

# PANDA Electronics

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Nanjing Panda Electronics Company Limited

# 2013

## Annual Report

(H Share Stock Code : 0 5 5 3 )

(A Share Stock Code : 600775)



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## Important Notice

1. The board of directors (the "Board"), the supervisory committee and the directors (the "Directors"), supervisors ("Supervisors") and senior management staff of the Company confirm that the information contained in this annual report is true, accurate, and complete without any misrepresentation, misleading statements, or material omissions, and severally and jointly accept legal responsibility for the above.
2. Directors Mr. Jason Hsuan was unable to attend the Board meeting held on 28 March 2014 due to other business engagements, and had appointed Director Mr. Xia Dechuan, to attend the meeting and to exercise the voting right on his behalf.
3. Both Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership), based on Hong Kong Financial Reporting Standards and PRC Accounting Standards for Business Enterprises, have issued an unqualified auditors' report for the Company respectively.
4. Mr. Xia Dechuan, the Head of the Company, Mr. Shen Jianlong, the Chief Accountant, and Ms. Liu Xianfang, the Head of the Accounting Department (person in charge of accounting matters), declared that they confirmed the truthfulness, accuracy and completeness of the financial statements in the annual report.
5. Proposal of profit distribution or capitalisation of capital reserves of the Company for the reporting period considered by the Board: to distribute a cash dividend of RMB0.66 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2013, with the total cash dividend to be distributed amounting to RMB60,313,300, and the remaining part to be carried forward to next year. The Company would not make any capitalization of capital reserve.
6. Forward looking statements, including future plans and development strategies, contained in this report do not constitute a substantive commitment to investors by the Company. Investors should be reminded of such investment risks.
7. None of the controlling shareholders of the Company or its connected parties has misappropriated the Company's funds.
8. The Company did not provide external guarantees in violation of any specified decision-making procedures.

# Definitions and Notice Of Significant Risks

## I. Definitions

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

Company	Nanjing Panda Electronics Company Limited (南京熊猫電子股份有限公司)
Group	Nanjing Panda Electronics Company Limited and its subsidiaries
PEGL	Panda Electronics Group Limited (熊猫電子集團有限公司)
PEGL Group	Panda Electronics Group Limited and its subsidiaries
NEIC	Nanjing Electronics Information Industrial Corporation (南京中電熊猫信息產業集團有限公司)
NEIC Group	Nanjing Electronics Information Industrial Corporation and its subsidiaries
CEC	China Electronics Corporation (中國電子信息產業集團有限公司)
CEC Group	China Electronics Corporation and its subsidiaries
Financial Company	China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)
CEC LCD	CEC Panda LCD Technology Co., Ltd. (南京中電熊猫液晶顯示科技有限公司)
ENC	Nanjing Ericsson Panda Communication Co., Ltd. (南京愛立信熊猫通信有限公司)
BMC	Beijing SE Putian Mobile Communication Co., Ltd. (北京索愛普天移動通信有限公司)
Electronics Equipment Company	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫電子裝備有限公司)
Information Industry Company	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息產業有限公司)
Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫電子製造有限公司)
Communications Technology Company	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司)
Huage Appliance Company	Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (南京華格電汽塑業有限公司)

## Definitions and Notice Of Significant Risks (Continued)

### I. Definitions (Continued)

Mechanical Manufacturing Company	Nanjing Panda Mechanical Manufacturing Co., Ltd. (南京熊猫机电製造有限公司)
Technology Development Company	Nanjing Panda Electronic Technology Development Company Limited (南京熊猫电子科技发展有限公司)
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會)
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
CSRC Jiangsu Bureau	Jiangsu Securities Regulatory Bureau of China Securities Regulatory Commission
China Securities	China Securities Co., Ltd., a lead underwriter of non-public issue
"Company Law"	"Company Law of the People's Republic of China"
"Securities Law"	"Securities Law of the People's Republic of China"
"Articles of Association"	"Articles of Association of Nanjing Panda Electronics Company Limited"

### II. Notice of Significant Risks

The risk factors of the Company include risks associated with markets, and technology development. For details of relevant risk factors and the corresponding countermeasures, please refer to the section headed "Discussion and Analysis of the Board on Future Development of the Company" under Section IV "Report of the Board" in this report.

# Company Profile

## I. Corporate Information

Legal Chinese Name of the Company	南京熊猫电子股份有限公司
Abbreviation of the Chinese Name	南京熊猫
Legal English Name of the Company	Nanjing Panda Electronics Company Limited
Abbreviation of the English Name	NPEC
Legal Representative of the Company	Xia Dechuan (Non-executive Director, General Manager)

## II. Contact Persons and Contact Methods

	Secretary of the Board	Securities Affairs Representative
Name	Shen Jianlong	Wang Dongdong
Correspondence Address	301 Zhongshan Road East, Nanjing, the People's Republic of China	301 Zhongshan Road East, Nanjing, the People's Republic of China
Telephone	(86 25) 84801144	(86 25) 84801144
Facsimile	(86 25) 84820729	(86 25) 84820729
Email	dms@panda.cn	dms@panda.cn

## III. Basic Information

Registered Address	Level 1-2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, the People's Republic of China (the "PRC")
Postal code of the registered address	210032
Office Address	301 Zhongshan Road East, Nanjing, the PRC
Postal Code of the Office Address	210002
Web Site	<a href="http://www.panda.cn">http://www.panda.cn</a>
Email	dms@panda.cn

## IV. Place for Information Disclosure and Inspection

Designated Newspaper for Information Disclosure	Shanghai Securities News, China Securities Journal
International Websites for the publication of the Company's Annual Report and information disclosure	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>
Place for Inspection of the Company's Annual Report	Office of Secretary of the Board of Directors 301 Zhongshan Road East, Nanjing, the PRC

## Company Profile (Continued)

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

#### Basic Information

Type of shares	Place of listing of the Company's shares	Stock abbreviation	Stock code	Stock abbreviation before changes
A shares	Shanghai Stock Exchange	Nanjing Panda	600775	N/A
H shares	Hong Kong Stock Exchange	Nanjing Panda	00553	N/A

### VI. Changes in Registration of the Company during the Reporting Period

#### (1) Basic information

First Registration Date	29 April 1992
Date of Change in Registration	26 November 2013
Place of Registration	Nanjing, the PRC
Legal Person Business License Registration Number	320100400008823
Taxation Registration Number	320134134974572
Organization Code	13497457-2

#### (2) Related information of the first business registration of the Company

Please refer to the section headed "Basic Information" in the 2011 annual report for details about the first business registration of the Company.

#### (3) Change in principal operations of the Company since its listing

Since its listing, the Company has always been in the electronics industry, and successively engaged in the development and research, production and sales of home appliance products, communication products, and electromechanical products, and electronic manufacture services. At present, the Company's principal products and services include the development and research, production and sales of electronic equipment and consumer electronics, and electronic manufacture services.

#### (4) Change in controlling shareholder of the Company since its listing

PEGL has been the controlling shareholder of the Company since its listing. As at 31 December 2013, PEGL held 334,715,000 shares of the Company, accounting for 36.63% of the Company's total share capital.

## Company Profile (Continued)

### VII. Other Related Information

Domestic auditors of the Company	Name	Baker Tilly China (Special General Partnership)
	Office address	2/F, Tower B, Huatong Building, No. 19 Chegongzhuang Road West Yi, Haidian District, Beijing, the PRC
	Names of signing accountants	Zhang Jian, Xu Xinyi
Overseas auditors of the Company	Name	Baker Tilly Hong Kong Limited
	Office address	2nd Floor, 625 King's Road, North Point, Hong Kong
	Names of signing accountant	Edmond Chan
Sponsor performing the duty of continuous supervision during the reporting period	Name	China Securities Co., Ltd.
	Office address	No. 188 Chaoyangmennei Avenue, Dongcheng District, Beijing
	Names of signing executives of the sponsor	Xu Rongzong (許榮宗), Luo Guijun (羅貴均)
	Term of continuous supervision	From 28 June 2013 to 31 December 2014
Long-term domestic legal advisers	Name	Yongheng Partners
	Office address	13/F, Changfa Science & Technology Building, 222 Zhujiang Road, Nanjing, the PRC
Long-term overseas legal advisers	Name	Philip K. H. Wong, Kennedy Y. H. Wong & Co., Solicitors
	Office address	23rd Floor, Admiralty Centre Tower II, 18 Harcourt Road, Queensway, Hong Kong
Name of Custodian in respect of the Non-circulating Shares of the Company	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	36/F, China Insurance Building, 166 East Lu Jia Zui Road, Xin Qu, Pudong, Shanghai, the PRC
Share Registrars and Transfer Office (A shares)	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	36/F, China Insurance Building, 166 East Lu Jia Zui Road, Xin Qu, Pudong, Shanghai, the PRC
Share Registrars and Transfer Office (H shares)	Name	Hong Kong Registrars Limited
	Office address	46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Bankers		Bank of Communications, Shanghai Pudong Development Bank, China Merchants Bank, Bank of Nanjing

# Accounting Data and Financial Indicators Highlights

## I. Major accounting data and financial indicators for the three years ended 31 December 2013 (prepared in accordance with the PRC Accounting Standards for Business Enterprises)

### (I) Principal accounting data

Unit: RMB'000

	2013	2012	Increase/ decrease from last year (%)	2011
Operating income				
Net profit attributable to shareholders of the Company	<b>2,479,485.13</b>	2,430,042.28	2.03	2,142,395.29
Net profit attributable to shareholders of the Company after extraordinary items	<b>182,839.21</b>	131,554.10	38.98	110,070.23
Net cash flow from operating activities	<b>48,046.32</b>	59,446.94	-19.18	104,142.13
	<b>-86,545.58</b>	-82,211.03	N/A	-189,911.76

	As of the end of 2013	As of the end of 2012	Increase/ decrease from last year (%)	As of the end of 2011
Net assets attributable to shareholders of the Company	<b>3,122,698.04</b>	1,684,756.01	85.35	1,587,039.95
Total assets	<b>4,138,059.51</b>	3,116,256.11	32.79	2,713,131.16

### (II) Key financial indicators

Unit: RMB'000

	2013	2012	Increase/ decrease from last year (%)	2011
Basic earnings per share	<b>0.23</b>	0.20	16.09	0.17
Diluted earnings per share	<b>0.23</b>	0.20	16.09	0.17
Basic earnings per share after extraordinary items	<b>0.06</b>	0.09	-32.49	0.16
Weighted average return on net assets (%)	<b>7.62</b>	8.06	Decreased by 0.44 percentage point	7.17
Weighted average return on net assets after extraordinary items (%)	<b>2.00</b>	3.64	Decreased by 1.64 percentage points	6.77



## Accounting Data and Financial Indicators Highlights (Continued)

### II. Prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”)

- (I) The following is a summary of the consolidated results of the Group for each of the five years ended 31 December 2013 and the combined pro forma results of the Group for the year ended 31 December 2012 prepared on the basis that the Group’s current structure had been in existence from the year ended 31 December 2008.

Unit: RMB’000

	2013	2012	2011	2010 (restated)	2009
Turnover	<b>2,447,754</b>	2,396,126	2,115,641	1,664,885	1,267,295
Operating profit (loss)	<b>70,510</b>	-10,530	-33,649	-47,864	-82,618
Share of results of associated companies	<b>138,377</b>	190,806	188,191	91,047	147,273
Profit (loss) before taxation	<b>200,546</b>	155,320	132,930	24,343	31,398
Taxation	<b>-12,171</b>	-19,297	-16,835	-16,599	-12,374
Profit (loss) after taxation	<b>188,375</b>	136,023	116,095	7,744	19,024
Minority interests	<b>5,535</b>	4,469	6,025	-1,615	-3,498
Profit (loss) attributable to shareholders	<b>182,840</b>	131,554	110,070	9,359	15,526
Proposed final dividends	<b>60,313</b>	39,301	32,751	—	—

- (II) Summary of the total assets and liabilities for each of the five years ended 31 December 2013

Unit: RMB’000

	2013	2012	2011	2010 (Restated)	2009 (Restated)
Total assets	<b>4,138,060</b>	3,116,256	2,713,131	2,574,847	2,467,572
Total liabilities	<b>1,005,834</b>	1,423,964	1,117,689	1,087,789	985,091
Total net assets	<b>3,132,226</b>	1,692,292	1,595,442	1,487,058	1,482,481

## Accounting Data and Financial Indicators Highlights (Continued)

### III. Difference between accounting data prepared under Hong Kong and domestic accounting standards

No differences of net profit and net assets between the financial statements prepared in accordance with HKFRSs and the PRC Accounting Standards for Business Enterprises as applicable to the Group.

### IV. Extraordinary items

Unit: RMB'000

Items	2013	2012	2011
Gains and losses from disposal of non-current assets	-82.14	282.41	937.08
Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) included in gains and losses for the period	43,852.41	45,977.41	4,513.61
Gain/loss from entrusted investment	8,967.94		
Profit or loss from debt restructuring	416.99	5,722.71	0
Net profits and losses of subsidiaries as a result of merge of enterprises under common control from the beginning of the period to the date of merger			-2,441.88
Other non-operating net income and expenses other than the aforesaid items	91,452.70	25,349.98	3,478.32
Impact on enterprise income tax	-8,363.94	-5,004.70	-801.90
Net extraordinary profit and loss attributable to minority shareholders	-1,451.07	-220.65	242.87
Total	134,792.89	72,107.16	5,928.10

# Report of the Board

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period

In 2013, the Company centered on industry development, implemented operation and development objectives, proactively took countermeasures amid slow global economic recovery, the downturn and gradual stabilization of domestic economy and cut-throat market competition, and well accomplished various tasks and indicators. The Company passed the review of Enterprises which are Trustworthy and which Always Honor Contracts (重合同守信用企業) administered by the State Administration for Industry and Commerce and was presented a plaque that read Joint Corporate R&D and Innovation Center of Jiangsu Enterprises by Jiangsu Economic and Information Technology Commission.

In 2013, the Company obtained relatively good results of operation. Under the PRC Accounting Standards for Business Enterprises, the Company's revenue from operations for 2013 amounted to RMB2,479,485,100, representing an increase of 2.03% as compared with that of the same period last year; total profit amounted to RMB200,546,400, representing an increase of 29.12% as compared with that of the same period last year; net profit amounted to RMB182,839,200, representing an increase of 38.98% as compared with that of the same period last year. Under the Hong Kong Financial Reporting Standards (HKFRSs), revenue from principal operations for 2013 amounted to RMB2,447,750,000, representing an increase of 2.15% as compared with that of the corresponding period last year; profit of principal operations amounted to RMB200,550,000, representing an increase of 29.12% as compared with that of the corresponding period last year; net profit attributable to shareholders of the Company amounted to RMB182,840,000, representing an increase of 38.98% as compared with that of the corresponding period last year.

In 2013, the Company issued 258,823,529 RMB-denominated ordinary (A shares) shares by way of non-public issue to raise RMB1.32 billion. The non-public issue effectively reduced financial and management cost, further optimized the Company's assets structure, industrial structure, product mix and organizational structure, and gave fresh impetus for the Company's rapid development.

In 2013, the Company continued to increase investment in research and development, and extensively established technological innovation platforms in various fields and at different levels to accelerate the application and transformation of research results and effectively improve strengths in technological innovation. By strengthening the leading basic research through industry-university research collaboration, the Company promoted a leap in the development of technology, which brought about a number of key technological innovations, and took the Company's technological strengths and core competitiveness to a new level.

In 2013, the Company continued to improve top talents management approaches, strengthened performance-based appraisal and efforts for introducing high caliber talents. In 2013, the Company recruited over 120 talents with various expertise and holding a bachelor's degree or above, including more than 34 master's degree holders and recruited 2 national experts. The Company actively recommended its employees for various selection campaigns, with two selected by the "333" talent project of Jiangsu Province, one named "Chief Technician of Jiangsu Enterprises". In a move to boost employee development and enhance their business capability, the Company held 54 training programs of various types and 8 training programs for key operation, management and R&D personnel during the year, trained more than 1,500 persons and among them, 15 senior professional technicians and 19 senior technicians.

In 2013, the Company achieved a growth in all operational indicators and completed the first refinance since its listing in 1996. However, there was no substantial change in domestic and international economic environments, the upward trend in labor costs was more notable and the pressure of technological update and market competition became increasingly large. These factors are likely to adversely affect the sustained growth in business performance of the Company in the near future.

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

#### (I) Analysis of principal operations of the Company

The Company is mainly engaged in research, development and sales of electronic equipment and consumer electronics as well as electronics manufacturing services. Electronic equipment include industrial automation equipment, electronic transport equipment and communications equipment; consumer electronics include digital home electronics and related products; electronics manufacturing include EMS and other services .

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

Unit: RMB0'000

	Amount for the period	Amount for the same period last year	Change (%)
Financial expenses	<b>1,975.73</b>	2,941.02	-32.82
Loss in assets impairment	<b>5,696.19</b>	3,574.14	59.37
Non-operating income	<b>13,992.72</b>	7,913.51	76.82
Non-operating expenses	<b>262.02</b>	108.33	141.87
Income tax	<b>1,217.14</b>	1,929.71	-36.93
Net cash flows from investment activities	<b>6,106.20</b>	15,389.64	-60.32
Net cash flows from financing activities	<b>95,650.80</b>	-3,603.98	N/A

- (1) The decrease in financial expenses is mainly due to the substantial increase in interest income as a result of the increase in bank deposits of raised proceeds during the period;
- (2) The increase in loss in assets impairment is mainly attributable to a large amount of provision for bad debt during the period;
- (3) The increase in non-operating income is mainly attributable to the recognition of income from demolition compensation pursuant to demolition agreement in the period;
- (4) The increase in non-operating expenses is mainly due to the disposal of fixed assets during the period;
- (5) The decrease in income tax is mainly due to the receipt of refunded income tax during the period;
- (6) The decrease in net cash flows from investment activities is mainly due to two projects in construction, i.e. Xingang Training Center and The first phase of the electronic equipment industry park;
- (7) The increase in net cash flows from financing activities is mainly due to the receipt of raised proceeds from non-public issuance of shares.

# Report of the Board (Continued)

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

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

#### 2. Income

##### (1) Analysis of factors leading to change in operating income

Unit: RMB0'000

Name of product or service	Amount for the period		Amount for the previous period		Increase from last year (%)
	Income	As a percentage of the income from principal operations (%)	Income	As a percentage of the income from principal operations (%)	
Electronic equipment products	142,771.36	58.77	119,841.73	50.49	19.13
Consumer electronics products	23,836.75	9.81	46,926.57	19.77	-49.20
Electronic manufacturing service	70,271.29	28.93	64,950.94	27.36	8.19
Others	6,046.78	2.49	5,642.29	2.38	7.17

During the reporting period, the sales revenue of electronic equipment products amounted to RMB1,427,713,600, representing an increase of 19.13% as compared with that of the same period last year, and its rate of contribution to the principal business was 58.77%; the sales revenue of consumer electronics products amounted to RMB238,367,500, representing a decrease of 49.20% as compared with that of the same period last year, and its rate of contribution to the principal business was 9.81%; and the sales revenue of electronic manufacturing service amounted to RMB702,712,900, representing an increase of 8.19% as compared with that of the same period last year, and its rate of contribution to the principal business was 28.93%.

##### (2) Analysis of factors affecting income from products which were mainly sold in kind

During the reporting period, electronic equipment and consumer electronics, as major components of the Company's principal operations, recorded aggregate sales income of RMB1,666,081,100, representing 68.58% of the income from principal operations.

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

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

##### 2. Income (Continued)

##### (3) Sales from major customers

During the reporting period, sales from the top five customers amounted to RMB815,334,900, representing 32.88% of the total sales in 2013, of which 9.70% was attributable to the sales from the largest customer for the year.

##### (4) Turnover and contribution by business segment

An analysis of consolidated turnover by business segments and their contribution to profit (loss) of the Group under HKFRSs is as follows:

Unit: RMB'000

Type of products	Turnover	Contribution to the Group's profit (loss)
Electronic equipment	1,433,402	125,032
Consumer electronics	238,340	-54,465
Electronic manufacturing service	717,295	29,468
Other operations	58,717	4,638
Elimination		-8,086
Operating profit		96,587
Unallocated corporate expense		-26,077
Interest income		21,107
Interest expenses		-29,448
Share of profit of associates		138,377
Profit before taxation		200,546

# Report of the Board (Continued)

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

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

#### 3. Cost

##### (1) Cost analysis

Unit: RMB0'000

Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	As a percentage of total cost for the same period last year (%)	Change in the amount for the period as compared with that of the same period last year (%)
Material cost	172,011.41	81.79	166,594.02	79.00	3.25
Labor cost	17,812.69	8.47	22,069.39	10.47	-19.29
Manufacturing costs	20,485.34	9.74	22,212.08	10.53	-7.77

##### (2) Major suppliers

During the reporting period, the aggregate amount of purchases from the top five suppliers of the Company amounted to RMB464,113,200, accounting for 27.03% of the total amount of purchases made by the Company for the year. The purchase amount from the largest supplier accounted for 8.86% of the total amount of purchases of the Company for the year.

#### 4. Expenses

Unit: RMB0'000

	Amount for the period	Amount for the same period last year	Change (%)
Selling expenses	<b>4,328.39</b>	3,545.15	22.09
Administrative expenses	<b>29,605.57</b>	26,940.06	9.89
Financial expenses	<b>1,975.73</b>	2,941.02	-32.82
Income tax	<b>1,217.14</b>	1,929.71	-36.93

(1) The decrease in financial expenses is mainly due to the substantial increase in interest income as a result of the increase in bank deposits of raised proceeds during the period;

(2) The decrease in income tax is mainly due to the receipt of refunded income tax during the period.

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

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

##### 5. R&D expenses

##### (1) Particulars of R&D expenses

Unit: RMB0'000

	Amount for the period	Amount for the previous period	Change (%)
R&D expenses for the period	<b>10,807.22</b>	10,157.15	6.40
Capitalized R&D expenses for the period			
Total R&D expenses	<b>10,807.22</b>	10,157.15	6.40
The percentage of total R&D expenses over net assets (%)	<b>3.46</b>	6.03	Decreased by 2.57 percentage points
The percentage of total R&D expenses over operating income (%)	<b>4.36</b>	4.18	Increased by 0.18 percentage point

##### (2) Explanations

In 2013, the Company had 34 planned R&D programs including the Company's 9 key R&D programs, and 6 key R&D programs of Industrial companies. R&D Investment was planned to be RMB106,070,000.

In 2013, the R&D programs were crowned with success, with breakthroughs made in robot research and manufacturing, in electronic equipment, a key field of development of the Company, making domestically producing robots possible and laying the technological foundation for the manufacture of robots which are leading in China and advanced in the world. With respect to railway transit products, the Company completed the R&D and customization for systems and equipment according to the client's requirements, and achieved breakthroughs in the R&D of railway transit communication system on the basis of winning bids to supply automatic fare collection systems for several domestic lines and successfully won the bid for the communication system for Nanjing Subway line 4. In relation to communication equipment, R&D progressed smoothly, products were gradually accepted by special and public networks and multiple tests were finished, all boding well for market prospect.

In 2013, the Company completed 27 R&D projects with an investment of RMB108,072,200, representing 3.46% of the audited net assets at the end of 2013 and 4.36% of the audited operating income of 2013.



# Report of the Board (Continued)

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

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

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

##### (2) Explanations (Continued)

In 2014, the Company expects to invest RMB108,190,000 on 26 R&D projects. R&D and investment efforts for automatic transmission equipment, robot and system, railway transit equipment and communication system, communication equipment will be further increased. With the construction and development of the Company's electronic equipment industry park, development in the electronic equipment industry will see more robust growth. In 2014, the Company will continue to make technological breakthroughs in robot system serialization, railway transit communication system, etc.. The Company will base its growth on research and production of automation equipment, with high-tech industry as the long-term development goal, committed to ancillary equipment of new products and process driven by new technology of the electronic industry, to develop the Company into a major R&D and industrialization base for high-end electronic equipment in China.

#### 6. Cash flows

Unit: RMB0'000

	Amount for the period	Amount for the same period last year	Change (%)
Net cash flow from operating activities	<b>-8,654.56</b>	-8,221.10	N/A
Net cash flow from investment activities	<b>6,106.20</b>	15,389.64	-60.32
Net cash flow from financing activities	<b>95,650.80</b>	-3,603.98	N/A

- (1) The decrease in net cash flow from investment activities was mainly due to the two projects in construction, i.e. Xingang Training Center and The first phase of the electronic equipment industry park;
- (2) The increase in net cash flow from financing activities was mainly due to the receipt of raised proceeds from non-public issuance of shares.

During the reporting period, the net profit of the Company was generated from operating activities and investment activities. There was a difference between the cash flow from operating activities and net profit for the year as more income was generated from investment activities.

# Report of the Board (Continued)

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

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

#### 7. Others

- (1) Explanation about material changes in the Company's profit structure or sources: N/A
- (2) Explanation about progress of the Company's financing and material asset reorganization in the previous period

The Proposal in relation to the Plan for the Proposed Placing of A Shares by the Company was considered and approved at the 6th meeting of the seventh session of the Board, the 2012 Third Extraordinary General Meeting ("EGM"), 2012 First A Shareholders Class Meeting and 2012 First H Shareholders Class Meeting. Upon approval of the non-public issue by the CSRC and other relevant commissions and ministries, the Company issued 258,823,529 RMB dominated ordinary shares by way of non-public issue to raise proceeds amounting to RMB1,319,999,997.90 in June 2013. For details, please refer to the Announcement on Results of the Non-Public Issue of Shares and Change in Share Capital of Nanjing Panda Electronics Company Limited (Lin 2013-019) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 2 July 2013.

- (3) Explanation about progress in implementation of development strategy and business plan

In 2013, according to the development strategy the Company further deepened the construction of internal control system, strengthened scientific and technological innovation, enhanced the competitiveness of products, expanded marketing channels, improved the assessment and incentive mechanism, and speeded up talent cultivation and corporate culture construction to proactively build a harmonious enterprise and promote the stable and sustainable development of the Company.

The operating targets of the Company in 2013 were to achieve revenue of RMB2,400,000,000 and total profit of RMB200,000,000. According to the audited financial report, operating revenue of the Company in 2013 was RMB2,479,485,100 and total profit was RMB200,546,400.

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

#### (II) Analysis of business operations by business, product or geographical region

##### 1. Principal operations by product

Unit: RMB0'000

Product	Operating income	Operating cost	Profit margin (%)	Increase/decrease in operating income from the same period last year (%)	Increase/decrease in operating cost from the same period last year (%)	Increase/decrease in operating profit margin from the same period last year (%)
Electronic equipment products	142,771.36	120,968.66	15.27	19.13	15.23	Increased by 2.87 percentage points over last year
Consumer electronics products	23,836.75	23,131.89	2.96	-49.20	-46.24	Decreased by 5.35 percentage points over last year
Electronic manufacturing services	70,271.29	61,710.64	12.18	8.19	5.14	Increased by 2.55 percentage points over last year
Others	6,046.78	4,498.25	25.61	7.17	7.73	Decreased by 0.39 percentage point over last year
<b>Total</b>	<b>242,926.18</b>	<b>210,309.44</b>	<b>13.43</b>	<b>2.34</b>	<b>-0.27</b>	<b>Increased by 2.27 percentage points over last year</b>

##### 2. Principal operations by geographical regions

The Company carried out its principal operations mainly within different areas of mainland China.

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

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

##### 1. Analysis of assets and liabilities

Unit: RMB0'000

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)
Cash and bank deposits	<b>137,982.60</b>	<b>33.34</b>	59,079.97	18.96	133.55
Bills receivable	<b>12,021.20</b>	<b>2.91</b>	3,767.38	1.21	219.09
Prepayments	<b>13,069.28</b>	<b>3.16</b>	8,046.66	2.58	62.42
Other receivables	<b>17,158.44</b>	<b>4.15</b>	4,901.40	1.57	250.07
Inventories	<b>37,192.79</b>	<b>8.99</b>	26,723.52	8.58	39.18
Construction in progress	<b>21,817.11</b>	<b>5.27</b>	5,862.21	1.88	272.17
Deferred income tax assets	<b>40.65</b>	<b>0.01</b>	612.73	0.20	-93.37
Short term loans	<b>9,900.00</b>	<b>2.39</b>	36,000.00	11.55	-72.50
Bills payable	<b>6,192.58</b>	<b>1.50</b>	28,833.55	9.25	-78.52
Taxes payable	<b>1,994.19</b>	<b>0.48</b>	2,892.52	0.93	-31.06
Interest payable	<b>8.33</b>	<b>0.00</b>	52.18	0.02	-84.04
Dividends payable	<b>0.00</b>	<b>0.00</b>	136.47	0.04	-100.00
Share capital	<b>91,383.85</b>	<b>22.08</b>	65,501.50	21.02	39.51
Capital reserve	<b>150,196.63</b>	<b>36.30</b>	46,638.61	14.97	222.04
Undistributed profit	<b>47,494.72</b>	<b>11.48</b>	34,261.49	10.99	38.62

# Report of the Board *(Continued)*

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period *(Continued)*

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

1. Analysis of assets and liabilities *(Continued)*
  - (1) The increase in cash and bank deposits was mainly due to the receipt of raised proceeds from non-public issuance of shares and cash balance from operations;
  - (2) The increase in bills receivable was mainly because more customers used bills for settlement during the period;
  - (3) The increase in prepayments was mainly due to the increase in procurement of commodities for construction projects during the period;
  - (4) The increase in other receivables was due to the outstanding government subsidy recognized pursuant to the demolition compensation agreement in the period;
  - (5) The increase in inventories was mainly due to the increase in goods prepared for orders;
  - (6) The increase in construction in progress was mainly due to two projects in construction, i.e. The first phase of the electronic equipment industry park and Xingang Training Center;
  - (7) The decrease in deferred income tax assets was mainly due to the decrease in deductible temporary difference;
  - (8) The decrease in short term loans was mainly due to the repayment of loans with the dividends received from associates during the period;
  - (9) The decrease in bills payable was mainly due to the payment of bills of material projects, including Huhutong and Nanjing Subway in the period;
  - (10) The decrease in taxes payable was mainly due to the relatively large payment of added-value tax and changes in the income tax ratio of some subsidiaries during the period;
  - (11) The decrease in interest payable was mainly due to the substantial decrease in short term bank loans;
  - (12) The decrease in dividends payable was mainly because a subsidiary of the Company paid the dividends payable to minority shareholders during the period;
  - (13) The increase in share capital was mainly because the non-public issuance increased the share capital during the period;
  - (14) The increase in capital reserve was mainly because the non-public issuance increased capital premium during the period;
  - (15) The increase in undistributed profits was mainly due to the operating balance for the year.

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

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

##### 2. Explanations for other situations

No differences of net assets per share between the financial statements prepared in accordance with HKFRSs and the PRC Accounting Standards for Business Enterprises as applicable to the Group. The details of the net assets per share as at the balance sheet date for each of the three years ended 31 December 2013 are as follows.

Unit: RMB

	2013	2012	2011
Net assets per share	<b>3.42</b>	2.57	2.42
Increase/(decrease)	<b>33.07%</b>	6.16%	7.25%

#### (IV) Analysis of core competitiveness

The Company aims at building an innovative enterprise and enhancing the core competitiveness of enterprise through technological innovation. Following the targets and requirements of technological innovation of independent innovation, high-end leading, transformation and upgrading and leaping development, the Company gave full play to innovative advantages and various innovative elements, focused on technological innovation of high-end industries, and continuously cultivated new high-tech enterprises, proprietary intellectual property rights and self-owned brands. In addition, it constructed the technological innovation system with the engineering (technological) research center as the main part covering all industrial categories, deepened the cooperative system of industry, study, research and application, boosted innovation in terms of technology, management and system in a coordinated way, seized the innovation points of corporate development, and comprehensively improved its independent innovation capacity and achieved plentiful innovation results.

# Report of the Board (Continued)

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

### (IV) Analysis of core competitiveness (Continued)

#### 1. Advantages in technology R&D

- (1) In respect of R&D talents, the Company put in place an incentive mechanism by following the principle of respecting talents and encouraging innovation. The Company brings together plenty of innovative, progressive and outstanding talents in light of key industries and through platforms building. As at 31 December 2013, the Company had 1,113 technicians, representing 33.70% of its total workforce. It has more than ten senior experts recognized by governments at various levels (including National Thousand Talents Program (國家千人計劃), National New Century Hundred, Thousand and Ten Thousand Talent Project (國家新世紀百千萬人才工程), National Science and Technology Model Worker (國家科技勞模), Special Subsidy of the State Council (國務院特殊津貼), “333” Project of Jiangsu Province and young and middle-aged experts with outstanding contributions in Jiangsu Province, meritorious talents above provincial and ministerial level).
- (2) In respect of R&D system, the Company improved the technological innovation system centered by the engineering (technological) centers of governments at various levels, promoted the construction of innovation capacity and gave play to the role of national, provincial and municipal R&D centers and self-run scientific research and product design institutes. The field of technology covers all the major businesses and industrial categories of the Company. The Company has intensified the cooperation between industry, study, research and application, strengthened the technological innovative ability, has cooperation projects or formed alliance in terms of technology or talent cultivation with the relevant research institutions of Nanjing University, Southeast University, Nanjing University of Aeronautics and Astronautics, Nanjing University of Science and Technology, Nanjing University of Posts and Telecommunications, Nanjing University of Technology, Chengdu Electronic Technology University, Xidian University and Hangzhou Dianzi University as well as Chinese Academy of Sciences and CETC. The Company’s international technological innovation cooperation is active.
- (3) In respect of R&D achievements, after years of commitment to R&D, the Company now has series of electronic equipment products with industrial automation equipment, electronic transport equipment, communications equipment as the core. Meanwhile, the Company has accumulated extensive experience in electronic manufacturing services. The major subsidiaries owned by the Company were rated as high-tech enterprises or software enterprises covering the major business fields. Presently, the Company holds over 70 invention patents. Since 2008, the Company and its subsidiaries have undertaken a number of projects commissioned by the National Development and Reform Committee (“NDRC”), the Ministry of Industry and Information Technology, the Ministry of Science and Technology and Jiangsu Province. The Company has won 12 awards including the National Science and Technology Progress Award granted by the State Council, the Science and Technology Award of Jiangsu Province granted by the Jiangsu provincial government, the Science and Technology Progress Award granted by China Electronics Corporation, the Science and Technology Progress Award of Nanjing City, Electronic Information Science and Technology Award granted by Chinese Institute of Electronics.

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

#### (IV) Analysis of core competitiveness (Continued)

##### 2. Advantages in products

- (1) With respect to industrial automation equipment, the Company has successfully developed the automatic transmission system for factory cleaning, industrial robots, new-type environment-friendly bag making machine, automatic bottle filling equipment, equipment for electric vehicle charging stations, etc. The Company is one of the few manufacturers in China which are able to provide the solution proposal for the automatic transmission system for factory cleaning and our technology in this regard is leading and pioneering domestically. The tackling of problems in key technologies for the heavy-duty six-axis robot have been preliminarily completed. The automatic bottle filling equipment helped break up the monopoly of foreign companies and filled a gap in the domestic field.
- (2) With respect to electronic transport equipment, the Company has become a major supplier of dedicated equipment for domestic urban railway transit automatic fare collection system. The special equipment including automatic ticket vending machine, semi-automatic ticket vending machine, automatic fare collection machine, portable ticket checking machine, automatic recharging machine, standard card reader with built-in ticketing process for metros developed and manufactured by the Company have been successfully used at metros in Nanjing, Shenzhen, Beijing and Wuhan. The Company's automatic ticket vending and automatic fare collection products are also exported to Taiwan, Hong Kong, India, Thailand, Venezuela and United Arab Emirates as supporting equipment of metro systems. The intelligent integration platform for high-definition video monitoring of urban railway transit has passed provincial evaluation.
- (3) With respect to communications equipment, the Company's emergency communication system is focused on guaranteeing emergency communications through diversified emergency mission communications, providing satellite, short wave, cluster, mobile, wired and other means of communications through integration, and offering flexible, portable, stable and reliable user-friendly emergency communications equipment which can play a key role in various missions including disaster relief. The satellite mobile communication system with planar antenna is a system which enables communications under fast moving state; the new generation of exclusive mobile communication system is mainly used by the government, army, police, railways, mines, water conservancy, electricity, civil aviation, shipping, iron & steel, logistics and other professional mobile communication fields. The Company won the bid for mobile communication pico cell site of relevant mobile operator and the R&D of the special PP material and product for RF communication antenna has passed provincial technical evaluation.
- (4) With respect to electronics manufacturing services, the Company is committed to promoting technological innovation, wide application of new technologies and new materials, strengthening the construction of engineering center and becoming a complete solution provider and 3C product manufacturer in the industry. In 2013, the "integration time super HD 3D LCD module controller" and "efficient application technology of wave-soldering with lead-free solder" of the Company were granted the title of high-tech product of Jiangsu Province and passed the provincial evaluation of scientific and technological achievements.



# Report of the Board (*Continued*)

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## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (*Continued*)

### (IV) Analysis of core competitiveness (*Continued*)

#### 3. Advantages in quality management

The Company has laid down the principle of “quality, customers, services and credibility come first”. The Company passed the quality management system certification in as early as 1995. This system has been functioning effectively thanks to continuous improvement for years. The Company strictly implements the mechanism of “process controlling the procedure”, requiring operators to receive training in order to be qualified for their jobs; strictly implements the requirement in respect of technological document and takes corrective and preventive measures on a timely basis to eradicate defective products. The quality assurance division implements a stringent inspection system to prevent defective products from being delivered; laboratories carry out product tests in strict compliance with criteria, examine product quality by regular tests and reliability experiments to protect users’ interests and the Company’s reputation. Some of the Company’s products have undergone the “CCC”, “CE”, “UL” certification, energy efficient product certification, networked product certification of the State Administration of Radio, Film and Television and “NDS” safety certification according to regulations and standards and upon clients’ demand. The Company was awarded the ISO9001 quality management system certificate, ISO14001 environment management system certificate and GB/T28001 occupational health and safety management system certificate.

#### 4. Advantages in brand and marketing

The brand “Panda”, created in 1956 and recognized as a “China Famous Brand” by the State Administration for Industry & Commerce in 1995, enjoys high reputation and influence in China’s electronic information industry. With sales networks spreading across the country, the Company has established a strong sales team and a full-blown marketing system. The Company constructed and improved, based on different sales targets and features of channels, different types of marketing platforms, such as government and industry centralized procurement market platform, consumer electronics market platform directly targeting consumers and e-commerce platform, to gain strong marketing advantages.

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

#### (V) Analysis of investment

##### 1. Overall analysis of equity investment

In 2013, the Company's equity investment amounted to RMB469 million. At the extraordinary meeting of the seventh session of the Board of the Company, it was resolved to make capital contribution to the implementing entities in steps based on the actual situation of proceeds investment projects: (1) to make the first capital contribution of RMB300 million to Technology Development Company; (2) to make the first capital contribution of RMB55 million to Information Industry Company; (3) to make the first capital contribution of RMB64 million to Electronics Equipment Company; and (4) to make the first capital contribution of RMB50 million to Communications Technology Company. The funds for the said capital contributions are from proceeds. The increased registered capitals have been deposited in the special account for proceeds. The particulars are shown below:

Unit: RMB'000

No.	Company Name	Registered capital before capital contribution	Amount of capital contribution	Registered capital after capital contribution	Ratio of shareholding
1	Technology Development Company	25,000	30,000	55,000	100%
2	Information Industry Company	2,300USD	5,500	3,194.6435USD	82.00%
3	Electronics Equipment Company	8,000	6,400	14,400	100%
4	Communications Technology Company	5,000	5,000	10,000	100%
	合計		46,900		

##### 2. Entrusted wealth management products with non-financial companies and derivatives investment

At the extraordinary meeting of the seventh session of the Board of the Company, it was resolved to use the temporarily idle raised proceeds in the amount of not more than RMB550 million (inclusive) to invest in highly safe and liquid products with principal preservation terms. For details, please refer to the Announcement on Use of Temporarily Idle Raised Proceeds for Cash Management of Nanjing Panda Electronics Company Limited (《南京熊猫电子股份有限公司關於使用暫時閒置的募集資金進行現金管理的公告》) (Lin. 2013-031) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 23 August 2013.

# Report of the Board (Continued)

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

### (V) Analysis of investment (Continued)

2. Entrusted wealth management products with non-financial companies and derivatives investment (Continued)

As at 31 December 2013, the Company has accumulatively used the temporarily idle raised proceeds in the amount of RMB550 million for purchase of principal-guaranteed wealth management products and the amount is within the limit as approved by the Board. For details, please refer to the Announcement of Nanjing Panda Electronics Company Limited on Use of Temporarily Idle Raised Proceeds to Purchase Bank Wealth Management Products (《南京熊貓電子股份有限公司關於使用暫時閒置的募集資金購買銀行理財產品的公告》) (Lin. 2013-032), (Lin. 2013-033), (Lin. 2013-039) and (Lin. 2013-044) published on China Securities Journal and Shanghai Securities News on 29 August 2013, 30 August 2013, 8 October 2013 and 30 November 2013. Particulars of entrusted wealth management products are shown below:

Unit: RMB'000

No.	Name of Partner	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Expected annual rate of return	Actual amount of principal recovered	Actual income obtained
1	Bank of Communications Company Limited	30,000	2013-8-27	2013-12-25	4.8%	30,000	473.42
2	China Construction Bank Corporation	20,000	2013-8-29	2013-11-27	5.1%	20,000	251.51
3	Shanghai Pudong Development Bank	5,000	2013-8-29	2013-9-29	4.5%	5,000	18.49
4	Bank of Communications Company Limited	5,000	2013-9-30	2013-12-30	5.1%	5,000	63.58
5	Shanghai Pudong Development Bank	5,000	2013-11-27	2013-12-27	4.5%	5,000	19.72
6	China Construction Bank Corporation	15,000	2013-11-29	2013-12-30	5.5%	15,000	70.07
	Total	80,000				80,000	896.79

3. Use of raised proceeds

For the details of the use of the raised proceeds please see the "Specific Report on the Deposit and the Actual use of Proceeds Raised by Nanjing Panda Electronics Company Limited" (《南京熊貓電子股份有限公司募集資金存放與實際使用情況的專項報告》) (Lin 2014-022) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 29 March 2014, and the "Verification Report on the Deposit and the Actual use of Proceeds Raised by Nanjing Panda Electronics Company Limited (Tian Zhi Ye Zi [2014] No. 4603-2)" (《南京熊貓電子股份有限公司募集資金存放與實際使用情況的鑒證報告》(天職業字[2014]4603-2號)) issued by Baker Tilly China (Special General Partnership).

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

#### (V) Analysis of investment (Continued)

#### 4. Analysis of major subsidiaries and invested companies

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

During the reporting period, according to the requirements of industrial restructuring and enterprise restructuring, the Company acquired the 1% equity interests in Technology Development Company held by Electronics Equipment Company. Upon completion of the acquisition, the Company held 100% equity interests in Technology Development Company. An overview of major subsidiaries is as follows:

Unit: RMB'000

Subsidiary	Principal products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Electronic Equipment Company	Manufacture of automatic industrial equipment, environmental protection equipment, and logistic accessories	14,400	33,307.53	18,743.96	40,526.47	793.71	1,420.18
Information Industry Company	Development, production and sale of electronic information products	USD 3,194.6435	65,023.72	24,161.81	67,406.60	1,457.49	1,546.16
Electronic Manufacture Company	Development and production of new models of electronic products	USD2,000	39,148.15	2,656.50	36,169.29	3,026.63	3,287.74
Communications Technology Company	Development and manufacture of mobile communication, digital communication and network communication systems and products	5,000	12,910.64	5,656.26	22,637.75	823.87	815.94
Nanjing Panda Xinxing Industrial Co., Ltd.	Property management and sales of mechanical, electronic products, construction materials and office supplies	2,000	4,237.79	2,431.91	6,922.13	121.78	182.77
Huage Appliance Company	Plastic product & accessories	6,000	23,472.64	10,196.19	36,683.32	-749.83	-501.95
Mechanical Manufacturing Company	Metal components and stamping parts	1,000	9,538.67	3,491.59	20,366.19	1,068.89	945.10
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	Research, development, manufacturing and sales of logistic supporting equipment and automatic fare collection equipment	1,000	5,951.01	1,824.13	8,268.87	611.62	518.07
Technology Development Company	Manufacturing of general purpose equipment, software development, and property management	55,000	61,502.05	55,088.29	0.00	-1,910.44	63.32
Galant Limited	R&D of communication products	HKD0.0001	7,614.38	1,822.33	0.00	190.56	190.56

## Report of the Board (Continued)

### I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

#### (V) Analysis of investment (Continued)

##### 4. Analysis of major subsidiaries and invested companies (Continued)

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

Changes in net profit of major subsidiaries are as follows:

Unit: RMB0'000

Subsidiary	Net profit		Change (%)
	2013	2012	
Electronic Equipment Company	<b>1,420.18</b>	1,153.82	23.09
Information Industry Company	<b>1,546.16</b>	489.94	215.58
Electronic Manufacture Company	<b>3,287.74</b>	731.61	349.38
Communications Technology Company	<b>815.94</b>	120.84	575.22
Nanjing Panda Xinxing Industrial Co., Ltd.	<b>182.77</b>	136.95	33.46
Huage Appliance Company	<b>-501.95</b>	884.13	-156.77
Mechanical Manufacturing Company	<b>945.10</b>	1,102.56	-14.28
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	<b>518.07</b>	538.35	-3.77
Technology Development Company	<b>63.32</b>	31.12	103.47
Galant Limited	<b>190.56</b>	457.86	-58.38

# Report of the Board (Continued)

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

### (V) Analysis of investment (Continued)

#### 4. Analysis of major subsidiaries and invested companies (Continued)

##### (2) Analysis of invested companies

###### (i) Nanjing Ericsson Panda Communication Co., Ltd. ("ENC")

ENC was set up on 15 September 1992 with a total investment of US\$40.88 million and a registered capital of US\$20.9 million. ENC is held as to 27% by the Company, 51% by Ericsson (China) Company Limited, 20% by China Potevio Co., Ltd., and 2% by Hong Kong Yung Shing Enterprise Company. ENC is mainly engaged in R&D and production of mobile telecommunication system equipment and network communication system equipment, etc. It is one of Ericsson's three major supply and manufacturing centres in the world. Operating revenue of ENC for 2013 amounted to RMB12,397,390,000, representing a decrease of 1.54% year-on-year; net profit amounted to RMB381,300,000, representing an increase of 10.44% year-on-year. Reasons for changes of main indicators are that the income decreased due to the decrease in income from export; increase in profit as a result of strengthened cost control.

###### (ii) Beijing SE Putian Mobile Communication Co., Ltd. ("BMC")

BMC was set up on 8 August 1995 with a total investment of US\$90 million and a registered capital of US\$30 million. BMC is held as to 20% by the Company, 27% by China Potevio Co., Ltd., 26% by Sony Mobile Communications (China) Limited (索尼移動通信產品(中國)有限公司), 25% by Sony Mobile Communications Limited (索尼移動通信有限公司) and 2% by Hong Kong Yung Shing Enterprise Company. BMC is mainly engaged in the manufacture of Sony mobile terminals (mobile phones) and is the principal production base and supply centre of Sony mobile phones. Operating revenue of BMC for 2013 amounted to RMB33,898,440,000, representing an increase of 26.76% year-on-year; net profit was RMB96,080,000, representing a decrease of 77.05% year-on-year. Reasons for changes of main indicators are the increase in income due to the large increase in income from export; and the decrease in profit under the impact of payment of transfer pricing tax and interest penalty.

# Report of the Board (Continued)

## I. Discussion and Analysis by the Board on the Operations of the Company during the Reporting Period (Continued)

### (V) Analysis of investment (Continued)

#### 4. Analysis of major subsidiaries and invested companies (Continued)

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

##### (iii) Shenzhen Jingwah Electronics Co., Ltd. ("Shenzhen Jingwah Company")

Shenzhen Jingwah Company was set up on 8 May 1984 with a registered capital of RMB115,070,000. Shenzhen Jingwah Company is held as to 38.03% by the Company, 5.07% by PEG, 38.18% by China Electronics Shenzhen Company, 5.07% by Shenzhen CEIEC Property Management Co., Ltd. and 13.65% by employees. Shenzhen Jingwah Company is mainly engaged in the manufacture of communications equipment and digital products. Operating revenue of Shenzhen Jingwah Company for 2013 amounted to RMB1,656,730,000, representing an increase of 27.34% year-on-year; net profit was RMB39,250,000, representing an increase of 0.20% year-on-year. Reasons for changes of main indicators are that export orders for Shenzhen Jingwah Company's digital products soared, leading to growth in revenue and profit.

During the reporting period, the Company's investment income amounted to RMB147,340,000. The composition of investment income is as follows:

Unit: RMB'000

Invested company	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
ENC	1,239,739	38,130	27%	10,295
BMC	3,389,844	9,608	20%	1,922
Shenzhen Jingwah Company	165,673	3,925	38.03%	1,494

#### 5. Projects which are not funded by raised proceeds: N/A

### (VI) Special purpose entities controlled by the Company

During the reporting period, the Company did not control any special purpose entities.

# Report of the Board (Continued)

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

### (I) Competition pattern and development trend of the industry

#### 1. Industry competition

##### (1) Overall competition status

The electronic information industry is the strategic centerpiece of global competition. As the strategic, basic and leading industry of national economy, electronic information industry experienced a rapid growth in total amount and played an important role in driving the development of national economy and society due to the high technical content, high value added, less pollution and large potentials. New generation of information technology is entering into the phase of progressive growth, which brings revolutions to industrial settings. The electronic information industry of China will continue to maintain low speed operation. As there is no obvious change in internal and external environments, attention should still be paid to three major issues: 1. Core technology and critical equipment become the weakest part in quality and efficiency improvement of industries; 2. The leading enterprises in China are still weak in respect of industrial chain integration; 3. The increased international trade barriers hinder domestic enterprises from "going out". In modern world, not only major developed economies and regions such as the United States, Japan and the European Union have deemed the electronic information industry as of national strategic importance and fought for the commanding height of future technology and industrial competition. Brazil, India, Russia and some other countries have also been vigorously developing their electronic information industry, and achieved rapid growth. All this has led to increasingly fierce competition worldwide.

##### (2) Major competitors

The electronic information manufacturing industry which the Company has been engaged in features intense market competition, high concentration and strong relativity, and is currently at a stage of strategic adjustment with industrial consolidation and structural upgrade. The Company's competitors are widely distributed in the electronic information industry and its related sectors.



# Report of the Board (Continued)

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

### (I) Competition pattern and development trend of the industry (Continued)

#### 2. Industrial environment and development trend

The electronic information manufacturing industry in which the Company is in is a strategic, basic and leading industry of national economy, the technical support and material basis for accelerating industrial transformation and upgrading and the construction of national economy and society informatization, and an important cornerstone for guaranteeing national defense construction and national information security. The electronic information manufacturing industry in China seized the great opportunity of national economic and social development and international industrial transfer, proactively promoted structure adjustment, vigorously strengthened independent innovation and achieved the stable growth of industries, and its role of support and leading for economic and social development is increasingly prominent. In the future, our country will continue to strongly support the development of electronic information industry which is in face of a good market prospect.

There is still a large gap between China and other powerful industrial countries in the world in respect of industrial automation. The industry is confronted with the policy environment in which integration of basic fields exists and new hot spots emerge, the external environment with increased market uncertainty with the domestic and foreign demands, more active global technological innovation and others. At the current stage, the factory automation and control technologies, industries and applications in China have experienced rapid development. The factory automation industry involves a number of fields, e.g. power, electronics, computer, artificial intelligence, communication, electromechanical, etc. It can be seen from the development of factory automation market in China at the current stage that China has a huge market, while the automation development in China is relatively lagging behind. The technical transformation of traditional industries, factory automation and enterprise informatization require abundant industrial automation systems, resulting in a huge potential market. The huge market potentials and relatively weak industrial competition will provide a good development platform for enterprises with certain advantages in terms of technology and scale.

The communication industry is a strategic, basic and leading industry for constructing national information infrastructures, providing network and information services and comprehensively supporting economic and social development. It is characterized by high technology starting point, long industrial chain, strong permeability, obvious guiding effects, etc. and is an important force to boost the transformation and upgrading of traditional industries, promote the strategic adjustment of economic structure and enhance national level of informatization, and for building a well-off society in an all-around way. With the progress of smart city pilots, emergency communication and other professional communication fields will have a broad market.

With the gradual acceleration of urbanization, the rail transit in China has stepped into an unprecedented flourishing period. China has become the largest construction market of urban mass transit in the world. In 2015, the total length of rail transit lines in China will reach 2,400km and the total investment will exceed RMB800 billion. The market has a tremendous capacity and is promising. While continuously achieving proud results in the AFC/ACC market, the Company has also actively expanded the traffic communications system and other fields and gradually become the supplier with the EPC capacity of rail transit.

# Report of the Board (Continued)

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

### (I) Competition pattern and development trend of the industry (Continued)

#### 3. Advantages and disadvantages of the Company and their impact on results

The Company has been committed to the development of technologies and products related to electronic equipment system in the long term and achieved considerable development in respect of factory automation equipment. At present, the equipment is leading in China in terms of progressiveness, reliability and practicability. It is the same with the entire industry that its external dependence is high while the innovation ability and industrial base are relatively weak. With the implementation of the industrialization project of automation equipment, the Company's industrial base and production capacity in the fields of industrial automation transmission equipment and welding robots will further improve, which will greatly enhance the Company's results.

The Company started earlier from a high starting point in the field of electronic equipment of rail transit, particularly automatic fare collection system (AFC) and automatic clearing center system (ACC). The Company has a relatively high market share and popularity in the industry. With the implementation of the industrialization project of traffic electronic equipment, the Company's production line will be richer, covering the design and terminal products integrated from automatic fare collection systems (AFC), system software of automatic clearing center system (ACC) and communication system for rail transit, which will change the Company's disadvantage of single product line of electronic equipment products for rail transit and is favorable for the Company to improve the market competitiveness of rail transit equipment and to enhance results of the Company.

The Company takes the lead in China in three fields, i.e. short-wave communication, satellite communication and microcellular communication and has formed comprehensive communication product categories with multi-band frequencies, all series, multiple functions, multiple systems, high reliability and high intelligence. It is a major supplier of comprehensive communication equipment modernization. The implementation of the industrialization project of communication equipment will further strengthen the Company's competitiveness in the emergency communication market and the market of satellite mobile communication system with planar antenna, which is conducive to the enhancement of the Company's results.

# Report of the Board (Continued)

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

### (II) Development strategy of the Company

#### 1. Development strategy

To objectively judge the enterprise's existing conditions and predict industrial development trend scientifically through analyzing international and domestic economic situations and the development trend of electronic information industry; To combine the national industry policies and focus on mainly three business sectors, i.e. electronic equipment, consumer electronics and electronic manufacturing; To further deepen the reform of the Company's system and mechanism, and optimize resources allocation; To be oriented by scientific and technological innovation, and supported by the construction of industrial capability; To make efforts to develop main businesses, such as traffic electronic equipment, industrial automation equipment, civilian communication equipment, digital home electronics and electronic manufacturing, etc, so as to further boost the Company's independent innovation capability and advanced manufacturing capability, as well as making efforts to achieve industrial transformation and upgrading; To create a new marketing platform and improve the product sales ability; To further accelerate the adjustment for structures of industry, enterprise, assets and talents, so as to seize a new round of developmental opportunities and become active in the changes of industrial settings; To be committed in achieving the strategic target of "building the Company into a domestic first and internationally known manufacturer and service provider for information and communication products and electronic equipments".

#### 2. Industrial development plan

##### (1) Industrial automation equipment

Further expand the LCD panel market and develop production line equipment market to achieve sustainable development; strive to grasp the core control technologies in the field of industrial automation, attract external technical resources by various means and focus on expanding the market of industrial robot.

##### (2) Traffic electronic equipment

Consolidate the leading advantages of domestic AFC/ACC field, further expand EPC business market, engineering market and international market, build a high level R&D team make breakthroughs in the research of critical technologies and development of core products, build an engineer marketing team, and enhance follow-up technical service capacity, striving to develop the Company into a domestic first-class and international famous professional supplier specialized in traffic electronic equipment and system integration.

##### (3) Communication equipment

Further expand the size of assets and business, improve manufacturing and R&D capacities, and strengthen the industrialization and application of scientific and technological achievements.

# Report of the Board (Continued)

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

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

#### 2. Industrial development plan (Continued)

##### (4) Electronic manufacturing service (EMS)

Rapidly enhance supply chain management and R&D design capacities, change the business model of processing materials supplied by clients, transform to a comprehensive EMS enterprise integrating design, procurement, production and logistics, establish and improve the ERP and MES information management system, and provide high-end green manufacturing service for international high-end customers and the Company's self-owned brands.

##### (5) Consumer electronics including digital family products

Utilize the policy and technical advantages of Joint Corporate R&D and Innovation Center of Jiangsu Enterprises to develop all series of intelligent terminals of digital set-top box, family network, etc., grasp the core technologies including large software, construction of three network integrated platform, information terminal of digital family, etc. Further strengthen the channel management of broadcast and television operators and market development capacity.

### (III) Business plan

In 2014, the Company will further boost independent innovation capability, steadily promote the construction of its internal control system, use raised proceeds efficiently and in compliance with the regulations, expand marketing channels, accelerate construction of corporate culture, and proactively build a harmonious enterprise, promote steady and sustainable development of the enterprise. Focus will be placed on the following tasks:

1. Endeavour to achieve all operating targets: The target operating revenue and total profit of the Company in 2014 are RMB3,000,000,000 and RMB220,000,000 respectively. In 2014, as the operation and development environment is still complicated, the attainment of the above targets is still subject to lots of uncertain factors, however, the Company will closely centered on its operation and development target and make efforts to achieve these targets, by way of utilizing internal potential and expanding external markets.
2. Use raised proceeds efficiently and in compliance with regulations: The Company will refine and clarify the plan for the use of raised proceeds, make additional contribution to Technology Development Company, Information Industry Company, Electronics Equipment Company and Communications Technology Company, so as to ensure the use of raised proceeds is legal, in compliance with the regulations and efficient. The Company will also continue to promote the implementation of the investment projects, strengthen the Company's comprehensive strength via the automation equipment industrialization project, communication equipment industrialization project, traffic electronic equipment industrialization project and the construction of R&D center, boost the economic benefits of the Company, further shorten the gap with the world's leading enterprises, and raise the Company's competitiveness in global markets.

# Report of the Board (Continued)

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

### (III) Business plan (Continued)

3. Further boost independent innovation capability: The Company will well organize the preparation and implementation of the 2014 plan for scientific research projects, consolidate scientific and technological resources, and raise industrialized application of technological achievements. The Company will also coordinate and implement works relating to the reporting and inspection of governmental project as well as the reporting of intellectual property rights of the enterprises it belongs to, promote the introduction of technology and high-level scientific talents and concentrate on making new breakthroughs in key technologies, such as electronic equipment, railway transportation and communication technology.
4. Promote the construction of internal control system steadily: The Company will take more effective measures to enhance control on significant risks, execute the legal review system for contracts, strengthen the prior control of operating behaviors with the focus on contract management, achieve the in-process control of operating behaviors through audit tracking, report on accounts receivables, financial information system tracking and efficiency supervision. The Company will also carry out the management of risks and internal control, evaluation and rectification supervision on key departments, key businesses and key projects by responsibility audit and internal control evaluation activities, consistently improve the system management and firmly push forward the construction of internal control system.
5. Proactively build a harmonious enterprise: The Company will apply the achievements of the Party's mass line education practice in specific works, regard taking care of employees as an important part of our work, pay attention to the problems reflected by employees and ensure the income growth of most general staffs in post. The Company will also care for employees' living, in particular further help and subsidize staffs with difficulties, organize activities liked by employees to enrich their cultural life, proactively build a harmonious enterprise, so as to enhance the cohesion and centripetal force of the enterprise.

### (IV) Capital Demands for Maintaining the Existing Business and Completing Construction of the Investment Projects

In 2014, the Company will continue to push forward the electronic equipment industrialization project. At the same time, the Company will further enhance its capability in electronic manufacturing services and actively expand the line of consumer electronics and digital home products.

As for fund sources, in addition to its accumulated profit, the Company issued 258,823,529 ordinary shares dominated in RMB by non-public offering in June 2013, raised proceeds amounted to RMB1,319,999,997.90, which was used to develop electronic equipment industry. For details please refer to the related announcement of the Company on non-public issuance of A shares. Furthermore, the Company will make investments in matters relating to enhancement of electronic manufacturing service capability and expansion of the product line of consumer electronics and digital home products based on the actual conditions.

# Report of the Board (Continued)

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

### (V) Potential Risks

#### 1. Market risk

Spurred by industry policies, and amid continuously rising market demands, more capital may enter the electronic information industry in the future, especially the industry segments where the Company belongs to, as a result the Company will face fiercer market competition. Were the Company unable to maintain its edge in respect of technological R&D, product, quality control and marketing, its position in the industry would be shaken to a certain extent.

#### 2. Risk associated with development of technology

As the replacement speed of technologies relating to electronic information industry is fast, together with intense market competition, were the Company unable to maintain technological innovation, constantly keep track of the newest technologies in both domestic and international electronic information industry, obtain updates on customers' latest demands, accelerate the R&D speed for new products, or maintain its leading position in the PRC, the Company would run the risk of dropping market share and replacement of its products by the new products of the competitors.

## III. Explanation of the Board on the "Non-standard Opinions" Given by the Auditors

- (1) Explanation of the Board and the Supervisory Committee on "non-standard opinions" given by the auditors: N/A
- (2) Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method: N/A
- (3) Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period: N/A
- (4) Detailed explanation of companies applicable to both the domestic and overseas accounting standards on the differences incurred: N/A

# Report of the Board (Continued)

## IV. Plan for Profit Distribution or Capitalization of Capital Reserve

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

#### 1. Amendments to and implementation of profit distribution related matters

Pursuant to the requirements of the “Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies” and Listed Companies Regulatory Guidance No.3 — Cash Dividends Distribution of Listed Companies(《上市公司監管指引第3號—上市公司現金分紅》) promulgated by the CSRC and the Guidelines on Cash Dividends Distribution of Listed Companies (《上市公司現金分紅指引》) published by the Shanghai Stock Exchange, the Board of the Company has made amendments to the relevant decision making procedures and policies for profit distribution in the Articles of Association. The improved cash dividend distribution policy is in compliance with the Articles of Association and the resolutions of the shareholders in general meeting. The distribution standards and proportion are definite and clear. The Company formulated the “Shareholders’ Return Plan of Nanjing Panda Electronics Company Limited (2013-2015)” (《南京熊貓電子股份有限公司股東回報規劃(2013-2015)》) based on the original Shareholders’ Return Plan. Relevant decision making procedures are in line with relevant laws, regulations and the Articles of Association. The contents can reflect the reasonable return to investors, fully safeguards the legitimate interests of minority shareholders and maintain the sustainable development of the Company. The Company standardized and improved the internal decision making procedures and mechanism for profit distribution, clarified the priority of cash dividend in the way of profit distribution, put forward differentiated cash dividend policies and fully listen to the opinions and demands of independent directors and minority shareholders in making decisions on dividend distribution to further strengthen the rationality, stability and transparency of cash dividend policies.

The resolutions in relation to the Amendments to the Articles of Association and the “Shareholders’ Return Plan of Nanjing Panda Electronics Company Limited (2013-2015)” (《南京熊貓電子股份有限公司股東回報規劃(2013-2015)》) were considered and approved at the extraordinary meeting of the seventh session of the Board of the Company convened on 22 January 2014 and the 2014 first extraordinary general meeting of the Company convened on 12 March 2014, respectively. For details of the amended decision making procedures for profit distribution and profit distribution policies, please refer to Article 203 and Article 204 in the Articles of Association of Nanjing Panda Electronics Company Limited published on the website of the Shanghai Stock Exchange on 14 March 2014.

In 2013, the Company strictly performed the decision making procedures for profit distribution and profit distribution policies in accordance with the relevant requirements of the CSRC and the Shanghai Stock Exchange and the relevant provisions under the Articles of Association.

## Report of the Board (Continued)

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

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

##### 2. Profit distribution plan for 2013

The 2013 financial report of the Company has been audited by Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership). The Company realized a net profit attributable to owners of the Company of RMB182,839,200 in 2013, surplus reserves of RMB11,206,000 shall be appropriated. Given the distributed profit to shareholders in 2013 of RMB39,300,900, and the undistributed profit for 2012 of RMB342,614,900, hence the actual distributable profit to shareholders this year amounted to RMB474,947,200.

In accordance with the Articles of Association of the Company, it was proposed to distribute a cash dividend of RMB0.66 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2013, with the total cash dividend to be distributed amounting to RMB60,313,300, and the remaining part to be carried forward to next year. The Company would not make any capitalization of capital reserve. This plan was considered and passed at the 12th meeting of the seventh session of the Board of the Company, subject to further consideration by the shareholders in general meeting.

#### (II) If the Company records profits and records a positive undistributed profit during the reporting period but there is no proposal for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in detail: N/A

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

Unit: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax included) (RMB)	Number of shares transferred for every 10 shares (share)	Amount of cash dividends (tax included)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement (%)
2013	—	0.66	—	60,313,342.91	182,839,213.91	32.99
2012	—	0.60	—	39,300,900.00	131,554,099.89	29.87
2011	—	0.50	—	32,750,750.00	110,070,234.90	29.75



## Report of the Board (Continued)

### V. Report on Performance of Social Responsibility by the Company

- (I) Overview of social responsibility: The Company prepared and disclosed the 2013 Social Responsibility Report of Nanjing Panda Electronics Company Limited, the full text of which was published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.
- (II) Statement on the environmental protection practice of listed companies and their subsidiaries in severely polluting industries specified in the regulations made by national environmental protection authorities: N/A.

### VI. Other Disclosures

#### Information on Board meetings

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of the resolution	Date of disclosure
7th session of the seventh Board	27 March 2013	China Securities Journal, Shanghai Securities News	2012 Annual Report and its Summary; the Report of Directors for 2012; the Work Report of Independent Directors for 2012; the Work Report of the General Manager for 2012; the audited financial report of 2012; the profit distribution plan for 2012; re-appointment of Baker Tilly Hong Kong Limited and Baker Tilly China Certified Public Accountants (Special General Partnership) as the international and domestic auditors, and internal auditors of the Company for 2013; the Social Responsibility Report and Internal Control Evaluation Report of the Company for 2012; the remuneration plan for Directors and senior management for 2012; considered and approved the Rules for Management of Connected Transactions, revised Rules of Procedure for the Remuneration and Appraisal Committee, Raised Funds Management System and Major Decision-making Methods; considered and approved the guarantees provided to subsidiaries, i.e. provision of guarantee for the facility of no more than RMB300 million in aggregate to Information Industry Company, provision of guarantee for the facility of no more than RMB185 million in aggregate to Electronics Equipment Company, provision of guarantee for the facility of no more than RMB100 million in aggregate to Electronic Manufacture Company, provision of guarantee for the facility of no more than RMB100 million in aggregate to Huage Appliance Company, and provision of guarantee for the facility of no more than RMB15 million in aggregate to Mechanical Manufacturing Company, for a period expiring on 30 June 2016; scheduling of the 2012 annual general meeting to be held before 30 June 2013.	28 March 2013

## Report of the Board (Continued)

### VI. Other Disclosures (Continued)

#### Information on Board meetings (Continued)

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of the resolution	Date of disclosure
8th session of the seventh Board	26 April 2013	China Securities Journal, Shanghai Securities News	2013 First Quarterly Report	27 April 2013
Written resolution of the seventh Board	13 May 2013	China Securities Journal, Shanghai Securities News	The nomination of Mr. Xia Dechuan as a candidate for Non-executive Director of the seventh session of the Board of the Company, for a term of office until the expiration of this session of the Board of the Company, and agreed to submit to the general meeting of the Company for consideration.	14 May 2013
Written resolution of the seventh Board	29 May 2013	China Securities Journal, Shanghai Securities News	Authorization to the General Manager to deal with, at his full discretion, the provision of guarantee to subsidiaries	30 May 2013
Written resolution of the seventh Board	24 July 2013	China Securities Journal, Shanghai Securities News	Appointment of Mr. Guo Qing as the Vice General Manager of the Company.	25 July 2013
Written resolution of the seventh Board	8 August 2013	China Securities Journal, Shanghai Securities News	Provision of guarantee for the additional facility of RMB200 million to Nanjing Panda Information Industry Co., Ltd. (a controlling subsidiary); considered and approved the revised "Raised Fund Management System of Nanjing Panda Electronics Company Limited"; considered and approved the amendments to the Articles of Association; considered and approved the 2013 first EGM, authorization to Mr. Shen Jianlong (Secretary of the Board) to deal with the relevant matters of the 2013 first EGM.	9 August 2013
Written resolution of the seventh Board	22 August 2013	China Securities Journal, Shanghai Securities News	Agreed to use idle raised funds no more than RMB550 million in aggregate in cash management.	23 August 2013
9th session of the seventh Board	30 August 2013	China Securities Journal, Shanghai Securities News	2013 Interim Report.	31 August 2013
Written resolution of the seventh Board	24 September 2013	China Securities Journal, Shanghai Securities News	Make capital contribution to the implementing entities in steps based on the actual situation of Proceeds Investment Projects.	25 September 2013
10th session of the seventh Board	26 September 2013	China Securities Journal, Shanghai Securities News	Election of Mr. Xia Dechuan as the member of the Strategy Committee and Remuneration and Appraisal Committee under the seventh Board of the Company; authorization to the general manager to deal with, at his full discretion, the provision of guarantee for the additional facility of RMB200 million to Nanjing Panda Information Industry Co., Ltd..	27 September 2013
11th session of the seventh Board	29 October 2013	China Securities Journal, Shanghai Securities News	2013 Third Quarterly Report.	30 October 2013
Written resolution of the seventh Board	4 November 2013	China Securities Journal, Shanghai Securities News	Agreed to replace the self-raised funds previously invested into the Proceeds Investment Projects with raised funds of RMB200.26 million.	5 November 2013
Written resolution of the seventh Board	29 November 2013	China Securities Journal, Shanghai Securities News	Make Capital Contribution in implementation entities separately based on the actual situations of Proceeds Investment Projects.	30 November 2013

# Report of the Board (Continued)

## VI. Other Disclosures (Continued)

### Non-public issuance of A shares

In June 2013, the Company raised proceeds of RMB1,319,999,997.90 through non-public issue of 258,823,529 shares dominated in RMB. For details, please refer to the Announcement on Results of the Non-Public Issue of Shares and Change in Share Capital of Nanjing Panda Electronics Company Limited (《南京熊猫电子股份有限公司非公开发行股票发行结果暨股本变动公告》) (Lin 2013-019) published by the Company on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 2 July 2013.

For the details of the deposit and the actual use of the raised proceeds please see the “Specific Report on the Deposit and the Actual use of Proceeds Raised by Nanjing Panda Electronics Company Limited” (《南京熊猫电子股份有限公司募集资金存放与实际使用情况的专项报告》) (Lin 2014-022) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 29 March 2014.

### Liquidity of Capital

In accordance with the HKFRSs, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 24.31%, RMB1,005,600,000, 2.79 and 2.59 respectively as at 31 December 2013 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB1,379,830,000 as at 31 December 2013 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans and other loans amounted to RMB99,000,000 as at 31 December 2013 as shown in the consolidated financial statements of the Company.

During the reporting period, the 1-year renminbi benchmark interest rate with financial institutions was 6.00%.

### Purchase, Sale or Redemption of the Listed Securities of the Company

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

### Pre-emptive Rights

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

### Highest Paid Individuals

The five highest paid individuals of the Company during the year were technology and sales employees of the Company.

## Report of the Board (Continued)

### VI. Other Disclosures (Continued)

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

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

#### Directors', Supervisors' and Senior Management Staff's Interests in Contracts

At no time during the year had the Group entered into any significant contract in which a Director, Supervisor and senior management staff of the Company had a material interest.

#### Service Agreements for Directors and Supervisors

Service agreements have been signed between the Company and all Directors and Supervisors. The term of such service agreements is three years. None of the Directors or Supervisors has entered into any contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

#### Privileges of Directors, Supervisors and Senior Management Staff

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

#### Interested Relations with Suppliers and Customers

During the year, neither the Directors, Supervisors, nor other related persons or shareholders had any interest in the suppliers or customers of the Company.

# Report of the Board (Continued)

## VI. Other Disclosures (Continued)

### Contracts of Significance

Particulars of the contracts of significance under paragraph 16 of Appendix 16 of the Listing Rules between the Company or one of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries, or for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries, are set out in the section headed "Material Connected Transactions" under Section VI "Significant Events" of this report.

### Material Contracts

1. The subscription agreements entered into by the Company in respect to the non-public issuance of A shares were as follows:
  - (1) On 7 November 2012, the Company entered into the non-public share issue and subscription agreement with Nanjing Electronics Information Industrial Corporation, pursuant to which, the agreement was effective upon obtaining approval of the CSRC for the non-public share issue on 12 April 2013.
  - (2) In June 2013, the Company entered into the non-public share issue and subscription agreements with eight investors (including Jiangsu GTIG Huading Investment Co., Ltd. (江蘇國泰華鼎投資有限公司)).

The names of subscribers, number of shares subscribed for and subscription amount are set out in the following table:

No.	Name of Subscriber	Number of Shares subscribed for (share)	Subscription amount (RMB)
1	Jiangsu GTIG Huading Investment Co., Ltd. (江蘇國泰華鼎投資有限公司)	35,000,000	178,500,000.00
2	South Industry Assets Management Co., Ltd (南方工業資產管理有限責任公司)	25,200,000	128,520,000.00
3	Tibet Autonomous Region Investment Co., Ltd. (西藏自治區投資有限公司)	25,000,000	127,500,000.00
4	Beijing Infrastructure Investment Co., Ltd (北京市基礎設施投資有限公司)	26,000,000	132,600,000.00
5	Caitong Fund Management Co., Ltd. (財通基金管理有限公司)	30,000,000	153,000,000.00
6	Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership) (南京瑞森投資管理合夥企業(有限合夥))	51,000,000	260,100,000.00
7	Aegon-Industrial Fund Management Co., Ltd. (興業全球基金管理有限公司)	17,603,922	89,780,002.20
8	Tibet Shan Nan Zhong He Investment Management Centre (Limited Partnership) (西藏山南中和投資管理中心(有限合夥))	9,803,921	49,999,997.10
9	Nanjing Electronics Information Industrial Corporation	39,215,686	199,999,998.60
	Total	258,823,529	1,319,999,997.90

# Report of the Board (Continued)

## VI. Other Disclosures (Continued)

### Material Contracts (Continued)

- On 21 January 2014, the Company entered into the supplemental agreement to the Financial Services Agreement with China Electronics Financial Co., Ltd., which was considered and approved at the 2014 First Extraordinary General Meeting of the Company held on 12 March 2014. For main contents please refer to the relevant announcements published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 22 January 2014 and the circular despatched on 25 February 2014.

### Convertible Securities, Options, Warrants or Similar Rights

The Company had not issued or granted any convertible securities, options, warrants or similar rights as at 31 December 2013.

### Pension Scheme

The Company participated in a pension scheme established by the government. In accordance with the terms of the scheme, the annual contribution should be equivalent to around 20% of the salary of the employees. According to the said scheme, the pension of present and retired employees of the Company is protected by the Nanjing Social Labour Insurance System Coordinating Committee.

Except for the annual contribution, the Company has no further obligation in this regard.

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the Company's business were entered into by the Company or existed during the year.

### Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group, as of 31 December 2013, are set out in the notes to the financial statements prepared under HKFRSs.

Interest which was capitalized during the year is set out in the notes to the financial statements prepared under HKFRSs.

### Reserves

The changes in the reserves of the Group for the year are set out in the accounts prepared under HKFRSs and the notes to the financial statements prepared under PRC accounting standards.

### Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in the accounts prepared under HKFRSs and the notes to the financial statements prepared under the PRC accounting standards.

# Report of the Board (Continued)

## VI. Other Disclosures (Continued)

### Subsidiaries

Information on the subsidiaries of the Company is set out in the notes to the accounts prepared under HKFRSs.

### Corporate Governance Code and Model Code

Please refer to the "Corporate Governance Report" in Section IX of this annual report for details of compliance with the Code on Corporate Governance Practices and the Model Code.

### Confirmation by Independent Non-executive Directors on Connected Transactions

The Independent Non-executive Directors of the Company, within their scope of duties, have reviewed the connected transactions in Note 36 to the accounts prepared under the HKFRSs and in Note 10 to the accounting statements prepared under the PRC Accounting Standards, as well as the relevant letter of the auditors, and confirmed that:

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

For details of the connected transactions and continuing connected transaction of the Company, please refer to the section headed "material connected transaction" under section VI "Significant Events" of this report.

### Annual General Meeting

The Board proposes to convene the annual general meeting before 30 June 2014. Announcement will be made separately for relevant matters.

By Order of the Board

**Lai Weide**

Chairman

Nanjing, the PRC, 28 March 2014

# Report of the Supervisory Committee

## To all shareholders,

During the reporting period, all the members of the Supervisory Committee of the Company have followed the principle of honesty and integrity, faithfully performed their duties conferred by laws, regulations and the Articles of Association and tried to protect the interests of the Company and its shareholders in accordance with laws and regulations including the Company Law and the Securities Law, relevant requirements of domestic and international regulatory bodies and the Articles of Association.

## I. Meetings of the Supervisory Committee

During the reporting period, the Supervisory Committee held seven meetings, with details as follows:

Session of the meeting	Date of the meeting	Media for disclosure	Subject matter of the resolution	Date of disclosure
7th session of the seventh Committee	27 March 2013	China Securities Journal, Shanghai Securities News	2012 Annual Report of the Company and its summary; the 2012 Report of the Supervisory Committee; the 2012 remuneration proposal for supervisors of the Company; the audit opinion of the Supervisory Committee on the 2012 Annual Report prepared by the Board; the 2012 Social Responsibility Report and 2012 Assessment Report on the Internal Control of the Company.	28 March 2013
8th session of the seventh Committee	26 April 2013	China Securities Journal, Shanghai Securities News	2013 First Quarterly Report of the Company.	27 April 2013
Extraordinary meeting of the seventh Committee	8 August 2013	China Securities Journal, Shanghai Securities News	The resignation of Zhang Zhengping as the Chairman of the Supervisory Committee, and the nomination of Mr. Zhang Yinqian as a candidate for non-employee representative Supervisor of the seventh session of the Supervisory Committee of the Company, for a term of office until the expiration of the seventh session of the Supervisory Committee of the Company, and submission of the same to the general meeting of the Company for consideration and approval.	9 August 2013
9th session of the seventh Committee	30 August 2013	China Securities Journal, Shanghai Securities News	2013 Interim Report of the Company.	31 August 2013
10th session of the seventh Committee	26 September 2013	China Securities Journal, Shanghai Securities News	The election of Mr. Zhang Yinqian as the Chairman of the Supervisory Committee.	27 September 2013
11th session of the seventh Committee	29 October 2013	China Securities Journal, Shanghai Securities News	2013 Third Quarterly Report of the Company.	30 October 2013
Extraordinary meeting of the seventh Committee	4 November 2013	China Securities Journal, Shanghai Securities News	Replacement of self-raised funds previously invested with the raised funds	5 November 2013



# Report of the Supervisory Committee (Continued)

## II. The Company's Operations in Compliance with Laws

During the reporting period, all Supervisors attended general meetings and Board meetings of the Company and provided supervision over the convening procedures and resolutions of general meetings and Board meetings as well as the implementation by the Board of resolutions of general meetings. The Supervisors also alerted the Board and the management of the Company of any potential risks in a timely manner. The Supervisory Committee holds no objection to any of the reports or proposals submitted by the Board to the general meetings for consideration, and is of the opinion that during the reporting period, the Company followed standard operating procedures in strict compliance with laws and regulations including the Company Law and the Securities Law, listing rules of the places of listing and the Articles of Association, faithfully carried out resolutions passed at the general meetings, continued to improve internal management and put in place a good internal management system. In the opinion of the Supervisory Committee, the Directors and the senior management staff of the Company had performed their duties in accordance with the Articles of Association and the relevant laws and regulations. The decision-making procedures are legal. None of the Directors, or senior management staff violated any PRC laws and regulations or the Articles of Association. They had neither abused their office nor acted illegally to harm the interests of the Company or its shareholders and staff.

## III. Implementation of cash dividends distribution policy

Pursuant to the relevant requirements of the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" (《關於進一步落實上市公司現金分紅有關事項的通知》) and the "Listed Companies Regulatory Guidance No.3—Cash Dividends Distribution of Listed Companies" (《上市公司監管指引第3號—上市公司現金分紅》) and "Guidance of Cash Dividends Distribution on Shanghai Stock Exchange" (《上海證券交易所上市公司現金分紅指引》) promulgated by the CSRC, the Supervisory Committee carried out supervision and inspection on the implementation of cash dividend distribution and shareholders' return plan by the Board, the performance of the decision-making procedures regarding profit distribution and the information disclosure, and discovered that the circumstances of the Article 13 under the "Guidance of Cash Dividends Distribution on Shanghai Stock Exchange" did not exist in the Board.

## IV. Financial Conditions of the Company

The Supervisory Committee has duly examined the financial statements, the profit distribution scheme and other accounting information etc. for the year 2013 and is of the view that the financial income and expenditure accounts are clear; and that the accounting, auditing and financial management have complied with the relevant requirements without any problems identified. The domestic and international auditors of the Company have audited the 2013 financial statements of the Company in accordance with the PRC Accounting Standards for Business Enterprises and the HKFRSs, respectively, and have issued auditors' reports with standard unqualified audit opinions accordingly. The Supervisory Committee is of the view that the financial income and expenditure and the operating results of the Company are fairly and correctly reflected by the auditors' reports. The operating results achieved are truthful.

## V. Use of Raised Proceeds

In June 2013, the Company raised proceeds of RMB1,319,999,997.90 through non-public issue of 258,823,529 shares dominated in RMB. Upon the raised proceeds being in place, the Supervisory Committee constantly paid attention to the actual management and use of raised proceeds, and gave opinions on the matters, such as the Company using the temporarily idle raised proceeds for purchase of principal-guaranteed wealth management products, increasing the implementing entities of Proceeds Investment Projects and using the raised proceeds to replace the self-raised funds invested, and considered and approved the "Specific Report on the Deposit and the Actual use of Proceeds Raised by Nanjing Panda Electronics Company Limited" (《南京熊貓電子股份有限公司募集資金存放與實際使用情況的專項報告》).

## Report of the Supervisory Committee (Continued)

### VI. Acquisition and Disposal of Assets

On 23 September 2013, Electronic Manufacture Company, a controlled subsidiary of the Company and CEC LCD, a connected legal person of the Company entered into the Assets Transfer Agreement, pursuant to which Electronic Manufacture Company transferred two idle production lines of LCDTV to CEC LCD. The Board and senior management had dealt with that on ordinary business terms, the independent directors and sponsor institutions had also gave positive opinions.

### VII. Connected Transactions of the Company

During the reporting period, connected transactions of the Company were made on a fair and reasonable basis and were confirmed by Independent Non-executive Directors of the Company. No acts detrimental to the interests of the Company were found.

During the reporting period, the continuing connected transactions conducted between the Group and NEIC Group and CEC Group were approved by the independent shareholders at the 2012 second extraordinary general meeting respectively, with the procedures in compliance with relevant requirements.

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

The Supervisory Committee reviewed the Self-assessment Report on the Internal Control of the Company prepared by the Board and relevant materials, and held no objection to such report so prepared by the Board. The Supervisory Committee was of the view that the Company's internal control system was basically sound with effective implementation during the reporting period, fulfilled the requirements of various aspects including corporate governance and operation and effectively controlled various operation management risks of the Company; as at 31 December 2013, the internal control system in relation to financial reporting was sound and effectively implemented. The Supervisory Committee agreed with the Board in its assessment of the internal control.

The Supervisory Committee wishes the Company can gain further achievements in special corporate governance campaigns, standardize operation of the Company, continue to strengthen supervision and management on its controlled subsidiaries, further improve the internal control system, continuously carry forward internal control as a routine task, and recommend combination of internal control assessment with daily and special supervision so as to practically boost the internal control level of the Company.

The Supervisory Committee is satisfied with the performance of the Board for the year and has great confidence in the future development of the Company.

By Order of the Supervisory Committee  
**Zhang Yinqian**  
Chairman

Nanjing, the PRC, 28 March 2014

# Significant Events

- I. During the reporting period, the Company did not have any material litigation, arbitration or matters commonly questioned by the media.
- II. Appropriation of funds and repayment of debt during the reporting period: N/A.
- III. The Company did not have bankruptcy and restructuring related matter during the reporting period.
- IV. Assets transaction and merger of companies:

On 23 September 2013, Electronic Manufacture Company, a controlled subsidiary of the Company and CEC LCD, a connected legal person of the Company entered into the Assets Transfer Agreement, pursuant to which Electronic Manufacture Company transferred two idle production lines of LCDTV to CEC LCD. For details, please refer to the Announcement on Connected Transaction of Nanjing Panda Electronics Company Limited (Lin 2013-034) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 24 September 2013.

- V. Company share incentive and its effect: N/A.
- VI. Material connected transactions

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

- 1. Matters disclosed in interim announcements with progress or change in the follow-up implementation

On 21 January 2014, the Board of the Company held an extraordinary meeting of the seventh session of the Board by way of written resolutions, where it approved the supplemental agreement to the Financial Services Agreement entered into between the Company and Financial Company, pursuant to which it was agreed that the cap for the integrated credit balance to be provided by Financial Company to the Company increased to RMB600 million and the cap for the fund settlement balance with Financial Company increased to RMB500 million, and the Board or senior management of the Company was authorized to execute such agreement. This connected transaction was conducted on the principle of openness, fairness and justice and in compliance with relevant state and industry regulations, without prejudice to the interest of the Company and minority shareholders of the Company. The Company formulated an emergency risk management plan for the deposits in the Financial Company, so as to ensure the safety and liquidity of funds. The Supervisory Committee and independent non-executive Directors approved the connected transaction between the Company and Financial Company, and considered that it was in the interest of the Company and all the shareholders. The sponsor institutions had gave positive inspection opinions. On 12 March 2014, the above connected transaction was approved by the independent shareholders at the 2014 first extraordinary general meeting of the Company. Please refer to relevant announcements published on Shanghai Securities News, China Securities Journal and the website of the Shanghai Stock Exchange on 22 January and 13 March 2014, and the circular despatched on 25 February 2014.

As at 27 March 2014, the balance of the Company's loans from Financial Company was RMB5 million and the balance of its deposits with Financial Company was RMB76,914,400.

## Significant Events (Continued)

### VI. Material connected transactions (Continued)

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

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

During the reporting period, the continuing connected transactions conducted between the Group, NEIC Group, CEC Group (including Financial Company) (the continuing connected transactions which were conducted in the usual course of business and on normal commercial terms) were considered and approved at the extraordinary meeting of the seventh session of the Board of the Company and were approved by independent shareholders at the second extraordinary general meeting of 2012, the procedures of which were in compliance with relevant requirements.

Particulars are set out below:

- (a) The Company and CEC Group entered into the agreement on provision of sub-contracting services and composite services by the Group to CEC Group on 26 October 2012 for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB90,500,000;
- (b) The Company and CEC Group entered into the agreement on provision of sub-contracting services and composite services by CEC Group to the Group on 26 October 2012 for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB12,500,000;
- (c) The Company and CEC Group entered into the agreement on sale of materials, components and parts by the Group to CEC Group on 26 October 2012 for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB612,600,000;
- (d) The Company and CEC Group entered into the agreement on purchase of materials, components and parts by the Group from CEC Group on 26 October 2012 for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB292,900,000;
- (e) The Company and PEGL Group entered into the agreement on import and export agency services provided by PEGL Group to the Group on 26 October 2012 for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB1,000,000;
- (f) The Company and CEC Home Appliances entered into the agreement on licensing of Panda trademark by the Group to CEC Home Appliances on 26 October 2012 for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB3,000,000;

## Significant Events (Continued)

### VI. Material connected transactions (Continued)

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

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

- (g) The Company and NEIC Group entered into the agreement on lease of premises and relevant equipment by the Group to NEIC Group on 26 October 2012 for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB11,000,000;
- (h) The Company and NEIC Group entered into the agreement on lease of premises and relevant equipment by NEIC Group to the Group on 26 October 2012 for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB2,000,000;
- (i) & (j) On 26 October 2012, the Group and Financial Company entered into the Financial Services Agreement for a term of three years with effect from the date of approval by independent shareholders at the extraordinary general meeting. Pursuant to the agreement, it was agreed that the cap for the integrated credit balance to be provided by Financial Company to the Company was RMB300 million and the cap for the fund settlement balance with Financial Company was RMB200 million.

All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.

These continuing connected transactions can provide the Group with a stable source of income and reliable supply of high-quality services, materials, components and parts, which is conducive to the maintaining of stability of the Group's production and operation. In addition, all of these continuing connected transactions were conducted on normal commercial terms and were fair and reasonable with justice pricing and had performed approval procedures in accordance with relevant requirements and were in the benefit of the Company and the shareholders as a whole.

During the reporting period, the summary of the continuing connected transactions between the Group and CEC Group was set out as follows:

Categories of the Continuing Connected Transaction	Pricing Principle	Actual amount (in RMB'000)
(a) Provision of sub-contracting services and composite services by the Group to the CEC Group	Cost plus	58,340
(b) Provision of sub-contracting services and composite services by the CEC Group to the Group	Cost plus	11,892
(c) Sale of materials, components and parts by the Group to the CEC Group	Market price	598,396
(d) Purchase of materials, components and parts by the Group from the CEC Group	Market price	234,097
(e) Import and export agency service provided by the CEC Group to the Group		Nil
(f) Licensing of PANDA Trademark by the Group to the CEC Group	Cost plus	708
(g) Lease of premises and relevant equipment by the Group to the CEC Group	Market price	1,275
(h) Lease of premises and relevant equipment by the CEC Group to the Group	Market price	488
(i) Deposit balances with a financial Institution in the CEC Group	Market rate	197,899
(j) Provision of loan and other credit financing services by a financial Institution in the CEC Group to the Group	Market rate	5,000

## Significant Events (Continued)

### VI. Material connected transactions (Continued)

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

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

As for such continuing connected transactions, the Company entered into agreements with NEIC and CEC (including the Finance Company) under CEC Group in compliance with the requirements of relevant laws, regulations, regulatory documents and the Articles of Association, and performed relevant procedures for reporting and approval and the information disclosure obligation according to the law. PEGL and its connected persons abstained from voting at the Board meetings and general meetings of the Company to procure the compliance of such continuing connected transactions with the principle of “fairness, justice and openness” and normal business transaction rules, and ensure the legitimate rights and interests of the Company and other shareholders are not prejudiced. Therefore, such continuing connected transactions will not have any impact on the independence of the Company.

Related Party Transactions:

During the reporting year, the Group entered into certain transactions with parties regarded as “related parties” under applicable accounting principles.

Except for the following related party transactions disclosed under the heading “(b) Transactions with other related parties” in Note 35 to the accounts prepared under the Hong Kong Financial Reporting Standards which fall under the definition of “continuing connected transaction” in Chapter 14A of the Listing Rules, no other related party transactions fall under the definition of “connected transaction” or “continuing connected transaction” in Chapter 14A of the Listing Rules:

- the material related party transactions entered into between the Group and the intermediate holding company, the Group and the immediate holding company and between the Group and fellow subsidiaries; and
- as at 31 December 2013, the Group’s deposits of RMB197,899,000 with and borrowed short term loans of RMB5,000,000 from a fellow subsidiary of the Company, being a financial institution in the PRC.

The auditors of the Company were engaged to report on the Group’s continuing connected transactions in accordance with “Hong Kong Standard on Assurance Engagements 3000” “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules”. The auditors of the Company have issued the letter containing the work result in respect of the aforesaid continuing connected transactions in accordance with Rule 14A. 38 of the Listing Rules, a copy of which has been provided to the Hong Kong Stock Exchange by the Company.

#### (II) Connected transactions in respect of asset acquisition or disposal.

For details please refer to “IV. Assets transaction and merger of companies” in this chapter.

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

## Significant Events (Continued)

### VI. Material connected transactions (Continued)

#### (IV) Transactions relating to creditor's rights and debts (matters not disclosed in interim announcements)

Unit: RMB0'000

Connected parties	Provision of funds to connected parties			Provision of funds to the Company by connected parties		
	Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Nanjing Electronics (Kunshan) Co. Ltd.	279.94	0.00	279.94	30.00	0.00	30.00
CEC				3,400.00	0.00	3,400.00
PEGL				1,181.40	152.76	1,334.16
Nanjing Thales Panda Transportation System Company Limited				86.03	0.00	86.03
Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊猫物業管理有限公司)				49.31	-25.42	23.89
Nanjing Panda Electronic Technology Development Company Limited				8.40	-5.82	2.58
Panda (Beijing) International Information Technology Co., Ltd.				4.56	0.00	4.56
Nanjing Panda Electronics Transportation Company				2.23	2.41	4.64
Nanjing Panda Piezoelectric Technology Co., Ltd.				0.02	0.00	0.02
Nanjing Ericsson Panda Communication Co., Ltd.					53.92	53.92
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD					7.24	7.24
Nanjing Electronics Information Industrial Corporation					4.36	4.36
<b>Total</b>	<u>279.94</u>	<u>0.00</u>	<u>279.94</u>	<u>4,761.95</u>	<u>189.45</u>	<u>4,951.40</u>
The amount of funds provided by the Company to the controlling shareholder and its subsidiaries during the reporting period (RMB)						0
Balance of funds provided by the Company to the controlling shareholders and its subsidiaries (RMB)						0

## Significant Events (Continued)

### VI. Material connected transactions (Continued)

#### (V) Connected transaction with NEIIC

NEIIC is a controlled subsidiary of CEC. NEIIC is a connected person of the Company and transactions between the Company and NEIIC constitute connected transactions of the Company.

On 7 November 2012, the Company and NEIIC entered into the conditional NEIIC Subscription Agreement, pursuant to which, NEIIC agreed to subscribe for new A Shares under the non-public issue of A Shares, at a total subscription price of RMB200 million, at a price of not less than RMB5.07 per share ("NEIIC Subscription").

The maximum number of new A Shares to be subscribed under the NEIIC Subscription Agreement is 39,447,732 A Shares. The subscription price for NEIIC will be the same as the subscription price for other investors under the non-public issue of A Shares. On 24 December 2012, the above connected transaction was approved by the independent shareholders at the 2012 third EGM of the Company, the 2012 first A Shareholders class meeting of the Company and the 2012 first H Shareholders class meeting of the Company. On 28 June 2013, the Company completed the NEIIC Subscription. For details of the NEIIC Subscription Agreement, please refer to the related announcements and circular of the Company published on the website of the Hong Kong Stock Exchange on 8 November 2012, 26 December 2012 and 1 July 2013, and on 17 December 2012 respectively.

#### (VI) Connected transaction with CEC LCD

On 23 September 2013, Electronic Manufacture Company, a controlled subsidiary of the Company and CEC LCD, a connected legal person of the Company entered into the Assets Transfer Agreement, pursuant to which Electronic Manufacture Company transferred two idle production lines of LCDTV to CEC LCD. The total consideration for the transfer of the Assets was RMB4,734,200.00 (equivalent to approximately HK\$5,971,246.46), which was determined after arm's length negotiations between both parties and consideration of valuation report. The Board and senior management had dealt with that on ordinary business terms, the independent directors and sponsor institutions had also gave positive opinions. For details please refer to relevant announcement published on the website of Hong Kong Stock Exchange on 23 September 2013.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable in respect of the aforesaid connected transactions and continuing connected transactions .



## Significant Events (Continued)

### VII. Material contracts and their execution

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

(II) Guarantees

Unit: RMB0'000

#### Guarantees made by the Company (excluding those in favour of subsidiaries)

Total amount of guarantees during the reporting period (excluding those in favour of subsidiaries)	0
Total balance of the amount of guarantees at the end of the reporting period (A) (excluding those provided to subsidiaries)	0

#### Guarantees in favour of subsidiaries provided by the Company

Total amount of guarantees provided to subsidiaries during the reporting period	65,500
Total balance of the amount of guarantees provided to subsidiaries at the end of the reporting period (B)	16,718

#### Total amount of guarantees made by the Company (including those in favour of subsidiaries)

Total amount of guarantees (A+B)	16,718
Percentage of total guarantee amount in net assets of the Company (%)	5.35
Including:	
Amount of guarantees provided to shareholders, ultimate controller and other related parties (C)	0
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70% (D)	0
Amount of total guarantees in excess of 50% of net assets value (E)	0
Total amount of the above three items (C+D+E)	0

The said guarantees totaling RMB167,180,000, representing 5.35% of the Company's net assets, are provided by the Company to its controlled subsidiaries. The gearing ratio of the above subsidiaries receiving guarantees was below 70%. The Company did not provide any guarantee to any independent third parties other than its controlled subsidiaries, nor to its controlling shareholder, ultimate controller or their connected parties. For details about the guarantees provided by the Company to its subsidiaries, please refer to (III). 5 Provision of guarantees in Note 10 in the financial statements of 2013 annual financial reports of the Company.

The independent non-executive Directors of the Company have expressed their independent opinions on the above guarantees as follows: all the above mentioned guarantees had been considered and approved by the Board and approved by shareholders at general meetings, and relevant procedures were in compliance with applicable rules. The Company did not provide any guarantee to any independent third parties other than its controlled subsidiaries, nor to its controlling shareholder, ultimate controller or their connected parties. The Company is required to carefully study the external guarantee requirements of the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange to ensure that the procedures of external guarantees stay in compliance with applicable rules and that sufficient information and risk disclosures are made.

(III) There was no other material contract of the Company during the reporting period.

## Significant Events (Continued)

### VIII. Commitments

(I) Commitments of the Company, shareholder with over 5% shareholding in the Company, controlling shareholder and ultimate controller during the reporting period or continued to the reporting period

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

## Significant Events (Continued)

### VIII. Commitments (Continued)

#### (I) Commitments of the Company, shareholder with over 5% shareholding in the Company, controlling shareholder and ultimate controller during the reporting period or continued to the reporting period (Continued)

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

## Significant Events (Continued)

### VIII. Commitments (Continued)

(I) Commitments of the Company, shareholder with over 5% shareholding in the Company, controlling shareholder and ultimate controller during the reporting period or continued to the reporting period (Continued)

Background of commitment	Type of commitment	Undertaker	Contents of commitment	Time and term of commitment	With a performance term or not	Whether performed timely and strictly
	Avoidance of horizontal competition	NEIC	The same contents as that of PEGL for "avoidance of horizontal competition"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes
	Standardization and avoidance of connected transactions	PEGL	(1) As long as PEGL is a shareholder of the Company, PEGL and its subsidiaries shall maximally reduce and standardize connected transactions with the Company. (2) As for the connected transactions that cannot be avoided, PEGL shall enter into agreements with the Company in compliance and in accordance with relevant laws, regulations, regulatory documents and the Articles of Association of the Company, perform relevant approval procedures and the information disclosure obligation in accordance with statutory procedures, and refrain or abstain from voting at board meetings and/or general meetings, so as to procure such connected transaction can be conducted in compliance with the principle of "fairness, justice and openness" and non normal commercial terms and conditions, and ensure such connected transactions will not harm the legitimate interests and rights of the Company and other shareholders.	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes
	Standardization and avoidance of connected transactions	NEIC	The same contents as that of PEGL for "standardization and avoidance of connected transactions"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes
	Commitment to lock-up of shares	NEIC	1. NEIC shall not transfer or entrust others to manage the shares subscribed by NEIC in this issue, or let the Company repurchase such shares within 36 months after closing of this issue. 2. The source of capital used by NEIC for subscription for the shares in the issue shall be legitimate. 3. NEIC currently has no pending or foreseeable material litigation, arbitration or administrative sanctions.  If the above commitments are inconsistent with the facts or NEIC fails to follow such commitments, NEIC is willing to assume relevant legal liability.	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes

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

## Significant Events (Continued)

### IX. Appointment and dismissal of accounting firms

Unit: RMB0'000

Reappointment of accounting firm or not:	No
	Currently appointed
Name of the domestic accounting firm	Baker Tilly China (Special General Partnership)
Remuneration for the domestic accounting firm	57
Audit years of the domestic accounting firm	6 years
Name of the overseas accounting firm	Baker Tilly Hong Kong Limited
Remuneration for the overseas accounting firm	65
Audit years of the overseas accounting firm	4 years

	Name	Remuneration
Accounting firm for audit of internal control	Baker Tilly China (Special General Partnership)	48
Sponsor	China Securities Co., Ltd.	2,176

In June 2013, the Company entered into a sponsor and underwriting agreement with China Securities Co., Ltd. on the non-public issuance of A shares, pursuant to which, sponsorship and underwriting fees were RMB21.76 million.

### X. Punishment and rectification of the Company and its Directors, Supervisors, senior management, shareholders holding more than 5% of shares, ultimate controller and acquiring party

During the reporting period, the Company and its Directors, Supervisors, senior management, shareholders holding more than 5% of shares and ultimate controller have not been punished by the competent authorities or subject to any rectification.

### XI. Risks of suspension and termination of listing: N/A

### XII. Convertible bonds: N/A

### XIII. Statements on other significant matters

#### (I) Tax policies

The Company is registered in the High and New Technology Development Zone in Nanjing which is approved by the State Council as a national high and new technology development zone. The Company was re-recognized in September 2011 as a high and new technology enterprise (certificate no. GF201132000407, which is valid for 3 years). The Company is entitled to the preferential enterprise income tax treatment of 15% under relevant regulations.

## Significant Events (Continued)

### XIII. Statements on other significant matters (Continued)

(II) Basic medical insurance for employees

The Company acted pursuant to the Provisional Regulations on Basic Medical Insurance for Employees in Nanjing Municipality (the "Regulations") and implemented a medical insurance scheme for its employees since 1 January 2001. The Company pays the premiums for such basic medical insurance scheme and the premiums are equivalent to 8.5% of the verified fee of all of the existing employees of the Company and provides subsidy to employees who have serious illness and whose medical expenses are covered under the medical scheme. The total allowance given in 2013 was not more than RMB2,974,000. Save for the aforesaid premiums, the Company is not responsible for other medical expenses.

(III) Reference is made to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 19 January 2012 and on the website of the Hong Kong Stock Exchange on 18 January 2012, the municipal government of Baixia District, Nanjing entered into a relocation agreement with the Company on the relocation of Nanjing Panda Mechanical and Electrical Equipment Factory. Pursuant to relevant valuation, the municipal government of Baixia District, Nanjing shall pay the Company a relocation compensation of RMB125 million by installments based on the relocation progress. During the reporting period, the said relocation resulted in an increase of RMB72,075,100 in the non-recurring profit and loss of the Company. As at 31 December 2013, the said relocation resulted in an aggregate increase of RMB89,457,500 in the non-recurring profit and loss of the Company.

(IV) During the reporting period, the Company purchased liability insurance for its Directors and senior management in compliance with the amendments to the Listing Rules issued by the Hong Kong Stock Exchange.

(V) As approved by the Approval for Non-public Issue of A Shares by Nanjing Panda Electronics Company Limited (Zheng Jian Xu Ke [2013] No. 332) (《關於核准南京熊貓電子股份有限公司非公開發行股票的批復》(證監許可[2013]332號)) from the CSRC, the Company issued 258,823,529 RMB-denominated ordinary shares by way of non-public issue at the issue price of RMB5.10 per share in June 2013. The proceeds raised totaled RMB1,319,999,997.90. After deduction of issuance expenses of RMB25,596,285.35, the net proceeds amounted to RMB1,294,403,712.55. As at 24 June 2013, the said subscription monies, after deducting underwriting and sponsorship fees, had been transferred by the lead underwriter to the designated account of the Company for deposit of the net proceeds. The relevant details are set out in the Verification Report on Capital of Nanjing Panda Electronics Company Limited (TZ Hu QJ[2013] No.1907) (《南京熊貓電子股份有限公司驗資報告》(天職滙QJ[2013]1907號)) issued by Baker Tilly China (Special General Partnership) on 25 June 2013. The Company completed the relevant registration and depository procedures with China Securities Depository and Clearing Corporation Limited Shanghai Branch on 28 June 2013. For details of the non-public issuance, please refer to the Announcement on Results of the Non-Public Issue of Shares and Change in Share Capital of Nanjing Panda Electronics Company Limited (《南京熊貓電子股份有限公司非公開發行股票發行結果暨股本變動公告》) (Lin2013-019) published by the Company on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 2 July 2013.

## Significant Events (Continued)

### XIII. Statements on other significant matters (Continued)

- (VI) Reference is made to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 31 December 2013, the Guanghua Road office of the district government of Qinhuai District, Nanjing entered into a relocation agreement with the Company on the relocation of the Company's plant situated at No. 1-2 Youyihe Road, Qinhuai District, Nanjing. Pursuant to relevant valuation, the Guanghua Road office of the district government of Qinhuai District, Nanjing (or its designated unit) shall pay the Company a relocation compensation of RMB31.41 million by installments based on the relocation progress. During the reporting period, the said relocation resulted in an increase of RMB11,677,600 in the non-recurring profit and loss of the Company.

### XIV. Index to information disclosure

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement in relation to the receipt of CSRC's acceptance notice of the application for administrative permission Announcement in relation to the change of name of the appointed auditor	China Securities Journal B011, Shanghai Securities News A31	2013-1-9	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement in relation to the performance of commitments of the shareholders and connected parties of the Company Announcement in relation to the regulatory measures taken or penalty and adjustments made by the regulatory departments and stock exchanges in recent five years Announcement in relation to the provision of guarantees to the controlled subsidiaries of the Company	China Securities Journal B015, Shanghai Securities News A44	2013-2-26	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement in relation to 2012 annual results	China Securities Journal B033, Shanghai Securities News 42	2013-3-16	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement of resolutions passed at the 7th meeting of the seventh Board Announcement of resolutions passed at the 7th meeting of the seventh Supervisory Committee Announcement in relation to the provision of guarantees to the controlled subsidiaries of the Company Summary of 2012 annual report	China Securities Journal B310, Shanghai Securities News A55	2013-3-28	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement in relation to the approval of the non-public issuance of shares by IEC	China Securities Journal B072, Shanghai Securities News A60	2013-4-2	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

## Significant Events (Continued)

### XIV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Notice of 2012 annual general meeting	China Securities Journal B10, Shanghai Securities News 34	2013-4-8	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the approval of the non-public issuance of shares by CSRC	China Securities Journal B228, Shanghai Securities News 59	2013-4-19	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to unusual share price movement	China Securities Journal B026, Shanghai Securities News A61	2013-4-25	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
2013 first quarterly report	China Securities Journal B088, Shanghai Securities News 141	2013-4-27	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the resignation of directors and appointment of new directors	China Securities Journal B014, Shanghai Securities News A21	2013-5-14	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement of resolutions passed at the 2012 annual general meeting	China Securities Journal B018, Shanghai Securities News A22	2013-5-21	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to 2012 implementation of cash dividend distribution	China Securities Journal B019, Shanghai Securities News A57	2013-5-28	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement of resolutions passed at the extraordinary meeting of the seventh Board	China Securities Journal B014, Shanghai Securities News A22	2013-5-30	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the adjustment to the minimum issue price of the proposed placing of A shares after the distribution of cash dividend for 2012	China Securities Journal B010, Shanghai Securities News A49	2013-6-6	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the results of non-public share issuance and changes in share capital	China Securities Journal A18, Shanghai Securities News A15	2013-7-2	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the performance of continuing supervision obligation by China Securities Co., Ltd. to the Company			
Report on simplified equity			
Announcement in relation to the provision of guarantees to the subsidiaries of the Company	China Securities Journal B031, Shanghai Securities News 44	2013-7-6	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the three-party custody agreement relating to special account deposit of raised fund	China Securities Journal A15, Shanghai Securities News 34	2013-7-20	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk



## Significant Events (Continued)

### XIV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement of resolutions passed at the extraordinary meeting of the seventh Board	China Securities Journal A23, Shanghai Securities News A56	2013-7-25	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement of resolutions passed at the extraordinary meeting of the seventh Board	China Securities Journal B040, Shanghai Securities News A30	2013-8-9	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the provision of guarantees to the subsidiaries of the Company			
Announcement in relation to the resignation of supervisors and appointment of new supervisors			
Announcement in relation to additional implementation subjects of proceeds investment projects			
Notice of 2013 first extraordinary general meeting			
Announcement in relation to the provision of guarantees to the subsidiaries of the Company	China Securities Journal B011, Shanghai Securities News 54	2013-8-10	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the provision of guarantees to the subsidiaries of the Company	China Securities Journal B015, Shanghai Securities News A51	2013-8-16	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the use of idle proceeds in cash management	China Securities Journal B070, Shanghai Securities News A95	2013-8-23	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement on use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B267, Shanghai Securities News A46	2013-8-29	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement on use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal A42, Shanghai Securities News A79	2013-8-30	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Summary of 2013 interim report	China Securities Journal B048, Shanghai Securities News 54	2013-8-31	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement on connected transactions of the Company	China Securities Journal B021, Shanghai Securities News B36	2013-9-24	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement of resolutions passed at the extraordinary meeting of the seventh Board	China Securities Journal B022, Shanghai Securities News B17	2013-9-25	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk

## Significant Events (Continued)

### XIV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement of resolutions passed at 2013 first general meeting Announcement of resolutions passed at the extraordinary meeting of the seventh Board Announcement of resolutions passed at the extraordinary meeting of the seventh Board	China Securities Journal B014, Shanghai Securities News B20	2013-9-27	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement on use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B019, Shanghai Securities News 11	2013-10-8	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the four-party custody agreement relating to special account deposit of raised fund Announcement in relation to use of raised proceeds in making contribution to subsidiaries	China Securities Journal B021, Shanghai Securities News B6	2013-10-17	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
2013 third quarterly report	China Securities Journal B060, Shanghai Securities News B47	2013-10-30	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the replacement of previously invested self-raised funds with proceeds	China Securities Journal B007, Shanghai Securities News B43	2013-11-5	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the provision of guarantees to the subsidiaries of the Company	China Securities Journal B017, Shanghai Securities News 23	2013-11-9	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement on use of temporarily idle raised proceeds for purchase of bank wealth management products Announcement of resolutions passed at the extraordinary meeting of the seventh Board	China Securities Journal B030, Shanghai Securities News 14	2013-11-30	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the share pledge of the Company held by the shareholders	China Securities Journal A03, Shanghai Securities News B48	2013-12-5	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the four-party custody agreement relating to special account deposit of raised fund Announcement in relation to use of raised proceeds in making contribution to subsidiaries Announcement in relation to the provision of guarantees to the subsidiaries of the Company	China Securities Journal A16, Shanghai Securities News B55	2013-12-10	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk
Announcement in relation to the relocation agreement	China Securities Journal B043, Shanghai Securities News B36	2013-12-31	Shanghai Stock Exchange:www.sse.com.cn Hong Kong Stock Exchange: www.hkex.com.hk

# Changes in Share Capital and Information of Shareholders

## I. Changes in shareholdings

### (I) Table for changes in shareholdings

#### 1 Table for changes in shareholdings

Unit: shares

	Before the change		Increase/decrease from the change (+, -)				After the change		
	Amount	Percentage (%)	Newly Issued shares	Bonus shares	Transfer of capital reserve	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to trading moratorium			258,823,529				258,823,529	258,823,529	28.32
1. State-owned shares									
2. State-owned legal person shares			115,415,686				115,415,686	115,415,686	12.63
3. Other domestically owned shares			143,407,843				143,407,843	143,407,843	15.69
Including:									
Domestic non-state-owned legal person shares			143,407,843				143,407,843	143,407,843	15.69
Domestic natural person shares									
II. Shares not subject to trading moratorium									
1. Renminbi ordinary shares	655,015,000	100					655,015,000	655,015,000	71.68
2. Domestically listed foreign shares	413,015,000	63.05					413,015,000	413,015,000	45.20
3. Overseas listed foreign shares	242,000,000	36.95					242,000,000	242,000,000	26.48
4. Others									
III. Total number of shares	655,015,000	100	258,823,529				258,823,529	913,838,529	100

Notes: As at 28 March 2014, the most practicable and recent date for the announcement of the annual report, based on information that is publicly available to the Company and so far as the Directors are aware, the Company has complied with the requirements of The Stock Exchange of Hong Kong Limited in relation to sufficient public float.

# Changes in Share Capital and Information of Shareholders (Continued)

## I. Changes in shareholdings (Continued)

### (I) Table for changes in shareholdings (Continued)

#### 2. Explanation on changes in shares

As approved by the Approval for Non-public Issue of A Shares by Nanjing Panda Electronics Company Limited (Zheng Jian Xu Ke [2013] No. 332)(《關於核准南京熊貓電子股份有限公司非公開發行股票的批復》(證監許可[2013]332號)) from the CSRC, the Company issued 258,823,529 RMB-denominated ordinary shares by way of non-public issue in June 2013. The Company completed the relevant registration and depository procedures with China Securities Depository and Clearing Corporation Limited Shanghai Branch on 28 June 2013.

#### 3. Effect of the changes in shares on financial indicators including earnings per share, net assets per share

The above changes in shares diluted the financial indicators including earnings per share, net assets per share for 2013.

### (II) Changes in shares subject to trading moratorium

Unit: share

Name of Shareholder	Number of shares subject to trading moratorium as at the beginning of the year	Number of shares released over the year	Increase in numbers of shares subject to trading moratorium over the period	Number of shares subject to trading moratorium as at the end of the period	Reason of trading moratorium	Date of release of trading moratorium
Beijing Infrastructure Investment Co., Ltd (北京市基礎設施投資有限公司)			26,000,000	26,000,000	Subscription of shares	2014-6-28
Caitong Fund Company — Ping An — Ping An Trust — Ping An Fortune — Chuangying Phase I No. 38 Collective Funds Trust (財通基金公司—平安—平安信託—平安財富•創贏一期38號集合資金信託計劃)			30,000,000	30,000,000	Subscription of shares	2014-6-28
Jiangsu GTIG Huading Investment Co., Ltd. (江蘇國泰華鼎投資有限公司)			35,000,000	35,000,000	Subscription of shares	2014-6-28
South Industry Assets Management Co., Ltd (南方工業資產管理有限責任公司)			25,200,000	25,200,000	Subscription of shares	2014-6-28
Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership) (南京瑞森投資管理合夥企業(有限合夥))			51,000,000	51,000,000	Subscription of shares	2014-6-28

# Changes in Share Capital and Information of Shareholders (Continued)

## I. Changes in shareholdings (Continued)

### (II) Changes in shares subject to trading moratorium (Continued)

Unit: share

Name of Shareholder	Number of shares subject to trading moratorium as at the beginning of the year	Number of shares released over the year	Increase in numbers of shares subject to trading moratorium over the period	Number of shares subject to trading moratorium as at the end of the period	Reason of trading moratorium	Date of release of trading moratorium
Tibet Shan Nan Zhong He Investment Management Centre (Limited Partnership) (西藏山南中和投資管理中心(有限合夥))			9,803,921	9,803,921	Subscription of shares	2014-6-28
Tibet Autonomous Region Investment Co., Ltd. (西藏自治區投資有限公司)			25,000,000	25,000,000	Subscription of shares	2014-6-28
Industrial and Commercial Bank of China — Xingquan Convertible Bond Mixed Securities Investment Fund (中國工商銀行股份有限公司—興全可轉債混合型證券投資基金)			1,380,000	1,380,000	Subscription of shares	2014-6-28
Industrial Bank Co., Ltd.-Xingquan Trend Investment Mixed Securities Investment Fund (興業銀行股份有限公司—興全趨勢投資混合型證券投資基金)			4,133,922	4,133,922	Subscription of shares	2014-6-28
Industrial Bank Co., Ltd.-Xingquan Global Vision Stock Type Securities Investment Funds (興業銀行股份有限公司—興全全球視野股票型證券投資基金)			2,070,000	2,070,000	Subscription of shares	2014-6-28
China Construction Bank Corporation-Xingquan Social Responsibility Securities Investment Fund (中國建設銀行股份有限公司—興全社會責任股票型證券投資基金)			2,070,000	2,070,000	Subscription of shares	2014-6-28
China Merchants Bank Co., Ltd. — Xingquan Herun Grading Stock Securities Investment Fund (招商銀行股份有限公司—興全合潤分級股票型證券投資基金)			1,520,000	1,520,000	Subscription of shares	2014-6-28
Agricultural Bank of China Ltd. — Xingquan Hushen 300 Index Enhanced Securities Investment Fund (LOF) (中國農業銀行股份有限公司—興全滬深300指數增強型證券投資基金(LOF))			110,000	110,000	Subscription of shares	2014-6-28
Aegon-Industrial Fund Management Co., Ltd. — ICBC — Aegon-Industrial — Noah Upright Additional Issue No. 1 Specific Multi-customer Assets Management Plan (興業全球基金公司—工行—興業全球—諾亞正行定增1號特定多客戶資產管理計劃)			1,490,000	1,490,000	Subscription of shares	2014-6-28
Aegon-Industrial Fund Management Co., Ltd. — ICBC — Aegon-Industrial — Xingquan Additional Issue No. 9 Grading Assets Management Plan (興業全球基金公司—興業—興全定增9號分級資產管理計劃)			1,110,000	1,110,000	Subscription of shares	2014-6-28
Aegon-Industrial Fund Management Co., Ltd. — ICBC — Aegon-Industrial — Xingquan Additional Issue No. 10 Grading Assets Management Plan (興業全球基金公司—興業—興全定增10號分級資產管理計劃)			960,000	960,000	Subscription of shares	2014-6-28
Aegon-Industrial Fund Management Co., Ltd. — ICBC — CMB — Xingquan Additional Issue No. 12 Grading Assets Management Plan (興業全球基金公司—招行—興全定增12號分級資產管理計劃)			2,760,000	2,760,000	Subscription of shares	2014-6-28
Nanjing Electronics Information Industrial Corporation			39,215,686	39,215,686	Subscription of shares	2016-6-28
Total			258,823,529	258,823,529		

# Changes in Share Capital and Information of Shareholders (Continued)

## II. Securities in issue and listings

### (I) Shares in issue and listings

	H Shares	A Shares
Date of issue	24 April-2 May 1996	7-18 November 1996
Par value	RMB1.00 per share	RMB1.00 per share
Issue price	HK\$2.13 per share	RMB5.10 per share
Number of shares issued ( <i>share</i> )	242,000,000	23,000,000
Date of listing	2 May 1996	18 November 1996
Place of listing	Hong Kong	Shanghai
Aggregate number of shares permitted to be traded ( <i>shares</i> )	242,000,000	413,015,000
Opening price on the first trading day of listing	HK\$2.05	RMB11.00
Opening price on the first trading day of the year	HK\$2.10	RMB5.38
Closing price on the last trading day of the year	HK\$3.93	RMB8.92
The highest price during the year	HK\$4.29	RMB10.30
The lowest price during the year	HK\$1.98	RMB5.25
Total transaction volume during the year ( <i>0'000 Shares</i> )	44,951.82	95,928.55

### (II) Issue of securities during the last three years as at the end of the reporting period

Type	Issuance date	Issuance price	Number of issuance ( <i>share</i> )	Date of listing	Aggregate number of shares permitted to be traded ( <i>share</i> )	Date of termination of transactions
RMB denominated ordinary shares ( <i>A share</i> )	2013. 6.28	RMB5.10/ share	219,607,843	2014.6.28	219,607,843	/
RMB denominated ordinary shares ( <i>A share</i> )	2013. 6.28	RMB5.10/ share	39,215,686	2016.6.28	39,215,686	/

In June 2013, the Company issued 258,823,529 RMB denominated ordinary shares by way of non-public issuance, including 39,215,686 shares subscribed by Nanjing Electronics Information Industrial Corporation, which may not be transferred within 36 months from the completion date of the issue, the date of listing and trading was expected to be 28 June 2016; and 219,607,843 shares subscribed by other 8 investors, which may not be transferred within 12 months from the completion date of the issue, the date of listing and trading was expected to be 28 June 2014.

# Changes in Share Capital and Information of Shareholders *(Continued)*

## II. Securities in issue and listings *(Continued)*

### (III) Changes in the total number of shares and shareholding structure of the Company and changes in the structure of assets and liabilities of the Company

Upon the completion of the non-public issuance, the total number of the Company's shares was 913,838,529, increasing by 258,823,529. The shares held subject to trading moratorium accounted for 28.32%, and those held not subject to trading moratorium accounted for 71.68%. There were changes in the shareholding structure of the Company, while the controlling shareholders and de facto controllers remained unchanged. The gearing ratio of the Company decreased significantly, as at 31 December 2013, the gearing ratio was 24.31%.

### (IV) Existing internal employee's share

There were no internal employee's shares at the end of the reporting period.

## III. Information of Shareholders

### (I) Total number of shareholders

Total number of shareholders as at the end of the Reporting Period	20,829 shareholders including 20,781 A shareholders and 48 H shareholders
Total number of shareholders on the 5th trading day prior to the disclosure of this annual report	18,816 shareholders including 18,770 A shareholders and 46 H shareholders

# Changes in Share Capital and Information of Shareholders (Continued)

## III. Information of Shareholders (Continued)

### (II) Details of the top ten shareholders

Unit: share

#### Top ten shareholders of the Company

Name of Shareholder	Increase/ decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage of Shareholding (%)	Number of shares held subject to trading moratorium	Pledge or freeze		
					Status of shares	Number of shares	Type of shareholders
PEGL		334,715,000	36.63	0	Pledged	167,350,000	State-owned legal person
HKSCC (Nominees) Limited	177,700	240,887,299	26.36	0		Unknown	Overseas legal person
Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership) (南京瑞森投資 管理合夥企業(有限合夥))	51,000,000	51,000,000	5.58	51,000,000	Pledged	51,000,000	Domestic non- state-owned legal person
Nanjing Electronics Information Industrial Corporation	39,215,686	39,215,686	4.29	39,215,686		Unknown	State-owned legal person
Jiangsu GTIG Huading Investment Co., Ltd. (江蘇國泰華鼎投資有限公司)	35,000,000	35,000,000	3.83	35,000,000		Unknown	Domestic non- state-owned legal person
Caitong Fund Company — Ping An — Ping An Trust – Ping An Fortune — Chuangying Phase I No. 38 Collective Funds Trust (財通基金公司 —平安—平安信託—平安財富•創贏 一期38號集合資金信託計劃)	30,000,000	30,000,000	3.28	30,000,000		Unknown	Others
Beijing Infrastructure Investment Co., Ltd (北京市基礎設施投資有限公司)	26,000,000	26,000,000	2.85	26,000,000		Unknown	State-owned legal person
South Industry Assets Management Co., Ltd (南方工業資產管理有限責任公司)	25,200,000	25,200,000	2.76	25,200,000		Unknown	State-owned legal person
Tibet Autonomous Region Investment Co., Ltd. (西藏自治區投資有限公司)	25,000,000	25,000,000	2.74	25,000,000		Unknown	State-owned legal person
Tibet Shan Nan Zhong He Investment Management Centre (Limited Partnership) (西藏山南中和 投資管理中心(有限合夥))	9,803,921	9,803,921	1.07	9,803,921		Unknown	Domestic non- state-owned legal person



# Changes in Share Capital and Information of Shareholders (Continued)

## III. Information of Shareholders (Continued)

### (II) Details of the top ten shareholders (Continued)

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

Name of Shareholder	Number of shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
PEGL	334,715,000	RMB denominated ordinary shares	334,715,000
HKSCC (Nominees) Limited	240,887,299	Overseas listed foreign shares	240,887,299
Huang Jitang(黃紀棠)	2,220,081	RMB denominated ordinary shares	2,220,081
Lu Yang(陸洋)	1,088,688	RMB denominated ordinary shares	1,088,688
Peng Hongwan(彭洪萬)	1,029,726	RMB denominated ordinary shares	1,029,726
Yao Chongjian(姚崇建)	1,000,000	RMB denominated ordinary shares	1,000,000
Yang Chunyan(楊春燕)	648,923	RMB denominated ordinary shares	648,923
Beijing International Trust Co., Ltd. — Yinchu No. 6 Securities Investment Fund Trust (北京國際信託有限公司 — 銀馳6號證券投資資金信託)	640,000	RMB denominated ordinary shares	640,000
Zheng Xinhua(鄭新華)	640,000	RMB denominated ordinary shares	640,000
Yang Ying(楊穎)	420,000	RMB denominated ordinary shares	420,000

Description of the connected relationship or party acting in concert among the aforesaid shareholders:

There is no connected relationship or party acting in concert among PEGL and other shareholders. The Company is not aware of any connected relationship or party acting in concert among other shareholders.

# Changes in Share Capital and Information of Shareholders (Continued)

## III. Information of Shareholders (Continued)

### (II) Details of the top ten shareholders (Continued)

#### Shareholdings of the top ten shareholders subject to trading moratorium and the condition of trading moratorium

Unit: share

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Time for listing and trading	Particulars of shares subject to trading moratorium to be listed		Conditions of trading moratorium
				Number of additional shares to be listed and traded		
1	Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership) (南京瑞森投资管理合夥企業(有限合夥))	51,000,000	2014-6-28	51,000,000		It may not be transferred within 12 months from the completion date of the issue.
2	Nanjing Electronics Information Industrial Corporation	39,215,686	2016-6-28	39,215,686		It may not be transferred within 36 months from the completion date of the issue.
3	Jiangsu GTIG Huading Investment Co., Ltd. (江蘇國泰華鼎投資有限公司)	35,000,000	2014-6-28	35,000,000		It may not be transferred within 12 months from the completion date of the issue.
4	Caitong Fund Company — Ping An — Ping An Trust — Ping An Fortune — Chuangying Phase I No. 38 Collective Funds Trust (財通基金公司—平安—平安信託—平安財富•創贏一期38號集合資金信託計劃)	30,000,000	2014-6-28	30,000,000		It may not be transferred within 12 months from the completion date of the issue.
5	Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司)	26,000,000	2014-6-28	26,000,000		It may not be transferred within 12 months from the completion date of the issue.
6	South Industry Assets Management Co., Ltd. (南方工業資產管理有限責任公司)	25,200,000	2014-6-28	25,200,000		It may not be transferred within 12 months from the completion date of the issue.
7	Tibet Autonomous Region Investment Co., Ltd. (西藏自治區投資有限公司)	25,000,000	2014-6-28	25,000,000		It may not be transferred within 12 months from the completion date of the issue.
8	Tibet Shan Nan Zhong He Investment Management Centre (Limited Partnership) (西藏山南中和投資管理中心(有限合夥))	9,803,921	2014-6-28	9,803,921		It may not be transferred within 12 months from the completion date of the issue.
9	Industrial Bank Co., Ltd. — Xingquan Trend Investment Mixed Securities Investment Fund (興業銀行股份有限公司—興全趨勢投資混合型證券投資基金)	4,133,922	2014-6-28	4,133,922		It may not be transferred within 12 months from the completion date of the issue.
10	Aegon-Industrial Fund Management Co., Ltd. — ICBC — CMB — Xingquan Additional Issue No. 12 Grading Assets Management Plan (興業全球基金公司—招行—興全定增12號分級資產管理計劃)	2,760,000	2014-6-28	2,760,000		It may not be transferred within 12 months from the completion date of the issue.

# Changes in Share Capital and Information of Shareholders (Continued)

## III. Information of Shareholders (Continued)

### (II) Details of the top ten shareholders (Continued)

- |  |   |
|--|---|
| Description of the connected relationship or party acting in concert among the aforesaid shareholders: | <ol style="list-style-type: none"><li>1. NEIIC holds 56.85% equity interest in PEGL, the controlling shareholder of the Company, and directly holds 39,215,686 shares of the Company, representing 4.29% of the total number of shares. NEIIC directly and indirectly holds 40.92% of the shares of the Company.</li><br/><li>2. The shareholder of Industrial Bank Co., Ltd.-Xingquan Trend Investment Mixed Securities Investment Fund (興業銀行股份有限公司—興全趨勢投資混合型證券投資基金) and Aegon-Industrial Fund Management Co., Ltd. — ICBC — CMB — Xingquan Additional Issue No. 12 Grading Assets Management Plan (興業全球基金公司—招行—興全定增12號分級資產管理計劃) is Aegon-Industrial Fund Management Co., Ltd.</li></ol> |
|--|---|

Save as disclosed above, the Company is not aware of any connected relationship or party acting in concert among other shareholders.

#### Notes:

- (1) Among the shareholders named above, PEGL held 334,715,000 shares of the Company on behalf of the State, representing 36.63% of the issued share capital of the Company, which were circulating shares not subject to trading moratorium. Among the shares held by PEGL, 167,350,000 shares were pledged on 28 November 2011. As at 31 December 2013, no registration procedures were carried out for the release of pledge. As for the aforementioned pledged shares, PEGL carried out the registration procedures for the release of pledge on 9 January 2014. On 22 January 2014, 167,350,000 shares held by PEGL were pledged. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 1 December 2011, 10 January and 23 January 2014.
  
- (2) Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership) (南京瑞森投資管理合夥企業(有限合夥)) pledged 51,000,000 shares subject to trading moratorium held by it in the Company to China National Investment and Guaranty Co., Ltd. (中國投融资擔保有限公司). Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership) (南京瑞森投資管理合夥企業(有限合夥)) has completed registration for the pledge of shares with the Shanghai branch of the China Securities Depository and Clearing Company on 4 December 2013. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 5 December 2013.
  
- (3) HKSCC (Nominees) Limited held 240,887,299 H Shares, representing 26.36% of the issued share capital of the Company, on behalf of a number of clients. The Company is not aware of any individual client holding more than 5% of the total issued share capital by the Company.

# Changes in Share Capital and Information of Shareholders (Continued)

## IV. Controlling shareholders and the ultimate controllers of the Company

### (I) Controlling shareholder

Name	PEGL
The person in charge of the entity or legal representative	Xu Guofei
Date of establishment	5 December 1990
Organization code	13488315-2
Registered capital	RMB1,266,060,000
Principal business	Development, manufacture, sales and maintenance of various kinds of communication equipment, home appliance products, electronic equipment, electronic intelligent equipment, computer and other electronic equipment, radio and television equipment, video and audio equipment, electronic devices and components, environment protection equipment, social public service and other special equipment, electronics and electricals 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.
Operating results	Audited consolidated data for 2012: operating revenue of RMB7,644,275,400; total profit of RMB340,677,700.
Financial position	Audited consolidated data as at 31 December 2012: total assets of RMB9,543,517,400; total liabilities of RMB7,291,217,200.
Cash flow and future development strategy	Cash flow: audited consolidated data as at 31 December 2012: net cash flow of RMB290,920,100. Development strategy: industrial transformation to the high end of the value chain; business model transformation to provision of solutions and all round services to customers; product transformation to high value-added products. Two core principal businesses are defined, i.e. the electronic equipment industry mainly comprising modern national defence communication, new military information electronic system equipment, and civil intelligent system equipment, and the consumer electronics industry mainly comprising flat panel display LCD TV and three network integrated intelligent terminals. The aim is to build the company into a top-rate large electronic information enterprise in the PRC with more prominent leading businesses, many core technologies and proprietary intellectual property rights in key sectors, the capabilities in providing all-round services and package solutions, in marketing in both domestic and overseas markets, in undertaking major electronic information equipment projects, and in manufacturing EMS electronic products, favourable assets benefits, and sustainable and coordinated development; and develop the brand of Panda into an influential leading brand in the PRC and a famous one overseas.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	During the reporting period, the controlling shareholder did not hold controlling shares or shares in other domestic and overseas listed companies.

# Changes in Share Capital and Information of Shareholders (Continued)

## IV. Controlling shareholders and the ultimate controllers of the Company (Continued)

### (II) Ultimate controllers

#### 1. Legal person

<p>Name</p> <p>The person in charge of the entity or legal representative</p> <p>Date of establishment</p> <p>Organization code</p> <p>Registered capital</p> <p>Principal business</p>	<p>CEC</p> <p>Rui Xiaowu</p> <p>26 May 1989</p> <p>10001024-9</p> <p>RMB8,603,000,000</p> <p>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.</p>
<p>Operating results</p>	<p>Audited consolidated data for 2012: operating revenue of RMB183.035 billion; total profit of RMB2.845 billion.</p>
<p>Financial position</p>	<p>Audited consolidated data as at 31 December 2012: total assets of RMB160.909 billion; total liabilities of RMB114.216 billion.</p>
<p>Cash flow and future development strategy</p>	<p>Cash flow: audited consolidated data as at 31 December 2012: net cash flow of RMB8.062 billion.</p> <p>Development strategy: under the guidance of the scientific development outlook, by following the main task of "structural adjustment, transformation, enhancement of comprehensive levels, promotion of development" and seizing the opportunity for development of national strategic emerging industries, the company will divert more resources to key industries and sectors relating to national security and national economic lifeline, promote of transformation from mid- and low-end industrial value chain into mid- and high-end value chain, from product production into provision of core technologies and overall solutions and services for innovation-driven and endogenous growth, stress on quality and strength, enhance its vigour, controlling force and influence, and strive to become an energetic, trustworthy and respectable world-leading enterprise in the electronic information industry with international influence and competitiveness. Specifically, centering on one target (becoming the first-class electronic information industry in the world with international influences and competitiveness), with three system engineerings (display technology, information security, electronic information product trading platform) as the engine, the company will focus on five industrial sectors (new type of display, information security, integrated circuit, high-tech electronics and information service), implement twenty key projects, grow into an industry leader, develop core technologies, products and services, push forward industrial transformation and upgrade, fulfill innovative, coordinated and internationalized development and fully boost the core competitiveness of the group.</p>

# Changes in Share Capital and Information of Shareholders (Continued)

## IV. Controlling shareholders and the ultimate controllers of the Company (Continued)

### (II) Ultimate controllers (Continued)

#### 1. Legal person (Continued)

Equities of other domestic and overseas listed companies (other than the Company) in which the ultimate controller holds controlling shares or shares during the reporting period were as follows:

No.	Abbreviation of listed company	Securities code	Percentage of CEC's shareholding <small>Note</small>
1	Shanghai Beiling	600171	27.81%
2	Shenzhen SED A	000032	42.02%
3	CEC Corecast	600764	53.47%
4	Kaifa Technology	000021	44.51%
5	Greatwall Computer	000066	56.62%
6	China Software	600536	51.51%
7	Greatwall Information	000748	21.48%
8	Huadong Technology	000727	22.70%
9	Zhenhua Science & Technology	000733	36.13%
10	Irico Display	600707	34.46%
11	Great Wall Tech	00074HK	62.11%
12	China Electron	00085HK	71.30%
13	TPV Technology	00903HK	35.06%
14	IRICO	00438HK	71.74%
15	Solomon Systech	02878HK	28.69%

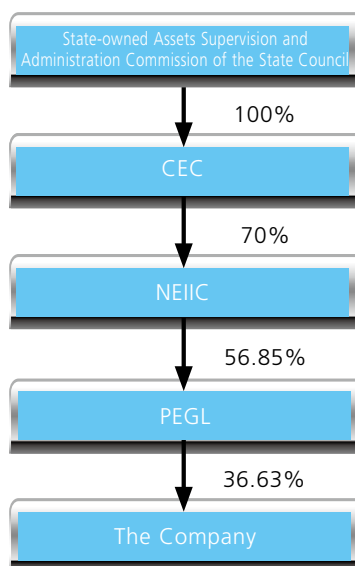
Note: Percentage of CEC's shareholding represents the aggregate of the shareholdings held through relevant connected parties or party acting in concert among the shareholders of listed companies.

# Changes in Share Capital and Information of Shareholders (Continued)

## IV. Controlling shareholders and the ultimate controllers of the Company (Continued)

### (II) Ultimate controllers (Continued)

2. The controlling relationship between the Company and the ultimate controller is as follows:



## V. Other legal person shareholders holding 10% or more of shares of the Company

During the reporting period, the Company did not have any legal person shareholder holding 10% or more of its shares.

## VI. Substantial shareholders' interests and short positions in the shares or underlying shares of the Company

As at 31 December 2013, so far as the Directors, Supervisors and senior management staff of the Company were aware, long positions in shares or 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 filed with the register as pursuant to section 336 of the Securities and Futures Ordinance ("SFO") of the Hong Kong Stock Exchange were as follows: (1) PEGL held 334,715,000 domestic shares, accounting for approximately 49.82% of domestic shares in issue and approximately 36.63% 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) Tang Hanbo (唐漢博) held 20,376,000 H Shares, accounting for approximately 8.42% of H Shares in issue and approximately 2.23% of the total shares in issue. The nature of interests in such shares is personal interest which was held in the capacity of beneficial owner. (3) Lewis Joseph held 20,260,000 H Shares, accounting for approximately 8.37% of H Shares in issue and approximately 2.22% of the total shares in issue. The nature of interests in such shares is personal interest which was held in the capacity of beneficial owner. (3) Tuesday Thirteen Inc., held 16,920,000 H Shares, accounting for approximately 7.00% of H Shares in issue and approximately 1.85% 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. No short positions were found in any shares held by the above substantial shareholders.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2013.

# Profiles of Directors, Supervisors, Senior Management and Staff

## I. Change in Shareholdings and Remuneration

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

As of 31 December 2013, interests of the Directors, Supervisors and senior management staff of the Company in the domestic shares of the Company which were recorded in the register require to be kept by the Company under Section 352 of the Securities and Futures Ordinance (“SFO”) (Chapter 571) are as follows (the nature of such interests is personal interest):

Name	Position	Gender	Age	Date of appointment	End of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held in the year	Reason for the change	Total remuneration received from the Company during the reporting period	Total remuneration payable received from shareholders during the reporting period
										(RMB'000) (before tax)	(RMB'000)
Lai Weide	Executive Director, Chairman	M	56	2012-3-6	2015-3-5	0	0	0	—		
Xu Guofei	Executive Director, Vice Chairman	M	52	2012-3-6	2015-3-5	2,546	2,546	0	—		
Deng Weiming	Non-executive Director	M	50	2012-3-6	2015-3-5	0	0	0	—		
Lu Qing	Non-executive Director	M	49	2012-3-6	2015-3-5	0	0	0	—		
Xia Dechuan	Non-executive Director, General Manager	M	44	2013-9-26	2015-3-5	0	0	0	—	50.80	
Hsuan Jason	Non-executive Director	M	70	2012-3-6	2015-3-5	0	0	0	—		
Zhang Xiuhua	Independent Non-executive Director	F	69	2012-3-6	2015-3-5	0	0	0	—		
Liu Daping	Independent Non-executive Director	F	57	2012-3-6	2015-3-5	0	0	0	—		
Chu Wai Tsun, Vincent	Independent Non-executive Director	M	40	2012-3-6	2015-3-5	0	0	0	—		
Zhang Yingqian	Chairman of the Supervisory Committee	M	59	2013-9-26	2015-3-5	0	0	0	—		
Fu Yuanjuan	Supervisor representing employees	F	42	2012-3-6	2015-3-5	0	0	0	—	17	
Zhou Yuxin	Supervisor representing employees	M	50	2012-3-6	2015-3-5	0	0	0	—	17	
Liu Kun	Deputy General Manager	M	48	2012-3-6	2015-3-5	0	0	0	—	44	
Zhou Guixiang	Deputy General Manager	M	43	2012-3-6	2015-3-5	1,639	1,639	0	—	44	
Shen Jianlong	Chief Accountant, secretary to the Board, Company Secretary	M	51	2012-3-6	2015-3-5	0	0	0	—	44	
Guo Qing	Deputy General Manager	M	52	2013-7-24	2015-3-5	0	0	0	—	39	
Zhu Lifeng	Former Non-executive Director	M	50	2012-3-6	2013-5-12	4,378	4,378	0	—		
Zhang Zhengping	Former Chairman of the Supervisory Committee	F	58	2012-3-6	2013-8-7	4,648	4,648	0	—		3
Total						13,211	13,211			258.80	



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

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

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

Notes:

1. The Seventh Session of the Board and the Supervisory Committee were elected at the 2012 first extraordinary general meeting on 6 March 2012. In 2013, the total remunerations of Directors, supervisors and senior management members were RMB2.588 million, which was within the range approved by the general meeting. Of such total remunerations, RMB2.218 million was for the Directors and senior management, and RMB0.37 million was for the supervisors. The above remunerations did not include contributions to the pension scheme for the Directors and supervisors. Save as above, the Company did not pay any other remuneration, allowance or bonus to the Directors and supervisors, and each of the Directors and supervisors was remunerated within RMB0.6 million for the year. The pension scheme for the executive Directors and supervisors has been included in the scope of the pension scheme for employees of the Company, with no other special arrangements.
2. In 2013, Independent Non-executive Directors Ms. Zhang Xiuhua, Ms. Liu Danping, and Mr. Chu Wai Tsun, Vincent did not receive remuneration from the Company, nor from shareholders or other related parties.

Save as disclosed above, during the reporting period, none of the Directors, Supervisors and senior management staff of the Company had any interests or short positions which required to be recorded in the register pursuant to Section 352 of the SFO. In addition, none of them had been granted any share incentive.

Save as disclosed above, none of the Directors, Supervisors and senior management staff of the Company or their associates had any interest in the share of the Company or any of its associated corporations (as defined in Part XV of the SFO of Hong Kong Stock Exchange) as of 31 December 2013, and none of the Directors or Supervisors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

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

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

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

### (II) Profiles of the current Directors, supervisors and senior management during the last five years

#### 1. Executive Directors

**Mr. LAI Weide:** born in 1958, is a senior accountant and holds a master's degree. Mr. Lai has served as Deputy Director-General and Director-General of the Ministry of Machine-Building and Electronics Industry of the PRC, Deputy Head and Head of the Assets and Finance Department of China Electronics Corporation and General Manager of Nanjing Electronics Information Industrial Corporation etc. He is now a Deputy General Manager of China Electronics Corporation, the Chairman of Nanjing Electronics Information Industrial Corporation, the Chairman of Panda Electronics Group Limited and the Chairman of Nanjing Panda Electronics Company Limited. He has engaged in the work of operation and management in central enterprises for a long period and has substantial experience in business management.

**Mr. XU Guofei:** born in 1962, is a senior post-graduate engineer and holds a master's degree. Mr. Xu has served as standing Deputy Manager of the Communication Equipment Department and General Manager of the Military Communications Department of PEGE, Deputy General Manager and General Manager of PEGE and Deputy General Manager of NEIC etc. Mr. Xu has been the General Manager of PEGE and Vice Chairman of Nanjing Panda Electronics Company Limited since January 2007 up to now, the General Manager of NEIC since July 2010 up to now, assistant to the General Manager of China Electrics Corporation since June 2013 up to now, chairman of CEC Panda Flat Panel Display Technology Co., Ltd. since August 2013 up to now and chairman of CEC Panda LCD Technology Co, Ltd. since December 2013 up to now. He is currently the Vice chairman of Nanjing Panda Electrics Company Limited. Mr. Xu has engaged in the work of development and management of communication technology for a long period and has extensive knowledge of electronics technology and experience in management.

#### 2. Non-executive Directors

**Mr. DENG Weiming:** born in 1964, is a senior engineer and holds a master's degree. Mr. Deng has served in PEGE as Office Head, Deputy Head and Head of the First Design Institute, General Manager of Communications Department and Deputy General Manager of PEGE. He has been a Deputy General Manager of PEGE since January 2007 up to now, and the General Manager of Nanjing Zhongdian Panda Home Appliances Co., Ltd. since June 2009 up to now and the General Manager of Nanjing Panda Electronics Import/Export Co., Ltd. since January 2011 up to now. Mr. Deng has engaged in the work of communication technology development and management for a long period and has extensive experience in electronic technology and management.

**Mr. LU Qing:** born in 1965, is a senior engineer at researcher level and holds a master's degree. Mr. Lu has served in PEGE as Deputy Head and Head of the Quality Inspection Department of the NFC Production Department, Head of the Quality Inspection Department and the Quality Inspection Department (Second Division) of the Communications Equipment Department, Deputy General Manager, standing Deputy General Manager and General Manager of the Military Communications Department, and General Manager Assistant and Deputy General Manager of PEGE etc. He was the assistant to the General Manager of PEGE from January 2007 to December 2008, and has been a Deputy General Manager of PEGE since January 2009 up to now, and the General Manager of Nanjing Panda Handa Technology Co., Ltd. since January 2007 up to now. Mr. Lu has engaged in the development and management of communication technology for a long period and has extensive experience in the electronics profession and in operation management.

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

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

### (II) Profiles of the current Directors, supervisors and senior management during the last five years (Continued)

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

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

**Mr. HSUAN Jason**: born in 1944, graduated from the Department of Electrical Engineering of National Cheng Kung University, Taiwan in 1968. He holds a doctorate degree of philosophy in Systems Engineering from the Polytechnic Institute of Brooklyn, New York, the U.S.A. and a master's degree in Systems Engineering from Boston University, the U.S.A. Mr. Hsuan is the chairman of the Board and chief executive officer of TPV Technology Limited (Stock Code: 903), a company listed on the Hong Kong Stock Exchange. Mr. Hsuan joined the aforesaid company in November 1999 responsible for the overall corporate strategies and business development. Mr. Hsuan has 20 years of corporate management experience in well-known multi-national enterprises which include General Electric and Pepsico.

#### 3. Independent Non-executive Directors

**Ms. ZHANG Xiuhua**: borned in 1945, is a senior accountant, senior auditor, certified public accountant and certified auditor, and is a college graduate. Ms. Zhang has worked as Director- General and Communist Party Committee Secretary of the Auditing Bureau of Nanjing from January 1993 to April 2003 and as Head of the Financial and Economic Committee of Nanjing National People's Congress Standing Committee from January 2003 to June 2008. Ms. Zhang has engaged in finance and auditing work for a long period and has extensive experience in corporate finance management and auditing work.

**Ms. LIU Danping**: born in 1957, was once an economics professor and a mentor of graduate students of the Faculty of Liberal Arts of the Capital University of Economics and Business, the PRC, and is now a professor in the Venture Capital and Internet Economy Research Center and the Climate Change and Low-carbon Economy Research Institute of Renmin University of China. She also serves as independent non-executive director in China National Complete Plant Import and Export Corporation Ltd., Jiangsu Akcome Science & Technology Co., Ltd. and Baosheng Science and Technology Innovation Co., Ltd. Ms. Liu has engaged in research and education work in financial management, taxation and finance for a long period and has solid professional knowledge and extensive experience.

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

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

### (II) Profiles of the current Directors, supervisors and senior management during the last five years (Continued)

#### 3. Independent Non-executive Directors (Continued)

**Mr. Chu Wai Tsun, Vincent:** born in 1974, is a Certified Public Accountant in Australia. He obtained a master's degree in finance at the University of New South Wales in 2002. Mr. Vincent Chu served as Audit Manager in PricewaterhouseCoopers from April 2005 to December 2009, and Senior Audit Manager in Baker Tilly HK Limited from January 2009 to June 2010 and has been appointed as the Financial Controller of Eternal Optical & Perfumery (Far East) Limited since July 2010. Mr. Vincent Chu has engaged in auditing and finance work for a long period and has extensive experience in financial management.

#### 4. Supervisors

**Mr. Zhang Yinqian,** born in 1955, is a senior engineer with Bachelor's degree. Mr. Zhang previously served as the deputy president, the deputy secretary of the Party Committee and the secretary of the Discipline Inspection Committee of Huadong Electronics Group Company (華東電子集團公司), the general manager of Huadong Electronics Information & Technology Co., Ltd. (華東電子信息科技股份有限公司), and the secretary of the Party Committee and the deputy executive president of Huadong Electronics Group Co., Ltd (華東電子集團有限公司), etc. He was the provisional deputy secretary of the Party Committee and the provisional secretary of the Discipline Inspection Committee of Nanjing Electronics Information Industrial Corporation from March 2008 to October 2008. He served as the deputy secretary of the Party Committee and the secretary of the Discipline Inspection Committee of Nanjing Electronics Information Industrial Corporation from October 2008 to August 2013. He has been the secretary of the Party Committee and the secretary of the Discipline Inspection Committee of Nanjing Electronics Information Industrial Corporation since August 2013 up to now. He was also the secretary of the Party Committee of Huadong Electronics Group Co., Ltd from March 2008 to December 2008, and the chief legal counsel of Nanjing Electronics Information Industrial Corporation from August 2008 to September 2013, the chairman of the Labor Union of Nanjing Electronics Information Industrial Corporation since December 2010 up to now and the secretary of the Party Committee of Panda Electronics Group Limited since April 2011 up to now. He was appointed as the Chairman of the Supervisory Committee of Nanjing Panda Electronics Company Limited in September 2013. Mr. Zhang has long been engaged in enterprise management and has extensive experience in operation and management.

**Ms. FU Yuanyuan:** born in 1972, is a PRC Certified Public Accountant, an International Certified Internal Auditor and holds a bachelor's degree. Ms. Fu has been the Deputy Head of the Audit Department, Chief Auditor and Deputy Head of the Supervision and Audit Department of Nanjing Panda Electronics Company Limited and Finance Manager of Nanjing Panda Electronics Manufacturing Co., Ltd. since January 2007 up to now. She is now the director of the Supervision and Audit Department and a Supervisor of Nanjing Panda Electronics Company Limited. Having worked in the field of corporate internal auditing and financial management for a long period, Ms. Fu has extensive experience in internal control and financial management.

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

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

### (II) Profiles of the current Directors, supervisors and senior management during the last five years (Continued)

#### 4. Supervisors (Continued)

**Mr. ZHOU Yuxin**, born in 1964, is an engineer and holds a bachelor degree. Mr. Zhou has served as Deputy Manager, Manager and Office Head of the labour union of Nanjing Zhenhua Audio Equipment Factory. He is now the vice chairman of the labour union and a Supervisor of Nanjing Panda Electronics Company Limited. Mr. Zhou has engaged in the work of corporate management for a long period and has extensive knowledge of and experience in corporate management.

#### 5. Senior management staff

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

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

**Mr. ZHOU Guixiang**: born in 1971, is a senior engineer and holds a master's degree. Mr. Zhou has served as Manager of Electronic Substrate Plant (電子基板廠), Manager of the Surface Mounting Center (表面裝聯中心), General Manager of Electronics Manufacturing Industrial Group (電子製造產業集團), and Assistant to the General Manager of Panda Electronics Group Limited etc. He was the assistant to the General Manager of Nanjing Panda Electronics Company Limited from January 2007 to May 2009, and has been the General Manager of Nanjing Panda Electronics Manufacturing Co., Ltd. since June 2009 up to now, and a Deputy General Manager of Nanjing Panda Electronics Company Limited since November 2011 up to now. Mr. Zhou has long been engaged in the management of electronics manufacturing and has extensive experience in operation and management.

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

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

### (II) Profiles of the current Directors, supervisors and senior management during the last five years (Continued)

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

**Mr. SHEN Jianlong:** born in 1963, is a senior accountant and holds a bachelor's degree. Mr. Shen has served as Director General of the Finance Department, Deputy Head of the Assets and Finance Department, and deputy chief accountant of Nanjing Panda Electronics Company Limited etc. He has been the Chief Accountant, Secretary to the Board of the Company, and Company Secretary of Nanjing Panda Electronics Company Limited since April 2006 up to now. Mr. Shen has long been engaged in the management of corporate finance, and has extensive professional knowledge in finance and experience in operation and management.

**Mr. Guo Qing,** born in 1962, is a senior engineer and holds a bachelor's degree. Mr. Guo has served as the Deputy Chief Engineer of Panda Electronics Group Limited and Deputy General Manager of Nanjing Panda Information Industry Co., Ltd., etc. He was the Deputy Chief Engineer of the Company, Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. and General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. from December 2008 to December 2011. Mr. Guo has been the Deputy Chief Engineer of the Company and General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. since January 2012 up to now. He was also the Standing Deputy General Manager of Nanjing Panda Information Industry Co, Ltd. from January 2012 to July 2013 and has been the Deputy General Manager of the Company and the General Manager of Nanjing Panda Information Industry Co, Ltd. since July 2013 up to now. Mr. Guo has long been engaged in business management in the industry of information technology and has extensive experience in management and professional knowledge.

### (III) Share Incentive Scheme Granted to Directors, Supervisors and Senior Management During the Reporting Period: N/A

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

### (I) Positions in shareholder entities

Name	Name of shareholder entity	Position(s)	Date of appointment	End of appointment
Lai Weide	PEGL	Chairman	January 2009	
Xu Guofei	PEGL	General Manager	September 2004	
Zhang Yinqian	PEGL	Secretary of the Party Committee	April 2011	
Deng Weiming	PEGL	Deputy General Manager	July 1999	
Lu Qing	PEGL	Deputy General Manager	January 2009	

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

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

#### (II) Positions in other entities

Name	Name of entity	Position(s)	Date of appointment	End of appointment
Lai Weide	CEC	Deputy General Manager	July 2010	
	NEIC	Chairman	July 2010	
Xu Guofei	CEC	Assistant to the General Manager	June 2013	
	NEIC	General Manager	July 2010	
Zhang Yinqian	NEIC	Secretary of the Party Committee	August 2013	
Deng Weiming	Nanjing Zhongdian Panda Home Appliances Co., Ltd.	General Manager	June 2009	
Lu Qing	Nanjing Panda Handa Technology Co., Ltd.	General Manager	January 2007	
Hsuan Jason	TPV Technology Limited	Chairman of the Board and Chief Executive Officer	November 1990	

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

Decision making process of remuneration of Directors, supervisors and senior management	According to relevant requirements of the Articles of Association and the Rules of Procedure of the Remuneration and Appraisal Committee, and based on the operating results, scope of work, main duties and other information, the Remuneration and Appraisal Committee shall appraise the actual performance of the Directors and senior management and submit the appraisal result to the Board for consideration. The remuneration of Directors and supervisors shall be determined by general meetings while that of senior management by the Board.
Basis for determination of remuneration of Directors, supervisors and senior management	Basis for determination of remuneration includes: achievement status of major financial indicators and operational targets of the Company, scope of work and main duties of senior management, completion of indicators contained in the position-based performance appraisal system for Directors and senior management, operational performance in respect of business innovation capability and profit-making capability of Directors and senior management, and proposed remuneration distribution plan and distribution method based on the Company's performance.
Remuneration payable to Directors, supervisors and senior management	During the reporting period, the remuneration payable to Directors, supervisors and senior management totalled RMB2,588,000 (before tax).
Total actual remuneration of all Directors, supervisors and senior management at the end of the reporting period	During the reporting period, the total actual remuneration of all Directors, supervisors and senior management was RMB2,588,000 (before tax).

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

## IV. Changes in Directors, Supervisors and Senior Management Staff

- On 12 May 2013, the Board received Mr. Zhu Lifeng's resignation in writing as a non-executive director of the seventh session of the Board due to work adjustment. Upon his resignation, Mr. Zhu will no longer be a Non-executive Director of the seventh session of the Board, and member of the Strategy Committee and the Remuneration and Evaluation Committee under the seventh session of the Board.
- On 12 May 2013, the Board convened an extraordinary meeting for the seventh Board by way of written resolutions to nominate Mr. Xia Dechuan as a candidate for a Non-executive Director of the seventh session of the Board for a term until the expiry of the term of the seventh session of the Board and approved to submit to the general meeting of the Company for consideration.
- On 24 July 2013, the Board convened an extraordinary meeting for the seventh session of the Board by way of written resolutions to appoint Mr. Guo Qing as the Deputy General Manager of the Company for a term until the expiry of the term of the seventh Board. Spouse of Mr. Guo Qing's sister-in-law is Mr. Deng Weiming, a Director of the Company.
- On 8 August 2013, the Supervisory Committee received the resignation of Ms. Zhang Zhengping in writing as the chairman of the Supervisory Committee due to her retirement. Upon her resignation, Ms. Zhang will no longer be the chairman and a member of the Supervisory Committee of the Company.
- On 8 August 2013, the Board convened an extraordinary meeting for the seventh Supervisory Committee by way of written resolutions to nominate Mr. Zhang Yinqian as a candidate for non-employee representative supervisor of the seventh Supervisory Committee for a term until the expiry of the seventh Supervisory Committee and approved to submit to the general meeting of the Company for consideration.
- On 26 September 2013, the Company convened the the 2013 first extraordinary general meeting, at which the election of Mr. Xia Dechuan as a non-executive director of the seventh Board of the Company, Mr. Zhang Yinqian as a non-employee representative supervisor for the seventh Supervisory Committee for a term until the expiry of the seventh Board and the seventh Supervisory Committee respectively.
- On 26 September 2013, the Company held the tenth meeting for the seventh Board and the tenth meeting for the seventh Supervisory Committee and appointed the Director, Mr. Xia Dechuan as a member of the Strategy Committee and the Remuneration and Evaluation Committee and Mr. Zhang Yinqian as the chairman of the Supervisory Committee, respectively.

Changes in Directors, supervisors and senior management are as follows:

Name	Position	Change	Reason for the change
Zhu Lifeng	Non-executive Director	Resigned	Job adjustment
Zhang Zhengping	Chairman of the Supervisory Committee	Resigned	Retirement upon reaching statutory age
Xia Dechuan	Non-executive Director	Elected	Job requirement
Zhang Yinqian	Chairman of the Supervisory Committee	Elected	Job requirement
Guo Qing	Deputy General Manager	Appointed	Job requirement



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

## V. Core Technical Team or Key Technical Staff of the Company

In 2013, there were no changes in the core technical team or key technical staff (other than the Directors, supervisors and senior management) of the Company which have great impact on the core competitiveness of the Company.

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

### (I) Details of staff

Number of on-the-job employees of the Company	491
Number of on-the-job employees of major subsidiaries	2,812
Total number of on-the-job employees	3,303
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	317

### Composition of professions

Type of profession	Number of persons
Production staff	1,437
Sales staff	322
Technical staff	1,113
Financial staff	158
Administrative staff	273
Total	3,303

### Educational Background

Education level	Number of persons
Masters or above	109
Bachelors	511
Associate degree	756
Other	1,927
Total	3,303

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

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

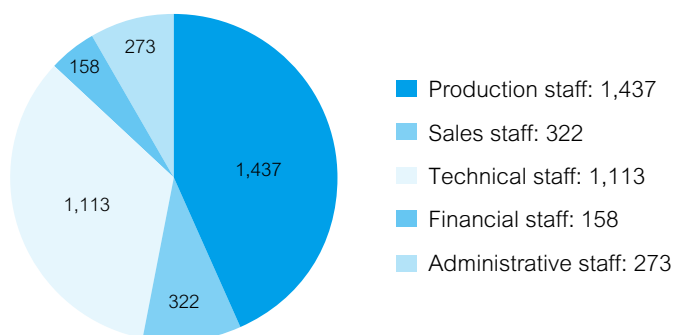
### (II) Remuneration policies

The Company implements a position-based remuneration determination policy and enforces varied remuneration systems based on position-based performance salary and the nature of different positions. In particular, an annual salary system is implemented for persons in charge of operating units; position-based performance salary system for administrative and managerial staff; a combination of position-based performance salary and project-based salary system (distribution of allowances or royalties by project) for scientific research staff; base salary plus commission or position-based performance salary system for sales staff; and piece-rate salary or position-based performance salary system for production staff.

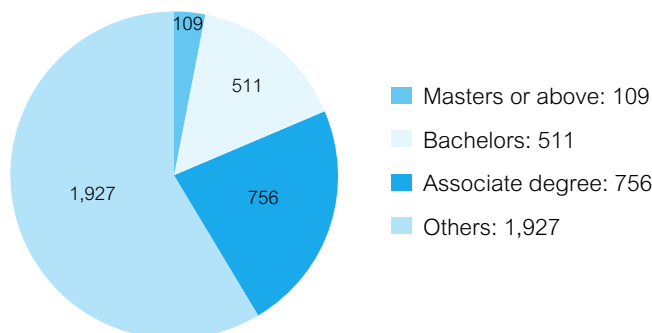
### (III) Training plan

The Company organizes surveys on the training demand on a yearly basis, and, based on the survey result, formulates the training plan, which is oriented with purpose to all the staff with focus on the scientific research staff, key personnel in respect of operation, management and production.

### (IV) Chart of profession composition



### (V) Chart of education level



# Corporate Governance Report

## I. Corporate Governance and Insiders Registration and Management System

### (I) Basis information on corporate governance

In 2013, the Company complied with the relevant laws and regulations including the Company Law and the Securities Law. In accordance with the requirements relating to corporate governance and proper operation issued by the CSRC and the SFC and the requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, in view of its own actual situation, the Company continued to improve its corporate governance structure and internal rules and systems, further proceeded with the implementation of internal control standards, reinforced management of internal control, and boosted the standard operation level of the Company. During the reporting period, the Company adopted and strived to comply with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

1. In 2013, the Company steadily pressed ahead with the self-assessment and audit on internal control. Please refer to relevant paragraphs in Section X “Internal Control” of this report for details.
2. In order to further improve and perfect the dividend distribution decision-making and supervisory mechanism of the Company, maintain the continuity and stability of profit distribution policy, proactively reward investors, and guide investors to set up the philosophy of long-term investment and reasonable investment, pursuant to the requirements of the “Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies”, the “Listed Companies Regulatory Guidance No.3 — Cash Dividends Distribution of Listed Companies” (《上市公司監管指引第3號 — 上市公司現金分紅》) promulgated by the CSRC and the “Guidelines on Distribution of Cash Dividends by Listed Companies of Shanghai Stock Exchange” (《上海證券交易所上市公司現金分紅指引》), the Board of the Company made amendments to relevant profit distribution decision-making procedures and policies under the Articles of Association and formulated “Shareholders’ Return Plan of Nanjing Panda Electronics Company Limited (2013-2015)” (《南京熊貓電子股份有限公司股東回報規劃(2013-2015)》) based on the original Shareholders’ Return Plan. Relevant decision-making procedures are in compliance with the requirements of relevant laws, regulations and the Articles of Association; and the contents thereof can embody the reasonable return to investors, fully safeguarding the legitimate interests of minority shareholders and take into account the Company’s sustainable development, the return plan also standardizes and improves the internal decision-making procedures and mechanisms of profit distribution, clarifies the priority position of cash dividend in profit distribution and puts forward a differentiated cash dividend policy, and suggests fully listening to the opinions and demands of independent directors and minority shareholders when implementing the dividend distribution policy and further strengthens the rationality, stability and transparency of the cash dividend distribution policy. For details please refer to the relevant announcement and materials published on the website of Shanghai Stock Exchange dated 23 January and 14 March 2014.
3. In 2013, pursuant to relevant requirements of regulatory institutions and the actual operation needs of the Company, the Company formulated the Management System of Connected Transactions, made amendments to the Articles of Association, the Rules of Procedures of the Remuneration and Evaluation Committee, the Raised Fund Management System and the Major Decision-making Methods. In January 2014, the Company formulated the Code of Conduct for Controlling Shareholder and De Facto Controller and made amendments to the Articles of Association, the Shareholders’ Return Plan (2013-2015), the Rules of Procedures of the Audit Committee and the Emergency Response Plan for Risks in Deposit in China Electronics Financial Co., Ltd. For details please refer to the relevant announcement and materials published on the website of Shanghai Stock Exchange dated 28 March and 9 August 2013 and 23 January, 13 March and 14 March 2014.

# Corporate Governance Report (Continued)

## I. Corporate Governance and Insiders Registration and Management System (Continued)

### (I) Basis information on corporate governance (Continued)

4. As a company listed both in the PRC and Hong Kong, the Company disclosed the 2013 Report on Performance of Social Responsibilities (which was considered and approved at the 12th meeting of the seventh Board of the Company) along with the 2013 annual report. Please refer to the relevant announcement of the Company published on the website of the Shanghai Stock Exchange on 29 March 2014 for details.

### (II) Performance of specific activities regarding corporate governance

In accordance with the requirements of the “Notice on Performance of Specific Activities regarding the Enhancement of Corporate Governance of Listed Companies” (Zheng Jian Gong Si Zi [2007] No.28) issued by the CSRC and the “Notice on Performance of Specific Activities regarding Corporate Governance of Listed Companies” (Su Zheng Jian Gong Si Zi [2007] No.104) issued by the CSRC Jiangsu Bureau, the Company carried out a series of specific corporate governance activities. Please refer to the relevant announcements of the Company published on the website of the Shanghai Stock Exchange on 17 September 2007, 15 November 2007 and 30 July 2008.

### (III) Insiders Registration and Management

In order to further implement insider information management and prevention of insider trading, according to the requirements of the Regulations on the Establishment of An Insiders Registration and Management System by Listed Companies (《關於上市公司建立內部信息知情人登記管理制度的規定》) promulgated by the CSRC (CSRC announcement [2011] No. 30), the Board of the Company considered and passed the “Insiders Management System of Nanjing Panda Electronics Company Limited”, and timely delivered to the controlling shareholder and the ultimate controller the “Opinions on the Implementation of Strengthened Insider Information Management of State-owned and controlled Listed Companies” (《關於加強國有控股上市公司內幕信息管理工作的實施意見》) (Su Guo Zi [2012] No.54) jointly issued by Jiangsu SASAC and the CSRC Jiangsu Bureau. Moreover, the Company strictly followed the regulations on insiders registration and management in respect of the preparation of regular reports, non-public issue of A shares, and other significant events.

## II. Overview of General Meetings

The shareholders’ meeting is the authority of the Company for exercising its duties and authorities in accordance with the laws to decide significant issues of the Company. The annual general meeting or extraordinary general meetings of the Company offer a channel for direct communications between the Board and the shareholders of the Company. The Company is in strict compliance with the Articles of Association and Rules of Procedure at General Meeting to regulate the convening, holding and procedure of voting of the general meetings. The general meetings were witnessed by lawyers and the voting was scrutinized by auditors, in order to ensure all shareholders, both majority and minority shareholders, are treated fairly and shareholders could fully exercise their rights.

The notice of general meeting and circular are dispatched to the H shareholders 45 days before the holding of a general meeting. The Company encourages all shareholders to attend the meeting and request the Directors, Supervisors and senior management to attend the meeting, where practicable. The meetings were presided over by the Chairman, Vice Chairman or another director of the Company. Representatives of auditors, the Board and every special committee also attended the meeting to answer questions raised by the shareholders.

# Corporate Governance Report (Continued)

## II. Overview of General Meetings (Continued)

During the reporting period, the Company convened two general meetings, including the annual general meeting and one extraordinary general meeting, details of which are as follows:

Session of the meeting	Date of the meeting	Name of proposals at the meeting	Polling result of resolutions	Query index at designated website for publication of such resolutions	Date of disclosure for publication of such resolutions
2012 annual general meeting	20 May 2013	<ol style="list-style-type: none"> <li>The 2012 annual report of the Company and its summary;</li> <li>The report of Board for the year 2012;</li> <li>The report of the independent directors of the Company for the year 2012;</li> <li>The audited financial reports prepared by the Company's international and PRC auditors for the year 2012;</li> <li>The profit appropriation plan of the Company for the year 2012;</li> <li>The reappointment of Baker Tilly Hong Kong Limited as the Company's international auditors and Baker Tilly China (Special General Partnership) as the Company's PRC auditors and internal control auditors for the year 2013, and authorize the Board to determine their remunerations within the limit of RMB1,700,000.00;</li> <li>The Management System of Connected Transactions of the Company (《南京熊猫电子股份有限公司關聯交易管理制度》);</li> <li>The provision of financial guarantees in favour of Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息产业有限公司), a subsidiary of the Company, with a total amount of not more than RMB300,000,000.00, valid for a term of 3 years from 1 July 2013 to 30 June 2016;</li> <li>The provision of financial guarantees in favour of Nanjing Panda Electronic Equipment Co., Ltd. (南京熊猫电子装备有限公司), a subsidiary of the Company, with a total amount of not more than RMB185,000,000.00, valid for a term of 3 years from 1 July 2013 to 30 June 2016;</li> <li>The provision of financial guarantees in favour of Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫电子製造有限公司), a subsidiary of the Company, with a total amount of not more than RMB100,000,000.00, valid for a term of 3 years from 1 July 2013 to 30 June 2016;</li> <li>The provision of financial guarantees in favour of Nanjing Huage Appliance and Plastic Industrial Company Limited (南京华格电气塑業有限公司), a subsidiary of the Company, with a total amount of not more than RMB100,000,000.00, valid for a term of 3 years from 1 July 2013 to 30 June 2016;</li> <li>The provision of financial guarantees in favour of Nanjing Panda Mechanical Manufacturing Co., Ltd. (南京熊猫机械製造有限公司), a subsidiary of the Company, with a total amount of not more than RMB15,000,000.00, valid for a term of 3 years from 1 July 2013 to 30 June 2016.</li> </ol>	The affirmative votes on all proposals represented 100%.	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	21 May 2013

# Corporate Governance Report (Continued)

## II. Overview of General Meetings (Continued)

Session of the meeting	Date of the meeting	Name of proposals at the meeting	Polling result of resolutions	Query index at designated website for publication of such resolutions	Date of disclosure for publication of such resolutions
The first extraordinary general meeting in 2013	26 September 2013	<ol style="list-style-type: none"> <li>1. To consider and approve by way of ordinary resolution the nomination of Mr. Xia Dechuan as a Non-executive Director of the seventh session of the Board of the Company, for a term of office until the expiration of the seventh session of the Board of the Company.</li> <li>2. To consider and approve by way of ordinary resolution the nomination of Mr. Zhang Yinqian as a non-employee representative Supervisor of the seventh session of the Supervisory Committee of the Company, for a term of office until the expiration of the seventh session of the Supervisory Committee of the Company.</li> <li>3. To consider and approve by way of ordinary resolution the provision of guarantee for the new credit of RMB200,000,000 granted to Nanjing Panda Information Industry Co., Ltd., with a term expiring on 30 June 2016.</li> <li>4. To consider and approve the additions to the implementing entities of proceeds investment projects by way of ordinary resolution.                             <ol style="list-style-type: none"> <li>(1) To consider and approve the addition of Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫电子装备有限公司) ("Electronics Equipment Company") as the implementing entity for the "automation equipment industrialization project" to take charge of the equipment procurement and operation of the project. Nanjing Panda Electronic Technology Development Co., Ltd. (南京熊猫电子科技发展有限公司) ("Technology Development Company") will take charge of the construction of plants and related work for the project. On the condition that the total investment in the "automation equipment industrialization project" is unchanged, the Company's Board of Directors may make necessary and reasonable adjustments to the sequence in which the raised proceeds goes to the Technology Development Company and Electronics Equipment Company as well as the amount of the raised proceeds that goes to the two companies respectively, depending on the actual conditions of the project.</li> <li>(2) To consider and approve the addition of Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司) ("Communications Technology Company") as the implementing entity for the "communication equipment industrialization project" to take charge of the equipment procurement and operation of the project. Nanjing Panda Electronic Technology Development Co., Ltd. (南京熊猫电子科技发展有限公司) ("Technology Development Company") will take charge of the construction of plants and related work for the project. On the condition that the total investment in the "communication equipment industrialization project" is unchanged, the Company's Board of Directors may make necessary and reasonable adjustments to the sequence in which the raised proceeds goes to the Technology Development Company and Communications Technology Company as well as the amount of the raised proceeds which goes to the two companies respectively, depending on the actual conditions of the project.</li> </ol> </li> </ol>	The affirmative votes and the negative votes on Proposal 2 represented 99.97% and 0.03% of the total number of shares with valid voting rights, respectively; The affirmative votes on the rest of the proposals represented 100% of the total number of shares with valid voting rights.	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	27 September 2013

# Corporate Governance Report (Continued)

## II. Overview of General Meetings (Continued)

Session of the meeting	Date of the meeting	Name of proposals at the meeting	Polling result of resolutions	Query index at designated website for publication of such resolutions	Date of disclosure for publication of such resolutions
		<p>5. To consider and approve the amendments to the Articles of Association by way of special resolution.</p> <p>(1) Article 26 of the Articles of Association shall be amended as:</p> <p>"Pursuant to the 'Approval for Non-public Issue of Shares by Nanjing Panda Electronics Company Limited' (Zheng Jian Xu Ke [2013] No. 332) (《關於核准南京熊猫電子股份有限公司非公開發行股票的批覆》(證監許可[2013]332號)) given by CSRC, the Company issued 258,823,529 RMB-denominated ordinary shares by way of non-public issue in June 2013. Upon completion of such issue, the Company's equity structure is as follows: 913,838,529 ordinary shares, comprising 671,838,529 domestic shares, representing 73.52% of the total share capital, and 242,000,000 overseas-listed foreign shares, representing 26.48% of the total share capital."</p> <p>(2) The original Article 26 of the Articles of Association "Article 26 The Company's registered capital is RMB655,015,000." is amended as "Article 27 The Company's registered capital is RMB913,838,529."</p> <p>(3) The contents of the original Article 27 of the Articles of Association shall remain unchanged, with sequence numbers adjusted sequentially.</p>			

## III. Performance of Duties by Directors

The seventh Board, which was elected at the 2012 first extraordinary general meeting held on 6 March 2012, comprises nine Directors, three of whom are Independent Non-executive Directors (including a certified public accountant). Please refer to the biographies of serving Directors set out in Section VIII headed "Profiles of Directors, Supervisors, Senior Management and Staff" of this report for details.

The Board is collectively responsible for the management of business and affairs of the Group with the objective of enhancing shareholders' value. The Board is responsible to the general meeting. Its duties include to convene shareholders' meetings and to report the work to general meeting, to implement resolutions passed at the general meeting, to decide the operation plan and investment proposal of the Company, to recruit and remove the General Manager and senior management of the Company (Details are set out in the Article 127 of Chapter 10 of the Articles of Association of the Company).

During the reporting period, the Board strictly complied with the resolutions approved at the general meetings and will diligently and honestly worked for the best interest of the Company and shareholders.

## Corporate Governance Report (Continued)

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

During the reporting period, the Company adopted and applied the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in the Appendix 10 of the Listing Rules in respect of securities transactions by the Directors. Having made specific enquiry to all Directors of the Company, all Directors have expressed that they have complied with the required standard set out in the Model Code as stipulated by the Hong Kong Stock Exchange and the relevant requirements in the Management Regulations on the Shareholding of Directors, Supervisors and Management and Relevant Shareholding Changes (董事、監事和高級管理人員所持本公司股份及其變動管理規定) as stipulated by the Shanghai Stock Exchange and all Directors have confirmed that during the reporting period, they participated in continuous professional development to develop and refresh their knowledge and skills in relation to their contribution to the Board.

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

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

Name of Director	Required attendances at Board meetings	Attendance of Board meetings					Absence from two consecutive meetings in person or not	Attendance of general meetings
		Attendances in person	Attendances by way of communication	Attendances by proxy	Absences	Attendances at general meetings		
Lai Weide	20	20	19	0	0	No	1	
Xu Guofei	20	20	19	0	0	No	1	
Zhu Lifeng	2	1	1	1	0	No	0	
Deng Weiming	20	20	19	0	0	No	1	
Lu Qing	20	20	19	0	0	No	1	
Xia Dechuan	6	6	6	0	0	No	0	
Hsuan Jason	20	19	19	1	0	No	0	
Zhang Xiuhua	20	20	19	0	0	No	2	
Liu Danping	20	20	19	0	0	No	2	
Chu Wai Tsun, Vincent	20	19	19	1	0	No	2	

Number of Board meetings held in the year	20
Of which: Number of on-site meetings	1
Number of meetings held by way of communication	19
Number of meetings held both on site and by way of communication	0



# Corporate Governance Report (Continued)

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

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

In 2013, the Independent Non-executive Directors of the Company had not raised any objection to the resolutions of the Board and other meetings for the year.

In 2013, pursuant to the requirements of the Company Law, the Securities Law, the Guidance for Listed Companies on Establishment of Independent Non-executive Directors System, the Guide of Shanghai Stock Exchange to the Filing and Training of Independent Directors in Listed Companies, Corporate Governance Code and provisions under the Articles of Association, the System for the Independent Directors of the Company and the Work System of the Annual Report of Independent Directors, the independent non-executive directors of the Company diligently and faithfully performed their duties, proactively and carefully attended meetings and prudently and properly exercise their rights to express fair and objective opinions, fully brought into play their experiences and expertise, devoting a lot to the improvement of corporate governance and major decision-making of the Company, which practically safeguard the interest of the Company and its shareholders as a whole. For details of performance please refer to the Report of the Independent Directors of Nanjing Panda Electrics Company Limited for the Year 2013 published on the website of Shanghai Stock Exchange on 29 March 2014.

During the reporting period, the Independent Non-executive Directors discussed, reviewed and provided independent opinions on significant matters such as the Company's appointment of accounting firms to audit the annual report and internal control, proposal for profit distribution, provision of guarantee for controlled subsidiaries, nomination of candidates for Directors of the new session of the Board, appointment of senior management members, renewal of continuing connected transactions and the annual caps thereof, and whether the annual continuing connected transactions were fair.

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

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

### (I) Audit Committee

The Audit Committee under the Seventh Session of the Board consists of Mr. Deng Weiming, Mr. Lu Qing, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent and is chaired by Ms. Zhang Xiuhua. During the reporting period, the Audit Committee convened four meetings:

1. The first meeting of 2013 was convened on 27 March 2013. All members of the Audit Committee attended the meeting to review the 2012 financial report and agreed to submit such report to the Board for consideration. In addition, the re-appointment of Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) as the Company's international and PRC auditors and internal control auditors for 2013 was approved at the meeting and was submitted to the Board for consideration.
2. The second meeting of 2013 was convened by way of written resolutions on 26 April 2013. All members of the Audit Committee attended the meeting to review the 2013 first quarterly report of the Company, and agreed to submit the same to the Board for consideration.

# Corporate Governance Report (Continued)

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

### (I) Audit Committee (Continued)

3. The third meeting of 2013 was convened by way of written resolutions on 30 August 2013. All members of the Audit Committee attended the meeting to review the 2013 interim financial report of the Company, and agreed to submit the same to the Board for consideration.
4. The fourth meeting of 2012 was convened by way of written resolutions on 29 October 2013. All members of the Audit Committee attended the meeting to review the 2013 third quarterly report of the Company, and agreed to submit the same to the Board for consideration.

During the preparation and disclosure of the 2013 financial report, the Audit Committee had conducted various communications with the Company's management, head of the finance department and certified public accountants for annual audit in accordance with the "Work Scopes and Procedures of the Audit Committee for Preparation of the Annual Report", reviewed and agreed on the audit plan for 2013, required the finance department to fully cooperate with the accounting firms in the audit of the annual report, required the accounting firms to get fully prepared to complete the annual audit with high quality and on the schedule and give an objective and fair view of the Company's financial position and operating results for 2013, required the management to continuously focus on independent development of products, increase investment in science and technology, actively expand markets, ensure product quality, further improve the governance structure, strengthen standardized operation and enhance the corporate governance level of the Company. It is the hope of the Audit Committee that the principal operations of the Company will grow and strengthen fully leveraging the capital market, further boost the image and achieve rapid and healthy development of the Company.

### (II) Nomination Committee

The Nomination Committee of the seventh Board consists of Mr. Lai Weide, Mr. Xu Guofei, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent and is chaired by Ms. Liu Danping.

On 26 March 2013, the Nomination Committee of the seventh Board held a meeting, and all the members of the Committee attended the meeting in person or by proxy. After discussion, the Committee was of the view that, the current structure, size and composition of the Board (including skills, knowledge and experiences) matched with the Company's operational activities, assets scale and equity structure and that Independent Non-executive Directors of the Company are in compliance with the independency related requirements by CSRC, SEC, Shanghai Stock Exchange and Hong King Stock Exchange.

On 12 May 2013, the Nomination Committee of the seventh Board held a meeting. All members of the committee attended the meeting at which it was resolved to propose the nomination of Mr. Xia Dechuan as the candidate for a Non-executive Director of the seventh Board of the Company. The proposal was submitted to the Board for discussion.

On 22 July 2013, the Nomination Committee of the seventh Board held a meeting. All members of the committee attended the meeting at which it was resolved to propose the nomination of Mr. Guo Qing as the candidate for Deputy General Manager of the seventh Board of the Company. The proposal was submitted to the Board for discussion.

# Corporate Governance Report (Continued)

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

### (III) Strategy Committee

The Strategy Committee of the seventh Board consists of Mr. Lai Weide, Mr. Xu Guofei, Mr. Deng Weiming, Mr. Xia Dechuan and Mr. Chu Wai Tsun, Vincent and is chaired by Mr. Lai Weide. Mr. Xia Dechuan was appointed as a member of the Strategy Committee of the seventh session of the Board on 26 September 2013.

On 26 March 2013, the Strategy Committee of the seventh Board held a meeting, all the members of the Committee attended the meeting in person or by proxy and discussed the development direction and operation objectives of the Company, suggested reorganization and integration of the Company's professional subsidiaries to clarify equity relationships, optimize the industrial layout, so as to consolidate the business segments focusing on electronic equipment and manufacture, expand the business of consumer electronic products; suggested the acceleration of the restructuring of the structures of industry, corporate, asset and talent, the realization of the industrial transformation and upgrade, the building a of a new marketing platform and the improvement of the sale capacity of products. The Strategy Committee also recommended the Company to keep investing in research and development to further facilitate the conversion of scientific and technological achievements into industrialization; further strengthen international cooperation, continue to pay attention and attach importance to the development of the joint venture, enhance the management and service to the joint venture and help their business to develop sustainably and steadily, suggested to steadily make advance in non-public offering and give play to the Company's financial function in the capital market.

### (IV) Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee of the Seventh Session of the Board consists of Mr. Lu Qing, Mr. Xia Dechuan, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent and is chaired by Mr. Chu Wai Tsun, Vincent. Mr. Xia Dechuan was appointed as a member of the Remuneration and Evaluation Committee of the Seventh Session of the Board on 26 September 2013.

On 25 March 2013, the seventh Remuneration and Evaluation Committee held a meeting, all the members of the Committee attended the meeting in person or by proxy, at which an evaluation was made of the Directors, supervisors and senior management of the Company, with their remuneration discussed. According to the evaluation result, the remuneration of the Directors, supervisors and senior management during the reporting period was preliminarily determined.

## V. Supervisory Committee's Description on Risks about the Company

During the reporting period, the supervisory committee had no disagreement on any supervisory matters.

# Corporate Governance Report (Continued)

## VI. Separation of Business, Staff, Asset, Organization and Finance between the Company and its Controlling Shareholder

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

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

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

The Company formulated a series of incentive systems, including the Administrative Measures for Salary Distribution (《工資分配管理辦法》) and the Series of Regulations on Managerial Positions (《管理職位系列規定》). The Company conducted a comprehensive appraisal of the senior management based on their duties, positions and performance. Incentive rewards were granted according to the results of the appraisal.

## VIII. Chairman and Chief Executive Officer

The main duties of Chairman of the Board are to preside at the shareholders' meeting and convene the Board meetings, and to inspect the actual implementation of resolutions passed by the Board. (Details are set out in Article 135 of Chapter 10 of the Articles of Association.) Mr. Lai Weide was elected the Chairman of the Board of the Company at the 1st meeting of the Seventh Session of the Board held on 6 March 2012.

The General Manager (Chief Executive Officer) is responsible to the Board. His principal duties include presiding over the production, operation and management of the Company, to organize the implementation of resolutions of the Board, to organize the implementation of the annual operation plan and investment proposal. (Details are set out in Article 153 of Chapter 12 of the Articles of Association.) Mr. Xia Dechuan was re-appointed as the General Manager of the Company at the first meeting of the seventh Board on 6 March 2012.

## IX. Auditors' remuneration

Baker Tilly China (Special General Partnership) was engaged as the Company's PRC auditor and internal control auditor for 2013. Baker Tilly Hong Kong Limited was engaged as the Company's international auditor for 2013. Remuneration paid by the Company to the abovementioned two certified public accountants for their audit services for the annual report was aggregately RMB1,700,000, of which RMB1,050,000 was paid to Baker Tilly China (Special General Partnership) while RMB650,000 was paid to Baker Tilly Hong Kong Limited.

# Corporate Governance Report (Continued)

## X. Communications with Shareholders and Investor Relations

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

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

### Shareholders' Rights

Pursuant to Article 75 of the Articles of Association, shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the Board the convening of an extraordinary general meeting, provided that such proposal shall be made in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten (10) days upon receipt of such proposal.

In the event the Board agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five (5) days after the passing of the relevant resolution of the Board. Any change to the original proposal made in the notice requires prior approval of the shareholders concerned.

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

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

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

Shareholders may send their enquiries to the Board by addressing them to the Secretary of the Board. Contact details of the Secretary of the Board are set out on page 4 of this report.

## XI. Other

There was no trading in shares by Directors, supervisors and senior management in contravention of relevant regulations in the year of 2013.

# Internal Control

## I. Responsibility Statement on Internal Control and Establishment of Internal Control System

### (I) Responsibility statement of the Board on internal control

It is the Board of the Company's responsibility to establish a comprehensive and effectively implemented an internal control in accordance with the requirements of corporate internal control rules and system to evaluate its effectiveness and disclose internal control evaluation reports in accordance with the truth. The Supervisory Committee monitored the establishment and implementation of internal control by the Board. The management is responsible for the organizing and leading the daily operations of corporate internal control. The Board, the Supervisory Committee and the Directors, the supervisors and the senior management of the Company guarantee that the contents in this report do not contain any false representation, misleading statement or material omission, and severally and jointly accept the legal responsibility for the truthfulness, accuracy and completeness of the contents in the report.

The internal control of the Company aims to provide reasonable assurance of the lawfulness and legal compliance of the Company's operation and management, safety of assets, truthfulness and completeness of financial reports and relevant information as well as effectiveness and efficiency of its operation so as to promote the achievement of the Company's development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or result in a lower degree of compliance of relevant policies and procedures. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.

### (II) Basis of establishment of internal controls for financial reporting

According to the Accounting Standards for Business Enterprises, the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》), Application Guideline on Enterprise Internal Control (《企業內部控制應用指引》) and the internal control management system of the Company, and in compliance with the principle of all-roundness, significance and objectivity, the Company formulated the Accounting System, Financial Management System and Basic Standards for Internal Accounting Control (《內部會計控制基本規範》) which established the system foundation and control basis for internal control of financial reporting, and strictly followed and implemented them. The Company set up a separate accounting division with its own position establishment and staff members to separate incompatible functions. In respect of accounting treatment, the finance officers faithfully implemented the financial policies, laws and regulation promulgated by the State and dealt with relevant accounting matters in strict compliance with relevant requirements such as the Accounting Law and the Accounting Standards for Business Enterprises.

### (III) Development of the internal control system

During 2013, the Company made the eighth amendments to its management documents, comprehensively sorted through the existing 66 systems, added four new systems including the Administrative Measures of Bank Acceptance (《銀行承兌匯票管理辦法》), Provisional Administrative Measures for Official Consumption of Leaderships (《領導人員職務消費管理暫行辦法》), Provisional Regulation on the Treatment of Official Documents (《公文處理暫行規定》), and Fund Supporting Methods for Research and Development Center above the City Level (《市級以上研發中心經費支持辦法》), and focused on the revision of the Job Training Regulations for Staff (《員工崗位培訓條例》), Expenses Reimbursement Provisions (《費用報銷規定》), Series Regulations of Management Positions (《管理職位系列規定》), Administrative Measures for Patents and Copyrights (《專利、著作權管理辦法》), Administrative Measures for Sales (《銷售管理辦法》), so as to make relevant control policies and procedures better aligned with the demand of enterprise management.

# Internal Control (Continued)

## I. Responsibility Statement on Internal Control and Establishment of Internal Control System (Continued)

### (III) Development of the internal control system (Continued)

Upon completion of amendments to relevant systems, the management systems of the Company increased to 70, realizing a comprehensive control over the principal businesses and matters of the Company. Among which, 29 are fundamental management systems involving organizational framework, decision-making, authorization (power restriction), contracts, investment and financing, human resources, quality, safety, etc.; 30 are operation monitoring systems involving operational analysis, operational planning, tendering, fixed assets, accounting, financial control, sales, procurement, inventories, scientific research, etc.; 3 are supervision and audit systems involving internal audit, supervision, accountabilities for violation of regulations and principles, etc.; 2 are investment and appraisal systems involving full budget and final accounts, and investment management; 6 are incentive systems, involving linkage of salary with performance, salary distribution, talent introduction, etc. In terms of fundamental management systems at the corporate level, the Company guided and urged its affiliated entities to establish and implement relevant business control processes so as to realize full coverage of internal control over all operations and ensure operational risk control and enhancement of operational efficiency.

## II. Explanations about Auditors' Report on Internal Control

According to the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 - Content and Format of Annual Reports (Revision 2012) of the CSRC and the Notice on the Preparation of 2013 Annual Reports by Listed Companies (《關於做好上市公司2013年年度報告工作的通知》) issued by the Shanghai Stock Exchange, the Board of the Company has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries and prepared the Self-assessment Report on the Internal Control of the Company, which was disclosed along with the 2013 annual report. Please refer to the relevant announcement published on the website of the Shanghai Stock Exchange for details.

The Company appointed Baker Tilly China (Special General Partnership) to audit the effectiveness of the internal controls relating to the financial report of the Company, which issued the auditors' report with standard unqualified audit opinions. The auditor's report was disclosed along with the 2013 annual report. Please refer to the relevant announcement published on the website of the Shanghai Stock Exchange for details.

## III. Establishment and Implementation of the Accountability System for Major Disclosure Errors in Annual Report

In order to enhance the quality of information disclosure and ensure the truthfulness, accuracy and completeness of the information disclosed in the annual report, the Company established the Accountability System for Major Disclosure Errors in Annual Report. The Board of the Company would impose administrative or financial penalties on relevant responsible persons according to the seriousness of the matter, e.g. correction of major accounting errors and supplementation of omitted major information and correction of results prediction, which take place in the information disclosure in the annual report. There was no major error found in information disclosure in the 2013 annual report. During the reporting period, there was no correction of major accounting errors and supplementation of omitted major information and correction of results prediction.

# Independent auditor's report



**BAKER TILLY**

HONG KONG | 天職香港

**Independent auditor's report to the shareholders of  
Nanjing Panda Electronics Company Limited**  
*(Incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of Nanjing Panda Electronics Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 105 to 165, which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



## Independent auditor's report (*Continued*)

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### Auditor's responsibility (*Continued*)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 28 March 2014

Chan Kwan Ho, Edmond

Practising Certificate Number P02092

# Consolidated statement of comprehensive income

for the year ended 31 December 2013 (Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
<b>Turnover</b>	7	<b>2,447,754</b>	2,396,126
Cost of sales		<b>(2,136,425)</b>	(2,174,222)
<b>Gross profit</b>		<b>311,329</b>	221,904
Other income and net (losses)/gains	8	<b>148,266</b>	95,011
Distribution costs		<b>(43,284)</b>	(35,452)
Administrative expenses		<b>(345,801)</b>	(291,993)
<b>Operating profit/(loss)</b>		<b>70,510</b>	(10,530)
Finance costs, net	9	<b>(8,341)</b>	(24,956)
Share of profits of associates		<b>138,377</b>	190,806
<b>Profit before taxation</b>	10	<b>200,546</b>	155,320
Income tax expense	12	<b>(12,171)</b>	(19,297)
<b>Profit and total comprehensive income for the year</b>		<b>188,375</b>	136,023
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>182,840</b>	131,554
Non-controlling interests		<b>5,535</b>	4,469
		<b>188,375</b>	136,023
<b>Earnings per share (RMB cents)</b>			
— Basic and diluted	13	<b>23.31</b>	20.08

The notes on pages 112 to 165 form part of the consolidated financial statements.

# Consolidated balance sheet

at 31 December 2013 (Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	15	74,046	83,835
Property, plant and equipment	16	748,742	663,889
Associates	18	502,457	588,617
Available-for-sale equity securities	19	3,650	3,650
Deferred tax assets	20	406	6,127
		<u>1,329,301</u>	<u>1,346,118</u>
<b>Current assets</b>			
Inventories	21	199,614	180,260
Trade and bills receivables	22	754,728	782,623
Amounts due from customers for contract work	23	172,314	86,975
Deposits, prepayments and other receivables	24	302,277	129,481
Restricted bank deposits	25	70,846	212,759
Cash and cash equivalents	26	1,308,980	378,040
		<u>2,808,759</u>	<u>1,770,138</u>
<b>Total assets</b>		<u><u>4,138,060</u></u>	<u><u>3,116,256</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity shareholders of the Company</b>			
Share capital	27	913,839	655,015
Share premium and reserves		2,208,860	1,029,741
		<u>3,122,699</u>	<u>1,684,756</u>
<b>Non-controlling interests</b>		<u>9,527</u>	<u>7,536</u>
<b>Total equity</b>		<u><u>3,132,226</u></u>	<u><u>1,692,292</u></u>

## Consolidated balance sheet (Continued)

at 31 December 2013 (Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	233	312
<b>Current liabilities</b>			
Bank and other borrowings	29	160,926	648,335
Trade payables	30	579,860	473,874
Accruals and other payables	31	258,571	293,347
Tax payable		6,244	8,096
		<b>1,005,601</b>	1,423,652
<b>Total liabilities</b>		<b>1,005,834</b>	1,423,964
<b>Total equity and liabilities</b>		<b>4,138,060</b>	3,116,256
<b>Net current assets</b>		<b>1,803,158</b>	346,486
<b>Total assets less current liabilities</b>		<b>3,132,459</b>	1,692,604

Approved and authorised for issue by the board of directors on 28 March 2014.

\_\_\_\_\_  
Director

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Director

The notes on pages 112 to 165 form part of the consolidated financial statements.

# Balance sheet

at 31 December 2013 (Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	15	13,447	22,012
Property, plant and equipment	16	388,680	420,475
Subsidiaries	17	1,098,500	677,000
Associates	18	180,911	180,911
Available-for-sale equity securities	19	3,650	3,650
		<u>1,685,188</u>	<u>1,304,048</u>
<b>Current assets</b>			
Inventories	21	21,001	16,266
Trade and bills receivables	22	94,595	233,266
Deposits, prepayments and other receivables	24	316,973	187,637
Dividend receivable		396	11,081
Restricted bank deposits	25	1,333	115,115
Cash and cash equivalents	26	890,099	79,349
		<u>1,324,397</u>	<u>642,714</u>
<b>Total assets</b>		<u><u>3,009,585</u></u>	<u><u>1,946,762</u></u>
<b>EQUITY</b>			
Share capital	27	913,839	655,015
Share premium and reserves	28	1,660,828	465,057
<b>Total equity</b>		<u><u>2,574,667</u></u>	<u><u>1,120,072</u></u>

## Balance sheet (Continued)

at 31 December 2013 (Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank and other borrowings	29	52,666	445,230
Trade payables	30	47,512	82,447
Accruals and other payables	31	334,740	299,013
		<u>434,918</u>	<u>826,690</u>
<b>Total liabilities</b>		<u>434,918</u>	<u>826,690</u>
<b>Total equity and liabilities</b>		<u>3,009,585</u>	<u>1,946,762</u>
<b>Net current assets/(liabilities)</b>		<u>889,479</u>	<u>(183,976)</u>
<b>Total assets less current liabilities</b>		<u>2,574,667</u>	<u>1,120,072</u>

Approved and authorised for issue by the board of directors on 28 March 2014.

\_\_\_\_\_  
Director

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Director

The notes on pages 112 to 165 form part of the consolidated financial statements.

# Consolidated statement of changes in equity

for the year ended 31 December 2013 (Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory common funds RMB'000	Asset revaluation reserve RMB'000	Accumulated profits RMB'000	Attributable to equity shareholders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2013	655,015	389,338	(8,559)	222,451	35,688	390,823	1,684,756	7,536	1,692,292
Issue of new A shares (note 27)	258,824	1,035,580	—	—	—	—	1,294,404	—	1,294,404
Profit and total comprehensive income for the year	—	—	—	—	—	182,840	182,840	5,535	188,375
Dividend approved in respect of the previous year	—	—	—	—	—	(39,301)	(39,301)	—	(39,301)
Deregistration of a subsidiary	—	—	—	—	—	—	—	(2,091)	(2,091)
Profit appropriations	—	—	—	11,206	—	(11,206)	—	—	—
Transfer to accumulated profits	—	—	—	—	(33,814)	33,814	—	—	—
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	(1,453)	(1,453)
As at 31 December 2013	<u>913,839</u>	<u>1,424,918</u>	<u>(8,559)</u>	<u>233,657</u>	<u>1,874</u>	<u>556,970</u>	<u>3,122,699</u>	<u>9,527</u>	<u>3,132,226</u>

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory common funds RMB'000	Asset revaluation reserve RMB'000	Accumulated profits RMB'000	Attributable to equity shareholders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2012	655,015	389,338	(7,472)	209,930	35,688	304,541	1,587,040	8,402	1,595,442
Profit and total comprehensive income for the year	—	—	—	—	—	131,554	131,554	4,469	136,023
Dividend approved in respect of the previous year	—	—	—	—	—	(32,751)	(32,751)	—	(32,751)
Acquisition of additional interests in a subsidiary	—	—	(220)	—	—	—	(220)	(266)	(486)
Share of capital reserve of an associate	—	—	(867)	—	—	—	(867)	—	(867)
Profit appropriations	—	—	—	12,521	—	(12,521)	—	—	—
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	(5,069)	(5,069)
As at 31 December 2012	<u>655,015</u>	<u>389,338</u>	<u>(8,559)</u>	<u>222,451</u>	<u>35,688</u>	<u>390,823</u>	<u>1,684,756</u>	<u>7,536</u>	<u>1,692,292</u>

The notes on pages 112 to 165 form part of the consolidated financial statements.

# Consolidated cash flow statement

for the year ended 31 December 2013 (Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
<b>Operating activities</b>			
Cash used in operations	32	(17,626)	(193,625)
Interest paid		(29,886)	(30,912)
Income tax paid		(8,381)	(11,882)
Net cash used in operating activities		(55,893)	(236,419)
<b>Investing activities</b>			
Purchase of property, plant and equipment		(178,629)	(102,681)
Purchase of land use right		(15)	(30,174)
Acquisition of additional interests in a subsidiary		—	(486)
Decrease in net amounts due with fellow subsidiaries and associates		7,447	3,220
Proceeds from disposals of property, plant and equipment		6,201	2,122
Interest received		21,107	6,060
Dividends received from associates		224,537	285,115
Net cash generated from investing activities		80,648	163,176
<b>Financing activities</b>			
Proceeds from issue of new A shares		1,294,404	—
Proceeds from borrowings		670,926	712,973
Repayments of borrowings		(1,158,335)	(496,228)
Advances from ultimate holding company		—	34,000
Advances from intermediate holding company		44	—
Advances from immediate holding company		1,528	4,397
Repayments to non-controlling shareholders upon deregistration of a subsidiary		(2,091)	—
Dividends paid to equity shareholders of the Company		(39,301)	(32,751)
Dividends paid to non-controlling shareholders of subsidiaries		(2,818)	(3,848)
Decrease/(increase) in restricted bank deposits		141,913	(109,654)
Net cash generated from financing activities		906,270	108,889
<b>Net increase in cash and cash equivalents</b>		<b>931,025</b>	<b>35,646</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>378,040</b>	<b>343,783</b>
<b>Effect of foreign exchange rate changes</b>		<b>(85)</b>	<b>(1,389)</b>
<b>Cash and cash equivalents at end of the year</b>	26	<b>1,308,980</b>	<b>378,040</b>

The notes on pages 112 to 165 form part of the consolidated financial statements.



# Notes to the consolidated financial statements

(Expressed in Renminbi)

## 1 General information

Nanjing Panda Electronics Company Limited (the “Company”) was established as a joint stock company with limited liability in the People’s Republic of China (the “PRC”) on 29 April 1992. The Company’s H shares have been listed on The Stock Exchange of Hong Kong Limited (“SEHK”) since 2 May 1996 and its A shares have been listed on the Shanghai Stock Exchange since 18 November 1996. The registered office of the Company is located at Level 1-2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, Jiangsu Province, the PRC. The principal place of business of the Company is located at 301 Zhongshan Road East, Nanjing, Jiangsu Province, the PRC.

The principal activities of the Company and its subsidiaries (together the “Group”) are the development, manufacture and sale of electronic equipment products, consumer electronic products and electronic manufacturing products.

The directors consider the immediate parent of the Company to be Panda Electronics Group Limited (“PEGL”). Upon completion of the corporate restructuring on 21 September 2012, PEGL has become an indirect subsidiary of China Electronic Corporation (“CEC”) and, accordingly, CEC has become the ultimate holding company of the Company. Both PEGL and CEC are PRC state-owned enterprises.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except that certain items of property, plant and equipment are stated at 1995 valuation less accumulated depreciation and impairment losses as explained in note 2.7 below.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

### 2.2 Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.2 Subsidiaries and non-controlling interests (*continued*)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2.9), unless the investment is classified as held for sale.

### 2.3 Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 2.9). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.3 Associates (*continued*)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see note 2.9), unless the investments are classified as held for sale.

### 2.4 Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2.9).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### 2.5 Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends on these investments as these are recognised in accordance with the policies set out in notes 2.19(ii).

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (continued)

### 2.5 Other investments in equity securities (continued)

Investments in equity securities which are not held for trading are classified as available-for-sale equity securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2.19(ii). When these investments are derecognised or impaired (see note 2.9), the cumulative gain or loss is reclassified from equity to profit or loss.

Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment losses (see note 2.9).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

### 2.6 Land use rights

Payments for obtaining land use rights that are classified as operating lease are accounted for as prepaid operating lease payments and charged to profit or loss over the period of the right using the straight line method.

### 2.7 Property, plant and equipment

Items of property, plant and equipment, other than construction in progress, are stated at historical cost or 1995 valuation less accumulated depreciation and impairment losses (see note 2.9).

In 1995, the Group's property, plant and equipment were revalued in connection with the listing of the Company's H shares on the SEHK and since then the revalued assets have been stated at 1995 valuation less accumulated depreciation and impairment losses. The surplus arising on the 1995 revaluation was credited to the asset revaluation reserve. Any future decrease in value of these assets will be charged to profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to the previous revaluation of the same assets.

Construction in progress represents buildings and machinery under construction or pending installation and is stated at cost. Cost includes costs of construction, cost of machinery installation, testing and other direct costs. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

— Buildings	20 to 30 years
— Plant, machinery and equipment	3 to 11 years
— Transportation equipment and motor vehicles	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. Any related revaluation surplus is transferred from asset revaluation reserve to accumulated profits.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.8 Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(a) Where the Group is the lessee

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Where the Group is the lessor

(i) Operating leases

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2.7 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2.19(iv) below.

### 2.9 Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investment in equity securities and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (continued)

### 2.9 Impairment of assets (continued)

#### (i) Impairment of investments in equity securities and other receivables (continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and associates, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2.9(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2.9(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.9 Impairment of assets (*continued*)

#### (i) Impairment of investments in equity securities and other receivables (*continued*)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of debtors included within trade and bills receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

#### (ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- land use rights;
- property, plant and equipment; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

#### — Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### — Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell (if measurable) or value in use, (if determinable).

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.9 Impairment of assets (*continued*)

#### (ii) Impairment of other assets (*continued*)

##### — Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### 2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.11 Project contract

When the outcome of a fixed price project contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a cost plus project contract can be estimated reliably, revenue from cost plus contract is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where the outcome of a project contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.



# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.12 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2.9), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### 2.14 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### 2.15 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 2.16 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (continued)

### 2.16 Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### 2.17 Financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within accruals and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.17 Financial guarantees (*continued*)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2.18 if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in accruals and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

### 2.18 Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of the time is recognised as interest expense.

### 2.19 Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes.

- (i) Revenue from the sale of products is recognised when the Group has delivered the products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured.
- (ii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
- (iii) Interest income is recognised using the effective interest method.
- (iv) Rental income from operating leases is recognised on a straight-line basis over the lease term.
- (v) Revenue for providing technology services is recognised to the extent of services rendered and according to the terms of the agreement.
- (vi) Property management fee income is recognised when the related services are provided.
- (vii) Revenue from project contract is recognised when the outcome of a project contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveyors of work performed.

When the outcome of a project contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.20 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and all its subsidiaries.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

### 2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessary take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.22 Retirement benefit scheme

According to the relevant regulations in the PRC, the Group contributes to pension funds based on the standard rates fixed by the PRC Government. The Group remits all pension fund contributions to respective social security offices, which are responsible for the payment and liabilities relating to the pension funds. Payments to retirement benefits scheme are charged to profit or loss.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

### 2.23 Research and development costs

Research costs are expensed when incurred.

Development costs relating to the design and testing of new or improved products and reassessment of production procedures for cost efficiency purposes are expensed as incurred as the directors consider that the related economic benefits generated from these developments have very limited useful life.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 2 Summary of significant accounting policies (*continued*)

### 2.24 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### 2.25 Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 3 Application of new and revised HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's consolidated financial statements:

- Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- Annual improvements to HKFRSs 2009-2011 cycle
- Amendments to HKFRS 7, Financial instruments: Disclosure – Offsetting financial assets and financial liabilities
- HKFRS 10, Consolidated financial statements
- HKFRS 11, Joint arrangements
- HKFRS 12, Disclosure of interests in other entities
- HKFRS 13, Fair value measurement
- HKAS 27 (2011), Separate financial statements
- HKAS 28 (2011), Investments in associates and joint ventures

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

The adoption of other revisions, amendments and new HKFRSs has had no effect on the Group's consolidated financial statements.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 3 Application of new and revised HKFRSs (continued)

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 32, Financial instruments: Presentation – offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets	1 January 2014
HK(IFRIC) – Interpretation 21, Levies	1 January 2014
Annual improvements to HKFRSs 2010 – 2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011 – 2013 cycle	1 July 2014
HKFRS 9, Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application, but is not yet in a position to state whether these amendments and new standards would have a significant impact on the Group's financial statements.

## 4 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Market risk

#### (i) Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the United States Dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The Group currently does not hedge its foreign exchange exposure.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 4 Financial Risk Management (*continued*)

### (a) Market risk (*continued*)

#### (i) Foreign currency risk (*continued*)

As at 31 December 2013, if RMB had strengthened/weakened by 5% against USD with all the variables held constant, post-tax profit for the year would have been RMB26,000 higher/lower (2012: RMB3,612,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of USD-denominated monetary assets and liabilities.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange risks. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts translation at the year end for a 5% change in foreign exchange rates.

#### (ii) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from bank borrowings. As at 31 December 2013, a portion of borrowings were at floating rates.

As at 31 December 2013, if interest rates on such borrowings have been 100 basis points higher/lower with all other variables held constant, profit for the year would have been RMB742,000 (2012: RMB2,700,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

The above sensitivity analysis is prepared assuming the amount of assets and liabilities at the balance sheet date were outstanding for the whole year. A 100 basis points increase or decrease in interest rate is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

### (b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, restricted bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, the Group has put in place policies to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs individual credit evaluations on all customers requiring credit over a certain amount. Given the Group's historical experience in collection of trade and other receivables, the directors are of opinion that adequate provision for uncollectible trade and other receivables has been made in the consolidated financial statements. In this regard, the directors consider that the Group's credit risk is significantly reduced.



# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 4 Financial Risk Management (continued)

### (b) Credit risk (continued)

The Group has concentration of credit risk as 33% (2012: 54%) of the total trade and bills receivables was due from the Group's five largest customers.

The credit risk for restricted bank deposits and cash and cash equivalents is considered by the Group to be minimal as they are generally placed with banks with good ratings.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Further quantitative disclosures on exposure to credit risk arising from trade and bills receivables are set out in note 22.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all times.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000
<b>2013</b>			
Bank and other borrowings	160,926	162,922	162,922
Trade payables	579,860	579,860	579,860
Accruals and other payables	258,571	258,571	258,571
	<u>999,357</u>	<u>1,001,353</u>	<u>1,001,353</u>

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 4 Financial Risk Management (continued)

### (c) Liquidity risk (continued)

The Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000
<b>2012</b>			
Bank and other borrowings	648,335	656,861	656,861
Trade payables	473,874	473,874	473,874
Accruals and other payables	293,347	293,347	293,347
	<u>1,415,556</u>	<u>1,424,082</u>	<u>1,424,082</u>

The Company	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000
<b>2013</b>			
Bank and other borrowings	52,666	53,774	53,774
Trade payables	47,512	47,512	47,512
Accruals and other payables	334,740	334,740	334,740
	<u>434,918</u>	<u>436,026</u>	<u>436,026</u>

The Company	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000
<b>2012</b>			
Bank and other borrowings	445,230	449,614	449,614
Trade payables	82,447	82,447	82,447
Accruals and other payables	299,013	299,013	299,013
	<u>826,690</u>	<u>831,074</u>	<u>831,074</u>

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 4 Financial Risk Management (continued)

### (d) Categories of financial instruments

The Group	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
<b>Financial assets</b>		
Loan and receivables (including cash and cash equivalents)	2,306,138	1,422,436
Available-for-sale equity securities	3,650	3,650
	2,309,788	1,426,086
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	999,357	1,415,556
<b>The Company</b>	<b>2013</b> <i>RMB'000</i>	<b>2012</b> <i>RMB'000</i>
<b>Financial assets</b>		
Loan and receivables (including cash and cash equivalents)	1,303,110	622,063
Available-for-sale equity securities	3,650	3,650
	1,306,760	625,713
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	434,918	826,690

### (e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012.

## 5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using short-term borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 5 Capital risk management (continued)

The gearing ratios as at 31 December 2013 and 2012 were as follows:

	2013 RMB'000	2012 RMB'000
Total borrowings	160,926	648,335
Less: Cash and cash equivalents	(1,308,931)	(378,040)
Net (cash)/debt	(1,148,005)	270,295
Total equity (excluding non-controlling interests)	3,122,699	1,684,756
Total capital (total equity plus net debt)	3,122,699	1,955,051
Gearing ratio	—	14%

The decrease in net debt to capital gearing ratio is mainly due to the new A shares placing during the year (see note 27).

## 6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

# Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

## 6 Critical accounting estimates and judgements (*continued*)

### (b) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

### (c) Provision for obsolete inventories

Management reviews the condition of the inventories of the Group and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at each balance sheet date and makes provision for obsolete items. Management reassesses the estimation on each balance sheet date.

## 7 Revenue and segmental information

The Group determines its operating segments based on the internal financial information reviewed by the board of directors of the Company that are used to make strategic decisions. For the year ended 31 December 2013, the Group has the following reportable segments:

- (i) Electronic equipment products: Development, production and sale of electronic equipment products
- (ii) Consumer electronic products: Development, production and sale of consumer electronic products
- (iii) Electronic manufacturing products: Development, production and sale of electronic manufacturing products

The segmental information was prepared in accordance with the method adopted by the senior executive management of the Group in evaluating segment performance and allocation of resources between segments. The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all non-current and current assets with the exception of interests in associates, available-for-sale equity securities and other corporate assets. Segment liabilities include all non-current and current liabilities with the exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 7 Revenue and segmental information (continued)

The following tables provide an analysis of the Group's revenue, results and certain assets, liabilities and expenditure information by reportable segments for the years ended 31 December 2013 and 2012:

### Year ended 31 December 2013

	Electronic equipment products RMB'000	Consumer electronic products RMB'000	Electronic manufacturing products RMB'000	Other operations RMB'000	Elimination RMB'000	Consolidated RMB'000
<b>Revenue</b>						
External sales	1,433,402	238,340	717,295	58,717	—	2,447,754
Internal sales	168,073	29,039	6,649	39,656	(243,417)	—
Total	<u>1,601,475</u>	<u>267,379</u>	<u>723,944</u>	<u>98,373</u>	<u>(243,417)</u>	<u>2,447,754</u>
<b>Results</b>						
Segment results	<u>125,032</u>	<u>(54,465)</u>	<u>29,468</u>	<u>4,638</u>	<u>(8,086)</u>	96,587
Unallocated corporate expenses						(26,077)
Interest income						21,107
Interest expense						(29,448)
Share of profits of associates						138,377
Income tax expense						<u>(12,171)</u>
Profit for the year						<u>188,375</u>

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 7 Revenue and segmental information (continued)

At 31 December 2013

	Electronic equipment products RMB'000	Consumer electronic products RMB'000	Electronic manufacturing products RMB'000	Other operations RMB'000	Elimination RMB'000	Consolidated RMB'000
<b>Assets</b>						
Segment assets	1,827,423	237,119	626,208	154,894	(609,510)	2,236,134
Associates						502,457
Available-for-sale equity securities						3,650
Unallocated corporate assets						1,395,819
Consolidated total assets						4,138,060
<b>Liabilities</b>						
Segment liabilities	797,670	88,136	258,596	99,828	(338,908)	905,322
Unallocated corporate liabilities						100,512
Consolidated total liabilities						1,005,834
	Electronic equipment products RMB'000	Consumer electronic products RMB'000	Electronic manufacturing products RMB'000	Other operations RMB'000	Unallocated RMB'000	Consolidated RMB'000
<b>Other information</b>						
Capital expenditure	157,404	829	5,761	195	13,221	177,410
Depreciation and amortisation	5,716	526	29,129	605	19,789	55,765
Write-down of inventories	1,887	86	5,833	367	—	8,173
Loss/(gain) on disposals of property, plant and equipment	199	29	(309)	(17)	180	82
Impairment loss recognised/(reversed) on trade receivables	1,080	49,928	(549)	(139)	—	50,320

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 7 Revenue and segmental information (continued)

### Year ended 31 December 2012

	Electronic equipment products RMB'000	Consumer electronic products RMB'000	Electronic manufacturing products RMB'000	Other operations RMB'000	Elimination RMB'000	Consolidated RMB'000
<b>Revenue</b>						
External sales	1,206,185	478,541	665,489	45,911	—	2,396,126
Internal sales	102,669	277,652	13,188	35,321	(428,830)	—
Total	<u>1,308,854</u>	<u>756,193</u>	<u>678,677</u>	<u>81,232</u>	<u>(428,830)</u>	<u>2,396,126</u>
<b>Results</b>						
Segment results	<u>53,095</u>	<u>(14,220)</u>	<u>20,242</u>	<u>2,621</u>	<u>—</u>	61,738
Unallocated corporate expenses						(72,268)
Interest income						6,060
Interest expense						(31,016)
Share of profits of associates						190,806
Income tax expense						<u>(19,297)</u>
Profit for the year						<u>136,023</u>



# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 7 Revenue and segmental information (continued)

### At 31 December 2012

	Electronic equipment products RMB'000	Consumer electronic products RMB'000	Electronic manufacturing products RMB'000	Other operations RMB'000	Elimination RMB'000	Consolidated RMB'000
<b>Assets</b>						
Segment assets	1,147,570	752,890	548,963	154,569	(641,593)	1,962,399
Associates						588,617
Available-for-sale equity securities						3,650
Unallocated corporate assets						561,590
Consolidated total assets						3,116,256
<b>Liabilities</b>						
Segment liabilities	591,355	630,358	209,209	106,535	(458,826)	1,078,631
Unallocated corporate liabilities						345,333
Consolidated total liabilities						1,423,964
	Electronic equipment products RMB'000	Consumer electronic products RMB'000	Electronic manufacturing products RMB'000	Other operations RMB'000	Unallocated RMB'000	Consolidated RMB'000
<b>Other information</b>						
Capital expenditure	125,907	55	6,334	461	37,282	170,039
Depreciation and amortisation	5,302	519	30,089	613	18,996	55,519
Write-down of inventories	1,479	5,889	8,372	159	—	15,899
(Gain)/loss on disposals of property, plant and equipment	10	—	(447)	4	151	(282)
Impairment loss recognised/(reversed) on trade receivables	(2,034)	22,763	488	(23)	—	21,194

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 7 Revenue and segmental information (continued)

### (a) Geographical information

As over 90% of the Group's revenue, expenses, assets and liabilities are attributable to the Group's operations in the PRC, no geographical information is presented.

### (b) Major customers

For the year ended 31 December 2013, no single customers contributed 10% or more to the Group's revenue.

For the year ended 31 December 2012, there was one customer in the consumer electronic products segment that accounted for over 10% of the Group's revenue. Sales to this customer amounted to RMB357,778,000.

## 8 Other income and net (losses)/gains

	2013 RMB'000	2012 RMB'000
Other income		
Rental income	7,141	13,266
Property management fee income	5,310	5,397
Compensation income on relocation of factory plants <sup>#</sup>	83,753	17,382
Government grants <sup>##</sup>	45,519	46,697
Sundry income	8,579	14,495
	<u>150,302</u>	<u>97,237</u>
Other net (losses)/gains		
(Loss)/gain on disposals of property, plant and equipment	(82)	282
Exchange losses	(1,954)	(2,508)
	<u>(2,036)</u>	<u>(2,226)</u>
	<u>148,266</u>	<u>95,011</u>

<sup>#</sup> Compensation income from local government authorities is net of the loss recognised on disposal of land use rights of RMB7,882,000 (2012: RMBnil) and property, plant and equipment of RMB32,416,000 (2012: RMB8,694,000) incidental to the relocation of the factory plants.

<sup>##</sup> Government grants include mainly funds and subsidies from local government authorities for the development of the Group and the research and development activities undertaken by the Group.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 9 Finance costs, net

	2013 RMB'000	2012 RMB'000
Finance costs		
— Bank and other borrowings wholly repayable within five years	28,788	30,465
— Others	660	551
	<u>29,448</u>	<u>31,016</u>
Finance income		
— Interest income on short-term deposits	(12,139)	(6,060)
— Other interest income	(8,968)	—
	<u>(21,107)</u>	<u>(6,060)</u>
Finance costs, net	<u>8,341</u>	<u>24,956</u>

## 10 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000
Cost of inventories recognised as an expense	1,423,878	1,614,866
Amortisation of land use rights	1,922	786
Depreciation of property, plant and equipment	53,843	54,733
Impairment loss recognised/(reversed) on		
— Trade receivables	50,320	21,194
— Other receivables	(773)	(2,242)
— Amounts due from fellow subsidiaries and associates	(758)	890
Write-down of inventories	8,173	15,899
Research and development expenses <sup>#</sup>	108,072	101,572
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and other allowances	257,233	221,200
— Retirement benefit scheme contributions	49,024	43,072
Auditors' remuneration	1,700	1,700
Operating lease rentals in respect of		
— Land and buildings	5,842	4,207
— Plant and equipment	1,772	2,404
— Motor vehicles	498	400

# Research and development expenses include RMB51,311,000 (2012: RMB36,854,000) relating to staff costs which is also included in the respective amount disclosed separately above.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 11 Directors', Supervisors' and senior management's emoluments

### (a) Directors' and Supervisors' emoluments

The emoluments paid or payable to each of the fourteen (2012: seventeen) Directors and Supervisors were as follows:

#### Year ended 31 December 2013

Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>Executive Directors:</b>				
Lai Weide	—	—	—	—
Xu Guofei	—	—	—	—
	—	—	—	—
<b>Non-executive Directors:</b>				
Zhu Lifeng (Note ii)	—	—	—	—
Lu Qing	—	—	—	—
Jason Hsuan	—	—	—	—
Deng Weiming	—	—	—	—
Xia Dechuan (Note i)	—	—	—	—
	—	—	—	—
<b>Independent Non-executive Directors:</b>				
Zhang Xiuhua	—	—	—	—
Liu Danping	—	—	—	—
Chu Wai Tsun, Vincent	—	—	—	—
	—	—	—	—

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 11 Directors', Supervisors' and senior management's emoluments (Continued)

### (a) Directors' and Supervisors' emoluments (Continued)

Year ended 31 December 2013 (Continued)

Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>Supervisors:</b>				
Zhang Yinqian (Note i)	—	—	—	—
Zhang Zhengping (Note iii)	—	30	—	30
Zhou Yuxin	—	170	33	203
Fu Yuanyuan	—	170	33	203
	—	370	66	436
Total	—	370	66	436

Notes:

- (i) Appointed on 26 September 2013.
- (ii) Resigned on 13 May 2013.
- (iii) Retired on 26 September 2013.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 11 Directors', Supervisors' and senior management's emoluments

### (a) Directors' and Supervisors' emoluments (Continued)

#### Year ended 31 December 2012

Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>Executive Directors:</b>				
Lai Weide	—	—	—	—
Xu Guofei	—	—	—	—
	—	—	—	—
<b>Non-executive Directors:</b>				
Zhu Lifeng	—	—	—	—
Lu Qing	—	—	—	—
Jason Hsuan	—	—	—	—
Deng Weiming	—	—	—	—
	—	—	—	—
<b>Independent Non-executive Directors:</b>				
Zhang Xiuhua (Note ii)	—	—	—	—
Liu Danping (Note ii)	—	—	—	—
Chu Wai Tsun, Vincent (Note ii)	—	—	—	—
Tang Yousong (Note iii)	—	—	—	—
Ma Chung Lai, Lawrence (Note iii)	—	—	—	—
	—	—	—	—

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 11 Directors', Supervisors' and senior management's emoluments (Continued)

### (a) Directors' and Supervisors' emoluments (Continued)

Year ended 31 December 2012 (Continued)

Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>Supervisors:</b>				
Zhang Zhengping	—	120	—	120
Zhou Yuxin	—	160	31	191
Fu Yuanyuan (Note i)	—	160	31	191
Tang Min (Note iii)	—	68	18	86
	—	508	80	588
<b>Independent Supervisors:</b>				
Sun Suhua (Note iii)	—	—	—	—
Wang Fei (Note iii)	—	—	—	—
	—	—	—	—
Total	—	508	80	588

Notes:

- (i) Appointed on 17 January 2012.
- (ii) Appointed on 6 March 2012.
- (iii) Retired on 6 March 2012.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 11 Directors', Supervisors' and senior management's emoluments (Continued)

### (b) The five highest paid individuals

All of the five individuals with highest emoluments in the Group were employees of the Group and their aggregate emoluments are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other allowances	3,000	2,900
Retirement benefits scheme contributions	164	155
	<u>3,164</u>	<u>3,055</u>

The number of highest paid employees whose aggregate emoluments fell within the following band is as follows:

	Number of employees	
	2013	2012
Nil to HKD1,000,000	<u>5</u>	<u>5</u>

## 12 Income tax expense

### (a) Income tax expense in the consolidated statement of comprehensive income represents:

	2013 RMB'000	2012 RMB'000
Current tax		
— PRC enterprise income tax	13,643	14,577
— (Over)/under-provision in prior year	(7,114)	4,934
	<u>6,529</u>	<u>19,511</u>
Deferred tax (Note 20)		
— attributable to the origination and reversal of temporary differences	5,165	(143)
— resulting from a change in tax rate	477	(71)
	<u>5,642</u>	<u>(214)</u>
	<u>12,171</u>	<u>19,297</u>

PRC enterprise income tax is charged at the statutory rate of 25% (2012: 25%) of the assessable income as determined with the relevant tax rules and regulations of the PRC, except that the Company and certain subsidiaries in the PRC are subject to a preferential tax rate of 15% (2012: 12.5% or 15%).



# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 12 Income tax expense (Continued)

(b) The taxation charge for the year can be reconciled to the accounting profit as follows:

	2013 RMB'000	2012 RMB'000
Profit before taxation	<u>200,546</u>	<u>155,320</u>
Tax calculated at the statutory PRC tax rate of 25% (2012: 25%)	50,137	38,830
Exemption/reduction of income tax under preferential tax treatment	(20,213)	(13,043)
Tax effect of:		
Share of results of associates	(20,756)	(28,517)
Income not subject to tax	(59)	(25)
Expenses not deductible for tax purposes	1,689	2,527
Tax concessions	(2,265)	(1,450)
Effect of change in tax rate	477	(71)
Unrecognised tax losses and other deferred tax assets	10,477	16,604
Utilisation of previously unrecognised tax losses and other deferred tax assets	(202)	(492)
(Over)/under-provision in prior year	<u>(7,114)</u>	<u>4,934</u>
Tax charge for the year	<u>12,171</u>	<u>19,297</u>

## 13 Earnings per share

The calculation of the basic earnings per share is based on profit attributable to equity shareholders of the Company of RMB182,840,000 (2012: RMB131,554,000) and the weighted average number of 784,427,000 (2012: 655,015,000) shares in issue during the year, calculated as follows:

	2013 '000	2012 '000
Issued shares at 1 January	655,015	655,015
Effect of new A shares issued during the year	<u>129,412</u>	—
Weighted average number of shares at 31 December	<u>784,427</u>	<u>655,015</u>

The diluted earnings per share for the years ended 31 December 2013 and 2012 are the same as the basic earnings per share as there were no potential dilutive shares outstanding during both years.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 14 Dividends

### (a) Dividends payable to equity shareholders of Company attributable to the year:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Final dividend proposed after the balance sheet date of RMB66 cents per ten shares (2012: RMB60 cents per ten shares)	<u>60,313</u>	<u>39,301</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on a date to be fixed.

### (b) Dividends payable to equity shareholders of Company attributable to the previous financial year, approved and paid during the year:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Final dividend in respect of the financial year ended 31 December 2012, approved and paid during the year, of RMB60 cents per ten shares (2011: RMB50 cents per ten shares)	<u>39,301</u>	<u>32,751</u>

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 15 Land use rights

	The Group RMB'000	The Company RMB'000
<b>Cost:</b>		
At 1 January 2012	27,219	25,194
Additions	61,925	—
At 31 December 2012	89,144	25,194
Additions	15	—
Disposals	(9,700)	(9,700)
At 31 December 2013	79,459	15,494
<b>Accumulated amortisation:</b>		
At 1 January 2012	4,523	2,498
Charge for the year	786	684
At 31 December 2012	5,309	3,182
Charge for the year	1,922	683
Written back on disposals	(1,818)	(1,818)
At 31 December 2013	5,413	2,047
<b>Carrying value:</b>		
At 31 December 2013	74,046	13,447
At 31 December 2012	83,835	22,012

The land use rights are held under medium term leases in the PRC.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 16 Property, plant and equipment

The Group	Buildings RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost or valuation:</b>					
As at 1 January 2012	539,442	323,145	17,936	306	880,829
Additions	47	10,751	3,307	94,009	108,114
Transfers	32,264	3,429	—	(35,693)	—
Disposals	(15,851)	(7,472)	(1,648)	—	(24,971)
As at 31 December 2012 and 1 January 2013	555,902	329,853	19,595	58,622	963,972
Additions	5,647	5,989	2,023	163,736	177,395
Transfers	—	4,187	—	(4,187)	—
Disposals	(48,474)	(25,736)	(447)	—	(74,657)
As at 31 December 2013	513,075	314,293	21,171	218,171	1,066,710
<b>Accumulated depreciation and impairment losses:</b>					
As at 1 January 2012	129,820	124,207	5,760	—	259,787
Charge for the year	17,217	35,714	1,802	—	54,733
Written back on disposals	(7,157)	(6,202)	(1,078)	—	(14,437)
As at 31 December 2012 and 1 January 2013	139,880	153,719	6,484	—	300,083
Charge for the year	17,663	34,001	2,179	—	53,843
Written back on disposals	(16,058)	(19,565)	(335)	—	(35,958)
As at 31 December 2013	141,485	168,155	8,328	—	317,968
<b>Carrying value:</b>					
As at 31 December 2013	371,590	146,138	12,843	218,171	748,742
As at 31 December 2012	416,022	176,134	13,111	58,622	663,889

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 16 Property, plant and equipment (Continued)

The Company	Buildings RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost or valuation:</b>					
As at 1 January 2012	504,901	27,924	4,437	—	537,262
Additions	46	1,104	—	36,155	37,305
Transfers	32,264	—	—	(32,264)	—
Disposals	—	(4,070)	(526)	—	(4,596)
As at 31 December 2012 and 1 January 2013	537,211	24,958	3,911	3,891	569,971
Additions	5,647	1,268	464	6,311	13,690
Disposals	(34,236)	(5,756)	(160)	—	(40,152)
As at 31 December 2013	508,622	20,470	4,215	10,202	543,509
<b>Accumulated depreciation and impairment losses:</b>					
As at 1 January 2012	111,998	21,547	1,340	—	134,885
Charge for the year	16,187	1,974	385	—	18,546
Written back on disposals	—	(3,489)	(446)	—	(3,935)
As at 31 December 2012 and 1 January 2013	128,185	20,032	1,279	—	149,496
Charge for the year	17,158	1,718	362	—	19,238
Written back on disposals	(8,311)	(5,468)	(126)	—	(13,905)
As at 31 December 2013	137,032	16,282	1,515	—	154,829
<b>Carrying value:</b>					
As at 31 December 2013	371,590	4,188	2,700	10,202	388,680
As at 31 December 2012	409,026	4,926	2,632	3,891	420,475

The buildings are located on land under medium term leases in the PRC.

At the date of approval of these consolidated financial statements, the Group and the Company are still in the process of applying title certificates in respect of certain buildings with carrying value of RMB7,620,000 (2012: RMB22,438,000).

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 17 Subsidiaries

	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	1,119,937	698,437
Less: Impairment loss	<u>(21,437)</u>	<u>(21,437)</u>
	<u><b>1,098,500</b></u>	<u>677,000</u>

Except for Galant Limited which is incorporated and operates in Hong Kong, all subsidiaries are incorporated and operate in the PRC. Particulars of the subsidiaries as at 31 December 2013 are as follows:

Name	Registered capital	Percentage of equity attributable to the Company		Principal activities
		directly	indirectly	
Nanjing Panda Technology Equipment Co., Ltd.	RMB5,000,000	100%	—	Manufacture and sale of equipment for production of television sets
Nanjing Panda Information Industry Co., Ltd.	USD31,946,435	82%	18%	Development, production and sale of electronics information products
Nanjing Panda International Communication Systems Co., Ltd.	USD1,240,000	71.77%	—	Sale and distribution of cellular mobile telephones and pagers
Nanjing Guanghua Electronics Plastic Casings Factory	RMB11,497,600	100%	—	Manufacture and sale of plastic and spare parts
Nanjing Panda Mechanical Engineering Plant	RMB45,000,000	99.11%	—	Manufacture and sale of communication and electronic equipment
Nanjing Panda Accurate Machinery Co., Ltd.	RMB5,000,000	100%	—	Manufacture and sale of specialised electronic equipment
Nanjing Panda Appliance & Apparatus Co., Ltd.	RMB1,000,000	—	100%	Development and production of electromechanical products and installation of electronic communication systems
Nanjing Panda Mechanical Manufacturing Co., Ltd.	RMB10,000,000	—	70%	Manufacture of raw materials, components and parts for production
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	RMB60,000,000	—	100%	Manufacture and sale of plastic products and spare parts

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 17 Subsidiaries (Continued)

Name	Registered capital	Percentage of equity attributable to the Company		Principal activities
		directly	indirectly	
Nanjing Panda Mechanical Co., Ltd.	RMB3,000,000	85.82%	—	Manufacture and subcontracting of mechanical parts
Nanjing Panda Power Supply Technology Co., Ltd.	RMB11,000,000	79.55%	—	Design, manufacture and sale of UPS and special power supply systems and converters
Nanjing Panda Electronic Manufacture Co., Ltd.	USD20,000,000	75%	25%	Development and production of electronic components
Nanjing Panda Industrial Enterprise Co., Ltd.	RMB20,000,000	100%	—	Property management, sales of mechanical and electronic products, building and office supplies
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	RMB10,000,000	—	70%	Development, manufacture and sale of logistics equipment
Nanjing Panda Electronic Equipment Co., Ltd.	RMB144,000,000	100%	—	Manufacture of industrial, environmental conservation and logistics equipment
Nanjing Panda Electronic Technology Development Co., Ltd.	RMB550,000,000	100%	—	General purpose equipment, technology service, software development, system integration, property management
Nanjing Panda Communications Technology Co., Ltd.	RMB50,000,000	100%	—	Research and development, production and marketing of professional mobile communication products
Galant Limited	HKD1	100%	—	Trading and investment holding

During the year, the Company made additional capital contributions of RMB55,000,000, RMB64,000,000 and RMB300,000,000 to Nanjing Panda Information Industry Co., Ltd., Nanjing Panda Electronic Equipment Co., Ltd. and Nanjing Panda Technology Development Co., Ltd., respectively, all of them are wholly-owned subsidiaries of the Company.

Nanjing Panda System Integration Co., Ltd., a subsidiary in which the Company held 54.37% equity interest, was deregistered during the year.

No subsidiaries have material non-controlling interests for the years ended 31 December 2013 and 2012.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 18 Associates

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	—	—	689,237	689,237
Less: Impairment loss	—	—	(508,326)	(508,326)
Share of net assets	499,014	585,174	—	—
Goodwill	3,443	3,443	—	—
	<u>502,457</u>	<u>588,617</u>	<u>180,911</u>	<u>180,911</u>

In 2012, Intenna (Nanjing) Company Limited, an associate in which the Company held 35% equity interest, was deregistered.

Particulars of the Group's material associates, which are all incorporated and operate in the PRC, as at 31 December 2013 are as follows:

Name	Percentage of equity attributable to the Company		Principal activities
	directly	indirectly	
Nanjing Ericsson Panda Communication Company Limited ("ENC")	27%	—	Manufacture and sale of cellular mobile telephone system products and digital switching system products
Beijing SE Potevio Mobile Communications Company Limited ("BMC")	20%	—	Manufacture and sale of mobile communication products
Shenzhen Jinghua Electronic Company Limited ("Jinghua")	38.03%	—	Development, manufacture and sale of communication equipment and electronic equipment

All of the above associates are unlisted corporated entities whose quoted market price is not available, and are accounted for using the equity method in the consolidated financial statements.



# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 18 Associates (Continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts of the Group's interest in the consolidated financial statements, are disclosed below:

	2013			2012		
	ENC RMB'000	BMC RMB'000	Jinghua RMB'000	ENC RMB'000	BMC RMB'000	Jinghua RMB'000
Turnover	<u>12,397,385</u>	<u>33,898,443</u>	<u>1,656,730</u>	12,591,394	26,742,812	1,301,063
Profit before income tax	<u>448,413</u>	<u>717,934</u>	<u>65,589</u>	409,845	555,385	63,425
Income tax	<u>(67,109)</u>	<u>(621,855)</u>	<u>(16,361)</u>	(64,584)	(136,674)	(14,969)
Profit and total comprehensive income for the year	<u>381,304</u>	<u>96,079</u>	<u>49,228</u>	345,261	418,711	48,456
Profit and comprehensive income for the year attributable to the Group	<u>102,952</u>	<u>19,216</u>	<u>14,937</u>	93,220	83,742	14,896
Dividends received from the associates during the year	<u>104,008</u>	<u>107,400</u>	<u>13,129</u>	182,764	86,800	13,129
Financial position						
Non-current assets	<u>894,503</u>	<u>430,059</u>	<u>86,089</u>	837,550	407,612	75,376
Current assets	<u>6,830,543</u>	<u>7,372,788</u>	<u>354,149</u>	6,654,107	5,855,136	374,277
Non-current liabilities	<u>(7,826)</u>	—	—	(6,606)	—	—
Current liabilities	<u>(6,726,656)</u>	<u>(7,197,083)</u>	<u>(141,700)</u>	(6,490,575)	(5,216,062)	(150,424)
Net assets	<u>990,564</u>	<u>605,764</u>	<u>298,538</u>	994,476	1,046,686	299,229
Group's share of net assets of the associates	<u>267,452</u>	<u>121,153</u>	<u>99,863</u>	268,509	209,337	98,054
Goodwill	—	<u>3,443</u>	—	—	3,443	—
Carrying amount in the consolidated financial statements	<u>267,452</u>	<u>124,596</u>	<u>99,863</u>	268,509	212,780	98,054

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 18 Associates (Continued)

Aggregate information of associates that are not individually material:

	2013 RMB'000	2012 RMB'000
Aggregate amounts of the Group's share of those associates' profit/(loss) and comprehensive income/(loss) for the year	<u>1,272</u>	<u>(1,052)</u>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>10,546</u>	<u>9,274</u>

## 19 Available-for-sale equity securities

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Unlisted equity securities, at cost	<u>3,650</u>	<u>3,650</u>	<u>3,650</u>	<u>3,650</u>

The unlisted equity securities are measured at cost less impairment at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

## 20 Deferred taxation

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Write-down of inventories RMB'000	Impairment loss on property, plant and equipment RMB'000	Trade and other payables RMB'000	Other temporary differences RMB'000	Total RMB'000
As at 1 January 2012	5,616	159	215	(389)	5,601
(Charged)/credited to profit or loss (Note 12(a))	(280)	(55)	(53)	531	143
Effect of change in tax rate (Note 12(a))	<u>71</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>71</u>
As at 31 December 2012 and 1 January 2013	5,407	104	162	142	5,815
Charged to profit or loss (Note 12(a))	(4,564)	(104)	(122)	(375)	(5,165)
Effect of change in tax rate (Note 12(a))	<u>(477)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(477)</u>
As at 31 December 2013	<u>366</u>	<u>—</u>	<u>40</u>	<u>(233)</u>	<u>173</u>

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 20 Deferred taxation (Continued)

The following is the analysis of the Group's deferred tax balances for financial reporting purposes:

	2013 RMB'000	2012 RMB'000
Deferred tax assets	406	6,127
Deferred tax liabilities	<b>(233)</b>	(312)
	<b>173</b>	5,815

At 31 December 2013, the Group has unused tax losses of RMB323,376,000 (2012: RMB259,508,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams (2012: RMBnil). These tax losses will expire within five years.

## 21 Inventories

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Raw materials	49,208	65,189	7,288	4,400
Work in progress	62,369	43,683	4,858	5,338
Finished goods	87,873	70,976	8,855	6,528
Spare parts and consumables	164	412	—	—
	<b>199,614</b>	180,260	<b>21,001</b>	16,266

## 22 Trade and bills receivables

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade receivables	512,523	669,987	100,085	86,896
Less: Provision for impairment	<b>(59,838)</b>	(74,010)	<b>(8,542)</b>	(7,753)
	<b>452,685</b>	595,977	<b>91,543</b>	79,143
Bills receivable	120,212	37,674	—	1,850
Due from intermediate holding company	9	—	—	—
Due from immediate holding company	21,634	1,439	—	—
Due from fellow subsidiaries	158,347	142,475	1,190	4,225
Due from subsidiaries	—	—	1,862	148,048
Due from associates	1,841	5,058	—	—
Total trade and bills receivables	<b>754,728</b>	782,623	<b>94,595</b>	233,266

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 22 Trade and bills receivables (Continued)

- (a) The Group allows a credit period ranging from 30 to 180 days to its trade customers.
- (b) The following is the ageing analysis of trade and bills receivables, net of provision for impairment:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 1 year	674,210	683,845	62,264	208,321
1 to 2 years	64,358	98,429	24,513	24,945
2 to 3 years	15,859	277	7,818	—
Over 3 years	301	72	—	—
	<u>754,728</u>	<u>782,623</u>	<u>94,595</u>	<u>233,266</u>

- (c) Ageing analysis of trade and bills receivables past due but not impaired is as follows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Up to 3 months	31,721	27,906	9,452	259
Over 3 months	51,040	96,290	5,682	25,906
	<u>82,761</u>	<u>124,196</u>	<u>15,134</u>	<u>26,165</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

- (d) The movements in provision for impairment during the year were as follows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January	74,010	52,816	7,753	6,608
Impairment loss recognised	50,320	21,194	789	1,145
Uncollectible amounts written off	(64,492)	—	—	—
At 31 December	<u>59,838</u>	<u>74,010</u>	<u>8,542</u>	<u>7,753</u>

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 22 Trade and bills receivables (Continued)

- (e) Trade and bills receivables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
USD	3,189	99,274	—	—
Euro dollar ("EUR")	—	1,959	—	—
	<u>3,189</u>	<u>101,233</u>	<u>—</u>	<u>—</u>

## 23 Amounts due from customers for contract work

	The Group 2013 RMB'000	2012 RMB'000
Contract costs incurred plus recognised profits less recognised losses	279,164	107,535
Less: Progress billings	<u>(106,850)</u>	<u>(20,560)</u>
	<u>172,314</u>	<u>86,975</u>

At 31 December 2013, advances received from customers for contract work amounted to RMB84,979,000 (2012: RMB96,701,000).

The project contract revenue recognised for the year ended 31 December 2013 is RMB565,332,000 (2012: RMB260,865,000).

## 24 Deposits, prepayments and other receivables

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Other receivables	179,718	57,619	117,531	28,128
Deposits and prepayments	134,602	87,743	2,191	6,315
Less: Provision for impairment	<u>(14,099)</u>	<u>(15,900)</u>	<u>(3,750)</u>	<u>(4,198)</u>
	<u>300,221</u>	<u>129,462</u>	<u>115,972</u>	<u>30,245</u>
Due from fellow subsidiaries	2,056	19	28	—
Due from subsidiaries	<u>—</u>	<u>—</u>	<u>200,973</u>	<u>157,392</u>
	<u>302,277</u>	<u>129,481</u>	<u>316,973</u>	<u>187,637</u>

The above balances with related parties are unsecured, interest-free and repayable on demand.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 25 Restricted bank deposits

The restricted bank deposits are pledged as security for:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Bills payable	28,814	141,267	1,333	95,115
Performance bonds given by banks to customers in respect of projects undertaken	42,032	71,492	—	20,000
	<u>70,846</u>	<u>212,759</u>	<u>1,333</u>	<u>115,115</u>

These restricted bank deposits carry interest at market rates ranging from 0.35% to 2.8% (2012: 0.35% to 2.8%) per annum and will mature in 3 to 6 months from the balance sheet date.

## 26 Cash and cash equivalents

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Bank deposits	1,308,667	377,264	890,003	79,087
Cash on hand	313	776	96	262
	<u>1,308,980</u>	<u>378,040</u>	<u>890,099</u>	<u>79,349</u>

Bank deposits carry interest at market rates ranging from 0.35% to 1.35% (2012: 0.35% to 1.35%) per annum.

Cash and cash equivalents that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
USD	5,659	11,697	4	4
EUR	319	177	—	—
HKD	103	16	1	1
	<u>6,081</u>	<u>11,890</u>	<u>5</u>	<u>5</u>

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 27 Share capital

	The Company			
	2013		2012	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid:				
— A Shares of RMB1.00 each	671,839	671,839	413,015	413,015
— H Shares of RMB1.00 each	242,000	242,000	242,000	242,000
	<b>913,839</b>	<b>913,839</b>	655,015	655,015

On 25 June 2013, the Company issued a total of 258,823,529 new A shares of RMB1.00 each under a placing arrangement to 9 specific qualified investors, including Nanjing Electronic Information Industrial Corporation ("NEIIC"), at a price of RMB5.10 per share. As part of the placing arrangement, NEIIC, an intermediate holding company of the Company, has subscribed for 39,215,686 new A shares of the Company. Immediately after completion of this share placing, CEC's interest in the Company's total issued share capital, through NEIIC and PEG, was reduced from approximately 51.10% to approximately 40.92%.

The placing proceeds, net of the related expenses, were approximately RMB1,294,404,000. Of these, RMB419,000,000 was applied in developing the Group's businesses through capital injections to three wholly-owned subsidiaries (see note 17) and the rest has been used to supplement the Group's working capital. Further details of this share placing are set out in the Company's circular to the shareholders dated 7 December 2012 and in the Company's announcement dated 1 July 2013.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 28 Share premium and reserves

The Company	Share premium RMB'000	Capital reserve RMB'000	Statutory common funds RMB'000	Asset revaluation reserve RMB'000	Accumulated (losses)/ profits RMB'000	Total RMB'000
As at 1 January 2012	389,338	18,399	189,176	26,381	(341,540)	281,754
Profit and total comprehensive income for the year	—	—	—	—	216,054	216,054
Dividend approved in respect of the previous year	—	—	—	—	(32,751)	(32,751)
Profit appropriations	—	—	12,521	—	(12,521)	—
As at 31 December 2012 and 1 January 2013	389,338	18,399	201,697	26,381	(170,758)	465,057
Issue of new A shares (note 27)	1,035,580	—	—	—	—	1,035,580
Profit and total comprehensive income for the year	—	—	—	—	199,492	199,492
Dividend approved in respect of the previous year	—	—	—	—	(39,301)	(39,301)
Profit appropriations	—	—	11,206	—	(11,206)	—
Transfer to accumulated profits	—	—	—	(24,901)	24,901	—
As at 31 December 2013	<u>1,424,918</u>	<u>18,399</u>	<u>212,903</u>	<u>1,480</u>	<u>3,128</u>	<u>1,660,828</u>

Share premium arose from the issuance of shares at prices in excess of their par value and can be used to issue shares with the shareholders' approval.

Capital reserve mainly arose from (i) the difference between the aggregate of the consideration for business combination under common control and the aggregate of the historical costs of the assets and liabilities of the entities being acquired; and (ii) the difference between the amount paid or received for any transaction related to the change of shareholding in a subsidiary without the overall gain or loss of control in that subsidiary and the non-controlling interest being acquired or disposed of.

According to relevant laws and regulations of the PRC, the Company and its subsidiaries incorporated in the PRC are required to make an appropriation at 10 percent of the profit for the year as shown in the respective entity's PRC statutory financial statements, prepared in accordance with the PRC Accounting Standards, to the statutory common funds until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up losses or use to increase the registered capital of that entity and is not distributable.



# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 29 Bank and other borrowings

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Short term bank loans	94,000	360,000	50,000	255,000
Other short term loans	5,000	—	—	—
Bills payables, secured	61,926	288,335	2,666	190,230
	<u>160,926</u>	<u>648,335</u>	<u>52,666</u>	<u>445,230</u>

At 31 December 2013, the Company's short term bank loans amounting to RMB50,000,000 (2012: RMB205,000,000) were secured by corporate guarantees from the immediate holding company. At 31 December 2012, the Company's short term bank loans amounting to RMB50,000,000 were secured by pledge of certain land use rights and buildings of the Company with carrying values of RMB1,107,000 and RMB108,318,000 respectively.

At 31 December 2013, the Group's and the Company's bills payables were secured by restricted bank deposits (see note 25). In addition, the Company's bills payables were also secured by corporate guarantees from the immediate holding company and an intermediate holding company to the extent of RMBnil (2012: RMB60,595,000) and RMB1,333,000 (2012: RMB34,520,000) respectively.

Other short term loans represented the loans borrowed from a fellow subsidiary of the Company, being a financial institution in the PRC.

At 31 December 2013, the effective interest rate of the short term bank loans and other short term loans was 6.29% (2012: 7%) and 6% (2012: nil) per annum respectively.

## 30 Trade payables

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade payables	538,951	447,449	40,747	70,539
Due to immediate holding company	3,678	3,997	2,114	2,114
Due to fellow subsidiaries	37,136	22,348	2,797	3,408
Due to subsidiaries	—	—	1,854	6,386
Due to associates	95	80	—	—
	<u>579,860</u>	<u>473,874</u>	<u>47,512</u>	<u>82,447</u>

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 30 Trade payables (Continued)

(a) The following is an ageing analysis of trade payables:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 1 year	484,491	369,204	28,996	70,034
1 to 2 years	42,019	44,630	6,948	2,747
2 to 3 years	6,407	24,039	2,172	876
Over 3 years	46,943	36,001	9,396	8,790
	<u>579,860</u>	<u>473,874</u>	<u>47,512</u>	<u>82,447</u>

The average credit period on purchase of goods is 30 to 90 days. The Group has financial risk management policies in place to ensure that payables are settled within the credit timeframe.

(b) Trade payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
USD	<u>9,540</u>	<u>14,649</u>	<u>—</u>	<u>—</u>

## 31 Accruals and other payables

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Accruals and other payables	194,299	240,131	41,547	50,145
Due to ultimate holding company	34,000	34,000	—	—
Due to intermediate holding company	44	—	44	—
Due to immediate holding company	13,342	11,814	1,077	364
Due to fellow subsidiaries	15,187	4,182	258	503
Due to subsidiaries	—	—	291,814	248,001
Due to associates	1,699	3,220	—	—
	<u>258,571</u>	<u>293,347</u>	<u>334,740</u>	<u>299,013</u>
Total accruals and other payables	<u>258,571</u>	<u>293,347</u>	<u>334,740</u>	<u>299,013</u>

The above balances with related parties are unsecured, interest-free and repayable on demand.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 32 Cash used in operations

	2013 RMB'000	2012 RMB'000
Profit before taxation	200,546	155,320
Adjustments for:		
Interest income	(21,107)	(6,060)
Loss on disposals of land use rights	7,882	—
Loss on disposals of property, plant and equipment	32,498	8,412
Exchange losses	85	1,611
Finance costs	29,448	31,016
Depreciation and amortisation	55,765	55,519
Impairment loss recognised on trade and other receivables	48,789	19,842
Write-down of inventories	8,173	15,899
Share of profits of associates	(138,377)	(190,806)
Operating cash flows before changes in working capital	223,702	90,753
(Increase)/decrease in inventories	(27,527)	534
Increase in trade and bills receivables	(21,667)	(237,201)
Increase in amounts due from customers for contract work	(85,339)	(30,075)
Increase in deposits, prepayments and other receivables	(169,963)	(35,557)
Increase/(decrease) in trade payables	107,224	(19,143)
(Decrease)/increase in accruals and other payables	(44,056)	37,064
Net cash used in operations	(17,626)	(193,625)

## 33 Contingent liabilities

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Performance bonds given by banks to customers in respect of projects undertaken	42,032	71,492	—	20,000
Guarantees given in respect of banking facilities made available to subsidiaries	—	—	655,000	440,000

The maximum contingent liability of the Company under the guarantees given in respect of banking facilities made available to subsidiaries is the amount of facilities drawn down by the subsidiaries, being RMB167,180,000 (2012: RMB249,892,000).

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 34 Commitments

### (a) Capital commitments

At 31 December 2013, outstanding capital commitments not provided for in the consolidated financial statements are as follows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Contracted for — Property, plant and equipment	<b>123,006</b>	146,376	<b>13,107</b>	17,684

### (b) Operating lease arrangements

At 31 December 2013, the Group had future minimum lease payments under non-cancellable operating leases which are payable as follows:

	2013 RMB'000	2012 RMB'000
Land and buildings		
Within 1 year	<b>218</b>	5,039
2-5 years	<b>15</b>	123
	<b>233</b>	5,162
Machineries and motor vehicles		
Within 1 year	<b>173</b>	587
2-5 years	<b>202</b>	366
	<b>375</b>	953
	<b>608</b>	6,115

Operating lease payments represent rental payable by the Group for certain of its office properties, machineries and motor vehicles. Leases are negotiated for an average term of 1 to 4 years with fixed rentals.

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 34 Commitments (Continued)

### (b) Operating lease arrangements (Continued)

At 31 December 2013, the Group had future minimum lease receipts under non-cancellable operating leases which are receivable as follows:

	<b>2013</b> <b>RMB'000</b>	2012 <i>RMB'000</i>
Land and buildings		
Within 1 year	<b>453</b>	1,021
2-5 years	<b>48</b>	662
	<b>501</b>	1,683

Operating lease receipts represent rental payable by tenants for the use of the Group's properties. Leases are negotiated for an average term of 1 to 4 years with fixed rentals.

## 35 Related party transactions

### (a) Transactions with key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	<b>2013</b> <b>RMB'000</b>	2012 <i>RMB'000</i>
Salaries and other allowances	<b>2,588</b>	2,248
Retirement benefit scheme contributions	<b>230</b>	204
	<b>2,818</b>	2,452

# Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

## 35 Related party transactions (Continued)

### (b) Transactions with other related parties

In addition to those disclosed in notes 27, 29 and 33, the Group entered into the following material related party transactions during the year:

	The intermediate holding company		The immediate holding company		Fellow subsidiaries		Associates	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of components and parts (Note i)	—	—	5,712	4	592,684	211,897	1,203	9,247
Purchase of components and parts (Note i)	—	—	100	628	233,997	49,235	61	1,089
Fees paid for welfare, support and sub-contracting services (Note ii)	—	—	1,906	921	9,986	6,484	—	274
Income for welfare, support, and sub-contracting services (Note ii)	263	—	30,365	1,166	27,712	30,024	17,303	19,111
Rental income (Note i)	—	—	—	—	1,275	8,076	—	—
Rental expenses (Note i)	—	—	488	1,656	—	—	—	—
Interest income (Note i)	—	—	—	—	530	—	—	—
Interest expenses (Note i)	—	—	—	—	4,716	—	—	—
Trademark income (Note ii)	—	—	—	—	708	634	—	—

Notes:

- (i) These transactions were at market price/rate.
- (ii) These transactions were at cost plus a percentage mark-up.

At 31 December 2013, the Group placed deposits of RMB197,899,000 (2012: RMB173,901,000) with and borrowed short term loans of RMB5,000,000 (2012: RMBnil) from a fellow subsidiary of the Company, being a financial institution in the PRC. Other balances with related parties are disclosed in notes 22, 24, 30 and 31.

## 36 Difference between HKFRSs and PRC Accounting Standards for Business Enterprises

For the years ended 31 December 2013 and 2012, there were no material differences between the consolidated statements of comprehensive income and consolidated balance sheets of the Group prepared under HKFRSs and PRC Accounting Standards for Business Enterprises.

## 37 Subsequent event

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 14(a).

# Report of the Auditors

Baker Tilly China Ye Zi(2014) No. 4603

## To All Shareholders of Nanjing Panda Electronics Company Limited:

We have audited the accompanying financial statements of Nanjing Panda Electronics Company Limited (hereinafter referred to as "Nanjing Panda"), which comprise the Balance Sheets and Consolidated Balance Sheets as at 31 December 2013, Income Statement, Consolidated Income Statement, Cash Flow Statement, Consolidated Cash Flow Statement, Statement of Changes in Equity, Consolidated Statement of Changes in Equity for the year ended 31 December 2013, and notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises lies with Nanjing Panda. This responsibility includes: 1) selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. 2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Certified Public Accountant Audit Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Audit Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Nanjing Panda as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises.

**Baker Tilly China**

*Chinese Certified Public Accountant: Zhang Jian*

*Chinese Certified Public Accountant: Xu Xin Yi*

Beijing, the People's Republic of China  
28 March 2014

# Consolidated Balance Sheet

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013/12/31	2012/12/31	Notes
<b>Current assets:</b>			
Cash and bank	<b>1,379,826,018.92</b>	590,799,740.05	VIII.1
Settlement provisions			
Placement			
Trading financial assets			
Bills receivable	<b>120,212,031.70</b>	37,673,756.21	VIII.2
Trade receivable	<b>634,516,143.74</b>	744,949,177.06	VIII.3
Prepayments	<b>130,692,769.39</b>	80,466,610.80	VIII.4
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve			
Interest receivable			
Dividends receivable			
Other receivables	<b>171,584,362.93</b>	49,014,039.75	VIII.5
Financial assets purchased for resale			
Inventories	<b>371,927,901.19</b>	267,235,161.51	VIII.6
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>	<b><u>2,808,759,227.87</u></b>	<b><u>1,770,138,485.38</u></b>	
<b>Non-current assets:</b>			
Entrusted loans and advances			
Available-for sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	<b>506,106,542.54</b>	592,266,738.55	VIII.7
Investment properties			
Fixed assets	<b>527,703,998.21</b>	602,791,624.83	VIII.8
Construction in progress	<b>218,171,100.84</b>	58,622,146.44	VIII.9
Construction supplies			
Clearance of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	<b>76,912,100.52</b>	86,309,861.12	VIII.10
Development expenses			
Goodwill			
Long term deferred expenses			
Deferred income tax assets	<b>406,544.54</b>	6,127,251.58	VIII.11
Other non-current assets			
<b>Total non-current assets</b>	<b><u>1,329,300,286.65</u></b>	<b><u>1,346,117,622.52</u></b>	
<b>Total assets</b>	<b><u>4,138,059,514.52</u></b>	<b><u>3,116,256,107.90</u></b>	

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**



## Consolidated Balance Sheet (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013/12/31	2012/12/31	Notes
<b>Current liabilities:</b>			
Short term loans	<b>99,000,000.00</b>	360,000,000.00	VIII.14
Borrowing from PBOC			
Customer and interbank deposits			
Borrowing from interbank			
Trading financial liabilities			
Bills payable	<b>61,925,836.17</b>	288,335,481.41	VIII.15
Accounts payable	<b>579,860,038.37</b>	473,873,788.33	VIII.16
Advances from customers	<b>98,285,406.79</b>	110,450,931.40	VIII.17
Financial assets sold under repurchase agreements			
Bank charges and Commissions due			
Salaries payable	<b>31,873,712.53</b>	38,072,801.82	VIII.18
Taxes payable	<b>19,941,903.30</b>	28,925,190.14	VIII.19
Interest payable	<b>83,333.33</b>	521,752.78	VIII.20
Dividend Payable		1,364,696.99	VIII.21
Other payables	<b>114,631,489.47</b>	122,107,902.54	VIII.22
Reinsurers due			
Insurance contract reserves			
Security trading of agency			
Securities underwriting			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>	<b><u>1,005,601,719.96</u></b>	<u>1,423,652,545.41</u>	
<b>Non-current liabilities:</b>			
Long term loans			
Bonds payables			
Long term payables			
Specific payables			
Accrued liabilities			
Deferred income tax liabilities	<b>233,201.14</b>	311,720.39	VIII.11
Other non-current liabilities			
<b>Total non-current liabilities</b>	<b><u>233,201.14</u></b>	<u>311,720.39</u>	
<b>Total liabilities</b>	<b><u>1,005,834,921.10</u></b>	<u>1,423,964,265.80</u>	

Legal representative of the Company:

**Xia Dechuan**

Chief Accountant:

**Shen Jianlong**

Head of the Accounting Department:

**Liu Xianfang**

## Consolidated Balance Sheet (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013/12/31	2012/12/31	Notes
<b>Shareholders' equity:</b>			
Share capital	<b>913,838,529.00</b>	655,015,000.00	VIII.23
Capital reserve	<b>1,501,966,314.34</b>	466,386,130.79	VIII.24
Less: treasury stock			
special reserve			
surplus reserve	<b>231,946,025.16</b>	220,739,998.89	VIII.25
general risk reserve			
undistributed profits	<b>474,947,172.20</b>	342,614,884.56	VIII.26
discounted spread in foreign currency statement			
<b>shareholders of the parent company</b>	<b>3,122,698,040.70</b>	1,684,756,014.24	
Non-controlling interests	<b>9,526,552.72</b>	7,535,827.86	VII.2
<b>Total shareholders' equity</b>	<b><u>3,132,224,593.42</u></b>	<u>1,692,291,842.10</u>	
<b>Total liabilities and shareholders' equity</b>	<b><u>4,138,059,514.52</u></b>	<u>3,116,256,107.90</u>	

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Profit and Loss Statement

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013	2012	Notes
<b>1. Total operating income</b>	<b>2,479,485,127.69</b>	2,430,042,276.95	
Include: Operating income	<b>2,479,485,127.69</b>	2,430,042,276.95	VIII.27
Interest income			
Premiums earned			
Income from Bank charges and Commissions			
<b>2. Total operating cost</b>	<b>2,563,590,779.06</b>	2,543,579,714.65	
Include: Operating cost	<b>2,128,252,323.83</b>	2,158,322,667.82	VIII.27
Interest expenses			
Bank charges and Commissions			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Business taxes and surcharge	<b>19,279,652.75</b>	15,253,306.17	VIII.28
Selling expenses	<b>43,283,916.59</b>	35,451,508.09	VIII.29
Administrative expenses	<b>296,055,711.16</b>	269,400,570.34	VIII.30
Financial expenses	<b>19,757,255.23</b>	29,410,228.99	VIII.31
Loss in assets impairment	<b>56,961,919.50</b>	35,741,433.24	VIII.32
Add: Income from change in fair value (losses are represented by "-")			
Investment income(losses are represented by "-")	<b>147,344,952.79</b>	190,806,000.78	VIII.33
Include: Investment income of associates and joint ventures	<b>138,377,007.59</b>	190,806,000.78	
Exchange gain (losses are represented by "-")			
<b>3. Operating profit(losses are represented by "-")</b>	<b>63,239,301.42</b>	77,268,563.08	
Add: Non-operating income	<b>139,927,242.50</b>	79,135,088.74	VIII.34
Less: Non-operating expenses	<b>2,620,160.23</b>	1,083,339.19	VIII.35
Include: Loss from the disposal of non-current assets	<b>2,158,055.17</b>	278,419.78	
<b>4. Total Profit(losses are represented by "-")</b>	<b>200,546,383.69</b>	155,320,312.63	
Less: Income tax	<b>12,171,404.87</b>	19,297,080.80	VIII.36
<b>5. Net Profit(losses are represented by "-")</b>	<b>188,374,978.82</b>	136,023,231.83	
Profit attributable to the equity shareholders of the Parent company	<b>182,839,213.91</b>	131,554,099.89	
Non-controlling interests	<b>5,535,764.91</b>	4,469,131.94	
<b>6. Earnings per share:</b>			
(1) Basic earnings per share	<b>0.2331</b>	0.2008	VIII.37
(2) Diluted earnings per share	<b>0.2331</b>	0.2008	VIII.37
<b>7. Other comprehensive income:</b>			
<b>8. Total comprehensive income:</b>	<b>188,374,978.82</b>	136,023,231.83	
Total comprehensive income attributable to the equity shareholders of the Parent company	<b>182,839,213.91</b>	131,554,099.89	
Total comprehensive income attributable to minority shareholders	<b>5,535,764.91</b>	4,469,131.94	

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Cash flow statement

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013	2012	Notes
<b>1. Cash flows from operating activities</b>			
Cash received from the sale of goods and rendering of services	<b>2,817,357,846.62</b>	2,635,820,156.97	
Net increase in Customer and interbank deposits			
Net increase in borrowing from PBOC			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase in disposal of financial assets			
Cash received from interest, bank charges and commissions			
Net increase in cash borrowed			
Net increase in cash received form repurchase operation			
Refunds of taxes	<b>3,709,535.38</b>	29,992,872.94	
Cash received from relating to other operating activities	<b>127,087,305.52</b>	21,488,360.34	VIII.38
<b>Sub-total of cash inflows from operating activities</b>	<b>2,948,154,687.52</b>	2,687,301,390.25	
Cash paid on purchase of goods and services received	<b>2,437,212,833.11</b>	2,177,667,526.91	
Net increase in loans and advances			
Net increase in disopits in PBOC and interbank			
Cash paid for compensation payments under original insurance contract			
Cash paid for Interest, bank charges and commissions			
Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees	<b>309,721,929.79</b>	270,876,979.95	
Cash paid for all types of taxes	<b>112,321,696.38</b>	77,095,234.29	
Cash paid relating to other operating activities	<b>175,443,812.03</b>	243,872,674.93	VIII.39
<b>Sub-total of cash outflows from operating activities</b>	<b>3,034,700,271.31</b>	2,769,512,416.08	
<b>Net cash flows from operating activities</b>	<b>-86,545,583.79</b>	-82,211,025.83	VIII.44

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

## Consolidated Cash flow statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013	2012	Notes
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments		285,114,888.90	
Cash received from return on investments	<b>224,537,203.60</b>		
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	<b>6,200,701.32</b>	2,122,333.03	
Net cash received from disposal of subsidiaries and other operating entites			
Cash received relating to other investment activities	<b>808,967,945.20</b>		VIII.40
<b>Sub-total of cash inflows from investing activities</b>	<b>1,039,705,850.12</b>	<b>287,237,221.93</b>	
Cash paid on purchase of fixed assets, intangible assets and other long term assets	<b>178,643,872.43</b>	132,854,362.68	
Cash paid for acquisition of investments			
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entites			
Cash paid on other investment activities	<b>800,000,000.00</b>	486,500.00	VIII.41
<b>Sub-total of cash outflows from investing activities</b>	<b>978,643,872.43</b>	<b>133,340,862.68</b>	
<b>Net cash flows from investing activities</b>	<b>61,061,977.69</b>	<b>153,896,359.25</b>	

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

## Consolidated Cash flow statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013	2012	Notes
<b>3. Cash flows from financing activities:</b>			
Cash received from investment	<b>1,294,403,712.55</b>		
Including: cash received by subsidiaries from minority shareholders' investment	<b>609,000,000.00</b>	493,698,456.50	
Cash received from borrowings	<b>34,000,000.00</b>		VIII.42
Cash received from issuing bonds			
Cash received from other financing activities			
<b>Sub-total of cash inflows from financing activities</b>	<b>1,903,403,712.55</b>	527,698,456.50	
Cash paid on repayment of borrowings	<b>870,000,000.00</b>	496,228,221.90	
Cash paid on distribution of dividends or profits, or interest expenses	<b>73,436,780.13</b>	67,510,017.11	
Including: bonus and profit paid to minority shareholders by subsidiaries	<b>4,909,737.04</b>	3,847,237.49	
Cash paid on other financing activities	<b>3,458,926.85</b>		VIII.43
<b>Sub-total of cash outflows from financing activities</b>	<b>946,895,706.98</b>	563,738,239.01	
<b>Net cash flows from financing activities</b>	<b>956,508,005.57</b>	-36,039,782.51	
<b>4. Effect of fluctuations in exchange rates on cash</b>	<b>-84,909.39</b>	-1,388,620.88	
<b>5. Net increase in cash and cash equivalents</b>	<b>930,939,490.08</b>	34,256,930.03	VIII.44
Add: balance of cash and cash equivalents at the beginning of the year	<b>378,040,300.31</b>	343,783,370.28	VIII.44
<b>6. Balance of cash and cash equivalents                     at the end of the year</b>	<b>1,308,979,790.39</b>	378,040,300.31	VIII.44

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Statement of Change of Shareholders' equity

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	31 December 2013									
	Equity attributable to shareholders of the Parent company									
	Share capital	Capital Reserve	Less: treasury stock	Special Reserve	Surplus Reserve	Generic risk reserve	Undistributed Profits	Other	Non-controlling interests	Total shareholders' equity
1. Balance at the end of last year	655,015,000.00	466,386,130.79			220,739,998.89		342,614,884.56		7,535,827.86	1,692,291,842.10
Add: change in accounting policies										
Correction of Previous Errors										
2. Balance at the beginning of this year	655,015,000.00	466,386,130.79			220,739,998.89		342,614,884.56		7,535,827.86	1,692,291,842.10
3. Change of this year (a decrease is represented by "-")	258,823,529.00	1,035,580,183.55			11,206,026.27		132,332,287.64		1,990,724.86	1,439,932,751.32
(1) Net profit							182,839,213.91		5,535,764.91	188,374,978.82
(2) Other comprehensive income										
Subtotal of item(1)and(2) above							182,839,213.91		5,535,764.91	188,374,978.82
(3) Contribution and reduction of capital by shareholders	258,823,529.00	1,035,580,183.55								1,294,403,712.55
1. Capital contribution by shareholders	258,823,529.00	1,035,580,183.55								1,294,403,712.55
2. Amount settled by shares accounted for in shareholders' equity										
3. Others										
(4) Profit distribution					11,206,026.27		-50,506,926.27		-3,545,040.05	-42,845,940.05
1. Transfer from surplus reserves					11,206,026.27		-11,206,026.27			
2. Transfer from generic risk reserves										
3. Distribution to shareholders							-39,300,900.00		-3,545,040.05	-42,845,940.05
4. Others										
(5) Internal transfer of shareholders' equity										
1. Transfer of capital reserve to share capital										
2. Transfer of surplus reserve to share capital										
3. Compensation of loss from surplus reserve										
4. Others										
(6) Transfer and use of special reserve										
1. Transfer in current period										
2. Use in current period										
(7) Others										
4. Balance at the end of the year	913,838,529.00	1,501,966,314.34			231,946,025.16		474,947,172.20		9,526,552.72	3,132,224,593.42

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Statement of Change of Shareholders' equity (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	31 December 2012									
	Equity attributable to shareholders of the Parent company							Non-controlling interests	Total shareholders' equity	
	Share capital	Capital Reserve	Less: treasury stock	Special Reserve	Surplus Reserve	Generic risk reserve	Undistributed Profits			Other
<b>1. Balance at the end of last year</b>	655,015,000.00	467,473,413.43			208,218,564.46		256,332,969.10		8,401,641.80	1,595,441,588.79
Add: change in accounting policies										
Correction of Previous Errors										
<b>2. Balance at the beginning of this year</b>	655,015,000.00	467,473,413.43			208,218,564.46		256,332,969.10		8,401,641.80	1,595,441,588.79
<b>3. Change of this year(a decrease is represented by"-")</b>		-1,087,282.64			12,521,434.43		86,281,915.46		-865,813.94	96,850,253.31
(1) Net profit							131,554,099.89		4,469,131.94	136,023,231.83
(2) Other comprehensive income										
Subtotal of item(1)and(2) above							131,554,099.89		4,469,131.94	136,023,231.83
(3) Contribution and reduction of capital by shareholders		-1,087,282.64							-266,301.36	-1,353,584.00
1. Capital contribution by shareholders										
2. Amount settled by shares accounted for in shareholders' equity										
3. Others		-1,087,282.64							-266,301.36	-1,353,584.00
(4) Profit distribution					12,521,434.43		-45,272,184.43		-5,068,644.52	-37,819,394.52
1. Transfer from surplus reserves					12,521,434.43		-12,521,434.43			
2. Transfer from generic risk reserves										
3. Distribution to shareholders							-32,750,750.00		-5,068,644.52	-37,819,394.52
4. Others										
(5) Internal transfer of shareholders' equity										
1. Transfer of capital reserve to share capital										
2. Transfer of surplus reserve to share capital										
3. Compensation of loss from surplus reserve										
4. Others										
(6) Transfer and use of special reserve										
1. Transfer in current period										
2. Use in current period										
(7) Others										
<b>4. Balance at the end of the year</b>	655,015,000.00	466,386,130.79			220,739,998.89		342,614,884.56		7,535,827.86	1,692,291,842.10

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**



# Balance Sheet

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013/12/31	2012/12/31	Notes
<b>Current assets:</b>			
Cash and bank	891,431,538.23	194,463,677.11	
Settlement provisions			
Interbank lending			
Trading financial assets			
Bills receivable		1,850,000.00	
Trade receivable	94,594,511.18	231,416,087.32	IX.a
Prepayments	286,167.65	4,385,426.29	
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve			
Interest receivable			
Dividends receivable	2,739,006.08	13,423,299.05	
Other receivables	316,687,175.42	183,251,605.81	IX.b
Financial assets purchased for resale			
Inventories	21,001,471.06	16,266,554.62	
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>	<b>1,326,739,869.62</b>	<b>645,056,650.20</b>	
<b>Non-current assets:</b>			
Entrusted loans and advances			
Available-for sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	1,592,628,342.95	1,258,560,531.44	IX.c
Investment properties			
Fixed assets	376,571,368.45	415,060,414.27	
Construction in progress	10,201,958.58	3,890,602.01	
Construction supplies			
Disposals of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	15,354,705.78	23,536,609.81	
Development expenses			
Goodwill			
Long term deferred expenses			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>	<b>1,994,756,375.76</b>	<b>1,701,048,157.53</b>	
<b>Total assets</b>	<b>3,321,496,245.38</b>	<b>2,346,104,807.73</b>	

Legal representative of the Company:

**Xia Dechuan**

Chief Accountant:

**Shen Jianlong**

Head of the Accounting Department:

**Liu Xianfang**

## Balance Sheet (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013/12/31	2012/12/31	Notes
<b>Current liabilities:</b>			
Short term loans	<b>50,000,000.00</b>	255,000,000.00	
Borrowing from PBOC			
Customer and interbank deposits			
Borrowing from interbank			
Trading financial liabilities			
Bills payable	<b>2,666,030.70</b>	190,229,596.96	
Accounts payable	<b>47,512,430.34</b>	82,446,535.37	
Advances from customers	<b>1,123,445.00</b>	42,340.00	
Financial assets sold under repurchase agreements			
Bank charges and Commissions due			
Salaries payable	<b>11,502,565.88</b>	15,676,136.45	
Taxes payable	<b>5,131,881.72</b>	7,251,956.13	
Interest payable	<b>83,333.33</b>	521,752.78	
Dividend Payable			
Other payables	<b>316,898,925.53</b>	275,521,932.44	
Reinsurers due			
Insurance contract reserves			
Security trading of agency			
Securities underwriting			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>	<b><u>434,918,612.50</u></b>	<b><u>826,690,250.13</u></b>	

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

## Balance Sheet (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013/12/31	2012/12/31	Notes
<b>Non-current liabilities:</b>			
Long term loans			
Bonds payables			
Long term payables			
Specific payables			
Accrued liabilities			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>			
<b>Total liabilities</b>	<b>434,918,612.50</b>	826,690,250.13	
<b>Shareholders' equity:</b>			
Share capital	913,838,529.00	655,015,000.00	
Capital reserve	1,470,969,585.14	435,389,401.59	
Less: treasury stock			
special reserve			
Surplus reserve	231,946,025.16	220,739,998.89	
generic risk reserve			
Undistributed profits	269,823,493.58	208,270,157.12	
Discounted spread in foreign currency statement			
<b>Equity to the parent company</b>	<b>2,886,577,632.88</b>	1,519,414,557.60	
<b>Total liabilities and shareholders' equity</b>	<b>3,321,496,245.38</b>	2,346,104,807.73	

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Profit and Loss Statement

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013	2012	Notes
<b>1. Total operating income</b>	<b>270,739,127.95</b>	358,397,123.81	
Include: Operating income	<b>270,739,127.95</b>	358,397,123.81	IX.d
Interest income			
Premiums earned			
Income from Bank charges and Commissions			
<b>2. Total operating cost</b>	<b>391,791,679.29</b>	498,808,787.72	
Include: Operating cost	<b>224,696,241.18</b>	321,884,801.10	IX.d
Interest expenses			
Bank charges and Commissions			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Business taxes and surcharge	<b>761,916.21</b>	1,076,170.28	
Selling expenses	<b>12,848,445.29</b>	8,602,736.23	
Administrative expenses	<b>140,163,650.64</b>	152,614,924.80	
Financial expenses	<b>14,516,658.08</b>	18,025,225.86	
Impairment loss	<b>-1,195,232.11</b>	-3,395,070.55	
Add: Income from change in fair value(losses are represented by "-")			
Investment income(losses are represented by "-")	<b>146,072,960.31</b>	219,116,488.25	IX.e
Include: Investment income of associates and joint ventures	<b>137,105,015.11</b>	191,854,511.74	
Exchange gain (losses are represented by "-")			
<b>3. Operating profit(losses are represented by "-")</b>	<b>25,020,408.97</b>	78,704,824.34	
Add: Non-operating income	<b>87,362,681.77</b>	46,775,685.93	
Less: Non-operating expenses	<b>322,828.01</b>	266,165.99	
Include: Loss from the disposal of non-current assets	<b>221,574.08</b>	155,070.60	
<b>4. Total Profit(losses are represented by "-")</b>	<b>112,060,262.73</b>	125,214,344.28	
Less: Income tax			
<b>5. Net Profit(losses are represented by "-")</b>	<b>112,060,262.73</b>	125,214,344.28	
<b>6. Other comprehensive income:</b>			
<b>7. Total comprehensive income:</b>	<b>112,060,262.73</b>	125,214,344.28	

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Cash flow statement

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013	2012	Notes
<b>1. Cash flows from operating activities</b>			
Cash received from the sale of goods and rendering of services	<b>452,363,832.69</b>	238,706,088.32	
Net increase in Customer and interbank deposits			
Net increase in borrowing from PBOC			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase in disposal of financial assets			
Cash received from interest, bank charges and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Refunds of taxes			
Cash received from relating to other operating activities	<b>176,187,969.14</b>	141,368,483.21	
<b>Sub-total of cash inflows from operating activities</b>	<b>628,551,801.83</b>	380,074,571.53	
Cash paid on purchase of goods and services received	<b>376,779,593.16</b>	140,014,135.41	
Net increase in loans and advances			
Net increase in disposits in PBOC and interbank			
Cash paid for compensation payments under original insurance contract			
Cash paid for Interest, bank charges and commissions			
Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees	<b>56,008,483.15</b>	62,457,665.01	
Cash paid for all types of taxes	<b>5,379,759.31</b>	5,996,617.62	
Cash paid relating to other operating activities	<b>162,069,736.97</b>	189,644,051.19	
<b>Sub-total of cash outflows from operating activities</b>	<b>600,237,572.59</b>	398,112,469.23	
<b>Net cash flows from operating activities</b>	<b>28,314,229.24</b>	-18,037,897.70	IX.f

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

## Cash flow statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013	2012	Notes
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments	<b>235,221,496.57</b>	295,100,204.97	
Cash received from return on investments			
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	<b>142,044.01</b>	506,128.39	
Net cash received from disposal of subsidiaries and other operating entites		12,886,097.44	
Cash received relating to other investment activities	<b>808,967,945.20</b>		
<b>Sub-total of cash inflows from investing activities</b>	<b>1,044,331,485.78</b>	308,492,430.80	
Cash paid on purchase of fixed assets, intangible assets and other long term assets	<b>14,256,027.31</b>	31,925,298.06	
Cash paid for acquisition of investments	<b>471,500,000.00</b>	191,895,320.00	
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entites			
Cash paid on other investment activities	<b>800,000,000.00</b>		
<b>Sub-total of cash outflows from investing activities</b>	<b>1,285,756,027.31</b>	223,820,618.06	
<b>Net cash flows from investing activities</b>	<b>-241,424,541.53</b>	84,671,812.74	

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

## Cash flow statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013	2012	Notes
<b>3. Cash flows from financing activities:</b>			
Cash received from investment	<b>1,294,403,712.55</b>		
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings	<b>565,000,000.00</b>	360,000,000.00	
Cash received from issuing bonds			
Cash received from other financing activities			
<b>Sub-total of cash inflows from financing activities</b>	<b>1,859,403,712.55</b>	360,000,000.00	
Cash paid on repayment of borrowings	<b>770,000,000.00</b>	349,000,000.00	
Cash paid on distribution of dividends or profits, or interest expenses	<b>62,084,829.15</b>	57,280,563.00	
Including: bonus and profit paid to minority shareholders by subsidiaries			
Cash paid on other financing activities	<b>3,458,926.85</b>		
<b>Sub-total of cash outflows from financing activities</b>	<b>835,543,756.00</b>	406,280,563.00	
<b>Net cash flows from financing activities</b>	<b>1,023,859,956.55</b>	-46,280,563.00	
<b>4. Effect of fluctuations in exchange rates on cash</b>			
<b>5. Net increase in cash and cash equivalents</b>	<b>810,749,644.26</b>	20,353,352.04	IX.f
Add: balance of cash and cash equivalents at the beginning of the year	<b>79,348,878.62</b>	58,995,526.58	IX.f
<b>6. Balance of cash and cash equivalents at the end of the year</b>	<b>890,098,522.88</b>	79,348,878.62	IX.f

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Statement of Change of Shareholders' equity

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	31 December 2013								
	Share capital	Capital Reserve	Less: treasury stock	Special Reserve	Surplus Reserve	Generic risk reserve	Undistributed Profits	Other	Shareholders' equity
<b>1. Balance at the end of last year</b>	655,015,000.00	435,389,401.59			220,739,998.89		208,270,157.12		1,519,414,557.60
Add: change in accounting policies Correction of Previous Errors									
<b>2. Balance at the beginning of this year</b>	655,015,000.00	435,389,401.59			220,739,998.89		208,270,157.12		1,519,414,557.60
<b>3. Change of this year(a decrease is represented by"-")</b>	258,823,529.00	1,035,580,183.55			11,206,026.27		61,553,336.46		1,367,163,075.28
(1) Net profit							112,060,262.73		112,060,262.73
(2) Other comprehensive income									
Subtotal of item(1)and(2) above							112,060,262.73		112,060,262.73
(3) Contribution and reduction of capital by shareholders	258,823,529.00	1,035,580,183.55							1,294,403,712.55
1. Capital contribution by shareholders	258,823,529.00	1,035,580,183.55							
2. Amount settled by shares accounted for in shareholders' equity									
3. Others									
(4) Profit distribution					11,206,026.27		-50,506,926.27		-39,300,900.00
1. Transfer from surplus reserves					11,206,026.27		-11,206,026.27		
2. Transfer from generic risk reserves									
3. Distribution to shareholders							-39,300,900.00		-39,300,900.00
4. Others									
(5) Internal transfer of shareholders' equity									
1. Transfer of capital reserve to share capital									
2. Transfer of surplus reserve to share capital									
3. Compensation of loss from surplus reserve									
4. Others									
(6) Transfer and use of special reserve									
1. Transfer in current period									
2. Use in current period									
(7) Others									
<b>4. Balance at the end of the year</b>	<b>913,838,529.00</b>	<b>1,470,969,585.14</b>			<b>231,946,025.16</b>		<b>269,823,493.58</b>		<b>2,886,577,632.88</b>

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**



# Statement of Change of Shareholders' equity (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	31 December 2012								
	Share capital	Capital Reserve	Less: treasury stock	Special Reserve	Surplus Reserve	Generic risk reserve	Undistributed Profits	Other	Shareholders' equity
<b>1. Balance at the end of last year</b>	655,015,000.00	436,256,485.59			208,218,564.46		128,327,997.27		1,427,818,047.32
Add: change in accounting policies									
Correction of Previous Errors									
<b>2. Balance at the beginning of this year</b>	655,015,000.00	436,256,485.59			208,218,564.46		128,327,997.27		1,427,818,047.32
<b>3. Change of this year(a decrease is represented by"-")</b>		-867,084.00			12,521,434.43		79,942,159.85		91,596,510.28
(1) Net profit							125,214,344.28		125,214,344.28
(2) Other comprehensive income									
Subtotal of item(1)and(2) above							125,214,344.28		125,214,344.28
(3) Contribution and reduction of capital by shareholders		-867,084.00							-867,084.00
1. Capital contribution by shareholders									
2. Amount settled by shares accounted for in shareholders' equity									
3. Others		-867,084.00							-867,084.00
(4) Profit distribution					12,521,434.43		-45,272,184.43		-32,750,750.00
1. Transfer from surplus reserves					12,521,434.43		-12,521,434.43		
2. Transfer from generic risk reserves									
3. Distribution to shareholders							-32,750,750.00		-32,750,750.00
4. Others									
(5) Internal transfer of shareholders' equity									
1. Transfer of capital reserve to share capital									
2. Transfer of surplus reserve to share capital									
3. Compensation of loss from surplus reserve									
4. Others									
(6) Transfer and use of special reserve									
1. Transfer in current period									
2. Use in current period									
(7) Others									
<b>4. Balance at the end of the year</b>	655,015,000.00	435,389,401.59			220,739,998.89		208,270,157.12		1,519,414,557.60

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Notes To The Financial Statements

(All amounts in RMB thousands unless otherwise stated)

## I. Introduction to the Company

Nanjing Panda Electronics Co., Ltd. (hereinafter referred to as “the Company”) was established on 27 April 1992 after the approval from Nanjing Economic System Reform Committee with document number Ning Ti Gai Zi (1992) No.034. It turned into Nanjing Panda Electronics Co., Ltd. (present name) later by its sole promoter, Panda Electronics Group Co., Ltd. (PEGL), acquired the Company’s 480,000,000 state-owned legal person shares in establishment with a consideration of total net asset value of RMB 480,000,000.00. Registered capital for the Company at its establishment was RMB 515,000,000.00, comprising 480,000,000 state-owned legal person shares of RMB1 each and 35,000,000 employee’s shares of RMB1 each.

The Company was registered as an enterprise legal person on 29 April 1992, with its business registration number of 13488315-2. Scope of business after approval includes development, production, sale and technical service of wireless communication equipment, broadcasting TV equipment, goldsmith and switching system, electronic component parts, equipment and apparatus, electronic machinery and equipment, general machinery, medical machinery, electronic products, component parts of computers, stationeries equipment, industrial moulds and other equipment.

In the extraordinary general meeting of the Company held on 27 May 1994, except other matters, an exceptional resolution was passed to approve the restructuring report, which included matters concerning deconsolidation and restructuring the assets and liabilities of the Company and companies under PEGL as well as re-affirming the state owned legal person shares of the Company. In the same meeting, one exceptional resolution was also passed. The Board of Directors was authorized to handle all affairs related to conversion of the Company into Socially Funded Company and to make a public offer and listing of the Company’s H & A shares. According to the exceptional resolution, the net asset value of the Company would be adjusted on 29 June 1994. Net asset value of the Company at establishment was re-defined as RMB 322,873,348.00, including registered capital of RMB 322,870,000.00, comprising 287,870,000 state-owned legal person shares, 35,000,000 employee’s shares, and capital reserve of RMB 3,348.00.

February 1996, the State-owned Assets Administration to state-owned enterprises [1996] No. 12 text recognition, the Company assessed the net assets of 864.714 million and the share capital of 322.87 million shares, among which Panda Electronics Group Co., Ltd. holds 287.87 million shares, internal ESOP 35 million; Panda Electronics Group Co., Ltd. invested in the Company RMB41.3 million assessed land use rights and RMB62 million debt. According to the reply concerning the report released by the State Committee for Changing System dated 11 March 1996. Registered capital for the Company increased to RMB 390,015,000.00. It was diverted into 355,015,000 state-owned legal person shares and 35,000,000 employee’s shares.

In order to issue H shares, a comprehensive evaluation was conducted on the assets and liabilities of the Company on 30 September 1995. Respective book values were adjusted after share issue approved by the Securities Committee of the State Council.

The Company gained approval from the document from Securities Committee of the State Council on 2 April 1996 of issuing Zheng Wei Fa (1996) No. 6, to issue 242,000,000 H shares in Hong Kong, to be sold at HK\$2.13 per share. Share issuance was completed at 29 April 1996 and was formally listed on The Stock Exchange of Hong Kong on 2 May 1996.

The Company gained approval from the document by Securities Supervision and Management Committee of the State Council on 30 October 1996 of issuing Zheng Gan Fa Zi (1996) No. 304, to issue 23,000,000 ordinary shares in RMB to the public. Selling price is RMB5.10 per share. At 14 November 1996, all fund raised were received in full and the stock was listed on Shanghai Securities Exchange at 18 November 1996. The 35,000,000 internal employee’s shares including 5,000,000 shares originally planned to be a source of financing was also listed after completion of issuing shares. Another 30,000,000 shares were listed and started circulating in 1999.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## I. Introduction to the Company (Continued)

The Company obtained its enterprise legal person business license Qi Su Ning Zong Fu Zi No. 003967 on 18 April 1997. Its registered capital was RMB 655,015,000. The approved scope of business includes research and development, production, sale and technical service of wireless communication equipment, broadcasting TV equipment, goldsmith and switching systems, electronic component parts, apparatus, machinery and equipment, industrial moulds and other equipment, computers and system engineering and as well as after-sale services and technical services for the such business.

The Company received new business license with numbered 320100400008823 on 6 January 2011. The registered capital is RMB 655,015,000. The scope of business approved is made up of certified business items and general business items. Certified business items include research, manufacture and sale of the transmission equipments of radio broadcasting and television, together with the after service, technical service, etc. General business items include development, production and sale of communication equipments, computers and other electronic facilities; meters and instruments, cultural and office-based machinery; electrical machinery and equipments; plastic products; general equipments such as fans, scales and packaging equipments; special equipments for the processing of non-metallic products such as chemical and wood; transmission and distribution equipments; environmental, public safety and related equipments; financial and taxation control devices; electricity source products; moulds; computer services, software and system integration business; property management; as well as after-sale services and technical services for the such business. The registered address is floors 1 and 2 on North side of No.5 Building, Nanjing High Technology Development District. The legal representative is Xia Dechuan and the parent of the Company is Panda Electronics Group Limited.

In December 2011, China Cinda Asset Management Co., Ltd. had transferred 8.87% shares of Panda Electronic Group Co., Ltd. (hereinafter referred to as "Panda Group" or "Group") to Nanjing Electronics Information Industrial Corporation (hereinafter referred to as "NEIIC")

In 2012, according to Jiangsu Provincial government's approval "The agreement of indirectly transferring quoted shares which are hold by Panda Electronic Group Co., Ltd.--Nanjing Huadong Electronics Group Co., Ltd." (Su Zheng Fu[2009]No.45), Jiangsu provincial State-owned assets supervision and Administration Commission's approval "the reply of amending partial state-owned property right in Panda Electronic Group Co., Ltd. with no obligation" (Su Guo Zi Fu[2012]No.22) State Council state-owned assets supervision and Administration Commission's approval "the reply of amending the actual controller of Nanjing Panda Electronics Co., Ltd." (Guo Zi Chan Quan [2012]No.158), and under the permission of China's Securities Regulatory Commission's approval "the reply of China Electronics Corporation announce acquisition report of Nanjing Panda Electronics Company Limited" (Zheng Jian Xu Ke [2012]No.770), Jiangsu Guoxin Investment Group Limited, Nanjing Xingang Development Corporation and Nanjing State-owned Assets Investment Management Holdings Co., Ltd. Transferred 21.59% shares, 22.07% shares and 4.32% shares respectively to Nanjing Electronics Information Industrial Corporation (shortened form "NEIIC") subsidiary of China Electronics Corporation (shortened form CEC). Panda Group completed the industrial and commercial registration of shareholders amendment on 21 December 2012. After the shares transferred, CEC held 70% shares of NEIIC, and NEIIC held 56.85% shares of Panda Group, as a result, CEC became the actual controller of Nanjing Panda Electronics Co., Ltd., with 51.10% shares of the Company.

On 19 April 2013, according to China Securities Regulatory Commission's approval (Zheng Jian Xu Ke [2013] No. 332), the Company was authorized to issue 258,823,529 ordinary shares (A shares) in RMB to no more than ten specific investors including Nanjing Electronic Information Industrial Corporation ("NEIIC") at a nominal value of RMB1.00 per share and a selling price RMB5.10 per share. The financed net value amounts to RMB 1,294,403,712.55, including an increase of share capital of RMB 258,823,529.00, an increase of capital reserve, RMB 1,035,580,183.55. The raised fund has been verified by Baker Tilly China Certified Public Accountants (Baker Tilly China) and the capital verification report Tian Zhi Hu QJ[2013] No.1907 was issued.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## I. Introduction to the Company (Continued)

The registered capital of the Company was RMB 913,838,529.00 after the alteration of the business registration on 26 November 2013.

Prior to the non-public offering, Panda Group, the controlling shareholder of the Company, held 334,715,000 of the Company's shares, with a shareholding ratio of 51.10%. After the non-public offering, Panda Group, that held 36.63% of the total shares, remains to be the controlling shareholder of the Company. NEIC, via holding 70.00% shares of CEC, remains the actual controller of the Company by holding 56.85% of the shares. After the non-public offering, controlling shareholder and actual controller's positions have not been changed.

The Financial Statements of the Company were approved by the Board of the Company on 28 March 2014.

## II. The declaration on compliance with the Accounting Standards for enterprises

The financial statements of the Company are prepared under the requirements of Accounting Standard for Business Enterprises issued by the ministry of Finance at 15 February 2006 and in all material respects, truly and completely present the financial position of the Company and the results of its operations and cash flow for the year then ended.

## III. Basis of preparation of financial statements

The Company's financial statements are prepared in accordance with the Basic Principle and 38 specific standards of Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006, Application Guidance of Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (hereafter referred to as "the Accounting Standard for Business Enterprises"), as well as "No. 15 Reporting Regulation on the information disclosure for public share offering companies - Ordinary Reporting Regulation".(revised in 2010)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period

### 1. Accounting period

Accounting periods are divided into annual periods (yearly) and interim periods. An interim period is a reporting period shorter than a full accounting year. Accounting year is the calendar year from 1 January to 31 December.

### 2. Measurement currency

The Company uses Ren Min Bi as its currency for recording transactions.

The subsidiaries of the Company decide their own recording currency according to their individual major economic environment. The currency will be converted to RMB in preparation of consolidated financial statements.

### 3. Principle of book-keeping and accounting measurement attribute

The book-keeping of the Company's account is conducted on an accrual accounting basis generally at historical cost. When the amount of accounting elements recognized conforms to the requirements of Accounting Standards for Business Enterprises and can be measured reliably, they can be calculated by replacement cost, net realizable value, present value and fair value.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 4. Recognition standard for cash equivalents

Cash equivalents as defined by the Company represent short-term, (usually with maturity within three months from the date of purchase) highly liquid investments which are easily converted into cash of the known amount with low valuation risk.

### 5. Foreign Currency businesses

#### (1) Foreign currency transaction

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot exchange rate at the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated at the balance sheet date using the spot exchange rate at the date of the transaction. The effect of changes in exchange rate on cash should be regarded as reconciling item and presented separately in the cash flow statement.

#### (2) Translation of Financial Statements Dominated in Foreign Currency

The foreign asset and liability items in the balance sheets shall be translated at the spot exchange rate on the balance sheet date. Among the owner's equity items, except "undistributed profits", other items shall be translated at the spot exchange rate when they are incurred. The foreign income and expense items in the income statements shall be translated at the spot exchange rate of the transaction date. The difference arising from the translation of foreign currency financial statements based on the aforesaid methods shall be presented separately under the owner's equity item in the balance sheets. Cash flows statements denominated by a foreign currency should be translated at the exchange rate at the date when the cash flows were generated. The effect of changes in exchange rate on cash should be regarded as a reconciling item and presented separately in the cash flow statement.

### 6. Financial Assets and Financial Liabilities *(Continued)*

#### (1) Classification and measurement of financial assets and financial liabilities

The Company classifies its financial assets into tradable financial assets, financial assets available for sale, receivables and investment held to maturity in terms of the goal of investment and economic nature. Among which tradable financial assets are calculated at fair value of which changes are included through profit and loss in the prevailing period, while financial assets available for sale are calculated at fair value of which changes are included in shareholder's equity. Receivables and investment held to maturity are calculated at amortized cost.

The Company classifies its financial liabilities into those measured at fair value through profit and loss and other financial liabilities measured at amortized cost with reference to economic nature.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 6. Financial Assets and Financial Liabilities (Continued)

#### (2) Recognition of fair value of financial assets and financial liabilities

For financial assets held or will be undertaken by the Company where there is an active market, the Company are quoted by adopting the prevailing offer in the active market. For financial assets to be acquired or financial liabilities to be undertaken are quoted by adopting the prevailing asking price in the active market. For those without prevailing offer or asking price, the market quotations in the latest transaction or those adjusted are adopted, unless there is clear evidence which states that the market quotations are not fair value.

For those without an active market, the Company will adopt the valuation technique to recognize its fair value. Valuation techniques include using the price adopted in recent market transactions between knowledgeable, willing parties, reference to the current fair value of other instrument that is substantially the same, discounted cash flow analysis and option pricing model.

#### (3) Transfer and Calculation of Financial Assets

Transfer of financial assets refer to a transfer or delivery of the financial assets from the Company will transfer or deliver to the counterparty other than their issuers in whole or in part, including two methods:

Transfer the rights for receiving cash flows from financial assets to another party;

Transfer financial assets to another party but reserve the rights of acquiring cash flows from the financial assets and undertake the obligations of paying the cash flows to be received to the ultimate payee.

When the Company has virtually transferred all risks and rewards arising from all or part of its ownership of the financial assets to the transferee, recognition of those financial assets will cease, while differences between the consideration and the carrying value of the financial assets so received are recognized as profit and loss. Meanwhile, accumulated profits or loss of the financial assets originally recognized in owners' equity are transferred to profit and loss, retaining all risks and rewards under the rights whilst continuing the recognition of all or part of the financial assets. Consideration received is recognized as financial liabilities.

For all risks and rewards under the ownership of the financial assets not yet transferred or retained by the Company, where the ownership of those financial assets have not yet been abandoned, recognition of the financial assets is to be conducted to the extent of their relation to the financial assets transferred, followed by corresponding recognition of the related liabilities.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 6. Financial Assets and Financial Liabilities *(Continued)*

#### (4) Cease of recognition of financial assets and financial liabilities

Recognition of the financial assets of the Company will cease when one of the terms in the following is fulfilled:

Contract rights of acquiring the cash flows from the financial assets are terminated.

The financial assets have been transferred in conformity with the conditions of cease of recognition stipulated under Accounting Standard for Business Enterprises No. 23.

Recognition of financial liabilities will only ceases or cease in part when current obligation arising from financial liabilities of the Company have been dissolved in whole or in part.

#### (5) Impairment of Financial Assets

Where the Company inspects the carrying value of financial assets other than tradable financial assets on the balance sheet date and there is objective evidence of impairment of financial assets, provisions for impairment are made. For separate material financial assets, impairment test needs to be conducted separately. If there is any objective evidence of impairment, impairment loss will be recognized through profit or loss. For financial assets of which separate amount is of minor significance and for those without ever incurring impairment as tested separately, the Company will conduct impairment test on the credit portfolio according to credibility of customers and the actual circumstances where bad debts were incurred over the years so as to recognize impairment loss.

Objective evidence supporting impairment on financial assets refers to the issues actually incurred upon initial recognition of financial assets, those posing an influence on the estimated future cash flows of financial assets, which can be reliably measured by enterprises.

Objective evidence of impairment on financial asset includes those listed as follows:

- A. Issuers or debtors encounter severe financial difficulties;
- B. Debtors violate terms of contract, such as a breach of rules or delay during settlement of interests or principal;
- C. Debtors give way to those under financial difficulty accounting on economic or legal reasons;
- D. Debtors may go into liquidation or conduct other financial reorganization;
- E. Transaction of the financial assets ceases in the active market as the issuer encounters great financial difficulties;

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 6. Financial Assets and Financial Liabilities (Continued)

#### (5) Impairment of Financial Assets (Continued)

- F. Any reduction in cash flow of certain assets among a group of financial assets cannot be identified, while it is discovered that the estimated future cash flow of the financial assets has been reduced and can be measured since initial recognition after an overall evaluation based on disclosed information. If the repayment capability of the debtor of the group of financial assets gradually deteriorates, unemployment rate of the country or region where the debtor is staying increases, prices in regions where collaterals are provided significantly decrease or an industry sentiment turns unfavorable;
- G. Significant and adverse changes have taken place in the technological, market, economic or legal environments in which the debtor operates, making investors of equity instruments difficult to recover the investment cost;
- H. Substantial or non-temporary reduction of the fair value of investment on equity instruments;
- I. Other objective evidence showing signs of impairment on financial assets.

When an impairment of financial assets calculated at amortized cost incurs, impairment loss are calculated on basis of the differences between the present value of estimated future cash flows discounted at carrying value and that discounted by the original actual interest rate.

Upon recognition of the impairment loss on financial assets at amortized cost, if there is objective evidence showing that the value of the financial assets has been restored which objectively relates to the events incurred upon the recognition of loss, the impairment loss initially recognized will be reversed through profit and loss, yet the carrying value so reversed will not exceed the amortized cost of the financial assets on the date of reversal as if no provision for impairment has been made.

The Company performs individual inspection of the impairment of the available-for-sale equity instruments as at the balance sheet date. If the fair value of the investments in equity instruments as at the balance sheet date is less than its initial investment cost by more than 50% (including 50%) or below the initial investment cost by more than one year (including one year), it indicates that the impairment occurs. If the fair value of investments in equity instruments as at the balance sheet date is lower than its initial investment cost by over 20% (20%) but less than 50%, other relevant factors will be taken into account, such as price volatility, etc., to determine whether the impairment of investments in equity instruments occurs. The Company records the initial investment cost of the available-for-sale equity instruments by using weighted average cost method.



# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 6. Financial Assets and Financial Liabilities *(Continued)*

#### (5) Impairment of Financial Assets *(Continued)*

If the fair value of the available-for-sale financial assets declines significantly or after consideration of all relevant factors, the decline is not temporary; an impairment loss shall be recognized. The accumulated loss recognized directly in equity shall be transferred out and recorded in impairment loss.

### 7. Receivables

Receivables include accounts receivables, prepayments and other receivables. Accounts receivables arising from sales of goods or rendering services are initially recognized at fair value by the Company in accordance with the contract or agreement with the customers.

Receivables that are individually significant are subject to individual impairment assessment (the criteria of individually significant refers to the single amount accounting for 5% or more of the closing balances or the amount over RMB5 million). If there is objective evidence that the Group will not be able to collect the full amounts according to the original terms, a provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

For receivables that are not individually significant, a provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

### 8. Inventories

#### (1) Classification of Inventories

Inventories of the Company include raw materials, packaging materials, low-value consumables, work in progress, commodities, sub-contracting materials, consigned commodities and delivered commodities.

#### (2) Measurement method for inventories received and delivered

Inventories received are initially recorded at their cost. The cost of inventories comprises all costs of purchase, costs of conversion and other costs. Weighted average method is adopted when the inventories are used or delivered.

#### (3) Circulation materials shall be one-off amortized in cost expense when using.

#### (4) The Company adopts perpetual inventory record system.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 8. Inventories (Continued)

- (5) Recognition scope and provision methods for impairment provision of inventory.

On each balance sheet date, the Company's inventories are stated at the lower of cost or net realizable value. Provision for diminution in value is made and charged to the current profit and loss by the Company for those inventories of which the expected carrying value is higher than their net realizable value as a result of being rotted or deteriorated, the declining market price of the inventories and failing to recover in the foreseeable future, being wholly or partly obsolete, product upgrading and evolving, etc. Provision for diminution in value of inventories is provided on a standalone basis.

Net realizable value is the estimated selling price of inventories less the estimated costs to completion and the estimated expenses and the related taxes necessary to make the sale. For the direct saleable commodity inventories, their net realizable value is determined by the amount of estimated selling price of inventories less estimated sale expense and related tax; for material inventories, net realizable value is the estimated selling price of finished goods less the estimated costs to completion and the estimated expenses and the related taxes necessary to make the sale; for inventories held for performing sale or labor contracts, net realizable value is calculated based on contractual price. Where the quantity of the Company's inventories exceeds that ordered under sale contract, the net realizable value of the surplus inventories is calculated based on general selling price.

Net realizable value of inventories is recognized on each balance sheet date. Should the factors causing any write-down of the inventories do not exist anymore, the amount of write-down will be recovered and be reversed from the provision for diminution in value of inventories that has been made. The reversed amount will be included in the current profits and losses.

### 9. Long-term equity investment

Long-term equity investment mainly include the equity investment that is able to exercise control, joint control or has significant influences over the investees, or the equity investment that does not do joint control nor have significant influences on the investees and has no offer in the active market, with a fair value which cannot be reliably measured.

- (1) Basis for confirmation of joint control or significant influences
- A. Joint control is the contractually agreed sharing of control over an economic activity. Basis for confirmation of joint control include: Any party to the joint venture shall not separately control production and operation activities of the joint venture; the decision concerning the elementary operation activities of the joint venture need unanimous consent from all parties to the joint venture.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 9. Long-term equity investment *(Continued)*

#### (1) Basis for confirmation of joint control or significant influences *(Continued)*

B. Significant influence is the power to participate in the financial and operating policy decisions of an enterprise, but to fail to control or joint control the formulation of such policies together with other parties. Basis for confirmation of significant influence mainly include: when the Company directly or indirectly hold through subsidiaries 20%(inclusive) or above but less than 50% shares with voting rights, it will be recognized as having significant influence on the investees, except that there are clear evidences showing it cannot participate the production and operation decision of the investees thus constituting no significant influence; when the Company hold 20% (exclusive) below shares with voting rights of the investees, it generally will be recognized no significant influence on the investees. It can be recognized as having significant influence on the investees should the following conditions be satisfied:

- A. Having representatives in the board of directors of investees or equivalent governing body;
- B. Participating in the policy making process of investees;
- C. Significant transactions occurred with investees;
- D. Dispatching management staff to investees;
- E. Providing key technology information to investees.

#### (2) Measurement of long-term equity investment

For long-term equity investment acquired by merger of business, the Company will recognize its cost based on the following methods:

For the merger of enterprises under the same control, with payment of cash, transfer of non-cash assets or bearing debt as the consideration of the merger, the initial cost of the long-term equity investment shall be recognized at the share of the book value of the owner's equity of the merged enterprise. The difference between the cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the cost of the long-term equity investment will be recognized at the share of the book value of the owner's equity of the merged enterprise on the date of merger. With the total face value of the shares issued as share capital, the difference between the cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 9. Long-term equity investment (Continued)

#### (2) Measurement of long-term equity investment (Continued)

For the merger of enterprises under the same control in stages, the initial cost of the investment shall be recognized based on the proportion of the ownership interests of the combined party as at the merger date. The differences between the initial investment cost, primary book value of the long-term investment and the fair value of the further consideration paid to achieve the business combination should be adjusted to the capital surplus (capital premium or share capital premium). If the capital reverse is not adequate to offset, an adjustment shall be made to the retained earnings.

For the merger of enterprises not under same control, the cost of the long-term equity investment will be recognized at the merger cost as determined in accordance with the Accounting Standards for Enterprises No. 20 - Merger of Enterprises.

Besides the long-term equity investments formed by the merger of enterprises, the cost of a long-term equity investment acquired by other means shall be recognized in accordance with the provisions as follows:

- A. The cost of a long-term equity investment acquired by payment of cash shall be recognized at the actual purchase cost.
  - B. The cost of a long-term equity investment acquired by issue of equity securities shall be recognized at the fair value of the equity securities issued;
  - C. The cost of a long-term equity investment invested as an investor shall be recognized at the value stipulated in the investment contract or agreement, other than the unfair value stipulated in the contract or agreement;
  - D. The cost of a long-term investment acquired by the exchange of non-monetary assets shall be recognized in accordance with the Accounting Standards for Enterprises No. 7 - Exchange of Non-monetary Assets.
  - E. The cost of a long-term equity investment acquired by debt restructuring shall be recognized in accordance with Accounting Standards for Enterprises No. 12 - Debt Restructuring.
- (3) Subsequent measurement method and recognition methods of investment income of long-term equity investment
- A. Long-term equity investments that are accounted for using cost method include: long-term equity investments that can exercise control over the investee; long-term equity investment without control or joint control or significant influence over the investee, without quotation in the active market and whose fair value cannot be measured reliably.

Long-term equity investments accounted for using cost method are measured based on initial investment cost, adjusted according to addition or disposal of investment. Cash dividends or profit distribution are recognized as investment gain when they are declared by investees.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 9. Long-term equity investment *(Continued)*

(3) Subsequent measurement method and recognition methods of investment income of long-term equity investment *(Continued)*

- B. Long-term equity investment with joint control or material impact on the investee is accounted for using equity method. The cost of long-term equity investment which is greater than its share of fair value of the investee's identifiable net assets is stated without adjustment. The shortfall of the cost from its share of fair value of the investee's identifiable net assets is credited to the current profit and loss account against the cost of the long-term equity investment. The fair value of the investee's identifiable net assets is determined in accordance with the Accounting Standards for Business Enterprises No. 20 - Enterprise Merger.

Upon acquiring long-term equity investment by the Company, it shall, in accordance with the attributable share of the net profits or losses of the investee, recognize the investment profits or losses and adjust the book value of the long-term equity investment. The book value of long-term equity investment is reduced by the Company based on its share of the investee's profit or cash dividends as declared.

The net loss from the investment in investee is reorganized to the extent that the book value of the long-term equity investment and other long-term interest in substance in the investee are written down till nil, unless the Company is under an obligation to bear additional loss. In the event that net profit is recorded by the investee in the future, recognition of the Company's share of the investee's net profit may be resumed after recovering its share of unrecognized loss.

The Company's share of the investee's net profit and loss is recognized based on the fair value of identifiable assets of the investee upon acquisition of the investment, subject to an adjustment to the investee's net profit. The Company will recognize investment income based on the carrying amount of net profit of the investee should the following conditions are satisfied:

- a. The Company cannot reasonably ascertain the fair value of identifiable net assets of the investee upon acquisition of the investment.
- b. The difference between the fair value and carrying value of identifiable net assets of the investee is not significant when the investment is made.
- c. The relevant information on the investee cannot be acquired due to other reasons and an adjustment cannot be made for net profit and loss of investee according to regulations.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 9. Long-term equity investment (Continued)

- (3) Subsequent measurement method and recognition methods of investment income of long-term equity investment (Continued)

The financial statements of the investee are subject to adjustment where there is a difference in the accounting policies and accounting periods adopted by the investee with those of the Company in accordance with the latter, upon which the investment gain or loss from the investment is recognized. Changes in shareholders' equity other than the share of the investee's net profit and loss are accounted for with an adjustment to the book value of the long-term equity investment and included into shareholders' equity, and the portion previously included in the owner's equity shall be transferred to the current profits and losses according to a certain proportion.

### 10. Investment Properties

Investment property is held to earn rentals or for capital appreciation or both. Investment properties of the Company include leased land use rights; land use rights held for sale after appreciation; leased buildings.

- (1) Recognition of Investment properties

No investment property shall be recognized unless it meets the following requirements simultaneously:

- A. The economic benefits pertinent to this investment property are likely to flow into the enterprise;
- B. The cost of the investment property can be reliably measured.

- (2) Initial measurement of the investment property

- A. The cost of a purchased investment property consists of the purchase price, relevant taxes, and other expenses directly related to the asset.
- B. The cost of a self-built investment property shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.
- C. The cost of an investment property obtained by other means shall be recognized in accordance with the relevant accounting standards.
- D. Subsequent expenditures related to an investment property shall be included to the cost of the investment property if they meet the recognition conditions for investment property; otherwise, if they fail to meet the recognition conditions, they shall be included in the current profits and losses upon occurrence.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 10. Investment Properties (Continued)

#### (3) Subsequent measurement of the investment property

The cost method is adopted by the Company for subsequent measurement of investment property measurement on the date of the balance sheet. According to relevant regulations of Accounting Standards for Enterprises No. 4 - Fixed Assets and Accounting Standard for Business Enterprises No. 6 - Intangible Assets, the Company shall make amortization based on straight-line method over the expected useful life or make provision for investment property.

#### (4) Conversion of the investment property

Where the Company has well-established evidence to indicate that the purpose of the property has changed, it shall convert the investment property to other assets or vice versa. The book value of the property prior to the conversion shall be entry value after conversion.

### 11. Fixed Assets

#### (1) Recognition scope of fixed assets

Fixed assets are tangible assets that are held for using in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives more than one accounting year. No fixed asset shall be recognized unless it meets the following requirements simultaneously:

- A. The economic benefits pertinent to the fixed asset are likely to flow into the enterprise;
- B. The cost of the fixed asset can be measured reliably.

#### (2) Initial measurement of fixed asset

Fixed assets are measured initially at cost.

- A. The cost of a purchased fixed asset consists of the purchase price, the relevant taxes, freights; loading and unloading fees, professional service fees and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

Where the payment for a fixed asset is delayed beyond the normal credit conditions, which is equivalent to financing in nature, the cost of fixed assets shall be recognized on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized in accordance with the Accounting Standards No. 17 - Borrowing Costs.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 11. Fixed Assets (Continued)

#### (2) Initial measurement of fixed asset (Continued)

- B. The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.
- C. The cost invested to a fixed asset by the investor shall be ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement.
- D. Subsequent expenses related to fixed assets that are qualified for recognition of fixed assets (such as for renovation) are capitalized in cost of fixed assets, where the carrying amount of the replaced part, if any, is deducted. Expenses that are not qualified for recognition of fixed assets (such as for repair costs related to fixed assets) are recognized based on the amount incurred and charged to the current profit and loss... Improvement expenses on fixed assets leased by way of operating leasing are capitalized as long-term deferred expenses and amortized on a reasonable basis.
- E. The costs of fixed assets acquired through the exchange of non-monetary assets, debt restructuring, merger of enterprises, and financial leasing shall be respectively ascertained in accordance with the Accounting Standards No. 7 - Exchange of Non-monetary Assets, Accounting Standards for Enterprises No. 12 - Debt Restructuring, Accounting Standards for Enterprises No. 20 - Merger of Enterprises and Accounting Standards for Enterprises No. 21 - Leases.

#### (3) Categories of fixed assets

The fixed assets of the Company include buildings, machine equipment, transportation equipment, electronic equipment and other equipment.



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 11. Fixed Assets (Continued)

#### (4) Depreciation of Fixed assets

- A. Recognition of the depreciation methods and estimated useful life, estimated residual value and depreciation rate: Fixed assets shall be depreciated by straight-line method. The categories of fixed assets, useful life, estimated residual value and depreciation rate are as follows:

Categories of fixed assets	Estimated useful life (year)	Estimated residual value (%)	Depreciation rate (%)
Buildings	20-30	5	3.17-4.75
Machine equipment	5-11	3-5	8.64-19.40
Transportation equipment	5-10	3-5	9.50-19.40
Electronic equipment	3-7	3-5	13.57-32.33
Other equipment	5	3-5	19.00-19.40

Depreciation method for fixed assets with provision for impairment: A fixed asset with provision for impairment is depreciated based on its costs less estimated residual value, the depreciation made and provision for impairment over its remaining useful life.

- Fixed asset that has reached its intended use but before the final account for completed project is stated at cost and depreciated based on estimated value, which will be adjusted based on actual cost upon the final account for completed project without adjustment to the depreciation already made.
- Review of useful life estimated net residual value and depreciation method for fixed assets: The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end, any change of which is accounted for as a change in an accounting estimate. The useful life of fixed assets is subject to adjustment based on the change, if any, as compared to the original estimate. The estimated net residual value is subject to adjustment based on the change, if any, as compared to the original estimate. The depreciation method applied is subject to change where there arises a significant change in the expected realization mode of economic benefit related to the fixed assets.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 11. Fixed Assets (Continued)

#### (5) Treatment of subsequent expenses related to fixed assets

Subsequent expenses related to fixed assets mainly include repair expense, renovation expense, repair costs, decoration expenses and so on that incur in the course of use of fixed assets. In accounting, subsequent expenses related to fixed assets that are qualified for recognition of fixed assets (such as for renovation) are capitalized in cost of fixed assets, where the carrying amount of the replaced part, if any, is deducted. Expenses that are not qualified for recognition of fixed assets (such as for repair costs related to fixed assets) are recognized based on the amount incurred and charged to the current profits and losses. Decoration expenses related to fixed assets that are qualified for recognition of fixed assets are accounted for in a separate subsidiary account under "Fixed assets", and are depreciated separately on a straight-line basis over the lower of the period between two decorations and the remaining useful life of fixed assets.

Improvement expenses on fixed assets leased by way of operating leasing are capitalized as long-term deferred expenses and amortized on a reasonable basis.

#### (6) Fixed assets acquired under finance leases

##### A. Recognition basis for fixed assets acquired under finance leases

Where a lease satisfies one or more of the following criteria, it shall be recognized as finance lease:

- a. The ownership of the leased asset is transferred to the lessee when the term of lease expires.
- b. The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option is exercised. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised by the Company.
- c. Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset (generally refers to 75% or above).
- d. In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value (generally refers to 90% or above, the same as follow) of the leased asset on the lease beginning date; in the case of the lesser, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.
- e. The leased assets are of a specialized nature that only the Company (the lessee) can use them without making major modifications.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 11. Fixed Assets *(Continued)*

#### (6) Fixed assets acquired under finance leases *(Continued)*

##### B. Measurement method for fixed assets acquired under finance leases

On the lease beginning date, the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date will be recorded as the entry value of leased assets, while the amount of the minimum lease payments will be recognized as the entry value of long-term account payable, the difference between them will be recognized as unrecognized financing costs. The initial direct costs such as commissions, attorney's fees, travelling expenses, stamp duties attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement (the same below) shall be recorded in the asset value of the current period. When a lessee calculates the present value of the minimum lease payments, if it can obtain the lessor's interest rate implicit in the lease, it shall adopt the interest rate implicit in the lease as the discount rate. Otherwise, it shall adopt the interest rate provided in the lease agreement as the discount rate. In case the lessee cannot obtain the lessor's interest rate implicit in the lease and no interest rate is provided in the lease agreement, the lessee shall adopt the borrowing interest rate of the bank for the same period as the discount rate.

The lessee shall adopt the effective interest rate method to calculate and recognize the financing charge in the current period.

The Company adopts depreciation policies for leased assets consistent with those of self-owned fixed assets for the purpose of calculating the depreciation of a leased asset. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

##### C. Depreciation method for fixed assets acquired under finance leases

In calculating the depreciation of a leased asset, the Company should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the Company. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 12. Construction in progress

Construction in progress is categorized by projects and measured at actual cost. The actual cost comprises construction costs and other costs necessarily incurred to bring construction to get ready for its intended use. Borrowing costs that are eligible for capitalization are capitalized as part of the cost of assets until the assets are ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. If a constructed fixed asset has reached the working condition for its intended use but the final project accounts have not been completed and approved, it will be accounted for at estimated value. An adjustment shall be made upon actual cost is determined.

### 13. Intangible assets

#### (1) Recognition scope of intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. No intangible asset shall be recognized unless it meets the following requirements simultaneously:

- A. Meet the definition of intangible assets;
- B. The economic benefits pertinent to the assets are likely to flow into the Company;
- C. The cost of the asset can be measured reliably.

#### (2) Initial measurement of intangible assets

Intangible assets are measured initially at cost. Actual cost is determined according to following principles:

- A. The cost of purchased intangible assets shall include the purchase price, relevant taxes another necessary expenditure directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is equivalent to financing in nature, the cost of intangible assets shall be determined on the basis of the present value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized in accordance with the Accounting Standards No. 17 - Borrowing Costs.
- B. The cost invested to an intangible asset by the investor shall be ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 13. Intangible assets *(Continued)*

#### (2) Initial measurement of intangible assets *(Continued)*

##### C. The cost of self-developed intangible assets

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase. Expenditure in research stage was recorded in the profit and loss of the current period at occurrence. Expenditure in research stage will be recognized as intangible assets should they satisfy the following conditions simultaneously:

- a. It is feasible technically to complete such intangible assets for use or sale;
- b. It is intended to complete, use or sell the intangible assets;
- c. The methods for intangible assets to generate economic benefits include being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself. Should the intangible assets be used internally, its usefulness shall be approved:
- d. There are sufficient technologies, financial resources and other resources supporting the development of the intangible assets. And the Company is able to use or sell such intangible assets;
- e. The expenses in the development phase of the intangible assets can be reliably measured.

The cost of self-developed intangible assets shall include the total expenditures incurred during the period from the time when it meets the provisions for Recognition of intangible assets to the time when the expected purposes of use are realized, except that the expenditures which have already been treated prior to the said period shall not be adjusted.

- D. The costs of intangible assets acquired from non-monetary assets transaction, debt restructurings, government subsidies, and merger of enterprises shall be determined respectively according to the Accounting Standards for Business Enterprises No. 7 - Exchange of non-monetary assets, Accounting Standards for Business Enterprises No. 12 - Debt Restructurings, Accounting Standards for Business Enterprises No. 16 - Government Grants and Accounting Standards for Business Enterprises No. 20 - Merge of Enterprises.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 13. Intangible assets (Continued)

#### (3) Subsequent measurement of intangible assets

The Company shall analyze and judge the service life of intangible assets upon acquiring it. As for the intangible assets with limited service life, the Company shall estimate its service life, or the amount of the output or any other similar measurement unit, which constitutes its service life. If it is unable to forecast the period when the intangible asset can bring economic benefits to the Company, it shall be regarded as an intangible asset with an indefinite useful life. As at the end of the year, the Company has no intangible assets with an indefinite useful life.

With regard to intangible assets with definite useful life, its amortization amount shall be amortized within its useful life systematically and reasonably. The estimated useful life and amortization method should be adjusted at the end of each year regarding the intangible assets with indefinite useful life. The Company adopted straight-line method for amortization.

The reasonable amortization amount of intangible assets shall be its cost minus the expected residual value. For intangible assets with an impairment provision, the accumulative amount of impairment provision shall be deducted from the cost as well. Amortized amount of intangible assets shall be included into current profits and losses.

### 14. Assets held for sale

The non-current asset shall be recognized as held for sale assets when it meets the following requirements simultaneously:

- A. The Company has determined to dispose it;
- B. The Company has entered into an irrevocable transfer agreement with the transferee;
- C. It is highly probable that the transfer will be completed within one year.

With regard to fixed assets held for sale, the expected net residual value of the asset is adjusted to reflect the amount of its fair value deducted by disposal costs (but not to exceed the original book value when the asset meets the requirements as assets held for sale). If the former is higher than the adjusted book value of expected net residual value, the difference shall be recognized as asset impairment loss in profit or loss.

Intangible assets and other assets meeting the requirements above shall be recognized as held for sale assets as well.

### 15. Goodwill

Goodwill refers to the excess of merger costs over the fair value of the identifiable net assets acquired from the acquiree during the merger of enterprises not under same control. The goodwill upon initial measurement shall be measured on the basis of its costs minus the accumulative impairment loss and shall not be amortized and conduct impairment test at the end of the period.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 16. Long-term prepaid expenses

Long-term prepaid expenses refers to expenses occurred but shall be amortized over the current period and subsequent periods with amortization period over 1 year (excluding 1 year). Long-term prepaid expenses is accounted for at actual expense, and amortized evenly over the benefit period. And it shall be presented as the net value of the actual expenditure less the accumulated amortization. If the long-term deferred expense cannot benefit from all the subsequent accounting period, the remained value which has not been amortized shall be recorded into the current income statement.

### 17. Impairment of Assets

(1) Impairment of assets mainly involve long-term equity investment (excluding the long-term equity investment which does not exercise joint control nor have significant influences on the investee, and has no quotation in the active market and whose fair value cannot be reliably measured), investment properties (excluding investment properties measured at fair value), fixed assets, construction in progress, intangible assets (excluding capitalized development expense) and goodwill, etc.

(2) Recognition of Assets with Potential Impairment

The Company shall, on the balance sheet date, make a judgment on whether there is any sign of possible assets impairment. No matter whether there is any sign of possible assets impairment, goodwill acquired in the merger of enterprise and intangible assets with indefinite useful period shall be made impairment test at each year-end. There may be an impairment of assets when one of the following signs occurs:

- A. The current market price of assets falls significantly, beyond the expectation based on the advance of time or normal use;
- B. Significant changes have taken place or will take place in the near future in the economic, technological or legal environment in which the Company operates or in the market in which the fixed assets is located, thus exerting an adverse effect on the enterprise;
- C. Market interest rates or any other investment return rate have increased significantly during the period, thus affecting the discount rate used in calculating the asset's the present value of the expected future cash flows and resulting in a material decrease in the fixed asset's recoverable amount;
- D. Any evidence shows that the assets have become obsolete or physical damage occurred;
- E. The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- F. Any evidence in the internal report of the Company shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount, etc.;
- G. Other circumstances indicate that the asset may have been impaired.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 17. Impairment of Assets (Continued)

#### (3) Measurement of Recoverable Amount of Assets

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined as the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

#### (4) Recognition of Asset Impairment Losses

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as asset impairment loss through the current profits and losses. Meanwhile, a provision for the asset impairment shall be made accordingly. Upon the reorganization of asset impairment loss, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net residual value) within the remaining service life of the asset. Any impairment loss recognized shall not be reversed in subsequent accounting periods.

#### (5) Where there is any evidence indicating a possible impairment of assets, the Company shall estimate the recoverable amount based on single asset.

#### (6) Impairment of goodwill

For goodwill formed by merger of enterprises, the Company shall carry out an impairment test at least at the end of each year. The goodwill shall, together with the related asset group or sets of asset group, be subject to the impairment test. For the purpose of impairment test of assets, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill, and treat them according to provisions of assets group impairment hereof.



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 18. Borrowing Costs

#### (1) Recognition Principles for Borrowing Cost Capitalization

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- A. Capital expenditure has been incurred.
- B. The borrowing costs have been incurred.
- C. It has commenced the acquisition and construction or production activities which enable the assets reach the working condition for its intended use or sale.

#### (2) Period of Capitalization of Borrowing Cost

The period of capitalization refers to the period starting from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

Where acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended by the Company. The borrowing costs incurred during these periods shall be recognized as expenses for the current period until the acquisition, construction or production of a qualifying asset is resumed. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

Capitalization of borrowing cost shall be ceased when acquisition, construction or production of the qualifying asset has prepared for its intended use or sale. The borrowing costs incurred after the qualifying asset is ready for the intended use or sale shall be charged to current profit or loss when incurred.

#### (3) Measurement method for the amount of borrowing cost capitalization

During the period of capitalization, the to-be-capitalized amount of interests (including the amortization with discounts or premiums) in each accounting period shall be determined according to the following provisions:

- A. As for the specific borrowings for the acquisition and construction or production of assets qualifying for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred on the current specific borrowings minus the income of interests earned from the unused borrowings by depositing it in the bank or investment income from such borrowing by making it as a temporary investment.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 18. Borrowing Costs (Continued)

#### (3) Measurement method for the amount of borrowing cost capitalization (Continued)

- B. Where a general borrowing is used for the acquisition and construction or production assets qualifying for capitalization, the Company shall calculate and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average value of the accumulative expenditures to asset minus the specific borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium for the borrowings, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined based on the effect interest method and an adjustment shall be made to the amount of interests in each period. During the period of capitalization, the to-be-capitalized amount of interests during each accounting period shall not exceed the amount of interest actually incurred for the relevant borrowings in the current period.

For the ancillary expense incurred to a specifically borrowed loan, those incurred before acquisition, construction or production of the qualifying asset has prepared for its intended use or sale, it shall be capitalized based on the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization. Those incurred after acquisition, construction or production of the qualifying asset has prepared for its intended use or sale, shall be recognized as expenses based on the incurred amount when they are incurred, and shall be recorded into the current profit and loss. The ancillary expenses arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the current profit and loss.

### 19. Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds, compensation for employee demission and other expenditures incurred in exchange for service rendered by employees. Save as above, the Company has no other significant employee benefits commitment.

Employee benefits are recognized as a liability in the accounting period in which an employee has rendered service, and as costs of assets or expenses to whichever the employee service is attributable.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 19. Employee benefits (Continued)

#### (1) Social security contributions, housing funds

In accordance with relevant Chinese laws and regulations, the Company and its subsidiaries are engaged in the social security system established by government agencies, and pay the basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance and other social insurance and housing fund for the employees according to the base and proportion stipulated by the state. These contributions to social insurance and housing fund in accordance with the accrual basis of assets shall be recorded in cost of asset or current profit or loss.

#### (2) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company shall record the accrued liabilities in the current profit when it meets the following requirement simultaneously:

- A. The Company or its subsidiaries have developed a formal plan on termination the labor relations or employees' decision to accept voluntary redundancy, which will be implemented.
- B. The Company or its subsidiaries cannot unilaterally withdraw the plan on termination of the labor relations or voluntary redundancy.

Terminations which are completed within a year while the compensation (including retirement plans) implementing more than 1 year, shall be discounted by the same term treasury bill rate and the discounted amounts are measured in the current profit. The difference between the discounted amounts and the actual termination benefits, shall be treated as financing charges and recorded in financing expense in subsequent financial year.

### 20. Share-based Payments

#### (1) The Equity-settled Share-based Payments

- A. The equity-settled share-based payment in return for employee services or similar services provided by other party shall be measured at the fair value of the equity instruments granted to the employees and other party.
- B. As to an equity-settled share-based payment in return for services of employees or similar services provided by other party, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 20. Share-based Payments (Continued)

- (1) The Equity-settled Share-based Payments (Continued)
  - C. The Company shall, after the exercise date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been recognized.
  - D. On the exercise date, the Company shall, based on the number of the equity instruments actually exercised, calculate and determine the amount to be transferred in the paid-in capital or share capital, and transfer it into the paid-in capital or share capital.
- (2) The Cash-settled Share-based Payments
  - A. The cash-settled share-based payments are measured at the fair value of liabilities born by the Company.
  - B. As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly.
  - C. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.
  - D. Subsequent Measurement
    - a. If, on the balance sheet date, the subsequent information indicates that fair value of the current liability undertaken by the Company are different from the previous estimates, an adjustment shall be made and on the exercise date the estimate shall be adjusted to equal the actually exercisable right.
    - b. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 21. Provisions

Provisions for product warranties, onerous contracts are recognized when the Company has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency such as the risks, uncertainties and the time value of money shall be taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 22. Revenue

#### (1) Recognition method for the revenue from selling goods

No revenue from selling goods may be recognized unless the following conditions are met simultaneously:

- A. The major risks and rewards attached to ownership of the goods have been transferred to the buyers by the Company;
- B. The Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods;
- C. A reliable measurement can be made to the amount of the revenue;
- D. The relevant economic benefits are likely to flow into the Company;
- E. A reliable measurement can be made to the relevant costs incurred or to be incurred.

#### (2) Recognition method for the provision of service

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the provision of labor services, it shall recognize the revenue from provision of services employing the percentage-of-completion method. The Company ascertained the completion schedule of transaction concerning the provision of labor services according to the proportion of the labor services provided against the total labor services to be provided.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 22. Revenue (Continued)

#### (2) Recognition method for the provision of service (Continued)

If the Company cannot, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the provision of labor services, it shall be treated as follows, respectively:

- A. If the cost of labor services incurred is expected to be compensated, the revenue from the provision of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount.
- B. If the cost of labor services incurred is not expected to be compensated, the cost incurred should be included in the current profit and loss, and no revenue from the provision of labor services may be recognized.

#### (3) Recognition method for the revenue from an alienating use right of assets

Recognition Principles for the revenue from an alienating use right of assets

The revenue from an alienating use right of assets consists of interest revenue and royalty revenue. It may not be recognized unless the following conditions are met simultaneously:

- A. The relevant economic benefits may flow into the Company;
- B. A reliable measurement can be made to the amount of the revenue.

Specific recognition method

- A. The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Company's cash is lent and the actual interest rate.
- B. The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 23. Construction Contract

- (1) If the outcome of a construction contract can be estimated in a reliable way, the contract revenue and contract costs shall be recognized in light of the percentage-of-completion method on the date of the balance sheet. The term "percentage-of-completion method" means a method by which the contractor recognizes its revenues and costs in the light of the schedule of the contracted project. The Company ascertained the completion schedule of a contract project according to the proportion of the completed contract work against the expected total contract work.

The outcome of a fixed price contract can be estimated in a reliable way subject to the following basis: The total contract revenue can be measured in a reliable way; The economic benefits pertinent to the contract are likely flow into the Company; The actual contract costs incurred can be clearly distinguished and measured reliably; Both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way.

The outcome of a cost plus contract can be estimated in a reliable way subject to the following basis: The economic benefits pertinent to the contract are likely flow into the Company; the actual contract costs incurred can be clearly distinguished and can be measured in a reliable way.

- (2) If the outcome of a construction contract cannot be estimated in a reliable way, it shall be treated in accordance with the circumstances as follows, respectively: If the contract costs can be recovered, the contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be acknowledged as contract expenses in the current period when they are incurred; If the contract costs cannot be recovered, it shall be recognized as contract expenses when incurred and no contract revenue shall be recognized.
- (3) If the expected total contract costs exceed the total contract revenue, the expected loss shall be recognized as a current expense. If the contract is in executing, the balance shall be recognized as impairment provision for inventories. If the loss contract is to be executed, the balance shall be recognized as estimated liabilities.

### 24. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company for free, including tax refunds, financial subsidies, etc.

Government grants are recognized only when the Company can meet the requirements attached to the grants and the Company will receive the grants. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 24. Government Grants (Continued)

- (1) Standards distinguished about government grants related to an asset and government grants related to income.

Government grant related to assets refers to those that the Company acquired and should be used to purchase or construct long-term assets. Grant related to income is a government grant other than those related to assets.

If the subsidy objects are not clearly defined in the relevant documents, the government grants shall be regarded as grants related to income, such as entity subsidies, bonuses, and other entity support funds, which is recognized as a reward for past achievements. If the nature of the government grant is comprehensive, it shall be broken down into portions associated with the assets and income-related, and they shall be treated respectively.

- (2) Amortization method of deferred income and confirmation method of amortization period related to government grants.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

### 25. Exchange of Non-monetary Assets

- (1) The fair value of the assets and relevant payable taxes shall be regarded as the transaction cost, and the difference between the fair value and the carrying value of the asset surrendered shall be recorded into the profit or loss of the current period.

A. Non-monetary assets shall be recognized and measure, where a non-monetary assets transaction satisfies the following conditions at the same time:

- a. The transaction is commercial in nature;
- b. The fair value of the assets received or surrendered can be measured reliably.

B. Selection of fair value: If the fair value of both the assets received and surrendered can be reliably measured, the fair value of the assets surrendered shall be the basis for the determination of the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable.



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 25. Exchange of Non-monetary Assets (Continued)

- (1) The fair value of the assets and relevant payable taxes shall be regarded as the transaction cost, and the difference between the fair value and the carrying value of the asset surrendered shall be recorded into the profit or loss of the current period. (Continued)
  - C. Treatment when a boot incurred: where a boot is caused when the Company treats the fair value and relevant payable taxes as the cost of the assets received, the boot shall be accounted for according to the following circumstances, respectively: the Company, which pays the boot, shall record the difference between the cost of the assets received and the sum of the carrying value of the assets surrendered plus the paid boot and relevant payable taxes into the profit or loss of the current period; the Company, which receives the boot, shall record the difference between the costs of the assets received plus the received boot and the carrying value of the assets surrendered plus relevant payable taxes into the profit or loss of the current period.
- (2) Where any non-monetary assets transaction does not meet such conditions at the same time, the carrying value and relevant payable taxes of the assets surrendered shall be the cost of the assets received and no profit or loss is recognized.

Where a boot is caused when the Company treat the carrying value of the surrendered assets and the relevant payable taxes as the cost of the received assets, the boot shall be accounted for according to the following circumstances, respectively: the Company, which pays the boot, shall treat the result of the carrying value of the assets surrendered plus the paid boot and relevant payable taxes as the cost of the assets received, and no profit or loss may be recognized. The Company, which receives the boot, shall treat the result of the carrying value of the assets surrendered minus the received boot and plus relevant payable taxes as the cost of the assets received, and no profit or loss may be recognized.

### 26. Debt Restructuring

- (1) Definition and scope of debt restructuring

The term "debt restructuring" refers to an event in which the terms of a debt are given in as a result of a mutual agreement between a debtor and a creditor or a judgment of a court when the debtor gets into a financial problem.
- (2) Accounting treatment of debtors
  - A. When a debt is liquidated by cash, the debtor shall include the difference between the book value of the debt to be restructured and the actual cash payment into the current profits and losses. When a debt is liquidated by a non-cash asset, the debtor shall include the difference between the book value of the debt to be restructured and the fair value of the non-cash asset transferred into the current profits and losses. The difference between fair value of the non-cash asset transferred and its book value shall be included in the current profits and losses. When a debt is converted into capital, the debtor shall recognize the total par value of shares, to which the creditor becomes entitled for waiver of the credit, as stock of capital (or paid-in capital) and shall recognize the difference between the total amount of the fair value of the shares and the stock of capital (or paid-in capital) as capital reserve. The difference between the book value of the debt to be restructured and total amount of the fair value of the shares shall be included in the current profits and losses.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 26. Debt Restructuring (Continued)

#### (2) Accounting treatment of debtors (Continued)

- B. Where other terms of a debt are modified, the debtor shall regard the post-modification fair value of the debt as the entry value of the restructured debt, and shall include the difference between the book value of the debt to be restructured and the entry value of the restructured debt in the current profits and losses. Where a debt restructuring is made by a combination of the liquidation of a debt by assets, the liquidation of a debt by non-cash asset, the conversion of a debt into capital, and the modification of other terms of a debt, the debtor shall offset, one by one, the cash paid, the fair value of the non-cash asset transferred, and the fair value of the shares to which the creditor becomes entitled, against the book value of the debt to be restructured, then handle it in accordance with provisions of modification of other terms of a debt.

If the post-modification terms of a debt concern any contingent payment and if the contingent payment meets the conditions for the recognition of expected liabilities as prescribed in Contingencies, the debtor shall recognize the contingent sum payable as expected liability, and shall include the difference between the book value of the debt to be restructured and the aggregate amount of the entry value of the restructured debt and the expected amount of liability in the current profits and losses.

#### (3) Accounting treatments of the creditor

- A. When a debt is liquidated by cash, the creditor shall include the difference between the book balance of the debt to be restructured and the cash received in the current profits and losses. If the creditor has made provision for the impairment of the credit, he shall first offset the aforesaid difference against the impairment provision, then include the shortfall in the current profits and losses. When a debt is liquidated by non-cash asset, the creditor shall recognize the fair value of the non-cash asset received as the entry value and shall handle the difference between the book balance of the debt to be restructured and the fair value of the non-cash asset received in accordance with provisions of liquidation of a debt by cash. When a debt is converted into capital, the creditor shall recognize the fair value of the shares to which it becomes entitled as investment to the debtor and shall handle the difference between the book balance of the debt to be restructured and the fair value of the shares in accordance with provisions of liquidation of a debt by cash.
- B. When other terms of a debt are modified, the creditor shall recognize the fair value of the credit after the modification of other terms of the debt as the book value of the restructured debt and shall handle the book balance of the debt to be restructured and the book value of the restructured debt in accordance with provisions of liquidation of a debt by cash. Where a debt restructuring is made by a combination of the liquidation of a debt by assets, the liquidation of a debt by non-cash asset, the conversion of a debt into capital and the modification of other terms of a debt, the creditor shall offset, one by one, the cash received, the fair value of the non-cash asset received, and the fair value of the shares to which the creditor becomes entitled, against the book balance of the debt to be restructured, then handle it in accordance with provisions of modification of other terms of a debt.

If the post-modification terms of the debt concern any contingent sum receivable, the creditor shall not recognize the contingent sum receivable, nor he include it in the book value of the restructured debt.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 27. Leases

#### (1) Classification of Leases

The Company classifies a lease as a finance lease or an operating lease on inception date of the lease.

#### (2) Recognition standard of finance lease or and operating lease

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease:

- A. The ownership of the leased asset is transferred to the lessee when the term of lease expires.
- B. The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised.
- C. Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset (75% or above, typically).
- D. In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially (typically, 90% or above, the same below) all of the fair value of the leased asset on the lease beginning date; In the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.
- E. The leased assets are of a specialized nature that only the Company (or the lessee) can use them without making major modifications.

The term "operating lease" shall refer to a lease other than a finance lease.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 27. Leases (Continued)

#### (3) Main accounting treatment of finance lease

##### A. Accounting treatments of lessees

On the lease beginning date, the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date shall be recorded as the entering value in an account, recognize the amount of the minimum lease payments as the book value of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs (the same below) such as commissions, attorney's fees and travelling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. When a lessee calculates the present value of the minimum lease payments, if it can obtain the lessor's interest rate implicit in the lease, it shall adopt the interest rate implicit in the lease as the discount rate. Otherwise, it shall adopt the interest rate provided in the lease agreement as the discount rate. In case the lessor's interest rate implicit in the lease cannot be obtained and no interest rate is provided in the lease agreement, the borrowing interest rate of the bank for the same period shall be adopted as the discount rate.

In the case of the unrecognized financing charge, the effective interest rate method shall be adopted to calculate and recognize the financing charge in the current period.

In calculating the depreciation of a leased asset, the Company adopts a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the Company. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 27. Leases *(Continued)*

#### (3) Main accounting treatment of finance lease *(Continued)*

##### B. Accounting treatments of lessors

On the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the finance lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income.

In respect of the unrealized financing income, the effective interest rate method shall be adopted for recognizing current financing income during the lease term.

Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

#### (4) Main accounting treatment of operating lease

The rents from operating leases shall be recorded by the lessor and lessee in the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred by a lessor and lessee shall be recognized as the profits and losses of the current period. Contingent rents shall be recognized through the current profit and loss.

### 28. Income Taxes

- (1) Income taxes of the Company shall be accounted for using balance sheet liability method.
- (2) Where the Company obtains assets or liabilities, it shall determine its tax base. Where there is difference between the carrying amount of the assets or liabilities and its tax base, the deferred income tax assets or the deferred income tax liabilities shall be recognized according to the provisions.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 28. Income Taxes (Continued)

#### (3) Recognition of deferred income tax assets

- A. The Company recognizes deferred tax assets arising from deductible temporary difference but the amount is limited to the taxable income that the Company can possibly obtain to deduct the deductible temporary differences. However, the deferred income tax assets, which are arising from the initial recognition of assets or liabilities during a transaction which is simultaneously featured by the following, shall not be recognized:
- a. The transaction is not a merger of enterprise;
  - b. At the time of the transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.
- B. Where the deductible temporary difference related to the investments of the subsidiaries, associated companies and joint venture companies can meet the following requirements simultaneously, the Company shall recognize the corresponding deferred income tax assets:
- a. The temporary differences are likely to be reversed in the expected future;
  - b. It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.
- C. Any deductible loss or tax deduction that can be carried forward to the next year in accordance with the tax law shall be deemed as deductible temporary difference, the corresponding deferred income tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## IV. Accounting policies and accounting estimates adopted by the Company and prior period *(Continued)*

### 28. Income Taxes *(Continued)*

#### (4) Recognition of deferred income tax liabilities

Except deferred tax liabilities incurred in the following transactions, the Company recognizes all taxable deferred tax liabilities arising from the temporary difference:

- A. Initial recognition of goodwill;
- B. Initial recognition of assets or liabilities created in the transactions with the following characteristics:
  - a. The transaction is not a corporate merger;
  - b. When the transaction occurs, neither of the accounting profit nor taxable income (or deductible loss) is affected.

As for the taxable temporary differences related to the investments of subsidiaries, associated enterprises and joint venture enterprises, the Company shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded:

- a. The investing enterprise can control the time of the reverse of temporary differences;
- b. The temporary differences are unlikely to be reversed in the excepted future.

#### (5) Measurement of income taxes

The income taxes of the current period and deferred income tax of the Company shall be treated as income tax expenses or incomes, and shall be recorded into the current profits and losses, excluding the income taxes incurred under the following circumstances:

- A. Merger of enterprises;
- B. The transactions or events directly recognized as the owner's equity.

#### (6) Impairment of deferred income tax assets

- A. On the balance sheet date, the book value of deferred tax assets is reviewed. If the Company cannot possibly obtain sufficient taxable income in future to offset the benefits of deferred tax assets, the book value of deferred tax assets is reduced accordingly. Income taxes of the current period shall be reduced in other circumstances other than the fact that the part of deferred income tax assets shall be included in owner's equity for recognition and its amount reduced shall be also included in owner's equity.
- B. Where it is likely to obtain sufficient taxable income taxes, the book value of deferred tax assets reduced can be recovered.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IV. Accounting policies and accounting estimates adopted by the Company and prior period (Continued)

### 29. Segment Report

The Company identifies operating segments in accordance with the internal organizational structure, management requirements and internal reporting structure. The Company determines reportable segments and discloses information about their operating segments on the basis of operating segments.

An operating segment is a component of the Company that meets the following conditions: 1) The operating segment may generate revenues and expenses by engaging in business activities; 2) Whose operating results are reviewed regularly by the management of the Company to make decisions on resources allocation and performance assessment; 3) The financial performance and cash flows information are available. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with similar economic characteristics and are similar in various prescribed respects.

## V. Statement of Main Accounting Policies, Change in Accounting Estimate and Correction of Previous Errors

### 1. Statement of change in accounting policy

There is no change on accounting policy of the Company during this accounting period.

### 2. Change in Accounting Estimate and Correction to Previous Errors

There is no change in accounting estimate and correction to previous errors of the Company during this accounting period.

## VI. Tax

### 1. Value-added tax

Value-added tax is applicable to the Company's revenue from sales of goods. The sales tax rate for domestic sales of goods is 17% and the tax rate for sales of water-supply is 13%. The sales tax rate of used fixed assets whose input tax was not deducted is halved with a rate of 4%. Exports goods enjoy duty-free.

The value-added tax paid for purchase of raw materials of imported raw materials etc. can be offset against sales tax. The tax rate is 17%. Of this tax, application can be made for refund of the import duty paid for export of products, and the refund tax rate for export is 13% and 17%.

The assessable amount of value-added tax is the balance after current import duty is deducted by current sales tax.



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VI. Tax (Continued)

### 1. Value-added tax (Continued)

According to the "Notice of the Pilot Program of Value-added tax Replacing Business Tax" (Cai Shui Zi[2011]No.110) and the "Notice of the Pilot Program of Value-added tax Replacing Business Tax about Transportation Industry and Part of Service Industry in Beijing and Some other Eight Provinces" (Cai Shui Zi[2012]No.71) issued by the Ministry of Finance and the State Administration of Taxation, the Company and some subsidiaries of the Company registered in Jiangsu Province, which provide R&D and technical services and IT services are applied to VAT with applicable rate of 6%.

### 2. Sales Tax

Sales tax is applicable to the Company's revenue from lease of premises, construction and installation, etc.

Of this tax, the tax rate of revenue from lease of premises is 5% while the tax rate of revenue from construction and installation is 3%.

### 3. Urban development tax and education surcharge

The Company's urban development tax and education surcharge are calculated on the basis of the assessable amount of value-added tax and sales tax. The applicable tax rates are 7% and 5% respectively (the National rate is 3%, the local rate is 2%).

### 4. Enterprise income tax

The Company is recognized by Jiangsu Provincial Science and Technology Commission as a high-tech enterprise on 30 September 2011 with the effective period for 3 years and the Company was issued a high-tech enterprise certificate (Certificate No.GF201132000407) Accordingly, the Company enjoys a preferential tax policy of 15% from 1 January 2011 to 31 December 2013.

The applicable enterprise income rate for subsidiaries of the Company is 15%, 16.5% and 25% respectively.

Nanjing Panda Appliance & Apparatus Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 9 September 2011 with the effective period for 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201132000336). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2011 to 31 December 2013.

Nanjing Panda Communication Technology Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 9 September 2011, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201132000357). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2011 to 31 December 2013.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VI. Tax (Continued)

### 4. Enterprise income tax (Continued)

Nanjing Huage Appliance and Plastic Industrial Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 30 September 2011, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201132000917). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2011 to 31 December 2013.

Nanjing Panda Electronic Manufacture Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 8 November 2011, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201132000618). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2011 to 31 December 2013.

Nanjing Panda Electronic Equipment Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 25 December 2012, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201232001420). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2012 to 31 December 2014.

Nanjing Panda Information Industry Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 5 November 2012, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201232000755). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2012 to 31 December 2014.

Nanjing Panda Electromechanical Instruments Technology Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 5 November 2012, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201232000712). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2012 to 31 December 2014.

Nanjing Panda Mechanical Manufacturing Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology on 11 December 2013, and it was authorized by the notification Su Gao Qi Xie[2013]No.18“Publicity of List of High-tech Enterprises in Jiangsu Province in 2013 after the second batch of review”. Accordingly, it paid income taxes by 15% of taxable income from 1 January 2012 to 31 December 2014.

Galant Limited., a subsidiary of the Company, registered in Hong Kong, the applicable rate is 16.5%.

### 5. Real property tax

Tax is calculated on the basis of 70% of the original value of the Company's real property. The applicable tax rate is 1.2%.

In addition, if premises are leased, tax is calculated on the basis of the revenue from the lease of such premises. The applicable tax rate is 12%.

### 6. Other taxes

Other taxes are calculated and paid in accordance with relevant specific regulations of the State.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## VII. Merger of enterprises and consolidated financial statements

### 1 Merger of enterprises

#### (1) Merger of enterprises under same control

##### A. Definition of merger of enterprises under same control

Where that enterprises involved in the merger are under the ultimate control of same party or parties before and after the merger and the control is not temporary, it shall be merger of enterprises under same control. Merger of enterprises under same control of the Company shall be judged in accordance with the following bases:

- a. Parties of the merger are under the ultimate control of the group company before and after the merger;
- b. Before the merger, parties of the merger under the control of the group company for over 1 year (including 1 year), and the reporting subject after the merger of enterprises is also under the control of the group for over 1 year (including 1 year). Those satisfy the two conditions above shall be defined as merger of enterprises under same control by the Company.

In a merger of enterprises under same control, the party which acquired control right over other parties of the merger on the merger date is the merging party, the other enterprise(s) involved in the merger is (are) the merged parties .

##### B. Basis for determination of the merger date

Merger date refers to the date when the Company actually acquires the control right of the merged parties, i.e. the date when the control right of net assets or production and operation decisions of the merged parties is transferred to the Company. The control right transfer shall be identified if it satisfies the following conditions:

- a. Agreement on merger of enterprises has been approved by shareholders' general meeting;
- b. Where merger of enterprises shall be materially approved by relevant authorities of the State, the approval has been obtained from relevant authorities;
- c. Parties participating in the merger have gone through necessary handover procedures of properties;

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VII. Merger of enterprises and consolidated financial statements (Continued)

### 1 Merger of enterprises (Continued)

#### (1) Merger of enterprises under same control (Continued)

##### B. Basis for determination of the merger date (Continued)

- d. The Company has paid most of the merger consideration (typically, above 50%), and is capable of paying the remaining balance;
- e. The Company has actually controlled financial and operating policies of the merged parties, shared corresponding benefits and bore related risks.

##### C. Recognition of book value of assets and liabilities acquired in the merger as well as treatment of the merger difference

Assets and liabilities acquired by the Company in the merger of enterprises shall be measured at book value of the merged party on the merger date. Where difference arises from the book value of net assets acquired by the Company and that of the merger consideration (total nominal value of the shares), capital reserves shall be adjusted; where capital reserves are not enough for offset, retained earnings shall be adjusted.

##### D. Treatment method of the merger expenses

All direct relevant expenses incurred to the Company for the merger of enterprises, including auditing fees and assessment fees and legal fees, shall be included in the current profit and loss at occurrence.

#### (2) Merger of enterprises not under same control

##### A. Definition of merger of enterprises not under same control

Where enterprises involved in the merger are not under ultimate control of the same party or parties before and after the merger, it shall be merger of enterprises not under same control. In a merger of enterprises not under same control, the party which acquires control rights of other enterprise(s) on the acquisition date is the acquirer, the other enterprise(s) is (are) the acquiree.

##### B. Basis for the determination of the acquisition date

The acquisition date refers to the date when the Company actually acquires the control right of the acquiree (acquirees), i.e. the date when the control right of net assets or production and operation decisions of the acquiree (acquirees) is transferred to the Company. Basis for determination of the acquisition date is the same as determination of the merger date.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## VII. Merger of enterprises and consolidated financial statements *(Continued)*

### 1 Merger of enterprises *(Continued)*

#### (2) Merger of enterprises not under same control *(Continued)*

##### C. Determination of the merger cost

- a. In a merger of enterprises through one swap transaction, the merger cost shall be assets paid, and liabilities incurred or borne by the Company for acquiring the control right of the acquiree (acquirees) on the acquisition date and fair value of the issued equity securities.
- b. In a merger of enterprises through several swap transactions, the transaction cost shall be recorded in the following sequence.
  - 1) Where a business combination not involving enterprises under common control is achieved through several multiple transactions, the cost of combination is the amount of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The equity interest in the acquiree held before the acquisition date is re-measured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognized as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.
  - 2) Compare the costs of each individual cost of transactions and the identifiable share of the fair value of assets, to determine the goodwill or the amount which should be included in the current income statement. The goodwill recognized at the acquisition date (or the amount recorded in the current income statement) should be aggregated for each individual transaction.
  - 3) As to the share acquired before the acquisition date, the value of the share should be readjusted and the investment income should be recognized accordingly and the other comprehensive income should be recognized as investment gain or loss as well.
- c. Where future events with possible impact on the merger cost are specified in the merger contract or agreement, and future events are likely to occur as estimated on the acquisition date and the amount of the impact on the merger cost can be reliably measured, the Company shall include them in the merger cost.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VII. Merger of enterprises and consolidated financial statements (Continued)

### 1 Merger of enterprises (Continued)

#### (2) Merger of enterprises not under same control (Continued)

##### D. Treatment method of the merger expenses

All direct relevant expenses incurred to the Company for the merger of enterprises, including auditing fees and assessment fees and legal fees, shall be included in the current profit and loss at occurrence. Expenses including handling charges and commission paid for issuing corporate bonds or bearing liabilities for the merger of enterprises shall be included in the amount of initial measurement of the issued corporate bonds and other liabilities.

Assets paid, and liabilities incurred and borne for the merger of enterprises by the Company on the acquisition date shall be measured at fair value, with difference between fair value and its book value being recorded into the current profit and loss.

##### E. Distribution of the merger cost

The Company distributed the merger cost on the acquisition date, and recognized all identifiable assets, liabilities and contingent liability acquired from the acquiree (acquirees).

- a. the Company recognizes the difference from the merge cost above the share of fair value of identifiable assets acquired from the acquiree (acquirees) in the merger as goodwill;
- b. the Company treats the difference from the merge cost below the share of fair value of identifiable assets acquired from the acquiree (acquirees) in accordance with the following provisions: first, the measurement of fair value of all identifiable assets, liabilities and contingent liabilities acquire from the acquiree (acquirees) shall be reviewed; where the merger cost subsequent to review is still below the share of fair value of identifiable assets acquired from the acquiree (acquirees), its difference shall be recorded into the current profit and loss.
- c. Recognition principle for fair value of identifiable assets of the acquiree (acquirees)

Fair value of identifiable net assets of the acquiree (acquirees) is the balance of the fair value of the identifiable assets acquired from the acquiree (acquirees) in the merger minus liabilities and contingent liabilities.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VII. Merger of enterprises and consolidated financial statements (Continued)

### 1 Merger of enterprises (Continued)

#### (3) Merger by absorption

Should the Company have merger by absorption, the book value of assets and liabilities acquired in the merger shall be recognized through the following methods:

- A. As for the merger by absorption under same control, assets and liabilities acquired by the Company on the merger date shall be recognized as per the original book value of such assets and liabilities in the acquiree (acquirees). If the accounting policy adopted by the acquiree (acquirees) is inconsistent with the Company, on the principle of materiality, the Company shall adjust the fair value of relevant assets and liabilities of the acquiree (acquirees) in accordance with the Company's accounting policy based on which the Company shall recognize the book value of assets and liabilities acquired in the merger.
- B. As for the merger by absorption not under same control, all the assets and liabilities which meet the recognition requirements acquired by the Company on the merger date shall be recognized as assets and liabilities of the Company at its fair value.

#### (4) Loss of control of a subsidiary in disposal of equity interests achieved in stages

- A. Principles for determining whether transactions of losing control of a subsidiary in disposal of equity interests achieved in stages should be recognized as a package deals or not.

Usually transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of disposal of the subsidiary's equity interests comply with one or more of the following:

- a. These transactions are achieved at the same time or the mutual effects on each other are considered.
- b. A complete set of commercial results can be achieved with reference to the series of transactions as a whole.
- c. Achieving a transaction depends on at least achieving of one of the other transaction.
- d. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VII. Merger of enterprises and consolidated financial statements (Continued)

### 1 Merger of enterprises (Continued)

#### (4) Loss of control of a subsidiary in disposal of equity interests achieved in stages (Continued)

- B. The accounting treatment of transactions of losing control of a subsidiary in disposal of equity interests achieved in stages recognized as a package deals.

If losing control of a subsidiary in disposal of equity interests achieved in stages is recognized as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the differences between price on disposal and disposal of investment on the subsidiary's net assets shall be recognized in other comprehensive income in the consolidated financial statements, and included in profit or loss for the period in which it arises.

Residual interest shall be re-measured at its fair value at the date when control is lost. The margin between the aggregate of the consideration received on disposal and the fair value of any retained interest and the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

- C. The accounting treatment of transactions of losing control of a subsidiary in disposal of equity interests achieved in stages not belonging to a package deals.

Regarding the disposal of investments in subsidiaries without loss of control, the margin of disposal proceeds and disposition of investments eligible for the corresponding share of net assets of the subsidiary shall be recognized in capital surplus (capital premium) in the consolidated financial statement. If the capital premium is not sufficient to be offset, adjustment should be made to retained earnings.

Regarding the disposal of investments in subsidiaries loss of control, the remaining equity should be re-measured at their fair value at the date of loss of control in the consolidated financial statements. The margin between the aggregate of the consideration received on disposal and the fair value of any retained interest and the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VII. Merger of enterprises and consolidated financial statements (Continued)

### 2. Consolidated financial statements

#### (1) Consolidation scope

##### A. Recognition principle

Recognition of the consolidation scope of the consolidated financial statements is based on control. The term "control" means that the Company has the power to decide an investee's financial and operating policy, pursuant to which, the Company can get the power to obtain benefits from its operating activities. Where the Company accounts for more than 50% (excluding 50%) of total capital carrying voting rights of the investee or accounts for less than 50% of total capital carrying voting rights of the investee but has effective control, such investee shall be included in the consolidation scope.

##### B. Major subsidiaries and determination of consolidation scope for 2013.

Company name	Registration address	Nature of business	Registered capital: (RMB'000)	Business scope
<b>I. Subsidiaries acquired from merger of enterprises under same control</b>				
Nanjing Panda Communication Technology Co., Ltd. (note)	Nanjing	Industry	5,000	Development and production of mobile communications, digital communications, network communications systems and products
Nanjing Panda Mechanical Engineering Plant	Nanjing	Service	4,500	Manufacture and sales of electronic products, communication equipment, appliance and apparatus.
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	Nanjing	Industry	1,000	Research, Development, Manufacturing and sales of logistic supporting equipment and automatic fare collection equipment
<b>II. The subsidiaries acquired otherwise</b>				
Nanjing Panda Appliance & Apparatus Co. Ltd.	Nanjing	Industry, Software	100	Production, development and sale of testing appliance; design and installation of electronic information system
Nanjing Panda Mechanical Manufacturing Co., Ltd.	Nanjing	Industry	1,000	Metal components
Nanjing Panda Accurate Machinery Co., Ltd.	Nanjing	Industry	500	Production of equipment and spare parts for electronic industry; processing of sophisticated machinery
Nanjing Panda Technology Equipment Co., Ltd.	Nanjing	Industry	500	Production and installation of production line
Nanjing Panda Machinery Co., Ltd.	Nanjing	Industry	300	Processing and manufacturing of mechanical parts
Nanjing Panda Information Industry Co., Ltd.	Nanjing	Industry	USD3,194,6435	Development, production and sale of electronic information products
Nanjing Panda Electronic Manufacture Co., Ltd.	Nanjing	Industry	USD2,000	Development and production of new models of electronic products
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	Nanjing	Industry	6,000	Plastic product & accessories
Nanjing Panda Power supply Technology Co., Ltd.	Nanjing	Industry	1,100	Design, production and sales of Power supply and special type power transformer
Nanjing Guanghua Electronics Plastic Casings Factory	Nanjing	Service	1,149.76	PVC, ABS products
Nanjing Panda International Communication Systems Co., Ltd.	Nanjing	Industry	USD124	Development, production sale of telephone and telecommunication system
Nanjing Panda Electronic Equipment Co., Ltd.	Nanjing	Industry	14,400	Manufacture of automatic industrial equipment, environmental protection equipment, and logistic accessories
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing	industry	2,000	Property management and sales of mechanical, electronic products, construction materials and office supplies
Nanjing Panda Electronic Technology Development Co., Ltd.	Nanjing	Industry	55,000	General equipment manufacturing, software development, property management
Galant Limited	Hong Kong	R & D	HKD1	R&D of communication products

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VII. Merger of enterprises and consolidated financial statements (Continued)

### 2. Consolidated financial statements (Continued)

#### (1) Consolidation scope (Continued)

#### B. Major subsidiaries and determination of consolidation scope for 2013. (Continued)

Company name	The Company's Actual investment (RMB0'000)	Balance of net investment in other accounts in subsidiaries (RMB0'000)	Shareholding percentage (%)	Percentage of voting rights (%)	Whether to consolidate
<b>I. Subsidiaries acquired from merger of enterprises under same control</b>					
Nanjing Panda Communication Technology Co., Ltd. (note)	5,001.80		100	100	Yes
Nanjing Panda Mechanical Engineering Plant	3,004.20		99.11	100	Yes
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.(b)	894.37		70	70	Yes
<b>II. The subsidiaries acquired otherwise</b>					
Nanjing Panda Appliance & Apparatus Co. Ltd.	99.27		100	100	Yes
Nanjing Panda Mechanical Manufacturing Co., Ltd.	700		70	70	Yes
Nanjing Panda Accurate Machinery Co., Ltd.	562.79		100	100	Yes
Nanjing Panda Technology Equipment Co., Ltd.	503.19		100	100	Yes
Nanjing Panda Machinery Co., Ltd.	258.22		85.82	85.82	Yes
Nanjing Panda Information Industry Co., Ltd.	21,681.42		100	100	Yes
Nanjing Panda Electronic Manufacture Co., Ltd.	14,825.38		100	100	Yes
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	5,462.28		100	100	Yes
Nanjing Panda Power Supply Technology Co., Ltd.	875		79.55	79.55	Yes
Nanjing Guanghua Electronics Plastic Casings Factory	827.11		100	100	Yes
Nanjing Panda International Communication Systems Co.,Ltd.	765.50		71.77	71.77	Yes
Nanjing Panda Electronic Equipment Co., Ltd.(d)	14,400		100	100	Yes
Nanjing Panda Industrial Enterprise Co., Ltd.(c)	2,000		100	100	Yes
Nanjing Panda Electronic Technology Development Co., Ltd.	55,000		100	100	Yes
Galant Limited	HKD1		100	100	Yes

Note: Nanjing Panda System Integration Co., Ltd. a subsidiary of the Company, was written off on 29 October 2013.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## VII. Merger of enterprises and consolidated financial statements *(Continued)*

### 2. Consolidated financial statements *(Continued)*

#### (2) Preparation method of consolidated financial statements

##### A. Basic preparation method of consolidated financial statements

Based on the financial statements of the parent and subsidiaries included in the consolidation and in accordance with other relevant information, financial statements are prepared through adjustment in long-term equity investment in subsidiaries after offsetting the parent's equity capital investment and its share in shareholders' equity of the subsidiaries, material transactions within the Company and transactions between home office and branches. Non-controlling interests shall be presented as "Non-controlling interests" under the owner's equity in the consolidated balance sheet. Non-controlling interests shall be presented as "Non-controlling interests" under net profits in the consolidated income statements.

##### B. Treatment method for acquisition or disposal of subsidiaries in the reporting period

For acquisition of subsidiaries due to merger of enterprises under same control during the reporting period, the opening balance of the Company's consolidated balance sheet shall be adjusted in its preparation. For acquisition of subsidiaries not arising from merger of enterprises under same control, the opening balance of consolidated balance sheet needs not adjustment in its preparation. For disposal of subsidiaries during the reporting period, the opening balance of consolidated balance sheet needs not adjustment in its preparation.

For acquisition of subsidiaries due to merger of enterprises under same control during the reporting period, the revenue, expense and profit of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included into the consolidated income statement. For acquisition of subsidiaries not arising from merger of enterprises under same control, the revenue, expense and profit of such subsidiaries from the date of acquisition to the end of the reporting period are included into the consolidated income statement. For disposal of subsidiaries during the reporting period, the revenue, expense and profit of such subsidiaries from the period beginning to the date of disposal are included into the consolidated income statement.

For acquisition of subsidiaries due to merger of enterprises under same control during the reporting period, the cash flows of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included into the consolidated cash flow statement. For acquisition of subsidiaries not arising from merger of enterprises under same control, the cash flows of such subsidiaries from the date of acquisition to the end of the reporting period are included into the consolidated cash flow statement.

For disposal of subsidiaries during the reporting period, the cash flows of such subsidiaries from the period beginning to the date of disposal are included into the consolidated cash flow statement.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VII. Merger of enterprises and consolidated financial statements (Continued)

### 2. Consolidated financial statements (Continued)

#### (2) Preparation method of consolidated financial statements (Continued)

##### C. Treatment of different accounting policies or accounting periods between the Company and its subsidiaries

In preparation of consolidated financial statements, the financial statements of the subsidiaries are subject to adjustment where there is a difference in their accounting policies or accounting periods with those of the Company or are required to be separately prepared in accordance with the latter.

#### (3) Changes in the consolidation scope

Nanjing Panda System Integration Co., Ltd. was incorporated into the consolidated financial statements until it was written off on 29 October 2013.

#### (4) Entities not included in the consolidation scope

Company name	Net asset as at disposal date	Net profit from the opening to the disposal date
Nanjing Panda System Integration Co., Ltd.	4,583,596.52	1,460,492.06

#### (5) Non-controlling interests

##### A. Non-controlling interests of subsidiaries

Company name	Closing balance	Opening balance
Nanjing Panda Mechanical Manufacturing Co., Ltd.	10,474,763.52	7,639,458.43
Nanjing Panda Machinery Co., Ltd.	164,431.68	526,962.26
Nanjing Panda System Integration Co., Ltd.		1,425,067.56
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	5,472,380.85	5,371,714.85
Nanjing Panda International Communication Systems Co., Ltd.	(4,690,453.49)	(4,691,746.73)
Nanjing Panda Power Supply Technology Co., Ltd.	(1,894,569.84)	(2,735,628.51)
Total	9,526,552.72	7,535,827.86

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements

Unless specified otherwise in the following notes (including the notes to the financial statements of the Company), the terms “opening balance” and “closing balance” refer to the balances as of 1 January 2013 and 31 December 2013 respectively, and the terms “last year” and “the year” refer to year 2012 and year 2013 respectively.

### 1. Cash and Bank Balances

#### (1) Details of Cash and Bank Balances

	Closing balance	Opening balance
Cash	<b>312,616.12</b>	775,785.00
Bank balances	<b>1,308,618,174.27</b>	377,264,515.31
Other cash and bank balances	<b>70,895,228.53</b>	212,759,439.74
Total	<b>1,379,826,018.92</b>	590,799,740.05

Cash and bank balances include the following foreign currencies:

	Closing Balance			Opening Balance		
	Amount in original currency	Exchange rate	Equivalent amount in CNY	Amount in original currency	Exchange rate	Equivalent amount in CNY
USD	928,244.03	6.0969	5,659,411.03	1,860,897.66	6.2855	11,696,672.24
HKD	130,528.66	0.78623	102,625.55	20,576.11	0.81085	16,684.14
EUR	37,890.45	8.4189	318,995.91	21,331.18	8.3176	177,424.22
Total			<b>6,081,032.49</b>			<b>11,890,780.60</b>

- (2) The closing balance of the other cash and bank balances amounting to RMB 70,895,228.53 (the opening balance is RMB 212,759,439.74) mainly included bank bill payables deposits, contract guarantee deposits, bid securities and bank checks.
- (3) The Company's bank balances included call deposits totaling RMB84,000,000.00 (the opening balance is RMB 25,000,000.00).
- (4) The closing balance of the cash and bank balances increased by 133.55% from the opening balance mainly due to the funds raised by issuing non-public shares and retained cash from operating.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 2. Bills Receivable

- (1) Details of bills receivable

Types of Bills	Closing balance	Opening balance
Bank acceptance notes	<u>120,212,031.70</u>	<u>37,673,756.21</u>
Total	<u>120,212,031.70</u>	<u>37,673,756.21</u>

- (2) The closing balance of bills receivable included no amount due from shareholders with 5% or above of shareholding with voting power in the Company.
- (3) The year-end bills receivable had no pledge or security.
- (4) The bills receivable that had been endorsed to the third party but not yet matured is RMB 51,617,130.63.
- (5) Details of the five largest debtors of bills receivable that had been endorsed undue at the end of the period are as following:

Bills From	Date of issue	Due date	Amount	Note
International Far Eastern Leasing Co., Ltd.	2013.11.29	2014.5.29	1,002,732.00	Bank acceptance
International Far Eastern Leasing Co., Ltd.	2013.11.28	2014.4.28	1,000,000.00	Bank acceptance
Nanjing Xingang Development Corporation	2013.11.25	2014.5.25	1,000,000.00	Bank acceptance
Nanjing Xingang Development Corporation	2013.11.25	2014.5.25	1,000,000.00	Bank acceptance
CEC Panda LCD Technology Co., Ltd.	2013.12.12	2014.3.11	<u>1,000,000.00</u>	Bank acceptance
Total			<u>5,002,732.00</u>	

- (6) The closing balance of the bill receivables increased by 219.09% from that of the opening balance, mainly due to the increased settlement in notes.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 3. Accounts Receivable

#### (1) Break-down of accounts receivable by categories

Items	Balance	Closing Balance		Percentage of provision for bad debt %
		Percentage %	Provision for bad debt	
Substantial amount of single account receivable with specific provision (note 1)	537,305,111.42	77.35	37,407,590.28	6.96
Other unsubstantial amount of accounts receivable with specific provision (note 2)	157,376,781.11	22.65	22,758,158.51	14.46
Total	694,681,892.53	100	60,165,748.79	

Items	Balance	Opening Balance		Percentage of provision for bad debt %
		Percentage %	Provision for bad debt	
Substantial amount of single account receivable with specific provision	690,832,902.61	84.24	52,360,147.99	7.58
Other unsubstantial amount of accounts receivable with specific provision	129,221,028.61	15.76	22,744,606.17	17.60
Total	820,053,931.22	100	75,104,754.16	

Substantial amount of single account receivable refers to the single amount accounting for 5% or more of the closing balances or the amount over RMB 5,000,000.00.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 3. Accounts Receivable (Continued)

#### (1) Break-down of accounts receivable by categories (Continued)

Note1. Substantial amount of single accounts receivable with specific provision.

Name of debtor	Amounts	Provision for bad debt	Percentage of provision for bad debt %	Reasons
CEC Panda LCD Technology Co., Ltd.	80,467,029.07			Expected can be recovered
Nanjing Lopu Co., Ltd.	67,332,244.96			Expected can be recovered
CEC Panda Liquid Crystal Material Technology Co., Ltd.	37,268,356.92			Expected can be recovered
Nanjing panda HanDa technology Co., Ltd.	35,033,562.13	2,980.03	0.01	Current value of the expected future cash flow is lower than its carrying value
Suzhou Rail Transit line 2 Co., Ltd.	29,621,648.40			Expected can be recovered
Binhai County Broadcast and Television Bureau	25,292,100.00	2,257,010.79	8.92	Current value of the expected future cash flow is lower than its carrying value
Nanjing Sharp Electronics Co., Ltd.	22,692,817.48	204,408.98	0.90	Current value of the expected future cash flow is lower than its carrying value
Sheyang County Broadcast and Television Department	22,315,000.00			Expected can be recovered
Panda Electronics Group Limited	21,633,653.11			Expected can be recovered
PACIFIC DIGIT CORP	21,203,650.91	21,203,650.91	100.00	Expected can not be recovered
Nanjing Municipal Communist Party School	20,882,526.23			Expected can be recovered
Nanjing Yougete Communication Equipment Co., Ltd.	18,614,000.00			Expected can be recovered
Andrew Telecommunications Equipment (China) Co., Ltd.	14,486,427.98			Expected can be recovered
Wuhan Metro Group Co., Ltd.	13,778,040.60			Expected can be recovered
Ningxia Broadcast, Film & Television Bureau	12,558,672.00	1,749,813.00	13.93	Current value of the expected future cash flow is lower than its carrying value
Funing County Broadcasters	8,898,000.00			Expected can be recovered
Nanjing Internet of Things Application Research Institute Co., Ltd.	8,880,375.00			Expected can be recovered
Nanjing Qixia District Cable Management Station	8,844,245.00			Expected can be recovered
Guangdong Broadcast and Television Bureau	8,579,992.00			Expected can be recovered
NARI Technology Development Co., Ltd.	7,824,449.50			Expected can be recovered
Jiu Zhou Group(HK) Holdings Ltd.	6,303,226.57	6,303,226.57	100.00	Expected can not be recovered
Jiangsu Dafurixin Automatic Conveyor Co., Ltd.	6,074,639.48			Expected can be recovered
International Far Eastern Leasing Co., Ltd.	5,940,000.00			Expected can be recovered
Hangzhou Amphenol Phoenix Telecom Parts Co., Ltd.	5,824,965.28			Expected can be recovered
Shenzhen No.1 Environmental Science and Technology Co., Ltd.	5,686,500.00	5,686,500.00	100.00	Expected can not be recovered
BSH Household Appliances Co., Ltd.	5,600,703.73			Expected can be recovered
Shong County Broadcast and Television Information Network Co. Ltd.	5,268,900.00			Expected can be recovered
BSH Electrical Appliances (Jiangsu) Co., Ltd.	5,253,700.07			Expected can be recovered
Nanjing Jialitu Air Conditioning Electrical Co., Ltd.	5,145,685.00			Expected can be recovered
<b>Total</b>	<b>537,305,111.42</b>	<b>37,407,590.28</b>		



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 3. Accounts Receivable (Continued)

#### (1) Break-down of accounts receivable by categories (Continued)

Note2. Unsubstantial amount of accounts receivable with specific provision

Name of debtor	Amounts	Provision for bad debt	Percentage of provision for bad debt %	Reasons
DaFu Automatic Handling Equipment (Suzhou) Co., Ltd.	4,990,453.20			Expected can be recovered
Anfushi Radio Frequency System (Shanghai) Co., Ltd.	4,656,865.80			Expected can be recovered
Nanjing Panda Electronics Import/Export Co., Ltd.	4,424,503.38	81,454.38	1.84	The expected future cash flow is less than its carrying value
Nanjing Guobo Electronics Co., Ltd.	3,726,342.50			Expected can be recovered
Ganyu County Broadcast and Television Network Development Co., Ltd.	3,725,240.96			Expected can be recovered
Nanjing Municipal Authority Management Center	3,559,251.12			Expected can be recovered
Feng County Broadcast and Television Information Network Co., Ltd.	3,369,348.00			Expected can be recovered
Guangzhou Mobile Video Project	3,265,000.00			Expected can be recovered
Delaval (Shanghai) Dairy Machinery Co., Ltd.	3,170,196.30			Expected can be recovered
Nanjing Broadcast and Television Network Co., Ltd.	3,161,407.30			Expected can be recovered
Shanghai Ziyao Technology Development Co., Ltd.	2,984,760.00			Expected can be recovered
Nanjing Xianlin University City Science and Technology Park Co., Ltd.	2,954,355.56			Expected can be recovered
Shanghai Amphenol Airwave Communication Electronics Co., Ltd.	2,903,667.19			Expected can be recovered
Kubota Agricultural Machinery (Suzhou) Co., Ltd.	2,825,410.92			Expected can be recovered
Nanjing Pukou Hospital	2,758,685.70			Expected can be recovered
Nanjing Rail Transit Systems Co., Ltd.	2,672,280.00			Expected can be recovered
Suzhou Tianye Mechanical Engineering Co., Ltd.	2,559,863.95			Expected can be recovered
Peixian Broadcasting and Television Information Network Co., Ltd.	2,500,840.00			Expected can be recovered
Suzhou Industrial Park Education Development Co., Ltd.	2,500,000.00			Expected can be recovered
Xuzhou College of Industrial Technology	2,232,955.08			Expected can be recovered
Guannan Broadcast and Television Network Co., Ltd.	2,220,000.00			Expected can be recovered
Nanjing Jiangning Financial Bureau	2,000,000.00			Expected can be recovered
JianhuXian Financial Audit Payment Center	1,891,959.21			Expected can be recovered
Suzhou Majie Technology Co., Ltd.	1,859,948.22			Expected can be recovered
Shanghai Dongpeng Technology Co., Ltd.	1,845,000.00			Expected can be recovered
Nanjing Ericsson Panda Communication Co., Ltd.	1,802,669.40	360.00	0.02	The expected future cash flow is less than its carrying value
Jiangsu Guanyun Rural Cooperative Bank	1,767,460.48			Expected can be recovered
Nanjing Big Factory Hospital	1,699,179.03			Expected can be recovered
Nanjing Ouweiya Electronic Technology Co., Ltd.	1,447,926.91			Expected can be recovered
Nanjing Ericsson Technology Co., Ltd.	1,446,749.61			Expected can be recovered
Nanjing LG Electronics Display Co., Ltd.	1,387,067.55	16,740.00	1.21	The expected future cash flow is less than its carrying value
Fuzhou Wanda Plaza Investment Co., Ltd.	1,383,675.50			Expected can be recovered
Jiangsu and Guangdong TV Information Network Chronicle Co., Ltd. Yancheng Branch	1,382,110.00			Expected can be recovered
Huatai Group Company	1,236,800.00			Expected can be recovered
Fujian Zhongwei Real Estate Development Co., Ltd.	1,180,000.00			Expected can be recovered
Nanjing Tianhua Bairun Investment Development Co., Ltd.	1,090,750.82			Expected can be recovered
Siyang Education Bureau	1,077,009.78			Expected can be recovered
Nanjing Metro Co., Ltd.	1,059,978.00			Expected can be recovered
Nanjing Puzhuoguang Network Co., Ltd.	1,018,953.10			Expected can be recovered
Others	63,638,116.54	22,659,604.13	35.61	The expected future cash flow is less than its carrying value
<b>Total</b>	<b>157,376,781.11</b>	<b>22,758,158.51</b>		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 3. Accounts Receivable (Continued)

#### (2) Aging analysis of accounts receivable

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage	Provision for Bad debt	Percentage of provision for bad debts	Amount	Percentage	Provision for Bad debt	Percentage of provision for bad debts
Within 1 year	554,028,021.99	79.75	29,567.69	0.01	648,215,145.24	79.04	2,043,540.16	0.32
1-2 years	68,056,728.88	9.80	3,698,840.95	5.43	122,162,725.76	14.90	23,733,838.49	19.43
2-3 years	25,653,812.39	3.69	9,794,831.32	38.18	4,885,129.85	0.60	4,608,213.64	94.33
3-5 years	15,877,534.99	2.29	15,594,420.05	98.22	32,785,057.21	4.00	32,752,209.74	99.90
more than 5 years	31,065,794.28	4.47	31,048,088.78	99.94	12,005,873.16	1.46	11,966,952.13	99.68
Total	694,681,892.53	100	60,165,748.79		820,053,931.22	100	75,104,754.16	

#### (3) Details of the five largest debtors of accounts receivable at the end of the period

Name of debtor	Amount	Percentage in the total value of the accounts receivable	Ageing
		%	
CEC Panda LCD Technology Co., Ltd.	80,467,029.07	11.58	Within 1 year
Nanjing Lopu Co., Ltd.	67,332,244.96	9.69	Within 1 year
CEC Panda Liquid Crystal Material Technology Co., Ltd.	37,268,356.92	5.37	Within 1 year
Nanjing panda HanDa technology Co., Ltd.	35,033,562.13	5.04	Within 2 years, above 5 years
Suzhou Rail Transit line 2 Co., Ltd.	29,621,648.40	4.27	Within 1 year
Total	249,722,841.48	35.95	

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 3. Accounts Receivable (Continued)

(4) The situation of reversed or received accounts receivable

Name of debtor	Reason for reversal of bad debt	Reason for provision of bad debts	Amount of provision	Amount of reversed or received
Feng County Broadcast and Television Information Network Co., Ltd.	Fund received	Expected cannot be recovered	912,400.00	912,400.00
Nanjing panda HanDa technology Co., Ltd.	Fund received	Expected cannot be recovered	833,024.15	11,108,389.00
Oechsler Plastic Products (Taicang) Co., Ltd.	Fund received	Expected cannot be recovered	427,850.70	427,850.70
Hisense Electric Co., Ltd.	Fund received	Expected cannot be recovered	190,000.00	190,000.00
Hefei Rongshida Sanyo Electric Appliance Co., Ltd.	Fund received	Expected cannot be recovered	140,000.00	140,000.00
Qingdao New World Ecological Cycle Technology Co., Ltd.	Fund received	Expected cannot be recovered	100,000.00	100,000.00
Others	Fund received	Expected cannot be recovered	291,695.58	291,695.58
Total			<u>2,894,970.43</u>	<u>13,170,335.28</u>

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 3. Accounts Receivable (Continued)

(5) The situation of written-off accounts receivable

Name of debtor	Amount	Nature	Reason for written-off	Related party transactions
Pandigital, inc	64,005,396.55	Payment for goods	Company bankruptcy cancellation	No
Jiangsu Sihong Middle School	124,160.00	Payment for goods	Cannot be recovered	No
Nantong Sijian Construction Group Co., Ltd.	51,791.40	Payment for goods	Cannot be recovered	No
Jiangsu Zhongxing Construction Co., Ltd.	50,000.00	Payment for goods	Cannot be recovered	No
Zhenjiang Public Security Bureau	45,934.16	Payment for goods	Cannot be recovered	No
Guiyang Hisense Electric Co., Ltd.	39,800.00	Payment for goods	Debt restructuring agreement	No
Finance Office of Nanjing Jiangning Street	31,000.00	Payment for goods	Cannot be recovered	No
State-owned Assets Management Company Lianyungang Technological Development Zone	29,925.00	Payment for goods	Cannot be recovered	No
Nanjing Zhushan Net-bar	28,940.00	Payment for goods	Cannot be recovered	No
Guannan Rural Credit Association	12,445.00	Payment for goods	Cannot be recovered	No
Others	81,576.67	Payment for goods	Cannot be recovered	No
Total	64,500,968.78			

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 3. Accounts Receivable (Continued)

(6) The closing balance of foreign account receivable

Item	Closing Balance			Opening Balance		
	Amount in original currency	Exchange rate	Equivalent amount in CNY	Amount in original currency	Exchange rate	Equivalent amount in CNY
USD	523,109.54	6.0969	3,189,346.55	15,794,182.72	6.2855	99,274,335.49
EUR				235,497.68	8.3176	1,958,775.50
Total			<u>3,189,346.55</u>			<u>101,233,110.99</u>

(7) The closing balance of accounts receivable included RMB 21,633,653.11 due from Panda Electronics Group Limited, the shareholder holding 36.63% shares of the Company and RMB 8,542.00 due from Nanjing Electronics Information Industrial Corporation, the shareholder holding 56.85% shares of Panda Electronics Group Limited.

(8) The closing balance of accounts receivable includes RMB 182,158,107.96 due from related parties, representing 26.22% of the total accounts receivable (the opening balance: RMB 150,067,131.90, representing 18.30%). Please refer to Note X 3 (9) for disclosure of relevant related transactions.

(9) Compare to last year, the closing balance of accounts receivable amounting to RMB 694,681,892.53, representing 16.79% of the total assets, decreased by 15.29%. The major reason is the refund of the project "Gansu provincial government purchase for every family".

### 4. Prepayment

(1) Details of prepayment

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage %	Provision for Bad debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for Bad debt	Percentage of provision for bad debts %
Within 1 year	115,210,478.91	84.31	18,895.81	0.02	64,265,770.74	73.23	1,157.62	
1-2 years	9,935,994.27	7.27	77,399.52	0.78	11,449,338.75	13.04	765,553.30	6.69
2-3 years	6,196,492.43	4.53	565,552.89	9.13	6,474,701.81	7.38	2,303,579.26	35.58
More than 3 years	5,315,240.11	3.89	5,303,588.11	99.78	5,572,215.30	6.35	4,225,125.62	75.82
Total	<u>136,658,205.72</u>	<u>100</u>	<u>5,965,436.33</u>		<u>87,762,026.60</u>	<u>100</u>	<u>7,295,415.80</u>	

(2) Prepayment with aging more than one year mainly consisted of construction payment which was not settled.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 4. Prepayment (Continued)

(3) Details of the five largest debtors of prepayment at the end of the period

Client	Amount	Percentage %	The relationship with the prepared company	The time of prepayment	Reasons of unsettled accounts
Jiangsu Overseas Group International Engineering Co., Ltd.	25,451,706.03	18.62	The third party	Within 1 year	Goods not delivered
Shanghai Aiji Information Technology Co., Ltd.	8,405,031.00	6.15	The third party	Within 1 year	Project not completed
Nanjing Xinan Temperature-control Equipment Engineering Co., Ltd.	7,269,820.00	5.32	The third party	Within 1 year	Goods not delivered
Nanjing Keyong Technology Co., Ltd.	6,144,738.31	4.50	The third party	Within 1 year	Goods not delivered
Max Autocontrol Technology & Service Co., Ltd.	5,469,033.31	4.00	The third party	Within 1 year	Goods not delivered
Total	<u>52,740,328.65</u>	<u>38.59</u>			

- (4) The closing balance of prepayment included no amount due from shareholders with 5% or above of shareholding with voting power in the Company.
- (5) The closing balance of prepayment includes RMB 2,055,530.87 due from related parties (the opening balance: RMB 18,600.00), accounting for 1.50% of the total prepayment (the opening balance: 0.02%). Please refer to Note X 3 (9) for disclosure of relevant related transactions.
- (6) Compare to last year, the amount of prepayment increased by 55.71%.The major reason is the increase of purchase of goods for the projects.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 5. Other Receivables

(1) Break-down of other receivables by categories

Item	Balance	Closing Balance		Percentage of provision for bad debts %
		Percentage %	Provision for bad debt	
Substantial amount of single other receivables with specific provision (note 1)	145,583,801.59	79.76		
Other unsubstantial amount of other receivables with specific provision (note 2)	36,933,532.94	20.24	10,932,971.60	29.60
Total	182,517,334.53	100	10,932,971.60	

Item	Balance	Opening Balance		Percentage of provision for bad debts %
		Percentage %	Provision for bad debt	
Substantial amount of single other receivables with specific provision	29,712,528.91	49.18		
Other unsubstantial amount of other receivables with specific provision	30,705,865.16	50.82	11,404,354.32	37.14
Total	60,418,394.07	100	11,404,354.32	

Substantial amount of single other receivable refers to the single amount accounting for 5% or more of the closing balances or the amount over RMB 5,000,000.00.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 5. Other Receivables (Continued)

#### (1) Break-down of other receivables by categories (Continued)

Note1. Substantial amount of single other receivable with specific provision.

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debts %	Reasons
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	102,400,000.00			Expected can be recovered
Film and Television Bureau of Gansu Province	22,123,971.50			Expected can be recovered
Jiangsu Overseas Group International Engineering Co., Ltd.	11,636,830.09			Expected can be recovered
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	9,423,000.00			Expected can be recovered
Total	<u>145,583,801.59</u>			

Note2. Unsubstantial amount of single other receivable with specific provision.

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debts %	Reasons
Panda Electronics (Kunshan) Co., Ltd.	2,799,417.23	2,799,417.23	100.00	Expected can not be recovered
Zhonghaijian International Tendering Co., Ltd.	1,990,000.00			Expected can be recovered
Nanjing Xianlin Drum-tower Hospital Investment Management co., Ltd.	1,440,152.18			Expected can be recovered
Jinan Supervision Co., Ltd.	1,000,000.00			Expected can be recovered
Others	29,703,963.53	8,133,554.37	27.38	The expected future cash flow is less than its carrying value
Total	<u>36,933,532.94</u>	<u>10,932,971.60</u>		



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 5. Other Receivables (Continued)

#### (2) Aging analysis of other receivables

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage	Provision for Bad debt	Percentage of provision for bad debts	Amount	Percentage	Provision for Bad debt	Percentage of provision for bad debts
		%		%		%		%
Within 1 years	158,880,622.45	87.05			41,421,039.37	68.56	32,392.42	0.08
1-2 years	10,713,332.86	5.87			2,166,191.51	3.58	304,180.79	14.04
2-3 years	1,175,161.70	0.64	54,090.70	4.60	5,066,442.57	8.38	260,234.00	5.14
3-5 years	6,214,815.22	3.41	5,516,632.80	88.77	3,344,569.84	5.54	2,555,867.92	76.42
More than 5years	5,533,402.30	3.03	5,362,248.10	96.91	8,420,150.78	13.94	8,251,679.19	98.00
Total	182,517,334.53	100	10,932,971.60		60,418,394.07	100	11,404,354.32	

#### (3) Details of the five largest debtors of other receivables at the end of the period

Name of debtor	Amount	Percentage in the total value of the other Receivable	Ageing	Nature
		%		
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	102,400,000.00	56.10	Within 2 years	Government Subsidies for relocation
Film and Television Bureau of Gansu Province	22,123,971.50	12.12	Within 2 years	Deposit
Jiangsu Overseas Group International Engineering Co., Ltd.	11,636,830.09	6.38	Within 1 year	Deposit
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	9,423,000.00	5.16	Within 1 year	Government Subsidies for relocation
Panda Electronic (Kun Shan) Co., Ltd.	2,799,417.23	1.54	More than 3 years	Receivables and Payables
Total	148,383,218.82	81.30		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 5. Other Receivables (Continued)

(4) The situation of reversed or received other receivables

Name of debtor	Reason for reversal of bad debt	Reason for provision of bad debts	Amount of provision	Amount of reversed or received
China Mobile Communications Corporation Beijing Branch	Fund received	Expected cannot be recovered	400,000.00	400,000.00
Yutai Bidding and Tendering Center	Fund received	Expected cannot be recovered	250,000.00	250,000.00
Agent insurance premium	Fund received	Expected cannot be recovered	31,892.41	31,892.41
Imprest	Fund received	Expected cannot be recovered	500.00	500.00
Total			<u>682,392.41</u>	<u>682,392.41</u>

(5) The situation of written-off other receivables

Name of debtor	Amount	Nature	The reasons of written-off	Related party Transaction
China Mobile Communications Corporation Beijing Branch	(200,000.00)	Deposit	Refund of amount written off	No
China Tongguang Electronics Company Nanjing Office	130,000.00	Receivables and Payables	Can not be recovered	No
Employees Imprest	13,612.00	Imprest	Can not be recovered	No
Nanjing Tianfeng Hotel	4,307.70	Receivables and Payables	Can not be recovered	No
Nantong Hengrui Construction Installation Engineering Co., Ltd.	3,000.00	Receivables and Payables	Can not be recovered	No
Others	14,557.51	Receivables and Payables	Can not be recovered	No
Total	<u>(34,522.79)</u>			

(6) The closing balance of other receivables included no amount due from shareholders with 5% or above of shareholding with voting power in the Company.

(7) The closing balance of other receivables included RMB 2,799,417.23 due from related parties (the opening balance: RMB 2,799,417.23), representing 1.53% of the total other receivables (the opening balance: 4.63%). Please refer to Note X 3 (9) for disclosure of relevant related transactions.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 5. Other Receivables (Continued)

#### (8) Governmental subsidy

Name	Items	Amount	Aging	Data sources
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	Removal of 118 Haifu Lane	102,400,000.00	Within 1 year, 1-2years 6,276,980.85	Expect can refund by 2015, based on the compensation agreement with the government
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	Removal of 1-2 Youyihe Road	9,423,000.00	Within 1 year	Expect can refund by 2015, based on the compensation agreement with the government
Total		111,823,000.00		

(9) The closing balance of the other receivables increased by 202.09% from the opening balance and the main reason is that the government subsidy has not refund.

### 6. Inventories

#### (1) Details of inventories

Items	Closing Balance			Opening Balance		
	Balance of inventories	Provision	Value of inventories	Balance of inventories	Provision	Value of inventories
Raw materials	112,819,039.93	4,820,487.11	107,998,552.82	128,692,851.89	20,676,851.99	108,015,999.90
Packaging materials	879,278.57		879,278.57	412,224.26		412,224.26
Low-value consumables	164,500.62		164,500.62	412,797.63		412,797.63
Work in progress	93,875,415.59	2,316,694.58	91,558,721.01	74,331,606.12	6,517,984.83	67,813,621.29
Stored commodities	130,170,620.25	7,270,207.98	122,900,412.27	63,902,586.26	19,861,997.39	44,040,588.87
Consigned commodities	18,898,769.14		18,898,769.14	7,304,735.88		7,304,735.88
Delivered commodities	31,178,473.82	1,650,807.06	29,527,666.76	41,126,631.24	1,891,437.56	39,235,193.68
Total	387,986,097.92	16,058,196.73	371,927,901.19	316,183,433.28	48,948,271.77	267,235,161.51

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 6. Inventories (Continued)

#### (2) Provision for diminution in value of inventories

Item	Opening Balance	Decrease in The year	Provision in the year			Closing Balance	Portion of reversal (%)
			Reverse	Write-off	Total		
Raw materials	20,676,851.99	2,215,829.29		18,072,194.17	18,072,194.17	4,820,487.11	
Work in progress	6,517,984.83	1,000,001.74	1,056,338.46	4,144,953.53	5,201,291.99	2,316,694.58	1.15
Stored commodities	19,861,997.39	6,124,532.09	131,055.06	18,585,266.44	18,716,321.50	7,270,207.98	0.11
Delivered commodities	<u>1,891,437.56</u>	<u>19,970.56</u>		<u>260,601.06</u>	<u>260,601.06</u>	<u>1,650,807.06</u>	
Total	<u>48,948,271.77</u>	<u>9,360,333.68</u>	<u>1,187,393.52</u>	<u>41,063,015.20</u>	<u>42,250,408.72</u>	<u>16,058,196.73</u>	

- A. Basis of provision for diminution in value of inventories: on each balance sheet day, inventories are measured based on the lower of cost and net realizable value, and provision for diminution in value of inventories is made based on the surplus of cost over net realizable value of inventories on an individual basis.
- B. Reason for reversal of provision for diminution in value of inventories: Should the factors causing any write-down of the inventories do not exist anymore, the amount of write-down shall be recovered and be reversed from the provision for diminution in value of inventories that has been made.

### 7. Long-term equity investment

#### (1) Details of long-term equity investment

Item	Opening balance	Increase In the year	Decrease In the year	Closing balance
Investment in associated companies	591,573,375.42	138,377,007.59	224,537,203.60	505,413,179.41
Other Equity Investment	3,650,000.00			3,650,000.00
Less: provision for impairment of long term investment	<u>2,956,636.87</u>			<u>2,956,636.87</u>
Total	<u>592,266,738.55</u>	<u>138,377,007.59</u>	<u>224,537,203.60</u>	<u>506,106,542.54</u>

Other equity investment is the investment in Jiangsu Provincial City Rail Transport Research & Design Institute Co., Ltd, The cost of investment amounting to RMB 3,650,000, representing for 7.3%. No impairment was found by the year end of 2013.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 7. Long-term equity investment (Continued)

#### (2) Details of investment in associated companies

Name of investee	The Company's shareholding percentage	The Company's percentage in voting rights of the investee	Total assets at the end of the period	Total debts at the end of the period	Total net assets at the end of the period	Total revenue from operations for the year	Net profit for the year
	%	%					
Associated companies							
Beijing SE Putian Mobile Communications Co., Ltd.	20	20	7,802,847,000.00	7,197,083,000.00	605,764,000.00	33,898,443,000.00	96,079,000.00
Nanjing Ericsson Panda Communication Co., Ltd.	27	27	7,725,046,000.00	6,734,482,000.00	990,564,000.00	12,397,385,000.00	381,304,000.00
Shenzhen Jinghua Electronics Co., Ltd.	38.03	38.03	440,237,731.35	141,700,414.33	298,537,317.02	1,656,729,695.28	39,252,151.58
Nanjing Thales Panda Transportation System Co., Ltd.	40	40	32,061,608.27	5,697,408.37	26,364,199.90	915,680.17	3,179,981.20

#### (3) Long-term equity accounted for using equity method

Name of investee	Investment cost	Opening Balance	Additional investment in the year	Increase/decrease of the investee's equity	Cash bonus distributed	Closing Balance
Beijing SE Putian Mobile Communications Co., Ltd.	50,361,373.68	212,780,000.00		19,215,800.00	107,400,000.00	124,595,800.00
Nanjing Huaxian High Technology Co., Ltd.	10,000,000.00					
Hua Fei Color Display Systems Co., Ltd.	392,892,722.42					
Mpower Batteries (Nanjing) Co., Ltd.	4,200,000.00					
Nanjing Ericsson Panda Communication Co., Ltd. Company Limited	60,863,279.60	268,508,520.00		102,951,760.00	104,008,000.00	267,452,280.00
Shenzhen Jinghua Electronics Co., Ltd.	69,687,437.75	98,054,531.02		14,937,455.11	13,129,203.60	99,862,782.53
Nanjing Flextronics Panda Mobile Terminals Co., Ltd.	34,769,364.00					
Nanjing Electronics(Kunshan) Co. Ltd.	1,757,905.88					
Nanjing Thales Panda Transportation System Co., Ltd.	8,626,600.00	9,273,687.53		1,271,992.48		10,545,680.01
Panda Korea Chen Xi Joint Venture Co., Ltd.	3,494,075.00	2,756,525.00				2,756,525.00
Nanjing Panda Medical Electronics Co., Ltd.	500,000.00	200,111.87				200,111.87
Total	637,152,758.33	591,573,375.42		138,377,007.59	224,537,203.60	505,413,179.41

Note 1: The Company holds 25% stake of Hua Fei Color Display Systems Co., Ltd. On 18 December 2012, the Intermediate People's Court of Nanjing City, Jiangsu Province, terminated the bankruptcy liquidation proceedings of Hua Fei Color Display Systems Co., Ltd. And the cancellation of business registration is still under processing.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 7. Long-term equity investment (Continued)

#### (4) Impairment for the Long-term equity investment

Name of investee	Opening balance	Provision during the year	Decrease in the year			Closing balance
			Reversal	Write-off	Total	
Panda Korea Chen Xi Joint Venture Co., Ltd.	2,756,525.00					2,756,525.00
Nanjing Panda Medical Electronics Co. Ltd.	200,111.87					200,111.87
Total	2,956,636.87					2,956,636.87

### 8. Fixed Assets

#### (1) Details of fixed assets

Items	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Other equipment	Total
<b>Cost</b>						
Opening Balance	555,902,319.21	318,076,057.68	19,594,880.11	39,473,193.66	31,255,593.06	964,302,043.72
Transfer from CIP		2,089,358.98		199,359.65	1,898,034.18	4,186,752.81
Other Current Addition	5,647,488.31	3,582,230.37	2,022,644.30	1,079,374.70	90,866.77	12,422,604.45
Other Current Disposal	48,474,018.55	14,953,335.17	446,923.00	4,265,026.28	6,517,949.33	74,657,252.33
Closing Balance	513,075,788.97	308,794,311.86	21,170,601.41	36,486,901.73	26,726,544.68	906,254,148.65
<b>Accumulated Depreciation</b>						
Opening Balance	136,907,763.47	169,697,191.85	6,359,678.12	29,617,647.67	15,794,911.90	358,377,193.01
Current Depreciation	17,663,258.66	26,410,172.62	2,178,822.06	3,237,970.55	3,507,920.37	52,998,144.26
Current Disposal	16,058,024.98	13,177,045.26	334,669.82	4,043,349.37	2,345,323.28	35,958,412.71
Closing Balance	138,512,997.15	182,930,319.21	8,203,830.36	28,812,268.85	16,957,508.99	375,416,924.56
<b>Impairment Provision</b>						
Opening Balance	2,972,121.11	139,410.98		16,484.99	5,208.80	3,133,225.88
Current Increase						
Current Decrease						
Closing Balance	2,972,121.11	139,410.98		16,484.99	5,208.80	3,133,225.88
<b>Net book value</b>						
Closing Balance	371,590,670.71	125,724,581.67	12,966,771.05	7,658,147.89	9,763,826.89	527,703,998.21
Opening Balance	416,022,434.63	148,239,454.85	13,235,201.99	9,839,061.00	15,455,472.36	602,791,624.83

#### (2) The closing balance of fixed assets included no amount pledged as security for short-term borrowings.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 8. Fixed Assets (Continued)

(3) Fixed assets leased out by operating lease

Items	Original book Value	Accumulated depreciation	Impairment provision	Book value
Buildings	20,443,916.72	8,489,708.32	2,930,788.83	9,023,419.57
Total	20,443,916.72	8,489,708.32	2,930,788.83	9,023,419.57

(4) Fixed assets without certification

Items	Original book Value	Accumulated depreciation	Impairment provision	Book value
Buildings	13,153,928.66	2,562,071.68	2,972,121.11	7,619,735.87
Total	13,153,928.66	2,562,071.68	2,972,121.11	7,619,735.87

The certificate of the buildings (Xingang No.3 Plant) with the original cost of RMB 8,700,822.00 is still in processing, and is expected to be obtained in 2014.

(5) Impairment provision of fixed assets

Items	Opening balance	Provision during the year	Decrease in the year			Closing balance
			Reversal	Write-off	Total	
Buildings	2,972,121.11					2,972,121.11
Machinery and equipment	139,410.98					139,410.98
Electronic equipment	16,484.99					16,484.99
Other equipment	5,208.80					5,208.80
Total	3,133,225.88					3,133,225.88

(6) The closing balance of the fixed assets is RMB 527,703,998.21, which decreased from the opening balance and the main reason is the removal of No.118 Haifu Lane and No.1-2 Youyihe Road and the disposal of underlying assets as well as depreciation.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 9. Construction in progress

(1) The balance of Construction in progress

Items	Closing Balance			Opening Balance		
	The balance on account	Provision during the year	Value on account	The balance on account	Provision during the year	Value on account
The first phase of the electronic equipment industry park	207,387,680.59		207,387,680.59	54,259,749.45		54,259,749.45
Xin Gang training Center	10,201,958.58		10,201,958.58	3,890,602.01		3,890,602.01
Machinery and equipment	581,461.67		581,461.67	471,794.98		471,794.98
<b>Total</b>	<b>218,171,100.84</b>		<b>218,171,100.84</b>	<b>58,622,146.44</b>		<b>58,622,146.44</b>

(2) Details of Construction in progress

Name of project	Budget	Opening balance	Increase in the year	Transferred to fixed assets in the year		Closing balance	% of completion	% of budget	Resource of fund
				Other decrease					
The first phase of the electronic equipment industry park	542,270,000.00	54,259,749.45	153,127,931.14			207,387,680.59	38.24	38.24	Its own fund & fund raised
Xin Gang training Center	16,950,000.00	3,890,602.01	6,311,356.57			10,201,958.58	60.19	60.19	Its own fund
Machinery and equipment		471,794.98	4,296,419.50	4,186,752.81		581,461.67			Its own fund
<b>Total</b>		<b>58,622,146.44</b>	<b>163,735,707.21</b>	<b>4,186,752.81</b>		<b>218,171,100.84</b>			

(3) The Company has no capitalization of borrowing costs for the year. The Company made no impairment provision for construction in progress as there is no indication of impairment.

(4) The closing balance of the CIP increased by 272.16% from the opening balance, mainly due to that an electronic equipment industrial park and training center were in progress this year.



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 10. Intangible assets

(1) Details of intangible assets

Items	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Total original cost</b>	253,822,564.42	1,251,388.23	9,700,000.00	245,373,952.65
Land-use right	89,143,893.57	14,810.00	9,700,000.00	79,458,703.57
Trademark use rights	158,640,000.00			158,640,000.00
Computer Software	6,014,450.85	1,235,093.23		7,249,544.08
Patents	24,220.00	1,485.00		25,705.00
<b>Total accumulated amortization</b>	<u>167,302,703.30</u>	<u>2,766,878.51</u>	<u>1,817,729.68</u>	<u>168,251,852.13</u>
Land-use right	5,309,134.80	1,921,631.52	1,817,729.68	5,413,036.64
Trademark use rights	158,430,000.00			158,430,000.00
Computer Software	3,558,104.42	842,701.26		4,400,805.68
Patents	5,464.08	2,545.73		8,009.81
<b>Total accumulated impairment amount</b>	<u>210,000.00</u>			<u>210,000.00</u>
Land-use right				
Trademark use rights	210,000.00			210,000.00
Computer Software				
Patents				
<b>Total book value of intangible assets</b>	<u>86,309,861.12</u>			<u>76,912,100.52</u>
Land-use right	83,834,758.77			74,045,666.93
Trademark use rights				
Computer Software	2,456,346.43			2,848,738.40
Patents	18,755.92			17,695.19

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 11. Deferred Income Tax Assets and Deferred Income Tax Debts

(1) Details of deferred income tax assets

Items	Closing Balance		Opening Balance	
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference
Provision for asset impairment	365,949.16	2,439,661.08	5,407,287.89	32,661,978.46
Salaries payable	40,595.38	270,635.92	122,786.14	818,574.27
Depreciation of fixed assets			103,866.29	492,515.01
Accounts payable (more than 3 years)			39,742.59	264,950.63
Other accounts payable			450,000.00	3,000,000.00
Accrued expenses			3,568.67	14,274.64
Total	<u>406,544.54</u>	<u>2,710,297.00</u>	<u>6,127,251.58</u>	<u>37,252,293.01</u>

(2) Details of deferred income tax liability

Items	Closing Balance		Opening Balance	
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference
Long-term payables	<u>233,201.14</u>	<u>1,554,674.26</u>	<u>311,720.39</u>	<u>2,078,135.93</u>
Total	<u>233,201.14</u>	<u>1,554,674.26</u>	<u>311,720.39</u>	<u>2,078,135.93</u>

(3) Details of temporary difference of unrecognized deferred income tax assets

Items	Closing Balance	Opening Balance
Deductible temporary difference	121,705,251.38	141,179,105.18
Deductible loss	<u>65,636,214.78</u>	<u>24,986,096.30</u>
Total	<u>187,341,466.16</u>	<u>166,165,201.48</u>

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 11. Deferred Income Tax Assets and Deferred Income Tax Debts (Continued)

(4) Details of unrecognized deferred income tax assets will due at the following years

Items	Closing balance	Opening balance	Notes
2013		1,663,463.59	
2014	<b>4,739,035.24</b>	5,547,652.84	
2015	<b>3,307,717.71</b>	3,307,717.71	
2016	<b>789,492.74</b>	789,492.74	
2017	<b>11,765,766.00</b>	13,677,769.42	
2018	<b>45,034,203.09</b>		
Total	<b>65,636,214.78</b>	24,986,096.30	

### 12. Details of Provision for Impairment of Assets

Items	Opening balance	Provision in the year	Decrease in the year			Closing balance
			Reversal	Write-off	Total	
<b>1. Total provision for bad debt</b>	93,804,524.28	52,843,904.92	4,054,925.58	65,529,346.90	69,584,272.48	<b>77,064,156.72</b>
Including: Accounts receivable	75,104,754.16	52,456,933.84	2,894,970.43	64,500,968.78	67,395,939.21	<b>60,165,748.79</b>
Other receivables	11,404,354.32	176,486.90	682,392.41	(34,522.79)	647,869.62	<b>10,932,971.60</b>
Prepayment	7,295,415.80	210,484.18	477,562.74	1,062,900.91	1,540,463.65	<b>5,965,436.33</b>
<b>2. Total provision for impairment of inventories</b>	48,948,271.77	9,360,333.68	1,187,393.52	41,063,015.20	42,250,408.72	<b>16,058,196.73</b>
Including: Raw materials	20,676,851.99	2,215,829.29		18,072,194.17	18,072,194.17	<b>4,820,487.11</b>
Work in Progress	6,517,984.83	1,000,001.74	1,056,338.46	4,144,953.53	5,201,291.99	<b>2,316,694.58</b>
Commodity inventories	19,861,997.39	6,124,532.09	131,055.06	18,585,266.44	18,716,321.50	<b>7,270,207.98</b>
Delivered Commodities	1,891,437.56	19,970.56		260,601.06	260,601.06	<b>1,650,807.06</b>
<b>3. Total provision for impairment of long term equity investment</b>	2,956,636.87					<b>2,956,636.87</b>
<b>4. Total provision for impairment of fixed assets</b>	3,133,225.88					<b>3,133,225.88</b>
Including: Buildings	2,972,121.11					<b>2,972,121.11</b>
Machinery and equipment	139,410.98					<b>139,410.98</b>
Electronic equipment	16,484.99					<b>16,484.99</b>
Other equipment	5,208.80					<b>5,208.80</b>
<b>5. Provision for impairment of intangible assets</b>	210,000.00					<b>210,000.00</b>
Including: Trademark	210,000.00					<b>210,000.00</b>
Total	149,052,658.80	62,204,238.60	5,242,319.10	106,592,362.10	111,834,681.20	<b>99,422,216.20</b>

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 13. Restricted Assets

Restricted Assets	Opening balance	Increase In the year	Decrease In the year	Closing balance
<b>I. Fixed assets to be guaranteed</b>				
Pledged fixed assets	108,318,342.96		108,318,342.96	
Pledged intangible assets	1,106,635.40		1,106,635.40	
<b>II. Other reasons for restricted assets</b>				
Bank bill payables deposits	141,266,742.40	421,656,532.59	534,109,089.86	28,814,185.13
Contract guarantee deposits	71,492,697.34	16,944,303.36	46,404,957.30	42,032,043.40
Letter of Credit deposits				
Total	<u>322,184,418.10</u>	<u>438,600,835.95</u>	<u>689,939,025.52</u>	<u>70,846,228.53</u>

### 14. Short Term Loans

(1) Details of Short term loans

Type of loan	Closing Balance	Opening Balance
Credit loan		
Guaranteed loan	<u>99,000,000.00</u>	310,000,000.00
Collateral loan		<u>50,000,000.00</u>
Total	<u>99,000,000.00</u>	<u>360,000,000.00</u>

(2) No loans mentioned above were not unsettled beyond due date.

(3) Details of guaranteed loan of the Company and its subsidiaries, please refer to Note X 3 (5) and (6).

(4) The weighted average interest rate of the short term loans for the year is 6.29% (year 2012: 7.00%).

(5) The closing balance of the short term loans decreased by 72.50% from the opening balance and the main reason is that the receiving of dividends of associated companies which are used to refund short term loan.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 15. Bills payable

(1) Details of bills payable

Types of Bills	Closing Balance	Opening Balance	Amount due in the next accounting period
Bank acceptance notes	<b>61,925,836.17</b>	288,335,481.41	61,925,836.17
Total	<b>61,925,836.17</b>	288,335,481.41	61,925,836.17

(2) The closing balance of bills payable decreased by 78.52% from the opening balance is mainly due to bank notes are settled about the project "Gansu provincial government purchase for every family" and "Nanjing Metro"

### 16. Accounts payable

(1) Details of accounts payable

Aging	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1year	<b>484,491,116.97</b>	<b>83.55</b>	369,204,529.85	77.91
1-2 years	<b>42,018,458.90</b>	<b>7.25</b>	44,629,856.66	9.42
2-3 years	<b>6,407,003.09</b>	<b>1.10</b>	24,038,667.25	5.07
More than 3 years	<b>46,943,459.41</b>	<b>8.10</b>	36,000,734.57	7.60
Total	<b>579,860,038.37</b>	<b>100</b>	473,873,788.33	100

(2) The closing balance of accounts payable includes RMB3,677,933.51 due to Panda Electronics Group Limited, the shareholder with 36.63% of shareholding with voting power in the Company(the opening balance: RMB 3,997,184.39).

(3) The closing balance of accounts payable included RMB 40,908,825.01 (the opening balance: RMB 26,424,383.02) due to related parties. Please refer to Note X 3 (9) for disclosure of relevant related transactions.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 16. Accounts payable (Continued)

(4) Other payables in large amount with aging over one year.

Name of creditor	Amount	Reason for failure to repay	Whether will be repaid after the balance sheet day
Thales Software Systems (Shanghai) Co. Ltd.	2,275,150.97	Unsettled	No
Nanjing Ibouden Automation Equipment Co., Ltd.	2,241,200.00	Unsettled	No
Jiangsu Zhongxing Construction Co., Ltd. Nanjing Branch	2,232,371.69	Unsettled	No
Panda Electronics Group Limited	3,677,933.51	Unsettled	No
Beijing Gold Barron Broadcast and TV Technology Co., Ltd.	2,043,408.48	Unsettled	No
Nanjing Runkai Technology Industry and Trade co., Ltd.	1,924,303.54	Could not get in touch	No
China Electronics Liquid Crystal CIM Weak Current Engineering Project	1,718,775.55	Unsettled	No
Jiangning Wanda Plaza Intelligent Systems Engineering Project	1,710,054.45	Unsettled	No
Jiangning Digital Policing System Engineering Project	1,631,600.00	Unsettled	No
China Electronics Liquid Crystal Security Weak Current Engineering Project	1,610,055.46	Unsettled	No
Nanjing Panda Electronics Import/Export Co., Ltd.	1,578,004.18	RMB1,578,004.18 was paid after the balance sheet day	Yes
Nanjing Transportation Bureau Tower Information Industry Project	1,447,656.29	Unsettled	No
Wuxi Lingrui Welding Technology Co., Ltd.	1,393,162.39	Unsettled	No
Liquid Crystal Security Reconstruction Project	1,351,481.55	Unsettled	No
Liquid Crystal Optical Filter CIM Computer Room Network Equipment Project	1,325,262.89	Unsettled	No
Suzhou City Administration Project	1,126,506.31	Unsettled	No
Shaoxing Four-dimensional Plastic Engineering Co., Ltd.	1,111,131.92	Could not get in touch	No
First Section Xuzhou Yunlong Wanda Plaza	1,034,373.15	Unsettled	No
<b>Total</b>	<b>31,432,432.33</b>		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 17. Advances from customers

(1) Details of Advances from customers

Aging	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1year	<b>78,777,188.78</b>	<b>80.15</b>	87,898,085.21	79.58
1-2 years	<b>15,288,700.62</b>	<b>15.55</b>	19,316,999.31	17.49
2-3 years	<b>1,864,977.54</b>	<b>1.90</b>	1,855,519.50	1.68
More than 3 years	<b>2,354,539.85</b>	<b>2.40</b>	1,380,327.38	1.25
Total	<b>98,285,406.79</b>	<b>100</b>	110,450,931.40	100

(2) The closing balance of advances from customers includes no shareholder over 5% of shareholding with voting power in the Company.

(3) The closing balance of advances from customers includes RMB 14,757,660.38 (the opening balance: RMB 5,596,748.06) due to related parties. Please refer to Note X3(9) for disclosure of relevant related transactions.

(4) The advances from customers with aging over 1 year had not been settled, mainly due to that the receipt of advance is more than the unsettled payment subject to the construction progress.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 18. Salaries payable

#### (1) Movements of salaries payable

Items	Opening Balance	Increase	Decrease	Closing Balance
1. Salaries and bonus	12,083,513.21	216,431,240.50	217,200,895.18	11,313,858.53
2. Expenses for employee benefits		18,800,360.66	18,800,360.66	
3. Expenses for social security	1,483,576.22	49,023,656.09	48,459,485.28	2,047,747.03
Including: Medical insurance	102,210.99	14,060,898.66	13,886,815.19	276,294.46
Pension fund	1,338,875.98	30,154,674.70	29,774,375.01	1,719,175.67
Unemployment insurance	27,986.35	2,747,610.64	2,755,169.54	20,427.45
Injury insurance	10,099.94	886,320.75	884,170.84	12,249.85
Maternity insurance	4,402.96	1,174,151.34	1,158,954.70	19,599.60
4. Housing reserve fund	823,512.10	15,967,736.30	15,992,067.10	799,181.30
5. Trade union funds and employee education funds	2,224,865.66	3,583,878.57	3,617,622.81	2,191,121.42
6. Compensation for employment termination	108,000.00			108,000.00
7. Laid-off benefits	21,302,620.63	1,890,422.37	7,813,928.75	15,379,114.25
8. Others	46,714.00	559,420.00	571,444.00	34,690.00
Total	<u>38,072,801.82</u>	<u>306,256,714.49</u>	<u>312,455,803.78</u>	<u>31,873,712.53</u>

(2) There are not any salaries payable in arrears and all the salaries, bonuses and benefits (retired employees excluded) are paid to employees in line with the Company's payment schedule.

(3) Laid-off benefits are the total accrued expenses of internal laid-off staff since 1 January 2014 to the retirement date, including the unrecognized financing expenses amounting to RMB1,441,578.41 (the opening balance: RMB 1,914,889.27). The unrecognized financing cost is amortized by the effective interest method.



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 19. Taxes payable

(1) Details of taxes payable

Items	Tax Rate	Closing Balance	Opening Balance
Value-added tax	Refer to Note VI: Taxation	<b>10,722,486.48</b>	18,051,948.55
Business tax	Refer to Note VI: Taxation	<b>653,434.68</b>	294,103.10
Urban development tax	Refer to Note VI: Taxation	<b>706,236.80</b>	1,203,009.79
Education surcharges	Refer to Note VI: Taxation	<b>962,786.66</b>	764,997.00
Enterprise income tax	Refer to Note VI: Taxation	<b>6,243,994.88</b>	8,096,078.00
Individual income tax		<b>617,166.24</b>	485,769.00
Others		<b>35,797.56</b>	29,284.70
Total		<b>19,941,903.30</b>	28,925,190.14

(2) The closing balance of tax payable decreased by 31.06% from the opening balance is due to the substantial payment of value-added tax and variation of the rate of enterprise income tax of the subsidiaries.

### 20. Interest Payable

(1) Details of interest payable

Items	Closing Balance	Opening Balance
Short-term loan interest	<b>83,333.33</b>	521,752.78
Total	<b>83,333.33</b>	521,752.78

(2) The closing balance of Interest Payable decreased by 84.03% from the opening balance mainly due to the repayment of the borrowing.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 21. Dividend Payable

- (1) Details of dividend payable

Name of investors	Closing Balance	Opening Balance	Reason not to pay more than one year
Individual shareholders		1,364,696.99	
Total		1,364,696.99	

- (2) The closing balance of dividend payable decreased by 100.00% from the opening balance is due to that Nanjing Panda Mechanical and Electrical Manufacturing Co., Ltd. paid the dividends to the minority shareholders.

### 22. Other payables

- (1) Details of other payables

Aging	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	57,316,257.56	50.00	74,390,089.55	60.92
1-2 years	20,293,108.35	17.70	8,991,669.80	7.37
2-3 years	2,760,012.25	2.41	9,467,249.16	7.75
More than 3 years	34,262,111.31	29.89	29,258,894.03	23.96
Total	114,631,489.47	100	122,107,902.54	100

- (2) The closing balance of other payables included RMB 13,341,659.17 payables to Panda Electronics Group Limited, the shareholder with 36.63% of shareholding with voting power in the Company, RMB 43,600.00 payables to Nanjing Electronic Information Industrial Corporation, the shareholder with 56.85% of shareholding with voting power in Panda Electronics Group Limited and RMB 34,000,000.00 payables to China Electronic Corporation, the shareholder with 70.00% of shareholding with voting power in Nanjing Electronic Information Industrial Corporation.
- (3) The closing balance of other payables includes RMB 49,514,036.36 payables to related parties (the opening balance: RMB 47,619,512.83). Please refer to Note X 3 (9) for disclosure of relevant related transactions.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 22. Other payables (Continued)

#### (4) Other payables in large amount

Name of creditor	Amount	Nature or (content)
China Electronics Corporation	34,000,000.00	Receivable and Payable
Panda Electronics Group Limited	13,341,659.17	Receivable and Payable
Nanjing Economic and Technological Development Zone Management Committee	4,424,425.48	Deposits
Nanjing Changxin Technology Co., Ltd.	3,904,455.77	Deposits
Film and Television Bureau of Gansu	2,200,000.00	After-sale services fee
Zhonghai Jianguobiao Tendering Co., Ltd.	2,090,000.00	Deposits
Film and Television Bureau of Guangdong	1,661,236.00	Deposits
Jiangsu Tafeng Information Technology Co., Ltd.	1,450,000.00	Deposits
Dongying Guanlin Intelligence Technology Co., Ltd.	1,000,000.00	Deposits
Total	64,071,776.42	

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 23. Share Capital

#### (1) Details of share capital

	Opening Balance	Increase in the year	Decrease in the year	Closing Balance
Shares subject to trading moratorium - State owned shares				
State-owned legal person shares		115,415,686.00		115,415,686.00
Other domestic shares		143,407,843.00		143,407,843.00
Foreign shares				
Subtotal		258,823,529.00		258,823,529.00
Shares not subject to trading moratorium- RMB denominated ordinary shares	413,015,000.00			413,015,000.00
China-listed foreign shares				
Overseas-listed foreign shares	242,000,000.00			242,000,000.00
Others				
Subtotal	655,015,000.00			655,015,000.00
Total	655,015,000.00	258,823,529.00		913,838,529.00

- (2) On 19 April 2013, according to China Securities Regulatory Commission's approval (Zheng Jian Xu Ke [2013] No. 332), the Company was authorized to issue 258,823,529 ordinary shares (A shares) in RMB to no more than ten specific investors including Nanjing Electronic Information Industrial Corporation with a nominal value of RMB1.00 per share and a selling price RMB5.10 per share. The financed net value amounts to RMB 1,294,403,712.55, including an increase of share capital of RMB 258,823,529.00, an increase of capital reserve, RMB 1,035,580,183.55. The raised fund was collected on 24 June 2013 and has been verified by Baker Tilly China Certified Public Accountants (Baker Tilly China) and the capital verification report Tian Zhi Hu QJ [2013] No.1907 was issued.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 24. Capital Reserve

#### (1) Details of capital reserve

Items	Opening Balance	Increase in the year	Decrease in the year	Closing Balance
Capital premium	453,107,996.27	1,035,580,183.55		1,488,467,981.18
Other capital reserve	13,498,333.16			13,498,333.16
Total	<u>466,386,130.79</u>	<u>1,035,580,183.55</u>		<u>1,501,966,314.34</u>

- (2) The Company issue non-public shares to raise fund which increase the capital reserve by RMB 1,035,580,183.55. Please refer to Note VIII 23 for disclosure of relevant related transactions.

### 25. Surplus Reserve

#### (1) Details of surplus reserve

Items	Opening Balance	Increase in the year	Decrease in the year	Closing Balance
Statutory surplus reserve	150,363,357.56	11,206,026.27		161,569,383.83
Discretionary surplus reserve	<u>70,376,641.33</u>			<u>70,376,641.33</u>
Total	<u>220,739,998.89</u>	<u>11,206,026.27</u>		<u>231,946,025.16</u>

- (2) According to "the Company law of the PRC", the Company's Articles of Association, the Company appropriates 10% of net profits of the year to statutory surplus reserve. The Company shall not appropriate statutory surplus reserve when it reaches above 50% of the total share capital. The statutory surplus reserve could be used to recover loss or increase share capital. Based on resolution at the Board of Directors, the Company appropriated statutory surplus reserve amounting to RMB 11,206,026.27, which amounted to 10% net profit of the Company this year (year 2012: RMB 12,521,434.43).

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 26. Undistributed Profit

(1) Details of undistributed profit

Items	2013	2012
<b>Closing balance of previous year</b>	<b>342,614,884.56</b>	256,332,969.10
Add: Changes in accounting Policies		
Correction of previous errors		
<b>Opening balance of the year</b>	<b>342,614,884.56</b>	256,332,969.10
Add: Consolidated net profit attributable to parent company	<b>182,839,213.91</b>	131,554,099.89
Compensation of loss from surplus reserve		
Other transfer-in		
Less: Transfer to statutory surplus Reserve	<b>11,206,026.27</b>	12,521,434.43
Transfer to discretionary surplus Reserve		
Distribution to shareholders	<b>39,300,900.00</b>	32,750,750.00
<b>Closing balance of the year</b>	<b>474,947,172.20</b>	342,614,884.56

(2) According to the profit distribution plan released on the seventh of the Seventh conference of the Board of Directors and the Annual General Meeting of 2012, the profit will be distributed at the base of the share capital of 655,015,000. Every 10 shares will be paid by RMB 0.6 (Tax included) cash dividends, amounting to RMB 39,300,900.00 totally.

(3) The closing balance of undistributed profit increased by 38.62% compared with the opening balance, mainly due to increased retained from operating for the year.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 27. Operating Income and Cost

#### (1) Income from principal activities and other activities

Items	2013	2012
Income from principal activities	<b>2,429,261,769.05</b>	2,373,615,372.55
Income from other activities	<b>50,223,358.64</b>	56,426,904.40
Total operating income	<b><u>2,479,485,127.69</u></b>	<u>2,430,042,276.95</u>
Cost of principal activities	<b>2,103,094,358.79</b>	2,108,754,840.59
Cost of other activities	<b>25,157,965.04</b>	49,567,827.23
Total operating cost	<b><u>2,128,252,323.83</u></b>	<u>2,158,322,667.82</u>

#### (2) Income, cost and profit from principal activities of each business segment

Business segment	2013		
	Income from principal activities	Cost of principal activities	Profit of principal activities
Electronic equipment products	<b>1,427,713,583.48</b>	<b>1,209,686,582.05</b>	<b>218,027,001.43</b>
Electronic manufacture products	<b>702,712,937.41</b>	<b>617,106,395.79</b>	<b>85,606,541.62</b>
Consumer electronics products	<b>238,367,472.64</b>	<b>231,318,919.81</b>	<b>7,048,552.83</b>
Others	<b>60,467,775.52</b>	<b>44,982,461.14</b>	<b>15,485,314.38</b>
Total	<b><u>2,429,261,769.05</u></b>	<b><u>2,103,094,358.79</u></b>	<b><u>326,167,410.26</u></b>

Business segment	2012		
	Income from principal activities	Cost of principal activities	Profit of principal activities
Electronic Equipment products	1,198,417,306.36	1,049,788,113.37	148,629,192.99
Electronic manufacture products	649,509,408.87	586,955,082.36	62,554,326.51
Consumer electronics products	469,265,710.78	430,257,689.63	39,008,021.15
Others	56,422,946.54	41,753,955.23	14,668,991.31
Total	<u>2,373,615,372.55</u>	<u>2,108,754,840.59</u>	<u>264,860,531.96</u>

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 27. Operating Income and Cost (Continued)

- (3) The Company's major business area is in Nanjing.
- (4) Sales revenue from the largest five customers totaled RMB 815,334,894.93, accounting for 32.88% of total sales revenue of the year.

### 28. Sales tax and surcharges

Items	2013		2012	
	Calculation basis	Amount	Calculation basis	Amount
Business tax	3%-5% of lease income and others	9,367,190.54	3%-5% of lease income and others	7,477,584.67
Urban development tax	7% of turnover tax	5,463,779.63	7% of turnover tax	4,731,946.96
Education surcharges	5% of turnover tax	4,448,682.58	3%-5% of turnover tax	3,043,774.54
Total		<u>19,279,652.75</u>		<u>15,253,306.17</u>

### 29. Selling expenses

Items	2013	2012
Salaries and Benefits	12,914,625.34	12,262,049.99
Advertising fee	13,442,684.90	9,317,326.70
Transport fee	5,322,108.70	4,291,669.05
Entertainment	3,504,722.33	4,127,892.52
Travelling expenses	2,390,211.88	1,902,109.76
Labor expenses	2,009,300.21	1,760,594.13
Office expenses	2,704,596.11	1,366,261.55
Others	995,667.12	423,604.39
Total	<u>43,283,916.59</u>	<u>35,451,508.09</u>



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 30. General and administrative expenses

Items	2013	2012
R&D expenses	<b>108,072,216.63</b>	101,571,534.65
Salaries and Benefits	<b>103,710,506.81</b>	96,542,660.18
Entertainment and Travel	<b>13,986,865.83</b>	14,840,744.71
Agent fee	<b>9,566,476.29</b>	10,153,609.86
Office expenses	<b>9,111,198.19</b>	9,513,740.97
Depreciation and Amortization	<b>21,918,110.09</b>	8,825,782.36
Tax	<b>6,668,578.33</b>	5,629,561.50
Labor expenses	<b>6,687,489.51</b>	4,591,695.28
Maintenance Fee	<b>3,431,979.51</b>	3,915,733.02
Utilities	<b>2,313,761.55</b>	3,143,784.99
Others	<b>10,588,528.42</b>	10,671,722.82
Total	<b><u>296,055,711.16</u></b>	<u>269,400,570.34</u>

### 31. Financial expenses

Items	2013	2012
Interest expenses	<b>28,787,723.64</b>	30,464,726.99
Less: Interest income	<b>12,139,321.83</b>	6,059,904.60
Exchange loss	<b>2,314,531.66</b>	2,653,726.31
Less: Exchange gain	<b>360,300.57</b>	144,927.50
Bank charges	<b>391,155.84</b>	1,160,382.55
Unrecognized financing expenses	<b>660,252.01</b>	551,287.87
Others	<b>103,214.48</b>	784,937.37
Total	<b><u>19,757,255.23</u></b>	<u>29,410,228.99</u>

The closing balance of financial expenses decreased by 32.82% compared with the opening balance, mainly due to increased bank balances for the year.

### 32. Assets Impairment Loss

Items	2013	2012
Bad debt losses	<b>48,788,979.34</b>	19,842,272.03
Loss from inventory impairment	<b>8,172,940.16</b>	15,899,161.21
Total	<b><u>56,961,919.50</u></b>	<u>35,741,433.24</u>

Assets impairment loss for year 2013 increased by 59.37% from that of 2012, due to the large amount of bad debts provision accrued in the year.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 33. Investment Income

(1) Listed by Items

Items	2013	2012
Share of profit of investees under equity method of accounting	<b>138,377,007.59</b>	190,806,000.78
Investment income on financial products	<b>8,967,945.20</b>	
Total	<b>147,344,952.79</b>	190,806,000.78

(2) Investment income listed by investees

Name of Investees	2013	2012	Remarks
Nanjing Ericsson Panda Communication Co., Ltd.	<b>102,951,760.00</b>	93,220,601.22	A
Beijing SE Putian Mobile Communications Co., Ltd. ("BMC")	<b>19,215,800.00</b>	83,736,800.00	A
Shenzhen Jinghua Electronics Co., Ltd.	<b>14,937,455.11</b>	14,897,110.52	
Nanjing Thales Panda Transportation System Co., Ltd.	<b>1,271,992.48</b>	(1,048,510.96)	
Total	<b>138,377,007.59</b>	190,806,000.78	

A. The financial statements of Nanjing Ericsson Panda Communication Co., Ltd. and Beijing SE Putian Mobile Communication Co., Ltd. in 2013, associated companies of the Company were audited by Pricewaterhouse Coopers Zhong Tian Accountants Limited Company and standard unqualified audited reports were issued.

B. Since i) there was no material difference in the accounting policies and accounting periods adopted between the investee and those of the Company; ii) there was no issue affecting the net profit of the investee for the year arising from the difference between fair value and book value of the long term assets; iii) there was no unrecognized internal profit that needs to be offset between the investee and the Company. The Company recognized investment income based on the investee's book value of net profit.

The investment income or loss was recognized based on the share of profit or loss of investees under equity method of accounting.

C. There was no material restriction on the remittance of the investment income to the Company.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 34. Non-operating Income

#### (1) Details of Non-operating income

Items	2013	2012	Amount recorded in the current profits and losses
Gains from disposal of non-current assets	<b>2,075,910.44</b>	560,832.53	2,075,910.44
Including: Gains from disposal of fixed assets	<b>2,075,910.44</b>	560,832.53	2,075,910.44
Gains from disposal of other non-current fixed assets			
Write off payables	<b>6,005,925.89</b>	7,302,348.71	6,005,925.89
Debt restructuring income	<b>416,989.13</b>	5,722,713.08	416,989.13
Governmental subsidy	<b>45,519,537.09</b>	46,696,640.56	43,852,415.00
Governmental compensation for relocation	<b>83,752,755.26</b>	17,382,386.65	83,752,755.26
Net gain from fine payments	<b>236,775.50</b>	564,872.44	236,775.50
Other	<b>1,919,349.19</b>	905,294.77	1,919,349.19
Total	<b>139,927,242.50</b>	79,135,088.74	138,260,120.41

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 34. Non-operating Income (Continued)

#### (2) Governmental subsidy

Items	2013	Data sources	Whether related to income/assets
Electronic Equipment Project Research and Development Subsidies	20,000,000.00	Subsidy Proof of Management Committee	related to income
The Central State-owned Capital Management Budget Major Technical Innovation and Industrialization Fund	7,960,000.00	CQ[2012] No.383	related to income
Special Funds of Jiangsu Province Scientific and Technological Achievements Transformation	3,000,000.00	NK[2012]No.1	related to income
Development and Industrialization of AFC System and ACC Systems Software	2,600,000.00	SCJ[2013] No.61	related to income
Research and Development of IPTV Set-top Box Decoding System Software Project	2,000,000.00	Publicity of Provincial modern service industry (software industry) Development Special Publication of the Funded Project in 2010	related to income
Research and Development of PDT TD-SCDMA Digital Trunking Terminal Equipment	1,820,000.00	GKFJ[2012]No.858	related to income
The Software Products VAT Refund	1,667,122.09	Preferential Policies of Software Industry and Development of Integrated Circuit Industry	related to income
“Wireless High-definition Flat-panel Display Terminal” Project	1,500,000.00	SKJ[2009]No.423 SCJ[2009]No.216	related to income
Energy-saving Appliances Subsidies	1,089,300.00	Subsidy Policy of National Energy Saving and Benefiting People Project	related to income
The Special Plan and Science Funding of Science and Technology Public Platform	1,020,000.00	NK[2013]No.240 NCJ[2013]No.757	related to income
Nanjing Preschool Educational Tickets Issued	989,490.00	NJC[2011] No.8	related to income
2012 Annual Business Development Special Funds	507,060.00	SCGM[2012]No.36	related to income
Nanjing Emerging Industry Guide Special Funds	500,000.00	NCQ[2013]No.331	related to income
Municipal environmental protection special fund	296,000.00	NZGZ[2012] No.14	related to income
Government Tax Rebates Incentives of Baixia District	160,000.00	Investment Preferential Policies of Development Zone	related to income
Appropriation of Xuanwu District Finance Bureau	80,000.00	XWB[2012] No.29	related to income
Software Product Registration Subsidies	70,000.00	NJXRJ[2013]No. 409 NCQ[2013]No.852	related to income
Saudi Arabia Exhibition Subsidies	68,200.00	Subsidy Fact Sheet of “Nanjing Panda Electronic Manufacture Co., Ltd. Attending Saudi Arabia-China Products Show in 2012”	related to income

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 34. Non-operating Income (Continued)

#### (2) Governmental subsidy (Continued)

Items	2013	Data sources	Whether related to income/assets
Migrant Rural Workers Employment Training Subsidy	67,830.00	Notification of Nanjing Economic and Technological Development Zone Management Committee Organizing of Migrant Rural Workers employment in 2012	related to income
Appropriation of CMMI Authentication	50,000.00	NJXRJ[2013]No. 409 NCQ[2013]No.852	related to income
High Technology Enterprise Subsidies from The Qinhuai Science and Technology Bureau	50,000.00	Contract of Science and Technology Project in Qinhuai District Nanjing	related to income
City Technology Bureau IP Implementing Standard Qualified Units Award	16,000.00	NK[2012]No.262	related to income
The Reward for Being Identified As the Provincial High-tech Products in 2012	4,000.00	NK[2012]No.152	related to income
Appropriation of Baixia Business Bureau	2,535.00	Subsidy Proof of Commerce Bureau	related to income
The Reward of Being Identified As high-tech Products by Baixia Science and Technology Bureau in 2012	2,000.00	NK[2012]No.152	related to income
<b>Total</b>	<b>45,519,537.09</b>		

Items	2012	Data sources	Whether related to income/assets
Subsidy for the national construction-projects of digital televisions, video and audio systems.	14,967,872.00	CQ[2009] No.391	related to income
Grants turned from achievements through mid-checking transferred to the profit and loss	5,300,000.00	NK[2012] No.1	related to income
Grants for PDP plant	5,236,562.50	FGBGJ[2009] No.2223	related to income
Grants to guide the adjustments of key industries and encouragements of special project from the Department of Finance of Jiangsu Province	4,910,000.00	SCGM[2010] No.4	related to income
Grants to guide the development of Provincial Modern service industry (software industry) of 2009	4,000,000.00	NK[2009] No.114 NCJ[2009] No.379	related to income
The Notice of Special Grants about Discount Charges for loans	2,400,000.00	SCJ[2012] No.63	related to income
Grants from the government	1,920,000.00	NKWJZ[2001] No.119	related to income
Subsidy for projects of "Jing Xin Wei"	1,300,000.00	NJXTZ[2011] No.468 NCQ[2011] No.1026	related to income
Subsidy for children care from Nanjing	986,400.00	NJC[2011] No.8	related to income
Special Grants for financial development of 2011	641,000.00	SCGM[2012] No.57	related to income

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 34. Non-operating Income (Continued)

#### (2) Governmental subsidy (Continued)

Items	2012	Data sources	Whether related to income/assets
Subsidy for the service industry and Information Industry	620,000.00	NJXRJ[2011] No.460 NCQ[2011] No.955 NKQZ[2011] No.66	related to income
Grants to guide the emerging industries	500,000.00	NCQ[2012] No.588	related to income
Subsidy for the leading enterprise of software industry of 2012	500,000.00	NJXRJ[2012] No.353	related to income
Grants from Municipal Science and Technology Bureau	500,000.00	Nanjing Science and Technology Bureau	related to income
Grants for Science and Technology Award	500,000.00	SKC[2012] No.345	related to income
Comprehensive control of water resources	500,000.00	NJXTZ[2012] No.315 NCQ[2012] No.588	related to income
Subsidy for The project of the system IBMS based on the framework of RIA in 2012	445,000.00	NJXRJ[2012] No.305 NCQ[2012] No.581	related to income
Exemption of sales tax for technology development contracts	353,920.00	CSZ[1994] No.010	related to income
Refund VAT for software products	201,302.77	Encouraging preferential policies for the development of software and IC industries	related to income
Grants paid by Nanjing Science and Technology Bureau for the development of science and technology	174,000.00	NK[2011] No.219 NKJ[2011] No.911	related to income
Special Grants for environmental protection.	172,000.00	NZGZ[2012] No.14	related to income
Tax rebate for software	164,003.29	Software Enterprise Certificate	related to income
Special Grants for the network of 2011	104,000.00	NJXTZ[2012] No.26	related to income
Subsidy from Economic Development Zone for "Innovation&Transformation"	100,000.00	Nanjing economic technical development area	related to income
Rewards for high-tech business	100,000.00	NKWJZ[2012] No.12	related to income
Subsidy for the leading enterprise of software industry established in Nanjing	65,000.00	NJXRJ[2012] No.353	related to income
Subsidy for projects of "He Gao Ji"	30,000.00	GXZXYJ[2011] No.65	related to income
Subsidy for patents from Qixia Science and Technology Bureau	5,580.00	Qixia Science and Technology Bureau	related to income
Total	<u>46,696,640.56</u>		

#### (3) The gain of debt restructuring

Nanjing Panda Information Industry Co., Ltd. subsidiary of the Company entered into a debt restructuring contract with its creditor, Exempt debt of RMB 416,989.13 totally, which was accounted as non-operating income.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 34. Non-operating Income (Continued)

- (4) Governmental compensation for relocation

According to "the letter of starting works about relocation of Nanjing Panda Electronics Co., Ltd." by Nanjing Baixia District Government on 5 January 2012, the Company made a decision that Nanjing Panda Mechanical Engineering Plant removed from No.118 Haifu Lane in the beginning of year 2012. According to the relocation agreement between the Baixia District Government and the Company, and the actual situation of relocation, the Company recognized RMB 72,075,111.75 as earnings.

According to "the agreement about the relocation of No.1-2 Youyihe Road Qinhuai District, Nanjing" between Nanjing Qinhuai District People's Government Office of Guanghua Road and the Company, the Company decided to start the relocation work. In accordance with the agreement above and the actual situation of the relocation as at 31 December 2013, the Company recognized RMB 11,677,643.51 as earnings.

- (5) The non-operating income for year 2013 increased by 76.82% from that of 2012, was due to the increase in government subsidies and the compensation for relocation.

### 35. Non-operating Expenses

- (1) Details of Non-operating expenses

Items	2013	2012	Amount recorded in the current profits and losses
Loss from the disposal of non-current assets	<b>2,158,055.17</b>	278,419.78	2,158,055.17
Including: loss from disposal of fixed assets	<b>2,158,055.17</b>	278,419.78	2,158,055.17
Loss from the disposal of other non-current assets			
Donation expenses	<b>90,762.14</b>	104,200.00	90,762.14
Fine payment expenses	<b>43,563.09</b>	91,131.32	43,563.09
Compensation expenses	<b>99,470.65</b>		
Others	<b>327,779.83</b>	510,117.44	327,779.83
Total	<b>2,620,160.23</b>	1,083,339.19	2,620,160.23

- (2) The non-operating expenses for year 2013 increased by 141.86% from that of 2012, mainly due to the increase loss in disposal of the production line.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 36. Income Tax Expenses

- (1) Composition of income tax expenses (gains)

Items	2013	2012
Current income tax	<b>6,529,217.08</b>	19,511,548.75
Deferred income tax	<b>5,642,187.79</b>	(214,467.95)
Total	<b><u>12,171,404.87</u></b>	<u>19,297,080.80</u>

- (2) The reconciliation from total profit presented in the consolidated financial statements to the income tax expenses is as follows:

Items	2013	2012
Total profit	<b>200,546,383.69</b>	155,320,312.63
Income tax expenses calculated at the applicable tax rate	<b>50,136,595.93</b>	38,830,078.16
Exemption/reduction of income tax under preferential tax treatment	<b>(20,212,583.65)</b>	(13,043,539.10)
Adjustment on previous income tax	<b>(7,113,736.43)</b>	4,934,648.91
Share of results of associates	<b>(20,756,551.14)</b>	(28,517,050.28)
Income not subject to tax	<b>(58,862.83)</b>	(24,600.49)
Expenses not deductible for tax purposes	<b>1,689,203.54</b>	2,527,092.14
Claim additional deduction r&d	<b>(2,264,653.66)</b>	(1,450,057.01)
Effect of change in tax rate	<b>477,384.93</b>	(71,596.09)
Utilization of previously unrecognized tax losses	<b>(202,154.40)</b>	(492,303.42)
Unrecognized deductible temporary difference and deductible tax loss	<b><u>10,476,762.58</u></b>	<u>16,604,407.98</u>
Income tax expenses	<b><u>12,171,404.87</u></b>	<u>19,297,080.80</u>

### 37. Basic Earnings per Share and Diluted Earnings per Share

Items	2013	2012
Basic earnings per share	<b>0.2331</b>	0.2008
Diluted earnings per share	<b>0.2331</b>	0.2008



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 38. Cash Received Relating to Other Operating Activities

Among the “cash received relating to other operating activities”, the items with large amount are listed as follows:

Items	2013	2012
Cash receipts from Acceptance deposit & Commitment deposit	<b>29,460,653.94</b>	
Government subsidy	<b>36,003,115.00</b>	10,762,980.00
Governmental compensation for relocation	<b>34,705,000.00</b>	3,600,000.00
Cash receipts from Quality deposit & Performance deposit	<b>12,623,090.06</b>	
Interest Income	<b>12,139,321.83</b>	6,059,904.60
Others	<b>2,156,124.69</b>	1,065,475.74
Total	<b>127,087,305.52</b>	21,488,360.34

### 39. Cash Paid Relating to Other Operating Activities

Among the “Cash Paid Relating to Other Operating Activities”, the items with large amount are listed as follows:

Items	2013	2012
Research & development expenses	<b>59,376,854.36</b>	73,442,355.91
Receipt of deposit of commitment	<b>45,376,011.37</b>	109,654,178.56
Transportation fee	<b>5,322,108.70</b>	5,261,572.38
Entertainment expenses	<b>14,087,751.08</b>	14,673,330.85
Office expenses	<b>11,815,794.30</b>	10,131,498.69
Agent fee	<b>9,566,476.29</b>	10,153,609.86
Service fee	<b>8,696,789.72</b>	2,349,844.60
Travelling expenses	<b>5,794,048.96</b>	6,197,416.14
Advertising fee	<b>12,688,484.90</b>	9,317,326.70
Others	<b>2,719,492.35</b>	2,691,541.24
Total	<b>175,443,812.03</b>	243,872,674.93

### 40. Other Cash Receipt in Connection with Investment Activities

Items	2013	2012
Financial product and its benefits	<b>808,967,945.20</b>	
Total	<b>808,967,945.20</b>	

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 41. Other Cash paid in Connection with Investment Activities

Items	2013	2012
Financial product	<b>800,000,000.00</b>	
The cash paid for acquisition of a minority shareholding		486,500.00
Total	<b>800,000,000.00</b>	486,500.00

### 42. Other Cash receipt Relating to Financing Activities

Items	2013	2012
State-owned capital from China Electronic Information Industry Group Co., Ltd.		34,000,000.00
Total		34,000,000.00

### 43. Other Cash Paid Relating to Financing Activities

Among the "Other Cash Paid Relating to Financing Activities", the items with large amount are listed as follows:

Items	2013	2012
Payment of amount under finance lease	<b>3,458,926.85</b>	
Total	<b>3,458,926.85</b>	

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 44. Supplemental Information of Cash Flow Statements

#### (1) Reconciliation of net profit to cash flows from operating activities

Items	2013	2012
<b>1. Reconciliation of net profit to net cash flows from operating activities:</b>		
<b>Net profit</b>	<b>188,374,978.82</b>	136,023,231.83
Add: Provision for asset impairment	<b>56,961,919.50</b>	35,741,433.24
Depreciation of fixed assets	<b>52,998,144.26</b>	53,886,329.42
Amortization of intangible assets	<b>2,766,878.51</b>	1,631,499.15
Amortization of long term deferred expenses		
Loss arising from disposal of fixed assets, intangible assets and other long term assets (gains are represented by "-")	<b>82,144.73</b>	(282,412.75)
Loss from fixed assets scrapped (gains are represented by "-")		
Losses from change in fair value (gains are represented by "-")		
Financial expense (gains are represented by "-")	<b>28,872,633.03</b>	31,853,347.87
Loss on investment (gains are represented by "-")	<b>(147,344,952.79)</b>	(190,806,000.78)
Decrease in deferred income tax assets (Increase is represented by "-")	<b>5,720,707.04</b>	(214,467.95)
Increase in deferred income tax liabilities (decrease is represented by "-")	<b>(78,519.25)</b>	
Decrease in inventories (increase is represented by "-")	<b>(112,865,679.84)</b>	(11,904,299.34)
Decrease in trade receivables (Increase is represented by "-")	<b>(172,894,991.99)</b>	(385,777,628.37)
Increase in trade payables (Decrease is represented by "-")	<b>10,861,154.19</b>	247,637,941.85
<b>Net cash flow from operating activities</b>	<b>(86,545,583.79)</b>	(82,211,025.83)
<b>2. Material investment and financial activities not involving cash:</b>		
<b>3. Net change in cash and cash equivalents:</b>		
Cash balance as at end of the year	<b>1,308,979,790.39</b>	378,040,300.31
Less: cash balance as at beginning of the year	<b>378,040,300.31</b>	343,783,370.28
Add: balance of cash equivalents as at the end of the year		
Less: balance of cash equivalents as at the beginning of the year		
<b>Net increase in cash and cash equivalents</b>	<b>930,939,490.08</b>	34,256,930.03

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 44. Supplemental Information of Cash Flow Statements (Continued)

(2) Information on cash and cash equivalents

Items	2013	2012
<b>I. Cash</b>	<b>1,308,979,790.39</b>	378,040,300.31
Including: Cash on hand	<b>312,616.12</b>	775,785.00
Bank deposit available for payment at any time	<b>1,308,618,174.27</b>	377,264,515.31
Other cash fund available for payment at any time	<b>49,000.00</b>	
<b>II. Cash equivalents</b>		
Including: Bond investment due within three months		
<b>III. Closing balance of cash and cash equivalents</b>	<b>1,308,979,790.39</b>	378,040,300.31

### 45. Segment Report

Primary reporting format - business segments

(1) Segment information as at and for the year is as follows:

	Electronic manufacturing products	Electronic equipment products	Consumer electronics products	Other	Unallocated	Elimination among segments	Total
Trade income from third party	721,877,511.05	1,446,854,498.82	238,886,534.81	71,866,583.01			2,479,485,127.69
Trade income between segments	6,648,670.18	3,159,901.15	12,452,335.42	36,457,706.43		(58,718,613.18)	
Investment income from joint ventures and associated enterprises			1,271,992.48		137,105,015.11		138,377,007.59
Impairment of assets	5,152,587.18	1,055,812.03	49,903,480.99	227,605.43	(1,787,204.34)	2,409,638.21	56,961,919.50
Depreciation and amortisation expense	29,128,496.48	5,716,398.73	525,500.45	605,342.85	19,789,284.26		55,765,022.77
Total Profit	27,829,205.59	116,040,813.92	(53,718,253.31)	5,345,895.25	111,168,620.13	(6,119,897.89)	200,546,383.69
Income tax expense	(28,723.00)	8,359,512.76	2,894,084.92	946,530.19			12,171,404.87
Net profit	27,857,928.59	107,681,301.16	(56,612,338.23)	4,399,365.06	111,168,620.13	(6,119,897.89)	188,374,978.82
Total assets	545,518,422.71	1,696,265,677.03	232,507,510.74	154,831,128.40	3,276,944,442.38	(1,768,007,666.74)	4,138,059,514.52
Total liabilities	258,155,563.38	702,563,346.43	158,952,222.24	107,852,081.92	385,857,334.33	(607,545,627.20)	1,005,834,921.10
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises			10,545,680.01		491,910,862.53		502,456,542.54
An increase in other non-current assets besides long-term investment	5,760,793.52	157,403,961.84	829,221.61	195,172.90	13,220,550.02		177,409,699.89

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## VIII. Notes to major items of consolidated financial statements (Continued)

### 45. Segment Report (Continued)

(2) Segment information as at and for the last year is as follows:

	Electronic manufacturing products	Electronic equipment products	Consumer electronics products	Other	Unallocated	Elimination among segments	Total
Trade income from third party	669,931,980.58	1,214,174,011.53	478,556,164.29	67,380,120.55			2,430,042,276.95
Trade income between segments	13,178,765.87	23,804,130.57	25,508,236.86	35,474,313.43		(97,965,446.73)	
Investment income from joint ventures and associated enterprises			(1,048,510.96)		191,854,511.74		190,806,000.78
Impairment of assets	7,378,205.98	(158,448.74)	28,493,601.07	309,880.66	(4,466,866.60)	4,185,060.87	35,741,433.24
Depreciation and amortisation expense	30,089,084.16	5,302,197.33	519,154.36	612,550.62	18,994,842.10		55,517,828.57
Total Profit	23,793,926.42	53,818,470.46	(10,676,087.89)	8,081,133.97	123,134,686.02	(42,831,816.35)	155,320,312.63
Income tax expense	7,636,507.67	8,305,213.70	2,625,643.64	729,715.79	19,297,080.80		
Net profit	16,157,418.75	45,513,256.76	(13,301,731.53)	7,351,418.18	123,134,686.02	(42,831,816.35)	136,023,231.83
Total assets	548,962,889.63	1,098,559,499.09	574,224,542.97	154,319,134.13	1,999,525,766.83	(1,259,335,724.75)	3,116,256,107.90
Total liabilities	209,208,542.46	552,537,713.40	442,418,826.62	106,285,318.92	544,970,002.91	(431,456,138.51)	1,423,964,265.80
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises			9,273,687.53		579,343,051.02		588,616,738.55
An increase in other non-current assets besides long-term investment	6,333,452.45	125,918,686.89	54,810.26	461,093.77	37,235,652.17		170,003,695.54

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company

### a) Accounts Receivable

#### (1) Break-down of accounts receivable by categories

Items	Balance	Closing balance		Percentage of provision for bad debt %
		Percentage %	Provision for bad debt	
Substantial amount of single accounts receivable with specific provision (note 1)	82,244,745.00	79.74	7,978,600.00	9.70
Other unsubstantial amount of accounts receivable with specific provision (note 2)	20,891,933.81	20.26	563,567.63	2.70
<b>Total</b>	<b>103,136,678.81</b>	<b>100</b>	<b>8,542,167.63</b>	

Items	Balance	Opening balance		Percentage of provision for bad debt %
		Percentage %	Provision for bad debt	
Substantial amount of single accounts receivable with specific provision	225,367,373.71	94.23	7,154,750.00	3.17
Other unsubstantial amount of accounts receivable with specific provision	13,801,418.12	5.77	597,954.51	4.33
<b>Total</b>	<b>239,168,791.83</b>	<b>100</b>	<b>7,752,704.51</b>	

Substantial amount of single accounts receivable refers to the single amount accounting for 5% or more of the closing balance or with amount over RMB5,000,000.00.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### a) Accounts Receivable (Continued)

#### (1) Break-down of accounts receivable by categories (Continued)

Note1. Breakdown of substantial amount of single accounts receivable with specific provision.

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for provision
Binhai County Broadcast and Television Bureau	25,292,100.00	2,292,100.00	9.06	Current value of the expected future cash flow is lower than its carrying value
Sheyang County Broadcast and Television Department	22,315,000.00			Expected can be recovered
Funing County Broadcasters	8,898,000.00			Expected can be recovered
Nanjing Qixia District Cable Management Station	8,844,245.00			Expected can be recovered
International Far Eastern Leasing Co., Ltd.	5,940,000.00			Expected can be recovered
Shenzhen Foremost Environmental Science and Technology Co., Ltd.	5,686,500.00	5,686,500.00	100.00	Expected can not be recovered
Sihong County Broadcast and Television Information Network Co.Ltd.	5,268,900.00			Expected can be recovered
Total	<u>82,244,745.00</u>	<u>7,978,600.00</u>		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### a) Accounts Receivable (Continued)

#### (1) Break-down of accounts receivable by categories (Continued)

Note2. Unsubstantial amount of accounts receivable with specific provision

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for provision
Ganyu County Broadcast and Television Network Development Co., Ltd.	3,725,240.96			Expected can be recovered
Feng County Broadcast and Television Information Network Co.Ltd.	3,369,348.00			Expected can be recovered
Nanjing Broadcast and Television Network Co., Ltd.	3,161,407.30			Expected can be recovered
Peixian Broadcasting and Television Information Network Co., Ltd.	2,500,840.00			Expected can be recovered
Guannan Broadcast and Television Network Co., Ltd.	2,220,000.00			Expected can be recovered
Nanjing Panda Information Industry Co.,Ltd.	1,861,882.83			Expected can be recovered
Jiangsu and Guangdong TV Information Network Chronicle Co., Ltd. Yancheng Branch	1,382,110.00			Expected can be recovered
Others	2,671,104.72	563,567.63	21.10	The expected future cash flow is less than its carrying value
<b>Total</b>	<b>20,891,933.81</b>	<b>563,567.63</b>		



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### a) Accounts Receivable (Continued)

(2) The aging analysis of accounts receivable

Ageing	Closing balance				Opening balance			
	Amount	Percentage %	Provision for Bad debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for Bad debt	Percentage of provision for bad debts %
Within 1 year	62,263,730.22	60.37			206,471,376.36	86.33		
1-2 years	24,512,680.96	23.77			24,944,710.96	10.43		
2-3 years	10,110,200.00	9.80	2,292,100.00	22.67	1,506,410.00	0.63	1,506,410.00	100.00
More than 3 years	6,250,067.63	6.06	6,250,067.63	100.00	6,246,294.51	2.61	6,246,294.51	100.00
Total	103,136,678.81	100	8,542,167.63		239,168,791.83	100	7,752,704.51	

(3) Details of the five largest debtors of accounts receivable at the end of the period

Name of debtor	Amount	Percentage in the total value of the accounts receivable %	Ageing
Binhai County Broadcast and Television Bureau	25,292,100.00	24.52	Within 3 years
Sheyang County Broadcast and Television department	22,315,000.00	21.64	Within 3 years
Funing County Broadcasters	8,898,000.00	8.63	Within 1 year
Nanjing Qixia District Cable Management Station	8,844,245.00	8.57	Within 1 year
International Far Eastern Leasing Co., Ltd.	5,940,000.00	5.76	Within 1 year
Total	71,289,345.00	69.12	

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### a) Accounts Receivable (Continued)

(4) The situation of reversed or received accounts receivable

Name of debtor	The Reason of Reversal	The Reason for provision	The Amount Refund	Amount
Beijing Tian zheng fang Intelligence Technology Co., Ltd.	Refund of amount written off	Expect can not refund	38,160.00	38,160.00
Total			38,160.00	38,160.00

(5) The closing balance of account receivable included no amount due from shareholders with 5% or above of shareholding with voting power in the Company.

(6) The closing balance of accounts receivable includes RMB 3,051,599.92 due from related parties, representing 2.96% of the total accounts receivable.

(7) The closing balance of accounts receivable decreased by 56.88% from the opening balance, and the main reason was that the receivable of amount of related parties.

### b) Other Receivables

(1) Breakdown of other receivables by categories

Items	Balance	Closing balance		Percentage of provision for bad debt %
		Percentage %	Provision for bad debt	
Substantial amount of single other receivables with specific provision (note 1)	324,354,272.76	95.37	19,098,882.15	5.89
Other unsubstantial amount of other receivables with specific provision (note 2)	15,735,147.51	4.63	4,303,362.70	27.35
Total	340,089,420.27	100	23,402,244.85	

Items	Balance	Opening balance		Percentage of provision for bad debt %
		Percentage %	Provision for bad debt	
Substantial amount of single other receivables	194,081,848.26	92.91	17,392,505.06	8.96
Other unsubstantial amount of other receivables	14,811,906.29	7.09	8,249,643.68	55.70
Total	208,893,754.55	100	25,642,148.74	

Substantial amount of single other receivables refers to the single amount accounting for 5% or more of the closing balances or with the amount over RMB5,000,000.00.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### b) Other Receivables (Continued)

#### (1) Breakdown of other receivables by categories (Continued)

Note1. Substantial amount of single other receivable with specific provision

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for the provision
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	102,400,000.00			Expected can be recovered
Galant Limited	57,920,550.00			Expected can be recovered
Nanjing Panda Communication Technology Co., Ltd.	50,440,000.00	22,000.00	0.04	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda Electronic Equipment Co., Ltd.	42,571,639.11	3,520,147.19	8.27	Current value of the expected future cash flow is lower than its carrying value
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	20,100,000.00	1,000,000.00	4.98	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda International Communication Systems Co.,Ltd.	15,705,045.29	1,570,504.53	10.00	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda Information Industry Co.,Ltd.	11,746,851.89	37,509.17	0.32	Current value of the expected future cash flow is lower than its carrying value
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	9,423,000.00			Expected can be recovered
Nanjing Panda Technology Equipment Co.,Ltd.	7,045,778.30	7,045,778.30	100.00	Expected cannot be recovered
Nanjing Panda Machinery Co.,Ltd.	7,001,408.17	5,902,942.96	84.31	Current value of the expected future cash flow is lower than its carrying value
<b>Total</b>	<b>324,354,272.76</b>	<b>19,098,882.15</b>		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### b) Other Receivables (Continued)

#### (1) Breakdown of other receivables by categories (Continued)

Note2. Unsubstantial amount of single other receivable with specific provision.

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for the provision
Nanjing Panda Mechanical Manufacturing Co., Ltd.	4,500,000.00	225,000.00	5.00	The expected future cash flow is less than its carrying value
Nanjing Panda Electronic Manufacture Co., Ltd.	2,590,000.00	129,500.00	5.00	The expected future cash flow is less than its carrying value
Nanjing Panda Power supply Technology Co., Ltd.	1,352,772.92	1,352,772.92	100.00	Expected cannot be recovered
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	848,372.46	42,418.62	5.00	The expected future cash flow is less than its carrying value
Others	6,444,002.13	2,553,671.16	39.63	The expected future cash flow is less than its carrying value
<b>Total</b>	<b>15,735,147.51</b>	<b>4,303,362.70</b>		

#### (2) Aging analysis of other receivables

Ageing	Closing balance				Opening balance			
	Amount	Percentage %	Provision for Bad debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for Bad debt	Percentage of provision for bad debts %
Within 1 year	229,880,060.78	67.60	1,972,866.54	0.86	124,756,946.22	59.72	4,910,019.05	3.94
1-2 years	30,311,036.96	8.91	1,257,050.69	4.15	2,837,196.68	1.36	434,000.00	15.30
2-3 years	1,529,707.15	0.45	127,564.18	8.34	59,360,185.07	28.42	215,875.61	0.36
3-5 years	64,528,686.07	18.97	6,611,716.93	10.25	12,302,267.16	5.89	10,616,248.86	86.30
Over 5 years	13,839,929.31	4.07	13,433,046.51	97.06	9,637,159.42	4.61	9,466,005.22	98.22
<b>Total</b>	<b>340,089,420.27</b>	<b>100</b>	<b>23,402,244.85</b>		<b>208,893,754.55</b>	<b>100</b>	<b>25,642,148.74</b>	

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### b) Other Receivables (Continued)

(3) Details of the five largest debtors of other receivables at the end of the period

Name of debtor	Amount	Percentage in the total value of the accounts receivable %	Ageing
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	102,400,000.00	30.11	Within 2 years
Galand Limited	57,920,550.00	17.03	1-2 years, 3-4 years
Nanjing Panda Communication Technology Co., Ltd.	50,440,000.00	14.83	Within 1 year
Nanjing Panda Electronic Equipment Co., Ltd.	42,571,639.11	12.52	Within 2 years
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	20,100,000.00	5.91	Within 1 year
Total	<u>273,432,189.11</u>	<u>80.40</u>	

(4) The situation of written-off other receivables:

Name of debtor	Amount	Nature	The reasons of written-off	Related party Transaction
China Mobile Communications Corporation Beijing Branch	(200,000.00)	Deposit	Refund of amount written off	
Total	<u>(200,000.00)</u>			

(5) The closing balance of other receivables included no amount due from shareholders with 5% or above of shareholding with voting power in the Company.

(6) The closing balance of other receivables included RMB 222,702,901.26 due from related parties (the opening balance: RMB 180,765,953.53), representing 65.48% of the total other receivables (the opening balance: 86.53%).

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### b) Other Receivables (Continued)

#### (7) Governmental subsidy

Name	Items	Amount	Aging	Data sources
Baixia High-tech Industrial Park Investment and Development Co., Ltd	Removal of 118 Haifu Lane	102,400,000.00	Within 1 year ,1-2years 6,276,980.85	Expect can refund by 2015, based on the compensation agreement with the government
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	Removal of 1-2 Youyihe Road	9,423,000.00	Within 1 year	Expect can refund by 2015, based on the compensation agreement with the government
Total		111,823,000.00		

### c) Long-term Equity Investment

#### (1) Details of long-term equity investment

Item	Opening balance	Increase In the year	Decrease In the year	Closing balance
Investment in subsidiaries	697,004,425.00	421,500,000.00		1,118,504,425.00
Investment in associated companies	579,343,051.02	137,105,015.11	224,537,203.60	491,910,862.53
Other equity investment	3,650,000.00			3,650,000.00
Less: provision for impairment of long term investment	21,436,944.58			21,436,944.58
Total	1,258,560,531.44	558,605,015.11	224,537,203.60	1,592,628,342.95

Other equity investment this year means to the long-term equity investment in Jiangsu Province City Rail Transit Design and Research Institute Co., Ltd, it cost RMB 3,650,000.00 of the Company, accounting for 7.3% of the Company's investment and no impairment occurred in 2013.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### c) Long-term Equity Investment (Continued)

#### (2) Long-term equity investment accounted for using equity method

Name of investee	Investment cost	Opening Balance	Investment amount increased (less the equity transfer for the year)	Increase/ decrease of the investee's equity	Cash dividends Distributed	Closing balance
Beijing SE Putian Mobile Communications Co., Ltd.	50,361,373.68	212,780,000.00		19,215,800.00	107,400,000.00	124,595,800.00
Nanjing Huaxian High Technology Co., Ltd.	10,000,000.00					
Hua Fei Color Display Systems Co., Ltd.	392,892,722.42					
MPower Batteries (Nanjing) Co., Ltd.	4,200,000.00					
Nanjing Ericsson Panda Communication Co., Ltd.	60,863,279.60	268,508,520.00		102,951,760.00	104,008,000.00	267,452,280.00
Shenzhen Jinghua Electronics Co., Ltd.	69,687,437.75	98,054,531.02		14,937,455.11	13,129,203.60	99,862,782.53
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.	34,769,364.00					
<b>Total</b>	<b>622,774,177.45</b>	<b>579,343,051.02</b>		<b>137,105,015.11</b>	<b>224,537,203.60</b>	<b>491,910,862.53</b>

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### c) Long-term Equity Investment (Continued)

#### (3) Long-term equity investment accounted for at cost

Name of investee	Initial investment	Opening balance	Increase in the year	Decrease in the year	Closing balance	Dividend
Subsidiaries						
Nanjing Panda Accurate Machinery Co., Ltd.	5,627,934.12	5,627,934.12			5,627,934.12	
Nanjing Panda Technology						
Equipment Co., Ltd.	5,031,944.58	5,031,944.58			5,031,944.58	
Nanjing Panda Machinery Co., Ltd.	2,582,191.03	2,582,191.03			2,582,191.03	
Nanjing Panda Mechanical Engineering Plant	30,042,016.46	30,042,016.46			30,042,016.46	
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98	121,736,513.98	55,000,000.00		176,736,513.98	
Nanjing Panda Electronic						
Manufacture Co.,Ltd	111,221,994.10	111,221,994.10			111,221,994.10	
Nanjing Panda Power Supply						
Technology Co., Ltd.	8,750,000.00	8,750,000.00			8,750,000.00	
Nanjing Guanghua Electronics Plastic						
Casings Factory	8,271,096.45	8,271,096.45			8,271,096.45	
Nanjing Panda International						
Communication Systems Co., Ltd.	7,655,000.00	7,655,000.00			7,655,000.00	
Nanjing Panda Electronic						
Technology Development Co., Ltd.	550,000,000.00	247,500,000.00	302,500,000.00		550,000,000.00	
Nanjing Panda Communication						
Technology Co., Ltd	50,018,000.00	48,585,734.28			48,585,734.28	
Nanjing Panda Industrial Enterprise Co., Ltd.	20,000,000.00	20,000,000.00			20,000,000.00	
Nanjing Panda Electronic						
Equipment Co., Ltd.	144,000,000.00	80,000,000.00	64,000,000.00		144,000,000.00	
Total	1,119,936,690.72	697,004,425.00	421,500,000.00		1,118,504,425.00	



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### c) Long-term Equity Investment (Continued)

#### (4) Impairment provision of long-term equity investment

Name of investee	Opening balance	Provision during the year	Decrease in the year			Closing balance
			Reversal	Write-off	Total	
Nanjing Panda Power Supply Technology Co., Ltd.	8,750,000.00					8,750,000.00
Nanjing Panda International Communication Systems Co., Ltd.	7,655,000.00					7,655,000.00
Nanjing Panda Technology Equipment Co., Ltd.	5,031,944.58					5,031,944.58
Total	21,436,944.58					21,436,944.58

### d) Operating Income and Operating Cost

#### (1) Income from principal business and other business

Items	2013	2012
Income from principal business	<b>246,923,801.38</b>	331,001,617.73
Income from other business	<b>23,815,326.57</b>	27,395,506.08
Total income from operation	<b>270,739,127.95</b>	358,397,123.81
Cost of principal business	<b>223,528,221.44</b>	309,123,203.48
Cost of other business	<b>1,168,019.74</b>	12,761,597.62
Total operating cost	<b>224,696,241.18</b>	321,884,801.10

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### d) Operating Income and Operating Cost (Continued)

#### (2) Income cost and profit from principal operation of business segments

Business segment	2013		
	Income from principal business	Cost of principal business	Profit of principal business
Electronic equipment products	543,048.99	469,259.56	73,789.43
Consumer electronics products	229,107,392.72	212,673,923.43	16,433,469.29
Other	17,273,359.67	10,385,038.45	6,888,321.22
Total	<u>246,923,801.38</u>	<u>223,528,221.44</u>	<u>23,395,579.94</u>

Business segment	2012		
	Income from principal business	Cost of principal business	Profit of principal business
Electronic equipment products	856,197.83	452,314.69	403,883.14
Consumer electronics products	309,469,736.00	295,638,388.47	13,831,347.53
Other	20,675,683.90	13,032,500.32	7,643,183.58
Total	<u>331,001,617.73</u>	<u>309,123,203.48</u>	<u>21,878,414.25</u>

- (3) The company's main business area is in Nanjing area.
- (4) Sales revenue from the largest five customers totaled RMB 209,001,672.08 in 2013 (2012: RMB 296,268,019.45), accounting for 77.20% of total sales revenue for the year (2012:82.66%).

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### e) Investment Income

(1) According to the program listed

Source of investment income	2013	2012
Long-term equity investment income accounted for at cost		22,368,585.95
Long-term equity investment income accounted for using equity method	<b>137,105,015.11</b>	191,854,511.74
Income on disposal of long-term equity investments	<b>8,967,945.20</b>	
Investment income from the disposal of the long-term equity investment (i)		<u>4,893,390.56</u>
Total	<b><u>146,072,960.31</u></b>	<u>219,116,488.25</u>

(2) Long-term equity investment income accounted for at cost

Name of the invested entity	2013	2012	Notes
Nanjing Panda Mechanical Manufacturing Co., Ltd.		6,368,585.95	
Nanjing Panda Electronic Manufacture Co., Ltd.		15,000,000.00	
Nanjing Panda Industrial Enterprise Co., Ltd.		<u>1,000,000.00</u>	
Total		<u>22,368,585.95</u>	

(3) Long-term equity investment income accounted for using equity method

Name of the invested entity	2013	2012	Notes
Nanjing Ericsson Panda Communication Co., Ltd.	<b>102,951,760.00</b>	93,220,601.22	ii
Beijing SE Putian Mobile Communications Co., Ltd.	<b>19,215,800.00</b>	83,736,800.00	ii
Shenzhen Jinghua Electronics Co., Ltd.	<b>14,937,455.11</b>	<u>14,897,110.52</u>	
Total	<b><u>137,105,015.11</u></b>	<u>191,854,511.74</u>	

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### e) Investment Income (Continued)

#### (3) Long-term equity investment income accounted for using equity method (Continued)

- i. The Company transferred the shares of Nanjing Panda Appliance & Apparatus Co., Ltd. and Nanjing Panda Mechanical and Electrical Manufacturer Co., Ltd subsidiaries of the Company to its subsidiary Nanjing Panda Electronic Equipment Co., Ltd. The balance between the carrying value of the long-term equity investment and the transferred price amounting to RMB 4,893,390.56 was recognized as investment income.
- ii. The financial statements of Nanjing Ericsson Panda Communication Co., Ltd and Beijing SE Putian Mobile Communication Co., Ltd. in 2012, associated companies of the Company were audited by Pricewaterhouse Coopers Zhong Tian Accountants Limited Company and standard unqualified audited reports were issued.
- iii. Since i) there was no material difference in the accounting policies and accounting periods adopted between the investee and those of the Company; ii) there was no issue affecting the net profit of the investee for the year arising from the difference between fair value and book value of the long term assets; iii) there was no unrecognized internal profit that needs to be offset between the investee and the Company. The Company recognized investment income based on the investee's book value of net profit.

The investment income or loss was recognized based on the share of profit or loss of investees under equity method of accounting.

There was no material restriction on the remittance of the investment income to the Company.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### f) Cash flow Supplementary Information

(1) Information on reconciliation of net profit to net cash flows from operating activities:

Items	2013	2012
<b>1, Reconciliation of net profit to net cash flows from operating activities:</b>		
<b>Net profit</b>	<b>112,060,262.73</b>	125,214,344.28
Add: Provision for asset impairment	<b>(1,195,232.11)</b>	(3,395,070.55)
Depreciation of fixed assets	<b>18,531,260.13</b>	17,840,832.28
Amortization of intangible assets	<b>1,389,296.69</b>	1,387,706.88
Amortization of long term deferred expenses		
Loss arising from disposal of fixed assets, intangible assets and other long term assets (gains are represented by "-")	<b>180,011.40</b>	155,070.60
Loss from fixed assets scrapped (gains are represented by "-")		
Loss from change in fair value (gains are represented by "-")		
Financial expense (gains are represented by "-")	<b>22,345,509.70</b>	24,529,813.00
Loss on investment (gains are represented by "-")	<b>(146,072,960.31)</b>	(219,116,488.25)
Decrease in deferred income tax assets (Increase is represented by "-")		
Increase in deferred income tax liabilities (Decrease is represented by "-")		
Decrease in inventories (Increase is represented by "-")	<b>(5,187,425.55)</b>	(7,661,132.56)
Decrease in trade receivables (Increase is represented by "-")	<b>75,262,227.57</b>	(286,743,818.39)
Increase in trade payables (Decrease is represented by "-")	<b>(48,998,721.01)</b>	329,750,845.01
Others		
<b>Net cash flows from operating activities</b>	<b>28,314,229.24</b>	(18,037,897.70)
<b>2, Material investment and financial activities not involving cash:</b>		
Debt capitalization		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
<b>3, Net change in cash and cash equivalents:</b>		
Cash balance as at end of the year	<b>890,098,522.88</b>	79,348,878.62
Less: cash balance as at beginning of the year	<b>79,348,878.62</b>	58,995,526.58
Add: balance of cash equivalents as at the end of the year		
Less: balance of cash equivalents as at the beginning of the year		
<b>Net increase in cash and cash equivalents</b>	<b>810,749,644.26</b>	20,353,352.04

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## IX. Notes to major items of the financial statements of parent company (Continued)

### f) Cash flow Supplementary Information (Continued)

#### (2) Information on Cash and Cash Equivalents

Items	2013	2012
<b>I. Cash</b>	<b>890,098,522.88</b>	79,348,878.62
Including: Cash on hand	<b>96,145.06</b>	262,282.84
Bank deposit available for payments at any time	<b>889,953,377.82</b>	79,086,595.78
Other cash fund available for payment at any time	<b>49,000.00</b>	
<b>II. Cash equivalents</b>		
Including: Bond investment due within three months		
<b>III. Closing balance of cash and cash equivalents</b>	<b>890,098,522.88</b>	79,348,878.62

## X. Relationship and transactions with related parties

### a) Related parties

#### i. Recognition standards for a related party

Recognition standards for a related party: In case a party controls, commonly controls or exerts significant influence over another party, or in case two or more parties are under exclusive control, common control or significant influence of the same party, they shall constitute related parties. Recognition standards for a related party in 2013: During the financial and business decision-makings, in case that a party is able to directly or indirectly control, commonly control over another party or exerts significant influence over another party or in case two or more parties are under exclusive control, the Company deem it as a related party.

#### ii. Parent Company of the Company

Name of the parent company	Code of Organization	Legal Representative	Type of Company	Registered Address	Nature of business	Registered capital	Shareholding percentage in the Company %	Voting right percentage in the Company %
Panda Electronics Group Limited	134883152-2	Xu Guofei	a company with limited liabilities	Nanjing economy and technology development zone	Manufacture	RMB1,266,060,000	36.63	36.63

The actual controller of the Company is China Electronics Corporation.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### a) Related parties (Continued)

#### iii. Subsidiaries of the Company

Name of subsidiaries	Code of Organization	Legal Representative	Registered Address	Nature of Business	Registered capital	Total shareholding percentage of the Company %	Total voting right percentage of the Company %
Nanjing Panda Accurate Machinery Co., Ltd.	70416403-8	Xu Guofei	Nanjing	Services	RMB5,000,000	100	100
Nanjing Panda Technology Equipment Co., Ltd.	24981058-6	Xu Guofei	Nanjing	Manufacture	RMB5,000,000	100	100
Nanjing Panda Power Supply Technology Co., Ltd.	76816539-8	Zhou Guixiang	Nanjing	Manufacture	RMB11,000,000	79.55	79.55
Nanjing Panda Information Industry Co., Ltd.	60897073-4	Xia Dechuan	Nanjing	Manufacture	USD31,946,435	100	100
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	73316319-X	Wang Wenbo	Nanjing	Manufacture	RMB60,000,000	100	100
Nanjing Panda Appliance & Apparatus Co., Ltd.	72457423-7	Liu Kun	Nanjing	Manufacture, software industry	RMB1,000,000	100	100
Nanjing Panda International Communication Systems Co., Ltd.	60892596-8	Dong Zhiming	Nanjing	Manufacture	USD 1,240,000	71.77	71.77
Nanjing Panda Electronic Manufacture Co., Ltd.	76214760-7	Zhou Guixiang	Nanjing	Manufacture	USD20,000,000	100	100
Nanjing Guanghua Electronics Plastic Casings Factory	13491197-7	Wang Zhensu	Nanjing	Service industry	RMB11,497,600	100	100
Nanjing Panda Machinery Co., Ltd.	73317462-2	Liu Guozhong	Nanjing	Manufacture	RMB3,000,000	85.82	85.82
Nanjing Panda Mechanical Manufacturing Co. Ltd.	72609764-9	He Shulin	Nanjing	Manufacture	RMB10,000,000	70	70
Nanjing Panda Mechanical Engineering Plant	13506466-9	He Zaiding	Nanjing	Service industry	RMB45,000,000	99.11	100
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	73888466-6	Guo Qing	Nanjing	Manufacture	RMB10,000,000	70	70
Nanjing Panda Industrial Enterprise Co., Ltd.	69043834-0	Wen Yuan	Nanjing	Service industry	RMB20,000,000	100	100
Nanjing Panda Electronic Equipment Co., Ltd.	69460069-1	Liu Kun	Nanjing	Manufacture	RMB140,000,000	100	100
Nanjing Panda Communication Technology Co., Ltd.	777014380-0	Dong Zhiming	Nanjing	Manufacture	RMB50,000,000	100	100
Nanjing Panda Electronic Technology Development Co. Ltd.	56721194-1	Wen Yuan	Nanjing	Manufacture	RMB550,000,000	100	100
Galant Limited	1006135	Xu Guofei	Hong Kong	Development of communication products	HKD1	100	100

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### a) Related parties (Continued)

#### iv. Joint venture and associated companies of the company

Company Name	Type of Company	Registration place	Legal Representative	Nature of business	Registered capital	Sharehold percentage in the Company %	Votingright percentage in the Company %	Relationship	Code of Organization
Beijing SE Putian Mobile Communications Co., Ltd.	Limited Liability Company (Sino-foreign joint venture)	Beijing	Wei Xing	Manufacture	USD30,000,000	20	20	associated companies	62591031-1
Nanjing Ericsson Panda Communication Co., Ltd.	Limited Liability Company (Sino-foreign joint venture)	Nanjing	Mats H Olsson	Manufacture	USD20,900,000	27	27	associated companies	60891684-2
Shenzhen Jinghua Electronics Co., Ltd.	Company Limited by Shares	Shenzhen	Jian Guo	Manufacture	RMB115,070,000	38.03	38.03	associated companies	19218532-8
Nanjing Thales Panda Transportation System Co., Ltd.	Limited Liability Company (Sino-foreign joint venture)	Nanjing	Olivier GUBERT	Manufacture	EUR2,000,000	40	40	associated company of subsidiaries	76819214-2
Nanjing Huaxian High Technology Co., Ltd.	Limited Company	Nanjing	Lifeng Zhu	Manufacture	RMB50,000,000	20	20	associated companies	78711237-1
Hua Fei Color Display Systems Co., Ltd.	Limited Liability Company(Sino-foreign joint venture)	Nanjing	Zaiding He	Manufacture	USD289,120,000	25	25	associated companies	60891095-0
Nanjing Flextronics Panda Mobile Terminals Co., Ltd.	Limited Liability Company (Sino-foreign joint venture)	Nanjing	Peter Tan	Manufacture	USD12,000,000	35	35	associated companies	60897751-4
Nanjing Electronics (Kunshan) Co. Ltd.	Limited Liability Company (Joint venture of Taiwan,HongKong, Macao and the Mainland)	Nanjing	Jian Sun	Manufacture	USD500,000	40	40	associated company of subsidiaries	71867972-9
MPower Batteries (Nanjing) Co., Ltd.	Limited Liability Company (Sino-foreign joint venture)	Nanjing	Barrie Lawson	Manufacture	RMB6,090,000	40	40	associated companies	72459349-7
Nanjing Panda Medical Electronics Co. Ltd.	Limited Company	Nanjing	Anjian Li	Manufacture	RMB1,000,000	50	50	associated company of subsidiaries	73056895-X
Panda Korea Chen Xi Joint Venture Co. Ltd.	Limited Company	Chaoxian		Manufacture		50	50	associated company of subsidiaries	



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### a) Related parties (Continued)

#### v. Related parties with non-controlling relationship

Name of related parties	Code of Organization	Relationship with the Company
Nanjing Panda China's electronic information industry group Co.Ltd.	66068742-6	Shareholders holding 5% or more related party
Panda (Beijing) International Information Technology Co., Ltd.	76503190-9	Subsidiary of the Group
Shenzhen Jinghua Information Technology Co., Ltd.	75760716-2	Subsidiary of the Group
Nanjing Panda Zhongdian Furniture Co., Ltd.	69040213-7	Subsidiary of the Group
Nanjing Zhen Hua Packing Material Plant	13487319-X	Subsidiary of the Group
Nanjing Panda Technology Park Development Co., Ltd.	59802163-0	Subsidiary of the Group
Nanjing panda HanDa technology Co., Ltd.	79710227-3	Subsidiary of the Group
Nanjing Panda Electronics Transportation Company	13488851-9	Subsidiary of the Group
Panda Electronics Material Usage Co., Ltd.	13488815-6	Subsidiary of the Group
Nanjing Panda Electronics Import/Export Co.,Ltd.	13485068-4	Subsidiary of the Group
Nanjing Panda Electronics Technology Development Co., Ltd.	13487004-4	Subsidiary of the Group
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	74239427-2	Subsidiary of the Group
Nanjing 21st Century Electronic and Technology Square Co., Ltd.	71627148-X	Subsidiary of the Group
Nanjing Electronic Calibration Co., Ltd.	13487289-1	Subsidiary of the Group
Nanjing Panda Electronic Import/Export (HK)Company	1621427	Subsidiary of the Group
China Zhenhua Group Yunke Electronics Co., Ltd.	77057754-3	Same actual controller
China Electronic Appliance Corporation	10000624-X	Same actual controller
China Electronics (ShenZhen) Co.Ltd.	19220615-X	Same actual controller
China National Electronics Import/ Export Corporation	10000106-X	Same actual controller
Wuhan Zhongyuan Electronics group Co.Ltd.	17771759-2	Same actual controller
Shenzhen Huaxin China's Electronic Technology Co., Ltd.	72715269-7	Same actual controller
Shenzhen sander baili electric appliance Co., Ltd.	77162208-6	Same actual controller
Shenzhen Sangda Baili Electric Appliance Co., Ltd.	70848828-3	Same actual controller
Shanghai Panda Huning Electronic Technology Co., Ltd.	05121115-8	Same actual controller
Nanjing China Electronics Panda Real Estate Co., Ltd.	78710640-6	Same actual controller
Nanjing China Electronics Panda Lighting Co., Ltd.	68250779-9	Same actual controller
CEC Panda LCD Technology Co., Ltd.	69044284-1	Same actual controller
CEC Panda Liquid Crystal Material Technology Co., Ltd.	05325257-8	Same actual controller
Nanjing China Electronics Panda Property Management Co., Ltd.	67901867-9	Same actual controller
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	05797492-2	Same actual controller
Nanjing Panda Crystal Technology Co., Ltd..	70412529-0	Same actual controller
Nanjing Changjiang Electronic Information Industry Group Co.Ltd.	13489902-3	Same actual controller
Nanjing Suzhe Electronics Materials Co., Ltd.	71627328-2	Same actual controller
Nanjing Huadong Electronics Group Medical Equipment Co., Ltd.	70414620-0	Same actual controller
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd. (No.891 National Factory)	21440297-X	Same actual controller

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### b) Pricing policy

Pricing for transactions between the Company and related parties is based on fair price in the market.

### c) Transactions with related parties

#### i. Purchase of goods

Name of related parties	Content of related parties	Pricing policy and Decision-making process	2013	Percentage of Similar transaction (%)	2012	Percentage of Similar transaction (%)
			Amount		Amount	
CEC Panda LCD Technology Co., Ltd.	Electronic products	Fair price in the market	152,083,584.62	7.95		
Nanjing Panda Electronics Import/Export Co., Ltd.	Electronic products	Fair price in the market	60,179,404.86	3.15	23,951,458.08	1.49
Shanghai Panda Huning Electronic Technology Co., Ltd.	Electronic products	Fair price in the market	14,328,314.06	0.75		
Nanjing Zhen Hua Packing Material Plant	Packing material	Fair price in the market	3,294,534.76	0.17	3,257,955.71	0.20
Nanjing Panda Zhongdian Furniture Co., Ltd.	Electronic products	Fair price in the market	3,202,274.36	0.17	14,621,799.00	0.91
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	Electronic products	Fair price in the market	348,034.18	0.02		
Nanjing Panda Crystal Technology Co., Ltd.	Electronic products	Fair price in the market	337,554.63	0.02		
Nanjing Panda Electronics Technology Development Co., Ltd.	Electronic products	Fair price in the market	161,688.85	0.01	6,388,001.03	0.40
Panda Electronics Group Limited	Electronic products	Fair price in the market	100,325.44	0.01	627,508.97	0.04
Nanjing Ericsson Panda Communication Co., Ltd.	Electronic products	Fair price in the market	60,618.81			
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd (No.891 National Factory)	Electronic products	Fair price in the market	27,480.00			
China National Electronics Import/ Export Corporation	Electronic products	Fair price in the market	20,000.00			
China Zhenhua Group Yunke Electronics Co., Ltd.	Electronic products	Fair price in the market	8,574.36			
Shenzhen Huaxin China's Electronic Technology Co. Ltd.	Electronic products	Fair price in the market	6,012.82			
Nanjing Huaxian High Technology Company	Electronic products	Fair price in the market			1,088,613.38	0.07
Nanjing Panda Electronics Transportation Company	Electronic products	Fair price in the market			932,567.18	0.06
Nanjing panda HanDa technology Co., Ltd.	Electronic products	Fair price in the market			78,632.48	
Nanjing Electronic Calibration Co., Ltd.	Electronic products	Fair price in the market			5,500.00	
Total			234,158,401.75	12.25	50,952,035.83	3.17

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### ii. Receipt of services

Name of related parties	Content of related parties	Pricing policy and Decision-making process	2013	Percentage of Similar transaction (%)	2012	Percentage of Similar transaction (%)
			Amount		Amount	
China Electronics (ShenZhen) Co.Ltd.	Receipt of services	Fair price in the market	<b>3,780,723.93</b>	<b>1.77</b>		
Nanjing China Electronics Panda Lighting Co., Ltd.	Receipt of services	Fair price in the market	<b>2,284,420.00</b>	<b>1.07</b>		
Nanjing Panda Electronics Transportation Company	Receipt of services	Fair price in the market	<b>2,250,924.85</b>	<b>1.05</b>	1,653,901.26	0.28
Panda Electronics Group Limited	Receipt of services	Fair price in the market	<b>1,906,014.42</b>	<b>0.89</b>	921,421.51	0.16
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd. (No.891 National Factory)	Receipt of services	Fair price in the market	<b>682,264.96</b>	<b>0.32</b>		
Nanjing Panda Electronics Technology Development Co., Ltd.	Receipt of services	Fair price in the market	<b>527,049.08</b>	<b>0.25</b>	3,620,750.00	0.61
China National Electronics Import/ Export Corporation	Receipt of services	Fair price in the market	<b>288,343.00</b>	<b>0.13</b>		
Nanjing Electronic Calibration Co., Ltd.	Receipt of services	Fair price in the market	<b>172,162.19</b>	<b>0.08</b>	<b>241,344.35</b>	0.04
Nanjing Panda Zhongdian Furniture Co., Ltd.	Receipt of services	Fair price in the market			<b>967,435.90</b>	0.16
Nanjing Huaxian High Technology Co.,Ltd.	Receipt of services	Fair price in the market			<b>273,504.27</b>	0.05
Total			<b>11,891,902.43</b>	<b>5.56</b>	<b>7,678,357.29</b>	<b>1.30</b>

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### iii. Sales of products

Name of related parties	Content of related parties	Pricing policy and Decision-making process	2013	Percentage of Similar transaction (%)	2012	Percentage of Similar transaction (%)
			Amount		Amount	
CEC Panda LCD Technology Co., Ltd.	Electronic products	Fair price in the market	228,710,117.25	11.08	65,255,778.58	3.62
Nanjing Panda Zhongdian Furniture Co., Ltd.	Electronic products	Fair price in the market	154,805,359.50	7.50	22,659,535.08	1.26
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Electronic products	Fair price in the market	90,290,928.05	4.38		
Nanjing panda HanDa technology Co., Ltd.	Electronic products	Fair price in the market	64,139,526.90	3.11	57,406,020.77	3.18
Nanjing Panda Electronic Import/Export (HK)Company	Electronic products	Fair price in the market	32,673,684.86	1.58	48,683,054.77	2.70
Shanghai Panda Huning Electronic Technology Co., Ltd.	Electronic products	Fair price in the market	12,114,636.01	0.59		
Panda Electronics Group Limited	Electronic products	Fair price in the market	5,712,198.37	0.28	3,846.15	
Nanjing China Electronics Panda Real Estate Co., Ltd.	Electronic products	Fair price in the market	4,948,851.08	0.24		
Nanjing Panda Electronics Import/Export Co., Ltd.	Electronic products	Fair price in the market	4,652,502.62	0.23	17,721,944.14	0.98
Nanjing Ericsson Panda Communication Co., Ltd.	Electronic products	Fair price in the market	1,203,051.58	0.06	6,786,557.81	0.38
Panda Electronics Material Usage Co., Ltd.	Electronic products	Fair price in the market	179,487.18	0.01		
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	Electronic products	Fair price in the market	111,752.11	0.01	93,230.71	0.01
Nanjing Panda Electronics Technology Development Co., Ltd.	Electronic products	Fair price in the market	55,555.56		2,837.61	
Nanjing Huadong Electronics Group Medical Equipment Co., Ltd.	Electronic products	Fair price in the market	1,709.40			
Nanjing Thales Panda Transportation System Co., Ltd.	Electronic products	Fair price in the market			2,458,527.42	0.14
Nanjing Zhen Hua Packing Material Plant	Electronic products	Fair price in the market			55,555.56	
Nanjing Panda Electronics Transportation Company	Electronic products	Fair price in the market			20,426.52	
Nanjing Huaxian High Technology Co., Ltd.	Electronic products	Fair price in the market			2,347.00	
Total			599,599,360.47	29.07	221,149,662.12	12.27

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### iv. Provision of services

Name of related parties	Content of related parties	Pricing policy and Decision-making process	2013	Percentage of Similar transaction (%)	2012	Percentage of Similar transaction (%)
			Amount		Amount	
Panda Electronics Group Limited	Provision of services	Fair price in the market	<b>30,365,309.61</b>	<b>7.36</b>	1,165,573.04	0.22
Nanjing panda HanDa technology Co., Ltd.	Provision of services	Fair price in the market	<b>18,519,531.91</b>	<b>4.49</b>	23,734,811.71	4.41
Nanjing Ericsson Panda Communication Co., Ltd.	Provision of services	Fair price in the market	<b>17,302,720.43</b>	<b>4.19</b>	19,105,879.21	3.55
CEC Panda LCD Technology Co., Ltd.	Provision of services	Fair price in the market	<b>6,911,947.00</b>	<b>1.68</b>	3,553,573.31	0.66
Nanjing Suzhe Electronics Materials Co., Ltd.	Provision of services	Fair price in the market	<b>1,105,942.25</b>	<b>0.27</b>		
Nanjing Panda China's electronic information industry group Co.Ltd.	Provision of services	Fair price in the market	<b>263,417.00</b>	<b>0.06</b>		
Nanjing 21st Century Electronic and Technology Square Co., Ltd.	Provision of services	Fair price in the market	<b>250,000.00</b>	<b>0.06</b>	330,000.00	0.06
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Provision of services	Fair price in the market	<b>217,898.00</b>	<b>0.05</b>		
Nanjing Zhen Hua Packing Material Plant	Provision of services	Fair price in the market	<b>200,000.00</b>	<b>0.05</b>	94,000.00	0.02
Nanjing Panda Zhongdian Furniture Co., Ltd.	Provision of services	Fair price in the market	<b>161,310.28</b>	<b>0.04</b>	142,595.15	0.03
Nanjing Panda Technology Park Development Co., Ltd.	Provision of services	Fair price in the market	<b>154,913.26</b>	<b>0.04</b>	849,570.19	0.16
Panda Electronics Material Usage Co., Ltd.	Provision of services	Fair price in the market	<b>119,658.12</b>	<b>0.03</b>	384,615.38	0.07
Nanjing Panda Electronics Import/Export Co.,Ltd.	Provision of services	Fair price in the market	<b>71,220.00</b>	<b>0.02</b>	902,008.68	0.17
Nanjing Panda Electronics Transportation Company	Provision of services	Fair price in the market			32,700.00	0.01
Nanjing Huaxian High Technology Co.,Ltd.	Provision of services	Fair price in the market			5,435.90	
<b>Total</b>			<b>75,643,867.86</b>	<b>18.34</b>	<b>50,300,762.57</b>	<b>9.36</b>

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### v. Provision of guarantee

1. The Company provided a maximum amount guarantee for bank credit of RMB 10,000,000.00 granted to Nanjing Huage Appliance and Plastic Industrial Co., Ltd, a subsidiary of the Company, from Nanjing Bank Co., Ltd. The guarantee period lasts for two years after the expiry of the maturity of the debt (including extension). Nanjing Huage Appliance and Plastic Industrial Co., Ltd. provides counter-guaranty with all of its assets. As at 31 December 2013 the loan amounted to RMB 10,000,000.00 with a term from 24 January 2013 to 23 January 2014.
2. The Company provided a maximum amount guarantee for bank credit of RMB 20,000,000.00 granted to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company with a term from 20 August 2012 to 20 August 2013, from Huaxia Bank Co., Ltd. As at 31 December 2013, the used credit line amounted to RMB 5,000,000.00, among which, the Company provided guarantee for bank loan of RMB 5,000,000.00 with a term from 12 April 2013 to 20 February 2014. Nanjing Panda Information Industry Co., Ltd. provides counter-guaranty with all of its assets.

The Company provided a maximum amount irrevocable guarantee for bank line of credit of RMB 50,000,000.00 granted to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company with a term from 21 June 2013 to 21 June 2014, from Nanjing Branch of China Merchants Bank. As at 31 December 2013, the used credit line amounted to RMB 36,276,915.88, among which, the Company provided guarantee for bank loan of RMB 22,000,000.00 with a term from 26 June 2013 to 21 June 2014 and bank acceptance of RMB 4,212,000.00 as well as letter of guaranty of RMB 10,064,915.88. Nanjing Panda Information Industry Co., Ltd. provided counter-guaranty with all of its assets.

The Company provided a maximum amount guarantee for bank line of credit of RMB 100,000,000.00 granted to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company with a term from 29 July 2013 to 28 July 2014, from Nanjing Branch of Ningbo Bank Co., Ltd. As at 31 December 2013, the used credit line amounted to RMB 54,173,880.57, among which, the Company provided guarantee for bank acceptances of RMB 5,465,098.63 as well as letter of guaranty of RMB 48,708,781.94. Nanjing Panda Information Industry Co., Ltd. provided counter-guaranty with all of its assets.

The Company provided a maximum amount guarantee for bank line of credit of RMB 340,000,000.00 granted to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company with a term from 6 December 2013 to 13 October 2014, from Nanjing Branch of Shanghai Pudong Development bank Co., Ltd.. As at 31 December 2013, the used credit line amounted to RMB 28,266,480.28, among which, the Company provided guarantee for bank acceptance of RMB 1,838,463.12 and for letter of guaranty of RMB 26,428,017.16. Nanjing Panda Information Industry Co. Ltd. provided counter-guaranty with all of its assets.

# Notes To The Financial Statements *(Continued)*

*(All amounts in RMB thousands unless otherwise stated)*

## X. Relationship and transactions with related parties *(Continued)*

### c) Transactions with related parties *(Continued)*

#### v. Provision of guarantee *(Continued)*

3. The Company provided a guarantee for bank loan of RMB 5,000,000.00 granted to Nanjing Panda Mechanical Manufacturing Co., Ltd., a subsidiary of the Company, from China Electronics Financial Co., Ltd. As at 31 December 2013, the used credit line amounted to RMB 5,000,000.00, among which the Company provided guarantee for bank loan of RMB 5,000,000.00, with a term from 9 April 2013 to 9 April 2014. Nanjing Panda Mechanical Manufacturing Co., Ltd. provided counter-guaranty with all of its assets.
4. The Company provided a maximum amount guarantee for bank loan of RMB 50,000,000.00 granted to Nanjing Panda Electronic Manufacture Co., Ltd., a subsidiary of the Company with a term from 5 November 2013 to 11 October 2014 from Industrial Bank Maigaoqiao Branch. Nanjing Panda Electronic Manufacture Co., Ltd. provides counter-guaranty with all of its assets. As at 31 December 2013, the used credit line amounted to RMB 11,451,319.11, among which, the Company provided guarantee for bank acceptance of RMB 11,451,319.11 for its subsidiary company Nanjing Panda Electronic Manufacture Co., Ltd.

The Company provided a maximum amount guarantee for bank loan of RMB 40,000,000.00 granted to Nanjing Panda Electronic Manufacture Co., Ltd., a subsidiary of the Company with a term from 6 November 2013 to 13 October 2014 from Nanjing Branch of Shanghai Pudong Development Bank. Nanjing Panda Electronic Manufacture Co., Ltd. provides counter-guaranty with all of its assets. As at 31 December 2013, the used credit line amounted to RMB 10,011,754.83, among which, the Company provided guarantee for bank acceptance of RMB 10,011,754.83 for its subsidiary company Nanjing Panda Electronic Manufacture Co., Ltd.

5. The Company provided a maximum amount guarantee for bank loan of RMB 40,000,000.00 granted to Nanjing Panda Electronic Equipment Co., Ltd., a subsidiary of the Company with a term from 3 September 2012 to 30 June 2013 from Nanjing Branch of Shanghai Pudong Development Bank. Nanjing Panda Electronic Equipment Co., Ltd. provides counter-guaranty with all of its assets. As at 31 December 2013, the used credit line amounted to RMB 7,000,000.00, among which, the Company provided guarantee for bank loan of RMB 7,000,000.00 with a term from 15 March 2013 to 15 March 2014.

As at 31 December 2013, the Company provided guarantee to its subsidiaries with an amount of RMB 167,180,350.67, among which, the Company provided guarantee for bank loan of RMB 49,000,000.00, and for bank acceptance of RMB 32,978,635.69, as well as for letter of guaranty of RMB 85,201,714.98. (Year 2012: the Company provided guarantee to its subsidiaries with an amount of RMB 249,892,396.99, among which, the Company provided guarantee for bank loan of RMB 105,000,000.00, and for bank acceptance of RMB 54,195,672.13, as well as for letter of guaranty of RMB 90,696,724.86).

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### vi. Acceptance of guarantee

1. Panda Electronics Group Limited, the controlling shareholder of the Company entered into a maximum amount irrevocable agreement of guarantee with Nanjing Branch of China Merchants Bank in May 2013, providing guarantee for credit facilities of RMB 90,000,000 granted to the Company from Nanjing Branch of China Merchants Bank during the credit period from 13 May 2013 to 12 May 2014. As at 31 December 2013, details of unpaid borrowings under the guarantee contract are as follows:

Name of borrowers	Name of bank	Borrowing Amount	Period
Nanjing Panda Electronics Co., Ltd.	Chengdong Sub-branch of Nanjing Branch of China Merchants Bank	50,000,000.00	2013.05.13-2014.05.13
Total		<u>50,000,000.00</u>	

2. Panda Electronics Group Limited, the controlling shareholder of the Company entered into a maximum amount guarantee contract with Nanjing Branch of Hua Xia Bank in March 2013, providing guarantee for borrowings of RMB 50,000,000.00 granted to the Company from Nanjing Branch of Hua Xia Bank with the loan term from 10 March 2013 to 10 March 2014. As at 31 December 2013, there is no outstanding balance under the guarantee contract.
3. Nanjing Electronics Information Industrial Corporation, the related party of the Company entered into a guarantee contract with Nanjing Branch of Industrial Bank Co., Ltd. in November 2012, providing guarantee for credit facilities of RMB 100,000,000.00 granted to the Company with a term from 20 November 2012 to 28 October 2013. As at 31 December 2013, the unsettled credit is RMB 1,333,015.35, all of which is bank acceptance. Nanjing Electronics Information Industrial Corporation provided guaranty for the unsettled bank acceptance.

As at 31 December 2013, the Company had acceptance of guarantee for bank loan provided by Panda Electronics Group Limited, the controlling shareholder of the Company with an amount of RMB 50,000,000.00, RMB 1,333,015.35 for bank acceptance by Nanjing Electronics Information Industrial Corporation. (Year 2012: the Company had acceptance of guarantee for bank loan provided by Panda Electronics Group Limited, the controlling shareholder of the Company with an amount of RMB 205,000,000.00, and an amount of RMB 60,595,238.06 of bank acceptance. The Company had acceptance of guarantee for bank acceptance provided by Nanjing Electronics Information Industrial Corporation with an amount of RMB 34,519,560.43.)



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### (7) Lease of assets

Lessor	Lessee	Types of the Leased Assets	Start Date	Termination Date	Pricing policy and Decision-making process	Annual Rental Income
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing Panda Electronics Transportation Company	Automobile Leasing	2012.09.01	2014.08.31	Fair price in the market	881,906.54
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Zhongdian Furniture Co., Ltd.	Apartment Leasing	2012.01.01	2013.12.31	Fair price in the market	220,800.00
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronics Import/Export Co., Ltd.	Apartment Leasing	2013.01.01	2013.12.31	Fair price in the market	110,400.00
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronics Transportation Company	Apartment Leasing	2010.01.01	2016.12.31	Fair price in the market	23,976.00
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Zhongdian Furniture Co., Ltd.	Apartment Leasing	2012.07.01	2014.12.31	Fair price in the market	14,040.00
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronics Transportation Company	Apartment Leasing	2013.11.10	2014.12.31	Fair price in the market	12,500.00
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronics Transportation Company	Apartment Leasing	2012.08.01	2014.12.31	Fair price in the market	11,016.00
Total						<u>1,274,638.54</u>

#### (8) Remuneration of key management

During the reporting period, total annual remuneration for directors, supervisors and senior management received from the Company was RMB 2,817,600.00, details of which are as follows:

Position	Total annual remuneration	Number of
Director(including original one)		10
Sub-total		<u>10</u>
Supervisor(including original one)	Below RMB100,000	2
	From RMB100,000 to RMB200,000	2
Sub-total	RMB435,600	<u>4</u>
Senior management	From RMB400,000 to RMB500,000	4
	From RMB500,000 to RMB600,000	1
Sub-total	RMB2,382,000	<u>5</u>
Total	RMB2,817,600	<u>19</u>

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### (9) Balance of due from and due to related parties

Item	Closing amount	Opening amount	Terms and conditions	Whether receive or provide guarantee
<b>Accounts receivable</b>				
CEC Panda LCD Technology Co., Ltd.	80,467,029.07	81,984,831.45		
CEC Panda Liquid Crystal Material Technology Co., Ltd.	37,268,356.92			
Nanjing panda HanDa technology Co., Ltd.	35,033,562.13	52,346,037.37		
Panda Electronics Group Limited	21,633,653.11	1,447,748.07		
Nanjing Panda Electronics Import/Export Co., Ltd.	4,424,503.38	7,920,530.45		
Nanjing Ericsson Panda Communication Co., Ltd.	1,802,669.40	3,412,867.00		
Nanjing Panda Zhongdian Furniture Co., Ltd.	749,595.67	728,814.00		
Nanjing Panda Technology Park Development Co., Ltd.	181,086.27			
Nanjing China Electronics Panda Real Estate Co., Ltd.	151,500.43			
Panda (Beijing) International Information Technology Co., Ltd.	107,685.29	107,685.29		
Nanjing Panda Electronics Technology Development Co., Ltd.	84,000.00	87,320.00		
Shenzhen sander bailli electric appliance Co., Ltd.	60,121.80	60,121.80		
Nanjing Thales Panda Transportation System Co., Ltd.	39,086.73	1,646,211.71		
Nanjing Electronics (Kunshan) Co., Ltd.	35,850.00	35,850.00		
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	33,780.00			
Hua Fei Color Display Systems Co., Ltd.	33,450.00	33,450.00		
Nanjing Panda Electronics Transportation Company	33,155.76	107,404.76		
Nanjing Panda China's electronic information industry group Co., Ltd.	8,542.00			
Nanjing Zhen Hua Packing Material Plant	4,700.00	94,000.00		
Nanjing Electronic Calibration Co., Ltd.	3,780.00	3,780.00		
Wuhan Zhongyuan Electronics group Co., Ltd.	2,000.00	2,000.00		
Nanjing Panda DaSheng Electronics Technology Co., Ltd.		48,480.00		
<b>Total</b>	<b>182,158,107.96</b>	<b>150,067,131.90</b>		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### (9) Balance of due from and due to related parties (Continued)

Item	Closing amount	Opening amount	Terms and conditions	Whether receive or provide guarantee
<b>Accounts receivable-provision for bad debt</b>				
CEC Panda LCD Technology Co., Ltd.				
CEC Panda Liquid Crystal Material Technology Co., Ltd.				
Nanjing panda HanDa technology Co., Ltd.	2,980.03	833,024.15		
Panda Electronics Group Limited		9,300.00		
Nanjing Panda Electronics Import/Export Co., Ltd.	81,454.38	9,009.77		
Nanjing Ericsson Panda Communication Co., Ltd.	360.00	360.00		
Nanjing Panda Zhongdian Furniture Co., Ltd.				
Nanjing Panda Technology Park Development Co., Ltd.				
Nanjing China Electronics Panda Real Estate Co., Ltd.				
Panda (Beijing) International Information Technology Co., Ltd.	107,685.29	107,685.29		
Nanjing Panda Electronics Technology Development Co., Ltd.				
Shenzhen sander baili electric appliance Co., Ltd.	60,121.80	60,121.80		
Nanjing Thales Panda Transportation System Co., Ltd.				
Nanjing Electronics (Kunshan) Co., Ltd.	35,850.00	35,850.00		
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.				
Hua Fei Color Display Systems Co., Ltd.	33,450.00	33,450.00		
Nanjing Panda Electronics Transportation Company				
Nanjing Panda China's electronic information industry group Co., Ltd.				
Nanjing Zhen Hua Packing Material Plant				
Nanjing Electronic Calibration Co., Ltd.	3,780.00	3,780.00		
Wuhan Zhongyuan Electronics group Co., Ltd.	2,000.00	2,000.00		
Nanjing Panda DaSheng Electronics Technology Co., Ltd.				
<b>Total</b>	<b>327,681.50</b>	<b>1,094,581.01</b>		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### (9) Balance of due from and due to related parties (Continued)

Item	Closing amount	Opening amount	Terms and conditions	Whether receive or provide guarantee
<b>Prepayments</b>				
Shanghai Panda Huning Electronic Technology Co., Ltd.	1,799,736.80			
China National Electronics Import/ Export Corporation	173,508.67			
Nanjing Panda Zhongdian Furniture Co., Ltd.	34,230.00	3,600.00		
Shenzhen Jinghua Information Technology Co., Ltd.	24,300.00			
CEC Panda LCD Technology Co., Ltd.	15,000.00	15,000.00		
Nanjing Panda Electronics Technology Development Co., Ltd.	8,275.40			
Nanjing Panda Crystal Technology Co., Ltd.	480.00			
<b>Total</b>	<b>2,055,530.87</b>	<b>18,600.00</b>		
<b>Other receivables</b>				
Panda Electronic (Kun Shan) Co., Ltd.	2,799,417.23	2,799,417.23		
<b>Total</b>	<b>2,799,417.23</b>	<b>2,799,417.23</b>		
<b>Other receivables-provision for bad debt</b>				
Panda Electronic (Kun Shan) Co., Ltd.	2,799,417.23	2,799,417.23		
<b>Total</b>	<b>2,799,417.23</b>	<b>2,799,417.23</b>		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### (9) Balance of due from and due to related parties (Continued)

Item	Closing amount	Opening amount	Terms and conditions	Whether receive or provide guarantee
<b>Accounts payable</b>				
Nanjing Panda Electronics Import/Export Co., Ltd	32,529,317.89	16,808,647.12		
Panda Electronics Group Limited	3,677,933.51	3,997,184.39		
Nanjing Zhen Hua Packing Material Plant	2,117,661.98	1,015,984.09		
China Electronics (ShenZhen) Co., Ltd.	1,043,582.00	1,597,057.23		
Nanjing Panda Electronics Transportation Company	538,918.99	1,205,776.86		
Nanjing China Electronics Panda Property Management Co., Ltd.	327,552.88			
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd. (No.891 National Factory)	293,710.00			
Nanjing Panda Zhongdian Furniture Co., Ltd.	147,600.00	270,380.35		
Nanjing Panda Crystal Technology Co., Ltd.	95,744.60			
Panda Electronic (Kun Shan) Co., Ltd.	63,139.64	63,139.64		
Nanjing Electronic Calibration Co., Ltd.	16,600.00			
Nanjing Thales Panda Transportation System Co., Ltd.	16,410.02	16,410.02		
Nanjing Ericsson Panda Communication Co., Ltd.	15,562.37			
China Zhenhua Group Yunke Electronics Co., Ltd.	10,032.00			
Shenzhen Huaxin China's Electronic Technology Co. Ltd.	4,800.00			
Shenzhen Sangda Baili Electric Appliance co., Ltd.	3,565.81	3,565.81		
Nanjing Panda Electronics Technology Development Co., Ltd.	6,693.32	1,394,495.53		
Nanjing Changjiang Electronic Information Industry Group Co., Ltd.		51,741.98		
<b>Total</b>	<b>40,908,825.01</b>	<b>26,424,383.02</b>		
<b>Advances from customers</b>				
CEC Panda LCD Technology Co., Ltd.	8,743,014.46			
Nanjing Panda Electronic Import/Export (HK)Company	3,921,549.68	2,331,011.25		
Nanjing panda HanDa technology Co., Ltd.	1,712,190.07	65,820.80		
Nanjing China Electronics Panda Lighting Co., Ltd.	375,400.00			
Nanjing Panda Zhongdian Furniture Co., Ltd.	5,506.17	783,301.17		
Nanjing Panda Electronics Import/Export Co., Ltd.		356,614.84		
Nanjing Huaxian High Technology Co.,Ltd.		2,060,000.00		
<b>Total</b>	<b>14,757,660.38</b>	<b>5,596,748.06</b>		

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### (9) Balance of due from and due to related parties (Continued)

Item	Closing amount	Opening amount	Terms and conditions	Whether receive or provide guarantee
<b>Other payables</b>				
China Electronics Corporation	34,000,000.00	34,000,000.00		
Panda Electronics Group Limited	13,341,659.17	11,814,041.57		
Nanjing Thales Panda Transportation System Co. Ltd.	860,265.92	860,265.92		
Nanjing Ericsson Panda Communication Co., Ltd.	539,212.48			
Nanjing Electronics (Kunshan) Co. Ltd.	300,000.00	300,000.00		
Nanjing China Electronics Panda Property Management Co., Ltd.	238,954.41	493,090.41		
CEC Panda LCD Technology Co., Ltd.	72,375.88			
Nanjing Panda Electronics Transportation Company	46,379.59	22,326.02		
Panda (Beijing) International Information Technology Co., Ltd.	45,588.91	45,588.91		
Nanjing Panda China's electronic information industry group Co. Ltd.	43,600.00			
Nanjing Panda Electronics Technology Development Co., Ltd.	25,800.00	84,000.00		
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	200.00	200.00		
<b>Total</b>	<b>49,514,036.36</b>	<b>47,619,512.83</b>		

#### (10) Finance service

The Company entered into the "Finance Service Contract" ((shorten form "contract")with China Electronics Financial Co., Ltd. (shorten form "Financial Company") on 26 October 2012, According to the contract, the Financial Company offered relevant finance service for the Company within the scope of its business license. The service include but not limited to capital settlement, cash receipts and payment, credit financing, capital management, general planning consulting, etc. Both of the contractors made an agreement that the Financial Company should offer a comprehensive credit line up to RMB 300,000,000.00 since the contract take effect. And the upper balance of cash settlement in financial company is RMB 200,000,000.00. The valid duration is 3 years since the date of agreement. The above financial service agreement was approved by the extraordinary Board meeting, and the second extraordinary general meeting of shareholders in year 2012. As at 31 December 2013, the outstanding balance of deposits in the Financial Company is RMB 197,899,125.22, the outstanding balance of bank loan is RMB 5,000,000.00. In the year 2013, the interest expense in the Financial Company is RMB 4,651,666.65, and discount interest expense is RMB 64,494.48, as well as the interest revenue is RMB 529,835.75.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## X. Relationship and transactions with related parties (Continued)

### c) Transactions with related parties (Continued)

#### (11) Trademark licensing

Name of related parties	2013 Amount	2012 Amount
Nanjing Panda Zhongdian Furniture Co., Ltd.	<b>707,700.00</b>	634,352.83
Total	<b>707,700.00</b>	634,352.83

Pricing policy of trademark licensing granted to the related party: The related party will be offered a trademark license fee of RMB2 to 5 for each unit of Panda color television sold. Given to the higher cost or more resources is required for entering overseas market, the above license fee for each unit will be reduced if the products manufactured and sold for export use.

#### (12) Assets Rented

Lessor	Lessee	Types of the Leased Assets	Start Date	Termination Date	Pricing policy and Decision-making process	Annual Rental Income
Panda Electronics Group Limited-Panda Real Estate Co., Ltd.	Nanjing Panda Communication Technology Co., Ltd.	Apartment Rented	2013.1.1	2013.12.31	Fair price in the market	384,000.00
Panda Electronics Group Limited-Panda Real Estate Co., Ltd.	Nanjing Panda Information Industry Co., Ltd.	Apartment Rented	2013.1.1	2013.12.31	Fair price in the market	104,100.00
Total						488,100.00

## XI. Contingencies

- Please refer to Note X 3 (5) for the guarantees provided by the Company for bank borrowings of its subsidiaries.
- As at 31 December 2013 the Company did not have any material contingent issues required to be disclosed other than the aforesaid.

# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## XII. Commitments

### a) Operating lease commitment

The future aggregate minimum lease payments due under non-cancelable operating leases are as follows:

Items	2013	2012
Within 1 year	<b>390,666.67</b>	5,625,840.86
1-2 years	<b>163,200.00</b>	396,933.34
2-3 years	<b>54,600.00</b>	92,400.00
More than 3 years		
Total	<b><u>608,466.67</u></b>	<u>6,115,174.20</u>

### b) Capital expenditure commitment

Capital expenditures contracted for at the balance sheet date but not recognized in the financial statements are as follows:

Items	2013	2012
Buildings	<b><u>123,006,153.78</u></b>	<u>146,376,194.91</u>

## XIII. Post Balance Sheet Events

1. According to the profit distribution plan released on the twelfth of the Seventh conference of the Board of Directors of 2013, the profit will be distributed at the base of the share capital of 913,838,529.00. Every 10 shares will be paid by RMB0.66 cash (tax included) dividends, amounting to RMB 60,313,342.91 totally. The profit distribution plan should be executed after the approval of the general meeting of shareholders of the Company.
2. Saved as above, there were no other material post balance sheet events in the Company as at the date when the financial was approved for issue.

## XIV. Debt Restructuring

The detail information refer to note "VIII 34(3)".

## XV. Foreign Currency Conversion

The amount of exchange gain which is recorded into the profits and losses is RMB 360,300.57, the amount of the exchange loss is RMB 2,314,531.66, and the net exchange profits and losses is RMB 1,954,231.09.



# Notes To The Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

## XVI. Other Significant Events

1. According to the resolutions of annual general meeting of shareholders of 2012 on 20 May 2013, the Company will provide a maximum amount guarantee for borrowing of RMB300 million, a maximum amount guarantee for borrowing of RMB185 million, a maximum amount guarantee for borrowing of RMB100 million, a maximum amount guarantee for borrowing of RMB15 million, granted to Nanjing Panda Information Industry Co., Ltd., Nanjing Panda Electrical Equipment Co., Ltd, Nanjing Panda Electronic Manufacture Co., Ltd, Nanjing Huage Appliance and Plastic Industrial Co., Ltd, and Nanjing Panda Mechanical Manufacturing Co., Ltd, subsidiaries of the Company respectively with a term from 1 July 2013 to 30 June 2016. According to the resolutions of the first temporary meeting of the general meetings of 2013 on 26 September 2013, the Company newly provide a guarantee RMB200 million, amounting to RMB500 million for Nanjing Panda Information Industry Co., Ltd with a term till 30 June 2016.
2. The Company's shareholders Nanjing Ruisen Investment Management Partnership (Limited Partnership) provided a pledge guaranty to China National Investment & Guaranty Co., Ltd. The Nanjing Ruisen provided the guaranty at the pledge of 51,000,000 limited shares of the Company accounting for 5.58%, taking up to 100% of its all shares of the Company of which the date of the release of the restricted shares was on 28 June 2014. As at 4 December 2013, Nanjing Ruisen Investment Management Partnership has completed the stock pledge registration formalities at Shanghai Branch of China Securities Depository and Clearing Corporation.
3. Lease

Details of operating lease of the Company during the reporting period are as follows:

Categories of assets leased out	Closing balance	Opening balance
Buildings	<u>20,443,916.72</u>	<u>138,199,618.84</u>
Total	<u>20,443,916.72</u>	<u>138,199,618.84</u>

4. According to the resolutions of First Extraordinary general meeting of shareholders of 2014 on 12 March 2014, "Supplemental Agreement of Financial Services Agreement" ("Supplemental Agreement") by the Company and Finance Company has passed through ordinary resolution. According to the Supplemental Agreement, the limit of the comprehensive credit balance of the Company increased to RMB600 million and the limit of the balance of the settlement funds increased to RMB500 million. In addition to the supplemental agreement, the other terms of the "Financial Services Agreement" are still valid and binding on both parties. The transaction does not form a material asset restructuring that formulated by "Material asset restructuring of listed companies management approach".

## XVII. Reconciliation of Hong Kong and PRC Accounting Standards Differences (Unit: RMB thousands)

Items	Closing Balance	Opening Balance
Equity attributable to the shareholders of parent company under PRC accounting standards and accounting principles generally accepted in Hong Kong during the year	<u>3,122,699</u>	<u>1,684,756</u>
Items	Closing Balance	Opening Balance
Net profit attributable to the shareholders of parent company under accounting principles generally accepted in Hong Kong	<u>182,840</u>	<u>131,554</u>

# Supplementary Information

## I. Related financial indicators

Profit during reporting period	Reporting period	Return on net assets (%)	Earnings per share (RMB/share)	
		Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	2013	7.62	0.2331	0.2331
	2012	8.06	0.2008	0.2008
Net profit attributable to holders of ordinary shares after extraordinary items	2013	2.00	0.0613	0.0613
	2012	3.64	0.0908	0.0908

Note: Return on net assets and earnings per share are calculated as follows:

- i. Fully diluted return on net assets

$$\text{Fully diluted return on net assets} = P \div E$$

Including, P represents net profit attributable to holders of ordinary shares of the Company or the net profit attributable to holders of ordinary shares of the Company after deducting extraordinary items; E represents the net assets attributable to holders of ordinary shares of the Company at the end of the reporting period.

In preparation and disclosure of consolidated statement, "Net profit attributable to holders of ordinary shares of the Company" excludes the amount of minority interests; based on the consolidated net profits after deducting minority interests, "net profit attributable to holders of ordinary shares of the Company after extraordinary items" is deducted with the shares attributable to holders of ordinary shares of the Parent Company from the Parent Company's extraordinary items (impact of income tax shall be considered) and the non-recurring profit and loss of subsidiaries (impact of income tax shall be considered); "the net assets attributable to holders of ordinary shares of the Company at the end of the reporting period" excludes the amount of minority interests.

- ii. Weighted average return on net assets

$$\text{Weighted average return on net assets} = P / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

Including: "P" respectively represents net profit attributable to holders of ordinary shares of the Company and the net profit attributable to holders of ordinary shares of the Company after extraordinary items; "NP" represents net profit attributable to holders of ordinary shares of the Company; "E0" represents net assets attributable to holders of ordinary shares of the Company at the beginning of the reporting period; "Ei" represents net assets attributable to holders of ordinary shares of the Company, arising from the new issue of shares or debt for equity swap during the reporting period; "Ej" represents net assets attributable to holders of ordinary shares of the Company, reduced from repurchase or cash dividend during the reporting period; "M0" represents the months in reporting period and; "Mi" represents the months from the next month of the increase of assets to the end of the reporting period; "Mj" represents the months from the next month of the decrease of assets to the end of the reporting period; "Ek" represents the increase or decrease of net assets arising from other transactions or matters; "Mk" represents the months from the next month of the increase or decrease of other assets to the end of the reporting period.

- iii. Basic earnings per share

$$\text{Basic earnings per share} = P \div S$$

$$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Including: "P" represents net profit attributable to holders of ordinary shares of the Company or the net profit after extraordinary items attributable to holders of ordinary shares of the Company; "S" represents the weighted average of outstanding ordinary shares; "S0" represents total number of shares at the beginning of the reporting period; "S1" represents shares increased from Conversion of Reserve into Capital or share dividend distribution; "Si" represents shares increased from issue of new shares or debt to equity during the reporting period; "Sj" represents the reduced shares arising from repurchase during reporting period; "Sk" represents the number of reduced shares during the reporting period; "M0" represents months in the reporting period; "Mi" represents the months from the next month of the increase of shares to the end of the reporting period; "Mj" represents the months from the next month of the decrease of shares to the end of the reporting period.

# Supplementary Information (Continued)

## I. Related financial indicators (Continued)

Note: Return on net assets and earnings per share are calculated as follows: (Continued)

### iv. Diluted earnings per share

Diluted earnings per share =  $[P + (\text{The interests of the diluted potential ordinary shares determined to be expenses in the current period} - \text{Conversion expenses}) \times (1 - \text{Income tax ratio})] / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{The weighted average number of ordinary shares, increased from subscription warrant share option and convertible bond})$

Including, "P" represents net profit attributable to holders of ordinary shares of the Company or the net profit after extraordinary items attributable to holders of ordinary shares of the Company. "S0" represents total number of shares at the beginning of the reporting period; "S1" represents shares increased from Conversion of Reserve into Capital or share dividend distribution; "Si" represents shares increased from reporting period issue of new shares or debt to equity, etc; "Sj" represents the reduced shares arising from repurchase during reporting period; "Sk" represents the number of reduced shares during the reporting period; "M0" represents months in the reporting period; "Mi" represents the months from the next month of the increase of shares to the end of the reporting period; "Mj" represents the months from the next month of the decrease of shares to the end of the reporting period. In calculating diluted earnings per share, the company takes into consideration of influence from all diluted potential ordinary shares till diluted earnings per share become minimized.

## II. Statement of extraordinary items

Unit: RMB

Item	2013	2012
(1) Profit and loss of disposal of non-current assets including reserved provision for asset impairment	(82,144.73)	282,412.75
(2) Tax rebate or tax reduction through approval beyond authorities or without official approval document		
(3) Government subsidiaries accounted for as current profit and loss, (excluding those closely related to the enterprise's business and enjoyed according to the State's standard quote or quantity)	43,852,415.00	45,977,414.50
(4) Capital occupation fee received from non-financial enterprises and recorded into the current gains and losses		
(5) Profit and loss incurred when cost of merger of enterprises are less than the fair value of the identifiable net assets of acquirees attributable to the Company during merger		
(6) Profit and loss from exchange of non-monetary assets		
(7) Profit and loss from entrusted investment	8,967,945.20	
(8) Provision for assets impairment due to force majeure including natural disasters		
(9) Profit and loss from debt restructuring	416,989.13	5,722,713.08
(10) Expenses of enterprise restructuring, such as staff replacement, integration expenses, etc.		
(11) Loss and profit exceeding fair value of transaction with unfair consideration		
(12) Net profits and losses of the current period of subsidiaries under same control arising for merger of enterprise from the beginning of period to the date of merger		

## Supplementary Information (Continued)

### II. Statement of extraordinary items (Continued)

Item	2013	2012
(13) Loss and profit from accrued liabilities having no relation with principal business of the Company		
(14) Investment income obtained from holding transactional financial assets transactions financial liabilities generated changes in fair values and disposal tradable financial assets and transactions financial liabilities and sellable financial assets apart with company normal operations related effective hedging business		
(15) Reversal of impairment of receivables provided by specific provision		
(16) Profit and loss from entrusted loans		
(17) Profit and loss arising from changes in fair value of investment property under fair value model on subsequent measurement		
(18) Profit and loss according to tax and accounting laws and regulations require a one-time adjustment of profit or loss		
(19) Entrusted fee income obtained from entrusted operation		
(20) Other net non-operating income/expenses other than the above items	<b>91,452,700.78</b>	25,349,983.16
(21) Other non-recurring profit and loss items recognized by CSRC		
<b>Sub-total</b>	<b>144,607,905.38</b>	77,332,523.49
Less: the impact from income tax	<b>8,363,943.39</b>	5,004,704.52
<b>Net non-recurring profit and loss</b>	<b>136,243,961.99</b>	72,327,818.97
Net non-recurring profit and loss attributable to ordinary shareholders of the Company	<b>134,792,889.32</b>	72,107,160.50
Net non-recurring profit and loss attributable to minority shareholders	<b>1,451,072.67</b>	220,658.47

According to “Public Offering of Securities Company Information Disclosure Explanatory Notice No. 1 - Extraordinary [2008]” by China Securities Regulatory Commission regulations, Extraordinary items are those non-recurring profit and loss due to various of transactions and matters, that is not directly related to the company’s normal operations and although related to the company’s normal operations, affecting the users of the financial report to make the right judgments about the Company’s performance and profitability, due to its special nature and frequency.

According to “The value-added tax policy notice about software products” (Cai shui [2011] No. 100), based on the VAT rate of 17%, 3% of the actual tax burden which generated from general VAT taxpayers selling its own development and production of software products and import software after localization is applied to tax refund policy. The revenue of selling software of the subsidiary of the Company enjoys the tax refund policy amounting to RMB 1,667,122.09. The Company recognizes the profit and loss of government subsidies in recurring gains and losses partly.

# Documents Available For Inspection

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1. Original financial statements signed and sealed under the hand of the head of the Company, the Chief Accountant and the Finance Manager of the Company.
2. Original auditors' report, with the auditing firms' chop affixed, signed and sealed by certified public accountants.
3. Original copies of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the reporting period.
4. This annual report is prepared in Chinese and English. In case of any discrepancies in interpretation, the Chinese version shall prevail.