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南京熊猫电子股份有限公司

NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT

This announcement is made by Nanjing Panda Electronics Company Limited (the “Company”) pursuant to Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong). The board of directors (the “Board”) and all members of the Board warrant that there is no misrepresentation, misleading statement contained in, or material omission from this announcement and accept legal responsibility for the truthfulness, accuracy and completeness of the contents herein contained.

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At the twenty-fourth meeting of the tenth session of the Board and the fourteenth meeting of the tenth session of the supervisory committee of the Company held on 28 March 2024, the “Resolution in relation to Provision for Asset Impairment” was considered and passed, respectively. To give an objective view of the condition of the assets and the operation results of the Company and ensure the truthfulness and reliability of the accounting information, the Company has conducted an impairment test for each of its assets as of 31 December 2023, and has made a corresponding provision for impairment in accordance with the requirements of the “Accounting Standards for Business Enterprises” and the relevant policies of the Company. The details are set out as follows:

I. OVERVIEW ON THE PROVISION FOR ASSET IMPAIRMENT

(I) Provision for bad debts on accounts receivable and other receivables

The aggregate amount of the provision for bad debts on accounts receivable and other receivables of the Company for 2023 amounted to RMB8,819,697.30 and reversed provision for bad debts amounted to RMB918,680.62. Among them, bad debt provision for accounts receivable amounted to RMB7,679,384.13 and reversed provision for bad debts amounted to RMB907,530.62; bad debt provision for other receivables amounted to RMB1,140,313.17 and reversed provision for bad debts amounted to RMB11,150.00.

(II) Provision for impairment on inventories and prepayments

The aggregate amount of the provision for impairment on inventories and prepayments of the Company for 2023 amounted to RMB13,156,611.89 and reversed provision for impairment amounted to RMB6,699,758.84. Among them, provision for impairment on inventories amounted to RMB13,156,611.89 and reversed provision for impairment amounted to RMB6,501,637.02; reversed provision for impairment on prepayments amounted to RMB198,121.82.

(III) Provision for impairment of long-term equity investments

Nanjing Ericsson Panda Communication Co., Ltd. (“ENC”) was set up on 15 September 1992 with a business term of 30 years, a total investment of US\$40.88 million and a registered capital of US\$20.9 million. ENC is held as to 27% by the Company, 51% by Ericsson (China) Company Limited, 20% by CETC Asset Management Co., Ltd., and 2% by Yung Shing Enterprise, Hong Kong. ENC mainly engages in production of mobile telecommunication system equipment and network communications system equipment, etc. As the biggest production and supply center of Ericsson in the world, ENC is now mainly in charge of the industrialization and mass production of the products that Ericsson developed and provides delivery and shipment to customers worldwide. In August 2022, shareholders decided to extend the business term of ENC for three years, ending on 14 September 2025. On 1 September 2022, ENC applied for a new business license.

In the Company’s Estimated Annual Results for 2023, the Company provided a risk warning on the ENC special tax adjustment as an uncertainty affecting the estimated results, and in the subsequent reply to the Shanghai Stock Exchange’s regulatory work letter on matters relating to the Company’s estimated results, the Company provided a detailed explanation on the ENC special tax adjustment. For details, please refer to the relevant announcements (Lin. 2024–003 and 2024–004) of the Company dated 31 January 2024 and 29 February 2024 published in China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange.

On 19 December 2023, the Swedish director of ENC and the secretary of the board of directors and person in charge of finance (dispatched by EAB) notified all the Chinese directors of ENC by email that the Swedish Tax Agency had concluded the MAP negotiation. The management of ENC carried out the financial treatment accordingly, and on 16 January 2024, the Company received the unaudited financial statements for December 2023 of ENC, with a loss of RMB1,223,949,189.61, which was mainly attributable to the fact that ENC had assumed the “special tax adjustment” of RMB1,424,241,068, excluding the tax relief of SEK199,493,876 (approximately RMB136 million) received from EAB, and included it in profit or loss for the current period. Since January 2024, the Company has been in active contact with the Swedish directors of ENC through emails and telephone calls, continuously urging them to comply with the relevant PRC laws and regulations as well as the resolution of the board of directors related to ENC. The Company and another Chinese shareholder of ENC had a meeting with representatives of EAB in Shenzhen, China in the afternoon of 12 March 2024, during which the Chinese shareholders reiterated to the representatives of EAB their consistent position that the Chinese shareholders of ENC should not be affected by the special tax adjustment and discussed the relevant proposals. EAB undertook to provide feedback on the proposal discussed on 20 March. However, on 14 March 2024, the Company received ENC’s board of directors’ materials sent by ENC’s management via email, which included a draft audit report of ENC for the year 2023 issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Nanjing Branch, pursuant to which, due to the failure of the Swedish tax authorities to reach an agreement with the Chinese tax authorities on Mutual Agreement Procedures (MAP), ENC recorded the amount of rebate expected to be received from EAB, RMB136,253,279, as other receivables, and the difference between such amount and other non-current assets recognized at the beginning of the period, RMB1,424,241,068, of RMB1,287,987,789 was recorded as credit impairment loss. Once the above accounting treatment was adopted, ENC shall incur a significant loss for the year 2023 with a net loss of RMB1,225,650,136.48. Since 20 March 2024, the Company has contacted its representatives who attended the meeting on that date multiple times through emails and phone calls, and up to the date of the announcement, the Company has not received any comments and feedback from EAB. In light of this, and taking into full consideration that ENC’s recovery of other non-current assets is highly uncertain, and that this matter is likely to have a significant impact on the Company’s long-term equity investment, in view of the principle of prudence, the Company made full provision for impairment of ENC’s long-term equity investment in the financial statements for the year 2023, with an amount of RMB230,134,881.37.

All Chinese shareholders, including the Company, have always emphasized that the MAP bilateral negotiations should be regarded as EAB's risk and not ENC's. Both the Company and other Chinese shareholders of ENC are of view that ENC's financial treatment does not fully reflect the full picture of the special tax adjustment matter, does not reflect the related commitments made by the directors of the Ericsson in the past meetings of the board of directors, jeopardizes the legitimate rights and interests of the Chinese shareholders, and is contrary to the resolution of the board of directors of ENC. The Company will take all necessary measures to appropriately address the impact of the special tax adjustment and related matters of ENC on the Company and make every effort to safeguard the legitimate rights and interests of the Company and its shareholders. The Company will continue to disclose the material progress of this matter and the material impact it may have on the Company in 2024 and subsequent years.

The Company made an impairment provision of RMB230,134,881.37 for ENC's long-term equity investments for the period, recognized an impairment loss of RMB230,134,881.37 and wrote down the long-term equity investment to zero.

II. IMPACT OF THE PROVISION FOR ASSET IMPAIRMENT ON THE COMPANY

The aggregate amount of the provision for impairment on assets of the Company in 2023 amounted to RMB252,111,190.56 and reversed provision for impairment amounted to RMB7,618,439.46, which affected the total profit in the consolidated statements of the Company by decreasing RMB244,492,751.10.

III. PROCEDURES FOR REVIEWING THE PROVISION FOR ASSET IMPAIRMENT

At the twenty-fourth meeting of the tenth session of the Board and the fourteenth meeting of the tenth session of the supervisory committee of the Company held on 28 March 2024, the "Resolution in relation to Provision for Asset Impairment" was considered and passed, respectively.

IV. AUDIT OPINIONS OF THE AUDIT COMMITTEE UNDER THE BOARD

The provision for asset impairment of the Company was made in accordance and compliance with the “Accounting Standards for Business Enterprises” and the relevant financial and accounting policies of the Company. It was made with sufficient basis and in line with the situation of the assets of the Company. The provision for asset impairment was based on the principle of prudence, which will be conducive to reflecting the financial condition, the value of the assets and the operation results of the Company more fairly, and will contribute to a more reasonable accounting information of the Company.

V. INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS

The provision for asset impairment of the Company was made in accordance and compliance with the “Accounting Standards for Business Enterprises” and the relevant financial and accounting policies of the Company. It was made with sufficient basis and in line with the situation of the assets of the Company. The provision for asset impairment was based on the principle of prudence and fairly reflected the financial condition, the value of assets and the operation results of the Company as at 31 December 2023, which has contributed to a more reasonable accounting information of the Company, and no circumstances were found where the interests of the Company and its shareholders, particularly its minority shareholders, would be harmed. The provision for asset impairment of the Company is hereby approved.

VI. OPINIONS OF THE SUPERVISORY COMMITTEE

According to the relevant provisions of the “Accounting Standards for Business Enterprises”, the provision for asset impairment of the Company was made in line with the actual situation of the Company, and the financial condition, the value of the assets and the operation results of the Company as at 31 December 2023 were fairly reflected following the provision for asset impairment. The relevant decision-making procedures complies with relevant laws and regulations. The provision for asset impairment of the Company is hereby approved.

By Order of the Board
Nanjing Panda Electronics Company Limited
Xia Dechuan
Chairman

Nanjing, the People’s Republic of China
28 March 2024

As at the date of this announcement, the Board comprises Executive Directors: Mr. Xia Dechuan and Mr. Hu Huichun; Non-executive Directors: Mr. Liu Jianfeng, Mr. Deng Weiming, Mr. Yi Guofu and Mr. Lv Song; and Independent Non-executive Directors: Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Baggio.