,504.78	6,514,529.03	6,565,116.14
Repair expenses	1,748,461.23	738,915.26	3,619,225.77	1,475,490.50	1,496,880.88
Entertainment expenses	775,407.12	996,397.61	2,267,217.07	2,444,768.51	1,957,183.76
Aftersales services fees	545,970.97	327,469.11	1,185,457.29	1,629,482.57	2,382,084.97
Material fee	401,323.79	340,129.03	1,144,786.22	533,434.19	431,821.13
Energy and utilities	706,389.94	173,108.09	960,091.47	7,436.30	394,058.67
Lease expenses	450,376.58	331,688.31	637,020.78	546,858.07	529,990.30
Vehicle management fee	112,033.52	102,794.31	227,348.59	535,405.64	729,918.15
Travelling expenses	209,868.30	68,224.19	208,426.85	423,159.03	527,071.75
Transportation expenses	8,177.84	3,045.54	7,943.25	18,258.17	15,066.48
Others	658,630.54	537,039.78	677,512.26	1,502,050.73	1,842,248.45
Total	35,139,454.33	31,827,498.81	72,769,175.58	74,588,835.30	70,814,272.06

(XXXVI) Financial expenses

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Interest expenses	3,285.25	101,448.00	143,107.90	269,941.65	3,407.95
Including: interest expenses of lease liabilities	3,285.25	101,448.00	143,107.90	269,941.65	3,407.95
Less: interest income	249,540.71	1,217,179.97	1,425,558.70	2,512,440.28	369,802.53
Exchange gain and loss	3,356,736.69	-2,573,403.09	7,642,322.91	-1,011,489.86	-7,656,461.87
Others	643,666.29	464,074.19	1,277,639.16	1,152,257.85	957,712.77
Total	3,754,147.52	-3,225,060.87	7,637,511.27	-2,101,730.64	-7,065,143.68

(XXXVII) Other income

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Refund of commission for paying individual income tax	125,261.72	193,272.50	193,272.50	311,751.89	
Total	125,261.72	193,272.50	193,272.50	-390,630.72	

(XXXVIII) Investment income

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Entrusted loan interest	8,325,412.73	5,026,552.06	11,327,213.89	8,736,803.16	7,966,320.18
Total	8,325,412.73	5,026,552.06	11,327,213.89	8,736,803.16	7,966,320.18

(XXXIX) Assets impairment loss

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Inventory depreciation loss and impairment loss in contract performance cost	-6,604,039.04	-11,608,294.84	-5,692,487.62	10,669,241.46	-4,519,592.85
Impairment losses on fixed assets					36,364.61
Total	-6,604,039.04	-11,608,294.84	-5,692,487.62	10,669,241.46	-4,483,228.24

(XL) Gain on disposal of assets

Items	Amount					Included in non-recurring profit or loss in the period				
	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Gain on disposal of fixed assets	244,976.90	145,451.80	-17,434.76	-390,630.72	1,004,722.25	244,976.90	145,451.80	-17,434.76	-390,630.72	1,004,722.25
Total	244,976.90	145,451.80	-17,434.76	-390,630.72	1,004,722.25	244,976.90	145,451.80	-17,434.76	-390,630.72	1,004,722.25

(XLI) Non-operating income

Items	Amount					Included in non-recurring profit or loss in the period				
	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Government grants	1,000.00	7,200.00	41,434.80	-41,690.80	316,850.80	1,000.00	7,200.00	41,434.80	-41,690.80	316,850.80
Compensation income	22,650.05	1,312.50	5,169.24	247,962.26	47,491.46	22,650.05	1,312.50	5,169.24	247,962.26	47,491.46
Total	23,650.05	8,512.50	46,604.04	206,271.46	364,342.26	23,650.05	8,512.50	46,604.04	206,271.46	364,342.26

Government grants recorded in non-operating income:

Item	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018	Related to assets/ income
Subsidies for employment information monitoring	1,000.00				800.00	Related to income
Reward for catering quality and safety demonstration at provincial level		5,000.00	5,000.00			Related to income
Funds for awards and subsidies for structural adjustment of central industrial enterprises			13,164.00			Related to income
Reward for invention patent from Market Supervision Agency of Qinhuai District			15,070.80			Related to income

Item	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018	Related to assets/ income
Special reward for provincial business development			6,000.00	225,000.00		Related to income
Reward for key tax source filings		1,200.00	1,200.00	1,200.00		Related to income
Reward from Labor and Employment Management of Qinhuai District in Nanjing City		1,000.00	1,000.00	1,160.00		Related to income
Government grants for the construction of baby rooms					40,000.00	Related to income
Job stabilization subsidies				-276,050.80	276,050.80	Related to income
Reward for promotion of intellectual right in Baixia Gaoxin District				2,000.00		Related to income
Labor Day honor reward				5,000.00		Related to income
Total	1,000.00	7,200.00	41,434.80	-41,690.80	316,850.80	

Note: RMB276,050.80 in job stabilization subsidies in 2019 is refunded.

(XLII) Non-operating expenses

	Amount					Included in non-recurring profit or loss in the period				
Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Donation to external parties		30,000.00	30,000.00		34,380.00		30,000.00	30,000.00		34,380.00
Penalty charges					119,591.41					119,591.41
Total		30,000.00	30,000.00		153,971.41		30,000.00	30,000.00		153,971.41

(XLIII) Income tax expenses

1. List of income tax expenses

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Current income tax	20,744,123.28	13,072,337.17	16,351,352.73	63,995,569.17	35,863,672.60
Deferred income tax	7,046,589.71	3,358,620.38	24,518,111.39	1,643,488.23	2,063,689.98
Total	27,790,712.99	16,430,957.55	40,869,464.12	65,639,057.40	37,927,362.58

2. Reconciliation accounting profit to income tax expenses

Items	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Total profit	122,889,011.62	78,282,445.48	174,817,017.14	274,147,498.42	147,163,319.29
Income tax expenses calculated at the statutory (or applicable) tax rate	30,722,252.91	19,570,611.37	43,704,254.29	68,536,874.61	36,790,829.82
Different tax rate of subsidiaries					
Adjustment on previous income tax	-3,511,531.22	-3,231,285.53	-3,075,653.07	-3,265,784.51	-372,782.65
Income not subject to tax					
Costs, expenses and losses not deductible for tax purposes	579,991.30	91,631.71	240,862.90	367,967.30	1,509,315.41
Utilisation of the deductible losses related to deferred income tax assets unrecognized in previous periods					
Deductible temporary differences or deductible losses from deferred income tax assets unrecognized in the current period					
Income tax expenses	27,790,712.99	16,430,957.55	40,869,464.12	65,639,057.40	37,927,362.58

(XLIV) Supplementary information of cash flow statements

1. Supplementary information of cash flow statements

Supplementary information	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
1. Reconciliation of net profit to cash flow of operating activities					
Net profit	95,098,298.63	61,851,487.93	133,947,553.02	208,508,441.02	109,235,956.71
Add: Credit impairment loss					
Assets impairment loss	-6,604,039.04	-11,608,294.84	-5,692,487.62	10,669,241.46	-4,483,228.24
Depreciation of fixed assets and investment property	47,938,256.24	45,672,219.99	93,303,124.38	85,196,423.96	72,326,253.79
Depreciation of right-of-use assets	1,710,290.42	1,768,355.29	3,536,710.58	3,446,840.45	
Amortisation of intangible assets	1,593,126.20	1,402,368.50	2,839,734.31	3,028,868.05	2,848,006.96
Amortisation of long-term deferred expenses				117,592.74	616,302.23
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is represented by "-")	-244,976.90	-145,451.80	17,434.76	390,630.72	-1,004,722.25
Loss on scrapped fixed assets (gain is represented by "-")					
Loss on change in fair value (gain is represented by "-")					

Supplementary information	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Financial expenses (gain is represented by "-")	3,285.25	101,448.0	143,107.90	269,941.65	3,407.95
Investment loss (gain is represented by "-")	-8,325,412.73	-5,026,552.06	-11,327,213.89	-8,736,803.16	-7,966,320.18
Decrease in deferred tax assets (increase is represented by "-")	664,820.77	27,376,065.57	24,518,111.39	1,643,488.23	2,063,689.98
Increase in deferred tax liabilities (decrease is represented by "-")	6,381,768.94				
Decrease in inventories (increase is represented by "-")	28,512,900.65	98,031,738.74	-16,199,132.81	-78,505,066.80	32,500,908.12
Decrease in operating receivables (increase is represented by "-")	191,671,724.91	295,008,846.77	-55,762,116.80	-367,332,275.58	413,819,342.22
Increase of operating payables (decrease is represented by "-")	-245,050,481.68	-426,091,914.55	379,816,467.82	280,917,985.24	-284,498,710.45
Others					
Net cash flows from operating activities	113,349,561.66	88,340,317.54	549,141,293.04	139,615,307.98	335,460,886.84
2. Significant investing and financing activities that do not involve cash receipts and payments					
Conversion of debt into capital					
Convertible corporate bonds due within one year					
Fixed assets held under finance leases					

Supplementary information	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
3. Net movement in cash and cash equivalents					
Cash at the end of the period	3,585,116.61	1,864,822.70	1,952,294.83	3,167,357.77	1,885,608.11
Less: cash at the beginning of period	1,952,294.83	3,167,357.77	3,167,357.77	1,885,608.11	3,643,771.71
Add: cash equivalents at end of the period					
Less: cash equivalents at beginning of the period					
Net increase in cash and cash equivalents	1,632,821.78	-1,302,535.07	-1,215,062.94	1,281,749.66	-1,758,163.60

2. *Composition of cash and cash equivalents*

Items	January to June 2021	January to June 2020 (unaudited)	31 December 2020	31 December 2019	31 December 2018
I. Cash	3,585,116.61	1,864,822.70	1,952,294.83	3,167,357.77	1,885,608.11
Including: Cash on hand					
Bank deposit available for payment at any time	3,585,116.61	1,864,822.70	1,952,294.83	3,167,357.77	1,885,608.11
Other monetary funds available for payment at any time					
II. Cash equivalents					
Including: Bond investment due in three months					
III. Cash and cash equivalents at the end of the period					

(XLV) Monetary items in foreign currency

1. Monetary items in foreign currency

30 June 2021

Items	Balance in foreign currency	Exchange rate	Balance converted into RMB
Monetary funds			1,536,533.97
Including: USD	214,491.10	6.4601	1,385,633.96
EUR	19,632.59	7.6862	150,900.01
Accounts receivable			218,986,143.82
Including: USD	24,559,300.63	6.4601	158,655,538.00
EUR	7,842,709.69	7.6862	60,280,635.22
CAD	9,563.87	5.2097	49,824.89
JPY	2,495.00	0.0584	145.71
Accounts receivable			53,261,186.02
Including: USD	6,458,870.60	6.4601	41,724,949.96
EUR	1,491,841.75	7.6862	11,466,594.06
JPY	1,192,500.00	0.0584	69,642.00
Other payables			44,900,942.31
Including: USD	6,896,972.26	6.4601	44,555,130.50
EUR	44,315.64	7.6862	340,618.88
JPY	88,920.00	0.0584	5,192.93

31 December 2020

Items	Balance in foreign currency	Exchange rate	Balance converted into RMB
Monetary funds			397.11
Including: USD	60.86	6.5249	397.11
Accounts receivable			252,529,660.64
Including: USD	28,655,589.74	6.5249	186,974,857.49
EUR	8,160,883.12	8.0250	65,491,087.04
CAD	12,454.04	5.1161	63,716.11
Accounts payable			61,405,574.49
Including: USD	6,446,229.35	6.5249	42,061,001.89
EUR	2,404,903.80	8.0250	19,299,353.00
JPY	715,500.00	0.0632	45,219.60
Other payables			68,126,869.96
Including: USD	10,419,933.65	6.5249	67,989,025.08
EUR	16,633.64	8.0250	133,484.96
JPY	68,986.00	0.0632	4,359.92

31 December 2019

Items	Balance in foreign currency	Exchange rate	Balance converted into RMB
Monetary funds			1,181,105.54
Including: USD	169,305.00	6.9762	1,181,105.54
Accounts receivable			322,920,128.09
Including: USD	32,056,928.76	6.9762	223,635,546.40
EUR	12,700,612.13	7.8155	99,261,634.11
JPY	4,295.61	5.3421	22,947.58

Items	Balance in foreign currency	Exchange rate	Balance converted into RMB
Accounts payable			57,573,373.64
Including: USD	5,911,963.66	6.9762	41,243,040.88
EUR	2,079,701.90	7.8155	16,253,910.20
JPY	1,192,500.00	0.0641	76,422.56
Other payables			11,628,670.19
Including: USD	1,658,974.06	6.9762	11,573,334.84
EUR	6,617.52	7.8155	51,719.23
JPY	56,426.00	0.0641	3,616.12

31 December 2018

Items	Balance in foreign currency	Exchange rate	Balance converted into RMB
Monetary funds			68.63
Including: USD	10.00	6.8632	68.63
Accounts receivable			304,603,016.63
Including: USD	36,545,333.57	6.8632	250,817,933.37
EUR	6,849,269.23	7.8473	53,748,270.43
CAD	7,268.64	5.0381	36,620.14
JPY	3,113.00	0.0619	192.69
Accounts payable			35,604,438.53
Including: USD	3,546,509.16	6.8632	24,340,401.67
EUR	1,435,402.86	7.8473	11,264,036.86
JPY			
Other payables			14,716,028.73
Including: USD	2,137,690.17	6.8632	14,671,395.17
EUR	5,250.99	7.8473	41,206.09
JPY	55,371.00	0.0619	3,427.46

(XLVI) GOVERNMENT GRANTS

Category	Item Amount	Amount included in current profit and loss or offset loss of relevant costs and expenses January-June 2021	January-June 2020 (unaudited)	Year 2020	Year 2019	Year 2018	Item included in current profit and loss or offset loss of relevant costs and expenses
Subsidy for enterprise employment information monitoring	1,800.00	1,000.00				800.00	Non-operating income
Awards for provincial-level catering quality and safety demonstration	5,000.00		5,000.00	5,000.00			Non-operating income
Funds for awards and subsidies for structural adjustment of central industrial enterprises	13,164.00			13,164.00			Non-operating income
Patent Incentives for Qinhuai District Market Supervision and Management Invention	15,070.80			15,070.80			Non-operating income
Special awards for Provincial-level business development	231,000.00			6,000.00	225,000.00		Non-operating income
Incentives for major tax sources declaration work	2,400.00		1,200.00	1,200.00	1,200.00		Non-operating income
Incentives from the Labor Employment Management Center of Qinhuai District, Nanjing	2,160.00		1,000.00	1,000.00	1,160.00		Non-operating income
Government subsidies for the construction of maternity and infant rooms	40,000.00					40,000.00	Non-operating income
Job stabilization subsidy	0.00				-276,050.80	276,050.80	Non-operating income
Property awards for Baixia High-tech Zone promotes intellectual	2,000.00				2,000.00		Non-operating income
Honor Award for May 1 Labor	5,000.00				5,000.00		Non-operating income
Subtotal		1,000.00	7,200.00	41,434.80	-41,690.80	316,850.80	

Note: RMB276,050.80 in job stabilization subsidies in 2019 was refunded.

(XLVII) **Leases**

1. Company as a Lessee

Item	**January-June 2021**	**January-June 2020 (unaudited)**
Interest expense on lease liabilities	3,285.25	101,448.00
Related assets or simplified short term lease expense included in current profit and loss		
Related assets or 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 included in the cost of related assets or current profits and losses that are not included in the measurement of lease liabilities		
Income from sublease of right of use assets		
Total cash outflow related to lease	20,706.00	101,448.00
Relevant profit and loss arising from leaseback transactions		
Sales and leaseback transaction cash inflow		
Sales and leaseback transactions cash outflow		

2. Company as a lessor

(1) Operating lease

	January-June 2021	**January-June 2020** (unaudited)
Operating lease income	1,420,302.84	389,445.71
Including：Income related to variable lease payments not included in lease receipts		

The undiscounted lease receipts to be received after June 30, 2021 are as follows:

Remaining lease term	Undiscounted lease receipts
Within 1 year	397,160.00
1 to 2 year	
2 to 3 year	
3 to 4 year	
4 to 5 year	
More than 5 years	
Total	397,160.00

VI. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company faces various financial risks in the course of operation: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risk).

(I) Credit risks

Credit risk refers to the risk of financial loss to the Company due to the failure of the counterparty to fulfill its contractual obligations.

The Company's credit risk mainly arose from in the monetary funds, notes receivable, accounts receivable, financing receivables, other receivables, debt investments, other debt investments and financial guarantee contract, and debt instrument investment at fair value through profit or loss and derivative financial assets that are not included in scope subject to impairment evaluation. At the balance sheet date, the carrying value of the Company's financial assets represents its maximum credit risk exposure.

The Company's monetary funds are mainly bank deposits deposited in state-owned banks with good reputation and high credit rating and other large and medium-sized listed banks. The Company believes that there is no significant credit risk and there will almost be no significant losses caused by bank default.

In addition, with respect to notes receivable, accounts receivable, financing receivables and other receivables, the Company has policies in place to control credit risk exposure. The Company evaluates customer's credit qualification and sets up the corresponding credit term based on customers' financial position, the possibility of obtaining guarantees from third parties, credit history and other factors such as prevailing market conditions. The Company will regularly monitor the credit records of customers. For customers with poor credit records, the Company will remind payment in writing, shorten the credit term or cancel the credit term to ensure that the overall credit risk of the Company is within control.

(II) Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle in cash or delivering other financial assets.

It is the Company's policy to ensure that it has sufficient cash to meet maturing debts. Liquidity risk is centrally controlled by the finance department of the company. By monitoring cash balances and rolling projections of cash flows over the next 12 months, the finance department ensures that the company has sufficient funds to repay its debts under all reasonable projections. At the same time, the finance department continuously monitors the Company's compliance with provision under borrowing agreements and its corporate commitments in response to sufficient funds available from major financial institutions so as to meet its short- and long-term funding needs.

Set out below is the Company's various financial liabilities by maturity date in terms of undiscounted contractual cash flows:

	30 June 2021					
Items	Immediate repayment	Within 1 year	1–2 years	2–5 years	Over 5 years	Total
Notes payables		741,250,103.45				741,250,103.45
Accounts payable		868,762,682.87				868,762,682.87
Staff salaries payable		11,171,237.18				11,171,237.18
Taxes payable		26,256,211.30				26,256,211.30
Other payables		75,950,145.87				75,950,145.87
Total		1,723,390,380.67				1,723,390,380.67

	31 December 2020					
Items	Immediate repayment	Within 1 year	1–2 years	2–5 years	Over 5 years	Total
Notes payables		821,341,917.35				821,341,917.35
Accounts payable		992,854,098.10				992,854,098.10
Staff salaries payable		18,001,562.93				18,001,562.93
Taxes payable		29,635,669.46				29,635,669.46
Other payables		153,364,742.16				153,364,742.16
Total		2,015,197,990.00				2,015,197,990.00

	31 December 2019					
Items	Immediate repayment	Within 1 year	1–2 years	2–5 years	Over 5 years	Total
Notes payables		609,972,282.14				609,972,282.14
Accounts payable		872,726,036.92				872,726,036.92
Staff salaries payable		17,380,205.13				17,380,205.13
Taxes payable		48,049,573.74				48,049,573.74
Other payables		94,924,355.52				94,924,355.52
Total		1,643,052,453.45				1,643,052,453.45

	31 December 2018					
Items	Immediate repayment	Within 1 year	1–2 years	2–5 years	Over 5 years	Total
Notes payables		492,153,698.23				492,153,698.23
Accounts payable		751,717,437.27				751,717,437.27
Staff salaries payable		17,561,212.43				17,561,212.43
Taxes payable		24,411,788.21				24,411,788.21
Other payables		140,039,514.88				140,039,514.88
Total		1,425,883,651.02				1,425,883,651.02

(III) Market risk

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to market price changes, including exchange rate risk, interest rate risk and other price risks.

1. Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates.

2. Exchange rate risk

Exchange rate risk refers to the risk that the fair value of a financial instrument or future cash flows will fluctuate due to changes in foreign exchange rates.

The Company continues to monitor foreign currency transactions and the size of foreign currency assets and liabilities to minimize exchange risks. In addition, the Company may enter into forward foreign exchange contracts or currency swap contracts to hedging the exchange rate risk. During the current period and the corresponding period of last year, the Company did not enter into any forward foreign exchange contracts or currency swap contracts.

The exchange rate risks faced by the Company mainly come from financial assets and financial liabilities denominated in US dollars and Japanese Yen. The amounts of financial assets and financial liabilities dominated in foreign currency upon conversion into RMB are listed as follows:

	30 June 2021			31 December 2020		
Items	USD	Other foreign currency	Total	USD	Other foreign currency	Total
Monetary funds	1,385,633.96	150,900.01	1,536,533.97	397.11		397.11
Accounts receivable	158,655,538.00	60,330,605.82	218,986,143.82	186,974,857.49	65,554,803.15	252,529,660.64
Sub-total	160,041,171.96	60,481,505.83	220,522,677.79	186,975,254.60	65,554,803.15	252,530,057.75
Accounts payable	41,724,949.96	11,536,236.06	53,261,186.02	42,061,001.89	19,344,598.36	61,405,600.25
Other payables	44,555,130.50	345,811.81	44,900,942.31	67,989,025.08	137,847.36	68,126,872.44
Sub-total	86,280,080.46	11,882,047.87	98,162,128.33	110,050,026.97	19,482,445.72	129,532,472.69

As at 30 June 2021, with all other variables unchanged, if the RMB appreciates or depreciates by 5% against the US dollar, the Company's net profit will increase or decrease by RMB3,688,054.57(31 December 2020: RMB3,846,261.38). Management believes that 5% reasonably reflects the reasonable range of changes that may occur between the RMB and the US dollar in the coming year.

	31 December 2019			31 December 2018		
Items	USD	Other foreign currency	Total	USD	Other foreign currency	Total
Monetary funds	1,181,105.54		1,181,105.54	68.63		68.63
Accounts receivable	223,635,546.40	99,284,581.69	322,920,128.09	250,817,933.37	53,785,083.26	304,603,016.63
Sub-total	224,816,651.94	99,284,581.69	324,101,233.63	250,818,002.00	53,785,083.26	304,603,085.26
Accounts payable	41,243,040.88	16,330,332.75	57,573,373.64	24,340,401.67	11,264,036.86	35,604,438.53
Other payables	11,573,334.84	55,335.34	11,628,670.18	14,671,395.17	44,633.56	14,716,028.73
Sub-total	52,816,375.72	16,385,668.09	69,202,043.82	39,011,796.84	11,308,670.42	50,320,467.26

As at 31 December, 2021, with all other variables unchanged, if the RMB appreciates or depreciates by 5% against the US dollar, the Company's net profit will increase or decrease by RMB8,600,013.81 (31 December 2018: RMB10,590,310.26). Management believes that 5% reasonably reflects the reasonable range of changes that may occur between the RMB and the US dollar in the coming year.

VII. FAIR VALUE DISCLOSURE

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the asset or liability other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

The level of the measurement result of fair value shall subject to the lowest level which the input that is great significance to the entire measurement of fair value belongs to.

(I) Closing fair value of assets and liabilities measured at fair value

Type	Fair value as at 30 June 2021 Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	Total
1. Countinuing fair value measurement				
Receivable's financing			40,807,230.11	40,807,230.11
Other equity instrument investment				
Total continuing assets measured at fair value			40,807,230.11	40,807,230.11

Type	Fair value as at 31 December 2020 Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	Total
1. Countinuing fair value measurement				
Receivable's financing			95,153,638.27	95,153,638.27
Other equity instrument investment				
Total continuing assets measured at fair value			95,153,638.27	95,153,638.27

Type	Fair value as at 31 December 2019 Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	Total
1. Countinuing fair value measurement				
Receivable's financing			30,891,924.95	30,891,924.95
Other equity instrument investment				
Total continuing assets measured at fair value			30,891,924.95	30,891,924.95

(II) Regarding continuing and discontinued third level fair value measurement items, valuation technology adopted and qualitative & quantitative information of important parameters

The receivables financing measured at the third level of fair value held by the company are notes receivables with the intention of endorsement, and the remaining maturity is short with the book value equaled to its fair value.

(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

					Gains (losses) recognized in the period	
Type	2020.12.31	Transfers in level 3	Transfers out of level 3	30 June 2021	In profits and losses	In other comprehensive income
Receivable financing	95,153,638.27	215,408,711.65	269,755,119.81	40,807,230.11		
Total	95,153,638.27	215,408,711.65	269,755,119.81	40,807,230.11		
Including: profit and loss related to financial assets						
Profit and loss related to nonfinancial assets						

					Gains (losses) recognized in the period	
Type	31 December 2019	Transfers in level 3	Transfers out of level 3	31 December 2020	In profits and losses	In other comprehensive income
Receivable financing	30,891,924.95	371,240,339.02	306,978,625.70	95,153,638.27		
Total	30,891,924.95	371,240,339.02	306,978,625.70	95,153,638.27		
Including: profit and loss related to financial assets						
Profit and loss related to nonfinancial assets						

Type	31 December 2018	Change in accounting policy	1 January 2019	Transfers in level 3	Transfers out of level 3	31 December 2019	Gains (losses) recognized in the period: In profits and losses	Gains (losses) recognized in the period: In profits and losses
Receivable financing		17,820,000.00	17,820,000.00	276,610,822.65	263,538,897.70	30,891,924.95		
Total		17,820,000.00	17,820,000.00	276,610,822.65	263,538,897.70	30,891,924.95		
Including: profit and loss related to financial assets								
Profit and loss related to nonfinancial assets								

VIII. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

(I) The parent of the Company

Name of parent	Place of registration	Business nature	Registered Capital	Shareholding in the Company (%)	Voting rights in the Company (%)
LG Electronics Co., Ltd.	Republic of Korea	Manufacturing and sales of electronic machinery, communication machinery, etc.	KRW 904.2 billion	70.00%	70.00%

(II) Other related parties

Name	Relationship with the Company
LG Electronics China Co., Ltd.	Investor of the Company
LG Chemical Ltd.	Associate of the ultimate holding Company
Serveone (Nanjing) Co., Ltd. (樂採商貿(南京)有限公司)	Controlled by LG Corporation together with the Company
LG CNS China (北京樂金系統集成有限公司)	Controlled by LG Corporation together with the Company
LG Household & Health Care Trading (Shanghai) Co., Ltd. (樂金生活健康貿易(上海)有限公司)	Controlled by LG Corporation together with the Company
LG Electronics R&D Center(Shanghai) Co., Ltd. (樂金電子研發中心(上海)有限公司)	Controlled by LG Corporation together with the Company
LG Electronics Air-Conditioning (Shandong) Co., Ltd. (樂金空調(山東)有限公司)	Controlled by LG Corporation together with the Company
Panda (Beijing) International Information Technology Co., Ltd. (熊猫(北京)國際信息技術有限公司)	Subsidiaries of minority shareholders that have a significant impact on the Company
LG Electronics (Levant) Jordan	Controlled by the same parent
LG Electronics Africa Logistics FZE	Controlled by the same parent
LG Electronics Almaty Kazakhstan	Controlled by the same parent
LG Electronics Alabama Inc.	Controlled by the same parent
LG Electronics Argentina S.A.	Controlled by the same parent
LG Electronics Australia Pty, Ltd.	Controlled by the same parent
LG Electronics Benelux Sales B.V.	Controlled by the same parent
LG Electronics Canada, Inc.	Controlled by the same parent
LG Electronics Colombia Ltda.	Controlled by the same parent
LG Electronics De Sao Paulo Ltda	Controlled by the same parent
LG Electronics Deutschland GmbH	Controlled by the same parent
LG Electronics Do Brasil Ltda	Controlled by the same parent
LG Electronics Dubai FZE	Controlled by the same parent
LG Electronics Egypt S.A.E	Controlled by the same parent
LG Electronics Espana S.A.	Controlled by the same parent
LG Electronics France S.A.S	Controlled by the same parent
LG Electronics Gulf FZE	Controlled by the same parent
LG Electronics Hellas S.A.	Controlled by the same parent
LG Electronics HK Ltd.	Controlled by the same parent
LG Electronics Inc, Chile Ltda.	Controlled by the same parent
LG Electronics India Pvt. Ltd.	Controlled by the same parent
LG Electronics Italia S.P.A.	Controlled by the same parent

Name	Relationship with the Company
LG Electronics Japan, Inc.	Controlled by the same parent
LG Electronics Magyar KFT	Controlled by the same parent
LG Electronics Malaysia SDN. BHD	Controlled by the same parent
LG Electronics Mexico S.A. DE. C.V.	Controlled by the same parent
LG Electronics Middle East Co., Ltd.	Controlled by the same parent
LG Electronics Nordic AB	Controlled by the same parent
LG Electronics Panama, S.A.	Controlled by the same parent
LG Electronics Peru S.A.	Controlled by the same parent
LG Electronics Philippines Inc.	Controlled by the same parent
LG Electronics Polska Sp.Z.O.O	Controlled by the same parent
LG Electronics Polska Limited Liability Company	Controlled by the same parent
LG Electronics Portugal S.A.	Controlled by the same parent
LG Electronics RUS, LLC	Controlled by the same parent
LG Electronics Singapore PTE LTD	Controlled by the same parent
LG Electronics Taiwan Taipei Co., Ltd.	Controlled by the same parent
LG Electronics Thailand Co., Ltd.	Controlled by the same parent
LG Electronics U.S.A., Inc.	Controlled by the same parent
LG Electronics United Kingdom Ltd.	Controlled by the same parent
LG Electronics Vietnam Haiphong Co., Ltd.	Controlled by the same parent
LG Electronics Wroclaw Sp.Z.O.O.	Controlled by the same parent
P.T. LG Electronics Indonesia	Controlled by the same parent
PT.LG Electronics Service Indonesia Ltd	Controlled by the same parent
LG Electronics (Tianjin) Appliances Co., Ltd. (樂金電子(天津)電器有限公司)	Controlled by the same parent
LG Electronics(Hangzhou) INC. (樂金電子(杭州)有限公司)	Controlled by the same parent
LG Electronics(Kunshan) INC. (樂金電子(崑山)有限公司)	Controlled by the same parent
LG Electronics(Hui Zhou) INC. (樂金電子(惠州)有限公司)	Controlled by the same parent
LG Electronics (Qinhuangdao) Co., Ltd. (樂金電子(秦皇島)有限公司)	Controlled by the same parent
LG Electronics Nanjing New Technology Co., Ltd. (南京LG新港新技術有限公司)	Controlled by the same parent

Name	Relationship with the Company
Nanjing LG Auto Parts Co., Ltd. (南京樂金汽車零部件有限公司)	Controlled by the same parent
Taizhou LG Electronics Refrigeration Co., Ltd. (泰州樂金電子冷機有限公司)	Controlled by the same parent
Qingdao LG Inspur Digital Communication Co., Ltd. (青島樂金浪潮數字通信有限公司)	Controlled by the same parent
Communications Co., Ltd. (浪潮樂金數字移動通信有限公司)	Controlled by the same parent

(III) Related-party transactions

1. *Related-party transactions in relation to purchase or sale of goods, rendering or receipt of services*

Purchase of goods/receiving of service

Related party	Type of transaction	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
LG Electronics Co., Ltd.	Purchase of goods	168,164,327.43	64,136,638.91	237,646,762.45	206,326,012.04	125,793,170.79
Serveone (Nanjing) Co., Ltd.	Purchase of goods	162,078,217.37	95,765,713.48	281,950,225.00	282,021,496.92	223,990,738.65
LG Chemical Ltd.	Purchase of goods	19,719,356.92	6,915,376.97	22,621,308.69	39,468,780.11	49,697,740.93
LG Electronics Wroclaw Sp. z o.o	Purchase of goods	857,443.96		94,620.86	461,529.35	
LG Electronics Vietnam Haiphong Co., Ltd	Purchase of goods	853,949.62	18,547.92	542,755.18	675,653.62	
LG Electronics RUS, LLC	Purchase of goods	118,298.59				
LG Electronics India Pvt. Ltd.	Purchase of goods			203,482.10		
LG Electronics Do Brasil Ltda.	Purchase of goods				208,374.47	236,858.81
LG Electronics (Tianjin) Appliances Co., Ltd. (樂金電子(天津)電器有限公司)	Purchase of goods					5,494,651.20
Nanjing LG Auto Parts Co., Ltd. (南京樂金汽車零部件有限公司)	Purchase of goods					252,855.08
LG CNS China (北京樂金系統集成有限公司)	Receipt of services	3,950,409.00	2,721,869.00	7,633,107.00	7,350,073.50	7,297,913.05
LG Electronics China Co., Ltd. (樂金電子(中國)有限公司)	Receipt of services	2,730,528.36	2,853,672.84	5,620,797.68	5,381,277.24	7,475,525.77

Related party	Type of transaction	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Serveone (Nanjing) Co., Ltd. (樂採商貿(南京)有限公司)	Receipt of services	2,567,898.32	2,214,772.64	5,444,654.01	6,471,349.53	4,364,462.62
LG Electronics Co., Ltd.	Receipt of services	1,781,916.36	1,774,485.76	4,736,398.27	7,886,007.72	8,063,389.14
LG Electronics Italia S.P.A.	Receipt of services	394,783.98		17,616.02	144,076.68	10,266.72
LG Electronics Portugal S.A.	Receipt of services	212,566.10		6,835.90	27,044.70	
LG Electronics Espana S.A.	Receipt of services	178,679.18	72,255.26	188,769.94	479,879.19	291,312.47
LG Electronics Egypt S.A.E	Receipt of services	144,264.26	38,724.99	134,430.83	27,742.69	
LG Electronics France S.A.S	Receipt of services	136,902.06	921.01	3,723.38	29,471.64	
LG Electronics Nordic AB	Receipt of services	134,237.82		9,177.72	8,960.19	
LG Electronics Deutschland GmbH	Receipt of services	80,453.62		54,569.17		
LG Electronics Benelux Sales B.V.	Receipt of services	76,323.06	1,259.46	1,899.86	5,203.34	3,031.28
LG Electronics Magyar KFT	Receipt of services	71,915.80	11,375.06	34,808.59	12,916.56	4,931.19
LG Electronics United Kingdom Ltd.	Receipt of services	53,333.94		49,167.75	76,197.23	27,534.59
LG Electronics Middle East Co., Ltd.	Receipt of services	27,183.99	7,632.30	18,509.00	16,880.71	27,258.07
P.T. LG Electronics Indonesia	Receipt of services	24,966.22				54,802.41
LG Electronics (Levant) – Jordan	Receipt of services	16,076.57	5,947.45	15,520.98	17,833.37	79,062.83
LG Electronics Japan, Inc.	Receipt of services	9,496.25	14,473.39	34,205.24	24,995.88	136,984.43
LG Electronics Taiwan Taipei Co., Ltd.	Receipt of services	9,194.76		72,149.84	13,536.87	4,454.45
LG Electronics Singapore PTE LTD	Receipt of services	7,202.51		2,170.94	3,263.33	

Related party	Type of transaction	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
LG Electronics Nanjing New Technology Co., Ltd. (南京LG新港新技術有限公司)	Receipt of services	5,189.38	21,709.80	42,153.61	58,715.56	7,085.34
LG Electronics Polska Sp.Z.O.O	Receipt of services	4,133.59				
LG Electronics Hellas S.A.	Receipt of services	3,937.31	1,157.30	12,076.14	8,220.30	3,639.39
LG Electronics Gulf FZE	Receipt of services	3,801.65			55,211.34	14,750.06
LG Household & Health Care Trading (Shanghai) Co., Ltd. (樂金生活健康貿易(上海)有限公司)	Receipt of services		35,070.00	160,982.00		
LG Electronics Wroclaw Sp. Z.O.O.	Receipt of services		34,148.10	34,148.10	25,663.19	
LG Electronics Thailand Co., Ltd.	Receipt of services			27,973.97		405.97
LG Electronics India Pvt. Ltd.	Receipt of services			4,307.54	142,081.24	32,124.90
LG Electronics Africa Logistics FZE	Receipt of services			2,968.68	3,062.71	
LG Electronics Inc. Chile Limitada	Receipt of services				175,976.32	359,760.72
LG Electronics Do Brasil Ltda.	Receipt of services				101,101.68	19,439.20
LG Electronics RUS, LLC	Receipt of services				40,988.81	50,591.33
LG Electronics Dubai FZE	Receipt of services				7,234.35	17,523.59

Related party	Type of transaction	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
LG Electronics Canada, Inc.	Receipt of services				885.88	
LG Electronics Almaty Kazakhstan	Receipt of services					711,190.70
PT LG Electronics Service Indonesia Ltd	Receipt of services					6,145.17
LG Inspur Digital Mobile Communications Co., Ltd. (浪潮樂金數字移動通信有限公司)	Receipt of services					5,846.00
LG Electronics HK Ltd.	Receipt of services					2,147.68

Sales of goods/rendering of services

Related party	Type of transaction	January to June 2021	January to June 2020 (unaudited)	For the year 2020	For the year 2019	For the year 2018
LG Electronics Co., Ltd.	Sale of goods	2,125,711,015.99	1,209,269,629.93	3,311,090,238.33	3,053,809,922.44	2,455,480,455.34
LG Electronics Wroclaw Sp.Z.O.O.	Sale of goods	141,201,744.93	129,646,692.77	278,508,351.67	316,953,201.56	256,267,439.07
LG Electronics RUS, LLC	Sale of goods	125,409,933.02	81,858,632.72	218,039,958.55	220,127,532.15	178,164,553.91
LG Electronics China Co., Ltd. (樂金電子(中國)有限公司)	Sale of goods	168,959,187.29	102,809,448.29	272,343,222.76	347,040,862.46	346,343,173.95
LG Electronics Vietnam Haiphong Co., Ltd.	Sale of goods	89,280,860.25	73,712,493.56	184,855,744.86	210,214,759.27	220,936,797.55
LG Electronics India Pvt. Ltd.	Sale of goods	79,392,782.20	64,838,590.70	207,250,163.22	205,121,767.06	171,937,791.91
LG Electronics Egypt S.A.E	Sale of goods	55,335,960.90	34,117,606.56	86,933,584.94	78,191,052.41	41,297,243.32
LG Electronics Thailand Co., Ltd.	Sale of goods	30,229,356.13	8,333,889.57	36,842,752.50	39,702,724.33	46,541,098.39
LG Electronics (Levant) Jordan	Sale of goods	14,248,568.16	5,929,125.52	16,726,535.29	17,017,740.16	9,448,576.47
LG Electronics U.S.A., Inc.	Sale of goods	4,671,559.15	6,494,716.13	12,282,487.92	51,816,821.89	10,662,490.05
LG Electronics Polska Limited Liability company	Sale of goods	2,277,652.68				
LG Electronics Alabama Inc.	Sale of goods	2,065,547.27	1,467,254.18	2,732,725.29	2,561,727.83	3,438,954.48
LG Electronics Middle East Co., Ltd.	Sale of goods	999,768.67	717,651.23	1,619,131.29	1,901,553.34	2,819,376.04
PT LG Electronics Service Indonesia Ltd.	Sale of goods	428,790.77	288,103.02	580,499.90	566,079.56	576,750.65
LG Electronics De Sao Paulo Ltda	Sale of goods	267,514.74			38,796,160.50	56,477,451.69
LG Electronics Australia Pty, Ltd.	Sale of goods	209,361.00	160,521.38	415,966.78	321,053.34	412,159.59
LG Electronics Panama, S.A.	Sale of goods	151,159.45	86,941.30	152,248.77	53,964.23	282,153.68

Related party	Type of transaction	January to June 2021	January to June 2020 (unaudited)	For the year 2020	For the year 2019	For the year 2018
LG Electronics Taiwan Taipei Co., Ltd.	Sale of goods	146,176.15		189,724.48	142,858.21	95,651.61
LG Electronics Philippines Inc.	Sale of goods	127,973.61	90,927.38	249,814.76	253,868.27	295,967.68
LG Electronics Canada, Inc.	Sale of goods	114,263.44	116,782.36	259,456.06	171,508.69	206,630.85
LG Electronics Inc, Chile Ltda.	Sale of goods	100,849.63	36,200.90	117,827.36	94,431.75	74,550.01
LG Electronics Singapore PTE LTD	Sale of goods	97,823.92	101,100.60	192,455.48	221,837.45	228,498.54
LG Electronics Malaysia SDN. BHD	Sale of goods	91,424.56	59,754.49	139,773.56	161,941.79	179,268.48
LG Electronics Mexico S.A. DE. C.V.	Sale of goods	70,959.99	59,968.24	95,403.28	67,821.09	59,560.53
LG Electronics HK Ltd.	Sale of goods	48,119.05	36,322.91	94,407.27	129,642.29	133,679.23
LG Electronics Peru S.A.	Sale of goods	32,264.71	26,456.24	61,818.39	47,369.38	35,232.41
LG Electronics Argentina S.A.	Sale of goods	17,491.54	7,680.43	23,272.93	159,468.40	44,046,527.59
LG Electronics Colombia Ltda.	Sale of goods	14,009.70	41,015.33	110,027.02	46,453.95	106,581.42
LG Electronics France S.A.S	Sale of goods	10,904.74				
LG Electronics Japan Inc.	Sale of goods	146.29	104.60	460.11	2,265.24	1,733.72
LG Electronics Polska Sp.z o.o	Sale of goods			3,726,319.01	3,416,411.13	2,426,653.50
LG Electronics Do Brasil Ltda.	Sale of goods			600,384.77		
LG Electronics Deutschland GmbH	Sale of goods			121,017.83	225,405.89	
Panda (Beijing) International Information Technology Co., Ltd. (熊猫(北京)國際信息技術有限公司)	Sale of goods				79,405,996.72	53,575,923.67

2. *Borrowings with lending from/to related parties*

Related party	January to June 2021	2020	2019	2018
Net loaned/(recovered) funds				
LG Electronics China Co., Ltd.	13,400,000.00	356,000,000.00	-40,720,000.00	180,100,00.00

Related party	January to June 2021	January to June 2020 (unaudited)	2020	2019	2018
Interest income on loans					
LG Electronics China Co., Ltd.	8,325,412.73	5,026,552.06	11,327,213.89	8,736,803.16	7,996,320.18

3. *Assets transfer and debt restructuring of related parties*

Related party	Type of transaction	January to June 2021	January to June 2020	2020	2019	2018
LG Electronics Co., Ltd.	Purchase of fixed assets	979,241.92	63,120.82	9,231,758.29	7,574,604.41	3,280,319.56
LG CNS China	Purchase of fixed assets	1,665,835.00		5,277,248.00	3,819,338.00	2,247,317.00
LG Electronics Do Brasil Ltda.	Purchase of fixed assets			3,254,267.19		
LG Electronics Nanjing New Technology Co., Ltd.	Purchase of fixed assets	176,732.10		196,665.23	125,000.00	173,310.00
Qingdao LG Inspur Digital Communication Co., Ltd.	Purchase of fixed assets	387,021.15				
LG Electronics R&D Center (Shanghai) Co., Ltd. (樂金電子研發中心(上海)有限公司)	Purchase of fixed assets	13,922.67				
LG Electronics Thailand Co., Ltd.	Purchase of fixed assets				263,839.88	10,509,844.65
Nanjing LG Auto Parts Co., Ltd.	Purchase of fixed assets				1,415,891.55	5,265,881.00

(IV) Amounts due to or from related parties

1. Amounts due from related parties

		30 June 2021		31 December 2020		31 December 2019		31 December 2018	
Item	Related party	Book balance	Bad debt provision	Book balance	Bad debt provision	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable									
	LG Electronics Co., Ltd.	548,880,689.49		663,296,529.63		570,502,864.02		194,594,241.61	
	LG Electronics Wroclaw Sp.Z.O.O.	59,881,973.39		68,125,163.57		98,780,528.26		53,492,442.33	
	LG Electronics China Co., Ltd.	71,808,726.42		60,831,084.65		154,847,686.74		129,671,834.33	
	LG Electronics Vietnam Haiphong Co., Ltd.	43,402,030.23		50,294,381.38		63,004,649.67		84,318,837.87	
	LG Electronics India Pvt. Ltd.	3,427,523.76		44,415,220.58		24,582,392.49		19,902,252.03	
	LG Electronics RUS, LLC	53,419,160.71		38,987,620.85		98,274,540.59		72,478,127.74	
	LG Electronics Egypt S.A.E	31,575,971.10		31,793,336.31		28,790,770.35		9,376,607.20	
	LG Electronics Thailand Co., Ltd.	17,285,348.10		11,818,277.85		6,342,044.79		24,203,453.10	
	LG Electronics (Levant) Jordan	7,163,936.10		3,354,033.56		18,567.37		16,803.38	
	LG Electronics U.S.A., Inc.	388,507.77		1,177,214.43		601,191.62		4,367,071.66	
	LG Electronics Alabama Inc.	1,116,411.61		799,132.43		602,963.85		764,700.63	
	LG Electronics Polska Sp.z o.o	398,661.83		283,998.41		418,738.16		255,828.10	
	LG Electronics Middle East Co., Ltd.	294,965.39		277,957.61		454,385.30		691,770.14	
	LG Electronics Australia PTY, LTD.	56,688.80		98,299.12		67,202.08		65,608.01	
	LG Electronics Do Brasil Ltda.	46,225.25		87,062.78		144,222.19		19,833,507.40	
	LG Electronics Philippines Inc.	31,001.83		79,285.10		60,733.05		55,558.43	
	PT. LG Electronics Service Indonesia	141,838.47		72,591.86		53,720.16		79,291.99	
	LG Electronics Canada, Inc.	49,824.89		63,716.11		22,947.58		36,620.14	
	LG Electronics Taiwan Taipei Co.,Ltd.	24,400.51		57,149.51		35,318.48		23,574.06	
	LG Electronics Colombia Ltda.	4,835.06		48,070.31		6,503.14		13,890.91	
	LG Electronics Panama, S.A.	53,659.33		44,262.51		13,308.08		16,454.93	
	LG Electronics Singapore PTE LTD	25,320.88		43,966.15		32,940.71		76,780.54	
	LG Electronics Inc. Chile Limitada	14,114.74		40,737.69		17,659.97		20,280.14	
	LG Electronics Deutschland GmbH			33,705.00		62,367.69			
	LG Electronics Malaysia SDN. BHD	26,704.76		29,021.32		47,526.06		43,238.85	
	LG Electronics HK Ltd.	15,724.27		21,913.22		18,405.80		24,429.77	
	LG Electronics Peru S.A.	11,862.81		14,525.21		7,979.17		8,112.03	
	LG Electronics Mexico S.A. DE. CV	31,019.85		11,877.28		14,390.58		8,866.02	

Item	Related party	30 June 2021 Book balance	30 June 2021 Bad debt provision	31 December 2020 Book balance	31 December 2020 Bad debt provision	31 December 2019 Book balance	31 December 2019 Bad debt provision	31 December 2018 Book balance	31 December 2018 Bad debt provision
	LG Electronics Argentina S.A.	10,791.73		5,189.51		152,393.41		14,401,108.08	
	LG Electronics Japan Inc.	145.71						192.69	
	Panda (Beijing) International Information Technology Co., Ltd.							3,499,317.53	
Notes receivable									
	LG Electronics China Co., Ltd.	6,164,486.96		7,118,260.00		22,430,330.66		23,392,156.27	
Financing receivables									
	LG Electronics China Co., Ltd.	37,796,232.11		95,353,638.27		29,159,179.12			
Prepayments									
	LG CNS China	38,465.75							
Other receivables									
	LG Electronics Co., Ltd.	563,159.45		514,646.88		3,697,696.79		1,614,128.54	
	LG Electronics China Co., Ltd.	246,933.17		267,091.41		184,925.07		222,843.78	
	LG Electronics (Tianjin) Appliances Co., Ltd.	164,163.72		126,446.72		93,798.56		76,840.12	
	LG Electronics Nanjing New Technology Co., Ltd.	142,489.26		108,040.03		57,668.02		53,475.53	
	Taizhou LG Electronics Refrigeration Co., Ltd.	112,189.63		82,643.48		75,209.25		60,525.32	
	Nanjing LG Auto Parts Co., Ltd.	43,981.94		31,724.13		6,888,428.05		14,988.42	
	LG Electronics (Qinhuangdao) Co., Ltd. (樂金電子(秦皇島)有限公司)	35,066.55		16,477.89		13,720.58		15,796.21	
	LG Electronics(Huizhou) Co., Ltd.	34,509.17		29,327.39		30,310.50		28,012.34	
	LG Electronics Air-Conditioning (Shandong) Co., Ltd. (樂金空調(山東)有限公司)	23,073.25		18,370.88		16,935.23		17,619.16	
	LG Electronics (Hangzhou) Co., Ltd. (樂金電子(杭州)有限公司)	21,634.85		16,595.21		14,985.44		17,678.39	
	LG Electronics Vietnam Hai Phong Co., Ltd.	20,859.43				24,250.93			

Item	Related party	30 June 2021 Book balance	30 June 2021 Bad debt provision	31 December 2020 Book balance	31 December 2020 Bad debt provision	31 December 2019 Book balance	31 December 2019 Bad debt provision	31 December 2018 Book balance	31 December 2018 Bad debt provision
	LG Electronics Egypt S.A.E	8,222.38		20,908.91		15,262.55		12,977.75	
	LG Electronics U.K. LTD			5,348.66					
	LG Inspur Digital Mobile Communications Co., Ltd.							52,441.52	
	LG Electronics (Kunshan) Co., Ltd. (樂金電子(崑山)有限公司)							22,965.91	
	Qingdao LG Inspur Digital Communication Co., Ltd.			32,312.35		38,664.81		22,974.12	
	Panda (Beijing) International Information Technology Co., Ltd.							6,624,060.51	
Other current assets									
	LG Electronics China Co., Ltd.	894,188,017.05		880,838,087.27		524,645,565.84		565,381,288.07	

2. *Amounts due to related parties*

Item	Related party	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Accounts payable					
	Serveone (Nanjing) Co., Ltd.	114,354,524.88	129,402,547.30	114,211,908.10	91,726,522.52
	LG Electronics Co., Ltd.	60,128,363.54	49,208,399.92	62,093,193.28	44,815,517.58
	LG Chemical Ltd.	10,113,358.59	6,284,488.02	7,649,784.75	7,821,044.70
	LG Electronics RUS, LLC	118,298.59			
Other payables					
	LG CNS China	1,908,641.99	7,247,623.35	2,326,443.10	2,283,983.28
	Serveone (Nanjing) Co., Ltd.	1,177,394.33	1,645,687.91	1,904,857.50	1,555,425.12
	LG Electronics China Co., Ltd.	954,987.44	992,206.74	915,478.83	1,328,092.16
	LG Electronics Co., Ltd.	868,157.53	7,686,337.29	1,585,248.67	1,412,533.59
	Qingdao LG Inspur Digital Communication Co., Ltd.	200,000.00			
	LG Electronics France S.A.S	128,880.05	2,874.47		
	LG Electronics Portugal S.A.	128,052.09		6,730.70	
	LG Electronics Benelux Sales B.V.	69,466.42	658.21	820.73	1,465.80
	LG Electronics United Kingdom Ltd.	13,980.11		7,411.31	8,590.04
	LG Electronics Egypt S.A.E	12,673.88	18,078.02	1,303.63	
	LG Electronics Deutschland Gmbh	7,956.00			
	LG Electronics Espana S.A.	5,866.11	21,925.91	4,960,314.50	39,742.83

Item	Related party	30 June 2021	31 December 2020	31 December 2019	31 December 2018
	LG Electronics Japan, Inc.	5,195.42	4,362.40	3,654.37	3,351.50
	LG Electronics Middle East Co., Ltd.	4,087.31	4,652.32	1,624.81	2,240.15
	LG Electronics Nordic AB	3,113.77	2,623.01		
	LG Electronics Hellas S.A.	2,882.82	7,884.62	2,334.23	782.77
	LG Electronics Magyar KFT	566.55		11,757.85	
	LG Electronics Do Brasil Ltda		3,254,267.19		
	LG Electronics India Pvt. Ltd.		4,290.58	70,718.51	
	LG Electronics (Levant) Jordan		711.21	2,370.12	12,730.31
	LG Electronics Inc. Chile Limitada			11,831.41	99,639.94
	LG Electronics Africa Logistics FZE			3,062.71	
	Nanjing LG Auto Parts Co., Ltd.				6,108,421.94
	LG Electronics Almaty Kazakhstan				146,702.27
	LG Electronics Nanjing New Technology Co., Ltd.				93,960.00
	LG Electronics Gulf FZE				14,750.06
	P.T. LG Electronics Indonesia				7,183.82
	LG Electronics Taiwan Taipei Co., Ltd				4,454.45
	LG Electronics Dubai FZE				2,561.56
	LG Electronics Do Brasil Ltda.				2,255.12

IX. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

For details of unconfirmed commitments related to related parties, please refer to relevant part under Note "VIII. Related Parties and Related-Party Transactions"; and for details of the commitments relating to leases, please refer to the paragraph head "(XLVII) Leases under Note V" herein.

(II) Contingencies

The Company has no significant contingencies to be disclosed.

X. OTHER IMPORTANT MATTERS

During the reporting period, the Company had no segment information.

As of June 30, 2021, the Company has no other important matters that need to be disclosed.

The following is the full text of the report received from BDO China Shu Lun Pan Certified Public Accountants LLP, the Company's independent reporting accountant, and was prepared for inclusion in this circular.

INTRODUCTION

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group (the "**Unaudited Pro forma Financial Information**"), prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to illustrate the impact on the assets and liabilities of the Company and its subsidiaries (the "**Group**") in respect of the proposed Acquisition of 30% of the share capital of Nanjing LG Panda Appliances Co., Ltd. (the "**Target Company**") by Nanjing Panda Electronics Company Limited (the "**Company**") (the "**Acquisition**"), as if the Acquisition was completed on 30 June 2021.

The Unaudited Pro forma Financial Information is based on (i) the unaudited consolidated financial position statement of the Group on 30 June 2021 (extracted from the interim report published by the Company on 21 September 2021 for the six months ended 30 June 2021); and (ii) the financial position statement of the Target Company as at 30 June 2021 (extracted from the audited Accountant's Report contained in Appendix II of this circular) and has been prepared for the Acquisition involving (i) pro forma adjustments directly caused by the Acquisition; and (ii) fact-based pro forma adjustments, as if the Acquisition was taken place on 30 June 2021.

The Unaudited Pro forma Financial Information is prepared by the directors of the Company (the "**Directors**") based on a number of assumptions, estimates and uncertainties for illustrative purposes only, and due to its nature, it may not truly reflect the assets and liabilities of the Enlarged Group. Therefore, the Unaudited Pro forma Financial Information is not intended to describe the assets and liabilities of the Enlarged Group when the Acquisition was completed on 30 June 2021, nor is it intended to predict the future financial position of the Enlarged Group.

The Unaudited Pro forma Financial Information of the Enlarged Group should be read in conjunction with the Group's historical financial information set out as of 30 June 2021 and other financial information contained in other chapters of this circular published by the Company.

Nanjing Panda Electronics Company Limited
Unaudited Pro Forma Consolidated Balance Sheet as of 30 June 2021
(All amounts in Renminbi yuan unless otherwise stated)

Assets	**The Group**	**Pro forma adjustments**		**The Enlarged**
	Note 1	**Note 2**	**Note 3**	**Group**
Current assets:				
Monetary funds	1,334,741,729.58			1,334,741,729.58
Financial assets held for trading	472,567,951.40			472,567,951.40
Financial assets measured at fair value through profit or loss				
Derivative financial assets				
Notes receivables	61,745,773.75			61,745,773.75
Accounts receivable	1,305,475,422.76			1,305,475,422.76
Financing receivables	38,783,104.31			38,783,104.31
Prepayments	149,654,863.81			149,654,863.81
Other receivables	51,022,838.15			51,022,838.15
Financial assets held under resale agreements				
Inventories	1,035,095,671.72			1,035,095,671.72
Contract assets	29,442,213.67			29,442,213.67
Held-for-sale assets				
Non-current assets due within one year				
Other current assets	32,470,961.58			32,470,961.58
Total current assets	4,511,000,530.73			4,511,000,530.73
Non-current assets:				
Debt investments				
Available-for-sale financial assets				
Other debt investments				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments	314,106,372.58	426,300,000.00		740,406,372.58
Other equity instruments investments	4,608,894.92			4,608,894.92
Other non-current financial assets				
Investment properties	231,058,276.65			231,058,276.65
Fixed assets	931,209,038.55			931,209,038.55
Construction in progress	6,801,669.53			6,801,669.53
Biological assets for production				
Fuel assets				
Right-of-use assets	11,036,538.06			11,036,538.06

Assets	The Group	Pro forma adjustments		The Enlarged
	Note 1	Note 2	Note 3	Group
Intangible assets	153,172,793.81			153,172,793.81
Development expenses				
Goodwill				
Long-term deferred expenses	9,314,868.67			9,314,868.67
Deferred income tax assets	16,035,095.10			16,035,095.10
Other non-current assets	48,927,533.61			48,927,533.61
Total non-current assets	1,726,271,081.48	426,300,000.00		2,152,571,081.48
Total assets	6,237,271,612.21	426,300,000.00		6,663,571,612.21

Nanjing Panda Electronics Company Limited
Unaudited Pro Forma Consolidated Balance Sheet as of 30 June 2021 (Continued)
(All amounts in Renminbi yuan unless otherwise stated)

Liabilities and owners' equity	The Group	Pro forma adjustments		The Enlarged
	Note 1	Note 2	Note 3	Group
Current liabilities:				
Short-term loans				
Financial liabilities held for trading				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities				
Notes payables	230,767,880.67			230,767,880.67
Accounts payable	1,748,518,452.02			1,748,518,452.02
Advance receipts from customers	3,692,312.12			3,692,312.12
Contract liabilities	222,516,691.25			222,516,691.25
Staff salaries payable	24,981,028.33			24,981,028.33
Taxes payable	24,743,009.92			24,743,009.92
Other payables	122,043,309.20	426,300,000.00	1,036,416.00	549,379,725.20
Liabilities held for sale				
Non-current liabilities due within one year	9,423,044.91			9,423,044.91
Other current liabilities	55,589,723.54			55,589,723.54
Total current liabilities	2,442,275,451.96	426,300,000.00	1,036,416.00	2,869,611,867.96

Liabilities and owners' equity	The Group	Pro forma adjustments		The Enlarged
	Note 1	Note 2	Note 3	Group
Non-current liabilities:				
Insurance contract reserves				
Long-term loans				
Bonds payable				
Including: Preferred shares				
Perpetual bonds				
Lease liabilities	5,640,732.69			5,640,732.69
Long-term payables				
Long-term staff salaries payables	13,224,261.24			13,224,261.24
Estimated liabilities				
Deferred income	13,202,994.91			13,202,994.91
Deferred income tax liabilities	721,624.78			721,624.78
Other non-current liabilities				
Total non-current liabilities	32,789,613.62			32,789,613.62
Total liabilities	2,475,065,065.58	426,300,000.00	1,036,416.00	2,902,401,481.58
Owners' equity:				
Share capital	913,838,529.00			913,838,529.00
Other equity instruments				
Including: Preferred shares				
Perpetual bonds				
Capital reserve	1,470,691,800.13			1,470,691,800.13
Less: Treasury share				
Other comprehensive income	719,171.18			719,171.18
Special reserve	647,163.27			647,163.27
Surplus reserve	267,682,027.88			267,682,027.88
General risk reserve				
Undistributed profits	851,413,494.96		-1,036,416.00	850,377,078.96
Total of equity attributable to the shareholders of the parent company	3,504,992,186.42		-1,036,416.00	3,503,955,770.42
Minority interests	257,214,360.21			257,214,360.21
Total owners' equity	3,762,206,546.63		-1,036,416.00	3,761,170,130.63
Total liabilities and owners' equity	6,237,271,612.21	426,300,000.00		6,663,571,612.21

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The consolidated balance sheet as at 30 June 2021 of the Group was extracted from the interim report published by the Group on 21 September 2021.

   The above unaudited pro forma adjustments in the notes to the Unaudited Pro Forma Financial Information illustrate the possible impact of the Acquisition on the historical financial information of the Group, as if the Acquisition was completed on 30 June 2021 in terms of the unaudited pro forma consolidated financial position statement.

2. Pursuant to the Equity Transfer Agreement entered into between the Company and Panda Electronics Group Limited ("**Panda Electronics**"), the 30% equity interests in the Target Company will be transferred to the Company for the consideration of RMB426.30 million. After signing the agreement, the Company shall pay 100% of the price for the equity transfer (equivalent to RMB426.30 million) to Panda Electronics within 10 business days from the date on which the business registration procedures have been completed.

   Upon completion of the equity transfer, the Company will hold 30% equity interests in the Target Company, the Company shall not include the Target Company in the scope of the consolidated statements of the Company, and the Target Company will become an associated company of the Group. According to the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment, the transaction is to be treated according to the requirements of equity method. Pursuant to the equity method, investments in associates are initially recognised at cost.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Directors have performed impairment assessment of investment in the Target Company in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", which defines recoverable amount to be the higher of value in use and fair value less costs of disposal. Based on the valuation report set out in Appendix V to this Circular, the fair value of the 30% equity interest of the Target Company is estimated to be approximately RMB426.30 million which is not less than its cost of investment. Based on this assessment, the Directors concluded that impairment of investment in the Target Company is not required to be made in the preparation of the Unaudited Pro Forma Financial Information.

The Directors confirmed that they will assess impairment of the investment in the Target Company in subsequent reporting periods in accordance with the requirements of Accounting Standards for Business Enterprises No. 8 and will disclose in the Group's annual report the basis and assumptions adopted for the impairment assessment in accordance with Accounting Standards for Business Enterprises No. 8. Any changes to valuation methodology may lead to different conclusion of impairment assessment.

3. The adjustment represents the estimated transaction costs of approximately RMB1,036,416.00, including but not limited to legal and professional fees and other expense payable by the Group, directly attributable to the Acquisition.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

XIN KUAI SHI BAO ZI [2021] No. ZG11941

To the Directors of Nanjing Panda Electronics Company Limited:

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Nanjing Panda Electronics Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and Nanjing LG Panda Appliances Co., Ltd. (the "**Target Company**") (collectively the "**Enlarged Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2021, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Appendix III to this circular, in connection with the acquisition of the Target Company (the "**Transaction**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to this circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements as at 30 June 2021.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**")

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements No. 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction on 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
BDO China Shu Lun Pan Certified Public Accountants LLP
Certified Public Accountant of China:
Xu Pei Mei
Certified Public Accountant of China:
Gu Xin

Shanghai, the PRC
23 November 2021

The following management discussion and analysis is based on the financial information from the accountant's report on Nanjing LG Panda Appliances Co., Ltd. (the "**Target Company**" in this appendix) as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Company is a professional household appliance manufacturer integrating the design, production and sales of wave-wheel and drum washing machines jointly invested and established by LG Electronics and PEGL on 21 December 1995. The operation period is 40 years, from 21 December 1995 to 20 December 2035.

At present, the Target Company is located at No. 28, Yongfeng Avenue, Qinhuai District, Nanjing. Its main business includes the sales and product after-sales service of fully automatic washing machines and related components, and the research, development and production of white appliances. The registered capital of the Target Company is US$35.7 million, and the shareholder structure and shareholding ratio are as follows:

No.	**Shareholder name**	**Capital contribution** *(USD10,000)*	**Proportion of contribution** *(%)*
1	Lejin Electronics Co., Ltd.	1,785.00	50.00
2	Panda Electronics Group Limited	1,071.00	30.00
3	Lejin Electronics (China) Co., Ltd.	714.00	20.00
	Total	3,570.00	100.00

The Target Company has mastered the world's advanced AI direct drive variable frequency motor technology, which can automatically judge the operation of the washing machine, intelligently perceive the weight, material and shape of the clothes, and complete the customized cleaning protection for clothes. Its high-end products can effectively remove Escherichia coli and Staphylococcus aureus through high-temperature steam sterilization technology, with a sterilization rate of 99.99%.

At present, South Korea LG Electronics has established washing machine factories in ten countries and regions in the world, such as South Korea, China, the United States and Poland. It mainly produces wave-wheel washing machines and drum washing machines, and its products are exported to more than 160 countries and regions. The Target Company is the largest washing machine production base except for the local companies of LG in South Korea, with an annual production capacity of more than 3.5 million units. The total production of washing machines of South Korea LG Electronics in 2020 is approximately 13.66 million, and the Target Company contributes approximately 15% to the total production.

As the monthly orders of the Target Company are approved for allocation by the Group's total orders of the previous month, orders are allocated to the ten washing machine factories under the Group based on cost control and forecasts of market demand.

The sales of the Target Company are mainly related transactions in the way of tripartite trade. The products and components produced by the Target Company are sold to LG Electronics, and LG Electronics distributes them to other subsidiaries for sales according to market demand. In 2020, the related export business of the Target Company accounted for 93% and the domestic business accounted for 7%.

The Target Company has passed ISO9001 quality management system certification, ISO14001 environmental management system certification and ISO45001 occupational health and safety management system certification. Its fully automatic drum washing machine has passed the China Compulsory Certification, which provides a secured guarantee for the sustainable development of the company. The Target Company adheres to the positioning of high-end products and strives to be a leader in the world's first-class household appliances enterprises with excellent services and high-quality products. The Target Company will further improve its global supply capacity of producing components, meet the production demands of LG global factories, and realize the ability to provide a full range of after-sales components for washing machine industry of LG Electronics.

FINANCIAL REVIEW

The financial information of the Target Company for 2018, 2019, 2020 and January to June of 2021 (the "**Relevant Period**") is as follows:

Unit: 0'000 Currency: RMB

	2021/06/30	**2020/12/31**	**2019/12/31**	**2018/12/31**
Total assets	282,649	310,913	274,368	233,558
Net assets	102,296	102,162	103,363	90,170

	January to June 2021	**2020**	**2019**	**2018**
Operating revenue	287,368	468,956	470,621	394,266
Total profit	12,289	17,482	27,415	14,716
Net profit	9,510	13,395	20,851	10,924

The operating revenue of the Target Company for 2018, 2019, 2020 and January to June of 2021 was RMB3,942.66 million, RMB4,706.21 million, RMB4,689.56 million and RMB2,873.68 million, respectively; the net profit was RMB109.24 million, RMB208.51 million, RMB133.95 million and RMB95.1 million, respectively. The operating revenue in 2019 increased significantly compared to 2018, and that in 2020 remained basically the same as in 2019. The increase in operating revenue and net profit in 2019 was mainly due to the growth in the sales of washing machines of the company.

INCOME

The Target Company is mainly engaged in the sales and product after-sales service of fully automatic washing machines and related components. The details of operating revenue for 2018, 2019, 2020 and January to June of 2021 are as follows:

Unit: 0'000 Currency: RMB

Items	January to June of 2021	2020	2019	2018
Washing machine	221,421.67	347,370.29	327,434.78	276,379.77
Materials and parts	64,141.75	118,915.74	141,183.81	116,240.40
Waste	609.33	836.16	881.49	609.79
Others	1,195.00	1,833.70	1,121.12	1,036.01
Total	287,367.75	468,955.89	470,621.20	394,265.97

The income of the Target Company mainly comes from the sales of washing machines. Its revenue from the sales of washing machines was RMB2,763.7977 million in 2018, RMB3,274.3478 million in 2019, RMB3,473.7029 million in 2020 and RMB2,214.2167 million from January to June of 2021. The fluctuation in income was mainly due to the growth in the sales revenue of washing machines of the company.

COST OF SALES

The cost of sales in LG Panda in 2018, 2019 and 2020 and January to June of 2021 were RMB3,542.3984 million, RMB4,318.69 million, RMB4,423.5454 million and RMB2,709.7393 million, respectively, of which the cost of sales for the washing machine business in 2018, 2019 and 2020 were RMB2,514.5013 million, RMB3,067.1432 million, RMB3,336.7140 million and RMB2,089.7747 million, respectively. The increase in cost of sales was mainly due to the increase in raw materials cost, which amounted to RMB3,312.5926 million, RMB3,861.2523 million and RMB3,938.3745 million in 2018, 2019 and 2020, respectively.

OTHER INCOME

Other income mainly refers to the sales of materials and parts, waste and others. The operating revenue of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB1,178.862 million, RMB1,431.8642 million, RMB1,215.856 million and RMB659.4608 million, respectively.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other operating expenses are mainly labor costs, depreciation and amortization, etc. The administrative and other operating expenses of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB70.8143 million, RMB74.5888 million, RMB72.7692 million and RMB35.1395 million, respectively.

SELLING AND DISTRIBUTION EXPENSES

The sales and distribution expenses are mainly sales commissions and marketing channel expenses, etc. The sales and distribution expenses of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB186.0112 million, RMB19.0087 million, RMB18.6238 million and RMB10.6787 million, respectively.

FINANCING COST

The financing cost is the interest expense of bank borrowing. The financing cost of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB-7.0651 million, RMB-2.1017 million, RMB7.6375 million and RMB3.7541 million, respectively. The main reason for the change in financing cost of the company was the change in exchange gains and losses, which decreased from RMB7.6565 million in 2018 to RMB1.0115 million in 2019, and subsequently further decreased to RMB-7.6423 million in 2020. For January to June of 2021, it was RMB-3.3567 million. In addition, interest income also changed, increasing from RMB369,800 in 2018 to RMB2.5124 million in 2019, and subsequently decreasing to RMB1.4256 million in 2020. It further declined to RMB0.2495 million.

INCOME TAX EXPENSE

The income tax expense of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB37.9274 million, RMB65.6391 million, RMB40.8695 million and RMB27.7907 million, respectively, mainly due to the profit for the corresponding year. In addition, the deferred income tax of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB2.0637 million, RMB1.6435 million RMB24.5181 million and RMB7.0466 million, respectively.

PROFIT FOR THE YEAR

The profit for the year of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB109.236 million, RMB208.5084 million, RMB133.9476 million and RMB95.0983 million, respectively. Among them, the profit in 2019 increased by RMB99.27 million as compared to the previous year, mainly due to an increase in operating profit as a result of the increase in sales revenue of washing machines. The profit in 2020 decreased by RMB74.56 million as compared to the previous year, mainly due to a decrease in gross profit as a result of the increase in transportation costs and costs due to the impact of the COVID-19 pandemic.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Considering its financial situation, the operation of the Target Company was principally funded by cash inflows from daily operations. During the Relevant Period, the Target Company's funds were used primarily for operating cash outflows and amounts due to shareholders. The net operating cash flows of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB335.46 million, RMB139.62 million, RMB549.14 million and RMB113.3496 million, respectively.

The bank balances of the Target Company in 2018, 2019, 2020 and January to June 2021 were RMB1.8856 million, RMB3.1674 million, RMB1.9523 million and RMB3.5851 million, respectively. Amounts due to shareholders in 2018, 2019, 2020 and January to June of 2021 were RMB83.3246 million, RMB76.4652 million, RMB145.9559 million and RMB93.7633 million, respectively. The bank loans were nil during the three years, respectively. The gearing ratios of the Target Company in 2018, 2019, 2020 and January to June of 2021 were 61.4%, 67.1%, 62.3% and 63.8%, respectively.

The Target Company did not have any formal hedging policies nor did it use any financial instruments for hedging purposes during the Relevant Period.

BORROWINGS

There were no counterpart borrowings financing and repayment by the Target Company during the Relevant Period.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the Target Company in 2018, 2019, 2020 and January to June of 2021 were RMB1.89 million, RMB3.17 million, RMB1.95 million and RMB3.59 million, respectively.

PLEDGE OF ASSET

There has been no pledged asset of the Target Company during the Relevant Period.

CONTINGENT LIABILITIES

There has been no contingent liabilities of the Target Company during the Relevant Period.

FOREIGN CURRENCY RISK

Exchange rate risk refers to the risk of fluctuation of the fair value of financial instruments or future cash flows due to changes in foreign exchange rates.

The Company continuously monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimize foreign exchange risks. In addition, the Company may also enter into forward foreign exchange contracts or currency swap contracts to achieve the purpose of avoiding exchange rate risks. During the Relevant Period, the Company did not enter into any forward foreign exchange contracts or currency swap contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021, the total number of employees of the Target Group was 680, 634, 715 and 671, respectively. For the years ended 31 December 2018, 31 December 2019 and 31 December 2020, the Target Group's employee salary and benefit expenses amounted to RMB102.4 million, RMB103.1 million and RMB97.0 million, respectively. The staff costs were reduced as a result of the reduction in insurance premiums in 2020 due to the pandemic. Employee salary and benefit expenses for the six months ended 30 June 2020 and 30 June 2021 were RMB62.0 million.

SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

There has been no significant acquisition and disposal of assets by the Target Company during the Relevant Period.

MATERIAL INVESTMENTS AND FUTURE PLANS

The Target Company has not made any material investments during the Relevant Period, and has no plans for material investments in the future.

**Total Equity Value Project of Nanjing LG Panda Appliances Co., Ltd.
involved in Proposed Acquisition by Nanjing Panda Electronics Company Limited of 30.00%
Equity Interest in Nanjing LG Panda Appliances Co., Ltd.
Asset Valuation Report
Dong Zhou Ping Bao Zi [2021] No. 1746**

CHINA ELECTRONICS CORPORATION, PANDA ELECTRONICS GROUP LIMITED, NANJING PANDA ELECTRONICS COMPANY LIMITED:

As commissioned by the Company, Shanghai Orient Appraisal Co., Ltd. appraised the market value of the total shareholders' equity of Nanjing LG Panda Appliances Co., Ltd. involved in the proposed acquisition by Nanjing Panda Electronics Company Limited of 30.00% equity interest in Nanjing LG Panda Appliances Co., Ltd. as at 30 June 2021 by adopting the income approach, and performing necessary valuation procedures in accordance with relevant laws, administrative regulations and asset valuation standards and based on the principles of independence, objectivity and impartiality. Details of the asset valuation are presented as follows:

I. CONSIGNOR, APPRAISED ENTITY AND OTHER USERS OF ASSET VALUATION REPORT

(I) Overview of the Consignor

Consignor I:

Company name:	**China Electronics Corporation**
Legal representative:	Rui Xiaowu
Registered capital:	RMB18,482,251,996.64
Type of company:	Limited liability company (solely state-owned)
Company address:	19/F, Building 1, No. 66, Zhongguancun East Road, Haidian District, Beijing
Duration of operation:	26 May 1989 to non-fixed term

Business scope:	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, construction 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. (Market entity can independently select business projects and carry out operating activities in accordance with law. For projects requiring approval according to law, the operating activities can be commenced according to the approved content after the approval of the relevant authorities. Operating activities prohibited and restricted by the business policies of the State and Beijing city shall not be engaged.)

Consignor II:

Company name:	**Panda Electronics Group Limited**
Legal representative:	Zhong Youxiang
Registered capital:	RMB1,632,970,000
Type of company:	Limited liability company (sole proprietorship of legal person invested or controlled by non-natural person)
Company address:	Nanjing Economic and Technological Development Zone (No. 301, Zhongshan East Road, Xuanwu District)
Duration of operation:	5 December 1990 to non-fixed term

Business scope:	Development, manufacture, sales and maintenance of various kinds of communication equipment, home appliance products, electronic equipment, electronic intelligent equipment, computer and other electronic equipment, radio and television equipment, video and audio equipment, electronic devices and components, environment protection equipment, social public service and other special equipment, electronics and electrical machinery equipment, instruments and meters, office machinery, general finance/tax control equipment; development of computers and IT software, system integration equipment and services; property management; parking service. (For projects requiring approval in accordance with the law, the operating activities shall be commenced subject to the approval of the relevant authorities) licensing projects: accommodation services; real estate development and operation (For projects requiring approval in accordance with the law, the operating activities shall be commenced subject to the approval of the relevant authorities, and the specific operating projects shall be subject to the approval results).

Consignor III:

Company name:	**Nanjing Panda Electronics Company Limited**
Stock code and abbreviation:	A Share stock code: 600775.SH, A Share stock abbreviation: NPEC; H Share stock code: 00553.HK, H Share stock code abbreviation: 00553.HK, NPEC.
Legal representative:	Xia Dechuan
Registered capital:	RMB913,838,529
Type of company:	Limited company (joint venture between entities of Taiwan, Hong Kong, Macau and entities of the PRC)
Company address:	Room 1701, No. 301, Zhongshan East Road, Xuanwu District, Nanjing
Duration of operation:	5 October 1996 to non-fixed term

Business scope:	Develop, manufacture and sales 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; environmental friendly, social public security products and etc.; financial and tax-control devices; power products; moulds; computing industry, software industry, system integration; property management; together with the after service and technology service. (For projects requiring approval in accordance with the law, the operating activities can be commenced subject to the approval of the relevant authorities).

(II) Overview of the Appraised Entity

Company name:	**Nanjing LG Panda Appliances Co., Ltd. (the "Appraised Entity", or the "Company")**
Legal representative:	Bai Chengtai
Registered capital:	US$35.7 million
Type of company:	a limited liability company (Sino-foreign joint venture)
Company address:	No. 28 Yongfeng Avenue, Qinhuai District, Nanjing
Duration of operation:	21 December 1995 to 20 December 2035

Business scope: Development and production of fully automatic washing machines, related spare parts and other household appliances; research and development of white appliances; research, development and production of automobile drive motor, on-board information and entertainment system, inverter and other automobile spare parts; automobile and mold design services; sell (including domestic and export) self-produced products and provide after-sales services for relevant products; wholesale and import and export business of self-produced products, similar products, molds, fixtures, equipment, spare parts and components of the Company (excluding goods that are subject to the state-run trade administration, application shall be made in accordance with the relevant state requirements for the import and export of goods that are subject to quotas and license); educational and cultural exchange consulting services. (For projects requiring approval in accordance with the laws, the operating activities can be commenced subject to the approval of the relevant authorities)

1. *Company history and shareholder structure*

Nanjing LG Panda Appliances Co., Ltd. was established in December 1995 with an initial registered capital of US$11.775 million, of which LG Electronics Co., Ltd. contributed US$7.065 million and held 60.00% of the shares, and Panda Electronics Group Limited contributed US$4.71 million and held 40.00% of the shares. The structure of shareholders and shareholding ratio at the time of establishment were as follows:

No.	**Shareholder name**	**Capital contribution** *(US$0'000)*	**Proportion of contribution** *(%)*
1	LG Electronics Co., Ltd.	706.50	60.00
2	Panda Electronics Group Limited	471.00	40.00
Total		**1,177.50**	**100.00**

In September 1998, LG Electronics Co., Ltd. transferred 20.00% of the Company it held to LG Electronics (China) Co., Ltd. Upon completion of the above equity transfer, the structure of shareholders and shareholding ratio of the Company were as follows:

No.	Shareholder name	Capital contribution *(US$0'000)*	Proportion of contribution *(%)*
1	LG Electronics Co., Ltd.	471.00	40.00
2	Panda Electronics Group Limited	471.00	40.00
3	LG Electronics (China) Co., Ltd.	235.50	20.00
Total		**1,177.50**	**100.00**

In June 2002, the registered capital of the Company increased to US$15.7 million, of which LG Electronics Co., Ltd. contributed US$7.85 million, and held 50.00% of the shares, Panda Electronics Group Limited contributed US$4.71 million, and held 30.00% of the shares, and LG Electronics (China) Co., Ltd. contributed US$3.14 million, and held 20.00% of the shares. Upon completion of the above capital increase, the structure of shareholders and shareholding ratio of the Company were as follows:

No.	Shareholder name	Capital contribution *(US$0'000)*	Proportion of contribution *(%)*
1	LG Electronics Co., Ltd.	785.00	50.00
2	Panda Electronics Group Limited	471.00	30.00
3	LG Electronics (China) Co., Ltd.	314.00	20.00
Total		**1,570.00**	**100.00**

In August 2012, the registered capital of the Company increased to US$35.7 million, of which LG Electronics Co., Ltd. contributed US$17.85 million, and held 50.00% of the shares, Panda Electronics Group Limited contributed US$10.71 million, and held 30.00% of the shares, LG Electronics (China) Co., Ltd. contributed US$7.14 million and held 20.00% of the shares. Upon completion of the above capital increase, the structure of shareholders and shareholding ratio of the Company were as follows:

No.	**Shareholder name**	**Capital contribution** *(US$0'000)*	**Proportion of contribution** *(%)*
1	LG Electronics Co., Ltd.	1,785.00	50.00
2	Panda Electronics Group Limited	1,071.00	30.00
3	LG Electronics (China) Co., Ltd.	714.00	20.00
Total		**3,570.00**	**100.00**

As of the valuation benchmark date, the shareholding structure of Nanjing LG Panda Appliances Co., Ltd. has not changed.

2. Company profile

Nanjing LG Panda Appliances Co., Ltd. is a professional household appliance manufacturer integrating design, production and sales of drum washing machines, which was jointly invested and established by South Korea LG Electronics Co., Ltd. and Panda Electronics Group on 21 December 1995.

South Korea LG Electronics currently has washing machine factories in ten countries and regions in the world, such as South Korea, China, the US and Poland. It mainly produces wave-wheel washing machines and drum washing machines. Its products are exported to over 160 countries and regions. In 2020, Nanjing LG Panda Appliances Co., Ltd. is the largest production base of washing machine in addition to LG Korea, with an annual production capacity of more than 3.5 million units. Its associated export business accounted for 93% and domestic business accounted for 7%. The total production of washing machines of South Korea LG Electronics in 2020 is approximately 13.66 million, and LG Panda accounted for approximately 15% of its total production.

The sales of Nanjing LG Panda Appliances Co., Ltd. are mainly connected transactions, with a sales model of tripartite trade. The products and parts produced thereby are sold to LG Electronics at market prices and distributed to other subsidiaries for sales by LG Electronics based on market demand.

3. Development trend of the industry

With the continuous improvement of consumption level, customers' demand for high-end, high-quality and multifunction of washing machine products has gradually increased, which will promote washing machine enterprises to develop more intelligent, healthy and humanized technologies and products in the future.

(1) Integrated washing and drying machine products have become more and more popular. In 2020, affected by the pandemic, health care has become a new focus of consumers, and consumers have increased the frequency of washing and drying clothes. The fast-paced integrated washing and drying machines are in line with the new healthy laundry habits in the use experience and are therefore more popular. According to AVC data summary, in 2020, integrated washing and drying machines have become the most important driving force for the growth of the annual washing machine market. In the first half of 2021, the full-channel volume of drum drying products increased by 32.4% and 37.9%, year on year respectively, driving the double-digit growth of the overall washing machine market.

(2) Clothes dryer market has great growth potential. At present, the market demand for clothes dryers has expanded significantly, and the full-channel retail sales have increased by 87.4%. In 2020, the retail sales of clothes dryers will exceed RMB3 billion. Although the market size base is still small, it has great growth potential.

(3) The upgrade trend of large capacity washing machines has become more and more obvious. The market share of washing machines continues to transfer to large capacity. Both wave-wheel and drum washing machines show this trend, and the growth of 10kg and 11kg washing machines is obvious.

(4) The demand for intelligent development have become increasingly urgent. With the mature application of Internet technology, customers' expectations for intelligent products have increased. In order to meet the market consumption demand, the intelligent rate of white appliances (refrigerators, washing machines and air conditioners) reached 45% in 2020. With the development of 5G, IoT, artificial intelligence and other technologies, the home appliance industry has new opportunities for upgrading. The whole-house intelligent scenario-based operation will become the driving force for the new development of the home appliance industry.

In summary, the washing machine market will show a steady upward trend in the future, and upgraded products will be the leading trend of growth.

4. Assets, liabilities and financial status of the Company

(1) As of the valuation benchmark date, the total assets of the Company were RMB2,826,490,700, the total liabilities were RMB1,803,532,500, and the shareholders' equity was RMB1,022,958,200. The assets, liabilities and financial status of the Company in recent years are as follows:

Assets, liabilities and financial status of the Company

Unit: RMB0'000

Project	**31 December 2020**	**30 June 2021**
Total assets	310,912.56	282,649.07
Total liabilities	208,750.24	180,353.25
Net assets	102,162.32	102,295.82

Project	**2020**	**January to June 2021**
Operating revenue	468,955.89	287,367.75
Operating profit	17,480.04	12,286.54
Net profit	13,394.76	9,509.83

The above information is extracted from XIN KUAI SHI BAO ZI [2021] No. ZG50916 special audit report issued by BDO CHINA Shu Lun Pan Certified Public Accountants LLP, the audit opinion is a standard unqualified opinion.

The Company has implemented the Accounting Standards for Business Enterprises, and the value-added tax rate is 13% and 6%, the urban construction tax, education surcharge and local education surcharge are 7%, 3% and 2% of the turnover tax respectively, and the enterprise income tax rate is 25%.

(III) Relationship between consignor and Appraised Entity

Consignor I is the superior unit of shareholders of the Appraised Entity (consignor II); consignor II holds 30.00% equity interest of the Appraised Entity as at the valuation benchmark date, and consignor III is the subject of the acquisition. Prior to the implementation of the economic activity, consignor III has no property rights relationship with the Appraised Entity.

(IV) Other users of the asset valuation report

Pursuant to the agreements on the Asset Valuation Entrustment Contract, the users of this asset valuation report are the consignors, related management and supervision units, other users of the asset valuation report agreed in the entrustment agreement, as well as the users of the asset valuation report stipulated by national laws and administrative regulations. Any other third parties shall not become the legal users of this asset valuation report by obtaining thereof.

II. PURPOSE OF VALUATION

Pursuant to the decision of the shareholders of of Panda Electronics Group Limited, Nanjing Panda Electronics Company Limited intends to acquire the 30.00% equity interest in Nanjing LG Panda Appliances Co., Ltd. held by Panda Electronics Group Limited. The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Nanjing LG Panda Appliances Co., Ltd. as of the valuation benchmark date and to provide a value reference for this economic activity.

III. VALUATION SUBJECT AND SCOPE

(I) Valuation subject

The valuation subject is the value of all shareholders' equity of the Appraised Entity. The economic activity to be implemented is the acquisition of part of the equity interest. The valuation subject has been confirmed as the value of all shareholders' equity of the Appraised Entity by communication with the consignor.

(II) Valuation scope

The scope of valuation is all assets and liabilities of the Appraised Entity, including current assets, non-current assets and liabilities, etc. The total carrying value of all assets declared by the Appraised Entity is RMB2,826,490,763.89, the total carrying value of liabilities is RMB1,803,532,538.53, and the shareholders' equity is RMB1,022,958,225.36. The scope of the valuation commissioned is consistent with the scope of the valuation involved in the proposed economic activity.

The carrying value of assets and liabilities within the scope of valuation has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP and a special audit report (Review XIN KUAI SHI BAO ZI [2021] No. ZG50916) has been issued. The auditor expressed a standard unqualified audit opinion.

(III) Major assets within the scope of valuation

The appraised assets in the scope of this valuation are mainly current assets and non-current assets, of which non-current assets mainly include fixed assets, projects in construction, right-of-use assets, intangible assets, other non-current assets, etc. Details are as follows:

1. Current assets

Current assets consist primarily of monetary funds, accounts receivable, financing receivables, payments in advance, other receivables, inventories and other current assets, etc.

2. Fixed assets-equipment

According to its different uses, the fixed assets-equipment is divided into three categories: machinery equipment, transportation equipment and electronic equipment, with a total of 7,165 sets of equipment, primarily including washing machine assembly lines, washing machine drum lines, winding machines, lockstitch machines, flanging machines, stamping machines, small vehicles, tractors, cleaning cars, computers, printers, routers, servers, etc., distributed in various functional departments and production sites of the enterprise. The above-mentioned equipment was mainly purchased between 2012 and 2020. As of the valuation benchmark date, except for 74 sets that are out of service, the rest are in normal use.

3. Fixed assets-building

The building assets in the scope of this valuation include buildings and structures.

(1) The buildings mainly include plant A and B, welfare hall, R&D building, UT power distribution room, refuse collection point hazardous waste warehouse and other production houses, with a total of 5 buildings. These buildings were mainly built in 2012 and put into operation, and the main building was constructed with steel and concrete structure, with a total gross floor area of 119,830.10 sq.m. As of the valuation benchmark date, the above building assets have yet to be processed for real estate certificates.

(2) The structures mainly include office area with access road, elevated loading area, central loading area roof, roads, greening works, etc., with a total of 14 structures, which are mainly steel and concrete structures.

(3) The above-mentioned buildings are located on the land that No. 28 Yongfeng Avenue, Qinhuai District, Nanjing where the enterprise has the right to use, details of which are in the Intangible Assets – Land Use Rights Section.

4. Projects in construction

The carrying value of projects in construction-equipment represents the equipment installation project which has not yet completed as at the benchmark date, most of which has been completed after the benchmark date and transferred into fixed assets.

5. Right-of-use assets

The carrying value of right-of-use assets represents the right to use the leased premises during the lease period arising from the leased operating premises. According to the ASBE, the enterprise adopts the cost model for subsequent measurement of the right-of-use assets and should depreciate the right-of-use assets in accordance with the provisions of ASBE-Fixed assets regarding depreciation.

6. Intangible assets-land use rights

The land use right is 1 piece of land located at No. 28 Yongfeng Avenue, Qinhuai District, Nanjing, with a land area of 121,124.07 sq.m., which was acquired on 26 September 2013, using for industry, with nature of grant and permitted use until 9 November 2056. The land use right registration is summarized as follows:

Certificate number	Land name	Area (m^2)	Usage	Nature	Permitted use
Ning Qin Guo Yong (2013) No. 14097	Shishan Village, Qinhuai District	121,124.07	Industrial	Grant	9 November 2056

7. Intangible assets-other intangible assets

Other intangible assets recorded in the enterprise's books include 74 office software items, all of which were from external purchases.

8. Other non-current assets

The carrying value of other non-current assets represents the membership fee of Nanjing Zhongshan International Golf Club.

(IV) Other intangible assets declared by the Appraised Entity

Other intangible assets declared by the Appraised Entity are mainly the purchased software recorded on the books and patent rights not recorded in the books.

As of the valuation benchmark date, there are a total of 74 items of intangible assets in software recorded on the books of the Appraised Entity, all of which are office software required for its production and operation and 9 of which are no longer in use by the company; the unrecorded intangible assets are 74 patents (including 50 invention patents, 19 utility models and 5 design patents), the above-mentioned patent assets are obtained from the information provided by the Appraised Entity and the relevant website of the State Intellectual Property Office, and the holders of which are all Appraised Entities and will be included in the valuation scope. Details of patent rights are as follows:

1. Patent

No.	Application No.	Patent Category	Name
1	200810052705.2	Invention Patent	Vacuum cleaner
2	200810052706.7	Invention Patent	An active driving vacuum cleaner
3	200810052704.8	Invention Patent	Self-driving vacuum cleaner
4	200810052715.6	Invention Patent	Nozzle of the vacuum cleaner
5	200810052709.0	Invention Patent	Active driving vacuum cleaner
6	200810052716.0	Invention Patent	A vacuum cleaner
7	200610014856.X	Invention Patent	Dust collection unit of vacuum cleaner
8	200810052714.1	Invention Patent	Vacuum cleaner
9	200910309014.0	Invention Patent	Dust bucket of vacuum cleaner
10	200810052809.3	Invention Patent	Dust collection device of vacuum cleaner
11	201010237175.6	Invention Patent	Dust collection bucket with double compressed structure
12	201010605878.X	Invention Patent	Eccentric gear structure of compression plate in dust collector
13	201110126346.2	Invention Patent	Dust collector with compression function and its control method

No.	Application No.	Patent Category	Name
14	201110437739.5	Invention Patent	Dust collection bucket with variable speed compression structure
15	201110399325.8	Invention Patent	Vacuum cleaner dust bucket with easy-open bottom cover
16	201210161726.4	Invention Patent	Locking protection device for releasing dust collection bucket with one button
17	2011101274306.0	Invention Patent	Moving pipe fitting/household appliance system and its operation method
18	2009102086171.0	Invention Patent	Laundry device and its control method LWW08–553
19	2009102086260.0	Invention Patent	Laundry device and its control method LWW08–554
20	2009102067518.0	Invention Patent	Inspection module and garment handling device with the inspection module LWW08–444
21	2009102085982.0	Invention Patent	Garment handling device LWW08–649
22	2009102086059.0	Invention Patent	Laundry device LWW08–620
23	2009102086078.0	Invention Patent	Laundry device and its control method LWW08–586
24	2009102085910.0	Invention Patent	Laundry device for display LWW09–008
25	2008101867795.0	Invention Patent	Detergent handling device
26	2008102433261.0	Invention Patent	Electrical machine
27	2008101867494.0	Invention Patent	Control method of detergent handling device and detergent handling device
28	2007101609159.0	Invention Patent	Foreign object collection device and washing machine for this device
29	2007101609178.0	Invention Patent	Garment recycling device
30	2007101609290.0	Invention Patent	Roller Washer
31	2007101963798.0	Invention Patent	Steam generator and its control method
32	2007101963815.0	Invention Patent	Steam generation device
33	200610016469X	Invention Patent	Control method for preventing steam backflow of washing machine
34	2006100164806.0	Invention Patent	Driving part structure of roller washer
35	2006100164825.0	Invention Patent	Driving part structure of roller washer
36	2014100038051.0	Invention Patent	Water-saving washing machine and its method of use
37	2014100050369.0	Invention Patent	Pad printing device
38	2008101907909.0	Invention Patent	Detergent handling device

No.	Application No.	Patent Category	Name
39	2008101907913.0	Invention Patent	Detergent handling device
40	2008101907928.0	Invention Patent	Detergent handling device
41	200810190799X	Invention Patent	Detergent handling device
42	2008102131882.0	Invention Patent	Garment handling device
43	2008102131933.0	Invention Patent	Washing machine
44	2008102131967.0	Invention Patent	Garment handling device
45	2008101296869.0	Invention Patent	Laundry device
46	200710300128X	Invention Patent	Roller washer with crumple resistance and its crumple resistance method
47	2007103001538.0	Invention Patent	Debris collection device and washing machine suitable for the device
48	2007103001557.0	Invention Patent	Debris collection device and washing machine suitable for the device
49	201610743699X	Invention Patent	A method for reducing power dissipation based on Q-axis current control
50	2017100664701.0	Invention Patent	A steam washing machine and washing method
51	201220274947.8	Utility Model	Hand-held vacuum cleaner with beater
52	201220274985.3	Utility Model	Sterilization base of hand-held vacuum cleaner
53	201220275202.3	Utility Model	Portable vacuum cleaner
54	201220275066.8	Utility Model	Hand-held vacuum cleaner with hand-held induction device
55	201420520070.5	Utility Model	Anti-winding structure of vacuum cleaner rolling brush
56	201420520259.4	Utility Model	Charging base of portable vacuum cleaner
57	2014206405897.0	Utility Model	Wave washer top with damper
58	2013202841089.0	Utility Model	New condenser dryer outer drum
59	2013202890013.0	Utility Model	New condensing dryer drum
60	2013202890028.0	Utility Model	The outer drum of the washing machine with steam washing function and its drying channel
61	2012203687515.0	Utility Model	Liquid detergent auto-dispensing device
62	2012203691633.0	Utility Model	Liquid detergent auto-dispensing device
63	2017201116875.0	Utility Model	A washing machine top
64	2017201145100.0	Utility Model	A washing heater for washing machine
65	2017201145562.0	Utility Model	A belt drive device to drive a wash bucket
66	2017219227105.0	Utility Model	A drain pump for washing machine and washing machine

No.	Application No.	Patent Category	Name
67	2017218995935.0	Utility Model	A pump impeller, pump for washing machine and washing machine
68	2017219176419.0	Utility Model	A waver washer with an overflow guide drum
69	2017218947490.0	Utility Model	A type of drum rim for waver washer and waver washer
70	201330125574.8	Design Patent	Bedding vacuum cleaner
71	201230439686.6	Design Patent	Hand-held vacuum cleaner and its base
72	2015305224292.0	Design Patent	Washing machine
73	2012306341923.0	Design Patent	Washing machine
74	2012305274230.0	Design Patent	Packaging side strip (impact resistant structure)

(V) Type and number of off-the-book assets declared by the Appraised Entity

Save for those already declared, no other assets and liabilities that are not reflected in the books have been declared by the Appraised Entity.

(VI) Types, quantity and carrying amount of assets in reports issued by other organizations

This Asset Valuation Report does not include references to the conclusions of reports issued by other valuation organizations.

IV. TYPE AND DEFINITION OF VALUE

The type of value of the valuation subject is determined to be the market value.

Market value refers to the estimated value of the valuation subject in an arm’s length transaction made in the ordinary course of business on the valuation benchmark date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

An “arm’s length transaction” is a transaction between parties who have no specific or special relationship, that is, a transaction between parties who are assumed to be unrelated and acting independently of each other.

V. VALUATION BENCHMARK DATE

The valuation benchmark date of this project is 30 June 2021.

The valuation benchmark date is determined by the asset appraiser in consultation with the consignor after taking into account the need for the implementation of the economic activity, the advantages provided by the information at the end of the accounting period and changes in interest rates and exchange rates before and after the valuation benchmark date.

VI. BASIS OF VALUATION

This valuation is conducted in accordance with the below valuation bases:

(I) Basis of economic activity

1. Decision of the Shareholders of Panda Electronics Group Limited.

(II) Legal basis

1. Asset Appraisal Law of the People's Republic of China (Adopted at the 21st Meeting of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on 2 July 2016);

2. Civil Law of the People's Republic of China (Adopted at the Third Session of the Thirteenth National People's Congress on 28 May 2020);

3. Company Law of the People's Republic of China (Amended at the 6th Meeting of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China on 26 October 2018);

4. Securities Law of the People's Republic of China (Amended at the 15th Meeting of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China on 28 December 2019);

5. Financial Supervision and Management Measures of Assets Evaluation Industry (Order No. 86 of Ministry of Finance, as amended by order No. 97 of Ministry of Finance);

6. Land Administration Law of the People's Republic of China (Amended at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);

7. Urban Real Estate Administration Law of the People's Republic of China (Amended at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);

8. Law of the People's Republic of China on State-owned Assets of Enterprises (Adopted at the 5th Meeting of the Standing Committee of the Eleventh National People's Congress of the People's Republic of China on 28 October 2008);

9. Provisional Regulations on the Supervision and Administration of State-owned Assets on Enterprises (Order No. 378 of the State Council, as amended by Order No. 588 of the State Council);

10. Measures for the Administration of State-owned Assets Appraisal (Order No. 91 of the State Council);

11. Notice on Publication and Distribution of the Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Appraisal (Guo Zi Ban Fa [1992] No. 36);

12. Interim Measures on the Administration of State-owned Assets Appraisal of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);

13. Notice on Strengthening the Administration of State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274);

14. Measures for the Supervision and Administration of State-owned Equities of Listed Companies (Order No. 36 of the SASAC of the State Council, CSRC and the MoF);

15. Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);

16. Guidelines on the Filing of the State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);

17. Enterprise Income Tax Law of the People's Republic of China (Amended for the second time at the 7th Meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);

18. Decision of the State Council on Repealing the Interim Regulation of the PRC on Business Tax and Amending the Interim Regulations of the PRC on Value-Added Tax (Order No. 691 of the State Council);

19. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (Order No. 50 of the MoF and the State Administration of Taxation, as amended by Order No. 65 of the Ministry of Finance and the State Administration of Taxation in 2011);

20. Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (Cai Shui [2016] No. 36);

21. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (No. 32 [2018] of the MoF);

22. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the MoF, the State Administration of Taxation and the General Administration of Customs);

23. Patent Law of the People's Republic of China (Amended for the third time at the 6th Meeting of the Standing Committee of the Eleventh National People's Congress on 27 December 2008);

24. Other laws and regulations relating to the valuation practice.

(III) Basis of Valuation Standards

1. Basic Standards on Assets Valuation (Cai Zi [2017] No. 43);

2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);

3. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

4. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);

5. Practice Guidelines for Asset Valuation – Asset Valuation Entrustment Contract (Zhong Ping Xie [2017] No. 33);

6. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);

7. Practice Guidelines for Asset Valuation – Asset valuation methods (Zhong Ping Xie [2019] No. 35);

8. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);

9. Guiding Opinions on Legal Ownership of the Asset Valuation Object (Zhong Ping Xie [2017] No. 48);

10. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);

11. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);

12. Practice Guidelines for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);

13. Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);

14. Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);

15. Guidelines for Valuation of Intellectual Property Rights Assets (Zhong Ping Xie [2017] No. 44);

16. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);

17. Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);

18. Practice Guidelines for Asset Valuation – Asset Valuation File (Zhong Ping Xie [2018] No. 37).

(IV) Basis of asset ownership

1. Permit for Construction Works Planning;

2. State-owned Land Use Right Certificate；

3. Vehicle registration certificate;

4. Patent authorization certificates;

5. Purchase contracts or certificates of major assets;

6. Ledgers for fixed assets, books, etc.;

7. Other title-related certificates.

(V) Pricing basis of valuation

1. The latest loan prime rate (LPR) announced by the National Interbank Funding Centre;

2. Prevailing deposit and lending benchmark interest rates schedules of the People's Bank of China effective on the valuation benchmark date;

3. Middle rates of exchange published by the Administration of Foreign Exchange under the People's Bank of China effective on the valuation benchmark date;

4. Machinery and electrical instrument quotation handbook published by China Machine Press;

5. Online vehicle price information from www.chinacar.com.cn;

6. Available online price information of equipment;

7. Pricing Quota of Construction and Decoration Engineering of Jiangsu Province (2014) (Su Jian Jia [2014] No. 216);

8. Construction Cost Quota of Jiangsu Province (2014) (Su Jian Jia [2014] No. 299);

9. Construction Cost Quota of Jiangsu Province (2016) adjustment after the change from business tax to value-added tax (Su Jian Jia [2016] No. 154);

10. Landchina.com;

11. Rating Standard for the Condition of Houses issued by the Ministry of Construction;

12. Information of recent land transactions issued on the website of Bureau of Land and Resources;

13. Website of China Urban Land Price Dynamic Monitor;

14. Accounting statements, books and vouchers and asset valuation returns provided by the Appraised Entity and its management as of the valuation benchmark date;

15. Historical annual financial statements and auditor's reports of the Appraised Entity;

16. Current and future annual market forecasts for the Appraised Entity's major products;

17. Table of projected future income, costs and expenses provided by management of the Appraised Entity;

18. Information on contracts on hand, orders and target customer provided by management of the Appraised Entity;

19. Financial data and data and information about the capital market from the Royal Flush Analysis System;

20. On-site survey records and other relevant valuation information collected by the asset appraiser.

(VI) Other references

1. Accounting statements, books, vouchers and asset valuation returns as at the valuation benchmark date provided by the Appraised Entity and its management;

2. Common Methods and Parameters for Assets Appraisal (China Machine Press, 2011 edition);

3. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (2012 Order No. 12 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection);

4. Statistics and analysis on the PRC macro-economy, industries, regional markets and enterprises;

5. Technical statistics of Shanghai Orient Appraisal Co., Ltd.;

6. Other relevant references.

VII. VALUATION METHODOLOGY

(I) Overview of valuation methodology

In accordance with the Basic Standards on Assets Valuation, the valuation methods used to determine the value of assets include the three basic approaches and their derivatives, namely the market approach, the income approach and the cost approach.

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, there are three basic approaches that can be used to perform a valuation on enterprise value: the income approach, the market approach, and the cost approach (also known as the asset-based approach):

The income approach refers a valuation method that determines the valuation object through capitalisation or discounting of expected income. The adoption of income approach in appraising enterprise value emphasizes the overall expected profitability of the enterprise.

The market approach refers to a valuation method that compares the valuation subject with a comparable listed company or comparable transaction case to determine the value of the valuation object. The adoption of market approach in appraising enterprise value is characterized by the direct selection of valuation data from the market and strong persuasiveness of the valuation results.

The cost approach (also known as the asset-based approach) refers to a valuation method that uses the balance sheet as of the Appraised Entity's valuation benchmark date as the basis for determining the value of the valuation object by reasonably appraising the value of the enterprise's on-balance sheet and identifiable off-balance sheet assets and liabilities. The adoption of asset-based approach in appraising enterprise value may lead to situations where not every asset and liability can be fully identified and appraised individually.

(II) Selection of valuation methods

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any valuation of enterprise value, the suitability of the three basic asset valuation methods, namely the income approach, the market approach and the asset-based approach, shall be analyzed based on the purpose of valuation, the valuation object, the type of value, the collected information, etc., so as to ensure selection of appropriate valuation methods. If different valuation methods are suitable for valuation of enterprise value, asset appraising professionals should adopt two or more valuation methods for their valuation.

The basic idea of the asset-based approach is to rebuild or replace the asset being appraised in its current condition, with the potential investor being willing to pay no more than the current acquisition cost of the asset at the time he or she decides to invest in the asset. The valuation project satisfies the requirements of the asset-based approach, i.e., the appraised asset is in continuing use or is assumed to be in continuing use, and historical operating information is available. The adoption of the asset-based approach satisfies the requirements of the type of value of this valuation.

The income approach assesses the value of an asset by its expected profitability, which is the essential basis for determining the prevailing fair market value of the asset. As such, it can completely reflect the overall value of an enterprise and its valuation conclusion is more reliable and convincing. At the same time, the Appraised Entity has the preconditions for the adoption of the income approach: sustainable operation in the future, predictable future profit period, stable relationship between shareholders' equity and operating income of the enterprise, predictable and quantifiable operating income in the future, and the risk rewards related to the enterprise's expected revenue can be estimated and measured.

There are two commonly used specific methods under the market approach, which are listed-company comparison and transaction-case comparison. The preconditions for the adoption of the market approach are a developed, fair and active open market with sufficient market information and the availability of comparable transaction cases on the open market. Upon inquiring domestic listed companies in the same industry with the Appraised Entity, there are few listed companies that are comparable in terms of product type, business model, enterprise scale, asset allocation, future growth. In addition, there are fewer equity transactions that have similar industry characteristic and business model in the recent proprietary trading market, information such as transaction background and operating financial data of transaction cases cannot be obtained from public channels, therefore it does not have the basic conditions for the adoption of market approach.

In accordance with the valuation purpose and the characteristics of valuation object, as well as the applicable conditions of the valuation method, the income approach was adopted for the valuation.

(III) Introduction to Income Approach

1. Summary

According to the "Practice Guidelines for Asset Valuation – Enterprise Value", the discounted cash flow (DCF) is a commonly used method of the income approach, that is, by estimating future cash flows and adopting proper discount rate, future cash flows are discounted into their present value by which we derive value of total equity interest of shareholder. The discounted cash flow method usually includes the Free Cash Flow of Firm (FCFF) Model and the Free Cash Flow of Equity (FCFE) Model, and the asset appraisal professionals select appropriate discounted cash flow model based on the sector in which subject of valuation operates, operational model, capital structure and development trend.

2. Basic Thoughts

According to the asset composition and operating characteristics of the Appraised Entity and the due diligence of the valuation, the basic thoughts of this valuation are based on the audited accounting statements of the Appraised Entity: firstly, adopting the discounted cash flow (DCF) to estimate the value of operating assets of the enterprise; secondly, the total equity interest of shareholder is arrived at by adding the value of other non-operating or surplus assets, liabilities and surplus assets on the valuation benchmark date, after deducting the value of interest-bearing debt.

3. Valuation Model

According to the actual situation of the Appraised Entity, the discounted cash flow (DCF) specifically selects the Free Cash Flow of Firm (FCFF) Model. The basic formula is as follows:

The total equity interest of shareholder = the overall value of the enterprise – the value of interest-bearing debt

Among which:

(1) The overall value of the enterprise = the value of operating assets + the value of non-operating and surplus assets

(2) The value of operating assets = sum of the present value of free cash flow during the specific forecast period + the present value of free cash flow after the specific forecast period (P), i.e.

$$p = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_n * (1+g)}{(r-g) * (1+r)^n}$$

Where:

Fi – the amount of cash flow during the income period in future;
n – The specific forecast period refers to the duration from the valuation date to the time when the enterprise attains relatively stable operating conditions;
g – expected annual growth rate of future income after the specific forecast period;
r – discounting rate selected.

4. Valuation procedures

(1) Determine the expected amount of income. Combining the human resources, technical standards, capital structure, operating conditions, historical performance and development trends of the Appraised Entity as well as macroeconomic factors, the current status and development prospects of the industry, the necessary analysis, review, judgment and adjustment of the future income forecast data provided by the principal or the management of the Appraised Entity shall be carried out, and the evaluation assumptions are reasonably determined on the above basis to form the expected future income.

(2) Determine the future income period. After analyzing and understanding the nature and type of the Appraised Entity, the status quo and development prospects of the industry, agreements and Articles of Association, operating conditions, asset characteristics and resource conditions, the future income period is determined to be indefinite. At the same time, based on the comprehensive analysis of the remaining economic life of the product or service of the Appraised Entity, as well as the research and development situation, income structure, cost structure, capital structure, capital expenditure, working capital, investment income and risk level of the alternative product or service, in combination with macro policies, industry cycles and other factors that

affect companies entering a stable period, the project's clear forecast period n is selected as 6 years, and the amount of Fi remains unchanged after the clear forecast period, that is, take the value of g to be zero.

(3) Determine the discount rate. In accordance with the principle that the discount rate needs to be consistent with the expected income, the discount rate is selected as the weighted average cost of capital (WACC), which is the weighted average value of the expected return on equity and the expected return on debt after income tax adjustment. The formula is:

$$WACC = R_d \times (1\text{-}T) \times W_d + R_e \times W_e$$

Where:

R_d: expected return rate on debts;
R_e: expected return rate on equity;
W_d: the percentage of debt capital in the capital structure;
W_e: the percentage of equity capital in the capital structure;
T: effective income tax rate of the enterprise.

The expected return rate on equity is determined using the Capital Asset Pricing Model (CAPM), the formula is:

$$R_e = R_f + \beta_e \times MRP + \varepsilon$$

Where：

R_f: risk-free interest rate;
MRP: Market risk premium;
ε: Specific Risk Premium Rate;
β_e: expected market risk coefficient of the equity capital of the Appraised Entity.

$$\beta_e = \beta_t \times (1 + (1 - t) \times \frac{D}{E})$$

Where: β_t: Expected market risk coefficient of an ungeared comparable company;
D, E: Debt and equity capital of the Appraised Entity, respectively;

(3.1) Determination of risk-free interest rate R_f: Based on the results of domestic and foreign industry research, and combined with the requirements of the Asset Valuation Expert Guidance No. 12 – Calculation of the Yield Rate in the Evaluation of Enterprise Value under the Income Approach (《資產評估專家指引第12號－收益法評估企業價值中折現率的測算》issued by the China Appraisal Society, the average of the latest 10-year China treasury bond yield was selected as the risk-free interest rate for calculation this time. The source of the data is the China Government Bond Yield Curve published on the website of China Appraisal Society and provided by the China Government Securities Depository Trust & Clearing Co., Ltd. (CCDC).

Government bond yield curve is used to describe the curve of government bonds of various maturities and corresponding interest rate levels. The China Government Bond Yield Curve is a curve based on the market interest rate of RMB Treasury bonds issued in Mainland China.

Considering that the income of the 10-year treasury bond is released every working day, in order to avoid the impact of short-term market sentiment fluctuations on the value, it is calculated in accordance with the latest complete quarterly average value combined with the Company's technical specifications and updated every quarter. The value at the valuation benchmark date is 3.13%.

(3.2) Calculation of market risk premium (MRP, R_m–R_f): Market risk premium refers to the expected excess earnings of investors required on equity investments with the same average risk in the overall market, namely the risk compensation in excess of the risk-free interest rate. Market risk premium is generally calculated based on the historical risk premium on the market. The Company adopted the historical risk premium data of China Securities Market Index to calculate the market risk premium.

Calculation of R_m: the return rate is calculated based on the China Securities Market Index

Index selection: according to the Asset Valuation Expert Guidance No. 12 – Calculation of the Yield Rate in the Evaluation of Enterprise Value under the Income Approach issued by the China Appraisal Society and simultaneously considering that the CSI 300 Total Return Index is relatively more accurate in calculating the return rate than the CSI 300 Index because of the revised dividend distribution of sample shares, we chose the CSI 300 Total Return Index to calculate the return rate. The base index figure is adopted as 1000 points with a date of 31 December 2004.

Time span: the calculation time interval begins from January 2005 to the end of the year before valuation benchmark date.

Data frequency: weekly data. Considering that China's capital market has existed for approximately 30 years, the index has great volatility, and if the calculation is simply based on the weekly closing index, it will cause great fluctuation of the return rate and have no reference significance. Therefore, we calculate the annual return rate based on the 200-week average of the trading days before the weekly closing price (for those less than 200 weeks, the average is calculated from the week when the index is released).

Method of average annual rate of return: we calculated and analyzed the arithmetic and geometric average annual rate of return, and finally selected the geometric average annual rate of return.

Calculation of R_f: The 10-year treasury bond yield to maturity in the same period is adopted as the risk-free interest rate (data source is the same as before). Corresponding to the return index rate, it is calculated using the average of the entire year in the current year.

Calculation of Market risk premium (MRP, R_m–R_f):

We have obtained the basic data of China's market risk premium for each year through the above calculations. Considering that the current China's economy is shifting from a high-speed growth stage to a high-quality development stage and the growth rate is gradually slowing down, thus we adopted the average of the last 5 years to calculate the MRP value, which is as follows:

Period	**Average social rate of return**	**10-year treasury bond yield in the 11th year after the issuance**	**MRP,R_m–R_f**
Average			7.00%
2020	9.90%	2.94%	6.96%
2019	9.87%	3.18%	6.69%
2018	10.48%	3.62%	6.86%
2017	10.53%	3.58%	6.95%
2016	10.38%	2.86%	7.52%

That is, the current risk premium in the China's market is approximately 7.00%.

(3.3) Determination of beta value (β coefficient): This coefficient is used to calculate the risk premium of the enterprise in the overall capital market. It is also used to evaluate how the overall economic environment will affect the price of an individual stock. As the company that is being valued is currently not a listed company, it is generally difficult to calculate its coefficient directly. Thus, in this valuation, we have used the β coefficient (i.e., βt) of enterprises that are in the same industry as the company on the valuation benchmark date.

After comprehensively considering the comparability of comparable listed companies and the Appraised Entity in terms of business type, corporate scale, profitability, growth, industry competitiveness and enterprise development stage, five comparable listed companies were finally selected. Hithink Flush Information Network Co., Ltd. is a professional Internet financial information service provider. We inquired on its financial data terminal that the weighted average βt of the five comparable listed companies after excluding their financial leverage is 0.957.

The selection criteria for β coefficient values are as follows:

Selection of Underlying index: CSI 300
Calculation period: weekly data
Time frame: 3 years
Calculation method of return rate: logarithmic return rate
Excluding financial leverage: in accordance with market value ratio

D is determined based on the interest-bearing liabilities on the valuation benchmark date, and E is calculated based on the market value corresponding to the closing price of the shares on the valuation benchmark date. Finally, it is concluded that the value of the equity expected risk coefficient βe of the Appraised Entity is 0.957.

(3.4) Determination of the specific risk return rate ε: After comprehensively considering factors including the risk characteristics of the commissioned company, the corporate scale, the business model, the operating stage, the core competitiveness, the dependence of major customers and suppliers and the differences with the selected comparable listed company, we mainly make determinations based on the professional experience of the evaluators. After analysis and judgment, we finally determined the specific risk return rate ε as 2.5%.

(3.5) Determination of expected return rate on debts: The expected return rate on debts is selected from the loan prime rate (LPR)-5 year loan interest rate announced by the National Interbank Funding Center.

(3.6) Determination of capital structure: after analyzing various factors including the development stage of the commissioned enterprise, the financing arrangements in the next year, the difference in financing capacity and financing costs with comparable companies and whether a stable capital structure is available, we decided to adopt the real capital institution of the commissioned enterprise.

(4) Determination of value of surplus assets and the assessed net value of non-operating assets and liabilities: based on the audited accounting statements of the Appraised Entity, the scope of surplus assets and non-operating assets and liabilities is analyzed and determined, and appropriate valuation approach is adopted to determine their appraisal value.

Surplus assets refer to surplus assets not directly relating to the revenue of the enterprise in the profit forecast and in excess of the operating needs of the enterprise in the profit forecast, comprising mainly surplus cash and etc..

Non-operating assets and liabilities are assets and relevant liabilities not directly relating to the normal operating income of the enterprise in the profit forecast, including those that generate no income or can generate income but are not included in the scope of this income forecast, comprising mainly input tax to be deducted, right-of-use assets, decommissioned fixed assets, lease liabilities and deferred income tax liabilities.

(5) Determination of value of interest-bearing debt: based on the audited accounting statements of the Appraised Entity, the scope of interest-bearing debt, including borrowings from financial institutions or other units and individuals, such as short-term loans, long-term loans and bonds payable is analyzed and determined. After verification, the Appraised Entity has no interest-bearing debt.

VIII. EXECUTION OF VALUATION PROCEDURE

We have implemented the valuation procedure for this project in accordance with the PRC Asset Valuation Standards and the relevant principles and regulations of the National Asset Valuation Standards. The entire valuation procedure is divided into the following four stages:

(I) Preparation of valuation

1. Upon acceptance of the engagement for this project, discuss and reach an agreement with the Appointer on valuation purpose, valuation benchmark date, valuation scope and other issues, enter into a business entrustment contract, and formulate valuation plan for this project.

2. Collaborate with enterprises in asset stocktaking, guide and assist enterprises with declaration of asset within the valuation scope and prepare documents and information necessary for asset valuation.

(II) On-site survey

Based on the overall schedule of this project, the on-site valuation and investigation work phase begins from late July to late August 2021. After selecting the appropriate valuation methodology for this valuation, the following on-site survey is conducted:

1. Verification and validation of the assets and related information declared by the enterprise in the scope of valuation

(1) listen to overall enterprise introduction given by staff of the Appointer and Appraised Entity, together with introduction of history and status of assets to be appraised, so as to have an overall picture about enterprises' internal system, state of operation and configuration of assets;

(2) review statements for asset valuation and declaration provided by enterprises, make reconciliation to relevant financial records and collaborate with enterprises to make adjustment or provide supplemental information when issues are identified;

(3) conduct on-site inspection and test counts on physical assets based on the statements for asset stocktaking, valuation and declaration;

(4) review and collect property right supporting documents of assets to be appraised, check the ownership information provided by the Appraised Entity and verify the ownership of the assets, count the defective assets, ask the Appraised Entity to verify and confirm that the enterprises' ownership of such assets and that there are no property rights disputes;

(5) analyze the specific valuation methods for each type of asset based on the actual conditions and characteristics of the assets under valuation;

(6) for equipment, buildings, and land use rights assets, understand the management system and actual implementation, as well as the corresponding maintenance, alteration and expansion, review and collect relevant technical data, contract files, budget data, completion inspection data, and land planning files, etc.; for general-purpose equipment, conduct market research and inquired about price information; for buildings, real estate and land use rights, research and collect information on market conditions, real estate transaction cases and local construction costs;

(7) understand the cost structure, history and future revenue of the intangible assets involved, as well as information on the market conditions of the corresponding products;

(8) the liabilities in the valuation range are primarily based on an understanding of the actual liability incurred by the Appraised Entity.

2. Judging the likely development trend of the enterprise over a period of time in the future by understanding of the historical operation of the Appraised Entity, its current operating status and the real status of the industry in which it operates, specifically as follows:

(1) understand the legal situation relating to the continued operation of an Appraised Entity, mainly in relation to its articles of association, investment and capital agreements, the place of operation and its ability to operate;

(2) understand the accounting system implemented by the Appraised Entity, depreciation policy for fixed assets, accounting for inventory costing and issue accounting method for inventory, etc., the tax rate implemented and tax status, debt, borrowings and cost of debt in recent years;

(3) understand the Appraised Entity's business type, business model and historical operating results, including the percentage of revenue from its principal operations, the distribution of its major customers, and its connected transactions with connected persons;

(4) obtain financial information such as balance sheets, income statements, cash flow statements and product income and cost breakdowns that have been audited in recent years;

(5) understand the allocation and actual utilization of the enterprise's assets, analyze relevant surplus assets and non-operating assets and liabilities, and obtain consensus with the enterprise's management;

(6) understand the core business strengths and weaknesses of the enterprise through an interview with the management of the Appraised Entity, business plans and operating strategies for the next few years, such as market demand, investment in research and development, pricing strategies, sales plans, cost and expense control, capital raising and projected new investment plans, etc., as well as the future income and cost components of our principal operations and their changing trends, etc.; major market competitors; and business risks faced, such as national policy risks, market (industry) competition risks, product (technology) risks, financial (debt) risks, and exchange rate risks, etc.;

(7) interview with the Appraised Entity's main suppliers and sales customers to understand their business cooperation with the Appraised Entity, the key conditions for cooperation, and future cooperation intentions;

(8) conduct necessary analysis and review of the future revenue forecast information provided by the management of the Appraised Entity, and to discuss with the Appointer and relevant parties various future possibilities, taking into account the Appraised Entity's human resources, technology level, capital structure, operating conditions, historical results, development trends, as well as macroeconomic factors and the current status and development prospects of the industry in which the Appraised Entity operates, and to analyze the applicability and compatibility of the future revenue forecast information with the valuation assumptions; and

(9) understand the number and underlying circumstances of comparable enterprises and comparable market transactions that are in the same industry as the Appraised Entity, or are affected by the same economic factors.

(III) Valuation result analysis and summary

Analyse, summarise and collate the valuation data collected during the on-site valuation survey stage as necessary to form basis for valuation estimate; select the correct formula and reasonable valuation parameters based on the selected valuation method to form a preliminary valuation result; summarize the preliminary valuation conclusions and conduct an analysis of the reasonableness of the valuation conclusions when it is confirmed that there is no duplication or omission of valuation in the scope of assets under valuation.

(IV) Preparation and submission of the report

Prepare the preliminary asset valuation report based on the above works performed; exchange views with the Appointer on the contents of the preliminary asset valuation report, revise and improve the asset valuation report after taking into account all relevant views communicated; and to submit a formal Asset Valuation Report to the Appointer after completing the enterprise's internal audit procedures.

IX. VALUATION ASSUMPTIONS

Asset appraiser followed the following assumptions and restrictions in this valuation:

(I) Basic Assumptions

1. Transaction assumption

The transaction assumption is that all assets to be evaluated are in the process of transaction, and the asset appraiser will make estimation in a simulated market according to the transaction conditions of assets to be evaluated. The transaction assumption is a most fundamental assumption for the further implementation of the asset valuation.

2. Open market assumption

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. Enterprise going concern assumption

Enterprise going concern assumption is assuming that the Appraised Entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. Assumption about the use of an asset for an existing purpose

Assumption about the use of an asset for an existing purpose means that it is assumed that the assets will continue to be used for the current utilization. First, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(II) General Assumptions

1. This valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.

2. This appraisal does not consider the impact on the Appraised Entity's valuation conclusion of any collateral or guarantee that the Appraised Entity and its assets may assume in the future, or any additional price that may be paid as a result of special transactions.

3. It is assumed that there will be no significant changes in the socio-economic environment in which the Appraised Entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.

4. The current and future business operations of the Appraised Entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

(III) Special valuation assumptions in the income approach

1. The future income of the Appraised Entity can be reasonably expected and measured in currency; the risk corresponding to the expected return can be measured; the term of the future return can be determined or reasonably expected.

2. The current and future management of the Appraised Entity is legally, compliantly and diligently performing its operation and management functions. After the implementation of the economic activity, there will be no serious impact on the development of the enterprise or damage to the interests of shareholders, and continue to maintain the existing operation management model and management level.

3. In the future forecast period, the core management and technical personnel of the Appraised Entity will be relatively stable, and there will be no major changes that affect the business development and profit realization of the enterprise.

4. The accounting policies adopted by the Appraised Entity after the appraisal benchmark date are consistent with the accounting policies adopted in the preparation of this Appraisal Report in terms of importance.

5. Assuming that the cash flow of the Appraised Entity will flow in evenly after the appraisal benchmark date, and the cash outflow will be uniform.

6. Assuming that the Appraised Entity may continue to be licensed to use the operation qualification after its expiration.

7. The valuation assumes that upon expiry of the lease contract for the Appraised Entity's business premises, the Appraised Entity will be able to obtain renewal of the lease contract for continued use in accordance with the terms and conditions of the lease contract, or will then be able to obtain business premises of similar terms and scale at market rental rates.

The valuation conclusion of this Asset Valuation Report is established at the valuation benchmark date under the above assumptions, and in the event of a significant change in the above assumptions, the undersigning asset appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

X. VALUATION CONCLUSION

In accordance with the national regulations on valuation of assets, we have implemented the necessary valuation procedures based on the principles of independence, impartiality and objectivity to obtain a valuation conclusion of the market value of the shareholders' entire interest of the Appraised Entity as at the valuation benchmark date in accordance with the valuation purpose, valuation assumptions and limitations described in this report.

(I) Relevant valuation results

The valuation of the value of the entire equity interest of the corporate shareholders using the income approach resulted in the following valuation at the valuation benchmark date:

The carrying value of the Appraised Entity's shareholders' equity is RMB1,022,958,200, with an appraised value of RMB1,421,000,000 and an appraised increase of RMB398,041,800, representing an appreciation rate of 38.91%.

The income approach is based on the expected return of assets as a standard of value, reflecting the size of the asset management capabilities (profitability), which usually affected by various conditions such as macroeconomics, government control, and effective use of assets.

In addition to tangible resources including fixed assets and working capital, enterprise value should also include the contribution of important intangible resources such as technology and R&D team advantage, customer resources, sales network, management advantage, brand advantage, etc..

The sales model of the Appraised Entity is "tripartite trade", and the products are mainly sold to related enterprises, which have certain customer resources and upstream and downstream coordination advantages, and the Appraised Entity have relatively stable business performance and good management level in recent years, and which has a good market reputation. Meanwhile, the overall profitability of the Company is the result of the combined effect of all environmental factors and internal conditions of the Company and the value connotation of the evaluation result of the income approach includes all the intangible assets of the Company that are not identifiable.

In summary, the assessment by way of income approach can objectively and reasonably reflect the value of the Appraised Entity, so the result of the income approach is used as the final evaluation conclusion.

Through the above analysis, we adopt the income approach evaluation results as the evaluation conclusion of the value of the entire shareholders' equity of the Appraised Entity, assuming all the above assumptions are met, is RMB1,421,000,000, being RMB1,421,000,000.

The valuation conclusion is based on the above valuation work.

(II) Changes in the comparison of valuation conclusions and carrying value and reasons

It is precisely based on the evaluation conclusion of the income approach that the company has important intangible resource values such as technology and R&D team advantages, customer resources, business network, service capabilities, management advantages, and brand advantages that are not reflected in the company's carrying value. Therefore, the income approach has a certain degree of appreciation over the carrying value.

(III) Other considerations relating to the valuation conclusions

Given that the Appraised Entity itself is an unlisted company, the valuation object is the value of the entire shareholders' equity, and the impact of control and liquidity is not considered in the valuation by income approach, and the final valuation conclusion does not consider the impact of control and liquidity.

(IV) Validity of the valuation conclusions

In accordance with the current valuation standards, the valuation conclusion revealed in this valuation report is based on the fact that there have been no significant changes in the valuation assumptions set out in this report, and this valuation report conclusion may normally only be used if the period between the implementation date of the economic activity and the valuation benchmark date is not more than one year, i.e. the valuation conclusion is valid from 30 June 2021 to 29 June 2022.

The conclusion of this valuation report may not be used beyond the above validity period of the valuation conclusion to implement economic actions.

(V) Other notes on the valuation conclusion

During the validity period of the valuation conclusion after the valuation benchmark date, if there is a change in the number of assets and the valuation criteria involved in the valuation object, the Appointer may deal with it in accordance with the following principles:

1. when there is a change in the quantity of assets, the amount of assets should be adjusted accordingly according to the original valuation method;

2. the Appointer shall promptly engage a qualified valuation agency to re-determine the appraised value when there is a change in the asset price standard that significantly affects the asset valuation result;

3. the Appointer shall give due consideration to any changes in the quantity of assets and the price standard after the valuation benchmark date when implementing economic activities.

XI. SPECIAL NOTES

In using this valuation report, the user of the valuation report should pay attention to the following special issues that may affect the valuation conclusion, and give due consideration to them when making their own decisions and implementing economic activities in reliance on this report:

(I) Incomplete or defective key information such as ownership

1. As of the valuation benchmark date, the following buildings of the Appraised Entity have not obtained the Building Ownership Certificates or Real Estate Certificates:

Name of the Buildings	Structure	Year and Month of Completion	Unit of measurement	Area (m^2)
Building A, Building B	Steel frame structure/Gate type steel frame structure	29/12/2012	Square meter	98,218.50
Welfare Hall	Reinforced concrete frame structure	29/12/2012	Square meter	7,286.40
R&D Building	Reinforced concrete frame structure	29/12/2012	Square meter	13,360.20
UT power distribution room	Reinforced concrete frame structure	27/12/2012	Square meter	905.00
Garbage station hazardous waste warehouse	Board room	28/12/2014	Square meter	60.00
Total			Square meter	119,830.10

The area of the above-mentioned buildings is determined based on the Permit for Construction Works Planning and its declaration situation provided by the Appraised Entity. Meanwhile, the Appraised Entity undertook that the above-mentioned assets have no ownership disputes, and the impact of the above-mentioned matters on the appraised value is not considered in this appraisal.

In addition, the asset ownership information of this appraisal is basically complete, and the asset appraiser has not found any obvious property defects. The entrusting person and the Appraised Entity also clearly stated that there are no property rights defects.

(II) Other key information not provided by the Appointer

Nil.

(III) Uncertainties such as outstanding issues, legal disputes as at the valuation benchmark date

The asset appraiser is not informed of any outstanding issues, legal disputes or other uncertainties of the enterprise as of the valuation benchmark date. The Appointer and the Appraised Entity have also clearly stated that there are no uncertainties such as unresolved issues and legal disputes.

(IV) Significant use of expert work and relevant report

1. Use of professional reports:

In the course of performing this valuation, we have obtained the following professional reports through lawful means, and have utilized the relevant contents of the professional reports with careful reference:

(1) Special audit report (XIN KUAI SHI BAO ZI [2021] No. ZG50916) issued by BDO China Shu Lun Pan Certified Public Accountants LLP;

The types and amounts of the carrying assets in this Asset Valuation Report have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP, and a special audit report was issued (XIN KUAI SHI BAO ZI [2021] No. ZG50916). The opinion of the audit report is: "We have audited the financial statements of Nanjing LG Panda Appliances Co., Ltd. (hereinafter referred to as the "Company"), including the balance sheets as of 31 December 2020 and 30 June 2021, and income statement, statement of cash flows, changes in owners' equity for the year of 2020 and January to June in 2021, and related notes to the financial statements. In our opinion, the accompanying financial statements are prepared in accordance with the Accounting Standards for Business Enterprises in all major aspects, present fairly the financial position of the Company as of 31 December 2020 and 30 June 2021, and the results of its operations and cash flows for the year of 2020 and January to June in 2021". The asset appraising professionals analyzed and judged the financial statements in accordance with the requirements of the valuation method used, however, it is not the responsibility of the asset appraising professionals to express a professional opinion as to whether the relevant financial statements present fairly the financial position and the results of operations and cash flows for the period as at the valuation benchmark date.

(V) Major subsequent events

The Appointer and the Appraised Entity have not expressly advised that whether there are major subsequent events between the valuation benchmark date and the date of this Asset Valuation Report in an effective way, and we cannot judge whether the Appraised Entity has had any significant impact on the valuation conclusion.

(VI) Explanation of the relevant limitations of the valuation procedures, the remedial measures adopted by the valuation agency and the impact on the valuation conclusion

Nil.

(VII) The nature and amount of guarantees, leases and contingent liabilities (contingent assets) and their relationship to the valuation object

1. The leases matter

(1) As of the valuation benchmark date, the parking area on the north side of the office and business premises of the Appraised Entity was leased from Nanjing Baixia High-tech Property Management Co., Ltd., with a lease period from 30 November 2016 to 30 November 2026. It is understood that the rental price is market-oriented, and the rental site is not included in the scope of this evaluation.

(2) As of the valuation benchmark date, a Canon (Osie) project printer used by the Appraised Entity was leased from Nanjing Tongchuang Modern Digital Office Equipment Co., Ltd., with a lease period from 6 November 2019 to 5 November 2022. It is understood that the rental price is market-oriented, and the rental equipment is not included in the scope of this evaluation.

(3) In July 2021, the Appraised Entity entered into the Property Lease Agreement with Jiangsu Bestbond Life Service Co., Ltd. to lease from Jiangsu Bestbond a total of 158 serviced apartments located at 116 Shiyang Road, Qinhuai District, Nanjing City, with a lease period from 1 July 2021 to 30 June 2022, for the purpose of being used as the staff dormitory of the Appraised Entity. It is understood that the rental price is market-oriented, and the rental apartments are not included in the scope of this evaluation.

(4) As of the valuation benchmark date, the following buildings owned by the Appraised Entity are leased out, and the details are as follows:

Lessees	Lease assets	Lease area(m^2)	Lease period
Nanjing LG Auto Parts Co., Ltd.	Warehouse on the second floor of Building B of the new factory	350.00	From 1 July 2021 to 30 June 2022
Nanjing LG Auto Parts Co., Ltd.	Warehouse on the first floor of Building B of the new factory	500.00	From 1 June 2021 to 31 May 2022
LG Electronics (China) Co., Ltd.	The third floor of office building of Building B of the new factory	2,400.00	From 1 August 2020 to 31 July 2021
LG Electronics Nanjing New Technology Co., Ltd.	Warehouse on the second floor of Building B of the new factory	1,870.00	From 1 August 2020 to 31 July 2021
LG (China) Logistics Co., Ltd.	Warehouse on the first floor of Building B of the new factory	2,000.00	From 7 August 2020 to 6 August 2021
LG Electronics (Tianjin) Appliances Co., Ltd.	Warehouse on the second floor of Building B of the new factory	2,830.00	From 1 December 2020 to 30 November 2021
Hanxing Electronics (Nanjing) Co., Ltd.	Warehouse on the second floor of Building B of the new factory	1,660.00	From 1 August 2020 to 31 July 2021

2. Matters including guarantees, contingent liabilities

The enterprise has not declared relevant matters including guarantees and contingent liabilities. Through on-site investigation, the valuer did not find any relevant matters. However, due to the limitations of asset appraisers' verification methods and the concealment formed by guarantees, contingent liabilities (assets), etc., the appraisal agency cannot give a definitive opinion on whether the company has the above-mentioned matters.

(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion

We have not identified any deficiencies in the economic activity corresponding to the asset valuation that may have a significant impact on the valuation conclusion.

(IX) Other matters requiring explanation

1. In this Asset Valuation Report, all tables or textual expressions denominated in RMB ten thousands, if there is any difference between the total amount and the sum of the individual sub-values is due to rounding off.

2. The profit forecast of the Appraised Entity obtained by the asset valuer is on the basis of the income approach of this evaluation report. The asset valuer conducted the necessary investigation, analysis and judgment on the profit forecast provided by the Appraised Entity, and discussed with the Appraised Entity's management for several times. After the Appraised Entity's adjustments and improvement, the appraisal institution accepted the Appraised Entity's profit forecast. Relevant data and main assumptions. The prudent use of the appraiser's profit forecast by the appraiser should not be regarded as a guarantee for the Appraised Entity's ability to realize its future profitability.

When using this Asset Valuation Report, the user of the valuation report shall pay due attention to the impact of the aforementioned special matters on the valuation conclusion.

XII. RESTRICTIONS ON THE USE OF VALUATION REPORTS

(I) This Asset Valuation Report shall only be used for the purposes of valuation and economic activity as set out herein.

(II) The valuation agency and the asset appraiser shall not be liable if the Appointer or other users of the Asset Valuation Report fails to use this Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Valuation Report.

(III) Except for the Appointer, the other users of the Asset Valuation Report as agreed in the asset valuation entrustment contract and the users of the Asset Valuation Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report.

(IV) The user of the Asset Valuation Report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realizable price of the valuation object, and the valuation conclusion shall not be considered as a guarantee of the realizable price of the valuation object.

(V) If this valuation project involves state-owned assets and is required to comply with the filing and approval procedures of the State-owned Assets Supervision and Administration Department in accordance with the relevant regulations, this valuation report shall be filed with the State-owned Assets Supervision and Administration Department before it can be formally used, and the valuation conclusion shall only apply to the economic activity shown in this report.

(VI) This Asset Valuation Report contains certain annexes and appraisal schedules, all of which also constitute an important part of this report, but shall be valid only when used in conjunction with the body of this report. The valuation agency and the asset appraiser assume no obligation or responsibility for any use other than that for which it is used, such as being shown to the non-Asset Valuation Report user or the non-Asset Valuation Report user who otherwise has access to this report, and do not provide further consultation in connection with this report, nor do they provide testimony, appear in court or otherwise hearings in legal proceedings, and reserve the right to pursue the non-Asset Valuation Report user the losses incurred as a result.

(VII) The right to interpret the contents of this Asset Valuation Report shall rest with the valuation agency, and no other entity or department shall have the right to interpret it, unless otherwise expressly and specifically provided for in national laws and regulations; any extract, quote or disclosure of the whole or part of the contents of the valuation report in the public media shall be subject to the written consent of the valuation agency and the undersigning appraiser of the report after the valuation agency has reviewed the relevant contents. Except for the provisions of laws and regulations and other agreements of the relevant parties.

XIII. DATE OF ISSUANCE OF THE ASSET VALUATION REPORT

The Asset Valuation Report date is the date on which the valuation conclusion is formed and this Asset Valuation Report date is 21 October 2021.

南京熊猫電子股份有限公司
NANJING PANDA ELECTRONICS COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00553)

The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

25 October 2021

Dear Sirs,

TRANSACTION CONTEMPLATED UNDER EQUITY TRANSFER AGREEMENT OF LG PANDA

We refer to the valuation report (the "**Valuation Report**") prepared by Shanghai Orient Appraisal Co., Ltd. (the "**PRC Valuer**") in relation to the valuation of all equity interests in LG Panda as at the valuation benchmark date (i.e. 30 June 2021). The valuation of LG Panda (the "**Valuation**") was conducted based on income approach and is thus regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have considered every aspect regarding the Valuation, including the basis and assumptions upon which the Valuation has been prepared, and have reviewed the Valuation for which the PRC Valuer is responsible. We have also considered the letter dated 25 October 2021 from our reporting accountant, BDO China Shu Lun Pan Certified Public Accountants LLP, regarding the arithmetical accuracy of the calculations and whether the forecast was compiled properly according to the assumptions set out in the Valuation Report. We have noticed that the calculations of forecast in the Valuation were accurate, and fulfilled the basis and assumptions set out in the Valuation Report.

On the basis of the foregoing, we are of the opinion that the forecast has been made after due and careful enquiry.

By Order of the Board
Nanjing Panda Electronics Company Limited
Zhou Guixiang
Chairman

INDEPENDENT ASSURANCE REPORT ON ARITHMETICAL ACCURACY OF THE CALCULATIONS OF THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF NANJING LG PANDA APPLIANCES CO., LTD.

25 October 2021

To the Board of Directors of Nanjing Panda Electronics Company Limited (the "**Company**")

We refer to the discounted future cash flows on which the assets valuation ("**the Valuation**") dated 21 October 2021 prepared by Shanghai Orient Appraisal Co., Ltd. with respect to the valuation of 100% equity of Nanjing LG Panda Appliances Co., Ltd. (the" **LG Panda**") as at 30 June 2021 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Cash Flows

The directors of the Company (the "**Directors**") are solely responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors and set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

It is our responsibility to form a conclusion, based on our work on the arithmetical accuracy of the calculations of the discounted future cash flows on which the Valuation is based, and to report, as required by paragraph 14.62(2) of the Listing Rules, on the arithmetical accuracy of the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

We conducted our work in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical accuracy and compilation of the discounted future cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Conclusion

In our opinion, so far as the arithmetical accuracy of the calculations are concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other Matters

Without qualifying our opinion, we draw your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of Lg Panda or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully

BDO China Shu Lun Pan
Certified Public Accountants LLP

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Hong Kong Listing Rules) were as follows:

Interests in domestic shares of the Company:

Name of Director	Position	Capacity	Nature of interests	No. of shares held (Long position)	Percentage of share capital in issue
					(%)
Zhou Guixiang	Chairman, Executive Director	Beneficial owner	Personal	1,639	0.00018

(B) Interests of Substantial Shareholders

As at the Latest Practicable Date, 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) NEIIC 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. NEIIC held 100% equity interests in PEGL and in total held 246,550,055 shares in the Company which was held in the capacity of controlled corporation and beneficial owner, accounting for approximately 26.98% of the total shares in issue. (3) CEIEC (H.K.) Limited held 27,414,000 H shares, accounting for approximately 11.33% of H shares in issue and approximately 3.00% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (4) CEC held 79.24% equity interests in NEIIC and100% equity interests in CEIEC (H.K.) Limited. NEIIC held 100% equity interests in PEGL, and CEC held 273,964,055 shares in the Company in total which was held in the capacity of controlled corporation, accounting for approximately 29.98% of the total shares in issue. (5) China Huarong held 64,471,891 domestic shares, accounting for approximately 9.59% of domestic shares in issue and approximately 7.06% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (6) China State Shipbuilding Corporation held 16,998,000 H shares, accounting for approximately 7.02% of H shares in issue and approximately 1.86% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of controlled corporation. (7) China General Technology (Group) Holding Company Limited held 14,912,000 H shares, accounting for approximately 6.16% of H shares in issue and approximately 1.63% of the total shares in issue. The nature of interests in such shares is corporate interest which was held in the capacity of controlled corporation.

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 the Latest Practicable Date.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors and supervisors of the Company held offices as Directors or employees in NEIIC, the controlling shareholder of PEGL as shown below:

Name of Director/Supervisor	Position held in NEIIC
Zhou Guixiang	Chairman
Li Renzhi	Deputy General Manager
Shen Jianlong	Assistant to General Manager
Zhao Ji	Chief Accountant
Fu Yuanyuan	Director of Audit Department

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors and supervisors of the Company held offices as Directors or employees in PEGL, the controlling Shareholder of the Company as shown below:

Name of Director/Supervisor	Position held in PEGL
Deng Weiming	Deputy General Manager

Save as disclosed above, none of the Directors and supervisors of the Company is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its members.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far was known to the Directors, none of the Directors or their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group (other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group) or have any other conflicts of interest with the Group pursuant to the Hong Kong Listing Rules.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

The Board confirms that as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up), none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up).

8. MATERIAL CONTRACTS

No material contracts (not being contracts entered into in the ordinary course of business carried out by the Group) have been entered into by any members of the Group within the two years immediately preceding the date of this circular.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts (the "**Experts**") who have been named in this circular or have given opinion or advice in this circular:

Name	Qualifications	Date on which the opinion or advice is expressed
BDO China Shu Lun Pan CPAs LLP	Certified Public Accountants	25 October 2021 and 23 November 2021
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO	23 November 2021
Shanghai Orient Appraisal Co., Ltd.	Qualified PRC Valuer	21 October 2021

As at the Latest Practicable Date, the Experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Group nor did they have any direct or indirect interests in any assets which had been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, the Experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their statements and references to their names in the form and context in which they respectively appear herein. The letters or reports from the Experts, the text of which is set out in this circular, was made by the Experts for incorporation in this circular.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection at the website of the Stock Exchange and the Company from the date of this circular up to and including the date of the EGM:

(a) the Equity Transfer Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out in this circular;

(c) the letter from Gram Capital, the text of which is set out in this circular;

(d) the written consents referred to in the section headed "Experts and Consents" in this Appendix;

(e) accountants' report of LG Panda prepared by BDO China Shu Lun Pan Certified Public Accountants LLP as set out in Appendix Ⅱ of this circular;

(f) report on unaudited pro forma statement of assets and liabilities of the enlarged group prepared by BDO China Shu Lun Pan Certified Public Accountants LLP as set out in Appendix Ⅲ of this circular;

(g) the Valuation Report, a summary of which is set out in Appendix Ⅴ to this circular;

(h) the letter from the Board in relation to the Profit Forecast of LG Panda, the text of which is set out in Appendix Ⅵ to this circular;

(i) the letter from BDO China Shu Lun Pan Certified Public Accountants LLP in relation to the Profit Forecast of LG Panda, the text of which is set out in Appendix Ⅶ to this circular.

11. GENERAL

(a) The registered office of the Company is situated at Room 1701, 301 Zhongshan East Road, Xuanwu District, Nanjing, Jiangsu Province, the People's Republic of China.

(b) The principal place of business of the Company is at 7 Jingtian Road, Nanjing, Jiangsu Province, the PRC.

(c) The company secretary of the Company is Mr. Wang Dongdong, who is the Secretary to the Board.