



# **Luxshare Precision Industry Co., Ltd.**

## **Annual Report 2021**

2022-033

**April 2022**

## **Section I Important Note, Table of Contents and Definitions**

**The Board of Directors, the Board of Supervisors, directors, supervisors and executives of the Company hereby warrant that the information contained in this Annual Report is true, accurate and complete and this Annual Report is free from any misrepresentation, misleading statement or material omission, and agree to assume joint and several liability for this Annual Report.**

**WANG Laichun, Principal of the Company, CFO WU Tiansong and Chief Accountant CHEN Huiyong hereby represent that the financial statements contained in this Annual Report are true, accurate and complete.**

**All directors of the Company attended the meeting of the Board of Directors reviewing this Report.**

**The relevant risks facing the Company are set out in “Section III Management’s Discussion and Analysis - XI. Prospects for future development of the Company”.**

**According to the profit distribution proposal approved by the Board of Directors, the Company will distribute a cash dividend of RMB1.10 (inclusive of tax) per 10 shares to all shareholders on the basis of 7,084,301,477 shares, and will not distribute any bonus shares or transfer any capital reserve to the share capital for the reporting period.**

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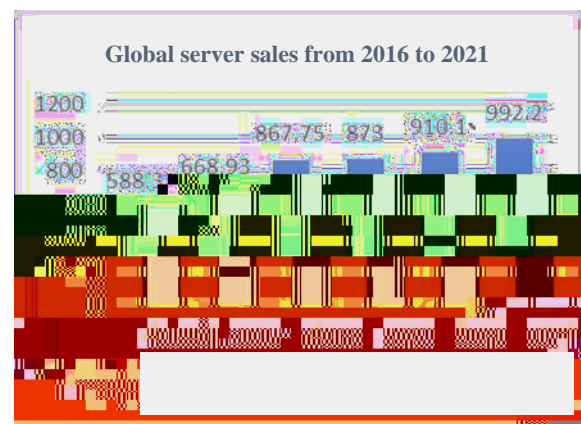
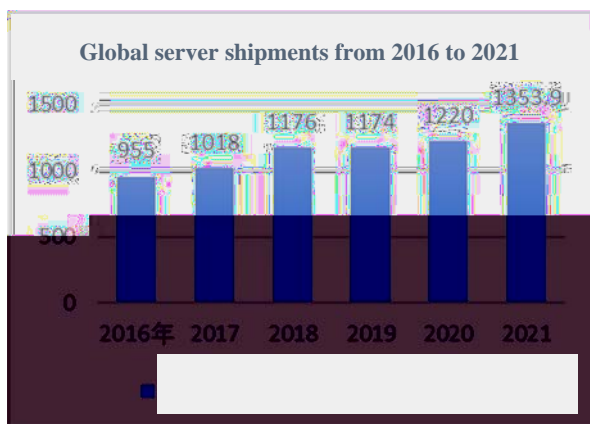

**IX. Items and amounts of extraordinary gains or losses**


*Explanatory Announcement No. 1 on Information Disclosure for Companies Publicly Offering Securities - Extraordinary Gain or Loss*

*Explanatory Announcement No. 1 on Information Disclosure for Companies Publicly Offering Securities - Extraordinary Gain or Loss*

## Section III Management's Discussion and Analysis

### I. Situations of our industry in the reporting period





**II. Our main business in the reporting period**









**Leverage the superior resources of the Group, enrich product offerings, and create driving force for the growth of automotive tier-1 business**

The image displays a variety of automotive electronic components arranged in three rows. The top row includes items like '线束' (wiring harness), '高压连接器' (high-voltage connectors), and 'Busbar'. The middle row features 'PDU', 'BDU', '逆变器' (inverter), '智能网联' (smart connectivity), '路测单元' (road test unit), '车载通信单元' (vehicle communication unit), '智能天线' (smart antenna), and 'V2X'. The bottom row shows '智能网关' (smart gateway) and other related units. The entire collage is set against a light blue background with a stylized car icon at the bottom.

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*Strategic Cooperation Framework Agreement*

### **III. Analysis of core competencies**







## **IV. Analysis of main business**

### **1. Overview**





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Revenue from sale of tangible goods is higher than the revenue from labor



Material contracts and material purchase contracts by the Company as of the end

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**(6) Change in the scope of consolidation during the reporting period**

**(7) Material changes or adjustments in respect of business, products or services of the Company during the reporting period**

**(8) Major customers and suppliers**






**3. Expenses**



**4. R&D investments**

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**5. Cash flows**


**V. Analysis of non-main business**














**5. Use of offering proceeds**

**(1) Description of use of offering proceeds**



**(2) Committed fund-raising investment projects**










**X. Structured entities controlled by the Company**

**XI. Prospects for future development of the Company**





**XII. Investigation, research, communication, interview and other activities**

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# Section IV Corporate Governance

## I. Basic Introduction

*Company Law    Securities Law    Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange    Guidelines for Articles of Association of Listed Companies    Code of Corporate Governance for Listed Companies, the Guide on Self-regulatory Supervision for Companies Listed on the Shenzhen Stock Exchange No. 1    Code of Operations for Companies Listed on the Main Board*

*Company Law*

*Rules of Procedure of the Shareholders' Meeting*

*Company Law*

*Rules of Procedure of the Board of Directors*

*Company Law*

*Rules of*

*Procedure of the Board of Supervisors*

*Information Disclosure Management*

*Measures*

**II. The Company's independence of its controlling shareholder and actual controller in assets, personnel, finance, organization and operation**

*Company Law*

*Company Law*

**III. Horizontal Competition**

**IV. Annual and extraordinary shareholders' meetings held during the reporting period**

**1. Shareholders' meetings held during the reporting period**

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**2. Positions held**








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**VII. Activities of the committees of the Board of Directors during the reporting period**

					<p><i>Company Law Code of Corporate Governance for Listed Companies</i></p> <p><i>Work Rules of the Audit Committee of the Board of Directors</i></p>		
					<p><i>Company Law Code of Corporate Governance for Listed Companies</i></p> <p><i>Work Rules of the Audit Committee of the Board of Directors</i></p>		
					<p><i>Company Law Code of Corporate Governance for Listed Companies</i></p> <p><i>Work Rules of the Audit Committee of the Board of Directors</i></p>		



					<p style="text-align: center;"><i>Company Law Code of Corporate Governance for Listed Companies</i></p> <p style="text-align: center;"><i>Work Rules of the Compensation and Performance Appraisal Committee of the Board of Directors</i></p>		
					<p style="text-align: center;"><i>Company Law Code of Corporate Governance for Listed Companies</i></p> <p style="text-align: center;"><i>Work Rules of the Nomination Committee of the Board of Directors</i></p>		
				<p style="text-align: center;"><i>Company Law Code of Corporate Governance for Listed Companies</i></p> <p style="text-align: center;"><i>Work Rules of the Strategy Committee of the Board of Directors</i></p>	<p style="text-align: center;"><i>Company Law Code of Corporate Governance for Listed Companies</i></p> <p style="text-align: center;"><i>Work Rules of the Strategy Committee of the Board of Directors</i></p>		



**4 Outsourced workers**

**of capital reserve to the share capital**



**XI. Implementation of share incentive plans, employee stock ownership plans and other employee incentives granted by the Company**

**1. Share incentives**







**2. Implementation of employee stock ownership plan**

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**XII. Establishment and implementation of internal controls during the reporting period**

**1. Establishment and implementation of internal controls**

*Law      Securities Law      Basic Internal Control Standards for Enterprises      Application Guide for Internal Controls of Company  
Enterprises*

**2. Material weakness in internal control identified during the reporting period**

**XIII. Management and control of subsidiaries during the reporting period**



**XIV. Self-assessment report on internal controls or auditor's report on internal controls**



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**3. Internal control certification report**

<i>Basic Internal Control Standards for Enterprises</i>	

**XV. Rectification of non-compliance identified in the special self-examination of corporate governance of the listed company**

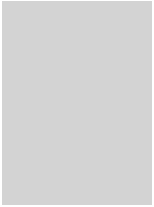
*Announcement on Launching the Special Campaign for Corporate Governance of the Listed Company*

*Companies Law    Securities Law    Rules of Procedure of the Board of Directors    Rules of Procedure of the Board of Supervisors*



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## **Section V Environment and Social Responsibilities**

### **I. Major environmental issues**



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**II. Social responsibility**

**III. Consolidation and expansion of poverty alleviation and rural revitalization**

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### I. Performance of commitments

1. Complete and incomplete commitments of the Company and its actual controller, shareholders, related parties, acquirers, and other related parties for the commitments by the end of the reporting period.

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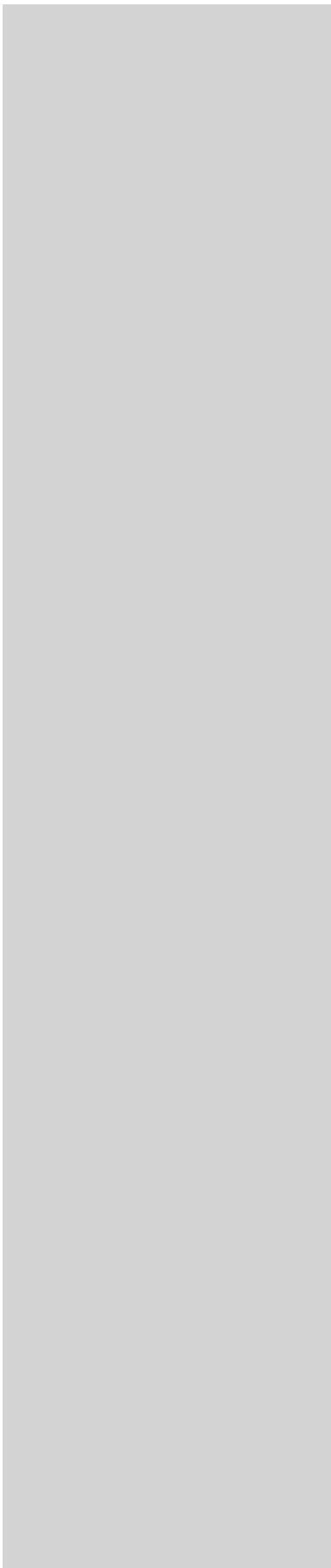
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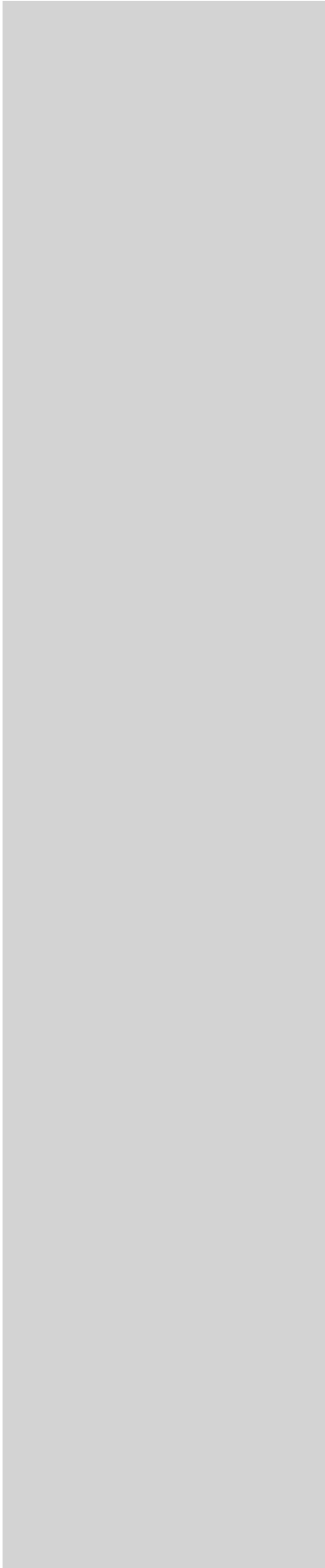

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[REDACTED]						







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**VII. Explanation about changes in consolidation scope when compared to the previous financial year**

**VIII. Appointment and dismissal of accounting firms**






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**2 Related-party transactions involving acquisition or sales of assets or equities**

**3. Related-party transactions involving joint external investment**

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**6. Financial business between the financial companies controlled by the Company and related parties**






**3. Entrusted management of cash assets**

**1 Entrusted wealth management**


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**2 Entrusted loans**



**4. Other significant contracts**

**XVI. Other significant matters**

**XVII. Significant events of subsidiaries of the Company**



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*Cautionary Announcement on Adoption of the Discretionary Exercise Method for the First Vesting Period of the 2019 Stock Option Incentive Plan*

*Cautionary Announcement on Adoption of the Discretionary Exercise Method for the Second Vesting Period of the 2018 Stock Option Incentive Plan*

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**2 Changes in non-tradable shares**

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## **II. Offering and listing of securities**

### **1. Offering of securities (other than preferred shares) during the reporting period**

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### **3. Outstanding employee shares**

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**2. Controlling shareholder of the Company**


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**3. Actual controllers of the Company and their concerted parties**

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**4. The Company's controlling shareholder or top 1 shareholder and its persons acting in concert pledged account for 80% in total of the Company's shares held by them**

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#### Auditor's Report

##### I. Audit opinion

*Accounting Standards for Business Enterprises*

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*Auditing Standards for Certified Public Accountants of China*

*Code of Ethics for*

*Chinese Certified Public Accountants*

##### III. Key audit matters

Key audit matters	How we addressed the matter in our audit
(I) Revenue recognition	

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**(II) Provision for decline in value of inventories**













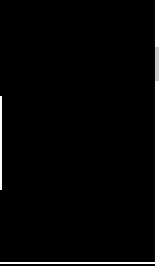












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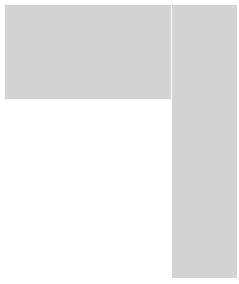

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**6. Statement of cash flows of the parent company**




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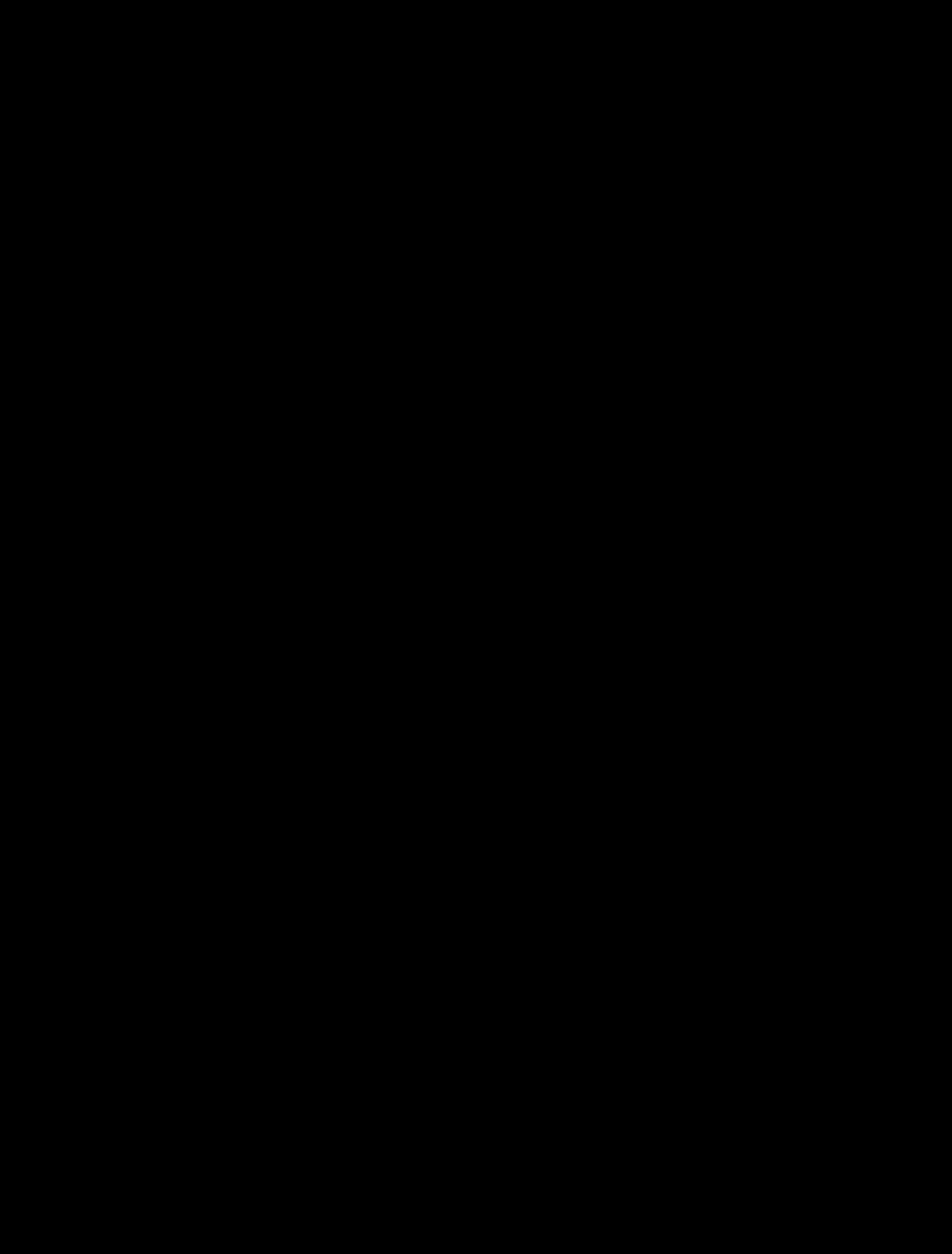

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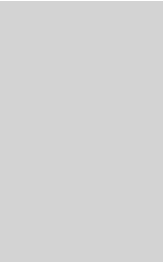












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**1. Foreign currency transactions**

**2. Translation of financial statements denominated in foreign currencies**

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*Accounting Standards for Business Enterprises No.14 - Revenue (2017)*

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**1. Specific criteria for an internal research and development project that are classified into the research phase and the development phase**

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**Accounting policies applicable prior to January 1, 2021**

**1. Accounting treatment for operating lease**

**2. Accounting treatment for finance lease**

**43. Other significant accounting policies and accounting estimates**

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**44. Changes in significant accounting policies and accounting estimates**

**(1) Changes in significant accounting policies**

<i>Accounting Standards for Business Enterprises No.21 - Leases (revised in 2018)</i>		

*Accounting Standards for Business Enterprises No.21 - Leases*

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*Interpretation No.14 of Accounting Standards for Business Enterprises*

*Interpretation No.14 of Accounting Standards for*

*Business Enterprises*

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*Notice on Adjusting the Application Scope of Accounting Regulations on Rental Concessions Related to COVID-19 Epidemic*

*Accounting Regulations on Rental Concessions Related to COVID-19 Epidemic*

*Notice on Adjusting the Application Scope of Accounting Regulations on Rental Concessions Related to COVID-19 Epidemic*







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**2. Tax incentives**

*Notice by the Ministry of Finance and the State Administration of Taxation on Preferential Policies for Enterprise Income Taxes Related to Enterprises’ Technological Innovation*  
*Notice by the State Administration of Taxation on Issues Concerning the Implementation of Preferential Enterprise Income Taxes for High-tech Enterprises*







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*Announcement on the Continuation of Preferential Enterprise Income Tax Policies in the Western Region of China issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission*

**3. Others**





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**3. Derivative financial assets**

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**4. Notes receivable**

**(1) Categorized presentation of notes receivable**





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**(2) Bad-debt provision made, recovered or reversed in the current period**


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**(4) Notes receivable that have been endorsed or discounted by the Company at the end of the period and have not yet matured on the balance sheet date**


**(5) Notes which the Company transfers into accounts receivable at the end of the period because of drawers' non-performance**

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**(6) Notes receivable actually written off in the current period**





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**(5) Amount of assets and liabilities formed by transferring accounts receivable and continuing involvement**

**(6) Accounts receivable derecognized due to transfer of financial assets**


**6. Receivables financing**

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**7. Prepayments**

**(1) Presentation of prepayments by aging**


**(2) Prepayments with top five closing balance - by prepayment beneficiary**


**8. Other receivables**


**(1) Interest receivable**

**1) Classification of interest receivable**

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**2) Significant overdue interest**

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**3) Bad-debt provision**

**(2) Dividends receivable**

**1 ) Classification of dividends receivable**

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**2) Significant dividends receivable with aging over 1 year**

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**3 ) Bad-debt provision**

**(3) Other receivables**

**1) Classification of other receivables by nature**



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**2) Bad-debt provision**

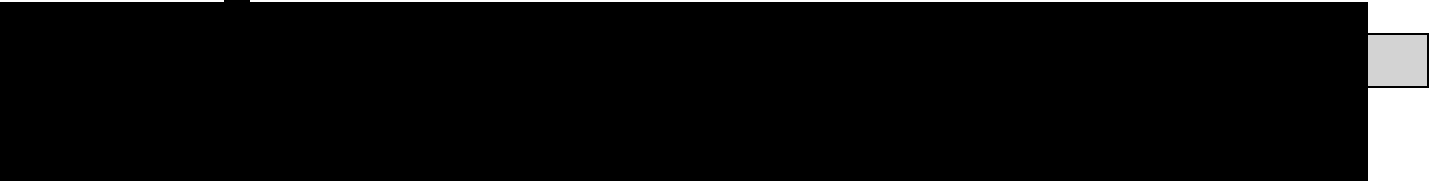


**3) Bad-debt provision made, recovered or reversed in the current period**


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**4) Other receivables actually written off in the current period**



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**5) Other receivables with top five closing balance - by debtor**

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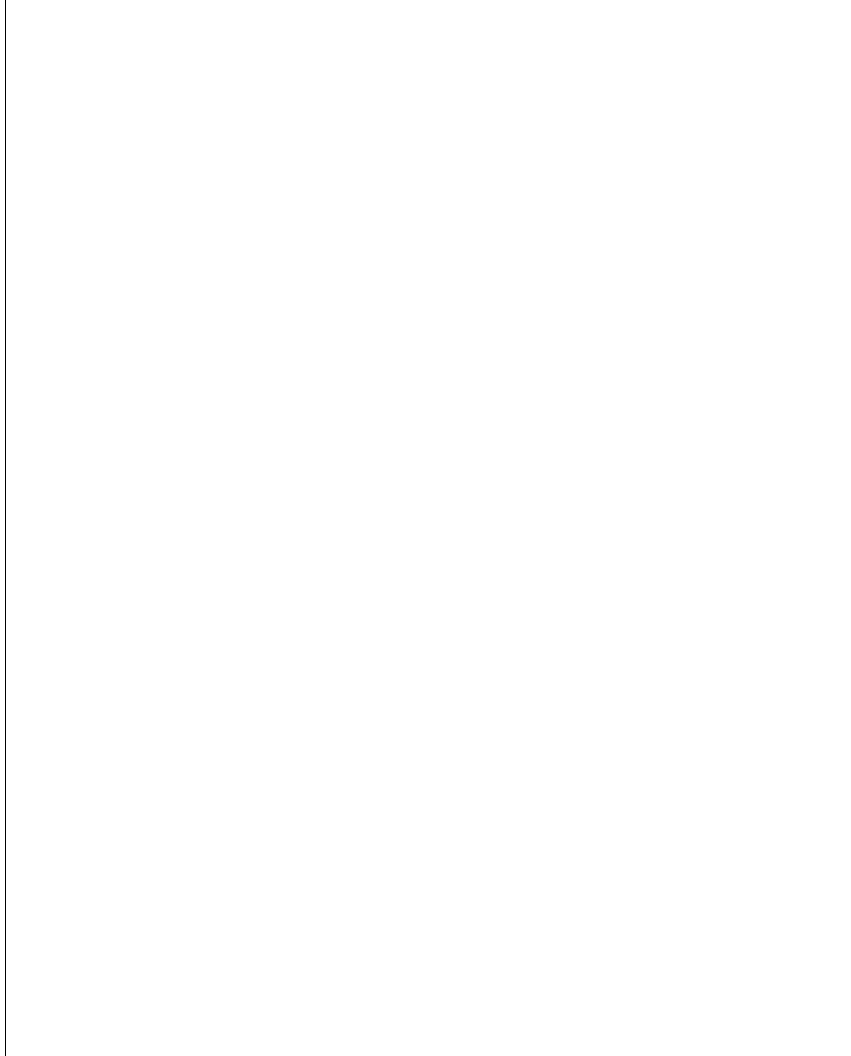
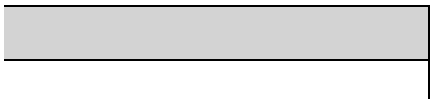
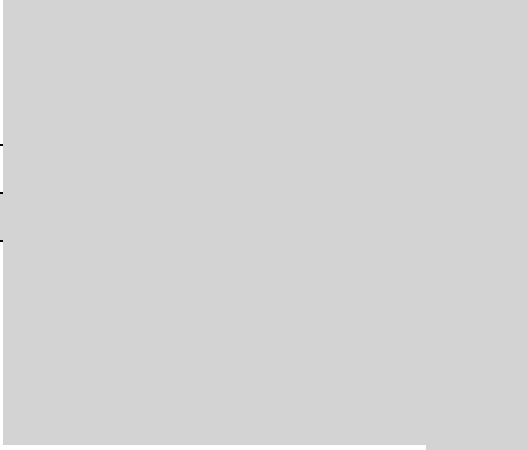
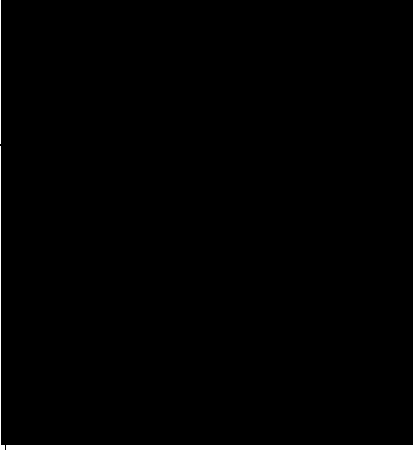
**(2) Provision for decline in value of inventories and provision for impairment of contract performance cost**



**(3) Descriptions on closing balance of inventories containing capitalized amount of borrowing costs**

**(4) Descriptions on current amortization amount of contract performance costs**

**10. Contract assets**



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**15. Other debt investments**

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**16. Long-term receivables**

**(1) Long-term receivables**



**(2) Long-term receivables derecognized due to transfer of financial assets**

**(3) Amount of assets and liabilities formed by transferring long-term receivables and continuing involvement**

**17. Long-term equity investments**




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**18. Other investments in equity instruments**



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**19. Other non-current financial assets**


**20. Investment properties**

**(1) Investment properties measured at cost**



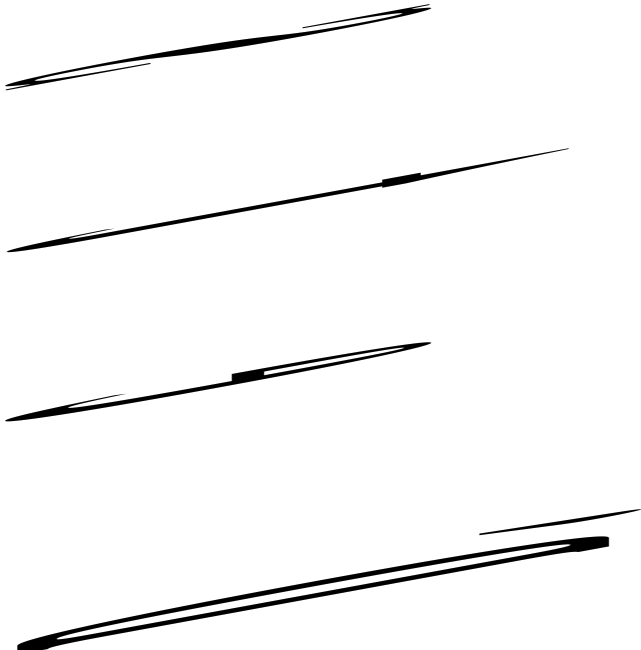







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**(2) Temporarily idle fixed assets**



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**(5) Disposal of fixed assets**

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**22. Construction in progress**


**(1) Construction in progress**

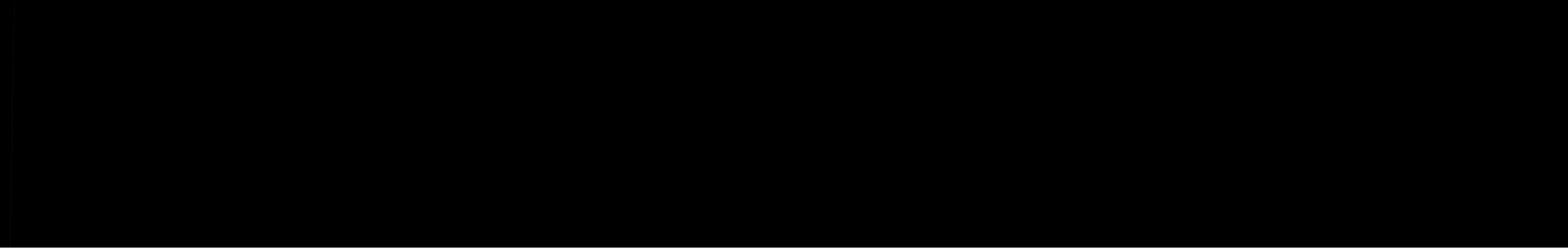
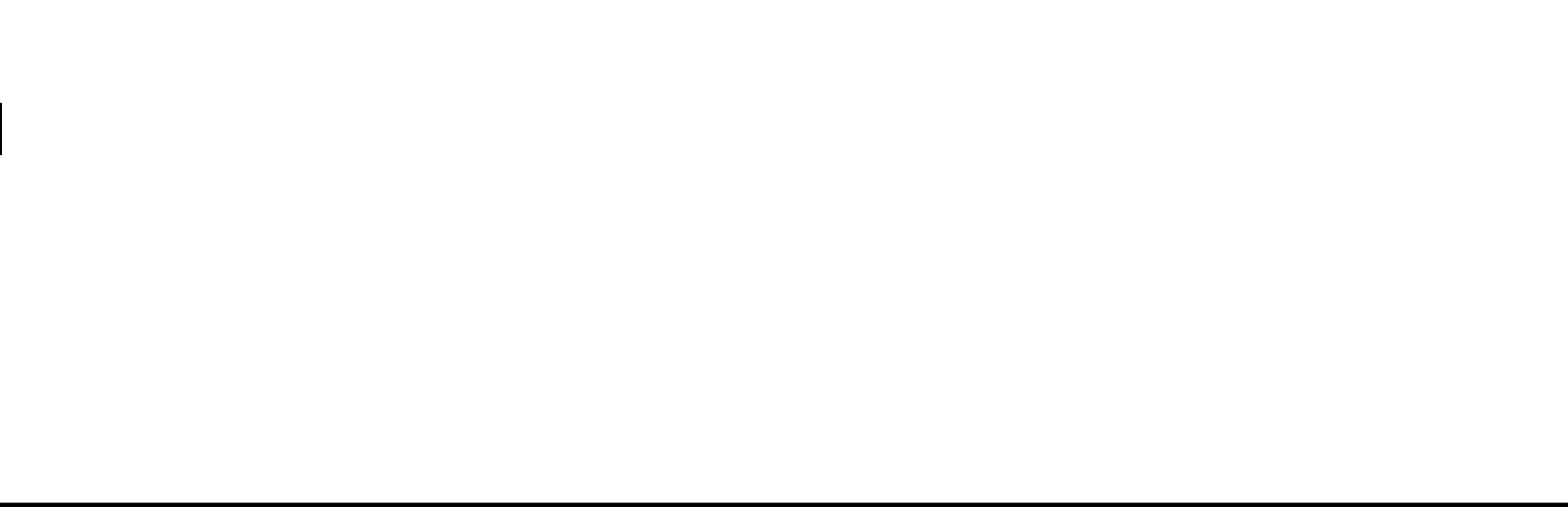
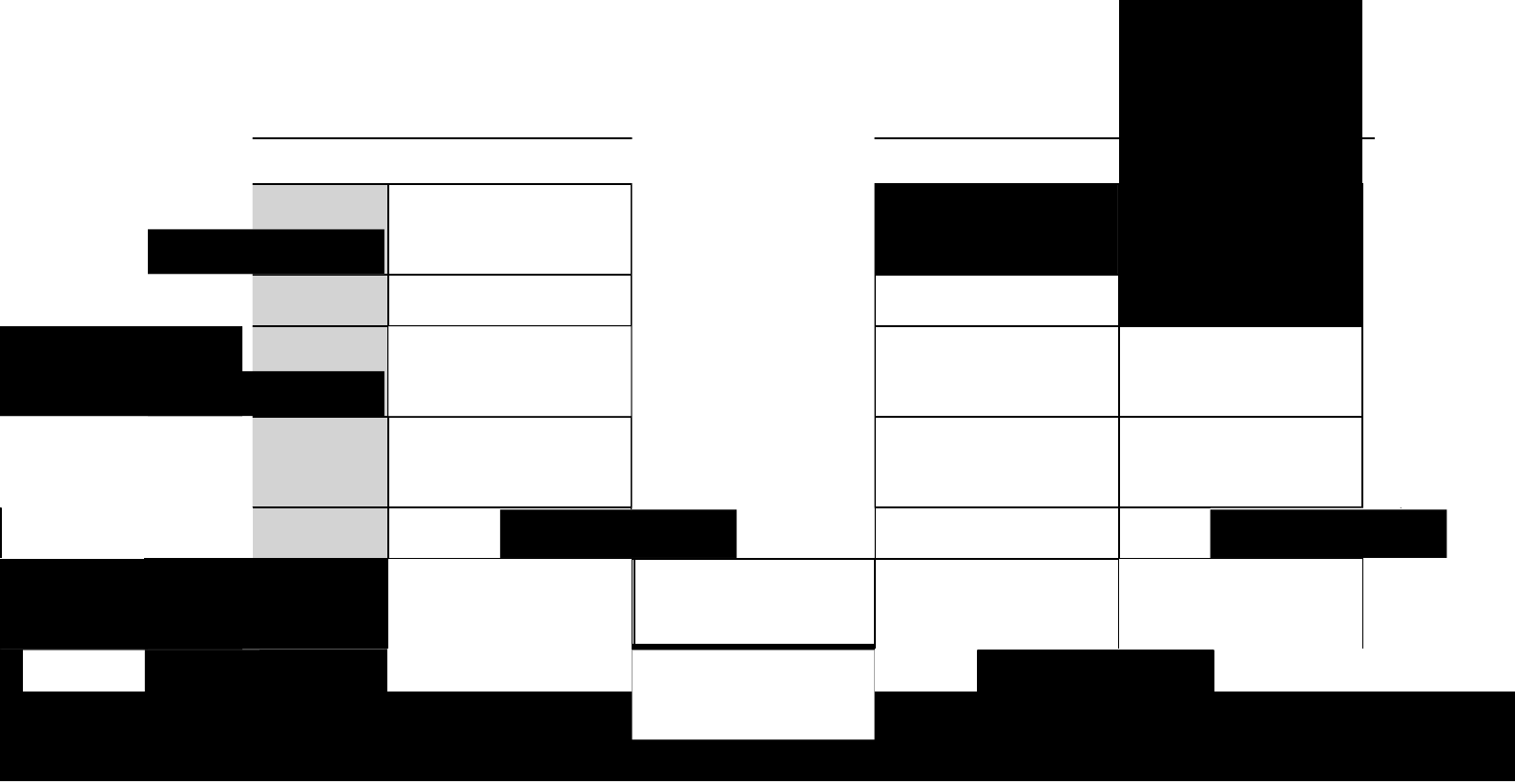




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**(3) Provision for impairment of construction in progress for the current period**

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**(2) Land use right without title certificate**

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**27. Development expenditure**

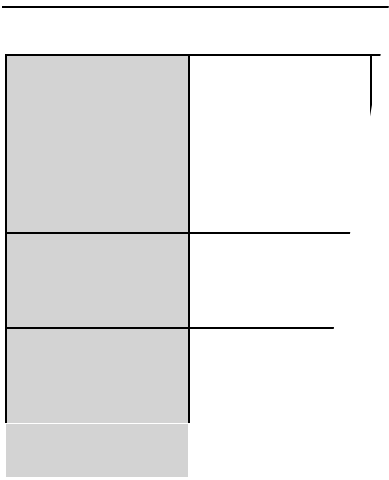


**28. Goodwill**

**(1) Original carrying amount of goodwill**












**(4) Details of unrecognized deferred income tax assets**

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**(5) The deductible losses of unrecognized deferred income tax assets will be due in the following years**

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**31. Other non-current assets**



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**(2) Overdue but unpaid short-term borrowings**

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**33. Held-for-trading financial liabilities**


**34. Derivative financial liabilities**

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**35. Notes payable**




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**(2) Significant receipts in advance with aging over 1 year**

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**45. Long-term borrowings**

**(1) Classification of long-term borrowings**


**46. Bonds payable**

**(1) Bonds payable**


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**(2) Increase and decrease in bonds payable (excluding preferred**

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**47. Lease liabilities**


**48. Long-term payable**

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**(1) Presentation of long-term payable by nature**

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**(2) Special accounts payable**

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**49. Long-term employee benefits payable**

**(1) Breakdown of Long-term employee benefits payable**

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**(2) Changes in defined benefit plans**

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**52. Other non-current liabilities**


**53. Share capital**


**54. Other equity instruments**

**(1) Basic information on preferred shares, perpetual bonds and other financial instruments outstanding at the end of the period**

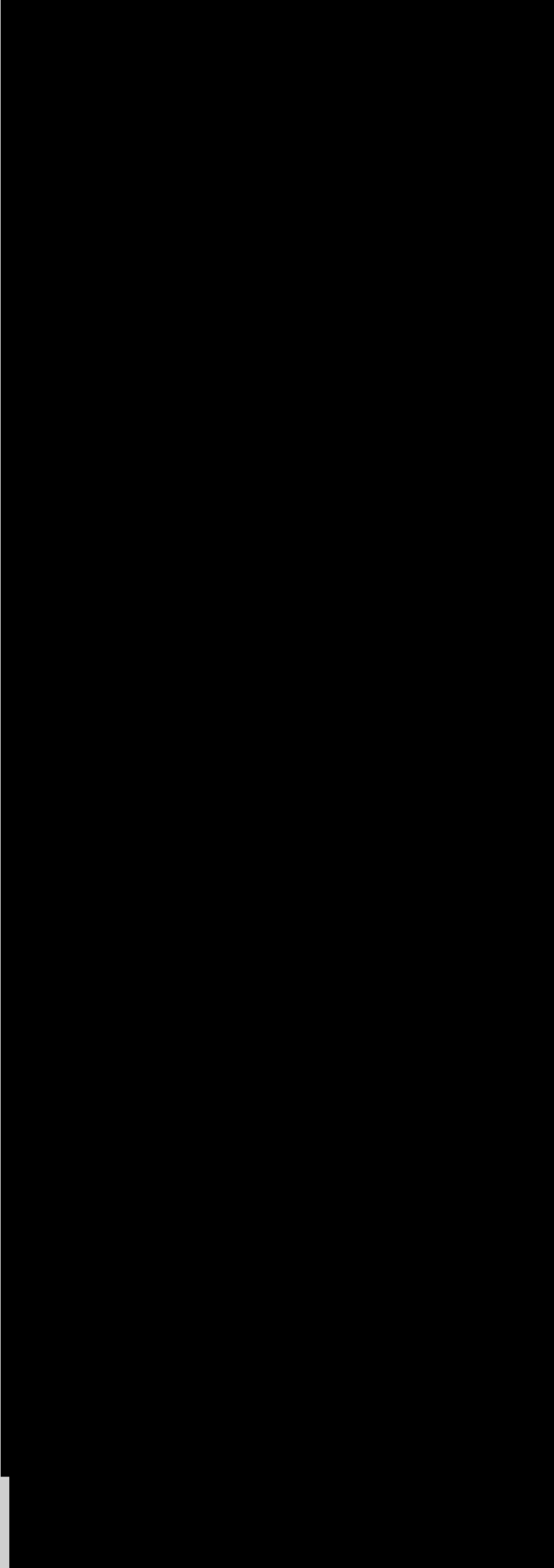
**(2) Changes in preferred shares, perpetual bonds and other financial instruments outstanding at the end of the period**


*Proposal on the Specific Plan for the Public Issue of Convertible Bond*

*Reply for Approval of Public Issue of Convertible Bonds by Luxshare Precision Industry Co., Ltd.*

**55. Capital reserve**


**56. Treasury stock**



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**59. Surplus reserve**


**60. Undistributed profits**










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**69. Net exposure hedging income**

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**70. Income from changes in fair value**


**71. Impairment losses of credit**

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**72. Impairment losses of assets**


**73. Income from disposal of assets**


**74. Non-operating income**


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**75. Non-operating expenses**


**76. Income tax expenses**

**(1) Income tax expenses**


**(2) Reconciliation of income tax expenses to the accounting profit**


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**77. Other comprehensive income**

**78. Items in the cash flow statement**

**(1) Other cash received related to operating activities**


**(2) Other cash paid related to operating activities**

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**(3) Other cash received related to investing activities**



**(4) Other cash paid related to investing activities**



**(5) Other cash received related to financing activities**





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**(3) Net cash received from disposal of subsidiaries in the current period**


**(4) Composition of cash and cash equivalents**






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**(2) Descriptions on overseas business entities, including, with respect to significant overseas business entities, disclosure of their overseas main business place, functional currency and selection basis, and the reasons for changes in functional currency (if any).**

**83. Hedging**

**84. Government grants**

**(1) Basic information of government grants**


**(2) Return of government grants**

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**85. Others**

**VIII. Changes in scope of consolidation**

**1. Business combination not involving enterprises under common control**

**(1) Business combination not involving enterprises under common control in the current period**



**(2) Combination costs and goodwill**

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**(3) Identifiable assets and liabilities of the acquiree on the acquisition date**




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**(5) Relevant descriptions on the combination consideration or the fair value of the identifiable assets and liabilities of the acquiree that cannot be reasonably determined on the acquisition date or at the end of the current period**

**(6) Other descriptions**

**2. Business combination involving enterprises under common control**

**(1) Business combination involving enterprises under common control in the current period**

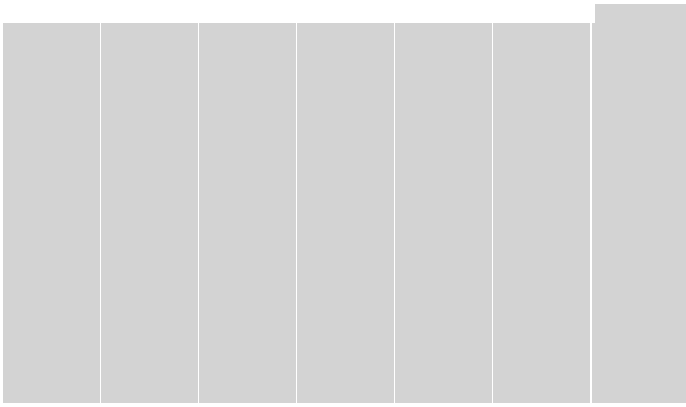
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**(2) Combination costs**


**(3) Book value of assets and liabilities of the acquiree at the combination date**


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**3. Counter p “ M “**



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**6. Others**

**IX. Equity in other entities**

**1. Equity in subsidiaries**

**(1) Composition of the enterprise group**











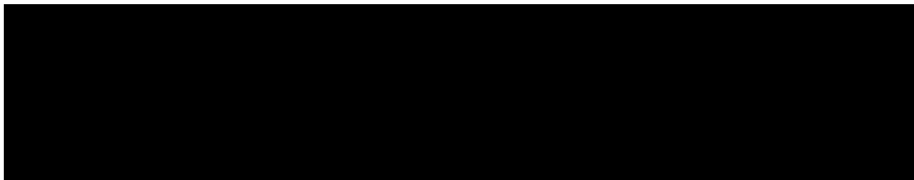
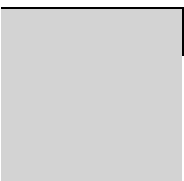
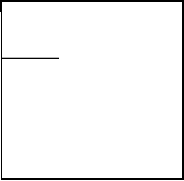








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**(3) Main financial information o**



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**(4) Major restrictions on the use of enterprise group assets and repayment of enterprise group debts**

**(5) Financial support or other support provided to structured entities included in the scope of consolidated financial statements**

**2. Transactions in which the share of owners' equity in the subsidiary changes and still controls the subsidiary**

**(1) Descriptions on changes in the shares of owners' equity in subsidiaries**

**(2) Impact of transactions on minority interest and owners' equity attributable to the parent company**


**3. Equity in joint ventures or associates**

**(1) Significant joint ventures or associates**






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**(4) Summary financial information of insignificant joint ventures and associates**


**(5) Descriptions on significant restrictions on the ability of joint ventures or associates to transfer funds to the Company**

**(6) Excess loss of joint ventures or associates**

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**(7) Unconfirmed commitments related to investment in joint ventures**

**(8) Contingent liabilities related to investment in joint ventures or associates**

**4. Significant joint operations**


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**6. Others**

**X. Risks associated with financial instruments**

**1. Credit risks**



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**2. Basis for determining the market price of the items continuously and not continuously measured at fair value at level I**

**3. Valuation technology and qualitative and quantitative information of important parameters used in the items continuously and not continuously measured at fair value at level II.**

**4. Valuation technology and qualitative and quantitative information of important parameters used in the items continuously and not continuously measured at fair value at level III**

**5. Adjustment information between the opening book value and the closing book value, and the sensitivity analysis of unobservable parameters for items continuously measured at fair value at the third level**

**6. For items continuously measured at fair value, if there is conversion between different levels in the current period, the reasons for the conversion and the policy for determining the conversion time point**

**7. Changes in valuation technology in the current period and reasons for changes**

**8. Fair value of financial assets and financial liabilities not measured at fair value**

**9. Others**







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**(2) Related-party entrusted management/contracting and entrusted management/outsourcing**

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**(3) Related-party lease**









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**7. Commitment of related parties**

**8. Others**

**XIII. Share-based payment**

**1. General situation of share-based payment**


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*Proposal on Granting Stock Options to Grantees under the 2018 Stock Option  
Incentive Plan of Luxshare Precision Industry Co., Ltd.*

*Proposal on Satisfying the Exercise  
Conditions for the Second Exercise Period under the 2018 Stock Option Incentive Plan*



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*Price under the Stock Option Incentive Plans in 2018 and 2019, and Canceling Some Stock Options of the Stock Option Incentive Plan in 2019*

*Quantity under the 2018 Stock Option Incentive Plan and Canceling Some Stock Options* *Proposal on Adjusting the Exercise*

*Quantity under the 2018 Stock Option Incentive Plan and Canceling Some Stock Options* *Proposal on Adjusting the Exercise*  
*Satisfying the Exercise Conditions for the Third Exercise Period of the 2018 Stock Option Incentive Plan* *Proposal on*

*Proposal on Granting*

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*Stock Option Incentive Plan*

*Proposal on Adjusting the Exercise*

*Price under the Stock Option Incentive Plans in 2018 and 2019, and Canceling Some Stock Options of the Stock Option Incentive Plan in 2019*

*Proposal on Satisfying the Exercise Conditions for the Second Exercise Period of the*

*2019 Stock Option Incentive Plan*

*Proposal on Granting Stock Options to Grantees under the 2021 Stock Option Incentive Plan of*

*Luxshare Precision Industry Co. Ltd.*

### **3. Share-based payment settled in cash**

### **4. Modification and termination of share-based payment**

### **5. Others**

## **XIV. Commitments and contingencies**

### **1. Significant commitments**

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**2. Contingencies**

**(1) Significant contingencies on the balance sheet date**

**3. Others**

**XV. Events after the balance sheet date**

**1. Significant non-adjusting items**

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**2. Profit distribution**


**3. Sales return**

**4. Description on events after the balance sheet date**

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**XVI. Other significant events**

**1. Correction of previous accounting errors**

**(1) Retrospective restatement**

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**(2) Prospective Application**

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**2. Debt restructuring**

**3. Asset replacement**

**(1) Exchange of non-monetary assets**

**(2) Replacement of other assets**

**4. Annuity plan**

**5. Termination of operation**

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**6. Segment information**

**(1) Determination basis and accounting policy of reporting segment**

**(2) Financial information of reporting segment**






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**(2) Bad-debt provision made, recovered or reversed in the current period**

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**(2) Dividends receivable**

**1 ) Classification of dividends receivable**


**2 ) Significant dividends receivable with aging over 1 year**

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**3 ) Bad-debt provision**

**(3) Other receivables**

**1 ) Classification of other receivables by nature**


**2 Bad-debt provision**


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**5) Other receivables with top five closing balance - by debtor**


**6) Receivables involving government grants**

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**7) Other receivables derecognized due to transfer of financial assets**

**8) Amount of assets and liabilities formed by transferring other receivables and continuing involvement**

**3. Long-term equity investments**













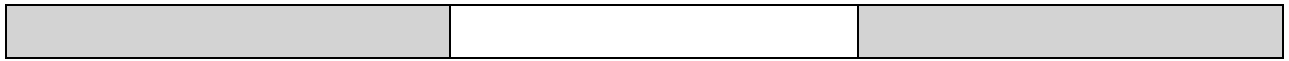










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**2. Return on equity and earnings per share**



**3. Accounting data differences under domestic and foreign accounting standards**

**(1) Differences of net profit and net assets in financial reports disclosed according to International Accounting Standards and Chinese Accounting Standards at the same time**

**(2) Difference of net profit and net asset in financial reports disclosed according to overseas accounting  
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