

PANDA Electronics

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Nanjing Panda Electronics Company Limited

2014

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. Lu Qing and Mr. Jason Hsuan and independent Director Chu Wai Tsun, Vincent were unable to attend the Board meeting held on 30 March 2015 due to other business engagements, and had appointed Directors Mr. Deng Weiming and Mr. Xia Dechuan and Independent Director Ms. Zhang Xiuhua respectively to attend the meeting and to exercise the voting right on their 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 2014, 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

1. Definitions

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

The Company	Nanjing Panda Electronics Company Limited (南京熊猫電子股份有限公司)
The 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)
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)
Shenzhen Jinghua	Shenzhen Jinghua Electronics Co., Ltd. (深圳市京華電子股份有限公司)
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)

Definitions and Notice of Significant Risks (Continued)

I. Definitions (Continued)

Huage Appliance Company	Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (南京華格電汽塑業有限公司)
Mechanical Manufacturing Company	Nanjing Panda Mechanical Manufacturing Co., Ltd. (南京熊貓機電製造有限公司)
Technology Development Company	Nanjing Panda Electronic Technology Development Company Limited (南京熊貓電子科技發展有限公司)
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 over the Company's Future Development" under Section IV "Report of the Board" in this report.

Company Profile

I. Company Information

Statutory 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
Statutory 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 Contacts

	Secretary of the Board	Securities Affairs Representative
Name	Shen Jianlong	Wang Dongdong
Correspondence address	7 Jingtianlu, Nanjing, the People's Republic of China	7 Jingtianlu, 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	7 Jingtianlu, Nanjing, the People's Republic of China (the "PRC")
Postal code of the office address	210033
Website	http://www.panda.cn
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: http://www.sse.com.cn The Stock Exchange of Hong Kong Limited: http://www.hkex.com.hk
Place for Inspection of the Company's Annual Report	Office of Secretary to the Board of Directors, 7 Jingtianlu, Nanjing, the People's Republic of China

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 the Registration of the Company during the Reporting Period

(1) Basic information

Date of Registration	26 November 2013
Place of Registration	Nanjing, the PRC
Business License Registration Number for Corporations	320100400008823
Taxation Registration Number	320134134974572
Organization Code	13497457-2

During the Reporting Period, no changes in the registration of the company were recorded.

(2) Inquiry index for 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, communications 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 2014, 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 Relevant 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, Zhou Weiying
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 accountants	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
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	Luo Guijun (羅貴均), Tan Yongfeng (譚永豐)
	Term of continuous supervision	From 8 December 2014 to 31 December 2015
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

1. Major accounting data and financial indicators for the three years ended 31 December 2014 (prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(1) Principal accounting data

Unit: RMB'000

Principal accounting data	2014	2013		Increase/ decrease from last year (%)	2012	
		After Adjustment	Before Adjustment		After Adjustment	Before Adjustment
Operating income	3,487,641.07	4,136,214.82	2,479,485.13	-15.68	3,731,105.10	2,430,042.28
Net profit attributable to shareholders of the Company	153,230.14	184,820.91	182,839.21	-17.09	133,548.85	131,554.10
Net profit attributable to shareholders of the Company after extraordinary items	99,280.83	48,046.32	48,046.32	106.64	59,446.94	59,446.94
Net cash flow from operating activities	44,034.01	8,714.86	-86,545.58	405.27	-9,314.72	-82,211.03

	As of the end of 2014	As of the end of 2013		Increase/ decrease from last year (%)	As of the end of 2012	
		After Adjustment	Before Adjustment		After Adjustment	Before Adjustment
Net assets attributable to shareholders of the Company	3,178,952.96	3,136,035.62	3,122,698.04	1.37	1,697,862.22	1,684,756.01
Total assets	4,624,124.68	4,481,026.63	4,138,059.51	3.19	3,467,854.82	3,116,256.11

(II) Key financial indicators

Unit: RMB

Key financial indicators	2014	2013		Increase/ decrease from last year (%)	2012	
		After Adjustment	Before Adjustment		After Adjustment	Before Adjustment
Basic earnings per share (RMB/share)	0.1677	0.2356	0.2331	-28.82	0.2039	0.2008
Diluted earnings per share (RMB/share)	0.1677	0.2356	0.2331	-28.82	0.2039	0.2008
Basic earnings per share after extraordinary items (RMB/share)	0.1086	0.05	0.06	117.20	0.09	0.09
Weighted average return on net assets (%)	4.82	7.66	7.62	down 2.84 percentage points	8.10	8.06
Weighted average return on net assets after extraordinary items (%)	3.12	1.99	2.00	up 1.13 percentage points	3.61	3.64

Accounting Data and Financial Indicators Highlights (Continued)

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

- (1) The following is a summary of the consolidated results of the Group for each of the five years ended 31 December 2014 and the combined pro forma results of the Group for the year ended 31 December 2013 prepared on the basis that the Group’s current structure had been in existence from the year ended 31 December 2009.

Unit: RMB’000

	2014	2013 (restated)	2012 (restated)	2011	2010 (restated)
Turnover	3,450,690	4,096,035	3,690,252	2,115,641	1,664,885
Operating profit (loss)	51,132	132,692	53,040	-33,649	-47,864
Share of results of associated companies	137,497	123,082	175,773	188,191	91,047
Profit before taxation	220,811	251,197	203,857	132,930	24,343
Taxation	-24,385	-28,532	-34,266	-16,835	-16,599
Profit after taxation	196,426	222,665	169,591	116,095	7,744
Minority interests	43,196	37,844	36,042	6,025	-1,615
Profit attributable to shareholders	153,230	184,821	133,549	110,070	9,359
Proposed final dividends	60,313	60,313	39,301	32,751	-

- (2) Summary of the total assets and liabilities for each of the five years ended 31 December 2014

Unit: RMB’000

	2014	2013 (restated)	2012 (restated)	2011	2010 (restated)
Total assets	4,624,125	4,481,027	3,467,855	2,713,131	2,574,847
Total liabilities	-1,240,664	-1,150,103	-1,574,364	1,117,689	1,087,789
Total net assets	3,383,461	3,330,924	1,893,491	1,595,442	1,487,058

Accounting Data and Financial Indicators Highlights (Continued)

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

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

Item	2014	2013	2012
Gains and losses from disposal of non-current assets	-81.70	-82.14	282.41
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	29,412.46	43,852.42	48,777.41
Gain/loss from entrusted investment	20,193.39	8,967.95	
Profit or loss from debt restructuring		416.99	5,722.71
Net profits and losses of subsidiaries as a result of merger of enterprises under common control from the beginning of the period to the date of merger	38,837.76	49,228.12	33,558.73
Reversal of impairment of receivables provided by specific provision	597.84		
Other non-operating net income and expenses other than the aforesaid items	9,925.81	91,452.69	22,549.98
Impact on enterprise income tax	-6,527.80	-8,363.94	-5,004.70
Net extraordinary profit and loss attributable to minority shareholders	-38,408.45	-48,697.50	-31,784.63
Total	53,949.31	136,774.59	74,101.91

Report of The Board

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

In 2014, when the world economic recovery seemed to be difficult with a lack of momentum, the economic growth of the PRC entered into a macroscopic environment of new normality. The Company actively adopted corresponding measures, focusing on business development, persisted in innovation, and strived to achieve operating goals. Furthermore, the Company took the initiative to facilitate innovation, improved business management, grasped market opportunities, made greater structural adjustment so as to further revitalise the Company and to constantly enhance the quality and efficiency of corporate development. As a result, all missions and goals were accomplished and achieved in a better manner.

In 2014, the Company recorded better performance and results. According to the Accounting Standards for Business Enterprises of the PRC (中國企業會計準則), the Company's operating revenue for 2014 amounted to RMB3,487,641,100, with total profits of RMB220,810,700 and net profits of RMB153,230,100. According to Hong Kong Financial Reporting Standards, the revenue of main business for the entire year amounted to RMB3,450,690,000, with profits from main business of RMB470,570,000 and profits attributable to shareholders of RMB153,230,000.

In 2014, the Company acquired the 5,834,430 shares of Shenzhen Jinghua (representing 5.07% of its total share capital) listed for open bidding by PEGL by way of cash; upon completion of the transaction, the Company directly held 43.10% equity interests in Shenzhen Jinghua, and held the major representation in the board of directors of Shenzhen Jinghua after re-election and the accounts of Shenzhen Jinghua were consolidated in the consolidated statements of the Group. The Company benefited from such transaction as the Company could expand its field of consumer electronics products, enhance its consolidated competitiveness, and optimise the standard of management of investee companies.

In 2014, the Company persisted in integrating technological innovation with mechanism innovation, stimulated the creative power of all elements in the technological innovation system, and strengthened its endogenous power of corporate innovation. The Company carefully prepared and implemented the scientific research plan with respect to the main business and completed key scientific research projects pursuant to the schedule. Focusing on the technical bottleneck that restrained business development, the Company used advantageous resources in centralized manner, made a breakthrough, and mastered certain core technologies with its proprietary intellectual property rights. All in all, it achieved a new step in its technical strength and core competitiveness. In 2014, the Company was awarded the title of IP Management Model Enterprise of the City of Nanjing.

In 2014, the Company facilitated the establishment of a uniform remuneration system and examination for accountability of all staff. It continued to refine the examination of operating responsibilities and performance of middle management staff. The Company strengthened the work on bringing in talents at a high level. For this year, two doctorate degree holders and 14 master's degree holders were brought in. Moreover, a mechanism was established to train three types of staff. The Company also explored and formulated different proposals for cultivating staff, and organized one course of training class of key young management staff. It strengthened efforts to train technical staff and trained 36 research students (master degree) for the past three years through collaboration with universities. Besides, training of hi-tech talents was strengthened. Hi-tech talents obtained excellent results in all competitions held in Jiangsu Province, CEC and City of Nanjing. The Company was granted the "Award of Cradle for Hi-tech Talents" ("高技能人才搖籃獎") by the provincial government of Jiangsu and was granted the "Example for Educating and Training for National Staff" ("全國職工教育培訓示範點") by the National Trade Union.

Report of The Board (Continued)

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

In the year 2014, the construction of the Company's electronic equipment industrial park ("Park") was completed and the park commenced operations in the same year. Occupying 270 mus of land, the building area of the Park was approximately 118,000 square metres. 5 blocks of production plants of high standard and one block for R&D were built. Such blocks were used to manufacture and conduct R&D of automatic equipment of plants, smart intelligent equipment for tracks and transport and others. In addition, the construction of the Company's electronic manufacturing equipment industrial park was fully completed.

In the year 2014, the Company actively facilitated the implementation of the proposal of deploying information technology, completed the construction of new data centre, completed the reconstruction of the office automatic system, implemented mobile office, and safeguarded the timely handling and sharing of information; the Company strictly managed the internal control by basing on the standard of internal control and standard of auditing work, focusing on key missions, being oriented with risk prevention and centering at compliance and efficiency for commencing internal audit. The Company continued to improve the establishment of the systems focused on such issues found during operation and management, and implemented the amendment of the 9th version of the Company's Management System.

In the year 2014, the Company strengthened its system implementation capabilities, facilitated complete budget management, improved fund management, implemented the standardized use of proceeds raised; strengthened the examination and review of contracts and laws; standardized the associated transactions and conducted information disclosure; strengthened quality and security management and ensured that no accidents occurred during the entire year; standardized licenses to use its brand name, unified brand differentiation, investigated and handled fake products; enhanced its efficiency with help of effective management and control of risk.

In the year 2014, the Company was committed to implementing all resolutions adopted at the staff and workers' congress, strived to do a good deed for the staff and handle concrete affairs in a down-to-earth manner, and was dedicated to building harmonious relationship with staff. It also actively developed innovative campaigns in respect of economy and technology for groups of staff, supported the labour unions to organize leisurely activities (including sports or non-sports) for relaxation and fun. In the long run, the Company remains committed to caring donation work and its concern towards staff who face hardship.

In the year 2014, the Company maintained the momentum of steady development in its production and operation as a whole. However, the difficulties in the development of the Company and bottlenecks were still prominent. The Company would face challenges in many aspects on its way to further development: there remains room for improvement of its R&D capabilities; the impact produced by the decline of the revenue and profits of important joint ventures should not be ignored; the vision and capability of exploring the market needed further enhancement. The internal control, risk management and cost control could be further refined. The above may have adverse impacts to the continuous growth of the Company's business performance for quite some time in the 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

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 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 (%)	Notes
Operating income	348,764.11	413,621.48	-15.68	
Operating cost	296,180.94	361,877.57	-18.15	
Selling expenses	4,779.79	5,326.93	-10.27	
Administrative expenses	40,076.82	38,139.68	5.08	
Financial expenses	116.14	1,851.56	-93.73	Mainly because the average short-term borrowing during the period is decreased significantly when compared to that of the previous period
Loss in assets impairment	3,295.11	5,740.64	-42.60	Mainly because more provisions for bad debts were made in the previous period
Non-operating income	4,768.77	14,238.88	-66.51	Mainly because the compensation proceeds confirmed pursuant to Demolishment and Relocation Compensation Agreement during the previous period was significant
Non-operating expenses	231.19	362.61	-36.24	Mainly as a result of the disposal of fixed assets during the previous period
Net cash flows from operating activities	4,403.40	871.49	405.27	Mainly due to larger amount of payment for goods pursuant to the contract during the previous period
Net cash flows from investment activities	-58,984.39	-5,488.07	N/A	Mainly because the Company used proceeds which were temporarily idle for purchasing wealth management products
Net cash flows from financing activities	-22,809.70	92,771.74	-124.59	Mainly due to the proceeds received from non-public issuance of A shares during the previous 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 (Continued)

2. Income

(1) Analysis on the factors causing changes in business 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 businesses (%)	Income	As a percentage of the income from principal businesses (%)	
Electronic equipment products	152,683.86	44.59	142,771.36	35.03	6.94
Consumer electronics products	80,076.93	23.38	174,671.03	42.85	-54.16
Electronic manufacturing service	94,539.95	27.61	75,242.44	18.46	25.65
Others	15,123.06	4.42	14,937.74	3.66	1.24

During the reporting period, the sales revenue of electronic equipment products remained a stable growth and amounted to RMB1,526,838,600, representing a year on year increase of 6.94% as compared with that of the same period last year, and its rate of contribution to the principal business was 44.59%; under the influence of recession in overseas market, the sales revenue of consumer electronics products amounted to RMB800,769,300, representing a year on year decrease of 54.16% as compared with that of the same period last year, and its rate of contribution to the principal business was 23.38%; and due to the increase in liquid crystal accessories, the sales revenue of electronic manufacturing service amounted to RMB945,399,500, representing a year on year increase of 25.65% as compared with that of the same period last year, and its rate of contribution to the principal businesses was 27.61%.

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 (Continued)

2. Income (Continued)

- (2) Analysis on the factors affecting the income from the sales of products of the Company comprising mostly physical products

During the Reporting Period, the accumulated sales revenue of electronic equipment products and consumer electronics products amounted to RMB2,327,607,900, representing approximately 67.97% of the revenue of the principal businesses. Such products constituted a major part of the Company's principal businesses, among which, the details of electronic equipment products are as follows:

Unit: RMB0'000

Products	Income	As a percentage of the income from principal businesses (%)
Automatic equipment	127,583.19	37.26
Transport electronic equipment	24,290.90	7.09
Communication equipment	809.77	0.24

- (3) Sales from major customers

During the reporting period, sales from the top five customers amounted to RMB1,249,869,600, representing 35.84% of the total sales in 2014, of which 11.68% was attributable to the sales from the largest customer 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)

(I) Analysis of principal operations (Continued)

2. Income (Continued)

(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	1,659,197	96,354
Consumer electronics	857,941	14,509
Electronic manufacturing service	972,823	36,944
Other operations	223,250	55,785
Elimination	-262,522	-46,691
Operating profit		156,901
Unallocated corporate expense		-105,769
Interest income		39,649
Interest expenses		-7,467
Share of profit of associates		137,497
Profit before taxation		220,811

3. Cost

(1) Cost analysis

Unit: RMB'000

Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)
Material cost	239,897.88	81.00	313,010.38	86.50	-23.36
Labor cost	23,915.21	8.07	22,487.55	6.21	6.35
Manufacturing costs	32,367.85	10.93	26,379.64	7.29	22.70

Since the ratio accounted for by cost of materials was higher for consumer electronics products, the trading volume of consumer electronics products declined due to the impact produced by the downturn of economy of overseas market. The ratio accounted for by the corresponding materials with respect to the total cost was reduced. Correspondingly, the labour cost and manufacturing cost rose.

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 (Continued)

3. Cost (Continued)

(2) Major suppliers

During the reporting period, the aggregate amount of purchases from the top five suppliers of the Company amounted to RMB422,644,700, accounting for 17.34% of the total amount of purchases made by the Company in 2014. The purchase amount from the largest supplier accounted for 4.01% 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 (%)	Notes
Selling expenses	4,779.79	5,326.93	-10.27	
Administrative expenses	40,076.82	38,139.68	5.08	
Financial expenses	116.14	1,851.56	-93.73	Mainly because the average short-term borrowing during the period is decreased significantly when compared to that of the previous period
Income tax	2,438.47	2,853.24	-14.54	

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	17,849.17	15,329.85	16.43
Capitalized R&D expenses for the period			
Total R&D expenses	17,849.17	15,329.85	16.43
The percentage of total R&D expenses over net assets (%)	5.61	4.89	increased by 0.72 percentage points
The percentage of total R&D expenses over operating income (%)	5.12	3.71	increased by 1.41 percentage points

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 (Continued)

5. R&D expenses (Continued)

(2) Explanations

In 2014, the Company had 26 planned R&D programs including the Company's 5 key R&D programs, and 5 key R&D programs of industrial companies. R&D investment was planned to be RMB108,190,000.

In 2014, by focusing on the major business, the Company persisted in integrating technological innovation with mechanism innovation. In such regard, the Company could stimulate the innovation and activation of all elements of technological innovation, strengthen the internal impetus of the enterprise and implement scientific and research projects with remarkable results. In 2014, the Company's key scientific projects were completed as planned. The project "Panda Smart Digital Home Cinema and Sound System" was the first time scientific and research integration was conducted across departments and regions.

Focusing on the technical bottleneck that restrained business development, each of the industrial companies determined its direction of scientific innovation, used advantageous resources in centralized manner, made a breakthrough, and mastered certain core technologies with its proprietary intellectual property rights.

In 2014, the Company completed 26 R&D projects with an investment of RMB178,491,700, representing 5.61% of the audited net assets at the end of 2014 and 5.12% of the audited operating income of 2014.

In 2015, the Company expects to invest RMB185,920,000 on 27 R&D projects.

In 2015, R&D and investment efforts for intelligent manufacturing equipment, robot and system, railway transit equipment and communication system, communication equipment will be further increased. 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 intelligent manufacturing equipment, industrial robots, industrial 4.0 or integration of IT and industry within the high-tech industry as the key development direction, 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 as soon as it can.

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 (Continued)

6. Cash flow

Unit: RMB0'000

	Amount for the period	Amount for the previous period	Change (%)	Notes
Net cash flow from operating activities	4,403.40	871.49	405.27	Mainly due to larger amount of payment for goods pursuant to the contract during the previous period
Net cash flow from investment activities	-58,984.39	-5,488.07	N/A	Mainly because the Company used proceeds which were temporarily idle for purchasing wealth management products
Net cash flow from financing activities	-22,809.70	92,771.74	-124.59	Mainly due to the proceeds received from non-public issuance of A shares during the previous period

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.

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

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 (Continued)

7. Others (Continued)

➤ Fund raising from non-public issue of shares

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 A shares by way of non-public issue to raise proceeds amounting to RMB1.32 billion in June 2013.

During the Reporting Period and in accordance with the relevant laws and regulations and regulatory provisions and requirements, the Company shall use the raised proceeds and shall truly, accurately and completely disclose the use of such raised proceeds, mainly including using the raised proceeds in proceeds investment projects, the purchase of principal guaranteed wealth management products by using the temporarily idle raised proceeds and using the raised proceeds to increase capital for some implementing entities for proceeds investment projects, etc. After the construction of the civil engineering work of such proceeds investment projects had commenced, some changes and optimization were made to the design proposal. As a result, the progress of the engineering work was affected. In turn, a delay to different extent was caused to the implementation of automation equipment industrialization project, communication equipment industrialization project, traffic electronic equipment industrialization project and R&D center project. For details, please refer to the "Specific Report on the Deposit and the Actual use of Proceeds Raised by Nanjing Panda Electronics Company Limited" (Lin 2015-019) (《南京熊猫电子股份有限公司募集资金存放与实际情况的专项报告》) (臨2015-019)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 31 March 2015 and "Analysis of Investment" under Paragraph I (5) of Section IV of this Annual Report.

On 30 June, 2014, the restriction on sale of shares was relieved in respect of 219,607,843 shares subscribed by 8 other investors (and among whom, AEGON-INDUSTRIAL Fund Management Co., Ltd. participated in such subscription through 10 accounts) apart from NEIC (中電熊猫) and could be circulated on the market. For details, please refer to the Announcement on Listing and Trading of Shares Subject to Trading Moratorium Issued by Non-public Issue of Nanjing Panda Electronics Company Limited (Lin 2014-049) (《南京熊猫电子股份有限公司非公开发行限售股上市流通公告》(臨2014-049)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 25 June 2014.

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 (Continued)

7. Others (Continued)

(2) Explanation about progress of the Company's financing and material asset reorganization in the previous period (Continued)

- Material assets reorganization of acquisition of 5.07% equity interests in Shenzhen Jinghua

On 15 July 2014, the Company convened the 14th Meeting of the Seventh Session of the Board, and it was considered and approved on the Meeting that the Company acquired the 5,834,430 shares of Shenzhen Jinghua (representing 5.07% of its total share capital) listed for open bidding by PEGL by way of cash; upon completion of the transaction, the Company would directly hold 43.10% equity interests in Shenzhen Jinghua, and hold the major representation in the board of directors of Shenzhen Jinghua after re-election and the accounts of Shenzhen Jinghua would be consolidated in the consolidated statements of the Group. In accordance with relevant provisions under the Regulation on Significant Asset Reorganizations of Listed Companies (《上市公司重大資產重組管理辦法》), the transaction constituted material asset reorganization.

On 28 August 2014, the Company updated the Report on Reorganization and the relevant documents pursuant to the relevant requirements.

On 24 November 2014, the Company convened the second extraordinary general meeting of 2014 and it was considered and approved at the meeting that the acquisition by the Company of 5.07% equity shares of Shenzhen Jinghua being held by PEGL by way of cash, such transaction constituting a material asset reorganization, and other relevant matters.

On 8 December 2014, amendments to Shenzhen Jinghua's Articles of Association in relation to the registration of changes in share custody were filed with the industrial and commercial administration and confirmed by Market Supervision Administration of Shenzhen Municipality and issued a confirmation document. As such, the implementation of the Company's material asset reorganization was completed.

The Company benefited from such transaction as the Company could expand its field of consumer electronics products, enhance its consolidated competitiveness and improve the standard of management of investee companies. For details of the foregoing matters, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 16 July 2014, 28 August 2014, 25 November 2014 and 9 December 2014 respectively.

The accounts of Shenzhen Jinghua would be consolidated, by the Company, into the consolidated statements, producing an impact on the operating revenue and the net profits attributable to parent company in the consolidated statement. After the accounts of Shenzhen Jinghua had been consolidated, the operating revenue and the net profits attributable to parent company in the consolidated statement of the Company respectively recorded an increase of RMB826,514,100 and an increase of RMB2,654,900.

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 (Continued)

7. Others (Continued)

(3) Explanation on Progress of Developmental Strategy and Operating Plan

In 2014, according to the development strategy, the Company persisted in devoting itself to develop its major business including automation equipment, traffic electronic equipment and communication equipment with the focus on the electronic equipment business as the core; further enhanced its innovation capability, implemented and adjusted the 3-year development planning, made advancements in the construction of the internal control system, used the raised proceeds in compliance with corporate governance and with high efficiency, explored the market and marketing channels, accelerated the establishment of corporate culture, actively built a harmonious enterprise and facilitated the steady and continuous development of the enterprise.

The operating targets of the Company in 2014 were to achieve revenue of RMB3,000,000,000 and total profit of RMB220,000,000. According to the audited financial report, operating revenue of the Company in 2014 was RMB3,487,641,100 and total profit was RMB220,810,700.

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	152,683.86	130,972.57	16.58	6.94	8.33	Decreased by 1.51 percentage points from last year
Electronic manufacturing services	94,539.95	82,176.82	15.04	25.65	24.83	Increased by 0.75 percentage point from last year
Consumer electronics products	80,076.93	71,671.41	11.73	-54.16	-56.48	Increased by 5.67 percentage points from last year

The Company's major subsidiary engaged in communications and electronic equipment manufacturing industry and relevant industries. During the Reporting Period, electronic equipment products remained stable increase; owing to the impact produced by the downturn of the economy of overseas market, consumer electronic products recorded less sales revenue, with a year-on-year decrease of 54.16%; electronic manufacturing service recorded a year-on-year increase of 25.65% in the sales revenue because of the increase in LED accessories projects.

2. Principal operations by geographical regions

The Company carried its principal businesses 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 (%)	Notes
Currency fund	82,798.31	17.91	156,600.50	34.95	-47.13	Mainly because the Company used proceeds which were temporarily idle for purchasing wealth management products
Bills receivable	19,588.72	4.24	13,040.48	2.91	50.21	Mainly because the bills receivable received for the selling commodities for this period increased
Other current assets	55,000.00	11.89	7,600.00	1.70	623.68	Mainly because the Company used proceeds which were temporarily idle for purchasing wealth management products
Deferred income tax assets	676.02	0.15	161.73	0.04	318.00	Mainly because of a greater tentative difference in deductible at the end of the period
Short-term loans	3,000.00	0.65	9,900.00	2.21	-69.70	Mainly because loan repayment was made to the bank during this period
Bills payable	8,363.35	1.81	6,192.58	1.38	35.05	Mainly because bills were issued pursuant to contract for the purchase of commodities during this period
Advances	13,641.41	2.95	9,891.98	2.21	37.90	Mainly because the advance payment for engineering projects was increased
Interest payable	—	—	8.33	0	-100.00	Mainly because loan repayment was made to the bank at the end of the period
Dividends payable	348.90	0.08	1,102.95	0.25	-68.37	Mainly because of payment of dividend to the minority shareholders
Other current liabilities	546.86	0.12	79.38	0.02	588.91	Mainly because more governmental subsidies at the end of the period had not yet been confirmed
Deferred income tax liabilities	15.47	0	23.32	0.01	-33.67	Mainly because of a lesser tentative difference in deductible at the end of 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)

(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 2014 are as follows:

Unit: RMB

	2014	2013 (restated)	2012 (restated)
Net assets per share	3.70	4.25	2.89
Increase/(decrease)	-12.94%	47.06%	18.44%

(IV) Analysis of core competitiveness

The Company aims at 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 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, 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

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 2014, the Company had 1,394 technicians, representing 34% of its total workforce. It has more than ten senior experts recognized by governments at various levels.

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, Indian University and Hangzhou Danzig University as well as Chinese Academy of Sciences and CETC. The Company's international technological innovation cooperation is active.

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 80 invention patents. In recent years, 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 14 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

With respect to industrial automation equipment, the Company has successfully developed the software for control system on industrial robots which obtained intellectual property rights for the use of industrial robots self-developed by the Company. The Company's automatic transmission system for factory cleaning was listed as a special project of intelligent manufacturing system by the State. 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 completed. The research and manufacturing of sample machine has been accelerated.

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.

With respect to communications equipment, the Company's 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 picot cell site of relevant mobile operator.

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.

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)

(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, consumption 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

During the Reporting Period, the Company's external equity investment amounted to RMB220,365,830, among which, the Company used the raised proceeds to implement capital increase for the subject of investment project of raised proceeds, with the increased registered capital of 170,000,000. By acquiring equity shares, the increase of the Company's external equity investment amounted to RMB50,365,830.

In December 2013, the Company used the raised proceeds to make capital contribution of RMB50 million for Communication Technology Company (通信科技公司) and the change of registration with industry and commerce regarding such capital contribution was completed in February 2014.

(1) Capital contribution for implementing entities for proceeds investment projects

Upon consideration at the extraordinary meeting of the Seventh Session of the Board, it was agreed that capital contribution would be implemented by installments based on the actual situation of the proceeds investment projects: ① The second capital contribution was made for Technology Development Company (科技發展公司) whereby the first portion, the second portion and the third portion of which were respectively RMB40,000,000, RMB55,000,000 and RMB55,000,000 (such third portion would be made by installments and as at 31 December 2014, RMB29,000,000 of capital contribution was made; as at the Report Date, RMB26,000,000 of capital contribution was made); ② The second capital contribution was made for Electronic Equipment Company (電子裝備公司) which amounted to RMB46,000,000 (for the details of the first capital contribution of RMB64,000,000, please refer to the Announcement on Use of Raised Proceeds for Capital Contribution to Subsidiaries of Nanjing Panda Electronics Company Limited (Lin. 2013-048) 《南京熊貓電子股份有限公司關於用募集資金對子公司進行增資的公告》(臨2013-048)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 10 December 2013). The said capital contributions were funded from the raised proceeds; the increases in registered capital have been deposited in the special savings accounts for proceeds.

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)

1. Overall analysis of external equity investment (Continued)

(1) Capital contribution for implementing entities for proceeds investment projects (Continued)

As at the Report Date and after completing the capital contribution for implementing entities for proceeds investment projects, the particulars are shown below:

Unit: RMB0'000

No.	Company Name	Registered capital before capital contribution	Amount of capital contribution	Registered capital after capital contribution	Ratio of shareholding
1	Technology Development Company	55,000	15,000	70,000	100%
2	Electronics Equipment Company	14,400	4,600	19,000	100%

For details, please refer to the Announcement on Capital Contribution to Subsidiary with Raised Proceeds by Nanjing Panda Electronics Company Limited (《南京熊猫电子股份有限公司關於用募集資金對子公司進行增資的公告》) (Lin. 2014-013, 015 and 042 and Lin. 2015-013) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 22 February, 11 March and 10 June 2014 and 18 March 2015.

(2) Investment of external equity increased by acquiring equity interests

The Company acquired the 5,834,430 shares of Shenzhen Jinghua (representing 5.07% of its total share capital) listed for open bidding by PEGL by way of cash, with the transaction price of RMB50,365,800; upon completion of the transaction, the Company directly held 43.10% equity interests in Shenzhen Jinghua.

(3) Equity acquisition implemented by the Company's subsidiaries

① Information Industry Company, a controlled subsidiary of the Company, acquired 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders, among which, 9.81% equity interests in Electromechanical Instruments Technology Company were held by Mr. Guo Qing, the Deputy General Manager of the Company. The transfer price was determined with reference to the valuation report. The transfer price of said 30% equity interests in Electromechanical Instruments Technology Company in such transfer was RMB4,008,500. Upon completion of the transaction, Information Industry Company held 100% equity interests in Electromechanical Instruments Technology Company.

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)

1. Overall analysis of external equity investment (Continued)

(3) Equity acquisition implemented by the Company's subsidiaries (Continued)

- ② Electronic Equipment Company, a wholly-owned subsidiary of the Company, acquired 30% equity interests in Electromechanical Manufacturing Company held by natural person shareholders. The acquisition price was based on the net assets upon audited evaluation and filing. The transaction price for the acquisition of such 30% equity interests in Electronic Manufacturing Company was RMB9,997,900. Upon completion of the transaction, Electronic Equipment Company held 100% equity interests in Electromechanical Manufacturing Company.

2. Entrusted wealth management and derivatives investment of non-financial company

(1) Cash management by using temporarily idle raised proceeds

At the extraordinary meeting of the Seventh Session of the Board of the Company convened on 22 August 2013, the Resolution Concerning the Use of Temporarily Idle Raised Proceeds for Cash Management (《關於使用暫時閒置的募集資金進行現金管理的議案》) was considered and approved and it was agreed that temporarily idle raised proceeds could be used for cash management. The effective term for using temporarily idle raised proceeds for cash management expired on 21 August 2014. At the extraordinary meeting of the Seventh Session of the Board of the Company convened on 22 August 2014, by adhering to the principle of maximizing shareholders' interests and aiming at enhancing the efficiency of using raised proceeds, increasing revenue and reducing financial expenses in appropriate manner, and to ensure that the investment plan of raised proceeds was not affected, it was approved that temporarily idle raised proceeds in the amount of not more than RMB550 million (inclusive) be used to invest in highly safe and liquid products with principal preservation terms for a term of one year. For details, please refer to the Announcement on Use of Temporarily Idle Raised Proceeds for Cash Management of Nanjing Panda Electronics Company Limited (Lin. 2013-031, Lin. 2014-067) (《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》(臨2013-031、臨2014-067)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 23 August 2013 and 23 August 2014 respectively.

During the reporting period, the amount used to purchase the principal-guaranteed wealth management products of banks by the Company and its subsidiaries (implementing entities for proceeds investment projects) was within the limit approved by the Board. As at 31 December 2014, the balance of the principal-guaranteed wealth management products of banks purchased by the Company amounted to RMB550 million. As at 30 March 2015, the balance of the principal-guaranteed wealth management products of banks purchased by the Company amounted to RMB467 million. During the reporting period, the Company and its subsidiaries purchased the following entrusted wealth management products by using temporarily idle raised proceeds:

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 and derivatives investment of non-financial company (Continued)

(1) Cash management by using temporarily idle raised proceeds (Continued)

Unit: 0'000 Currency: RMB

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.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	9,500	2014-01-03	2014-02-27	6.50	9,500	93.05
2.	Bank of Communications Company Limited (交通銀行股份有限公司)	9,000	2014-01-08	2014-02-07	5.50	9,000	40.68
3.	Bank of Communications Company Limited (交通銀行股份有限公司)	21,500	2014-01-08	2014-04-08	5.50	21,500	291.58
4.	China Construction Bank Corporation (中國建設銀行股份有限公司)	15,000	2014-01-10	2014-02-11	5.80	15,000	76.27
5.	Ping An Bank Co., Ltd. (平安銀行股份有限公司)	7,000	2014-02-12	2014-03-14	4.10	7,000	23.59
6.	China Construction Bank Corporation (中國建設銀行股份有限公司)	12,500	2014-02-14	2014-03-27	5.20	12,500	73.01
7.	China Construction Bank Corporation (中國建設銀行股份有限公司)	3,000	2014-02-14	2014-03-27	5.20	3,000	17.52
8.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	9,600	2014-03-03	2014-06-01	5.20	9,600	124.46
9.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	1,000	2014-03-12	2014-06-10	5.20	1,000	12.82
10.	Ping An Bank Co., Ltd. (平安銀行股份有限公司)	7,400	2014-03-14	2014-05-15	4.00	7,400	47.85
11.	China Construction Bank Corporation (中國建設銀行股份有限公司)	12,500	2014-04-04	2014-06-26	4.95	12,500	140.70
12.	China Construction Bank Corporation (中國建設銀行股份有限公司)	2,000	2014-04-04	2014-06-26	4.95	2,000	22.51
13.	China Construction Bank Corporation (中國建設銀行股份有限公司)	1,000	2014-04-04	2014-05-13	4.75	1,000	5.08
14.	Bank of Communications Company Limited (交通銀行股份有限公司)	21,500	2014-04-24	2014-05-26	3.80	21,500	71.63

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 and derivatives investment of non-financial company (Continued)

(1) Cash management by using temporarily idle raised proceeds (Continued)

Unit: 0'000 Currency: RMB

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
15.	Ping An Bank Co., Ltd. (平安銀行股份有限公司)	7,400	2014-05-16	2014-07-15	4.00	7,400	48.66
16.	China Construction Bank Corporation (中國建設銀行股份有限公司)	1,000	2014-05-22	2014-06-23	4.05	1,000	3.55
17.	Bank of Communications Company Limited (交通銀行股份有限公司)	21,500	2014-05-30	2014-07-02	4.00	21,500	77.76
18.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	9,600	2014-06-04	2014-07-04	4.50	9,600	37.87
19.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	1,000	2014-06-13	2014-07-13	4.50	1,000	3.70
20.	China Construction Bank Corporation (中國建設銀行股份有限公司)	14,500	2014-7-4	2014-8-12	4.10	14,500	63.52
21.	China Construction Bank Corporation (中國建設銀行股份有限公司)	2,000	2014-7-4	2014-8-12	4.10	2,000	8.76
22.	Bank of Communications Company Limited (交通銀行股份有限公司)	19,500	2014-7-7	2014-8-7	4.00	19,500	66.25
23.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	9,600	2014-7-7	2014-9-7	4.60	9,600	75.01
24.	Ping An Bank Co., Ltd. (平安銀行股份有限公司)	8,400	2014-7-16	2014-9-15	4.30	8,400	60.37
25.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	1,000	2014-7-17	2014-8-16	4.30	1,000	3.53
26.	Bank of Communications Company Limited (交通銀行股份有限公司)	19,500	2014-8-12	2014-9-12	4.00	19,500	66.25
27.	China Construction Bank Corporation (中國建設銀行股份有限公司)	2,000	2014-8-22	2014-9-23	4.10	2,000	7.19
28.	China Construction Bank Corporation (中國建設銀行股份有限公司)	4,500	2014-8-29	2014-11-25	4.50	4,500	48.82

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 and derivatives investment of non-financial company (Continued)

(1) Cash management by using temporarily idle raised proceeds (Continued)

Unit: 0'000 Currency: RMB

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
29.	Entrusted China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	10,000	2014-8-28	2014-11-27	4.90	10,000	122.16
30.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	1,000	2014-9-5	2014-12-4	4.70	1,000	11.59
31.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	9,600	2014-9-12	2014-11-13	4.50	9,600	71.01
32.	Bank of Communications Company Limited (交通銀行股份有限公司)	19,500	2014-9-18	2014-10-20	4.00	19,500	68.38
33.	Ping An Bank Co., Ltd. (平安銀行股份有限公司)	8,400	2014-9-16	2014-12-15	4.50	8,400	93.21
34.	China Construction Bank Corporation (中國建設銀行股份有限公司)	2,000	2014-10-22	2014-11-26	4.10	2,000	7.86
35.	Bank of Communications Company Limited (交通銀行股份有限公司)	10,000	2014-10-24	2015-1-23	4.60		
36.	Industrial Bank Co., Ltd. (興業銀行股份有限公司)	5,000	2014-10-24	2015-1-22	2.86-4.70		
37.	China Merchants Bank Co., Ltd. (招商銀行股份有限公司)	4,500	2014-10-31	2015-2-3	4.55		
38.	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	9,600	2014-11-18	2014-12-18	4.20	9,600	33.14
39.	Bank of Communications Company Limited (交通銀行股份有限公司)	5,000	2014-12-3	2015-2-2	4.90		
40.	China Construction Bank Corporation (中國建設銀行股份有限公司)	1,000	2014-12-5	2015-1-7	4.20		
41.	Entrusted China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	9,500	2014-12-2	2015-3-2	4.50		
42.	Entrusted China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	10,000	2014-12-16	2015-1-16	5.60		
43.	Entrusted China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	10,000	2014-12-23	2015-1-26	5.60		
	Total	<u>369,100</u>				<u>314,100</u>	<u>2,019.34</u>

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 and derivatives investment of non-financial company (Continued)

(1) Cash management by using temporarily idle raised proceeds (Continued)

To further improve efficiency of use of raised proceeds and earn higher rates of expected highest return per annum, the Company entered into entrusted investment agreements with the Financial Company on 27 August 2014, 2 December 2014, 16 December 2014 and 23 December 2014 respectively to use the temporarily idle raised proceeds in the amount of RMB100 million, RMB95 million, RMB100 million and RMB100 million for purchase of principal-guaranteed wealth management products. As at 31 December 2014 and 30 March 2015, balance of wealth management products purchased by the Financial Company under the Company's entrustment amounted to RMB295 million and RMB100 million, respectively.

As approved at the 2014 first extraordinary general meeting, the cap for the integrated credit balance to be provided by Financial Company to the Company amounted to RMB600 million and the cap for the fund settlement balance with Financial Company amounted to RMB500 million. The fund settlement balance of purchasing wealth management products by the Finance Company under the Company's entrustment fell within the cap approved at the general meetings.

Save for the wealth management products purchased by the Financial Company under the Company's entrustment, the entrusted wealth management products purchased by the Company and its subsidiaries with the temporarily idle raised proceeds were considered and approved by extraordinary meetings of the seventh session of the Board. Such entrusted wealth management products and purchasing behavior did not constitute connected transactions, did not involve litigation, and there was no failure of recovery of principal when due.

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 (《南京熊猫电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. 2014-001), (Lin. 2014-002), (Lin. 2014-003), (Lin. 2014-010), (Lin. 2014-012), (Lin. 2014-014), (Lin. 2014-017), (Lin. 2014-018), (Lin. 2014-023), (Lin. 2014-029), (Lin. 2014-033), (Lin. 2014-035), (Lin. 2014-038), (Lin. 2014-040), (Lin. 2014-046), (Lin. 2014-052), (Lin. 2014-053), (Lin. 2014-060), (Lin. 2014-061), (Lin. 2014-062), (Lin. 2014-068), (Lin. 2014-071), (Lin. 2014-072), (Lin. 2014-073), (Lin. 2014-074), (Lin. 2014-075), (Lin. 2014-076), (Lin. 2014-082), (Lin. 2014-083), (Lin. 2014-084), (Lin. 2014-090), (Lin. 2014-094), (Lin. 2014-095), (Lin. 2014-099) and (Lin. 2014-100) published on China Securities Journal and Shanghai Securities News on 4 January 2014, 9 January 2014, 10 January 2014, 13 February 2014, 14 February 2014, 4 March 2014, 13 March 2014, 19 March 2014, 4 April 2014, 25 April 2014, 17 May 2014, 27 May 2014, 31 May 2014, 6 June 2014, 17 June 2014, 5 July 2014, 8 July 2014, 17 July 2014, 18 July 2014, 13 August 2014, 26 August 2014, 2 September 2014, 3 September 2014, 6 September 2014, 13 September 2014, 19 September 2014, 23 September 2014, 22 October 2014, 25 October 2014, 29 October 2014, 20 November 2014, 5 December 2014, 9 December 2014, 19 December 2014 and 30 December 2014 during the reporting period.

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 and derivatives investment of non-financial company (Continued)

(1) Cash management by using temporarily idle raised proceeds (Continued)

As at 31 December 2014, save for the wealth management products which remained outstanding at the end of the period, the Company recovered the proceeds that were used to purchase principal-guaranteed wealth management products and the return thereof as scheduled. For the wealth management products which remain outstanding (see Lin 2014-083, Lin 2014-084, Lin 2014-094, Lin 2014-095, Lin 2014-099 and Lin 2014-100), principal and returns were recovered as scheduled on the due dates.

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” (《南京熊猫电子股份有限公司募集资金存放与实际情况的专项报告》) (Lin 2015-019), and the “Verification Report on the Deposit and the Actual use of Proceeds Raised by Nanjing Panda Electronics Company Limited (Tian Zhi Ye Zi [2015] No. 6927-3)” (《南京熊猫电子股份有限公司募集资金存放与实际情况的鉴证报告》(天职业字[2015]6927-3)) issued by Baker Tilly China (Special General Partnership) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 31 March 2015.

4. Analysis of major subsidiaries and invested companies

(1) Analysis of major subsidiaries

The Company’s major subsidiaries came from communication and electronic equipment manufacturing industry and the relevant industries. During the Reporting Period and for purposes of further optimizing the industry structure and enterprise structure, Information Industry Company acquired 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders and upon completion of the transaction, Information Industry Company held 100% equity interests in Electromechanical Instruments Technology Company. Electronic Equipment Company, a wholly-owned subsidiary of the Company, acquired 30% equity interests in Electromechanical Manufacturing Company held by natural person shareholders. Upon completion of the transaction, Electronic Equipment Company held 100% equity interests in Electromechanical Manufacturing Company. After completion of the acquisition of 5.07% equity interests of Shenzhen Jinghua by the Company, which constituted material asset reorganization, the accounts of Shenzhen Jinghua were incorporated into the consolidated statement of the Group. The major subsidiaries were as follows:

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)

Unit: RMB0'000

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	19,000	44,463.32	26,218.15	56,909.01	3,269.03	2,874.19
Information Industry Company	Development, production and sale of electronic information products	USD3,194.6435	75,191.04	26,529.98	72,363.06	2,149.94	2,368.18
Electronic Manufacture Company	Development and production of new models of electronic products	USD2,000	46,089.51	29,250.50	45,914.64	3,011.11	2,685.46
Communications Technology Company	Development and manufacture of mobile communications, digital communications and network communications systems and products	10,000	16,041.56	11,940.99	16,945.90	1,123.02	1,284.72
Nanjing Panda Xinxing Industrial Co., Ltd.	Property management and sales of mechanical, electronic products, construction materials and office supplies	2,000	4,427.30	2,483.13	7,486.09	33.99	151.22
Huage Appliance Company	Plastic product & accessories	6,000	26,131.26	11,104.08	49,305.79	775.86	907.88
Mechanical Manufacturing Company	Metal components and stamping parts	1,000	8,634.83	3,632.53	15,926.97	76.35	140.94
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	Research, development, manufacturing and sales of logistic supporting equipment and automatic fare collection equipment	1,000	5,973.77	2,188.76	7,605.03	760.80	691.01
Technology Development Company	Manufacturing of general purpose equipment, software development, and property management	68,500	72,006.10	67,454.38	-	-2,413.15	-33.91
Galant Limited	R&D of communication products	HKD0.0001	7,608.75	1,795.70	-	-26.63	-26.63
Shenzhen Jinghua	Research and development, production and sales of communications equipments and digital products	11,507	43,232.70	28,125.20	82,651.41	7,411.14	5,236.50

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 (%)
	2014	2013	
Electronic Equipment Company	2,874.19	1,420.18	102.38
Information Industry Company	2,368.18	1,546.16	53.17
Electronic Manufacture Company	2,685.46	3,287.74	-18.32
Communications Technology Company	1,284.72	815.94	57.45
Nanjing Panda Xinxing Industrial Co., Ltd.	151.22	182.77	-17.26
Huage Appliance Company	907.88	-501.95	N/A
Mechanical Manufacturing Company	140.94	945.10	-85.09
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	691.01	518.07	33.38
Technology Development Company	-33.91	63.32	-153.55
Galant Limited	-26.63	190.56	-113.97
Shenzhen Jinghua	5,236.50	3,925.21	33.41

Since transfer equipment business was increased, Electronic Equipment Company recorded increased revenue, with significant increase in the profits. Information Industry Company recorded increase in its artificial intelligence system business, with rise in its revenue and profits. Communications Technology Company recorded an increase in special communications equipment business with higher profit margin, and recorded an increase in its profits. Shenzhen Jinghua adjusted its product structure, its profit margin was raised and its net profits were increased.

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

① 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 communications system equipment, etc.

Operating revenue of ENC for 2014 amounted to RMB13,571,481,000, representing an increase of 9.47% year-on-year; net profit amounted to RMB24,035,000, representing a decrease of 93.70% year-on-year. Reason(s) for changes in the main indicators: the changes in the business portfolio of ENC and the higher than normal proportion of hardware delivered in 2014 had led to a fall in the profit (the gross profit margin of hardware was lower).

② 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 2014 amounted to RMB30,242,788,000, representing a decrease of 10.78% year-on-year; net profit was RMB660,719,000, representing an increase of 587.68% year-on-year. Reason(s) for changes in the main indicators: a significant increase in net profit due to the enhanced cost control and the expense minimisation of BMC.

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)

② Beijing SE Putian Mobile Communication Co., Ltd. ("BMC") (Continued)

During the reporting period, the Company's investment income amounted to RMB161,318,500. The investment income of main invested companies is as follows:

Unit: RMB0'000

Invested company	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
ENC	1,357,148.10	2,403.50	27%	648.95
BMC	3,024,278.80	66,071.90	20%	13,214.38

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

According to the information of 2014 Statistical Bulletin on the Electronic Information Industry released by the Ministry of Industry and Information Technology of the People's Republic of China, in 2014, the electronic information industry in China maintained steady growth as a whole while the economy remained steady and improved. The adjustment made to the structure was continuously optimized and the industry was upgrading with the first trace of momentum. Both the quality and benefits were steadily enhanced. In such regard, the standard of the development of social informatization was facilitated when the informatization merged with industrialization which had a positive role to maintain steady national economy under the new normality.

The scale of the industry was steadily expanding and the sales revenue amounted up to RMB14,000 billion for the entire year, with a year-on-year growth of 13%; the electronic information manufacturing industry was ahead of other industries in China and recorded growth in its revenue and profits in total of respectively 9.8% and 20.9%. The business volume of software industry continued to grow and the growth of the revenue of software and information and technical service industry was ahead of that of the electronic information manufacturing industry by more than 10 percentage points. The business volume of software industry reached up to 26.6% of all industries. The penetration action on traditional industry was further strengthened. Production output of major electronic information products grew steadily. China had an annual production output of mobile phones, micro-computers and colour television sets of 1.63 billion, 0.35 billion and 0.14 billion respectively, with respective growth of 6.8%, -0.8% and 10.9%, accounting for more than 50% of the total global output. Production output for integrated circuits was 101.55 billion units, with a growth of 12.4%. The growth rate was increased by 7.1 percentage points when compared to that of last year. Software and technical service was developing rapidly. The revenue for information and technical consultancy service, and information process and operating service recorded respective growth of 22.5% and 22.1%, with growth rates higher than the average growth rate of the entire industry respectively by 2.3 percentage points and 1.9 percentage points; accounting respectively for 10.3% and 18.4% of the business volume of the software industry, with a year-on-year growth of 0.2 percentage point and 0.3 percentage point.

As for the market, the domestic volume was further increased. Scaled electronic information manufacturing industry recorded sales value of RMB10,390.2 billion, among which, domestic sales value amounted to RMB5,188.3 billion, with a year-on-year growth of 14.9%, which is 8.9 percentage points higher than export delivery value. Domestic sales value accounted for nearly 50% (49.9%) of total sales value, with an increase of 1.6 percentage points than that of last year. Domestic sales value contributed up to 69.5% of the sales value of the electronic information manufacturing industry. The impact produced on the electronic information manufacturing industry by the domestic market became greater. The entire industry was internationalized and was in fierce competition while the impact produced on communication equipment industry and home audio and video industry by the domestic and international markets is balanced, with the domestic sales value accounted for by respectively 52.2% and 53.8% of the sales value of the respective industries. The domestic sales value of the computer industry accounted for by only 23.6% of the sales value of the computer industry. While the decline in import and export of electronic information products gradually stopped and a rise in such import and export was recorded, the total import and export amounted to USD1,323.7 billion, with a year-on-year decrease of 0.5%. The growth was 3.9 percentage points lower than the import and export of the foreign trade for China; the export of software had a declining growth. In 2014, the export of software and information technology information recorded USD54.5 billion, with a year-on-year growth of 15.5%, a decrease in growth of 3.5 percentage points when compared to that of last year. Among which, export of software of embedded system and export of external contracting service were growing steadily, with a year-on-year growth of 11.1% and 14.9% respectively, and 8.9 percentage points and 1 percentage point higher than those of last year.

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 *(Continued)*

Regarding the adjustment made to structure, the intellectualization trend of electronic information products became prominent. The ratio accounted for by smart phones among the mobile phones made domestically exceeded 70%. Moreover, smart TVs accounted for more than 40% of the colour TVs. The field of smart watches, smart eye glasses and other new equipment that one could wear and some smart home appliances grew rapidly.

As for economic benefits, the industry benefits were gradually shifting towards better end. Enterprises' profitability continued to grow and the important force that supported the growth of such benefits continued to become stronger. From the perspective of industry, some industries' benefits grew faster. The revenue and profits of communication equipment industry recorded a growth 17.3% and 22.6% respectively, far higher than the average of the industry. The industry benefits of electronics component industry and special equipment industry were better.

As for scientific and research innovation, the innovation consciousness and capability of enterprises continued to grow stronger and stronger and the growth of research and development (R&D) fund of the industry for the entire year was more than the growth of revenue. The patents of enterprises earned fruitful results. China's participation in discourse of the formulation of international standard also continued to grow stronger. China actively dominated the formation of international standard for the fields of cloud computing, Internet of Things (IoT), radio frequency connector, coaxial communication cable and others, and played an important role in the implementation of the "go global" strategy of its own technology and products. It also continued to achieve breakthrough in key technical aspects. The first SoC chip for smart TV was produced in China upon successful R&D work and changed the situation: smart TVs previously lacked such chip in China. The standard of the intellectualized industry in respect of vessels, electricity grip and transportation vehicles with tracks was also prominently enhanced. Self-controllable domestic software system was basically capable of replacing the imported ones. Domestic production was ready. "Mutual help" with competition among upstream and downstream enterprises achieved new progress by promoting the application.

2014 witnessed the historical starting point of the development of the "new normal" wherein the economic growth shifted from high-speed to medium-speed development stage. Both the domestic and foreign environment was complicated and economic growth was facing many challenges and encountering with much difficulty. The fundamentals of the development of the electronic information industry in China were sound and good. Yet, being in the critical stage where upgrading was being accelerated, long-term structural issue, critical technology being restricted and short-term difficulty mingled with one another, the situation became complicated. The mission to enhance the quality and benefits of industrial development was tough. Electronic information industry insisted on steady progress and on focusing on enhancing the quality and benefits of industrial development, taking the initiative to adapt itself to the new normality of the economic development. It implemented the developmental strategy driven by innovation, actively cultivated information consumption, developed manufacturing of smart products, facilitated the merger of industrialization and informatization, and provided the best support for the national information security.

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 automation equipment industrialization project, 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 traffic electronic equipment industrialization project, the Company's production line will be larger, 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 microcellular communication. The implementation of the communication equipment industrialization project will further strengthen the Company's competitiveness, which is conducive to the enhancement of the Company's results.

(II) Development strategies of the Company

1. Development strategies

To build the Company's main equipment business into more prominence, grasp more core technology in key fields and its own intellectual property, have the capability to provide all-round and complete service and overall solution and stronger marketing capability on domestic and international markets, have assets with excellent benefits and be a top-notch domestic listed company of electronics equipment that can sustain coordination and development.

Report of The Board *(Continued)*

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

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

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.

(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

Grasp the core technologies including 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.

Report of The Board (Continued)

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

(III) Business plan

In 2015, the Company will continue to refine its corporate governance structure; further adjust corporate structure and product portfolio, make great efforts to works related to market, scientific research, capital and talents; and make advancements in corporate management. 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 2015 are RMB4,000,000,000 and RMB230,000,000 respectively. In 2015, facing the entire economic situation of slow down of development, the attainment of the above targets is still subject to many uncertain factors, however, the Company will continue to strive for and adhere to steady progress to achieve operation targets.
2. Continuously carry forward the implementation of proceeds investment projects. The Company will continue to advance the automation equipment industrialization project, traffic electronic equipment industrialization project and communication equipment industrialization project, as well as the construction and implementation of the R&D centre. The Company will endeavor to explore the market, increase investment in research and development, improve the economic benefits and raise the Company's competitiveness in global markets.
3. Strengthen the upgrading and reformation of R&D and technology. The Company will conduct planning and implementation of key scientific and research projects for 2015, further promote R&D and production of the industry of electronic equipment for civilian use, and implement technical reform on electronics manufacturing and electronic equipment.
4. Strengthen the establishment of elite team. The Company will implement elite strategy, devoted more efforts to attract more talents, construct operating team with talented professionals and establish highly-efficient performance evaluating system.

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

In 2015, 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 raised proceeds amounted to RMB1,320,000,000 by way of non-public offering in June 2013, which was used to develop electronic equipment industry. 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 raising 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.

The Company continues to be dedicated to exploring and developing the market, conducting R&D for new products, enhancing the stability of products, utilizing plain media and network media for carrying out the advertising planning for the brand; it will continuously explore and develop the marketing channels. At present, the market risk is within the scope of control.

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.

In 2014, the Company contributed RMB178,491,700 to R&D and continued to explore the integration and adjustment made to the R&D capability, innovative models of contribution, maintain growth in the R&D capability in respect of automatic equipment in plant and artificial intelligence equipment regarding track and transport. Technical development risk is within the scope of control at present.

Report of The Board (Continued)

III. Explanation of the Board on the “Non-standard Opinions” Given by the Auditors

- (I) Explanation of the Board and the Supervisory Committee on “non-standard opinions” given by the auditors: N/A
- (II) Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method:

The Ministry of Finance amended or promulgated the new Accounting Standard for Business Enterprises in 2014. The new Accounting Standard was implemented within all the enterprises' scope when the Accounting Standard for Business Enterprises was being implemented commencing from 1 July 2014. Pursuant to the relevant requirements, the Company made some changes to its existing accounting policy and made adjustment to the amount of the relevant item(s) for last year and the current year according to the transition provisions provided in the new Standard. The change to the accounting policy and retrospective adjustment only affected the amount of the relevant portion disclosed of the statement. No impact was produced on the shareholders' interest attributable to the parent company and the net profits attributable to the parent company for 2013 and 2014 respectively.

In the current period, the Company acquired 5.07% equity interests of Shenzhen Jinghua and held the major representation in the board of directors of Shenzhen Jinghua after re-election, and the accounts of Shenzhen Jinghua were consolidated in the consolidated statements of the Company. There existed difference between Jinghua's depreciation policy of fixed assets and that of the Company. For purposes of reflecting the situation of the Company's fixed assets in better manner and for ease of unification of financial audit and in compliance with the provisions of tax revenue policy, the Company decided to change the Company's depreciation policy of fixed assets commencing from 1 October 2014 and depreciation of the current period was calculated pursuant to such changed policy. In accordance with the provisions of the “Accounting Standards for Enterprises No. 28 — Changes in Accounting Policies and Estimates and Corrections of Errors” (《企業會計準則第28號：會計政策、會計估計變更和差錯更正》), the prospective application would apply to the changes made to the accounting estimates for current year. No retrospective adjustment was required to be made to disclosed financial reports. The changes made to the current term for the depreciation of fixed assets and to the expected net residual value ratio would produce no impact on the financial position and operating results for the current period.

For details of the changes made to the foregoing accounting policy and accounting estimates, please refer to the Announcement Regarding the Changes Made to the Accounting Policy and Accounting Estimates of Nanjing Panda Electronics Company Limited (Lin 2015-020) (《南京熊貓電子股份有限公司關於會計政策和會計估計變更的公告》(臨2015-020)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 31 March 2015.

- (III) Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period: N/A
- (IV) 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 Company amended decision-making procedures and profit distribution policy in the Articles of Association. The amended profit distribution policy is in line with the requirements of the Articles of Association and the consideration procedures, legitimate rights and interests of minority investors were adequately protected and independent directors expressed their consent. The profit distribution criteria and distribution ratios were clarified and conditions and procedures of adjustment or changes in profit distribution policy were in compliance in regulations and transparent. Cash dividend policy and related matters is the key contents of decision-making process and policy changes and improved cash dividend policy is in line with the requirements of the Articles of Association and the resolutions at the general meeting. The dividend criteria and ratios are clear and distinct and the relevant decision-making procedures and mechanism are complete. Independent directors discharged their duty and played their due role, the opportunity for minority shareholders to fully express their views and aspirations are guaranteed, and the legitimate interests of minority shareholders are adequately protected.

The Company revised 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 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 refined 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.

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)

1. Amendments to and implementation of profit distribution related matters (Continued)

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)" (《南京熊猫电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.

During the reporting period, 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.

2. Profit distribution plan for 2014

The 2014 financial report of the Company has been audited by Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership). The Company achieved a net profit attributable to owners of the Company of RMB153,230,100 in 2014, surplus reserves of RMB2,856,100 shall be appropriated. Given the distributed profit to shareholders in 2014 of RMB62,063,700 (including cash dividends of RMB60,313,300 distributed according to the 2013 profit distribution plan and an adjustment of RMB1,750,400 due to incorporation of financial statements of Shenzhen Jinghua into the Group), and the undistributed profit for 2013 of RMB478,562,900 (after retrospectively adjusted), hence the actual distributable profit to shareholders this year amounted to RMB566,873,200.

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 2014, 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 18th 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

Report of The Board (Continued)

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

- (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 (%)
2014	—	0.66	—	60,313,342.91	153,230,139.40	39.36
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

V. Report on Performance of Social Responsibility by the Company

- (I) Overview of social responsibility: The Company prepared and disclosed the 2014 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 on 30 March 2015.
- (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.

Report of The Board (Continued)

VI. Other Disclosures

Information on Board meetings

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolution	Date of disclosure
Written resolution of the 7th session of the Board	2014-1-21	China Securities Journal, Shanghai Securities News	The supplemental Agreement to Fiancial Service Agreement to be entered into with Finance Company was considered and approved.	2014-1-22
Written resolution of the 7th session of the Board	2014-3-27	China Securities Journal, Shanghai Securities News	Bad debts of Information Industry Company to be written off was considered and approved.	2014-3-29
12th meeting of the 7th session of the Board	2014-3-28	China Securities Journal, Shanghai Securities News	The 2013 Work Report of the Board, the Work Report of General Manager, the Financial Report, Profit Distribution Plan; Specific Report on the Deposit and the Actual use of Proceeds for 2013; re-appointment of international auditor and domestic auditor as well as the internal control auditor for 2014; the remuneration plan of directors and senior management for 2013; the 2013 annual report of the Company and its summary; the work report of independent directors for 2013; the performance report of the Audit Committee for 2013; the Social Responsibility Report for 2013; the internal control evaluation report for 2013 and matters related to convening the 2013 annual general meeting were considered and approved.	2014-3-29
Written resolution of the 7th session of the Board	2014-4-9	China Securities Journal, Shanghai Securities News	The resolution on acquisition of 30% equity interests of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. held by natural persons by Information Industry Company was considered and approved.	2014-4-10
13th meeting of the 7th session of the Board	2014-4-29	/	The 2014 first quarterly report of the Company was considered and approved.	/
Written resolution of the 7th session of the Board	2014-7-10	China Securities Journal, Shanghai Securities News	The resolution on bidding for 5.07% equity interests of Shenzhen Jinghua held by PEGL was considered and approved.	2014-7-12
14th meeting of the 7th session of the Board	2014-7-15	China Securities Journal, Shanghai Securities News	The resolution on material asset reorganisation of the Company was considered and approved.	2014-7-16
15th meeting of the 7th session of the Board	2014-8-15	China Securities Journal, Shanghai Securities News	The 2014 interim report and summary of the Company and the Specific Report on the Deposit and the Actual use of Proceeds for the First Half of 2014 were considered and approved.	2014-8-16
Written resolution of the 7th session of the Board	2014-8-22	China Securities Journal, Shanghai Securities News	The resolution on cash management with the temporarily idle raised proceeds was considered and approved.	2014-8-23

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 resolution	Date of disclosure
Written resolution of the 7th session of the Board	2014-9-26	/	The resolution on acquisition of 30% equity interests of Nanjing Panda Mechanical Manufacturing Co., Ltd. held by natural persons by Electronics Equipment Company was considered and approved.	/
Written resolution of the 7th session of the Board	2014-9-26	China Securities Journal, Shanghai Securities News	The resolution on provision of guarantees for subsidiaries was considered and approved.	2014-10-9
16th meeting of the 7th session of the Board	2014-10-30	China Securities Journal, Shanghai Securities News	The 2014 third quarterly report and the resolution on implementation of 2014 new accounting standards of the Ministry of Finance were considered and approved.	2014-10-31
17th meeting of the 7th session of the Board	2014-11-25	China Securities Journal, Shanghai Securities News	The amendments to management system of the Company and other matters were considered and approved.	2014-11-26
Written resolution of the 7th session of the Board	2014-12-8	China Securities Journal, Shanghai Securities News	The caps of connected transactions for 2014 and 2015 was considered and approved.	2014-12-9

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 27%, RMB1,223,260,000, 254% and 231% respectively as at 31 December 2014 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB827,980,000 as at 31 December 2014 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans and other loans amounted to RMB113,630,000 as at 31 December 2014 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% (from the beginning of the period to 21 November 2014) and 5.60% (from 22 November 2014 to 31 December 2014).

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.

Report of The Board (Continued)

VI. Other Disclosures (Continued)

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 marketing employees of the Company.

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 their close associates or shareholders (holding 5% or above share capital of the Company as far as Directors know) had any interest in the suppliers or customers of the Company.

Contracts of Significance

Particulars of the contracts of significance under paragraph 16 of Appendix 16 of the Listing Rules of the Hong Kong Stock Exchange 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.

Report of The Board (Continued)

VI. Other Disclosures (Continued)

Enter into material contracts

1. 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.
2. On 17 July 2014, the Company entered into the Property Right Transfer Contract with PEGL in respect of material asset acquisition, which was approved at the 2014 second extraordinary general meeting held on 24 November 2014. For the main content, please refer to the announcements dated 16 July 2014, 28 August 2014, 25 November 2014 and 9 December 2014 published on China Securities Journal and Shanghai Securities News and website of the Shanghai Stock Exchange and the circular despatched on 5 November 2014.
3. On 8 December 2014, the Company and China Electronics Corporation entered into the Supplemental Agreement on Sale of Materials, Components and Parts (2014) and the Supplemental Agreement on Sale of Materials, Components and Parts (2015) in respect of annual cap of continuing connected transactions on sale of materials, components and parts to CEC by the Group for 2014 and 2015. These supplemental agreements were considered and approved at the 2014 third extraordinary general meeting held on 29 December 2014. For the main content, please refer to the announcement dated 9 December 2014 published on China Securities Journal and Shanghai Securities News and website of the Shanghai Stock Exchange and the circular despatched on 12 December 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 2014.

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.

Report of The Board (Continued)

VI. Other Disclosures (Continued)

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 2014, 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.

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.

Report of The Board (*Continued*)

VI. Other Disclosures (*Continued*)

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 39 to the accounts prepared under the HKFRSs and in Note XI 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 2015. Announcement will be made separately for relevant matters.

By Order of the Board
Lai Weide
Chairman

Nanjing, the PRC, 30 March 2015

Report of the Supervisory Committee

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 six meetings, with details as follows:

Session of the meeting	Date of the meeting	Media for disclosure	Subject matter of the resolution	Date of disclosure
12th session of the seventh Committee	2014-3-28	China Securities Journal Shanghai Securities News	2013 Report of the Supervisory Committee; 2013 remuneration proposal for supervisors of the Company; the audit opinion of the Supervisory Committee on the 2013 Annual Report prepared by the Board; Specific Report on the Deposit and the Actual use of Raised Proceeds for 2013; 2013 Annual Report of the Company and its summary; the 2013 Social Responsibility Report and 2013 Assessment Report on the Internal Control of the Company.	2014-3-29
Extraordinary meeting of the seventh Committee	2014-3-28	China Securities Journal Shanghai Securities News	Consideration and approval of the resolution on the review and cancellation of the receivables of subsidiaries.	2014-3-29
13th session of the seventh Committee	2014-4-29	/	Consideration and approval of the 2014 First Quarterly Report of the Company	/
14th session of the seventh Committee	2014-7-15	China Securities Journal Shanghai Securities News	Consideration and approval of the resolution regarding the significant asset restructuring.	2014-7-16
15th session of the seventh Committee	2014-8-15	China Securities Journal Shanghai Securities News	Consideration and approval of the 2014 Interim Report of the Company and its summary; Specific Report on the Deposit and the Actual use of Raised Proceeds for 2014.	2014-8-16
16th session of the seventh Committee	2014-10-30	China Securities Journal Shanghai Securities News	Consideration and approval of the 2014 Third Quarterly Report of the Company and the Resolution Regarding the Implementation of the 2014 New Accounting Standards Promulgated by the Ministry of Finance.	2014-10-31

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 including the review and cancellation of the receivables of subsidiaries, the implementation of the new accounting standards etc. for the year 2014 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 2014 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.

Report of the Supervisory Committee (Continued)

V. Use of Raised Proceeds

The Supervisory Committee continuously 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 (《南京熊猫电子股份有限公司募集资金存放与使用情况专项报告》).

VI. Acquisition and Disposal of Assets

(I) Acquisition of such 5.07% equity interests of Shenzhen Jinghua held by PEGL constituted material asset reorganization

On 15 July 2014, the Company considered and approved the resolution stating that the Company acquired 5.07% equity interests of Shenzhen Jinghua listed for open bidding by PEGL by way of cash and other resolutions related to connected transactions. The transaction price was based on the evaluation value and took the delisting price of traded transaction for state-owned property of the enterprises to be the pricing basis. In accordance with the asset evaluation report using 31 December 2013 as the reference date issued by an appraisal institution, the net assets of Shenzhen Jinghua were estimated as RMB993,408,800. The price of such 5.07% equity interests of Shenzhen Jinghua held by PEGL on Shanghai United Assets and Equity Exchange for open bidding amounted to RMB50,365,830. The transaction price was the listed price of RMB50,365,830. Upon completion of the transaction, the Company directly held 43.10% equity interests in Shenzhen Jinghua, and held the major representation in the board of directors of Shenzhen Jinghua after re-election and the accounts of Shenzhen Jinghua were consolidated in the consolidated statements of the Company. In accordance with relevant provisions under the Regulation on Significant Asset Reorganizations of Listed Companies (《上市公司重大资产重组管理办法》), the transaction constituted material asset reorganization. Such transaction obtained the prior consent of the independent non-executive directors who agreed that such material asset purchase and matters related to connected transactions and believed that such were in the best interests of the Company and its shareholders as a whole.

(II) Connected transaction regarding the acquisition of 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders

Information Industry Company, a controlling subsidiary of the Company, entered into the Equity Transfer Agreement with 12 natural persons including Mr. Guo Qing, Mr. Qin Zhu and Mr. Mo Jiye on 9 April 2014, pursuant to which Information Industry Company would acquire 30% equity interests in Electromechanical Instruments Technology Company held by such natural person shareholders. The 30% equity interests in Electromechanical Instruments Technology Company of the transfer included 9.81% equity interests held by Mr. Guo Qing, Deputy General Manager of the Company. The transaction thus constituted a connected transaction of the Company. The independent non-executive directors gave their prior consent to such transaction, agreed upon such connected transaction and believed that such were in the best interests of the Company and its shareholders as a whole.

Report of the Supervisory Committee (Continued)

VI. Acquisition and Disposal of Assets (Continued)

(III) Acquisition of such 30% equity interests in Electromechanical Manufacturing Company held by such natural person shareholders.

On 26 September 2014, the Company considered and approved the acquisition by Electronic Equipment Company of 30% equity interests in Nanjing Panda Electromechanical Manufacturing Company Limited held by natural person shareholders, and Electronic Equipment Company, a wholly-owned subsidiary of the Company, acquired 30% equity interests in Electromechanical Manufacturing Company held by such natural person shareholders. The acquisition price was based on the value of net assets upon audit, appraisal and filing. The transaction price for the acquisition of such 30% equity interests amounted to RMB9,997,900. Upon completion of the transaction, Electronic Equipment Company held 100% equity interests in Electromechanical Manufacturing Company.

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 and 2014 third 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 2014, 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 hopes 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, 30 March 2015

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:
 - (I) **Matters of asset acquisition and disposal and business combination disclosed in interim announcements with no change in the follow-up implementation**
 - 1. Connected transaction regarding the acquisition of 5,834,430 equity shares of Shenzhen Jinghua (representing 5.07% of its total share capital) held by PEGL
 - 2. Connected transaction regarding the acquisition of 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders

For details, please refer to this "SECTION VI.(I).1.(1) Connected transaction regarding the acquisition of 5,834,430 equity shares of Shenzhen Jinghua (representing 5.07% of its total share capital) held by PEGL and (2) Connected transaction regarding the acquisition of 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders.
- V. **Share incentives of the Company and their effects: N/A.**

Significant Events (Continued)

VI. Material connected transactions

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

1. Matters disclosed in interim announcements with no progress or change in the follow-up implementation
 - (1) Connected transaction regarding the acquisition of 5,834,430 equity shares of Shenzhen Jinghua (representing 5.07% of its total share capital) held by PEGL

On 15 July 2014, the Company convened the 14th Meeting of the Seventh Session of the Board, and it was considered and approved at the Meeting the resolution on the acquisition by the Company of the 5,834,430 shares of Shenzhen Jinghua (representing 5.07% of its total share capital) listed for open bidding by PEGL (the Company's controlling shareholder, being the Company's Connected Person) by way of cash and other resolutions related to the connected transactions. The transaction price was based on the valuation report and the shares of Shenzhen Jinghua held by PEGL and being acquired by the Company took the delisting price of transaction for state-owned property right in the market to be the pricing basis. In accordance with the Assets Evaluation Report in Relation to the Proposed Transfer of Equity Interests in Shenzhen Jinghua Electronics Co., Ltd. by Panda Electronics Group Limited (Wo Ke Sen Ping Bao Zi [2014] No. 0088) (《熊貓電子集團有限公司擬轉讓深圳市京華電子股份有限公司股權項目資產評估報告書》(沃克森評報字[2014] 第0088號)) with 31 December 2013 as the reference date issued by Vocation (Beijing) International Assets Valuation Company Limited (沃克森(北京)國際資產評估有限公司), the appraised value of the net assets of Shenzhen Jinghua was RMB993,408,800. The price of 5,834,430 shares of Shenzhen Jinghua held by PEGL as listed on Shanghai United Assets and Equity Exchange for open bidding amounted to RMB50,365,830 and the transaction price was the delisting price amounting to RMB50,365,830. Upon completion of the transaction, the Company will directly hold 43.10% equity interests in Shenzhen Jinghua, and hold the major representation in the board of directors of Shenzhen Jinghua after re-election and the accounts of Shenzhen Jinghua will be consolidated in the consolidated statements of the Company. In accordance with relevant provisions under the Regulation on Significant Asset Reorganizations of Listed Companies (《上市公司重大資產重組管理辦法》), the transaction constituted material asset reorganization. The independent non-executive directors gave their prior consent for such transaction and agreed to such material asset purchase and matters related to connected transactions and believed that such were in the best interests of the Company and its shareholders as a whole.

Significant Events (Continued)

VI. Material connected transactions (Continued)

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

1. Matters disclosed in interim announcements with no progress or change in the follow-up implementation (Continued)

- (1) Connected transaction regarding the acquisition of 5,834,430 equity shares of Shenzhen Jinghua (representing 5.07% of its total share capital) held by PEGL (Continued)

On 24 November 2014, the Company convened the second extraordinary general meeting of 2014 and on the meeting, such material asset purchase and matters related to connected transactions were considered and approved.

On 8 December 2014, the amendments to Shenzhen Jinghua's articles of association in relation to the registration of changes in share custody were filed with the industrial and commercial administration and confirmed by Market Supervision Administration of Shenzhen Municipality and issued a confirmation document. As such, the implementation of the Company's material asset reorganization was completed.

Such equity share acquisition had no material impact on the business continuity and stability of the management level of the Company and of Shenzhen Jinghua.

For details of the foregoing matters, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange respectively on 16 July 2014, 28 August 2014, 25 November 2014 and 9 December 2014.

- (2) Connected transaction regarding the acquisition of 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders

Information Industry Company, a controlling subsidiary of the Company, entered into the Equity Transfer Agreement with 12 natural persons including Mr. Guo Qing, Mr. Qin Zhu and Mr. Mo Jiye on 9 April 2014, pursuant to which Information Industry Company would acquire 30% equity interests in Electromechanical Instruments Technology Company held by such natural person shareholders (with the transfer price amounting to RMB4,008,500). The 30% equity interests in Electromechanical Instruments Technology Company of such transfer included 9.81% equity interests (with the transfer price amounting to RMB1,310,8000) held by Mr. Guo Qing, Deputy General Manager of the Company (being the Company's Connected Person). The transaction thus constituted a connected transaction. The independent non-executive directors gave their prior consent to such transaction and agreed upon such connected transaction and believed that such was in the best interests of the Company and its shareholders as a whole. For details, please refer to the Announcement on Connected Transactions of Nanjing Panda Electronics Company Limited (Lin 2014-024) (《南京熊猫电子股份有限公司關聯交易公告》(臨2014-024)) published by the Company in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 10 April 2014.

Significant Events *(Continued)*

VI. Material connected transactions *(Continued)*

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

1. Matters disclosed in interim announcements with no progress or change in the follow-up implementation *(Continued)*

(2) Connected transaction regarding the acquisition of 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders *(Continued)*

Such equity share transfer had no material impact on the business continuity and stability of the management level of the Company and of Electromechanical Instruments Technology Company.

(3) Updating the cap for the relevant continuing connected transactions in 2014 and 2015

China Electronics Corporation (CEC) is the Company's ultimate controller and the Company's Connected Person. Moreover, the transactions between the Company and CEC constitute connected transactions of the Company. On 8 December 2014, the Company convened an extraordinary general meeting by way of written resolutions, where it considered and approved the continuing connected transactions conducted between the Company and its subsidiaries, and CEC (the Company's ultimate controller and the Company's Connected Person) and its associates and upon the cap for the transactions, and approved the relevant supplementary agreement regarding the continuing connected transactions entered into between the Company and CEC, so as to enhance the relevant and existing annual cap for 2014 and 2015. Such transaction obtained the prior consent of the independent non-executive directors who agreed upon such continuing connected transactions and believed that such were in the best interests of the Company and its shareholders as a whole. On 29 December, 2014, the foregoing continuing connected transactions were approved by independent shareholders on the third extraordinary general meeting of 2014. For details, please refer to the relevant announcements published by the Company in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange respectively on 9 December 2014 and 30 December 2014 and the H share Circular delivered on 12 December 2014.

Significant Events (Continued)

VI. Material connected transactions (Continued)

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

2. 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 be increased to RMB600 million and the cap for the fund settlement balance with Financial Company be increased to RMB500 million, and the Board or senior management of the Company be 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 Audit 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 given 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 China Securities Journal Shanghai Securities News and the website of the Shanghai Stock Exchange on 22 January and 13 March 2014, and the circular despatched on 25 February 2014.

On 22 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 Revised Emergency Response Plan for Risks in Deposit in China Electronics Financial Co., Ltd. (《南京熊猫电子股份有限公司在中國電子財務有限責任公司存款風險應急處置預案》) in order to increase the concrete measures on risk prevention and control.

On 30 March 2015, the eighteenth meeting of the seventh session of the Board of the Company considered and approved the resolutions regarding the "Risk Assessment Report of China Electronics Financial Co., Ltd. (《中國電子財務有限責任公司風險評估報告》)", and assessed the risk of the capital deposit in Financial Company. For details please refer to the relevant announcement dated 31 March 2015 on the website of Shanghai Stock Exchange.

As at 31 December 2014, the balance of the Company's loans from Financial Company was RMB0 and the balance of its deposits with Financial Company was RMB221.9085 million. As at 27 March 2015, the balance of the Company's loans from Financial Company was RMB80 million and the balance of its deposits with Financial Company was RMB2.396 million.

Significant Events (Continued)

VI. Material connected transactions (Continued)

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

3. 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 first extraordinary general meeting of 2014 and the third extraordinary general meeting of 2014, the procedures of which were in compliance with relevant requirements. For details please refer to the relevant announcements of the Company dated 22 December 2012, 13 March 2014 and 30 December 2014 published on China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange.

Particulars are set out below:

- (a) The Company and CEC Group entered into the agreement on provision of subcontracting services and composite services by the Group to CEC Group on 26 October 2012 for a term from 1 January 2013 to 31 December 2015. 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 subcontracting services and composite services by CEC Group to the Group on 26 October 2012 for a term from 1 January 2013 to 31 December 2015. 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 from 1 January 2013 to 31 December 2015. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB612,600,000. The Company and CEC Group entered into the supplemental agreement on 8 December 2014 for a term from the date of approval by independent shareholders at the extraordinary general meeting to 31 December 2014. Pursuant to the agreement, the revised annual cap of the transaction was RMB1,057,000. In addition, the Company and CEC Group entered into the supplemental agreement on 8 December 2014 for a term from 1 January 2015 to 31 December 2015. Pursuant to the agreement, the revised annual cap of the transaction was RMB1,600,000;
- (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 from 1 January 2013 to 31 December 2015. 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 from 1 January 2013 to 31 December 2015. 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 from 1 January 2013 to 31 December 2015. 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)

3. Matters not disclosed in interim announcements (Continued)

- (g) The Company and NEIC entered into the agreement on lease of premises and relevant equipment by the Group to NEIC on 26 October 2012 for a term from 1 January 2013 to 31 December 2015. Pursuant to the agreement, it was agreed that the annual cap of the transaction was RMB11,000,000;
- (h) The Company and NEIC entered into the agreement on lease of premises and relevant equipment by NEIC to the Group on 26 October 2012 for a term from 1 January 2013 to 31 December 2015. 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 Company 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. On 21 January 2014, the Company and Financial Company entered into the Supplemental Agreement of Financial Services Agreement for a term from the date of approval by independent shareholders at the extraordinary general meeting to 31 December 2015. 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 increased to RMB600 million and the cap for the fund settlement balance with Financial Company was increased to RMB500 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 NEIC Group and CEC Group (including Financial Company) was set out as follows. For details, please refer to the section headed "Related Parties Transaction" in the note to the financial statement of the financial report for 2014 of the Company.

Significant Events (Continued)

VI. Material connected transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

Unit: RMB '0000

Serial No.	Categories of the Continuing Connected Transaction	Pricing Principle	Actual amount
(a)	Provision of sub-contracting services and composite services by the Group to the CEC Group	Cost plus	3,551.4
(b)	Provision of sub-contracting services and composite services by the CEC Group to the Group	Cost plus	1,058.2
(c)	Sale of materials, components and parts by the Group to the CEC Group	Market price	97,084.3
(d)	Purchase of materials, components and parts by the Group from the CEC Group	Market price	11,161.8
(e)	Import and export agency service provided by the CEC Group to the Group		0
(f)	Licensing of PANDA Trademark by the Group to the CEC Group	Cost plus	57.8
(g)	Lease of premises and relevant equipment by the Group to the CEC Group	Market price	119.4
(h)	Lease of premises and relevant equipment by the CEC Group to the Group	Market price	36.2
(i)	Deposit balances with a financial Institution in the CEC Group	Market rate	22,190.8
(j)	Provision of loan and other credit financing services by a financial Institution in the CEC Group to the Group	Market rate	0

Reference is made to the announcement dated 8 December 2014 by the Company in relation to the continuing connected transactions pursuant to rule 14A.60 of the Rules Governing the Listing of Securities on the Stock Exchange.

Prior to the equity acquisition of Shenzhen Jinghua, Shenzhen Jinghua Group and the connected persons of the Company had entered into a number of agreements in relation to ongoing transactions. After the completion of the equity acquisition, the agreements and the transactions contemplated thereunder constitute the continuing connected transactions of the Company under the Hong Kong Listing Rules. Pursuant to the rule 14A.60 of the Listing Rules, the Company is subject to the applicable reporting and disclosure requirements under Chapter 14A of Listing Rules in relation to the continuing connected transactions.

Significant Events (Continued)

VI. Material connected transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

During the reporting period, the summary of the continuing connected transactions under the agreements is set out below:

Date of agreement	Parties	Term of agreement	Nature and status of agreement	Basis of consideration determined	The actual amount incurred during the reporting period (RMB'000)
11 September 2011	<p>(i) Shenzhen Jinghua Information Technology Co., Ltd. ("JW Information"), a controlled subsidiary by Shenzhen Jinghua</p> <p>(ii) China Electronics Shenzhen Company Limited (CES), a subsidiary held by CEC (the ultimate controller of the Company and the connected persons of the Company) indirectly</p>	1 September 2011 to 30 August 2016	Sale of tablet computer by JW Information to CES	Market price	15,065.12

Significant Events (Continued)

VI. Material connected transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

As for such continuing connected transactions, the Company entered into agreements with NEIC and CEC (including the Finance Company) 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. PEG 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 39 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, no other related party transactions fall under the definition of “connected transaction” or “continuing connected transaction” in Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange:

- 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 2014, the Group’s deposits of RMB221,908,500 with and borrowed short term loans of RMB0 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.56 of the Listing Rules, a copy of which has been provided to the Hong Kong Stock Exchange by the Company.

Significant Events (Continued)

VI. Material connected transactions (Continued)

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

For details please refer to “IV. Assets transaction and merger of companies” and “VI.(I).1.(1), the connected transaction in which 5,834,430 shares (accounting for 5.07% of its total share capital) of Shenzhen Jinghua held by PEGL were acquired and (2) The connected transaction in which 30% of equity interests in Electromechanical Instruments Technology Company, held by the natural person shareholder were transferred in this chapter.

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

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

Unit: RMB '0000

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	-279.94	0	30.00		30.00
Shenzhen Jingyin Electronics Co., Ltd	22.43	-4.68	17.75			
China Electronics Corporation				3,400		3,400
Panda Electronics Group Limited				1,334.16	-290.43	1,043.73
Nanjing Thales Panda Transportation System Company Limited				86.03		86.03
Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊猫物業管理有限公司)				23.89	28.25	52.14
Nanjing Panda Electronic Technology Development Company Limited				22.8		22.8
Panda (Beijing) International Information Technology Co., Ltd.					10.88	10.88
Nanjing Panda Electronics Transportation Company				4.56		4.56
Nanjing Panda Piezoelectric Technology Co., Ltd.				4.36	0.1	4.46
Nanjing Ericsson Panda Communication Co., Ltd				4.64	-1.79	2.85
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD					1	1
Nanjing Electronics Information Industrial Corporation				0.02		0.02
Shanghai Panda Huning Electronic Technology Co., Ltd.				2.58	-2.58	0
China National Electronic Import and Export Corp.				53.92	-53.92	0
Shenzhen Jingfa Plastic Packaging Products Co., Ltd.				7.24	-7.24	0
Total	302.37	-284.62	17.75	4,974.20	-315.73	4,658.47
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
Reason of creditor's rights and debts						Business transaction
The repayment of creditor's rights and debts						Normal
Pledge in relating to creditor's rights and debts						Not applicable
Influence of creditor's rights and debts to the operation performance and financial condition of the Company						The creditor's rights and debts have no significant influence to the operation performance and financial condition of the Company

Significant Events (Continued)

VI. Material connected transactions (Continued)

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

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.

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	65,000.00
Total balance of the amount of guarantees provided to subsidiaries at the end of the reporting period (B)	14,901.79

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

Total amount of guarantees (A+B)	14,901.79
Percentage of total guarantee amount in net assets of the Company (%)	4.40
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 RMB149,017,900, representing 4.40% 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 "Provision of guarantees" in Note XI.6(7) to the accounting statements prepared under the PRC Accounting Standards of this report.

Significant Events (Continued)

VII. Material contracts and their execution (Continued)

(II) Guarantees (Continued)

At the 2012 General Meeting convened on 20 May 2013, the first extraordinary general meeting of 2013 convened on 26 September 2013, and the third extraordinary general meeting of 2014 convened on 29 December 2014, it was approved that the Company could provide a guarantee for the financing amount of RMB1,200,000,000 in total for the relevant subsidiaries, with effective term until 30 June 2016.

On 29 May 2013, the Company convened the seventh extraordinary general meeting of the Board and on 26 September 2013, it convened the tenth extraordinary general meeting of the seventh session of the Board, and on 30 March 2015, it convened the eighteenth meeting of the seventh session of the Board. At the meetings, it was considered and approved that the General Manager would be authorized to handle the matter, with full authority, regarding the provision of a guarantee for the financing of the subsidiaries, with effective term until 30 June 2016.

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.

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

In accordance with the provisions of the “Guideline No. 4 for the Supervision of Listed Companies — Commitments and Fulfillment of Commitments of the Actual Controllers, Shareholders, Affiliates, and Acquirers of Listed Companies as Well as the Listed Companies” (《上市公司監管指引第4號—上市公司實際控制人、股東、關聯方、收購人以及上市公司承諾及履行》) of the China Securities Regulatory Commission and the requirements of Jiangsu Regulatory Bureau under the China Securities Regulatory Commission, the Company conducted special examination for the actual controller, shareholders, affiliates and the undertakings made by the Company. For details, please refer to the “Announcement Regarding the Actual Controllers, Shareholders, Affiliates, and the undertakings made by the Company (Lin. 2014-011)” (《南京熊貓電子股份有限公司關於實際控制人、股東、關聯方及公司承諾履行情況的公告》(臨2014-011)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 14 February 2014.

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 undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not
Undertakings made in acquisition reports or equity change reports	Avoidance of horizontal competition	CEC	Prior to this acquisition, the Company 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, the Company 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
	Ensuring the Company's independence	CEC	Upon completion of the acquisition, CEC and the Company would maintain the independence of their respective staff, integrity of assets and financial independence; ensure the independent operation capability of the Company, the independence in respect of procurement, production, sales, and intellectual property rights, and protection of the interest of minority shareholders.	Time: 25 April 2012; Term: effective for as long as CEC is the ultimate controller of the Company.	Yes	Yes

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 undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not
Commitments relating to refinancing	Avoidance of horizontal competition	PEGL	<p>(1) The Company and its subsidiaries have no projects or assets which constitute horizontal competition with the principal operations of the Company.</p> <p>(2) The Company 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 PEG L and its subsidiaries, the Company and its subsidiaries would terminate production and operation, or integrate such competing business into the PEG L, or transfer such competing business to non-related third parties to avoid horizontal competition.</p> <p>(4) If any business opportunity is provided to the Company and its subsidiaries by third parties or by the Company and its subsidiaries to third parties, and such business directly or indirectly constitutes competition with PEG L, or PEG L is able to and intentional to undertake such business, the Company and its subsidiaries shall immediately inform PEG L of such opportunity and facilitate the undertaking of such business by the Company on reasonable terms and conditions.</p> <p>(5) If PEG L or the relevant regulatory authorities believe(s) there exists horizontal competition between the business PEG L and its subsidiaries is engaging in or will engage in and the Company, the Company and its subsidiaries will timely transfer or terminate such business upon objection by PEG L. If PEG L further requests to acquire such business, the Company 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, the Company will indemnify PEG L and its subsidiaries for all direct and indirect losses.</p> <p>(7) The Company 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>	<p>Time: 30 November 2012;</p> <p>Term: effective from the date of signing.</p>	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 undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not
	Avoidance of horizontal competition	NEIC	The same contents as that of PEG L 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 the Company is a shareholder of PEG L, the Company and its subsidiaries shall maximally reduce and standardize connected transactions with PEG L. (2) As for the connected transactions that cannot be avoided, the Company shall enter into agreements with PEG L in compliance and in accordance with relevant laws, regulations, regulatory documents and the articles of association of PEG L, 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 PEG L for "standardization and avoidance of connected transactions"	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 undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not
	Commitment to lock-up of shares	NEIC	<p>1. The Company shall not transfer or entrust others to manage the shares subscribed by the Company in this issue, or let PEGE repurchase such shares within 36 months after closing of this issue.</p> <p>2. The source of capital used by the Company for subscription for the shares in the issue shall be legitimate</p> <p>3. The Company currently has no pending or foreseeable material litigation, arbitration or administrative sanctions.</p> <p>If the above commitments are inconsistent with the facts or the Company fails to follow such commitments, the Company is willing to assume relevant legal liability.</p>	<p>Time: 30 November 2012;</p> <p>Term: effective from the date of signing.</p>	Yes	Yes
Undertakings related to material asset reorganization	Others	PEGL	<p>During the process in which the Company participated in such material asset reorganization of Nanjing Panda Electronics Company Limited, it was guaranteed that as for the files and information, all information was true, accurate and complete. It was guaranteed that no false recording or misleading representation or material omission and that it was willing to be liable for the joint and several liabilities.</p>	<p>Date of undertakings: 15 July 2014;</p> <p>Term: effective from the date of signing.</p>	Yes	Yes

Significant Events (Continued)

VIII Commitments (Continued)

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

With reference to 5.07% equity shares of Shenzhen Jinghua acquired by the Company constituting material asset reorganization, the Company published the Audit Report on Combined Profit Estimate of Shenzhen Jinghua Electronics Co., Ltd. (Tian Zhi Ye Zi [2014] No.10561) (《深圳市京華電子股份有限公司合併盈利預算審核報告》(天職業字[2014]10561號)) verified by Baker Tilly China (Special General Partnership). In accordance with the relevant provisions of material asset reorganization, the Company prepared the “Explanation on Realization of 2014 Profit Estimates of Shenzhen Jinghua Electronics Co., Ltd.” (《關於深圳市京華電子股份有限公司2014年度盈利預測實現情況的說明》) which was verified by Baker Tilly China (Special General Partnership) by the “Audit Report on Project of Realization of Profit Estimates of Nanjing Panda Electronics Company Limited” (Tian Zhi Ye Zi [2015] No. 6927-6) (《關於南京熊貓電子股份有限公司盈利預測實現情況的專項審核報告》(天職業字[2015]6927-6號)) and as for to the actual profits of Shenzhen Jinghua for 2014, the profit goal of profit estimate was achieved. For details, please refer to the relevant announcements published by the Company on the website of Shanghai Stock Exchange on 31 March 2015.

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	7 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	5 years

	Name	Remuneration
Accounting firm for audit of internal control	Baker Tilly China (Special General Partnership)	48
Sponsor	China Securities Co., Ltd.	2,176
Financial advisor	China Securities Co., Ltd.	98

Note:

- 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. The continuing monitoring period was last until 31 December 2014.
- In December 2014, the Company and China Securities Co., Ltd. entered into independent financial advisor agreement in relation to the significant assets restructuring, pursuant to which, the independent financial advisor fees amounted to RMB980,000.

Significant Events (Continued)

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. Impact on the consolidated financial statements for implementing new accounting standards

- (i) On the sixteenth meeting of the Seventh Session of the Board convened on 30 October 2014, the Company considered and approved the “Resolution Regarding Implementation of the New Accounting Standard of the Ministry of Finance in 2014” (《關於執行2014年財政部新會計準則的議案》). In accordance with the specific standard of a total of seven accounting standards including the “Accounting Standards for Enterprises No. 2 – Long-term Equity Investments” (《企業會計準則第2號 — 長期股權投資》), “Accounting Standards for Enterprises No. 39 – Measurement of Fair Value” (《企業會計準則第39號 — 公允價值計量》) and others promulgated or amended by the Ministry of Finance in 2014, the Company made adjustment to the long-term equity investments, financial assets available for sale, Wages and Salaries of Employees Payable and other items and amounts. The Company’s initial amount and items in the financial statements of the current Financial Statement, consolidated financial statements, fair value calculation, joint venture arrangement and the relevant business and items of the interests and rights of other main subjects were audited and disclosed pursuant to the corresponding standard. The implementation of the new standard would not produce any impact on the Company’s initial amount and the amount of special project in the current Financial Statement. Such changes made to the accounting policy and the adjustment made to the verification of accounting items would not produce any impact on the total assets, net assets and net profits for 2013 and the third quarter of 2014. For details, please refer to the “Announcement Regarding the Change to the Company’s Accounting Policy of by Nanjing Panda Electronics Company Limited (Lin. 2014-087)” (《南京熊猫電子股份有限公司關於公司會計政策變更的公告》(臨2014-087)) published in in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 31 October 2014.
- (ii) On the Eighteenth Meeting of the Seventh Session of the Board convened on 30 March 2015, the Company considered and approved the “Resolution Regarding the Changes Made to the Company’s Accounting Policy and Accounting Estimates” (《關於公司會計政策與會計估計變更的議案》). For details, please refer to the Announcement Regarding the Change Made to the Company’s Accounting Policy and Accounting Estimates of Nanjing Panda Electronics Company Limited (Lin. 2015-020) (《南京熊猫電子股份有限公司關於會計政策與會計估計變更的公告》(臨2015-020)) published in in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 31 March 2015.

Significant Events (Continued)

XIII. Impact on the consolidated financial statements for implementing new accounting standards (Continued)

1. Impact on the Consolidated Financial Report by the Standard Regarding Long-term Equity Investments (I)

Unit: RMB·Yuan

Investees	Basic information of the transaction	31 December 2013		Financial assets available for sale (+/-)	Shareholders' interests attributable to the parent company (+/-)
		Shareholders' interests attributable to the parent company as at 1 January 2013 (+/-)	Long-term equity investments (+/-)		
Jiangsu Province Communications Planning And Design Institute (江蘇省城市軌道交通研究設計院股份有限公司)		0	-3,650,000.00	3,650,000.00	0
Total	/		-3,650,000.00	3,650,000.00	

Explanation on the Impact on the Consolidated Financial Report by the Standard Regarding Long-term Equity Investments (I)

After comparing to the "Accounting Standards for Enterprises No. 2 – Long-term Equity Investments" (《企業會計準則第2號-長期股權投資》) upon amendment, the Company shall not hold the control or joint control in the investees nor produce any material impact on the investees. Moreover, without any quotation nor fair value on the active market, it is not possible to reliably calculate the equity investment. The item of "Long-term equity investments" was adjusted to the item of "Financial assets available for sale" and retrospective adjustment was made pursuant to the requirements.

Such retrospective change under the Accounting Policy applies only to amount adjustment regarding "Financial assets available for sale" and "Long-term equity investments" and has no impact on the shareholders' interests attributable to the parent company and the net profits attributable to the parent company for 2013 and 2014.

Significant Events (Continued)

XIII. Impact on the consolidated financial statements for implementing new accounting standards (Continued)

2. The Impact on the Standard of Wages and Salaries of Employees

Unit: RMB·Yuan

Wages and Salaries of Employees payable as at 1 January 2014 (+/-)	shareholders' interests attributable to the parent company as at 1 January 2014 (+/-)
4,646,970.33	0

Explanation on the Impact on the Standard of Wages and Salaries of Employees:

After comparing to the "Accounting Standards for Enterprises No. 9 — Wages and Salaries of Employees" upon amendment, the Company shall divide the wages and salaries of employees into Wages and Salaries of Employees Payable and Long-term Wages and Salaries of Employees Payable, among which, Wages and Salaries of Employees Payable includes short-term wages and salaries, liability of defined contribution plan as under post-service welfare, the portion to be paid within twelve months of the Balance Sheet as under dismissal welfare and such others that match with liabilities of defined contribution plan as under Long-term welfare of employees; Long-term Wages and Salaries of Employees Payable includes the net defined benefit liability as under dismissal welfare, the portion to be paid after twelve months of the Balance Sheet as under dismissal welfare and such others that match with the net defined benefit liability as under Long-term welfare of employees.

As for the short-term wages and salaries, an agreement on wages and salaries is provided to employees based on the profits or other operating results regarding the service provided by employees and the achievement made by employees. "Short-term Profits Sharing Plan" was classified and audit of subsidiary breakdown regarding "Wages and Salaries of Employees Payable" was conducted. Such retrospective change under the Accounting Policy applies only to amount adjustment regarding the subsidiary breakdown of "Wages and Salaries of Employees Payable", the project for liability and has no impact on the shareholders' interests attributable to the parent company and the net profits attributable to the parent company for 2013 and 2014.

As for the wages and salaries of the Company's early retired employees, pursuant to the changes made to the accounting policy and after comparing to the handling regarding dismissal welfare, such welfare for early retirement to be paid after twelve months of the Balance Sheet would be shifted to "Long-term Wages and Salaries of Employees Payable" for auditing. Retrospective re-classification for the listed amounts in "Wages and Salaries of Employees Payable" under current liabilities and "Long-term Wages and Salaries of Employees Payable" under non-current liabilities as at 31 December 2013 was conducted. Retrospective adjustment has produced no impact on the shareholders' interests attributable to the parent company and the net profits attributable to the parent company for 2013 and 2014.

Significant Events (Continued)

XIII. Impact on the consolidated financial statements for implementing new accounting standards (Continued)

2. The Impact on the Standard of Wages and Salaries of Employees (Continued)

Items involved in retrospective adjustment	Amount under impact for 2014	Amount under impact for 2013
Wages and Salaries of Employees Payable	-17,250,831.64	-18,435,307.41
Long-term Wages and Salaries of Employees Payable	17,250,831.64	18,435,307.41

The Company's employees include such "Personnel (that is Labour Dispatch) provided to an Enterprise upon Execution of Employee Contract by and between the Enterprise and the Labour Recruitment Company". In accordance with the changes made to the accounting policy, the Company placed such labour dispatch fees audited under "Other Payables" originally to "Wages and Salaries of Employees Payable" for auditing and no items of retrospective adjustment were involved.

Items involved in retrospective adjustment	Amount under impact for 2014
Other payables	-4,646,970.33
Wages and Salaries of Employees Payable	4,646,970.33

XIV. Other significant events

(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 reviewed and recognized in October 2011 as a high and new technology enterprise (certificate no. GR2014320002014, which is valid for 3 years). The Company is entitled to the preferential enterprise income tax treatment of 15% under relevant regulations.

(II) Basic medical insurance for employees

The Company acted pursuant to the Provisional Regulations on Basic Medical Insurance for Employees in Nanjing Municipality and implemented a 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 2014 was not more than RMB3,398,800. Save for the aforesaid premiums, the Company is not responsible for other medical expenses.

Significant Events (Continued)

XIV. Other significant events (Continued)

- (III) 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.
- (IV) 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 has no significant influence to the non-recurring profit and loss of the Company. As at 31 December 2014, such relocation resulted in an increase of RMB11,677,600 in aggregate in the non-recurring profit and loss of the Company.

(V) Subsidiaries' write-off regarding accounts receivable

The Board of the Company, by way of written resolutions, convened an extraordinary meeting, and considered and approved the resolution of "Write-off regarding accounts receivable of Nanjing Panda Information Industry Co., Ltd., the holding subsidiary" (《關於控股子公司南京熊貓資訊產業有限公司核銷應收賬款》), and agreed that the Information Industry Company could treat all of the amount of RMB64,005,396.55, the balance of account receivable of Pandigital Inc., its original customer, as at 31 December 2013, as write-off for bad debt. Write-off for bad debt should be processed subject to the requirements of the Accounting Standard for Business Enterprises and the relevant laws and regulations of tax revenue. As for the foregoing account receivable of RMB64,005,396.55, the Information Industry Company made provisions for bad debt in full. Such write-off for bad debt would not produce any impact on the loss or gain of Panda Information and the Company. Independent directors and the supervisory committee expressed their consent on the same.

Significant Events (Continued)

XV. 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 use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B006 Shanghai Securities News 46	2014-1-4	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B024 Shanghai Securities News B57	2014-1-9	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal A40 Shanghai Securities News B39	2014-1-10	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the release of pledge of certain shares held by a controlling shareholder	China Securities Journal B025 Shanghai Securities News 21	2014-1-11	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the supplemental agreement to the Financial Services Agreement entered into with China Electronics Financial Co., Ltd.	China Securities Journal B156 Shanghai Securities News B30	2014-1-22	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 session of the Board Notice in relation to the convening of 2014 first extraordinary general meeting Announcement in relation to the pledge of certain shares held by a controlling shareholder	China Securities Journal B010 Shanghai Securities News B12	2014-1-23	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 B010 Shanghai Securities News B4	2014-1-24	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B023 Shanghai Securities News B31	2014-2-13	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk

Significant Events (Continued)

XV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement in relation to the performance of commitments of the de facto controllers, shareholders, related parties and the Company	China Securities Journal B022 Shanghai Securities News B34	2014-2-14	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products			
Announcement in relation to use of raised proceeds in making contribution to subsidiaries	China Securities Journal B002 Shanghai Securities News 23	2014-2-22	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B035 Shanghai Securities News B27	2014-3-5	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to use of raised proceeds in making contribution to subsidiaries	China Securities Journal A30 Shanghai Securities News B35	2014-3-11	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at 2014 first extraordinary general meeting	China Securities Journal B031 Shanghai Securities News B20	2014-3-13	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products			
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B051 Shanghai Securities News B48	2014-3-19	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the written-off accounts receivable of subsidiaries	China Securities Journal B344 Shanghai Securities News 327	2014-3-29	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at the twelfth meeting of the seventh session of the Board			
Announcement of resolutions passed at the twelfth meeting of the seventh session of Supervisory Committee			
Special report in relation to the deposit and use of raised proceeds			
Summary of 2013 annual report			

Significant Events (Continued)

XV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B019 Shanghai Securities News B39	2014-4-4	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the connected transactions	China Securities Journal A21 Shanghai Securities News B48	2014-4-10	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Notice in relation to the convening of 2013 annual general meeting Announcement on suspension for significant event	China Securities Journal B015 Shanghai Securities News B28	2014-4-11	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement on the suspension of trading in relation to significant asset restructuring	China Securities Journal B005 Shanghai Securities News B95	2014-4-18	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B176 Shanghai Securities News B82	2014-4-25	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
2014 First Quarter	China Securities Journal B047 Shanghai Securities News B98	2014-4-30	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B032 Shanghai Securities News B53	2014-5-6	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal A31 Shanghai Securities News B48	2014-5-14	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to proposed material asset reorganization and delay in resumption of trading	China Securities Journal B014 Shanghai Securities News B7	2014-5-15	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B032 Shanghai Securities News 33	2014-5-17	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk

Significant Events (Continued)

XV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B003 Shanghai Securities News B34	2014-5-21	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B019 Shanghai Securities News B28	2014-5-27	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B024 Shanghai Securities News B23	2014-5-28	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at the 2013 annual general meeting	China Securities Journal B028 Shanghai Securities News B22	2014-5-29	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal Z11 Shanghai Securities News 29	2014-5-31	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B023 Shanghai Securities News B55	2014-6-5	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B021 Shanghai Securities News B15	2014-6-6	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 B028 Shanghai Securities News 60	2014-6-7	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to use of raised proceeds in making contribution to subsidiaries	China Securities Journal B023 Shanghai Securities News B36	2014-6-10	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B018 Shanghai Securities News B53	2014-6-12	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement on the implementation for profit distribution in 2013	China Securities Journal B023 Shanghai Securities News B21	2014-6-13	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk

Significant Events (Continued)

XV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement in relation to proposed material asset reorganization and delay in resumption of trading	China Securities Journal B006 Shanghai Securities News B41	2014-6-17	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products			
Announcement in relation to the release of pledge of shares held by a shareholder			
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B014 Shanghai Securities News B57	2014-6-19	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement on the listing and trading of non-public issuance of restricted shares	China Securities Journal B023 Shanghai Securities News B44	2014-6-25	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B003 Shanghai Securities News B34	2014-6-26	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B034 Shanghai Securities News B46	2014-7-3	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B031 Shanghai Securities News 21	2014-7-5	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B026 Shanghai Securities News B21	2014-7-8	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the progress of the significant asset restructuring	China Securities Journal B011 Shanghai Securities News B24	2014-7-10	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 session of the Board	China Securities Journal B030 Shanghai Securities News 48	2014-7-12	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk

Significant Events (Continued)

XV. 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 fourteenth meeting of the seventh session of the Board	China Securities Journal A28 Shanghai Securities News B61	2014-7-16	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at the fourteenth meeting of the seventh session of the Supervisory Committee			
Announcement in relation to the resumption of trading in significant asset restructuring			
Notice of 2014 second extraordinary general meeting			
Summary of report on purchase of significant assets and connected transactions			
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B042 Shanghai Securities News B23	2014-7-17	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B182 Shanghai Securities News B18	2014-7-18	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Report on change of simplified equity			
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B030 Shanghai Securities News B38	2014-8-13	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 controlled subsidiaries of the Company	China Securities Journal B017 Shanghai Securities News B61	2014-8-15	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at the fifteenth meeting of the seventh session of the Board	China Securities Journal B023 Shanghai Securities News 14	2014-8-16	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at the fifteenth meeting of the seventh session of the Supervisory Committee			
Special report in relation to the deposit and use of raised proceeds			
Summary of 2014 interim report			
Announcement in relation to the use of idle proceeds in cash management	China Securities Journal Z16 Shanghai Securities News 55	2014-8-23	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk

Significant Events (Continued)

XV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B431 Shanghai Securities News B70	2014-8-26	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the publishing revised restructuring report and relevant documents by the seventh session of the Board Restructuring report (summary) (revised)	China Securities Journal A23-24 Shanghai Securities News B349-350	2014-8-28	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement on the postponement of second extraordinary general meeting in 2014	China Securities Journal A27 Shanghai Securities News B78	2014-8-29	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B007 Shanghai Securities News B15	2014-9-2	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the entrusting related parties to provide financial services and purchase of bank wealth management products	China Securities Journal B032 Shanghai Securities News B27	2014-9-3	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B027 Shanghai Securities News B8	2014-9-6	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B024 Shanghai Securities News B31	2014-9-13	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B018 Shanghai Securities News B24	2014-9-19	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B031 Shanghai Securities News B42	2014-9-23	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement on suspension for significant event			

Significant Events (Continued)

XV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Indicative announcement in relation to the equity restructuring by a controlled shareholder Announcement on resumption of trading	China Securities Journal B002 Shanghai Securities News B26	2014-9-25	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 controlled subsidiaries of the Company	China Securities Journal B039 Shanghai Securities News B38	2014-10-9	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement on the re-postponement of second extraordinary general meeting in 2014	China Securities Journal B031 Shanghai Securities News B23	2014-10-10	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal A36 Shanghai Securities News B43	2014-10-22	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B016 Shanghai Securities News 226	2014-10-25	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B148 Shanghai Securities News B68	2014-10-29	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at the sixteenth meeting of the seventh session of the Board Announcement of resolutions passed at the sixteenth meeting of the seventh session of the Supervisory Committee Announcement in relation to the change of accounting policies of the Company 2014 third quarterly report	China Securities Journal B101 Shanghai Securities News B86	2014-10-31	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement on the re-postponement of second extraordinary general meeting in 2014	China Securities Journal B027 Shanghai Securities News B60	2014-11-6	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Notice in relation to the convening of 2014 third general meeting	China Securities Journal B014 Shanghai Securities News B55	2014-11-14	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk

Significant Events (Continued)

XV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B026 Shanghai Securities News B20	2014-11-20	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 controlled subsidiaries of the Company			
Announcement of resolutions passed at the 2014 second extraordinary general meeting	China Securities Journal B015 Shanghai Securities News B29	2014-11-25	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at the seventeenth meeting of the seventh session of the Board	China Securities Journal B011 Shanghai Securities News B35	2014-11-26	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B011 Shanghai Securities News B29	2014-12-5	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal A19 Shanghai Securities News B45-46	2014-12-9	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Report on the implementation of purchase of significant assets and connected transactions			
Announcement in relation to the significant assets restructuring and completion of connected transaction and compliance with the terms of continuing connected transactions			
Announcement in relation to the connected transactions			
Announcement in relation to additional proposed resolutions at 2014 third extraordinary general meeting and the supplemental notice of the convening of 2014 third extraordinary general meeting			
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products			

Significant Events (Continued)

XV. Index to information disclosure (Continued)

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement in relation to the use of temporarily idle raised proceeds for purchase of bank wealth management products	China Securities Journal B046 Shanghai Securities News B88	2014-12-30	Shanghai Stock Exchange www.sse.com.cn Hong Kong Stock Exchange www.hkex.com.hk
Announcement of resolutions passed at the 2014 third extraordinary general meeting			

Changes in Share Capital and Information of Shareholders

I. Changes in shareholders

(I) Table for changes in shareholdings

1. Table for changes in shareholdings

Unit: share

	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	28.32				-219,607,843	-219,607,843	39,215,686	4.29
1. State-owned shares									
2. State-owned legal person shares	115,415,686	12.63				-76,200,000	-76,200,000	39,215,686	4.29
3. Other domestically owned shares	143,407,843	15.69				-143,407,843	-143,407,843	0	
Including: Domestic non-state-owned legal person shares	143,407,843	15.69				-143,407,843	-143,407,843	0	
II. Shares not subject to trading moratorium	655,015,000	71.68				219,607,843	219,607,843	874,622,843	95.71
1. Renminbi ordinary shares	413,015,000	45.20				219,607,843	219,607,843	632,622,843	69.23
2. Foreign listed foreign shares	242,000,000	26.48						242,000,000	26.48
III. Total number of shares	913,838,529	100						913,838,529	100

Notes: As at 31 March 2015, the most practicable and recent date prior to the date of announcement of the annual report, based on information that is publicly available to the Company and 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 shareholders (Continued)

(I) Table for changes in shareholdings (Continued)

2. Explanations on changes in shareholdings

On 30 June 2014, the restriction on sale of shares was relieved in respect of 219,607,843 shares subscribed by 8 other investors (among whom, AEGON-INDUSTRIAL Fund Management Co., Ltd. participated in such subscription through 10 accounts) apart from NEIC (中電熊貓) and could be circulated on the market. For details, please refer to the Announcement on Listing and Trading of Shares Subject to Trading Moratorium Issued by Non-public Issue of Nanjing Panda Electronics Company Limited (Lin 2014-049) (《南京熊貓電子股份有限公司非公開發行限售股上市流通公告》(臨2014-049)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 25 June 2014.

(II) Changes in shareholdings subject to trading moratorium

Unit: share

Name of Shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released over the year	Increase in number of shares subject to trading moratorium over the year	Number of shares subject to trading moratorium at the end of the year	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	0	0		2014-6-30
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	0	0		2014-6-30
Jiangsu GTIG Huading Investment Co., Ltd. (江蘇國泰華鼎投資有限公司)	35,000,000	35,000,000	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
Tibet Autonomous Region Investment Co., Ltd. (西藏自治區投資有限公司)	25,000,000	25,000,000	0	0		2014-6-30
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	0	0		2014-6-30

Changes in Share Capital and Information of Shareholders (Continued)

I. Changes in shareholders (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 number 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
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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畫)	1,490,000	1,490,000	0	0		2014-6-30
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號分級資產管理計畫)	1,110,000	1,110,000	0	0		2014-6-30
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號分級資產管理計畫)	960,000	960,000	0	0		2014-6-30
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號分級資產管理計畫)	2,760,000	2,760,000	0	0		2014-6-30
Nanjing Electronics Information Industrial Corporation	39,215,686	0	0	39,215,686	Subscription of shares	2016-6-28
Total	258,823,529	219,607,843	0	39,215,686		

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	RMB1.00 per share	RMB1.00 per share
Number of shares issued (<i>share</i>)	242,000,000	23,000,000
Date of listing	1996.5.2	1996.11.18
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\$3.93	RMB9.10
Closing price on the last trading day of the year	HK\$6.14	RMB10.37
The highest price during the year	HK\$9.47	RMB14.00
The lowest price during the year	HK\$3.40	RMB7.13
Total transaction volume during the year (<i>0'000 Shares</i>)	81,031.07	273,611.63

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

Type of shares and derivative securities thereof	Issuance date	Issuance price (or ratio)	Number of shares in issue (<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 A 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 8 other investors, which may not be transferred within 12 months from the completion date of the issue and were listed and traded on 16 July 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

In addition to 39,215,686 shares of RMB ordinary A shares subscribed by Nanjing Electronics Information Industrial Corporation (南京中電熊貓資訊產業集團有限公司), such 219,607,843 shares of RMB ordinary A shares subscribed by 8 other investors were circulated on the market on 16 July 2014. The foregoing changes have not produced any direct impact on the Company's shareholders structure and changes to the structure of assets and liabilities. There has been no change in the total number of shares of the Company.

(IV) Existing internal employee's shares

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	24,626 shareholders including 24,591 A shareholders and 35 H shareholders
Total number of shareholders on the 5th trading day prior to the disclosure of this annual report	24,453 shareholders including 24,419 A shareholders and 34 H shareholders

Changes in Share Capital and Information of Shareholders (Continued)

III. Information of Shareholders (Continued)

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

Unit: share

Shareholdings of top ten shareholders of the Company

Name of Shareholder	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage of Shareholding (%)	Number of shares held subject to trading moratorium	Pledged or frozen Shares		
					Status of shares	Number of shares	Type of shareholders
PEGL	0	334,715,000	36.63	0	Pledged	167,350,000	State-owned legal person
HKSCC (Nominees) Limited	32,300	241,107,599	26.36	0	Unknown		Overseas legal person
Nanjing Electronics Information Industrial Corporation	0	39,215,686	4.29	39,215,686	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)	-200,000	15,000,000	1.64	0	Unknown		State-owned legal person
China Construction Bank – China AMC Dividend Mixed Open-End Securities Investment Fund (中國建設銀行—華夏紅利混合型 開放式證券投資基金)	7,750,793	7,750,793	0.85	0	Unknown		Other
Industrial and Commercial Bank of China -Guangfa Jufeng Share-type Securities Investment Fund (中國工商銀行— 廣發聚豐股票型證券投資基金)	6,468,926	6,468,926	0.71	0	Unknown		Other
Agricultural Bank of China – Invesco Great Wall Monopolistic Resource Security Investment Fund (中國農業 銀行股份有限公司—景順長城資源 壟斷股票型證券投資基金(LOF))	0	4,923,931	0.54	0	Unknown		Other
National Social Security Fund- Combination 114 (全國社保 基金—四組合)	4,909,127	4,909,127	0.54	0	Unknown		Other
Wang Xuelian (王雪蓮)	2,291,121	2,291,121	0.25	0	Unknown		Domestic natural person
Industrial and Commercial Bank of China -Fullgoal Tianhui Selected Growth Mixed Securities Investment Fund (中國農業銀行—富國天成紅利靈活 配置混合型證券投資基金)	2,167,652	2,167,652	0.24	0	Unknown		Other

Changes in Share Capital and Information of Shareholders (Continued)

III. Information of Shareholders (Continued)

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

Unit: share

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 ordinary shares	334,715,000
HKSCC (Nominees) Limited	241,107,599	Overseas listed foreign shares	241,107,599
South Industry Assets Management Co., Ltd (南方工業資產管理有限責任公司)	15,000,000	RMB ordinary shares	15,000,000
China Construction Bank – China AMC Dividend Mixed Open-End Securities Investment Fund (中國建設銀行—華夏紅利混合型開放式證券投資基金)	7,750,793	RMB ordinary shares	7,750,793
Industrial and Commercial Bank of China -Guangfa Jufeng Share-type Securities Investment Fund (中國工商銀行—廣發聚豐股票型證券投資基金)	6,468,926	RMB ordinary shares	6,468,926
Agricultural Bank of China – Invesco Great Wall Monopolistic Resource Security Investment Fund (中國農業銀行股份有限公司—景順長城資源壟斷股票型證券投資基金(LOF))	4,923,931	RMB ordinary shares	4,923,931
National Social Security Fund-Combination 114 (全國社保基金一一四組合)	4,909,127	RMB ordinary shares	4,909,127
Wang Xuelian (王雪蓮)	2,291,121	RMB ordinary shares	2,291,121
Industrial and Commercial Bank of China -Fullgoal Tianhui Selected Growth Mixed Securities Investment Fund (中國農業銀行—富國天成紅利靈活配置混合型證券投資基金)	2,167,652	RMB ordinary shares	2,167,652
He Xiuqin (何秀琴)	2,000,000	RMB ordinary shares	2,000,000

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) Shareholdings of top 10 shareholders and top 10 holders of shares not subject to trading moratorium as at the end of the reporting period (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	Particulars of shares subject to trading moratorium to be listed			Conditions of trading moratorium
		Number of shares held subject to trading moratorium	Time for listing and trading	Number of additional shares to be listed and traded	
1	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.

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

NEIC holds 56.85% equity interest in PEG, 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. NEIC directly and indirectly holds 40.92% of the shares of the Company.

Notes:

- (1) Among the shareholders named above, PEG 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 PEG, 167,350,000 shares were pledged on 28 November 2011. As for the aforementioned pledged shares, PEG carried out the registration procedures for the release of pledge on 9 January 2014. On 22 January 2014, 167,350,000 shares held by PEG were pledged. As at 31 December 2014, no registration procedures have been carried out for the release of pledge. 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)(南京瑞森投资管理合夥企業(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. (中國投融資擔保有限公司) and carried out the registration procedures for pledge on 4 December 2013. For the aforementioned pledged shares, Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership) (南京瑞森投资管理合夥企業(有限合夥)) carried out the registration procedures for the release of pledge on 10 June 2014. 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 and 17 June 2014.
- (3) HKSCC (Nominees) Limited held 241,107,599 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 of the Company.

Changes in Share Capital and Information of Shareholders (Continued)

IV. Controlling shareholders and the de facto 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 electrical machinery equipment, instruments and meters, office machinery, general finance/tax control equipment; development of computers and IT software, system integration equipment and services; property management.
Future Developmental 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.

Changes in Share Capital and Information of Shareholders (Continued)

IV. Controlling shareholders and the de facto controllers of the Company (Continued)

(I) Controlling shareholder (Continued)

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.
Other explanation	Operating results: audited consolidated data for 2013: operating revenue of RMB8,049,569,600; total profit of RMB196,254,200. Financial position: audited consolidated data as at 31 December 2013: total assets of RMB11,209,276,800; total liabilities of RMB7,467,361,700. Cash flow: audited consolidated data as at 31 December 2013: net cash flow from operating activities of RMB1,189,564,500.

Note: PEG's Board of Directors and general meeting respectively passed written resolutions in respect of the matter regarding equity interest reorganization of PEG (including the transfer of shares by the Company) and agreed that China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) ("China Huarong"), a shareholder of PEG, reduced the holding of the registered capital of PEG of RMB466,460,000; agreed that China Great Wall Asset Management Corporation, a shareholder of PEG, reduced the holding of the registered capital of PEG of RMB79,830,000 when China Huarong simultaneously reduced such registered capital. As for the reduced holding of capital and corresponding interests and rights mentioned in the above, it was suggested that NEIC and other investors would inject the corresponding amount of cash and make-up for assets pursuant to the market principle. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange respectively on 25 September 2014 and 10 January 2015.

Changes in Share Capital and Information of Shareholders (Continued)

IV. Controlling shareholders and the de facto controllers of the Company (Continued)

(II) De facto controllers

1. Legal person

Name	CEC
The person in charge of the entity or legal representative	Rui Xiaowu
Date of establishment	26 May 1989
Organization code	10001024-9
Registered capital	RMB12,482,251,996.64
Principal business	Research, development, design, and manufacture of electronic raw materials, electronic devices and components, electronic instruments and meters, complete sets of electronic products, electronic application products and systems, special electronic equipment, auxiliary products and software as well as sales of complete sets of relevant products; general contracting, organization and management of electronic application system projects, communication projects, and water treatment projects; development, promotion and application of environment protection and energy saving technologies; development and operation of real estate; sales of automobiles, auto parts, hardware and electrical equipment, photographic apparatus, construction materials, decorative materials and apparel; exhibition management; house repairing business; consulting services, technical services and transfer; maintenance and sales of home appliances.
Future 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.

Changes in Share Capital and Information of Shareholders (Continued)

IV. Controlling shareholders and the de facto controllers of the Company (Continued)

(II) De facto controllers (Continued)

1. Legal person (Continued)

Explanation on other situations Operating results: Information of combined statement upon auditing for 2013: operating income of RMB193,784,648,939.04, and net profits of RMB2,605,775,788.66.

Financial position: As at 31 December 2013, Information of combined statement upon auditing: total assets of RMB182,011,749,612.97, and total liabilities of RMB130,768,363,368.73.

Cash flow: As at 31 December 2013, Information of combined statement upon auditing: net cash flow generated from operating activities of RMB7,261,666,200.54.

As at 31 December 2014, equities of other domestic and overseas listed companies (other than the Company) in which the ultimate controller holds controlling shares or shares were as follows:

No.	Abbreviation of listed company	Securities code	Percentage of CEC's shareholding ^{Note}
1	Shanghai Beiling	600171	26.45%
2	Shenzhen SEDA	000032	42.02%
3	CEC Corecast	600764	53.47%
4	Kaifa	000021	44.51%
5	Greatwall Computer	000066	53.92%
6	China Software	600536	48.39%
7	Greatwall Information	000748	21.19%
8	Huadong Technology	000727	28.11%
9	Zhenhua Science & Technology	000733	36.13%
10	Irico Display	600707	29.55%
11	China Electron	00085HK	59.42%
12	TPV Technology	00903HK	35.06%
13	Solomon Systech	02878HK	28.61%
14	IRICO	00438HK	71.74%

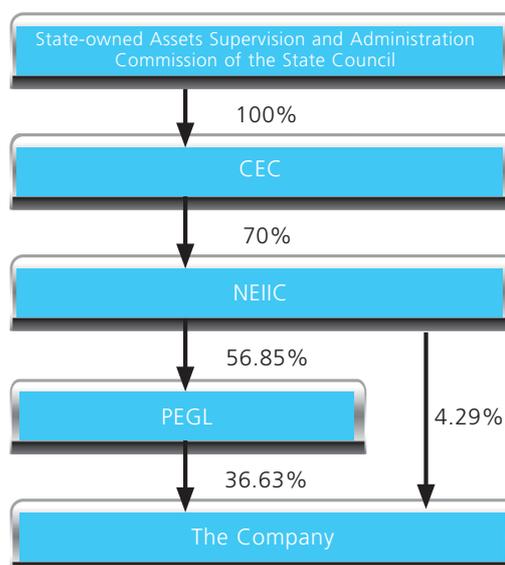
Note: Percentage of CEC's shareholding represents the aggregate of the shareholdings held through relevant connected parties or party acting in concert among the shareholders of listed companies.

Changes in Share Capital and Information of Shareholders (Continued)

IV. Controlling shareholders and the de facto controllers of the Company (Continued)

(II) De facto controllers (Continued)

2. The controlling relationship between the Company and the de facto 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.

Changes in Share Capital and Information of Shareholders (Continued)

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

As at 31 December 2014, 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 22,586,000 H Shares, accounting for approximately 9.33% of H Shares in issue and approximately 2.47% 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 2014.

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 2014, interests of the Directors, Supervisors and senior management staff of the Company in the domestic shares of the Company which were recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (Chapter 571) ("SFO") or notified to the Company or Hong Kong Stock Exchange according to the "Model Code for Securities Transactions by Directors of Listed Issuers" under Appendix 10 to the Listing Rules 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	Increase/decrease in the number of shares held	Reason for the change	Total remuneration received from the Company during the reporting period	Total remuneration payable received from shareholders during the reporting period	
										(before tax)		
											(RMB'000)	
Lai Weide	Executive Director, Chairman	M	57	2012-3-6	2015-3-5	0	0	0	-			
Xu Guofei	Executive Director, Vice Chairman	M	53	2012-3-6	2015-3-5	2,546	2,546	0	-			
Deng Weiming	Non-executive Director	M	51	2012-3-6	2015-3-5	0	0	0	-			
Lu Qing	Non-executive Director	M	50	2012-3-6	2015-3-5	0	0	0	-			
Xia Dechuan	Non-executive Director, General Manager	M	45	2013-9-26	2015-3-5	0	0	0	-	56.83		
Hsuan Jason	Non-executive Director	M	71	2012-3-6	2015-3-5	0	0	0	-			
Zhang Xiuhua	Independent Non-executive Director	F	70	2012-3-6	2015-3-5	0	0	0	-			
Liu Danping	Independent Non-executive Director	F	58	2012-3-6	2015-3-5	0	0	0	-			
Chu Wai Tsun, Vincent	Independent Non-executive Director	M	41	2012-3-6	2015-3-5	0	0	0	-			
Zhang Yinqian	Chairman of the Supervisory Committee	M	60	2013-9-26	2015-3-5	0	0	0	-			
Fu Yuan yuan	Supervisor representing employees	F	43	2012-3-6	2015-3-5	0	0	0	-	19		
Zhou Yuxin	Supervisor representing employees	M	51	2012-3-6	2015-3-5	0	0	0	-	19		
Liu Kun	Deputy General Manager	M	49	2012-3-6	2015-3-5	0	0	0	-	50		
Zhou Guixiang	Deputy General Manager	M	44	2012-3-6	2015-3-5	1,639	1,639	0	-	50		
Shen Jianlong	Chief Accountant, secretary to the Board,	M	52	2012-3-6	2015-3-5	0	0	0	-	50		
Guo Qing	Company Secretary	M	53	2013-7-24	2015-3-5	0	0	0	-	50		
Total						4,185	4,185	0		294.83		

Notes:

- The Seventh Session of the Board and the Supervisory Committee were elected at the 2012 first extraordinary general meeting on 6 March 2012. In 2014, the total remunerations of Directors, supervisors and senior management members were RMB2.9483 million, which was within the range approved by the general meeting. Of such total remunerations, RMB2.5683 million was for the Directors and senior management, and RMB0.38 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 RMB0.57 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.
- In 2014, 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.

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)

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 were required to be recorded in the register pursuant to Section 352 under Chapter 7 of the SFO (Part XV) or notified to the Company or Hong Kong Stock Exchange according to the “Model Code for Securities Transactions by Directors of Listed Issuers” under Appendix 10 to the Listing Rules. 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 2014, 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, family or other material relationships.

(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 PEGL, Deputy General Manager and General Manager of PEGL and Deputy General Manager of NEIC etc. Mr. Xu has been the General Manager of PEGL 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 Electronics 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.

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

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.

Mr. XIA Dechuan, born in 1970, is a senior engineer at researcher level, graduated from Xidian University majoring in Electronic Mechanics and holds a master's degree in business administration from the Southeast University. Mr. Xia has served as Deputy Head and Head of the NFC Design Institute under 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.

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. 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. Mr. Hsuan is also a chairman of Standard Investment (China) Limited, Shanghai Standard Food Co. and Standard Food (China) Limited, director of Standard Foods Corporation (a company listed on the Taiwan Stock Exchange) and an independent director of Array Inc. (a company listed on the GreTai Securities Market).

3. Independent Non-executive Directors

Ms. ZHANG Xiuhua: born 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 visiting 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 economics and finance for a long period and has solid professional knowledge and extensive experience.

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.

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

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 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.

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.

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

Mr. XIA Dechuan, born in 1970, graduated from Xidian University majoring in Electronic Mechanics, 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 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.

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.

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. 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. from January 2012 to December 2013. 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	
Xu Guofei	NEIC	Chairman	July 2010	
Zhang Yinqian	CEC	Assistant to the General Manager	June 2013	
Deng Weiming	NEIC	General Manager	July 2010	
Lu Qing	NEIC	Secretary of the Party Committee	August 2013	
Hsuan Jason	Nanjing Zhongdian Panda Home Appliances Co., Ltd.	General Manager	June 2009	
Lai Weide	Nanjing Panda Handa Technology Co., Ltd.	General Manager	January 2007	
Xu Guofei	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	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	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	During the reporting period, the remuneration payable to Directors, supervisors and senior management totalled RMB2,948,300 (before tax).
Total actual remuneration of all Directors	During the reporting period, the total actual remuneration of all Directors, supervisors and senior management was RMB2,948,300 (before tax).

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

IV. Changes in Directors, Supervisors and Senior Management Staff

In 2014, there are no changes in Directors, supervisors and senior management.

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

In 2014, 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	446
Number of on-the-job employees of major subsidiaries	3,692
Total number of on-the-job employees	4,138
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	3,377

Composition of professions

Type of profession	Number of persons
Production staff	1,874
Sales staff	340
Technical staff	1,394
Financial staff	188
Administrative staff	342
Total	4,138

Educational Background

Education level	Number of persons
Masters or above	114
Bachelors	793
Associate degree	1,064
Other	2,167
Total	4,138

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

VI. Details of Staff of the Company and Major Subsidiaries

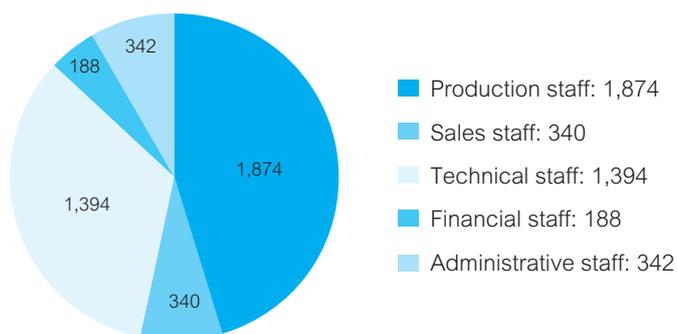
(II) Remuneration policies *(Continued)*

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.

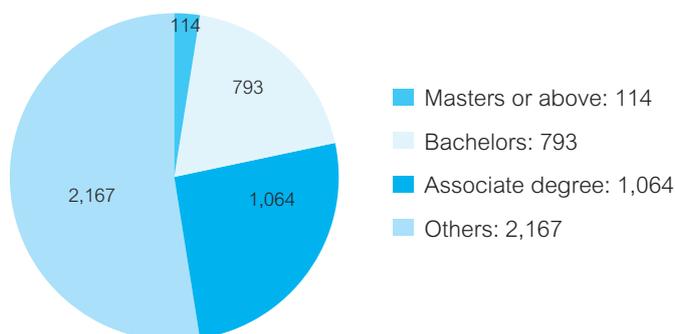
(III) Training plan

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) Basic information on corporate governance

In 2014, 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 2014, 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 refine 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.

Corporate Governance Report (Continued)

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

(I) Basic information on corporate governance (Continued)

3. In 2014, the Company formulated the Code of Conduct for Controlling Shareholder and De Facto Controller, Organizational Structure of the Company's Headquarters, Performance Appraisal on Senior Management of the Company and made amendments to the Articles of Association, the Shareholders' Return Plan (2013-2015), the Rules of Procedures of the Audit Committee, the Emergency Response Plan for Risks in Deposit in China Electronics Financial Co., Ltd. and Critical Decisions of the Company. For details please refer to the relevant announcement and materials published on the website of Shanghai Stock Exchange dated 23 January, 13 March, 14 March and 26 November 2014.
4. As a company listed both in the PRC and Hong Kong, the Company disclosed the 2014 Report on Performance of Social Responsibilities (which was considered and approved at the 18th meeting of the seventh Board of the Company) along with the 2014 annual report. Please refer to the relevant announcement of the Company published on the website of the Shanghai Stock Exchange on 31 March 2015 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, material asset reorganization, and other significant events in accordance with the requirements under the Company Law and as required by the CSRC.

Corporate Governance Report (Continued)

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.

During the reporting period, the Company convened four general meetings, including the annual general meeting and three extraordinary general meetings, 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
The first extraordinary general meeting of 2014	2014-3-12	<ol style="list-style-type: none"> to consider and approve, by special resolution, the amendment made to the Articles of Association (for amending Articles 191, 203 and 204 of the Articles of Association); Shareholders' Return Planning of Nanjing Panda Electronics Company Limited (2013-2015) (《南京熊猫電子股份有限公司股東回報規劃(2013-2015)》) upon amendment; Standard of Act of Controlling Shareholder and Actual Controller of Nanjing Panda Electronics Company Limited (《南京熊猫電子股份有限公司控股股東、實際控制人行為規範準則》); The Supplemental Agreement to the Financial Services Agreement (《金融服務協定之補充協定》) entered into by and between the Company and China Electronics Financial Co., Ltd. 	As for the resolutions of Item 1-3, the affirmative votes accounted for 100% of the total number of shares with effective voting rights. As for the resolution of Item 4, the affirmative votes accounted for 90.20% of the total number of shares with effective voting rights. Veto-votes accounted for 9.80% of the total number of shares with effective voting rights.	http://www.sse.com.cn http://www.hkex.com.hk	2014-3-13
2013 annual general meeting	2014-5-28	<ol style="list-style-type: none"> The report of Board for the year 2013; The financial report for the year 2013; The profit appropriation plan for the year 2013; 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 2014, and authorize the Board to determine their remunerations within the limit of RMB1,700,000.00; The 2013 annual report and its summary; The report of independent directors for the year 2013; 	All affirmative votes for the resolutions accounted for 100% of the total number of shares with effective voting rights.	http://www.sse.com.cn http://www.hkex.com.hk	2014-5-29

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 second extraordinary general meeting of 2014	2014-11-24	<ol style="list-style-type: none"> 1. Resolution Regarding the Company's Fulfilling the Conditions for Material Asset Organization (《關於公司符合重大資產重組條件的議案》) 2. Resolution Regarding the Proposal of Material Asset Purchase (《關於本次重大資產購買方案的議案》) <ol style="list-style-type: none"> 2.1. The counter party for such material asset purchase 2.2. Object of transaction for such material asset purchase 2.3. Transaction mode for such material asset purchase 2.4. Determination of transaction price and method of making payment for consideration 2.5. The gain or loss for the object of transaction during the transition period 2.6. Transfer of rights for the object of transaction 2.7. Liability for breach of contract 2.8. Effective term of the resolution 	All affirmative votes for the resolutions accounted for 98.46% of the total number of shares with effective voting rights and the veto-votes accounted for 1.54% of the total number of shares with effective voting rights.	http://www.sse.com.cn http://www.hkex.com.hk	2014-11-25

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
		3. Resolution Regarding the Material Asset Purchase Constituting Connected Transaction (《本次重大資產購買構成關聯交易的議案》)			
		4. Resolution Regarding the Consideration of 'Report on Material Asset Purchase of Nanjing Panda Electronics Company Limited and Connected Transactions (Draft) and its Summary《關於審議〈南京熊貓電子股份有限公司重大資產購買暨關聯交易報告書(草案)及摘要的議案》			
		5. Resolution Regarding the Observance of the Provisions of Article 4 in respect of 'Stipulation by Such Material Asset Purchase of 'Provisions on Issues Concerning Regulating the Material Asset Reorganizations of Listed Companies' by Such Material Asset Purchase (《關於本次重大資產購買符合《關於規範上市公司重大資產重組若干問題的規定》第四條規定的議案》)			
		6. Resolution Regarding the Execution of 'Property Right Trading Contract' by Nanjing Panda Electronics Company Limited (關於公司與熊貓電子集團有限公司簽署 產權交易合同 的議案)			
		7. Resolution Regarding the Evaluation of Assets Involved in Such Material Asset Purchase" (關於本次重大資產購買所涉及資產評估的議案)			
		8. Resolution Regarding the Consent of Reporting on Such Material Asset Purchase in the Relevant Audit Report, Evaluation Report, and Profit Forecast and Audit Report (關於同意報出本次重大資產購買有關審計報告 評估報告 盈利預測審核報告的議案)			
		9. Resolution Regarding the Submission to the General Meeting for Authorizing the Board to Handle the Matters Related to Such Material Asset Purchase (關於提請股東大會授權董事會辦理本次重大資產購買相關事宜的議案)			

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 third extraordinary general meeting of 2014	2014-12-29	<ol style="list-style-type: none"> 1. To consider to provide a guarantee for the new added credit of RMB100,000,000 of Nanjing Panda Information Industry Co., Ltd. (為控股子公司南京熊猫資訊產業有限公司), the controlling subsidiary, with effective term until 30 June 2016; 2. To consider to provide a guarantee for the new added credit of RMB200,000,000 of Nanjing Panda Electronic Equipment Co., Ltd. (南京熊猫電子裝備有限公司), the wholly-owned subsidiary, with effective term until 30 June 2016; 3.1. To consider "Supplemental Agreement to Sales of Materials and Parts (2014)" (《銷售物資及零部件補充協議(2014年度)》), 3.2. To consider the annual caps for sales of materials and parts in 2014, 3.3. To consider to authorize the Board to adopt all necessary steps to facilitate "Supplemental Agreement to Sales of Materials and Parts (2014)" (《銷售物資及零部件補充協議(2014年度)》) to become effective; 4.1. To consider "Supplemental Agreement to Sales of Materials and Parts (2015)" (《銷售物資及零部件補充協議(2015年度)》), 4.2. To consider the annual caps for sales of materials and parts in 2015, 4.3. To consider to authorize the Board to adopt all necessary steps to facilitate Supplemental Agreement to Sales of Materials and Parts (2015) (《銷售物資及零部件補充協議(2015年度)》) to become effective. 	<p>As for the resolution of Item 1, the affirmative votes accounted for 99.997% of the total number of shares with effective voting rights and veto-votes accounted for 0.003% of the total number of shares with effective voting rights; as for the resolution of Item 2, the affirmative votes accounted for 99.994% of the total number of shares with effective voting rights and veto-votes accounted for 0.003% of the total number of shares with effective voting rights and abstention votes accounted for 0.003% of the total number of shares with effective voting rights. As for the resolutions of Items 3.1-3.3 and Items 4.1-4.3, the affirmative votes accounted for 99.897% of the total number of shares with effective voting rights and veto-votes accounted for 0.05% of the total number of shares with effective voting rights and abstention votes accounted for 0.053% of the total number of shares with effective voting rights</p>	<p>http://www.sse.com.cn http://www.hkex.com.hk</p>	2014-12-30

Corporate Governance Report (Continued)

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.

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	Independent Director or not	Required attendances at Board meetings	Attendance of Board meetings				Absences	Absence from two consecutive meetings in person or not	Attendances at general meetings
			Attendances in person	Attendances by way of communication	Attendances by proxy				
Lai Weide	No	14	14	12	0	0	No	0	
Xu Guofei	No	14	14	12	0	0	No	2	
Deng Weiming	No	14	14	12	1	0	No	1	
Lu Qing	No	14	14	12	0	0	No	1	
Xia Dechuan	No	14	14	12	0	0	No	4	
Hsuan Jason	No	14	12	12	2	0	No	0	
Zhang Xiuhua	Yes	14	14	12	0	0	No	4	
Liu Danping	Yes	14	14	12	0	0	No	4	
Chu Wai Tsun, Vincent	Yes	14	13	12	1	0	No	1	

Number of Board meetings held in the year	14
Of which: Number of on-site meetings	2
Number of meetings held by way of communication	12
Number of 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 2014, 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 2014, 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 Electronics Company Limited for the Year 2014 published on the website of Shanghai Stock Exchange on 31 March 2015.

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 nine meetings:

1. On 21 January 2014, audit committee meeting was convened by way of written resolutions and all committee members attended the meeting. At the meeting, the matters of connected transactions regarding the Supplemental Agreement to the Financial Services Agreement (《金融服務協定之補充協定》) to be entered into by and between the Company and China Electronics Financial Co., Ltd. (Financial Company) were considered and approved. Upon agreement, such was submitted to the Board to be considered.
2. The first meeting of 2014 was convened on 28 March 2014 and all committee members attended the meeting to review the 2013 financial report. It was 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 2014 was approved at the meeting and was submitted 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 (Continued)

(I) Audit Committee (Continued)

3. On 9 April 2014, audit committee meeting was convened by way of written resolutions and all committee members attended the meeting. At the meeting, the matters of connected transactions regarding the acquisition of 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders acquired by Nanjing Panda Information Industry Co., Ltd., the holding subsidiary of the Company, were considered and approved. Upon agreement, such was submitted to the Board to be considered.
4. The second meeting of 2014 was convened by way of written resolutions on 29 April 2014. All members of the Audit Committee attended the meeting to review the 2014 first quarterly report of the Company, and agreed to submit the same to the Board for consideration.
5. On 10 July 2014, audit committee meeting was convened by way of written resolutions and all committee members attended the meeting. At the meeting, the matters of connected transactions regarding the Company's participation in the purchase (by bidding) of 5,834,430 equity shares (representing 5.07% of its total shares) of Shenzhen Jinghua Electronics Co., Ltd. (深圳市京華電子股份有限公司) held by PEGL were considered and approved. Upon agreement, such was submitted to the Board to be considered.
6. On 15 August 2014, the third meeting of 2014 was convened by way of written resolutions and all committee members attended the meeting. At the meeting, Half-yearly Financial Report of the Company was examined and verified. Upon agreement, such was submitted to the Board to be considered.
7. The fourth meeting of 2014 was convened by way of written resolutions on 30 October 2014. All members of the Audit Committee attended the meeting to review the 2014 third quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.
8. On 8 December 2014, audit committee meeting was convened by way of written resolutions and all committee members attended the meeting. At the meeting, the matters of connected transactions regarding supplemental agreements to continual connected transactions for 2014 and 2015 to be entered into by and between the Company and the relevant connected person(s) were considered and approved. Upon agreement, such was submitted to the Board to be considered.

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)

(I) Audit Committee (Continued)

9. On 29 December 2014, the fifth meeting of 2014 was convened and all committee members attended the meeting. At the meeting, it was heard: the report of audit work plan for 2014 annual report and the relevant situation; 2014 production and operation, financial position and progress of material matters; 2014 internal control audit work plan and auditing situation; 2014 internal control evaluation work plan and the relevant situation. On the meeting, it examined and verified the annual report audit work plan, internal control work plan and internal control evaluation proposal. The audit committee required the Company to try its best to cope with the accountant firm to conduct auditing for the annual report and required the accountant firm to be equipped with sufficient power to complete the auditing of the annual report within the scheduled timeframe and of high quality. In case of major issues, timely report of such issues was required. 2014 financial position and operating results of the Company needed to be reflected in objective and fair manner. The management level was required to continue to pay great attention to the development of self-owned products and greater efforts were endeavour in scientific research. The Company should actively explore and develop the product market, strengthen the standardized operation, enhance the level of the corporate governance, fully utilize the capital market, develop the major business and make it strong, and further enhanced the image of a listed company. It required the internal audit department and the relevant persons in charge and the registered accountant for internal control audit to maintain communication, cope with and conduct internal control audit work and issue audit report. The Company tracks down the matters submitted for attention, puts forward rectification proposal, and copes with follow-up control testing. The audit committee provides guidelines for internal control audit work.

During the process of preparing and disclosing the 2014 Annual Report of the Company, the audit committee conducted various communication with the Company's management, person in charge of finance and the registered accountant for annual audit in accordance with the "Audit Committee's Work Regulation Regarding Annual Report" (《審核委員會年報工作規程》) and received the report on the preparation of 2013 annual report and met registered accountant for annual audit for communicating over auditing items and reviewing the financial statements. The Company and the registered accountant for annual audit were required to seriously study all the latest provisions of the CSRC and of the relevant annual report as released by the local stock exchange where the company was listed. The relevant provisions of the new accounting standard should be strictly followed and disclosure of annual report was required to be conducted in good manner.

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)

(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 28 March 2014, 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.

(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 28 March 2014, the Strategy Committee of the Seventh Session of the Board convened a meeting in which all committee members attended. At the meeting, developmental strategy and operating goals were being investigated. It was suggested to enhance the core competitiveness and accelerate the completion of strategic shifting of the major business towards electronic equipment industry, to maintain stability of business performance and long-term upwards development, to continue to enhance the Company's value, to strengthen construction of internal industry, for the Company to continue to separate itself away from non-strategic business, implement centralized management of resources and key development of core industry and products, standardize the management and use of raised proceeds and ensure the smooth implementation of investment project of raised proceeds, to continue to make greater contribution towards R&D, grasp some core technology with its own intellectual property, make continuous breakthrough in key fields and core technology, and equip itself with the capability to provide overall solution and the strong marketing capability for domestic and international markets, to continue to implement reorganization and integration of the professional companies subordinated thereto, clear the relationship regarding equity shares, and optimize the industry layout, consolidate business sectors focused on electronic equipment and electronic manufacturing, and explore and develop the business in respect of consumer electronic products. It was suggested that the international cooperation should be strengthened and that the Company continued to pay close attention to and value the development of joint ventures, strengthen the management and service of joint venture companies and facilitated continuous and steady development of the business of joint venture companies.

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)

(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 28 March 2014, the seventh Remuneration and Evaluation Committee held a meeting, all the members of the Committee attended the meeting, 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. Details for the risks identified by the Supervisory Committee

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

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.

Corporate Governance Report (Continued)

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.

On 25 November 2014, the seventeenth meeting of the seventh Session of the Board considered and approved the “Measures Regarding the Verification of Performance of Senior Management Officers of Nanjing Panda Electronics Company Limited” (《南京熊貓電子股份有限公司高級管理人員績效考核辦法》) whereby the matters concerning the remuneration composition, basis for confirmation, contents for verification, calculation method and encashment procedures and others were further defined, senior management officers were encouraged to take initiatives and the Company’s development was facilitated.

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 2014. Baker Tilly Hong Kong Limited was engaged as the Company’s international auditor for 2014. 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);
- (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 2014.

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 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.

Internal Control (Continued)

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

(III) Development of the internal control system

The Company has a refined and modernized corporate governance structure which upgrades the Company's basic system and management measures and procedures according to the standard. Adaptive amendment will be made to the Company's management documents each year.

In 2014, the Company made 9 amendments to the management documents and complete sorting was made to 70 existing systems. Two systems, namely, "Provisions Regarding Use and Maintenance of Informatized Systems" (《資訊化系統使用及維護規定》) and "Evaluation Measures on Internal Control" (《內部控制評價辦法》) were newly added. Key amendments were made to "Various Provisions Regarding Informationalization Construction" (《資訊化建設若干規定》), "Provisions Regarding Expenses Reimbursement" (《費用報銷規定》), "Financing Management Measures" (《融資管理辦法》), "Measures Regarding Scientific Research Projects and Scientific Research Fund Management" (《科研專案及科研經費管理辦法》), "Measures Regarding Major Construction and Engineering Project Management" (《重大建設工程項目管理辦法》) and other systems such that the relevant control policies and procedures can comply with the requirements of the corporate risk control.

Upon completion of amendments to relevant systems, the management systems of the Company increased to 72, further improving the control over the principal businesses and matters of the Company. Among which, 30 are fundamental management systems involving systematic managements such as organizational framework, decision-making, authorization (power restriction), contracts, investment and financing, human resources, quality and safety; 30 are operation monitoring systems involving operational analysis, operational planning, tendering, fixed assets, accounting, financial control, sales, procurement, inventories, scientific research, etc.; 4 are audit and supervision 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..

Based on the fundamental management systems at the corporate level, the affiliated entities of the Company established their respective internal control system with taking into account their own business characteristics while relevant management measures and control procedures were specially developed for such management activities as organization structure, human resources, sales, purchases, capital, assets and contracts, so as to ensure operational risk control and enhance operational efficiency.

(IV) Implementation of Internal Control System

The general meeting, the Board of Directors, supervisory committee and the management level of the Company are operated pursuant to the laws and regulations and the Articles of Association. Directors, supervisors and the level of managers strictly follow the rules of procedure and perform their job duties. The level of managers is responsible for leading the daily operation of the Company's internal control. Under the leadership of the operating level, all functions and departments are responsible for the effective implementation of the relevant systems and procedures within their scope of work and management, and process various matters pursuant to the procedures and urge the relevant units and departments to perform according to the provisions.

Internal Control (Continued)

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

(IV) Implementation of Internal Control System (Continued)

For purposes of ensuring the implementation of the systems and in accordance with the requirements for listed companies and regulatory requirements, the Company conducts annual self-evaluation of internal control on a regular basis, organizes self-examination and key checking for the adaption and effectiveness of internal control, formulates rectification proposal for the issues arising from the implementation of internal control, provides feedback within the deadline, pursues the accountability for those acts in violation of the provisions of internal control, and incorporates the results of implementing the rectification into the annual evaluation of the performance of those who are in charge.

By monitoring the daily operation, monitoring the finance, and monitoring and supervising the audit, the Company's internal control system is operating well as a whole.

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 2014) of the CSRC and the Notice on the Preparation of 2014 Annual Reports by Listed Companies (《關於做好上市公司2014年年度報告工作的通知》) issued by the Shanghai Stock Exchange, the Board of the Company has prepared the Self-assessment Report on the Internal Control of the Company for 2014, which was disclosed along with the 2014 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 2014 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 2014 annual report. During the reporting period, there was no correction of major accounting errors and supplementation of omitted major information and correction of results prediction.

Financial Report

This 2014 Financial Report of the Company was audited by Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) respectively pursuant to Hong Kong Financial Reporting Standards and Accounting Standard for Business Enterprises, and standard unqualified audit reports were issued.

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 138 to 214, which comprise the consolidated and company balance sheets as at 31 December 2014, 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.

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.

Independent auditor's report (*Continued*)

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 2014 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, 30 March 2015
Chan Kwan Ho, Edmond
Practising Certificate Number P02092

Consolidated statement of comprehensive income

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000 (Restated)
Turnover	7	3,450,690	4,096,035
Cost of sales		(2,980,123)	(3,627,212)
Gross profit		470,567	468,823
Other income and net (losses)/gains	8	46,424	148,804
Distribution costs		(47,798)	(53,269)
Administrative expenses		(418,061)	(431,666)
Operating profit		51,132	132,692
Finance income/(costs), net	9	32,182	(4,577)
Share of profits of associates		137,497	123,082
Profit before taxation	10	220,811	251,197
Income tax expense	12	(24,385)	(28,532)
Profit and total comprehensive income for the year		196,426	222,665
Attributable to:			
Equity shareholders of the Company		153,230	184,821
Non-controlling interests		43,196	37,844
		196,426	222,665
Earnings per share (RMB cents)			
— Basic and diluted	13	16.77	23.56

The notes on pages 147 to 214 form part of the consolidated financial statements.

Consolidated balance sheet

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000 (Restated)	2012 RMB'000 (Restated)
ASSETS				
Non-current assets				
Land use rights	15	72,416	74,046	83,835
Property, plant and equipment	16	906,954	815,255	724,179
Investment properties	17	16,176	17,446	13,284
Associates	19	501,710	403,513	492,141
Available-for-sale equity securities	20	3,650	3,650	3,650
Capitalised development costs	21	17,593	—	—
Deferred tax assets	22	6,760	1,617	6,351
		<u>1,525,259</u>	<u>1,315,527</u>	<u>1,323,440</u>
Current assets				
Inventories	23	279,439	254,170	277,313
Trade and bills receivables	24	931,497	788,298	814,968
Amounts due from customers for contract work	25	231,131	172,314	86,975
Deposits, prepayments and other receivables	26	278,816	308,713	138,675
Other financial assets	27	550,000	76,000	—
Restricted bank deposits	28	115,626	70,846	212,759
Cash and cash equivalents	29	712,357	1,495,159	613,725
		<u>3,098,866</u>	<u>3,165,500</u>	<u>2,144,415</u>
Total assets		<u><u>4,624,125</u></u>	<u><u>4,481,027</u></u>	<u><u>3,467,855</u></u>
EQUITY				
Capital and reserves attributable to equity shareholders of the Company				
Share capital	30	913,839	913,839	655,015
Share premium and reserves		2,265,114	2,222,197	1,042,847
		<u>3,178,953</u>	<u>3,136,036</u>	<u>1,697,862</u>
Non-controlling interests		<u>204,508</u>	<u>194,888</u>	<u>195,629</u>
Total equity		<u><u>3,383,461</u></u>	<u><u>3,330,924</u></u>	<u><u>1,893,491</u></u>

Consolidated balance sheet (Continued)

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000 (Restated)	2012 RMB'000 (Restated)
LIABILITIES				
Non-current liabilities				
Other payables		17,251	18,435	23,649
Deferred tax liabilities	22	155	233	312
		<u>17,406</u>	<u>18,668</u>	<u>23,961</u>
Current liabilities				
Bank and other borrowings	32	113,633	160,926	648,335
Trade payables	33	772,053	653,014	590,458
Accruals and other payables	34	322,686	301,589	298,521
Tax payable		14,886	15,906	13,089
		<u>1,223,258</u>	<u>1,131,435</u>	<u>1,550,403</u>
Total liabilities		<u>1,240,664</u>	<u>1,150,103</u>	<u>1,574,364</u>
Total equity and liabilities		<u>4,624,125</u>	<u>4,481,027</u>	<u>3,467,855</u>
Net current assets		<u>1,875,608</u>	<u>2,034,065</u>	<u>594,012</u>
Total assets less current liabilities		<u>3,400,867</u>	<u>3,349,592</u>	<u>1,917,452</u>

Approved and authorised for issue by the board of directors on 30 March 2015.

Xu Guofei
Director

Lu Qing
Director

The notes on pages 147 to 214 form part of the consolidated financial statements.

Balance sheet

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000 (Restated)	2012 RMB'000 (Restated)
ASSETS				
Non-current assets				
Land use rights	15	13,056	13,447	22,012
Property, plant and equipment	16	377,394	388,680	420,475
Subsidiaries	18	1,438,553	1,168,187	746,687
Associates	19	111,224	111,224	111,224
Available-for-sale equity securities	20	3,650	3,650	3,650
		<u>1,943,877</u>	<u>1,685,188</u>	<u>1,304,048</u>
Current assets				
Inventories	23	16,804	21,001	16,266
Trade and bills receivables	24	81,804	94,595	233,266
Deposits, prepayments and other receivables	26	209,045	316,973	187,637
Dividend receivable		—	396	11,081
Other financial assets	27	540,000	—	—
Restricted bank deposits	28	1,899	1,333	115,115
Cash and cash equivalents	29	80,209	890,099	79,349
		<u>929,761</u>	<u>1,324,397</u>	<u>642,714</u>
Total assets		<u>2,873,638</u>	<u>3,009,585</u>	<u>1,946,762</u>
EQUITY				
Share capital	30	913,839	913,839	655,015
Share premium and reserves	31	1,525,675	1,660,828	465,057
Total equity		<u>2,439,514</u>	<u>2,574,667</u>	<u>1,120,072</u>

Balance sheet (Continued)

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000 (Restated)	2012 RMB'000 (Restated)
LIABILITIES				
Non-current liabilities				
Other payables		<u>4,854</u>	<u>6,532</u>	<u>8,435</u>
Current liabilities				
Bank and other borrowings	32	<u>4,746</u>	52,666	445,230
Trade payables	33	<u>28,311</u>	47,512	82,447
Accruals and other payables	34	<u>396,213</u>	<u>328,208</u>	<u>290,578</u>
		<u>429,270</u>	<u>428,386</u>	<u>818,255</u>
Total liabilities		<u>434,124</u>	<u>434,918</u>	<u>826,690</u>
Total equity and liabilities		<u>2,873,638</u>	<u>3,009,585</u>	<u>1,946,762</u>
Net current assets/(liabilities)		<u>500,491</u>	<u>896,011</u>	<u>(175,541)</u>
Total assets less current liabilities		<u>2,444,368</u>	<u>2,581,199</u>	<u>1,128,507</u>

Approved and authorised for issue by the board of directors on 30 March 2015.

Xu Guofei
Director

Lu Qing
Director

The notes on pages 147 to 214 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2014 (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 2014 (Restated)	913,839	1,424,918	1,163	233,657	1,874	560,585	3,136,036	194,888	3,330,924
Acquisition of additional interests in subsidiaries	—	—	1,754	—	—	—	1,754	(5,763)	(4,009)
Profit and total comprehensive income for the year	—	—	—	—	—	153,230	153,230	43,196	196,426
Dividend approved in respect of the previous year	—	—	—	—	—	(60,313)	(60,313)	—	(60,313)
Dividend paid to former shareholder of a subsidiary relating to a business combination under common control	—	—	—	—	—	(1,750)	(1,750)	—	(1,750)
Deregistration of a subsidiary	—	—	362	—	—	—	362	478	840
Profit appropriations	—	—	—	2,857	—	(2,857)	—	—	—
Business combination under common control	—	—	(50,366)	—	—	—	(50,366)	—	(50,366)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	(28,291)	(28,291)
As at 31 December 2014	<u>913,839</u>	<u>1,424,918</u>	<u>(47,087)</u>	<u>236,514</u>	<u>1,874</u>	<u>648,895</u>	<u>3,178,953</u>	<u>204,508</u>	<u>3,383,461</u>

Consolidated statement of changes in equity (Continued)

for the year ended 31 December 2014 (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 (Restated)	655,015	389,338	1,163	222,451	35,688	394,207	1,697,862	195,629	1,893,491
Issue of new A shares	258,824	1,035,580	—	—	—	—	1,294,404	—	1,294,404
Profit and total comprehensive income for the year	—	—	—	—	—	184,821	184,821	37,844	222,665
Dividend approved in respect of the previous year	—	—	—	—	—	(39,301)	(39,301)	—	(39,301)
Dividend paid to former shareholder of a subsidiary relating to business combination under common control	—	—	—	—	—	(1,750)	(1,750)	—	(1,750)
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	—	—	—	—	—	—	—	(36,494)	(36,494)
As at 31 December 2013 (Restated)	<u>913,839</u>	<u>1,424,918</u>	<u>1,163</u>	<u>233,657</u>	<u>1,874</u>	<u>560,585</u>	<u>3,136,036</u>	<u>194,888</u>	<u>3,330,924</u>

The notes on pages 147 to 214 form part of the consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000 (Restated)
Operating activities			
Cash generated from operations	35	46,136	103,185
Interest paid		(7,984)	(29,448)
Income tax paid		(30,626)	(21,060)
Net cash generated from operating activities		7,526	52,677
Investing activities			
Purchase of property, plant and equipment		(162,741)	(201,921)
Purchase of land use right		—	(15)
Purchase of investment properties		—	(5,783)
Acquisition of additional interests in a subsidiary		(4,009)	—
Decrease in net amounts due with fellow subsidiaries and associates		36,822	7,805
Proceeds from disposals of property, plant and equipment		529	6,682
Proceeds from disposals of investment properties		—	48
Cash paid for business combination under common control		(50,366)	—
Interest received		39,728	24,871
Dividends received from associates		39,300	211,710
Expenditures on development projects		(17,593)	—
Increase in other financial assets		(474,000)	(76,000)
Net cash used in investing activities		(592,330)	(32,603)

Consolidated cash flow statement (Continued)

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000 (Restated)
Financing activities			
Proceeds from issue of new A shares		—	1,294,404
Proceeds from borrowings		313,633	670,926
Repayments of borrowings		(360,926)	(1,158,335)
Advances from intermediate holding company		1	44
Advances from immediate holding company		863	1,528
Repayments to non-controlling shareholders upon deregistration of a subsidiary		—	(2,091)
Dividends paid to equity shareholders of the Company		(60,313)	(39,301)
Dividends paid to non-controlling shareholders of subsidiaries		(35,831)	(45,859)
Dividends paid to former shareholder of a subsidiary relating to business combination under common control		(1,750)	(1,750)
(Increase)/decrease in restricted bank deposits		(44,780)	141,913
Net cash (used in)/generated from financing activities		(189,103)	861,479
Net (decrease)/increase in cash and cash equivalents		(773,907)	881,553
Cash and cash equivalents at beginning of the year		1,495,159	613,725
Effect of foreign exchange rate changes		(8,895)	(119)
Cash and cash equivalents at end of the year	29	712,357	1,495,159

The notes on pages 147 to 214 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. On 25 March 2015, the principal place of business of the Company was changed from 301 Zhongshan Road East, Nanjing, Jiangsu Province, the PRC to 7 Jingtian Road, 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 and ultimate holding company of the Company to be Panda Electronics Group Limited (“PEGL”) and China Electronic Corporation (“CEC”), respectively. 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”). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except that other financial assets are carried at their fair values as explained in the accounting policies set out in note 2.6 and certain items of property, plant and equipment are stated at 1995 valuation less accumulated depreciation and impairment losses as explained in note 2.8 below.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.1 Basis of preparation (*continued*)

In November 2014, the Company completed the acquisition of an additional 5.07% equity interest in Shenzhen Jinghua Electronics Co., Ltd. (“Shenzhen Jinghua”) from the ultimate holding company at a total cash consideration of RMB50,366,000 and, as a result, the Company’s equity interest in Shenzhen Jinghua has increased from 38.03% to 43.10% and the Company is able to control a majority of the board of directors of Shenzhen Jinghua. Shenzhen Jinghua, previously an associate of the Company, has become a subsidiary. This transaction was regarded as a business combination under common control as the Company and Shenzhen Jinghua are controlled by PEGL both before and after the aforesaid acquisition, and has been accounted for in accordance with the Accounting Guideline 5 “Merger accounting for common control combinations” issued by the HKICPA. The comparative figures in these consolidated financial statements have been restated as if the business combination had been completed on the earliest date of the period being presented, i.e. 1 January 2012.

The acquisition of Shenzhen Jinghua had resulted in increase in the Group’s profit and total comprehensive income for the year ended 31 December 2014 by RMB45,533,000. Details of the adjustments for the common control combination on the Group’s results for the year ended 31 December 2013 and the Group’s financial position as at 31 December 2013 and 2012 are set out in note 36.

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 2.11), unless the investment is classified as held for sale.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

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 2.11). 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.

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 2.11), unless the investments are classified as held for sale.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

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 2.11).

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 Available-for-sale equity securities

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 2.11). Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2.21(ii).

Available-for-sale equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investments.

2.6 Other financial assets

Other financial assets, which are not held for trading, are classified as available-for-sale financial assets. They 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. 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. Interest income from these financial assets is recognised in profit or loss in accordance with the policy set out in note 2.21(iii). When these financial assets are derecognised or impaired (see note 2.11), the cumulative gain or loss is reclassified from equity to profit or loss.

Other financial assets are recognised/derecognised on the date the Group commits to purchase/sell the financial assets.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.7 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.

2.8 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 2.11).

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
— Leasehold improvements	3 to 10 years
— Plant, machinery and equipment	2 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)

2.9 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2.10) to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2.11). Depreciation is calculated using straight-line method to allocate their costs to their residual values over their lease terms of 10 to 30 years. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2.21(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2.10), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2.10.

2.10 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.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.10 Leases (*continued*)

(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 2.8 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 2.21(iv) below.

2.11 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;
- 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 2.11(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 2.11(ii).

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.11 Impairment of assets (*continued*)

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

- 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 financial assets, 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 financial assets are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.11 Impairment of assets (*continued*)

(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;
- investment properties;
- capitalised development costs; 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 amount of an asset will not be reduced below its individual fair value less costs to sell (if measurable) or value in use, (if determinable).

— 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.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.12 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.

2.13 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*)

2.14 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 2.11), 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

2 Summary of significant accounting policies (continued)

2.18 Income tax (continued)

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.

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.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.18 Income tax (*continued*)

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.

2.19 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.

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 2.20 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.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

2 Summary of significant accounting policies (continued)

2.20 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.

2.21 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*)

2.22 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, such as equities classified as available-for-sale, are included in other comprehensive income.

2.23 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.

2.24 Employee benefits

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.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

2 Summary of significant accounting policies (continued)

2.25 Research and development costs

Costs associated with research activities are charged to profit or loss as incurred. Costs associated with development activities are expensed as incurred, or recognised as intangible assets provided they meet the following recognition requirements:

- demonstration of technical feasibility of the prospective product for internal use or sale;
- there is intention to complete the intangible asset and use or sell it;
- the Group's ability to use or sell the intangible asset is demonstrated;
- the intangible asset will generate probable economic benefits through internal use or sale;
- sufficient technical, financial and other resources are available for completion; and
- the expenditure attributable to the intangible asset can be reliably measured.

Capitalised development costs are stated at cost less accumulated amortisation and any impairment losses (see note 2.11). Amortisation of capitalised development costs is charged to profit or loss on straight-line method over the assets' estimated useful lives. Both the period and method of amortisation are reviewed annually. Development costs previously recognised as expenses are not recognised as an asset in the subsequent period.

2.26 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.

Notes to the consolidated financial statements *(Continued)*

(Expressed in Renminbi)

2 Summary of significant accounting policies *(continued)*

2.27 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 amendments to HKFRSs and one new Interpretation 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 HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- HK(IFRIC) Interpretation 21, Levies

The adoption of the above amendments and interpretation has had no effect on the Group's consolidated financial statements.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2010 - 2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011 - 2013 cycle	1 July 2014
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2017
HKFRS 9, Financial instruments	1 January 2018

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 consolidated financial statements.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

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 Japanese Yen ("JPY") and 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.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against JPY and USD with all the variables held constant, post-tax profit for the year would have been RMB804,000 higher/lower and RMB184,000 lower/higher (2013 as restated: RMBnil and RMB42,000 higher/lower) respectively, mainly as a result of foreign exchange gains/losses on translation of JPY/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

The interest rate risk arises primarily from bank deposits, other financial assets and borrowings. The Group does not use financial derivatives to hedge against interest rate risk.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

4 Financial Risk Management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

(i) Interest rate profile

The Group's interest rate profile as monitored by management is set out below:

	2014 Effective interest rate %	Amount RMB'000	2013 Effective interest rate %	Amount RMB'000 (Restated)
Variable rate instruments:				
Other financial assets	2.86%-5.60%	550,000	3.60%-6.30%	76,000
Bank deposits	0.35%-2.55%	711,713	0.35%-2.85%	1,494,532
Bank and other borrowings	6.00%	<u>(30,000)</u>	6.00%-7.20%	<u>(99,000)</u>
		<u>1,231,713</u>		<u>1,471,532</u>

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interests rates, with all other variables held constant, would have increase/decrease the Group's profit after tax for the year and accumulated profits by approximately RMB9,238,000 (2013 as restated: RMB11,036,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained profits that would arise assuming that there is an annualised impact on interest income and expense by a change in interest rates. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next annual reporting year.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

4 Financial Risk Management (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, other financial assets, 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.

The Group has concentration of credit risk as 29.06% (2013 as restated: 31.68%) of the total trade and bills receivables was due from the Group's five largest customers.

The credit risk for other financial assets, restricted bank deposits and cash and cash equivalents is considered by the Group to be minimal as the counterparties are generally banks and financial institutions 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 24.

(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		
		Within 1 year RMB'000	After 1 year RMB'000	
2014				
Bank and other borrowings	113,633	114,478	114,478	—
Trade payables	772,053	772,053	772,053	—
Accruals and other payables	339,937	343,165	322,711	20,454
	<u>1,225,623</u>	<u>1,229,696</u>	<u>1,209,242</u>	<u>20,454</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

4 Financial Risk Management (continued)

(c) Liquidity risk (continued)

The Group (continued)	Carrying amount RMB'000 (Restated)	Total contractual undiscounted cash flow RMB'000 (Restated)	Within 1 year RMB'000 (Restated)	After 1 year RMB'000 (Restated)
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2013

Bank and other borrowings	160,926	162,922	162,922	—
Trade payables	653,014	653,014	653,014	—
Accruals and other payables	320,024	323,234	301,588	21,646
	<u>1,133,964</u>	<u>1,139,170</u>	<u>1,117,524</u>	<u>21,646</u>

The Company	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000	After 1 year RMB'000
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2014

Bank and other borrowings	4,746	4,746	4,746	—
Trade payables	28,311	28,311	28,311	—
Accruals and other payables	401,067	401,627	396,213	5,414
	<u>434,124</u>	<u>434,684</u>	<u>429,270</u>	<u>5,414</u>

	Carrying amount RMB'000 (Restated)	Total contractual undiscounted cash flow RMB'000 (Restated)	Within 1 year RMB'000 (Restated)	After 1 year RMB'000 (Restated)
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2013

Bank and other borrowings	52,666	53,774	53,774	—
Trade payables	47,512	47,512	47,512	—
Accruals and other payables	334,740	345,206	337,954	7,252
	<u>434,918</u>	<u>446,492</u>	<u>439,240</u>	<u>7,252</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

4 Financial Risk Management (continued)

(d) Categories of financial instruments

The Group	2014 <i>RMB'000</i>	2013 <i>RMB'000</i> (Restated)
Financial assets		
Loan and receivables (including cash and cash equivalents)	1,889,025	2,531,048
Available-for-sale equity securities	3,650	3,650
Other financial assets	550,000	76,000
	<u>2,442,675</u>	<u>2,610,698</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>1,225,623</u>	<u>1,133,964</u>
The Company	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Financial assets		
Loan and receivables (including cash and cash equivalents)	371,396	1,303,110
Available-for-sale equity securities	3,650	3,650
Other financial assets	540,000	—
	<u>915,046</u>	<u>1,306,760</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>434,124</u>	<u>434,918</u>

(e) Fair values

The fair values of other financial assets are categorised as level 3 fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The fair values have been determined by discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at a rate that reflect management's best estimation of the expected risk level. Significant unobservable inputs are mainly the expected future cash flow and the discount rate. The higher the future cash flows or the lower the discount rate, the higher the fair value determined.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

4 Financial Risk Management (continued)

(e) Fair values (continued)

The following tables present reconciliations of level 3 fair value measurements of other financial assets.

The Group	2014 <i>RMB'000</i>	2013 <i>RMB'000</i> (Restated)
At 1 January	76,000	—
Payments for purchases	4,717,000	296,000
Proceeds from settlements	(4,243,000)	(220,000)
At 31 December	550,000	76,000
The Company	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
At 1 January	—	—
Payments for purchases	3,461,000	—
Proceeds from settlements	(2,921,000)	—
At 31 December	540,000	—

During the years ended 31 December 2014 and 2013, there was no transfer occurred between levels in the hierarchy.

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

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.

The gearing ratios as at 31 December 2014 and 2013 were as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i> (Restated)
Total borrowings	113,633	160,926
Less: Cash and cash equivalents	(712,357)	(1,495,159)
Net cash	(598,724)	(1,334,233)
Total equity (excluding non-controlling interests)	3,178,953	3,136,036
Total capital (total equity plus net debt)	3,178,953	3,136,036
Gearing ratio	—	—

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

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.

(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.

(d) Fair values of other financial assets

The other financial assets have been valued based on the expected future cash flows discounted at a rate that reflect management's best estimation of the expected risk level. These valuations require the Group to make estimates about expected future cash flows, credit risk and discount rate, and hence they are subject to uncertainty.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

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 2014, 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, other financial assets 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 2014 and 2013:

Year ended 31 December 2014

	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
Revenue						
External sales	1,530,780	800,701	958,801	160,408	—	3,450,690
Internal sales	128,417	57,240	14,022	62,843	(262,522)	—
Total	1,659,197	857,941	972,823	223,251	(262,522)	3,450,690
Results						
Segment results	96,354	14,509	36,944	55,785	(46,691)	156,901
Unallocated corporate expenses						(105,769)
Interest income						39,728
Interest expense						(7,546)
Share of profits of associates						137,497
Income tax expense						(24,385)
Profit for the year						196,426

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

7 Revenue and segmental information (continued)

At 31 December 2014

	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
Assets						
Segment assets	2,179,124	351,166	748,238	489,669	(740,039)	3,028,158
Associates						501,710
Available-for-sale equity securities						3,650
Other financial assets						550,000
Unallocated corporate assets						540,607
Consolidated total assets						4,624,125
Liabilities						
Segment liabilities	846,673	201,994	340,259	195,148	(394,804)	1,189,270
Unallocated corporate liabilities						51,394
Consolidated total liabilities						1,240,664
Other information						
Capital expenditure	146,500	1,426	13,126	6,077	4,960	172,089
Depreciation and amortisation	5,023	6,981	27,118	8,160	17,613	64,895
Write-down of inventories	3,911	57	11,568	2,777	—	18,313
Loss/(gain) on disposals of property, plant and equipment	31	(69)	46	171	10	189
Impairment loss recognised/(reversed) on trade receivables	5,226	6,605	(5)	(64)	—	11,762

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

7 Revenue and segmental information (continued)

Year ended 31 December 2013

	Electronic equipment products RMB'000 (Restated)	Consumer electronic products RMB'000 (Restated)	Electronic manufacturing products RMB'000 (Restated)	Other operations RMB'000 (Restated)	Elimination RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Revenue						
External sales	1,433,402	1,798,702	717,295	146,636	—	4,096,035
Internal sales	168,073	78,406	6,649	51,595	(304,723)	—
Total	<u>1,601,475</u>	<u>1,877,108</u>	<u>723,944</u>	<u>198,231</u>	<u>(304,723)</u>	<u>4,096,035</u>
Results						
Segment results	<u>125,032</u>	<u>(25,368)</u>	<u>29,468</u>	<u>60,618</u>	<u>(30,487)</u>	159,263
Unallocated corporate expenses						(26,571)
Interest income						24,871
Interest expense						(29,448)
Share of profits of associates						123,082
Income tax expense						<u>(28,532)</u>
Profit for the year						<u>222,665</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 (Restated)	Consumer electronic products RMB'000 (Restated)	Electronic manufacturing products RMB'000 (Restated)	Other operations RMB'000 (Restated)	Elimination RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Assets						
Segment assets	1,827,423	402,599	626,208	456,090	(718,126)	2,594,194
Associates Available-for-sale equity securities						403,513
Other financial assets						3,650
Unallocated corporate assets						76,000
						<u>1,403,670</u>
Consolidated total assets						<u><u>4,481,027</u></u>
Liabilities						
Segment liabilities	797,670	186,352	258,596	155,714	(351,333)	1,046,999
Unallocated corporate liabilities						<u>103,104</u>
Consolidated total liabilities						<u><u>1,150,103</u></u>
	Electronic equipment products RMB'000 (Restated)	Consumer electronic products RMB'000 (Restated)	Electronic manufacturing products RMB'000 (Restated)	Other operations RMB'000 (Restated)	Unallocated RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Other information						
Capital expenditure	157,404	21,594	5,761	8,337	13,221	206,317
Depreciation and amortisation	5,716	8,842	29,129	9,577	19,810	73,074
Write-down of inventories	1,887	349	5,833	367	—	8,436
Loss/(gain) on disposals of property, plant and equipment	199	572	(309)	3	342	807
Gain on disposals of investment properties	—	—	—	(41)	—	(41)
Impairment loss recognised/(reversed) on trade receivables	<u>1,080</u>	<u>49,937</u>	<u>(549)</u>	<u>(161)</u>	<u>190</u>	<u><u>50,497</u></u>

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

There was one (2013 as restated: one) customer in the consumer electronic products segment that accounted for over 10% of the Group's revenue. Sales to this customer amounted to RMB407,464,000 (2013 as restated: RMB1,160,430,000).

8 Other income and net (losses)/gains

	2014 RMB'000	2013 RMB'000 (Restated)
Other income		
Rental income	4,364	7,141
Property management fee income	3,551	5,310
Compensation income on relocation of factory plants#	—	83,753
Government grants##	34,011	46,190
Sundry income	13,422	10,226
	<u>55,348</u>	<u>152,620</u>
Other net (losses)/gains		
Loss on disposals of property, plant and equipment	(162)	(807)
Gain on disposals of investment properties	—	41
Loss on deregistration of a subsidiary	(840)	—
Exchange losses	(7,922)	(3,050)
	<u>(8,924)</u>	<u>(3,816)</u>
	<u>46,424</u>	<u>148,804</u>

During the year ended 31 December 2013, compensation income from local government authorities is net of the loss recognised on disposal of land use rights of RMB7,882,000 and property, plant and equipment of RMB32,416,000 incidental to the relocation of the factory plants.

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 income/(costs), net

	2014 RMB'000	2013 RMB'000 (Restated)
Finance income		
— Interest income on short-term deposits	15,067	14,640
— Interest income on other financial assets	24,661	10,231
	<u>39,728</u>	<u>24,871</u>
Finance costs		
— Bank and other borrowings wholly repayable within five years	(6,745)	(28,788)
— Others	(801)	(660)
	<u>(7,546)</u>	<u>(29,448)</u>
Finance income/(costs), net	<u>32,182</u>	<u>(4,577)</u>

10 Profit before taxation

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

	2014 RMB'000	2013 RMB'000 (Restated)
Cost of inventories recognised as an expense	2,069,077	2,758,837
Amortisation of land use rights	1,630	1,922
Depreciation of		
— Property, plant and equipment	61,819	69,538
— Investment properties	1,446	1,614
Loss on disposals of property, plant and equipment##	189	—
Impairment loss recognised/(reversed) on		
— Trade receivables	11,762	50,497
— Other receivables	1,830	(769)
— Amounts due from fellow subsidiaries and associates	1,046	(758)
Write-down of inventories	18,313	8,436
Research and development expenses#	178,492	152,840
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and other allowances	444,084	355,052
— Retirement benefit scheme contributions	56,441	55,396
Auditors' remuneration	1,700	1,935
Operating lease rentals in respect of		
— Land and buildings	8,286	8,587
— Plant and equipment	1,002	1,772
— Motor vehicles	1,443	498
	<u>2,069,077</u>	<u>2,758,837</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

10 Profit before taxation (continued)

Research and development expenses include RMB57,938,000 (2013 as restated: RMB58,569,000) relating to staff costs which is also included in the respective amount disclosed separately above.

Loss on disposals of property, plant and equipment of RMB162,000 (2013 as restated: RMB807,000) and RMB27,000 (2013: RMBnil) was included in other net (losses)/gain and cost of sales, respectively, in the consolidated statement of comprehensive income.

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

(a) Directors' and Supervisors' emoluments

The emoluments paid or payable to each of the twelve (2013: fourteen) Directors and Supervisors were as follows:

Year ended 31 December 2014

Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors:				
Lai Weide	—	—	—	—
Xu Guofei	—	—	—	—
	—	—	—	—
Non-executive Directors:				
Lu Qing	—	—	—	—
Jason Hsuan	—	—	—	—
Deng Weiming	—	—	—	—
Xia Dechuan	568	—	36	604
	568	—	36	604
Independent Non-executive Directors:				
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 2014 (continued)

Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors:				
Zhang Yinqian	—	—	—	—
Zhou Yuxin	—	190	36	226
Fu Yuanyuan	—	190	36	226
	—	380	72	452
Total	568	380	108	1,056

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

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

	2014 RMB'000	2013 RMB'000 (Restated)
Salaries and other allowances	4,050	4,080
Retirement benefits scheme contributions	184	181
	4,234	4,261

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

	Number of employees	
	2014	2013 (Restated)
Nil to HKD1,000,000	1	1
HKD1,000,001 to HKD2,000,000	4	4
	5	5

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

12 Income tax expense

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

	2014 RMB'000	2013 RMB'000 (Restated)
Current tax		
— PRC enterprise income tax	29,561	30,323
— Under/(over)-provision in prior year	45	(6,446)
	<u>29,606</u>	<u>23,877</u>
Deferred tax (Note 22)		
— attributable to the origination and reversal of temporary differences	(5,221)	4,178
— resulting from a change in tax rate	—	477
	<u>(5,221)</u>	<u>4,655</u>
	<u>24,385</u>	<u>28,532</u>

PRC enterprise income tax is charged at the statutory rate of 25% (2013: 25%) of the assessable income as determined in accordance 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% or 20% (2013: 15%).

(b) The taxation charge for the year can be reconciled to the accounting profit as follows:

	2014 RMB'000	2013 RMB'000 (Restated)
Profit before taxation	<u>220,811</u>	<u>251,197</u>
Tax calculated at the statutory PRC tax rate of 25% (2013: 25%)	55,203	62,800
Exemption/reduction of income tax under preferential tax treatment	(16,366)	(21,543)
Tax effect of:		
Share of results of associates	(20,631)	(18,427)
Income not subject to tax	—	(59)
Expenses not deductible for tax purposes	1,649	3,046
Tax concessions	(4,299)	(2,265)
Effect of change in tax rate	—	477
Unrecognised tax losses and other deferred tax assets	10,916	11,151
Utilisation of previously unrecognised tax losses and other deferred tax assets	(2,132)	(202)
Under/(over)-provision in prior year	45	(6,446)
Tax charge for the year	<u>24,385</u>	<u>28,532</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

13 Earnings per share

The calculation of the basic earnings per share is based on profit attributable to equity shareholders of the Company of RMB153,230,000 (2013 as restated: RMB184,821,000) and the weighted average number of 913,839,000 (2013: 784,427,000) shares in issue during the year, calculated as follows:

	2014 '000	2013 '000
Issued shares at 1 January	913,839	655,015
Effect of new A shares issued during the year	—	129,412
	<u>913,839</u>	<u>784,427</u>
Weighted average number of shares at 31 December	<u>913,839</u>	<u>784,427</u>

The diluted earnings per share for the years ended 31 December 2014 and 2013 are the same as the basic earnings per share as there were no potential dilutive shares outstanding during both years.

14 Dividends

(a) Dividends payable to equity shareholders of Company attributable to the year:

	2014 RMB'000	2013 RMB'000
Final dividend proposed after the balance sheet date of RMB66 cents per ten shares (2013: RMB66 cents per ten shares)	<u>60,313</u>	<u>60,313</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.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

14 Dividends (continued)

- (b) Dividends payable to equity shareholders of Company attributable to the previous financial year, approved and paid during the year:

	2014 RMB'000	2013 RMB'000
Final dividend in respect of the financial year ended 31 December 2013, approved and paid during the year, of RMB66 cents per ten shares (2012: RMB60 cents per ten shares)	<u>60,313</u>	<u>39,301</u>

15 Land use rights

	The Group RMB'000	The Company RMB'000
Cost:		
At 1 January 2013	89,144	25,194
Additions	15	—
Disposals	<u>(9,700)</u>	<u>(9,700)</u>
At 31 December 2013, 1 January 2014 and 31 December 2014	<u>79,459</u>	<u>15,494</u>
Accumulated amortisation:		
At 1 January 2013	5,309	3,182
Charge for the year	1,922	683
Written back on disposals	<u>(1,818)</u>	<u>(1,818)</u>
At 31 December 2013 and 1 January 2014	5,413	2,047
Charge for the year	<u>1,630</u>	<u>391</u>
At 31 December 2014	<u>7,043</u>	<u>2,438</u>
Carrying value:		
At 31 December 2014	<u>72,416</u>	<u>13,056</u>
At 31 December 2013	<u>74,046</u>	<u>13,447</u>

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	Leasehold improvement RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:						
As at 1 January 2013 (Restated)	629,108	27,723	405,068	24,514	58,622	1,145,035
Additions	5,647	1,374	27,418	2,344	163,736	200,519
Transfers	—	—	4,187	—	(4,187)	—
Disposals	(48,474)	—	(48,174)	(665)	—	(97,313)
As at 31 December 2013 and 1 January 2014 (Restated)	586,281	29,097	388,499	26,193	218,171	1,248,241
Additions	—	1,015	25,669	6,640	120,996	154,320
Transfers	62,337	—	6,947	—	(69,284)	—
Disposals	(4,473)	—	(11,343)	(3,496)	—	(19,312)
As at 31 December 2014	644,145	30,112	409,772	29,337	269,883	1,383,249
Accumulated depreciation and impairment losses:						
As at 1 January 2013 (Restated)	179,638	21,715	210,042	9,461	—	420,856
Charge for the year	19,973	3,636	42,743	3,186	—	69,538
Written back on disposals	(16,058)	—	(40,808)	(542)	—	(57,408)
As at 31 December 2013 and 1 January 2014 (Restated)	183,553	25,351	211,977	12,105	—	432,986
Charge for the year	18,670	2,086	38,331	2,732	—	61,819
Written back on disposals	(4,468)	—	(10,893)	(3,149)	—	(18,510)
As at 31 December 2014	197,755	27,437	239,415	11,688	—	476,295
Carrying value:						
As at 31 December 2014	446,390	2,675	170,357	17,649	269,883	906,954
As at 31 December 2013 (Restated)	402,728	3,746	176,522	14,088	218,171	815,255

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
Cost or valuation:					
As at 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 and 1 January 2014	508,622	20,470	4,215	10,202	543,509
Additions	—	1,677	1,341	3,678	6,696
Transfers	13,531	—	—	(13,531)	—
Disposals	—	(213)	(77)	—	(290)
As at 31 December 2014	522,153	21,934	5,479	349	549,915
Accumulated depreciation and impairment losses:					
As at 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 and 1 January 2014	137,032	16,282	1,515	—	154,829
Charge for the year	16,349	1,199	420	—	17,968
Written back on disposals	—	(203)	(73)	—	(276)
As at 31 December 2014	153,381	17,278	1,862	—	172,521
Carrying value:					
As at 31 December 2014	368,772	4,656	3,617	349	377,394
As at 31 December 2013	371,590	4,188	2,700	10,202	388,680

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 RMB94,814,000 (2013 as restated: RMB34,892,000).

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

17 Investment properties

	2014 RMB'000	2013 RMB'000 (Restated)
Cost:		
At 1 January	67,521	61,758
Additions	176	5,783
Disposals	—	(20)
At 31 December	<u>67,697</u>	<u>67,521</u>
Accumulated depreciation:		
At 1 January	50,075	48,474
Charge for the year	1,446	1,614
Written back on disposals	—	(13)
At 31 December	<u>51,521</u>	<u>50,075</u>
Carrying value	<u><u>16,176</u></u>	<u><u>17,446</u></u>

The investment properties are held under medium term leases in the PRC.

In the opinion of the directors, the fair values of the investment properties are approximately RMB603,700,000 as at 31 December 2014 (2013 as restated: RMB602,114,000). The valuations were arrived at by reference to the market evidence of transaction prices for similar properties, which are categorised as level 2 fair value hierarchy as defined in HKFRS 13, Fair value measurement.

18 Subsidiaries

	2014 RMB'000	2013 RMB'000 (Restated)
Unlisted investments, at cost	1,454,958	1,189,624
Less: Impairment loss	<u>(16,405)</u>	<u>(21,437)</u>
	<u><u>1,438,553</u></u>	<u><u>1,168,187</u></u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

18 Subsidiaries (continued)

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 2014 are as follows:

Name	Registered capital	Percentage of equity attributable to the Company		Principal activities
		directly	indirectly	
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
Nanjing Panda Mechanical Co., Ltd.	RMB3,000,000	85.82%	—	Manufacture and subcontracting of mechanical parts

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

18 Subsidiaries (continued)

Name	Registered capital	Percentage of equity attributable to the Company		Principal activities
		directly	indirectly	
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	—	100%	Development, manufacture and sale of logistics equipment
Nanjing Panda Electronic Equipment Co., Ltd.	RMB190,000,000	100%	—	Manufacture of industrial, environmental conservation and logistics equipment
Nanjing Panda Electronic Technology Development Co., Ltd.	RMB674,000,000	100%	—	General purpose equipment, technology service, software development, system integration, property management
Nanjing Panda Communications Technology Co., Ltd.	RMB100,000,000	100%	—	Research and development, production and marketing of professional mobile communication products
Galant Limited	HKD1	100%	—	Trading and investment holding
Shenzhen Jinghua (Note i)	RMB115,067,558	43.10%	—	Development, manufacture and sale of consumer electronic products, and property leasing and management

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

18 Subsidiaries (continued)

Name	Registered capital	Percentage of equity attributable to the Company		Principal activities
		directly	indirectly	
Dongguan Jingbanghua Electronics Co., Ltd. (Note ii)	RMB5,000,000	—	34.48%	Provision of sub-contracting services
Dongguan XingJinghua Plastic Products Co., Ltd. (Note ii)	RMB1,000,000	—	23.71%	Manufacture and sale of plastic packing materials
Shenzhen Jingjia Property Management Co., Ltd. (Note ii)	RMB1,000,000	—	43.10%	Property management
Shenzhen Jinghua Internet Electronic Co., Ltd. (Note ii)	RMB5,000,000	—	43.10%	Provision of sub-contracting services
Shenzhen Jinghua Property Management Co., Ltd. (Note ii)	RMB1,000,000	—	43.10%	Property management
Shenzhen Jialihua Electronics Co., Ltd. (Note ii)	RMB3,000,000	—	43.10%	Inactive
Shenzhen Jinghua Audio and Video Sales Co., Ltd. (Note ii)	RMB1,000,000	—	26.72%	Sale of customer electronic products
Shenzhen Jinghua Information Technology Co., Ltd. (Note ii)	RMB20,000,000	—	26.72%	Development, manufacture and sale of customer electronic products
Shenzhen Jinghua Multi-media Technology Co., Ltd. (Note ii)	RMB5,000,000	—	43.10%	Manufacture and sale of motor vehicles electronic products
Shenzhen Jinghua Digital Technology Co., Ltd. (Note ii)	RMB5,000,000	—	26.72%	Manufacture and sale of computer software and hardware
Shenzhen Jingyu Electronics Co., Ltd. (Note ii)	HKD8,500,000	—	43.10%	Manufacture and sale of electronic products
Shenzhen Longgang Jinghua Electronics Co., Ltd. (Note ii)	RMB3,500,000	—	43.10%	Leasing of investment properties
Shenzhen XingJinghua Packing Products Co., Ltd. (Note ii)	RMB1,000,000	—	23.71%	Inactive

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

18 Subsidiaries (continued)

Notes:

- (i) Although the Group holds a 43.10% equity interest in Shenzhen Jinghua, the Group is able to control a majority of the board of directors of Shenzhen Jinghua to direct the relevant activities of Shenzhen Jinghua.
- (ii) Held by Shenzhen Jinghua.

During the year, the Group acquired an additional 30% equity interests in Nanjing Panda Electromechanical Instruments Technology Co., Ltd. at a total cash consideration of RMB4,009,000. The vendors to this transaction included a member of the Group's key management personnel who held 9.81% of the relevant equity interest and received cash consideration of RMB1,311,000 from the transaction.

During the year, the Company made additional capital contributions of RMB46,000,000, RMB124,000,000 and RMB50,000,000 to Nanjing Panda Electronic Equipment Co., Ltd., Nanjing Panda Electronic Technology Development Co., Ltd. and Nanjing Panda Communications Technology Co., Ltd., respectively.

Nanjing Panda Technology Equipment Co., Ltd., a wholly owned subsidiary of the Company, and Shenzhen Jinghua LED Light Technology Co., Ltd., a wholly owned subsidiary of Shenzhen Jinghua, were deregistered during the year.

Summarised financial information in respect of Shenzhen Jinghua and its subsidiaries (together the "Jinghua Group") that has material non-controlling interests ("NCI") is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jinghua Group

	2014 RMB'000	2013 RMB'000
NCI percentage	56.90%	61.97%
Current assets	353,463	354,149
Non-current assets	78,864	86,089
Current liabilities	<u>(113,021)</u>	<u>(141,700)</u>
Net assets	319,306	298,538
Carrying amount of NCI	<u>181,673</u>	<u>169,857</u>
Revenue	826,514	164,828
Profit and total comprehensive income for the year	63,098	49,228
Profit allocated to NCI	35,901	30,505
Dividend paid to NCI	<u>(14,880)</u>	<u>(13,403)</u>
Cash flow from operating activities	40,072	106,132
Cash flow from investing activities	76,604	(105,681)
Cash flow from financing activities	<u>(50,711)</u>	<u>(4,992)</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

19 Associates

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000 (Restated)
Unlisted investments, at cost	—	—	187,688	619,550
Less: Impairment loss	—	—	(76,464)	(508,326)
Share of net assets	498,267	400,070	—	—
Goodwill	3,443	3,443	—	—
	<u>501,710</u>	<u>403,513</u>	<u>111,224</u>	<u>111,224</u>

During the year, 5 associates, namely Hua Fei Colour Display Systems Co., Ltd., MPower Batteries (Nanjing) Co., Ltd., Nanjing Flextronics Panda Mobile Terminals Co., Ltd., Panda Korea Chen Xi Joint Venture Co., Ltd. and Nanjing Panda Medical Electronics Co., Ltd., were deregistered. These associates were not individually material to the Group.

Particulars of the Group's material associates, which are all incorporated and operate in the PRC, as at 31 December 2014 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

The above associates are unlisted incorporated entities whose quoted market price is not available, and are accounted for using the equity method in the consolidated financial statements.

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:

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

19 Associates (continued)

	2014		2013	
	ENC RMB'000	BMC RMB'000	ENC RMB'000	BMC RMB'000
Turnover	<u>13,571,481</u>	<u>30,242,788</u>	<u>12,397,385</u>	<u>33,898,443</u>
Profit before income tax	<u>28,427</u>	<u>1,025,604</u>	448,413	717,934
Income tax	<u>(4,393)</u>	<u>(364,885)</u>	<u>(67,109)</u>	<u>(621,855)</u>
Profit and total comprehensive income for the year	<u>24,034</u>	<u>660,719</u>	<u>381,304</u>	<u>96,079</u>
Profit and comprehensive income for the year attributable to the Group	<u>6,489</u>	<u>132,142</u>	<u>102,952</u>	<u>19,216</u>
Dividends received from the associates during the year	<u>—</u>	<u>39,300</u>	<u>104,008</u>	<u>107,400</u>
Financial position				
Non-current assets	<u>1,447,489</u>	<u>311,710</u>	894,503	430,059
Current assets	<u>9,200,827</u>	<u>5,057,650</u>	6,830,543	7,372,788
Non-current liabilities	<u>—</u>	<u>—</u>	(7,826)	—
Current liabilities	<u>(9,633,718)</u>	<u>(4,299,387)</u>	<u>(6,726,656)</u>	<u>(7,197,083)</u>
Net assets	<u>1,014,598</u>	<u>1,069,973</u>	<u>990,564</u>	<u>605,764</u>
Group's share of net assets of the associates	<u>273,941</u>	<u>213,995</u>	267,452	121,153
Goodwill	<u>—</u>	<u>3,443</u>	<u>—</u>	<u>3,443</u>
Carrying amount in the consolidated financial statements	<u>273,941</u>	<u>217,438</u>	<u>267,452</u>	<u>124,596</u>

Aggregate information of associates that are not individually material:

	2014 RMB'000	2013 RMB'000 (Restated)
Aggregate amounts of the Group's share of those associates' (loss)/profit and comprehensive (loss)/income for the year	<u>(1,134)</u>	<u>914</u>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>10,331</u>	<u>11,465</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

20 Available-for-sale equity securities

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	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.

21 Capitalised development costs

Capitalised development costs at 31 December 2014 were arisen from incomplete development projects. No amortisation was charged for the year.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

22 Deferred taxation

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Trade and other receivables RMB'000	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 2013 (Restated)	224	5,407	104	162	142	6,039
(Charged)/credited to profit or loss	(153)	(4,564)	(104)	(122)	765	(4,178)
Effect of change in tax rate		(477)	—	—	—	(477)
As at 31 December 2013 and 1 January 2014 (Restated)	71	366	—	40	907	1,384
Credited/(charged) to profit or loss (Note 12(a))	595	5,673	—	(15)	(1,032)	5,221
As at 31 December 2014	666	6,039	—	25	(125)	6,605

The following is the analysis of the Group's deferred tax balances for financial reporting purposes:

	2014 RMB'000	2013 RMB'000 (Restated)
Deferred tax assets	6,760	1,617
Deferred tax liabilities	(155)	(233)
	6,605	1,384

At 31 December 2014, the Group has unused tax losses of RMB597,622,000 (2013 as restated: RMB336,377,000) 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 (2013: RMBnil). These tax losses will expire within five years.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

23 Inventories

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Raw materials	72,138	58,417	5,208	7,288
Work in progress	115,912	88,800	7,570	4,858
Finished goods	91,203	106,789	4,026	8,855
Spare parts and consumables	186	164	—	—
	<u>279,439</u>	<u>254,170</u>	<u>16,804</u>	<u>21,001</u>

24 Trade and bills receivables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Trade receivables	507,144	533,564	86,182	100,085
Less: Provision for impairment	(19,901)	(59,969)	(6,970)	(8,542)
	<u>487,243</u>	<u>473,595</u>	<u>79,212</u>	<u>91,543</u>
Bills receivable	195,887	130,405	300	—
Due from intermediate holding company	—	9	—	—
Due from immediate holding company	314	21,634	—	—
Due from fellow subsidiaries	237,131	158,832	2,287	1,190
Due from subsidiaries	—	—	5	1,862
Due from associates	10,922	3,823	—	—
	<u>931,497</u>	<u>788,298</u>	<u>81,804</u>	<u>94,595</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

24 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	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Within 1 year	816,832	707,336	29,422	62,264
1 to 2 years	82,576	64,425	34,942	24,513
2 to 3 years	27,300	16,236	13,495	7,818
Over 3 years	4,789	301	3,945	—
	<u>931,497</u>	<u>788,298</u>	<u>81,804</u>	<u>94,595</u>

- (c) Ageing analysis of trade and bills receivables past due but not impaired is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Up to 3 months	27,437	37,721	8,420	9,452
Over 3 months	49,409	53,010	21,481	5,682
	<u>76,846</u>	<u>90,731</u>	<u>29,901</u>	<u>15,134</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.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

24 Trade and bills receivables (continued)

(d) The movements in provision for impairment during the year were as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
At 1 January	59,969	74,317	8,542	7,753
Impairment loss recognised	11,762	50,497	4,182	789
Uncollectible amounts written off	(51,830)	(64,845)	(5,754)	—
At 31 December	<u>19,901</u>	<u>59,969</u>	<u>6,970</u>	<u>8,542</u>

(e) Trade and bills receivables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
USD	<u>12,129</u>	<u>3,189</u>	<u>—</u>	<u>—</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

25 Amounts due from customers for contract work

	The Group 2014 RMB'000	2013 RMB'000
Contract costs incurred plus recognised profits less recognised losses	352,848	279,164
Less: Progress billings	<u>(121,717)</u>	<u>(106,850)</u>
	<u>231,131</u>	<u>172,314</u>

At 31 December 2014, advances received from customers for contract work amounted to RMB105,809,000 (2013: RMB84,979,000).

The project contract revenue recognised for the year ended 31 December 2014 is RMB630,600,000 (2013: RMB565,332,000).

26 Deposits, prepayments and other receivables

	The Group 2014 RMB'000	2013 RMB'000 (Restated)	The Company 2014 RMB'000	2013 RMB'000
Other receivables	131,497	184,970	94,834	117,531
Deposits and prepayments	149,875	135,877	1,565	2,191
Less: Provision for impairment	<u>(4,096)</u>	<u>(14,389)</u>	<u>(1,128)</u>	<u>(3,750)</u>
	277,276	306,458	95,271	115,972
Due from fellow subsidiaries	1,362	2,031	91	28
Due from subsidiaries	—	—	113,683	200,973
Due from associates	<u>178</u>	<u>224</u>	<u>—</u>	<u>—</u>
Total deposits, prepayments and other receivables	<u>278,816</u>	<u>308,713</u>	<u>209,045</u>	<u>316,973</u>

The above balances with related parties are unsecured, interest-free and repayable on demand.

27 Other financial assets

At 31 December 2014, other financial assets of the Group and the Company of RMB550,000,000 and RMB540,000,000, respectively, represented short-term wealth management products managed by banks in the PRC which undertake return of principal and income yield of 2.86% – 5.60% per annum upon maturity.

At 31 December 2013, other financial assets of the Group of RMB76,000,000 (as restated) represented short-term wealth management products managed by banks in the PRC which undertake return of principal and income yield of 3.60% – 6.30% per annum upon maturity.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

28 Restricted bank deposits

The restricted bank deposits are pledged as security for:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bills payable	81,981	28,814	1,899	1,333
Performance bonds given by banks to customers in respect of projects undertaken	33,645	42,032	—	—
	<u>115,626</u>	<u>70,846</u>	<u>1,899</u>	<u>1,333</u>

These restricted bank deposits carry interest at market rates ranging from 0.35% to 2.55% (2013: 0.35% to 2.80%) per annum and will mature in 3 to 6 months from the balance sheet date.

Restricted bank deposits that are denominated in currency other than the functional currency of the relevant Group entities are set out below:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
JPY	<u>47,327</u>	<u>—</u>	<u>—</u>	<u>—</u>

29 Cash and cash equivalents

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Bank deposits	711,713	1,494,533	80,089	890,003
Cash on hand	644	626	120	96
	<u>712,357</u>	<u>1,495,159</u>	<u>80,209</u>	<u>890,099</u>

Bank deposits carry interest at market rates ranging from 0.35% to 2.35% (2013: 0.35% to 1.35%) per annum.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

29 Cash and cash equivalents (continued)

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	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
JPY	7,668	—	—	—
USD	4,871	9,515	4	4
EUR	483	319	—	—
HKD	70	129	1	1
	<u>13,092</u>	<u>9,963</u>	<u>5</u>	<u>5</u>

30 Share capital

	The Company			
	2014		2013	
	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	671,839	671,839
— H Shares of RMB1.00 each	242,000	242,000	242,000	242,000
	<u>913,839</u>	<u>913,839</u>	<u>913,839</u>	<u>913,839</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

31 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 2013	389,338	18,399	201,697	26,381	(170,758)	465,057
Issue of new A shares	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 and 1 January 2014	1,424,918	18,399	212,903	1,480	3,128	1,660,828
Loss and total comprehensive loss for the year	—	—	—	—	(74,840)	(74,840)
Dividend approved in respect of the previous year	—	—	—	—	(60,313)	(60,313)
Profit appropriations	—	—	2,856	—	(2,856)	—
As at 31 December 2014	1,424,918	18,399	215,759	1,480	(134,881)	1,525,675

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)

32 Bank and other borrowings

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Short term bank loans	30,000	94,000	—	50,000
Other short term loans	—	5,000	—	—
Bills payable, secured	83,633	61,926	4,746	2,666
	<u>113,633</u>	<u>160,926</u>	<u>4,746</u>	<u>52,666</u>

At 31 December 2014, the Company's short term bank loans amounting to RMBnil (2013: RMB50,000,000) were secured by corporate guarantees from the immediate holding company.

At 31 December 2014, the Group's and the Company's bills payable were secured by restricted bank deposits (see note 28). At 31 December 2013, the Company's bills payable were also secured by corporate guarantee from an intermediate holding company to the extent of RMB1,333,000.

At 31 December 2013, other short term loans represented the loans borrowed from a fellow subsidiary of the Company, being a financial institution in the PRC.

33 Trade payables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Trade payables	707,543	610,059	10,842	40,747
Due to immediate holding company	3,241	3,678	2,114	2,114
Due to fellow subsidiaries	61,012	37,136	13,242	2,797
Due to subsidiaries	—	—	2,113	1,854
Due to associates	257	95	—	—
Due to related companies	—	2,046	—	—
Total trade payables	<u>772,053</u>	<u>653,014</u>	<u>28,311</u>	<u>47,512</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

33 Trade payables (continued)

(a) The following is an ageing analysis of trade payables:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Within 1 year	697,256	557,522	14,087	28,996
1 to 2 years	33,570	42,051	984	6,948
2 to 3 years	9,980	6,407	1,451	2,172
Over 3 years	31,247	47,034	11,789	9,396
	<u>772,053</u>	<u>653,014</u>	<u>28,311</u>	<u>47,512</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 currencies other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
JPY	33,563	—	—	—
USD	21,282	11,586	—	—

34 Accruals and other payables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000 (Restated)
Accruals and other payables	221,215	237,089	40,484	35,015
Due to ultimate holding company	34,000	34,000	—	—
Due to intermediate holding company	45	44	45	44
Due to immediate holding company	14,205	13,342	1,052	1,077
Due to fellow subsidiaries	51,833	15,187	538	258
Due to subsidiaries	—	—	354,094	291,814
Due to associates	1,388	1,927	—	—
	<u>322,686</u>	<u>301,589</u>	<u>396,213</u>	<u>328,208</u>
Total accruals and other payables	<u>322,686</u>	<u>301,589</u>	<u>396,213</u>	<u>328,208</u>

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

34 Accruals and other payables (continued)

The above balances with related parties are unsecured, interest-free and repayable on demand.

Accruals and other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
USD	<u>602</u>	<u>—</u>	<u>—</u>	<u>—</u>

35 Cash generated from operations

	2014 RMB'000	2013 RMB'000 (Restated)
Profit before taxation	220,811	251,197
Adjustments for:		
Interest income	(39,728)	(24,871)
Loss on disposals of land use rights	—	7,882
Loss on disposals of property, plant and equipment	189	33,223
Gain on disposals of investment properties	—	(41)
Loss on deregistration of a subsidiary	840	—
Exchange losses	8,895	119
Finance costs	7,546	29,448
Depreciation and amortisation	64,895	73,074
Impairment loss recognised on trade and other receivables	14,638	48,970
Write-down of inventories	18,313	8,436
Share of profits of associates	(137,497)	(123,082)
Operating cash flows before changes in working capital	158,902	304,355
(Increase)/decrease in inventories	(43,582)	14,707
Increase in trade and bills receivables	(155,923)	(23,069)
Increase in amounts due from customers for contract work	(58,817)	(85,339)
Decrease/(increase) in deposits, prepayments and other receivables	26,835	(167,010)
Increase in trade payables	127,801	63,793
Decrease in accruals and other payables	(9,080)	(4,252)
Net cash generated from operations	46,136	103,185

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

36 Business combination under common control

Details of adjustments for common control combination of Shenzhen Jinghua (see note 2.1) on the Group's results for the year ended 31 December 2013 and the consolidated balance sheets at 31 December 2013 and 2012 are as follows:

	As previously reported RMB'000	Shenzhen Jinghua RMB'000	Adjustments RMB'000	As restated RMB'000
Year ended 31 December 2013				
Turnover	2,447,754	1,648,281	—	4,096,035
Profit before taxation	200,546	65,588	(14,937)	251,197
Income tax expense	(12,171)	(16,361)	—	(28,532)
Profit for the year	188,375	49,227	(14,937)	222,665
Earnings per share (RMB cents)				
— Basic and diluted	23.31	2.15	(1.9)	23.56
At 31 December 2013				
ASSETS				
Non-current assets	1,329,301	86,089	(99,863)	1,315,527
Trade and bills receivables	754,728	33,570	—	788,298
Other current assets	2,056,623	320,579	—	2,377,202
Total assets	4,140,652	440,238	(99,863)	4,481,027
EQUITY				
Capital and reserves				
Share capital	913,839	115,068	(115,068)	913,839
Reserves	2,208,860	147,499	(134,162)	2,222,197
Non-controlling interests	3,122,699	262,567	(249,230)	3,136,036
	9,527	35,970	149,391	194,888
Total equity	3,132,226	298,537	(99,839)	3,330,924
LIABILITIES				
Non-current liabilities	11,226	7,442	—	18,668
Trade payables	579,860	73,154	—	653,014
Other current liabilities	414,748	63,697	(24)	478,421
Total liabilities	1,005,834	144,293	(24)	1,150,103
Total equity and liabilities	4,138,060	442,830	(99,863)	4,481,027

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

36 Business combination under common control (continued)

	As previously reported RMB'000	Shenzhen Jinghua RMB'000	Adjustments RMB'000	As restated RMB'000
At 31 December 2012				
ASSETS				
Non-current assets	1,346,118	75,377	(98,055)	1,323,440
Trade and bills receivables	782,623	32,345	—	814,968
Other current assets	987,515	341,932	—	1,329,447
Total assets	3,116,256	449,654	(98,055)	3,467,855
EQUITY				
Capital and reserves				
Share capital	655,015	115,068	(115,068)	655,015
Reserves	1,029,741	142,767	(129,661)	1,042,847
	1,684,756	257,835	(244,729)	1,697,862
Non-controlling interests	7,536	41,395	146,698	195,629
Total equity	1,692,292	299,230	(98,031)	1,893,491
LIABILITIES				
Non-current liabilities	23,961	—	—	23,961
Trade payables	473,874	116,584	—	590,458
Other current liabilities	926,129	33,840	(24)	959,945
Total liabilities	1,423,964	150,424	(24)	1,574,364
Total equity and liabilities	3,116,256	449,654	(98,055)	3,467,855

Note: The above adjustments mainly represent the deemed disposal of the Company's existing 38.03% equity interests held in Shenzhen Jinghua as previously recorded as an interest in associate; and eliminate the Company's net investment in Shenzhen Jinghua and the current accounts between the Group companies and Shenzhen Jinghua. No other significant adjustments were made to the net assets and net profit of any entities of the Group as a result of the common control combination to achieve consistency of accounting policies.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

37 Contingent liabilities

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Performance bonds given by banks to customers in respect of projects undertaken	33,645	42,032	—	—
Guarantees given in respect of banking facilities made available to subsidiaries	—	—	650,000	655,000

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 RMB149,018,000 (2013: RMB167,180,000).

38 Commitments

(a) Capital commitments

At 31 December 2014, outstanding capital commitments not provided for in the consolidated financial statements are as follows:

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for				
— Property, plant and equipment	79,465	123,006	19,458	13,107

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

38 Commitments (continued)

(b) Operating lease arrangements

At 31 December 2014, the Group had future minimum lease payments under non-cancellable operating leases which are payable as follows:

	2014 RMB'000	2013 RMB'000 (Restated)
Land and buildings		
Within 1 year	2,974	541
2-5 years	<u>3,093</u>	<u>15</u>
	6,067	556
Machineries and motor vehicles		
Within 1 year	340	173
2-5 years	<u>50</u>	<u>202</u>
	390	375
	<u>6,457</u>	<u>931</u>

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.

At 31 December 2014, the Group had future minimum lease receipts under non-cancellable operating leases which are receivable as follows:

	2014 RMB'000	2013 RMB'000 (Restated)
Land and buildings		
Within 1 year	94,053	57,038
2-5 years	33,197	98,714
After 5 years	<u>62,085</u>	<u>41,361</u>
	189,335	197,113

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 10 years with fixed rentals.

Notes to the consolidated financial statements (Continued)

(Expressed in Renminbi)

39 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:

	2014 RMB'000	2013 RMB'000
Salaries and other allowances	2,948	2,588
Retirement benefit scheme contributions	251	230
	<u>3,199</u>	<u>2,818</u>

(b) Transactions with other related parties

In addition to those disclosed in notes 2.1, 18, 32 and 37, the Group entered into the following material related party transactions during the year:

	The intermediate holding company		The immediate holding company		Fellow subsidiaries		Associates		Related companies [#]	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000 (Restated)
Sales of components and parts (Note i)	24	11	13,306	5,712	957,513	1,755,127	23,411	9,905	407,464	229,617
Purchase of components and parts (Note i)	—	—	396	100	111,222	233,997	1,365	415	67,783	224,674
Fees paid for welfare, support and sub-contracting services (Note ii)	—	—	1,568	1,906	9,014	9,986	—	—	3,572	—
Income for welfare, support, and sub-contracting services (Note ii)	180	263	6,837	30,365	28,497	27,713	31,659	17,309	—	—
Rental income (Note i)	—	—	—	—	1,194	1,275	120	127	384	—
Rental expenses (Note i)	—	—	182	488	180	—	—	—	—	—
Interest income (Note i)	—	—	—	—	1,969	685	—	—	—	—
Interest expenses (Note i)	—	—	—	—	945	4,716	—	—	—	—
Trademark income (Note ii)	—	—	—	—	578	708	—	—	—	—

Being companies with common key management personnel with certain major subsidiaries of Shenzhen Jinghua.

Notes to the consolidated financial statements (*Continued*)

(Expressed in Renminbi)

39 Related party transactions (*continued*)

(b) Transactions with other related parties (*continued*)

Notes:

- (i) These transactions were at market price/rate.
- (ii) These transactions were at cost plus a percentage mark-up.

At 31 December 2014, the Group placed deposits of RMB221,908,000 (2013 as restated: RMB208,203,000) with and borrowed short term loans of RMBnil (2013: RMB5,000,000) from a fellow subsidiary of the Company, being a financial institution in the PRC. In addition, the Group's other financial assets of RMB295,000,000 (2013: RMBnil) were held by this fellow subsidiary in trust for the Group.

Other balances with related parties are disclosed in notes 24, 26, 33 and 34.

40 Comparative figures

As stated in notes 2.1 and 36, comparative figures have been restated to reflect the effect of a business combination under common control.

Staff termination benefits were all included in other payables under current liabilities in the previous year. To conform with the current year's presentation of the consolidated financial statements, portion of staff termination benefits payable more than 12 months after the balance sheet date has been reclassified as other payables under non-current liabilities. The directors consider this revised presentation more appropriately reflects the nature of the item.

41 Difference between HKFRSs and PRC Accounting Standards for Business Enterprises

For the years ended 31 December 2014 and 2013, 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.

42 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(2015) No. 6927

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 2014, 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 2014, 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 2014 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: Zhou Weiyong

Beijing, the People's Republic of China
30 March 2015

Consolidated Balance Sheet

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2014/12/31	2013/12/31	Notes
Current assets:			
Cash and bank	827,983,074.07	1,566,005,038.13	VI.1
Settlement provisions			
Placement			
Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period			
Derivative financial assets			
Bills receivable	195,887,244.86	130,404,808.33	VI.2
Trade receivable	735,609,844.69	657,893,554.14	VI.3
Prepayments	149,271,039.10	131,968,094.34	VI.4
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve			
Interest receivable	47,886.55	53,742.82	VI.5
Dividends receivable			
Other receivables	129,496,602.33	176,690,984.93	VI.6
Financial assets purchased for resale			
Inventories	510,570,319.97	426,483,691.59	VI.7
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	550,000,000.00	76,000,000.00	VI.8
Total current assets	3,098,866,011.57	3,165,499,914.28	
Non-current assets:			
Entrusted loans and advances			
Available-for sale financial assets	3,650,000.00	3,650,000.00	VI.9
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	501,710,254.17	403,512,516.85	VI.10
Investment properties	10,572,698.60	11,663,675.44	VI.11
Fixed assets	630,073,976.79	590,471,504.49	VI.12
Construction in progress	269,882,125.43	218,171,100.84	VI.13
Construction supplies			
Clearance of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	82,342,946.12	82,694,957.52	VI.14
Development expenses	17,592,455.22		VI.15
Goodwill			
Long term deferred expenses	2,673,980.57	3,745,684.91	VI.16
Deferred income tax assets	6,760,229.70	1,617,270.68	VI.17
Other non-current assets			
Total non-current assets	1,525,258,666.60	1,315,526,710.73	
Total assets	4,624,124,678.17	4,481,026,625.01	

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	2014/12/31	2013/12/31	Notes
Current liabilities			
Short term loans	30,000,000.00	99,000,000.00	VI.18
Borrowing from PBOC			
Customer and interbank deposits			
Borrowing from interbank			
Financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current period			
Derivative financial liabilities			
Bills payable	83,633,487.09	61,925,836.17	VI.19
Accounts payable	772,053,064.98	653,014,179.51	VI.20
Advances from customers	136,414,078.49	98,919,776.23	VI.21
Financial assets sold under repurchase agreements			
Bank charges and Commissions due			
Salaries payable	37,436,284.69	33,524,132.18	VI.22
Taxes payable	20,861,633.84	25,771,278.58	VI.23
Interest payable		83,333.33	VI.24
Dividend Payable	3,489,019.43	11,029,455.36	VI.25
Other payables	133,901,591.99	147,372,897.19	VI.26
Reinsurers due			
Insurance contract reserves			
Security trading of agency			
Securities underwriting			
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities	5,468,600.00	793,800.00	VI.27
Total current liabilities	1,223,257,760.51	1,131,434,688.55	
Non-current liabilities:			
Long term loans			
Bonds payables			
Including: Preferred shares			
Perpetual capital securities			
Long term payables			
Long term Salaries payable	17,250,831.64	18,435,307.41	VI.28
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities	154,681.89	233,201.14	VI.17
Other non-current liabilities			
Total non-current liabilities	17,405,513.53	18,668,508.55	
Total liabilities	1,240,663,274.04	1,150,103,197.10	

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	2014/12/31	2013/12/31	Notes
Shareholders' equity:			
Share capital	913,838,529.00	913,838,529.00	VI.29
Other equity instruments			
Including: Preferred shares			
Perpetual capital securities			
Capital reserve	1,463,439,040.01	1,511,688,165.27	VI.30
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	234,802,138.28	231,946,025.16	VI.31
General risk reserve			
Undistributed profits	566,873,252.64	478,562,898.27	VI.32
Shareholders' equity of the parent company	3,178,952,959.93	3,136,035,617.70	
Non-controlling interests	204,508,444.20	194,887,810.21	
Total shareholders' equity	3,383,461,404.13	3,330,923,427.91	
Total liabilities and shareholders' equity	4,624,124,678.17	4,481,026,625.01	

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	2014	2013	Notes
1. Total operating income	3,487,641,068.94	4,136,214,822.97	
Include: Operating income	3,487,641,068.94	4,136,214,822.97	VI.33
Interest income			
Premiums earned			
Income from Bank charges and Commissions			
2. Total operating cost	3,473,524,555.34	4,157,091,918.95	
Include: Operating cost	2,961,809,427.32	3,618,775,704.51	VI.33
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	29,036,523.97	27,728,042.23	VI.34
Selling expenses	47,797,930.15	53,269,335.44	VI.35
Administrative expenses	400,768,184.73	381,396,791.38	VI.36
Financial expenses	1,161,359.03	18,515,602.55	VI.37
Loss in assets impairment	32,951,130.14	57,406,442.84	VI.38
Add: Income from change in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	161,318,453.29	133,312,386.30	VI.39
Include: Investment income of associates and joint ventures	137,497,737.32	123,081,847.96	
Exchange gain (losses are represented by "-")			
3. Operating profit (losses are represented by "-")	175,434,966.89	112,435,290.32	
Add: Non-operating income	47,687,662.49	142,388,820.38	VI.40
Include: Gains on disposal of non-current assets	274,547.36	2,219,009.53	
Less: Non-operating expenses	2,311,928.62	3,626,103.54	VI.41
Include: Loss from the disposal of non-current assets	436,268.94	2,985,649.87	
4. Total Profit (losses are represented by "-")	220,810,700.76	251,198,007.16	
Less: Income tax	24,384,653.86	28,532,358.87	VI.42
5. Net Profit (losses are represented by "-")	196,426,046.90	222,665,648.29	
Include: Net profit of the combined party occurred before consolidation	56,403,397.93	49,228,124.58	
Profit attributable to the equity shareholders of the Parent company	153,230,139.40	184,820,911.32	
Non-controlling interests	43,195,907.50	37,844,736.97	

Legal representative of the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Consolidated Profit and Loss Statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2014	2013	Notes
6. Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to the equity shareholders of the Parent company			
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss			
i. Changes as a result of remeasurement of net defined benefit plan liability or asset			
ii. Shares of other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss			
(2) Other comprehensive income which will be reclassified subsequently to profit and loss			
i. Shares of other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss			
ii. Gains or losses arising from changes in fair value of available-for-sale financial assets			
iii. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
iv. Effective hedging portion of gains and losses arising from cash flow hedging instruments			
v. Translation reserve			
vi. Others			
Net other comprehensive income after tax attributable to non-controlling interests			
7. Total comprehensive income:	196,426,046.90	222,665,648.29	
Total comprehensive income attributable to the equity shareholders of the Parent company	153,230,139.40	184,820,911.32	
Total comprehensive income attributable to non-controlling interests	43,195,907.50	37,844,736.97	
8. Earnings per share:			
(1) Basic earnings per share	0.1677	0.2356	
(2) Diluted earnings per share	0.1677	0.2356	

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	2014	2013	Notes
1. Cash flows from operating activities			
Cash received from the sale of goods and rendering of services	3,834,242,989.88	4,713,475,559.61	
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	61,844,498.41	55,529,787.67	
Cash received from relating to other operating activities	242,774,326.99	132,492,141.57	VI.43
Sub-total of cash inflows from operating activities	4,138,861,815.28	4,901,497,488.85	
Cash paid on purchase of goods and services received	3,061,268,746.49	4,103,973,106.14	
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	501,531,956.77	405,300,626.20	
Cash paid for all types of taxes	144,387,551.93	153,371,848.55	
Cash paid relating to other operating activities	387,639,546.32	230,137,044.54	VI.43
Sub-total of cash outflows from operating activities	4,094,827,801.51	4,892,782,625.43	
Net cash flows from operating activities	44,034,013.77	8,714,863.42	VI.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	2014	2013	Notes
2. Cash flows from investing activities:			
Cash received from disposal of investments		221,940,965.30	
Cash received from return on investments	63,961,374.32		
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	528,875.77	6,729,190.20	
Net cash received from disposal of subsidiaries and other operating entites			
Cash received relating to other investment activities	4,242,800,000.00	1,020,000,000.00	VI.43
Sub-total of cash inflows from investing activities	4,307,290,250.09	1,248,670,155.50	
Cash paid on purchase of fixed assets, intangible assets and other long term assets	180,334,151.08	207,550,818.84	
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	4,716,800,000.00	1,096,000,000.00	VI.43
Sub-total of cash outflows from investing activities	4,897,134,151.08	1,303,550,818.84	
Net cash flows from investing activities	-589,843,900.99	-54,880,663.34	

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	2014	2013	Notes
3. Cash flows from financing activities:			
Cash received from investment		1,294,403,712.55	
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings	230,000,000.00	609,000,000.00	
Cash received from issuing bonds			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities	230,000,000.00	1,903,403,712.55	
Cash paid on repayment of borrowings	299,000,000.00	870,000,000.00	
Cash paid on distribution of dividends or profits, or interest expenses	104,722,698.19	102,227,383.98	
Including: bonus and profit paid to minority shareholders by subsidiaries	35,720,895.03	31,950,011.89	
Cash paid on other financing activities	54,374,322.32	3,458,926.85	VI.43
Sub-total of cash outflows from financing activities	458,097,020.51	975,686,310.83	
Net cash flows from financing activities	-228,097,020.51	927,717,401.72	
4. Effect of fluctuations in exchange rates on cash	-8,894,732.59	-117,459.24	
5. Net increase in cash and cash equivalents	-782,801,640.32	881,434,142.56	VI.44
Add: balance of cash and cash equivalents at the beginning of the year	1,495,158,809.60	613,724,667.04	VI.44
6. Balance of cash and cash equivalents at the end of the year	712,357,169.28	1,495,158,809.60	VI.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	2014							Total Shareholders' equity			
	Share capital	Preferred shares	Other equity instruments Perpetual capital securities	Equity attributable to shareholders of the Parent company Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves		General risk reserves	Unappropriate profits	Non-controlling interests
1. Balance at the end of last year	913,838,529.00			1,501,566,314.34	231,946,025.16	474,947,172.20	9,526,552.72	3,132,224,593.42			
Add: Change in accounting policies											
Correction of Previous Errors				9,721,850.93							
Business combination under common control											
Other											
2. Balance at the beginning of this year	913,838,529.00			1,511,688,165.27	231,946,025.16	478,562,898.27	194,887,810.21	3,330,932,427.91			
3. Change of this year's decrease is represented by "1"											
(1) Other comprehensive income				-48,249,125.26	2,856,113.12						
(2) Contribution and reduction of capital by shareholders				-48,249,125.26							
i. Common stock contribution by shareholders											
ii. Capital contribution by other equity instruments holders											
iii. Amount of share-based payment recorded in the shareholders' equity											
iv. Others				-48,249,125.26							
(3) Profit distribution											
i. Transfer to surplus reserves					2,856,113.12						
ii. Transfer to general risk reserves											
iii. Distributions to shareholders											
iv. Others											
(4) Internal transfer of shareholders' equity											
i. Transfer of capital reserve to share capital											
ii. Transfer of surplus reserve to share capital											
iii. Compensation of loss from surplus reserve											
iv. Changes as a result of remeasurement of net defined benefit plan liability or asset											
v. Others											
(5) Transfer and use of special reserve											
i. Transfer in current period											
ii. Use in current period											
(6) Others											
4. Balance at the end of the year	913,838,529.00			1,463,439,040.01	234,802,138.28	566,873,252.64	204,308,444.20	3,383,461,404.13			

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Legal representative of the Company:
Xia Dechuan

Consolidated Statement of Change of Shareholders' equity (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2013										Total Shareholders' equity		
	Share capital	Preferred shares	Other equity instruments Perpetual capital securities	Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves		Unappropriate profits	Non-controlling interests
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													
Business combination under common control					9,721,650.93						3,384,357.66	188,093,020.23	201,199,228.82
Other													
2. Balance at the beginning of this year	655,015,000.00				476,107,981.72			220,739,998.89			345,999,242.22	195,628,848.09	1,893,491,070.92
3. Change of this year(a decrease is represented by "-")	258,823,529.00				1,035,580,183.55			11,206,026.27			132,463,656.05	-741,037.88	1,437,432,356.99
(1) Other comprehensive income													
(2) Contribution and reduction of capital by shareholders	258,823,529.00				1,035,580,183.55						184,820,911.32	37,844,736.97	222,665,648.29
i. Common stock contribution by shareholders	258,823,529.00				1,035,580,183.55								1,294,403,712.55
ii. Capital contribution by other equity instruments holders													1,294,403,712.55
iii. Amount of share-based payment recorded in the shareholders' equity													
iv. Others													
(3) Profit distribution								11,206,026.27			-52,257,255.27	-38,585,774.85	-79,637,003.85
i. Transfer to surplus reserves								11,206,026.27			-52,257,255.27	-38,585,774.85	-79,637,003.85
ii. Transfer to general risk reserves													
iii. Distributions to shareholders													
iv. Others													
(4) Internal transfer of shareholders' equity													
i. Transfer of capital reserve to share capital													
ii. Transfer of surplus reserve to share capital													
iii. Compensation of loss from surplus reserve													
iv. Changes as a result of remeasurement of net defined benefit plan liability or asset													
v. Others													
(5) Transfer and use of special reserve													
i. Transfer in current period													
ii. Use in current period													
(6) Others													
4. Balance at the end of the year	913,838,529.00				1,511,688,165.27			231,946,025.16			478,562,898.27	194,887,810.21	3,330,923,427.91

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	2014/12/31	2013/12/31	Notes
Current assets			
Cash and bank	82,107,307.67	891,431,538.23	
Settlement provisions			
Placement			
Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period			
Derivative financial assets			
Bills receivable	300,000.00		
Trade receivable	81,504,053.04	94,594,511.18	XV.1
Prepayments	1,559,561.86	286,167.65	
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve			
Interest receivable			
Dividends receivable	1,973,887.56	2,739,006.08	
Other receivables	207,485,130.55	316,687,175.42	XV.2
Financial assets purchased for resale			
Inventories	16,804,006.58	21,001,471.06	
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	540,000,000.00		
Total current assets	931,733,947.26	1,326,739,869.62	
Non-current assets			
Entrusted loans and advances			
Available-for sale financial assets	3,650,000.00	3,650,000.00	
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	1,927,015,109.72	1,588,978,342.95	XV.3
Investment properties			
Fixed assets	375,713,101.66	376,571,368.45	
Construction in progress	349,018.87	10,201,958.58	
Construction supplies			
Clearance of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	14,388,869.54	15,354,705.78	
Development expenses			
Goodwill			
Long term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets	2,321,116,099.79	1,994,756,375.76	
Total assets	3,252,850,047.05	3,321,496,245.38	

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	2014/12/31	2013/12/31	Notes
Current liabilities			
Short term loans		50,000,000.00	
Borrowing from PBOC			
Customer and interbank deposits			
Borrowing from interbank			
Financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current period			
Derivative financial liabilities			
Bills payable	4,746,292.55	2,666,030.70	
Accounts payable	28,311,456.42	47,512,430.34	
Advances from customers	80,370.00	1,123,445.00	
Financial assets sold under repurchase agreements			
Bank charges and Commissions due			
Salaries payable	5,446,383.76	4,969,607.37	
Taxes payable	7,190,572.47	5,131,881.72	
Interest payable		83,333.33	
Dividend Payable			
Other payables	379,221,818.93	316,898,925.53	
Reinsurers due			
Insurance contract reserves			
Security trading of agency			
Securities underwriting			
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities	<u>4,272,600.00</u>		
Total current liabilities	<u><u>429,269,494.13</u></u>	<u><u>428,385,653.99</u></u>	

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	2014/12/31	2013/12/31	Notes
Non-current liabilities			
Long term loans			
Bonds payables			
Including: Preferred shares			
Perpetual capital securities			
Long term payables			
Long term Salaries payable	4,853,882.58	6,532,958.51	
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	4,853,882.58	6,532,958.51	
Total liabilities	434,123,376.71	434,918,612.50	
Shareholders' equity			
Share capital	913,838,529.00	913,838,529.00	
Other equity instruments			
Including: Preferred shares			
Perpetual capital securities			
Capital reserve	1,434,870,834.28	1,470,969,585.14	
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	234,802,138.28	231,946,025.16	
General risk reserve			
Undistributed profits	235,215,168.78	269,823,493.58	
Total Shareholders' equity	2,818,726,670.34	2,886,577,632.88	
Total Liabilities and Shareholders' equity	3,252,850,047.05	3,321,496,245.38	

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	2014	2013	Notes
1. Total operating income	96,715,566.09	270,739,127.95	
Include: Operating income	96,715,566.09	270,739,127.95	XV.4
Interest income			
Premiums earned			
Income from Bank charges and Commissions			
2. Total operating cost	245,000,366.98	391,791,679.29	
Include: Operating cost	46,787,160.57	224,696,241.18	XV.4
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	2,628,090.35	761,916.21	
Selling expenses	4,886,690.70	12,848,445.29	
Administrative expenses	162,496,750.06	140,163,650.64	
Financial expenses	6,451,756.02	14,516,658.08	
Loss in assets impairment	21,749,919.28	-1,195,232.11	
Add: Income from change in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	176,351,089.87	146,072,960.31	XV.5
Include: Investment income of associates and joint ventures	156,198,891.23	137,105,015.11	
Exchange gain (losses are represented by "-")			
3. Operating profit (losses are represented by "-")	28,066,288.98	25,020,408.97	
Add: Non-operating income	1,064,989.30	87,362,681.77	
Include: Gains on disposal of non-current assets		41,562.68	
Less: Non-operating expenses	570,147.05	322,828.01	
Include: Loss from the disposal of non-current assets	10,072.66	221,574.08	
4. Total Profit (losses are represented by "-")	28,561,131.23	112,060,262.73	
Less: Income tax			
5. Net Profit(losses are represented by "-")	28,561,131.23	112,060,262.73	

Legal representative of the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Profit and Loss Statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2014	2013	Notes
6. Net other comprehensive income after tax			
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss			
i. Changes as a result of remeasurement of net defined benefit plan liability or asset			
ii. Shares of other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss			
(2) Other comprehensive income which will be reclassified subsequently to profit and loss			
i. Shares of other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss			
ii. Gains or losses arising from changes in fair value of available-for-sale financial assets			
iii. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
iv. Effective hedging portion of gains and losses arising from cash flow hedging instruments			
v. Translation reserve			
vi. Others			
7. Total comprehensive income	28,561,131.23	112,060,262.73	
8. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

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	2014	2013	Notes
1. Cash flows from operating activities:			
Cash received from the sale of goods and rendering of services	116,134,459.37	452,363,832.69	
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			
Cash received from relating to other operating activities	158,866,140.55	176,187,969.14	
Sub-total of cash inflows from operating activities	275,000,599.92	628,551,801.83	
Cash paid on purchase of goods and services received	71,968,455.44	376,779,593.16	
Net increase in loans and advances			
Net increase in deposits 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	68,145,280.27	56,008,483.15	
Cash paid for all types of taxes	8,074,334.23	5,379,759.31	
Cash paid relating to other operating activities	115,335,955.62	162,069,736.97	
Sub-total of cash outflows from operating activities	263,524,025.56	600,237,572.59	
Net cash flows from operating activities	11,476,574.36	28,314,229.24	

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	2014	2013	Notes
2. Cash flows from investing activities:			
Cash received from disposal of investments		235,221,496.57	
Cash received from return on investments	72,977,825.39		
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	4,020.39	142,044.01	
Net cash received from disposal of subsidiaries and other operating entites			
Cash received relating to other investment activities	2,921,000,000.00	808,967,945.20	
Sub-total of cash inflows from investing activities	2,993,981,845.78	1,044,331,485.78	
Cash paid on purchase of fixed assets, intangible assets and other long term assets	6,660,257.27	14,256,027.31	
Cash paid for acquisition of investments	220,365,830.00	471,500,000.00	
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entites			
Cash paid on other investment activities	3,461,000,000.00	800,000,000.00	
Sub-total of cash outflows from investing activities	3,688,026,087.27	1,285,756,027.31	
Net cash flows from investing activities	-694,044,241.49	-241,424,541.53	

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	2014	2013	Notes
3. Cash flows from financing activities:			
Cash received from investment		1,294,403,712.55	
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings	150,000,000.00	565,000,000.00	
Cash received from issuing bonds			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities	<u>150,000,000.00</u>	<u>1,859,403,712.55</u>	
Cash paid on repayment of borrowings	200,000,000.00	770,000,000.00	
Cash paid on distribution of dividends or profits, or interest expenses	77,322,065.13	62,084,829.15	
Including: bonus and profit paid to minority shareholders by subsidiaries			
Cash paid on other financing activities		3,458,926.85	
Sub-total of cash outflows from financing activities	<u>277,322,065.13</u>	<u>835,543,756.00</u>	
Net cash flows from financing activities	<u>-127,322,065.13</u>	<u>1,023,859,956.55</u>	
4. Effect of fluctuations in exchange rates on cash			
5. Net increase in cash and cash equivalents	-809,889,732.26	810,749,644.26	
Add: balance of cash and cash equivalents at the beginning of the year	<u>890,098,522.88</u>	<u>79,348,878.62</u>	
6. Balance of cash and cash equivalents at the end of the year	<u><u>80,208,790.62</u></u>	<u><u>890,098,522.88</u></u>	

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	2014						Total Shareholders' equity						
	Share capital	Preferred shares	Other equity instruments Perpetual capital securities	Others	Capital reserves	Treasury shares		Less: comprehensive income	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Unappropriate profits
1. Balance at the end of last year	913,838,529.00				1,470,969,385.14					231,946,025.16		2,69,823,493.38	2,886,577,632.88
Add: Change in accounting policies													
Correction of Previous Errors													
Other													
2. Balance at the beginning of this year	913,838,529.00				1,470,969,385.14					231,946,025.16		2,69,823,493.38	2,886,577,632.88
3. Change of this year (a decrease is represented by "-")					-36,098,750.86	319,730.28				2,856,113.12		-34,608,324.80	-67,850,962.54
(1) Other comprehensive income												28,561,131.23	28,561,131.23
(2) Contribution and reduction of capital by shareholders													
i. Common stock contribution by shareholders													
ii. Capital contribution by other equity instruments holders													
iii. Amount of share-based payment recorded in the shareholders' equity													
iv. Others					319,730.28								319,730.28
(3) Profit distribution													
i. Transfer to surplus reserves										2,856,113.12		-63,169,456.03	319,730.28
ii. Transfer to general reserves												-2,856,113.12	-60,313,342.91
iii. Distributions to shareholders													
iv. Others													
(4) Internal transfer of shareholders' equity													
i. Transfer of capital reserve to share capital													
ii. Transfer of surplus reserve to share capital													
iii. Compensation of loss from surplus reserve													
iv. Changes as a result of remeasurement of net defined benefit plan liability or asset													
v. Others													
(5) Transfer and use of special reserve													
i. Transfer in current period													
ii. Use in current period													
(6) Others													
4. Balance at the end of the year	913,838,529.00				1,434,870,834.28					234,802,138.28		235,215,168.78	2,818,726,670.34
					-36,418,481.14								-36,418,481.14

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	2013							Total Shareholders' equity
	Share capital	Preferred shares	Other equity instruments Perpetual capital securities	Others	Capital reserves	Treasury shares	Less: comprehensive income	
1. Balance at the end of last year	655,015,000.00				435,389,401.59			1,519,414,557.60
Add: Change in accounting policies								
Correction of Previous Errors								
Other								
2. Balance at the beginning of this year	655,015,000.00				435,389,401.59			1,519,414,557.60
3. Change of this year (a decrease is represented by "-")								
(1) Other comprehensive income	258,823,529.00				1,035,580,183.55			1,367,163,075.28
(2) Contribution and reduction of capital by shareholders	258,823,529.00				1,035,580,183.55			1,294,403,712.55
i. Common stock contribution by shareholders	258,823,529.00				1,035,580,183.55			1,294,403,712.55
ii. Capital contribution by other equity instruments holders								
iii. Amount of share-based payment recorded in the shareholders' equity								
iv. Others								
(3) Profit distribution								
i. Transfer to surplus reserves						11,206,026.27		-39,300,900.00
ii. Transfer to general reserves						11,206,026.27		-11,206,026.27
iii. Distributions to shareholders								
iv. Others								
(4) Internal transfer of shareholders' equity								
i. Transfer of capital reserve to share capital								
ii. Transfer of surplus reserve to share capital								
iii. Compensation of loss from surplus reserve								
iv. Changes as a result of remeasurement of net defined benefit plan liability or asset								
v. Others								
(5) Transfer and use of special reserve								
i. Transfer in current period								
ii. Use in current period								
(6) Others								
4. Balance at the end of the year	913,838,529.00				1,470,969,585.14			2,886,577,632.88

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 unless otherwise stated)

I. Introduction of the Company

Nanjing Panda Electronics Co., Ltd. (hereinafter referred to as “the Company” or “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 RMB480,000,000.00. Registered capital for the Company at its establishment was RMB515,000,000.00, 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 RMB322,873,348.00, including registered capital of RMB322,870,000.00, comprising 287,870,000 state-owned legal person shares, 35,000,000 employee’s shares, and capital reserve of RMB3,348.00.

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 RMB390,015,000.00. 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.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

I. Introduction of the Company (continued)

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.

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 RMB655,015,000. 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 RMB655,015,000. 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 "NEIC")

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

I. Introduction of the Company (continued)

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 RMB1,294,403,712.55, including an increase of share capital of RMB258,823,529.00, an increase of capital reserve, RMB1,035,580,183.55. The raised fund has been verified by Baker Tilly China Certified Public Accountants (Baker Tilly China) and the capital verification report Tian Zhi Hu QJ [2013] No.1907 was issued.

The registered capital of the Company was RMB913,838,529.00 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. NEIIC, 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 newly issued shares are tradable shares with restricted conditions; NEIIC is related party of the company, and 39,215,686 shares it subscribed shall not be transferred within 36 months since the closing date of issuance. While the shares subscribed by the other eight Investors (including Societe Generale Global Fund management Co., Ltd. who participated in the subscription with 10 accounts) shall not be transferred within 12 months since the closing date of issuance. June 30, 2014, except for NEIIC, the shares subscribed by the other eight Investors had lifted restricted conditions, and could be transferred in the share market.

The Financial Statements of the Company were approved by the Board of the Company on 30 March 2015.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

II. Basis of preparation of financial statements

1. Basis of preparation

Financial statements of the company have been prepared on going concern basis, according to the actual transaction, in accordance with relevant financial accounting standards, and prepared under following material accounting policies and accounting estimates.

2. Going concern assumption

The company has comprehensively evaluated all available information at present, and therefore concludes that there are no events that had compromised or would compromise the company's ability of going concern operation within a period of 12 months since the end of this report period.

III. The company's significant accounting policies and accounting estimates

1. Declaration on compliance with the Accounting Standards for Enterprises

The financial statements of the Company which are prepared on the base of above-mentioned basis are in compliance with requirements of latest Financial Accounting Standards as well as relevant application guidance, interpretation and other regulations (jointly referred to as the "Accounting Standards for Enterprises") issued by the Ministry of Finance, truly and completely reflect the financial position, operating results, cash flow positions and other relevant information of the company.

In addition, the financial statements of the company are in accordance with the presentation and disclosure requirements of "No. 15 Reporting Regulation on the information disclosure for public share offering companies – Ordinary Reporting Regulation" (revised in 2014) (hereinafter referred to as "No.15 Regulation (revised in 2014)").

2. Accounting period

Accounting year is the calendar year from 1 January to 31 December.

The company regards a calendar year of 12 months as a normal operating cycle, and the operating cycle is used as the standard of liquidity division of assets and liabilities.

3. Measurement currency

The company uses RMB as the currency for recording transactions.

The subsidiaries of the company decide their own accounting currency according to their own major economic environment. The currency will be converted to RMB in the preparation of consolidated financial statements.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

4. Report items whose measurement attributes changed in the current period and their current measurement attributes

The measurement attributes of the company include historical cost, replacement cost, net realizable value, present value and fair value. There is no report items whose measurement attributes changed in the current period.

5. Business combination

(1) Accounting treatments for business combination under common control

Where the company involved in business combination under common control, either through one transaction or several multiple transactions, assets and liabilities acquired by the company shall be measured at carrying amount at acquisition date in the consolidated financial statements of the ultimate controlling party. Where difference arises between the carrying amount of net assets acquired by the company and the acquisition consideration (including cash, non-cash securities, etc.), capital reserves shall be adjusted; where capital reserves are not enough for offset, retained earnings shall be adjusted instead.

(2) Accounting treatments for business combination not under common control

At acquisition date, when the cost of consideration offered by the acquirer is more than the fair value of proportionate share of the acquiree's net identifiable assets, the difference shall be recognized as goodwill; when the cost of consideration offered by the acquirer is less than the fair value of proportionate share of the acquiree's net identifiable assets, the fair value of the acquiree's net identifiable assets, liabilities, contingent liabilities and cost of consolidation shall be reviewed first. If cost of consolidation is still less than the fair value of proportionate share of the acquiree's net identifiable assets after the review, the difference shall be accounted into current profit or loss.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

5. Business combination (continued)

(2) Accounting treatments for business combination not under common control (continued)

When acquisition is achieved through several multiple transactions, accounting treatments should be made in the following order:

- ① Adjust the carrying amount of long-term investment. At acquisition date, acquirer shall combine the carrying amount of the acquiree prior to acquisition date with the cost of new investment incurred at acquisition date, as the initial cost of this investment. Where the equity investment contains any other comprehensive income item prior to the acquisition date, it shall be accounted into profit or loss at the date of acquisition.
- ② For every single transaction that consist business combination, compare their cost of investment with the proportionate share of net identifiable value of the acquiree, so that for each transaction, the amount that should have been recognized as goodwill or accounted into current profit or loss can be ascertained. At acquisition date, recognized goodwill (or current profit or loss) shall be the sum total of goodwill (or current profit or loss) recognized for every single transaction.
- ③ All shareholding of the acquiree before acquisition shall be re-measured at fair value at acquisition date; Any gains and losses arising from re-measurement shall be accounted into profit or loss as investment income, together with any other comprehensive income related to the investment.

Circumstance where the company can no longer exercise control over subsidiary due to disposal of equity through several multiple transactions

- ① Decide whether the multiple transactions that contributed loss of control should be accounted for as a single transaction.

When the terms, conditions and economic effects of several multiple transactions meet one or several of the following conditions, normally they will be regarded as a single transaction:

- 1) They are signed at the same time or under the consideration of the influence of each other;
- 2) They form a single transaction designed to achieve an overall commercial effect;
- 3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;
- 4) One transaction considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

5. Business combination (continued)

(2) Accounting treatments for business combination not under common control (continued)

- ② Accounting treatments for multiple transactions that have been accounted for as a single transaction

When multiple transactions have been accounted for as a single transaction, all transactions should be treated as one transaction of disposal of subsidiary's equity and lose control over it. However, prior to loss of control, all differences between disposal proceeds and the investee's proportionate share of identifiable net assets within each single transaction should be recognized as other comprehensive income in the consolidated financial statements, and transferred to profit or loss when control is lost.

Residual equity in the consolidated financial statements should be re-measured at fair value at the date when control is lost. Consideration received at disposal of subsidiary, added by the fair value of residual equity, net of original proportionate share of net assets of the subsidiary which is continuously calculated since the date of acquisition, shall be recorded as investment income during the accounting period when control is lost. All other comprehensive income related to the original investment should be accounted into current profit or loss when control is lost.

- ③ Accounting treatments for multiple transactions that have not been regarded as single transaction

For transactions that do not result in loss of control, the difference between consideration received and proportionate share of subsidiary's net asset shall be recognized as capital reserve (capital premium or share premium) in the consolidated financial statements, when capital reserve is insufficient to offset, retained earnings shall be adjusted instead.

For transactions that result in loss of control, residual equity shall be re-measured at fair value in the consolidated financial statements. Consideration received at disposal of subsidiary, added by the fair value of residual equity, net of original proportionate share of net assets of the subsidiary which is continuously calculated since the date of acquisition, shall be recorded as investment income during the accounting period when control is lost. All other comprehensive income related to the original investment should be accounted into current profit or loss when control is lost.

6. Preparation of consolidated financial statements

Consolidated financial statements are based on financial statements of the parent and subsidiaries, together with other relevant information, and are prepared in compliance with "Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statements".

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

7. Joint-venture Arrangements

(1) Identification and classification of a joint arrangements

A joint arrangement is an arrangement of which two or two more parties have joint control. A joint arrangement has the following characteristics: 1) The parties are bound by the arrangement; 2) Two or more parties have joint control of the arrangement. In a joint arrangement, no single party controls the arrangement on its own. A party with joint control of an arrangement can prevent any of the other parties, or a group of the parties, from controlling the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint venturers to the net assets of the arrangement.

(2) Accounting treatment for joint arrangements

A joint operator shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards: 1) Its solely-held assets, and its share of any assets held jointly; 2) Its solely-assumed liabilities, and its share of any liabilities incurred jointly; 3) Its revenue from the sale of its share of the output arising from the joint operation; 4) Its share of the revenue from the sale of the output by the joint operation; 5) Its solely-incurred expenses, and its share of any expenses incurred jointly.

A party that participates in a joint venture shall account for its investment in a joint venture in accordance with "Accounting Standards for Business Enterprises No.2 – Long-Term Investments".

8. Recognition standard for cash equivalents of cash-flow statement

Cash equivalents of cash-flow statement 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.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

9. Foreign currency businesses

(1) Foreign currency transaction

Initially recognized as foreign currency transactions, they are translated into RMB using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary items are translated into RMB using 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, therefore no exchange differences arise; non-monetary items that are measured in terms of fair value are translated at balance sheet date using the spot exchange rate at balance sheet date, and exchange differences are accounted into current profit or loss or capital reserve.

(2) Translation of financial statements denominated 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.

10. Financial instruments

(1) Classification of financial assets and liabilities

Financial assets are classified into four categories at initial recognition: financial assets measured at fair value and the changes are recorded into profit or loss of current period (including tradable financial assets and financial assets that are designated to be measured at fair value and the changes are recorded into profit or loss of current period); investments held to maturity; loans and receivables and financial assets available for sale.

Financial liabilities are classified into two categories at initial recognition: financial liabilities measured at fair value and the changes are recorded into profit or loss of current period (including tradable financial liabilities and financial liabilities that are designated to be measured at fair value and the changes are recorded into profit or loss of current period); and other financial liabilities.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(2) Recognition, measurement and derecognition of financial assets and financial liabilities

When the company becomes a party of a financial instrument contract, financial assets or financial liabilities shall be recognized. At inception, financial assets and financial liabilities are measured at fair value; for financial assets and liabilities that are measured at fair value and the changes are recorded into profit or loss of current period, relevant transaction costs are accounted into profit or loss. As for other financial assets and financial liabilities, relevant transaction costs shall be included in their initial recognition value.

Subsequent measurements of financial assets of the company are carried out at fair value, with no deduction of any cost of transaction at the disposal of financial assets, except in following cases: 1) Investments held to maturity and loans and receivables measured at amortized cost using effective interest method. 2) Equity investment where no active market exist therefore impracticable to be measured at fair value, as well as derivative financial assets that are detached to and settled through delivering the equity investments. In these cases, financial assets are measured at cost.

Subsequent measurements of financial liabilities of the company are carried out at amortized cost, except in following cases: 1). Financial liabilities measured at fair value and the changes are recorded into profit or loss of current period, are measured at fair value, with no deduction of any cost of transaction could occur at the disposal of financial liabilities. 2). Derivative financial liabilities that are detached to and settled through delivering the equity investment, with which no active market exist therefore impracticable to be measured at fair value. 3). Financial guarantee contracts not belonging to financial liabilities measured at fair value and the changes are recorded into profit or loss of current period, or loan commitments that are executed below market interest rate and not measured at fair value and the changes are recorded into profit or loss of current period, are measured, after initial recognition, at the higher of: 1) the amount recognized in compliance with "Accounting Standards for Enterprises No. 13 – Contingent Events"; 2) initial recognition value, net of accumulated amortization according to the principles of "Accounting Standards for Enterprises No.14 – Revenue".

Gains and losses due to changes in fair value of financial assets or financial liabilities, except for those involved with fair value hedge, are accounted for as follows: 1). For financial assets measured at fair value and the changes are recorded into profit or loss of current period, gains and losses due to changes in their fair value are recognized as Income from change in fair value; Dividends (including cash dividends) received during the holding of the investment are recognized as investment income. At disposal, the difference between disposal proceeds and initial recognition value is recognized as investment income, simultaneously, gains and losses due to changes in fair value of the investment are accounted into profit or loss. 2). Fair value changes of financial assets available for sale are measured through capital reserve; accrued interest shall be recognized as investment income during the holding of the investment using effective interest rate method; at disposal, the difference between disposal proceeds and carrying amount of the financial asset, net of fair value changes that have been accounted for through capital reserve, shall be recognized as investment income.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

- (2) Recognition, measurement and derecognition of financial assets and financial liabilities (continued)

When contractual rights to receive cash flow from financial assets have ceased or when substantially all the risks and rewards detached to the financial assets have been transferred, the financial assets should be derecognized; when present obligations from financial liabilities have been terminated entirely or partially, all or part of the financial liabilities should be derecognized, accordingly.

- (3) Recognition and measurement for the transfer of financial assets

When the company transfers substantially all the risks and rewards of financial assets to another party, the financial assets should be derecognized; when substantially all the risks and rewards have been retained by the company, recognition of financial assets should continue, in the meantime, consideration received shall be recognized as financial liability. When substantially all risks and rewards have neither been retained nor transferred by the company, accounting treatments are as follows: 1) When control of the financial asset has been given up, the financial asset should be derecognized. 2) When control of the financial asset has been retained, recognition of the financial asset shall continue within the extent of its continuous involvement in the transferred financial asset and recognize the relevant liability.

When financial assets as a whole meet the criteria of derecognition, the difference between following two items shall be recognized as profit or loss: 1) Carrying amount of the derecognized financial asset; 2) Consideration received at derecognition, added by accumulated changes in fair value that has been recorded in shareholders' equity. When financial asset has been partially transferred and the transferred part meets the criteria of derecognition, carrying amount of the financial asset shall be divided into two parts: the derecognized part and the underecognized part, according to their fair value respectively, difference between the following two items should be accounted into profit or loss: 1) Carrying amount of the derecognized part; 2) Consideration of the derecognized part, added by corresponding derecognized part of accumulated changes in fair value that has been recorded in shareholders' equity.

- (4) Determination of fair value for financial assets and financial liabilities

When there is an active market for financial assets and financial liabilities, fair value is determined by their quoted prices; when there isn't any active market for financial assets and financial liabilities, valuation techniques (include referring to the closing price of latest voluntary transaction carried out by informed traders; referring to fair value of other financial instruments that are essentially the same as target instruments, using discounted cash flow method and option pricing models etc.) are used to determine their fair value. For financial assets obtained initially or originally and financial liabilities assumed by the company, transaction prices are used to determine their fair value.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

10. Financial instruments (continued)

(5) Impairment and test of impairment for financial assets

At balance sheet date, carrying amount of all financial assets, except financial assets measured at fair value and the changes are recorded into profit or loss of current period should be tested for impairment. When there is objective evidence showing that financial assets have impaired, provisions for impairment should be recognized.

Separate test should be carried out for financial assets that are individually significant; for financial assets that are not individually significant, impairment test can be carried out either separately or collectively within a portfolio of financial assets with similar credit risk characteristics. Financial assets that have not been impaired at separate impairment test should be included in the portfolio of financial assets with similar credit risk characteristics and tested again.

For financial assets that are measured at amortized cost, when there is objective evidence of impairment at year end, impairment losses should be recognized according to the difference between carrying amount and present value of the estimated future cash flow. For equity investment where no active market exist therefore impracticable to be measured at fair value or derivative financial assets that are attached to and settled through delivering this equity investment, impairment loss is recognized according to the difference between the carrying amount of the equity investment or derivative financial asset and present value of the estimated future cash flow determined through market yield for similar financial assets.

When fair value of financial asset available for sale decreases dramatically, and the trend of decrease is deemed to be non-temporary after considering various relevant factors, impairment loss should be recognized, and accumulated fair value losses that have previously been recorded in shareholders' equity shall be transferred to impairment loss.

11. Account receivables

(1) Receivables which are individually significant are subject to individual impairment assessment

Criteria or amount standard for receivables that are individually significant	Individually amounted more than 5% of total receivables or amounted more than 5 million RMB.
Allowance method for receivables that are individually significant are subject to individual impairment assessment	Impairment tests are carried out separately, when there is objective evidence that the company cannot have its receivables recovered at their original terms, allowances are provided by the amount that present value of future estimated cash flows is less than carrying amount of receivables.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

11. Account receivables (continued)

- (2) Receivables which are not individually significant are subject to individual impairment assessment

Reasons for separate provision	There is no obvious evidence to prove that the receivable is correlated with other receivables in terms of their credit risk characteristics, and there is objective evidence that the receivable is probably impaired, examples include when the debtor is withdrawn, bankrupt or dead, and after its/his/her liquidation or inheritance, the company is still unable to recover this receivable due to severe cash flow insufficiency suffered by the debtor
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Allowance methods for receivables	Allowances are recognized according to the difference between carrying amount of receivables and future estimated discounted cash flow of receivables.
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As for other receivables, including notes receivable, interest receivable, long-term receivables and others, allowances are provided according to the difference between carrying amount and estimated future discounted cash flow.

12. Inventories

- (1) Classification of inventories

Inventories include raw materials, packaging materials, low value consumables, goods in process, finished goods, designated processing material and goods shipped in transit.

- (2) Accounting for reception and shipping of inventories

Inventories are measured at cost of acquisition, cost of inventory include purchasing cost, conversion costs and other costs. Weighted average method is adopted when inventories are used or shipped.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

12. Inventories (continued)

- (3) The determination of net realizable value of inventory and method for inventory impairment provision

At balance sheet date, inventory is measured at the lower between cost and net realizable value, impairment provisions are provided according to the amount that cost of inventory is more than its net realizable value individually. For inventory that is directly for sale, net realizable value is determined by the estimated selling price of inventory less net of estimated sales expenses and relevant tax expenses; for inventory that requires further processing, net realizable value is determined by the estimated selling price of the product after it is completed less net of estimated cost to bring it to a selling condition, net of estimated sales expenses and relevant tax expenses. At balance sheet date, when the price of part of a class of identical inventory has been locked by contracts while the remaining part has not, the net realizable value should be recognized separately. Each part should have its net realizable value compared with its cost, and the amount of allowances been provided or restored is determined separately.

- (4) Inventory recording system

The company adopts perpetual inventory recording system.

- (5) Amortization for low-value consumables and packaging materials

- ① Low value consumables

Amortization is made on a one-off basis.

- ② Packaging materials

Amortization is made on a one-off basis.

13. Assets held for sale and discontinued operations

The company classifies its non-current assets into assets held for sale when following conditions have been satisfied:

- (1) The non-current asset or asset group, under its current conditions merely, can be sold immediately upon its normal terms of operation;
- (2) Formal declaration has been made by the company that the disposal of non-current assets has been decided and approved;
- (3) The company has engaged in a transfer agreement which is non-cancellable;
- (4) The transfer is about to take place within 12 months.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

13. Assets held for sale and discontinued operations (continued)

Asset and liabilities within a non-current asset or asset group held for sale are divided into current assets and current liabilities.

Discontinued operations refers to that has been disposed or classified as held for sale and act as a separate component whose operations can be clearly distinguished, either operationally and for financial reporting purposes, from the rest of the company:

- (1) Which represents a separate major line of business or geographical area of operations;
- (2) Which is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- (3) A subsidiary acquired exclusively with a view to resale.

For the fixed assets held for sale, the company adjusts its estimated residual value to a value that is reflective of fair value less disposal cost (the adjusted amount should not be more than its original carrying amount), the difference between the adjusted amount and the original amount is accounted as assets impairment loss for through profit or loss.

Other non-current assets such as intangible asset that meet the criteria of asset held for sale are treated as above.

14. Long term investments

- (1) Confirmation of cost of investment
 - ① Business combination under common control, in which consideration is paid either by cash, non-cash assets assume debts, or issue of securities or debt, cost of investment is the proportionate share of net identifiable assets of the acquiree at acquisition date. The difference between cost of investment and carrying amount of consideration or nominal value of consideration (in the case of share or debt issue) is brought to capital reserves; when there is insufficient capital reserve to use against, retained earnings should be adjusted instead.

For business combination under common control that is achieved through multiple transactions, Initial cost of investment is recognized as the proportionate share of net identifiable assets of the acquiree at acquisition date. The difference between initial cost of investment and the carrying value of the previous consideration, together with the difference between consideration and cost of investment at this acquisition date, is brought to capital reserve (capital premium or share premium), when there is insufficient capital reserve to use against, retained earnings should be adjusted instead.

- ② For business combination not under common control, cost of investment is determined by the fair value of proportionate share of net identifiable asset of the acquiree at the date of acquisition.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

14. Long term investments (continued)

(1) Confirmation of cost of investment (continued)

- ③ For long term investment in which no business combination is achieved, when consideration is paid by cash, cost of investment is the amount paid; when consideration is paid by issue of equity securities, cost of investment is the fair value of equity securities issued; when consideration is paid by other investors, cost of investment is the contractual value determined by the investment agreement (exclude situations in which contractual value is not being determined at fair value).

(2) Subsequent measurements and recognition of profit or loss for long term investments

When the company is able to exert control over the long term investment, cost method should be adopted in the company's own financial statements; when the company is able to exert semi-control or significant influence over the long term investment, equity method should be adopted in the company's own financial statements.

When cost method is adopted, long term investment is measured at its initial cost. Investment income is determined by the proportionate share of profit or cash dividend paid by the investee, apart from initial amount paid to the investment and consideration containing profit or cash dividends declared but not yet issued. Investment income is accounted for through profit or loss when it incurs, at the same time, impairment should be considered according to relevant policies of impairment.

When equity method is adopted, the amount that initial consideration is more than proportionate share of net identifiable assets of the investee is recognized as initial invest cost; when initial consideration is less than proportionate share of net identifiable assets of the investee, the difference is accounted for through profit or loss, and initial value of investment should be adjusted accordingly.

When equity method is adopted, proportionate share of net profit of the investee should be recognized as investment income, and the amount is used to adjust the carrying amount of the investment. In the determination of the proportion upon which net profit of the investee is being shared, fair value of recognizable assets of the investee should first be based on, then, according to accounting policies and accounting periods of the company, eliminate all transactions between the company and its associates and joint ventures proportionally (that is, by multiplying the proportion and the transaction figure), (however, when intragroup transaction involves impairment loss of asset, the figure should be recognized in full) therefore an adjusted figure of net profit is derived. The company calculates proportionate share of declared profit or cash dividends, and deduct the carrying amount of long term investment accordingly. Loss of the long term investment recognized by the company should not be more than the carrying amount and other in-essence investments of the long term investment, except in cases where the company is obliged to recover extra loss of the investment. Apart from profit or loss, other changes in owner's equity of the long term investment are brought directly to owner's equity, and carrying amount of investment is adjusted simultaneously.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

14. Long term investments (continued)

- (3) Determination of control or significant influence over the investee

Control refers to when an investor has power over the investee; and has exposure, or rights, to variable returns from its involvements with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Significant influence refers to investors have power to take part in the determination of finance and operating decision of investee, but can not control or joint control the policy with others.

- (4) Disposal of long term investment

- ① Partial disposal of long term investment in which control is retained

When long term investment is been partially disposed but control is retained by the company, the difference between disposal proceeds and carrying amount of the proportion being disposed is accounted for through profit or loss.

- ② Partial disposal of long term investment in which control is lost

When long term investment is partially disposed or else and control is lost as a result, the carrying value of the long term invest on the stock right, the difference between carrying amount of the part being disposed and disposal proceeds should be recognized as profit or loss. The residual part should be treated as long term investment or other financial assets according to their carrying amount. After partial disposal, if the company is able to exert significant influence or common control over the investee, the investment should be measured according to cost method or equity method, in compliance with relevant accounting standards and regulations.

- (5) Impairment tests and provision for impairment

For investments in subsidiaries, associates and joint ventures, when there is objective evidence that impairment has occurred, provisions should be provided according to the difference between carrying amount and net realizable value.

15. Accounting for investment properties

- (1) Investment properties include rented land use rights, land use rights hold for appreciation and transfer, and rented constructions.
- (2) Investment properties are recognized at initial cost. Subsequent measurement is based on cost model, and using the same depreciation or amortization method as fixed-assets and intangible assets. At balance sheet date, when there is objective evidence that investment property has impaired, provisions should be provided according to the difference between carrying amount and net realizable value of investment properties.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

16. Fixed assets

- (1) The confirmation, valuation and depreciation of fixed assets

Fixed assets refer to tangible assets that are used for the manufacturing of goods, provision of services, lease, or management purposes for a period of more than one year.

Fixed assets are measured at cost at recognition, and depreciated using the straight line method starting from the following month when the asset is ready for normal usage.

- (2) Depreciation methods for fixed assets

Item	Depreciation period (years)	Estimated residual value (% of initial value)	Annual depreciation rate (%)
Buildings and constructions	20-30	5	3.17-4.75
Machine equipments	5-11	0-10	8.18-20.00
Transportation equipments	5-10	0-5	9.50-20.00
Electronic equipments	2-7	2-10	12.86-49.00
Other equipments	2-5	0-10	18.00-50.00

- (3) Impairment tests and provisions for impairment

At balance sheet date, when there is objective evidence that property, plant and equipment are impaired, provisions of impairment shall be made according to the difference between its carrying amount and net realizable value.

- (4) Determination and measurement of fixed assets under finance lease

When one or more of the following criteria has been met, a lease is recognized as finance lease: 1) at the end of the lease term, ownership of the leased asset is transferred to the lessee. 2) The lessee has an 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 beginning of the lease, it can be reasonably ascertained that the option will be exercised. 3) Even if the ownership of the asset is not transferred, the lease term covers the majority of the economic useful life of the leased asset (generally 75% or above). 4) 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 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. 5) The leased assets are of a specialized nature that only the Company (the lessee) can use them without making major modifications.

Fixed asset under finance lease, at the lease beginning date, should be recognized as asset at the lower of present value of minimum lease payments and its fair value, and depreciated in accordance with the company's depreciation policy.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

17. Construction in progress

- (1) When construction in progress has reached to a usable condition; it is transferred to fixed asset at its actual cost. When usable condition has been reached but construction cost accounting has not been finished, construction in progress should be transferred to fixed asset at an estimated value, which is thereafter adjusted according to the actual construction cost accounting. However, depreciation that has already accounted for during this period is not reversed.
- (2) At balance sheet date, when there is objective evidence that construction in progress has impaired, provisions should be provided according to the difference between carrying amount and net realizable value of construction in progress.

18. Borrowing costs

- (1) The recognition principle of capitalization of borrowing costs

When borrowing cost incurred by the company is directly attributable to the acquisition, construction or production of a qualifying asset, it should be capitalized as part of the cost of relevant asset. Other borrowing cost are expensed and accounted for through profit or loss as they incur.

- (2) The period in which borrowing cost is capitalized
 - ① When all of the following conditions have been met simultaneously, capitalization of borrowing cost should begin: 1) capital expenditure has already incurred; 2) borrowing cost has already incurred; 3) the acquisition, construction or production of the asset to bring it to a re-sellable or usable condition has begun.
 - ② When acquisition, construction or production of the qualified asset ceased un-normally, and the cease lasts for a period of more than 3 months, capitalization of relevant borrowing cost should cease. Borrowing cost during this period should be expensed, until acquisition, construction or production of the qualifying asset re-starts.
 - ③ When qualifying asset being acquired, constructed or produced has reached its re-sellable or usable condition, capitalization of borrowing cost should cease.
- (3) The amount of which borrowing cost is capitalized

Loans that are borrowed specifically for the acquisition, construction or production of qualifying asset should have its actual interest expense (including the appreciation or amortization calculated using effective interest rate method), less deposit interest or investment income from idled funds, capitalized during the period of the loan. If the acquisition, construction or production of qualifying asset uses other general loans, the weighted average figure of total capital expenditure exceeds the value of specific loan, multiplied by the capitalization rate of general loans is used to determine the capitalization amount of borrowing cost from general loans.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

19. Intangible assets

- (1) Intangible assets include land use rights, patents and non-patent technologies. They are initially measured at cost.
- (2) Intangible asset with a finite useful life should be amortized during its lifetime at a pattern that is consistent with the way that economic benefit flows to the company. If the way in which economic benefit flows to the company cannot be ascertained, intangible asset should be amortized on a straight line basis. Years of amortization is illustrated below:

Item	Amortization Period (years)
Land	16.75-50
Trademark use right	10
Computer software	5-10
Patent right	10
Software copyright	10

The company should review the estimated useful life and amortization method of its intangible asset with finite useful life on at least an annual basis, and make adjustments when necessary.

- (3) At balance sheet date, when there is objective evidence that intangible asset with a finite useful life has impaired, impairment shall be made according to the difference between carrying amount and net realizable value; intangible asset with an indefinite useful life or intangible asset that has not yet reach its usable condition shall be tested for impairment annually, regardless of whether there are indications of impairment.
- (4) Expenditure made during the research phase of an internal project shall be accounted for through profit or loss during the period of its occurrence. Expenditure made during the development phase of an internal project shall be recognized as intangible asset if, and only if, it meets all of the following conditions: 1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; 2) The company has the intention to complete the intangible asset so it can be used or sold; 3) The company can explain how the intangible asset will generate probable future economic benefits. Among other things, and demonstrate the existence of a market for the output of the intangible asset or a market for the intangible asset itself, or, if it is to be used internally, the usefulness of the intangible asset; 4) The company has technical competence, financial and other resources to complete the development of intangible asset so that it can be used or sold; 5) Expenditure made during the development phrase of the intangible asset can be measured reliably.

20. Long-term prepaid expenses

Long-term prepaid expenses are initially measured at amount actually incurred, and amortized evenly over the benefit period or a prescribed period. If an item of long-term prepaid expenses can no longer bring benefit to the company on future periods, the remaining amount should be accounted for through profit or loss for the current period.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

21. Employee benefits

Employee benefits are all forms of consideration or compensation given by the company in exchange for service rendered by employees or for the termination of labor relationships. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits, and other long-term employee benefits. The benefits provided to employees' spouses, children, foster children, families of deceased employees and other beneficiaries of the company are also included in employee benefits.

(1) Short-term benefits

Short-term benefits actually incurred during the period when employees providing service to the company are recognized as liabilities and accounted for through profit or loss, excluding situations where the amount should be accounted in cost of relevant assets according to other accounting standards.

As for the profit-sharing plan, the related employee benefits payable should be recognised when all of the following conditions are met:

- 1) the company has current legal obligation or constructive obligation to make such payments as a result of past events;
- 2) a reliable estimate of the amount of employee benefits obligation arising from the profit-sharing plan can be made. If the employee benefits payable under the profit-sharing plan is not required to be settled wholly before twelve months after the end of the annual reporting period in which the employees render their related service to the company, those payments shall be accounted for through other long-term employee benefits standard. The bonus which is accrued on the basis of performance belongs to bonus plan; the treatment method is in accordance with profit-sharing plan.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

21. Employee benefits (continued)

(2) Post-Employment benefits

① Defined contribution plans

The company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset. Under a defined contribution plan, when contributions are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render their related service, the employee benefits payable shall be measured at the discounted value of all contributions using a defined discount rate.

② Defined benefit plans

The company shall attribute benefit obligations under a defined benefit plan to periods of service provided by employees according to the formula determined by projected unit credit method, with a corresponding charge to the profit and loss for the current period or the cost of a relevant asset. When an employee's service in later years will lead to a materially higher level of benefit from the defined benefit plan than in earlier years, the company shall attribute accumulated defined benefit plan obligation with straight line method to the period from the date when service provided by the employee first leads to company's benefit obligation under the defined benefit plan to the date when future service provided by the employee will not lead to material increase in defined benefit plan obligation. In the determining the period to which the benefit obligation shall attribute, the company shall not consider the situation in which the material increase in defined benefit plan obligation only as a result of future salary increases.

At the end of reporting period, the company shall recognise the following components of employee benefit cost arising from defined benefit plan:

- 1) Service costs, comprising current service costs, past service costs and any gains and losses on settlement.
- 2) Net interest on the net defined benefit plan assets or liabilities, including interest income on plan assets, interest cost on the defined benefit plan obligation and interest on the effect of the asset ceiling.
- 3) Changes as a result of remeasurements of the defined benefit assets/liabilities.

Unless other accounting standards requires or permits the inclusion of employee benefit costs in the cost of assets, item 1) and 2) above should be recognized in profit or loss for the current period; item 3) should be recognized in comprehensive income.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

21. Employee benefits (continued)

(3) Termination benefits

Termination benefits primarily include:

- ① Compensation provided to employees due to the termination of employment relationship before due date of employment contract, whether employees agree with the termination or not.
- ② Compensation provided to employees to encourage them to accept employee curtailment before the due date of employment contract, in which the employees have a choice of either to stay in service or leave.

When termination benefits are provided, the company recognizes employee benefit liabilities for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- The date when the company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal, or
- The date when the company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are expected to be settled wholly before 12 months after the end of the reporting period in which the termination benefit is recognized, the company shall apply the relevant regulations of short-term employee benefits; if the termination benefits are not expected to be settled wholly before 12 months after the end of the reporting period in which the termination benefit is recognized, the company shall apply the relevant regulations of long-term employee benefits.

(4) other long-term employee benefits

When other long-term employee benefits provided by the company meet the requirements of defined contribution plans, those benefits shall be accounted for in accordance with the regulations relating to defined contribution plans. Apart from the above, the company shall recognise and measure the net liabilities or net assets of other long-term employee benefits in accordance with the relevant regulations relating to defined benefit plans.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

22. Provisions

- (1) Provisions are recognized when the company encounters present obligation arising from guarantee, litigation, warrant, onerous contracts or contingent events, the settlement of which probably cause an outflow of economic benefits, and the amount of the present obligation can be measured reliably.
- (2) Initial amount recognized as provision shall be measured at the best estimate of the expenditure required to settle the present obligation, and the carrying amount of provision is reviewed at balance sheet date.

23. Revenue

- (1) Sale of goods

Revenue from sale of goods shall be recognized when all of the following conditions have been met: 1)The company has transferred to the buyer significant risks and rewards of ownership of the goods; 2) The company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the goods sold; 3) The amount of revenue can be measured reliably; 4) It is probable that the economic benefits associated with the transaction will flow into the company; 5) The relevant costs incurred or to be incurred can be measured reliably.

- (2) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably (that means the amount of revenue can be measured reliably, relevant economic benefit will probably flow into the company, the progress of transaction completion can be confirmed reliably and relevant costs incurred or to be incurred can be measured reliably), revenue associated with the transaction shall be recognized using the percentage-of-completion method. Services already provided, divided by the services should be provided shall be used as the percentage of completion. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, if costs of labor services already incurred is expected to be recovered, the amount of cost incurred should be recognized as revenue, and the amount is also recognized as cost of services; if costs of labor services already incurred cannot be recovered, the amount is accounted for through profit or loss, and no cost is recognized.

- (3) Abalienating of asset use rights

When abalienating of asset use right meets both conditions: relevant economic benefit is expected to flow into the company, and the amount of revenue can be measured reliably, revenue shall be recognized. Interest income is recognized according to the length of time for which the Company's cash is lent with the actual interest rate. Royalties are recognized according to the terms of charging period and method as stipulated in the relevant contract or agreement.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

23. Revenue (continued)

(4) Construction contracts

- ① When the outcome of construction contracts can be measured reliably at balance sheet date, revenue and cost of the contract are recognized according to the percentage of completion method. When the outcome of construction contracts cannot be measured reliably at balance sheet date, if the costs are expected to be recovered, costs that are actually recoverable are recognized as contract revenue, contract costs are recognized as contract expenses at the period when they are incurred; if the costs are not expected to be recovered, the costs shall be recognized as contract expenses when incurred and no contract revenue shall be recognized.
- ② When all of the following conditions are met simultaneously, it is said that the outcome of fixed price contract can be measured reliably: Total revenue of the contract can be measured reliably; it is probable that economic benefits related to the contract will flow into the company; contract costs actually incurred can be distinguished clearly and measured reliably; both the schedule of the contracted project and the contract costs to complete the contract can be measured reliably. When all of the following conditions are met simultaneously, it is said that the result of cost plus contract can be measured reliably: it is probable that economic benefits related to the contract will flow into the company; contract costs actually incurred can be distinguished clearly and measured reliably.
- ③ The proportion of work completed divided by expected total work is used to determine the percentage of contract completion.
- ④ At balance sheet date, 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

- (1) Government grants include grants related to asset and grants related to income.
- (2) 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.
- (3) Government grants related to asset should be recognized as deferred income and evenly amortized to profit or loss over the useful life of the related asset. For government grants 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 directly in profit or loss for the period.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

25. Deferred tax assets and deferred tax liabilities

- (1) The difference between carrying amount and tax base of assets and liabilities (for item that has not being recognized as asset or liability yet, if it has a correspondent tax base according to tax laws, use the difference between its carrying amount and the tax base), shall be recognized as deferred tax assets or liabilities according to the tax rate during which assets are expected to retrieved or liabilities are expected to be settled.
- (2) Deferred tax asset should be recognized for deductible temporary differences limited to the taxable income that the company can probably obtain to deduct the deductible temporary differences. At balance sheet date, if the company can demonstrate that, during future periods, it is probable that sufficient taxable profit will be available to use against all deductible temporary differences, deferred tax asset during previous accounting periods that has not been recognized shall be recognized.
- (3) At balance sheet date, carrying amount of deferred tax asset should be reviewed, if it is probable that taxable profit will not be sufficient to use against all deductible temporary differences, carrying amount of deferred tax asset should be written-down. When it is probable that sufficient taxable profit will be available, the amount of deferred tax asset that has been previously written-down should be reversed.
- (4) 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: 1) business combination; 2) transactions or events directly recognized as the shareholders' equity.

26. Operating lease, financial lease

(1) Operating lease

If the company is the lessee, lease payments shall be recognized as expense or cost of relevant asset on a straight line basis over each period of the lease term, and accounted for through profit or loss of the current period. Direct initial expenses incurred should be accounted for through profit or loss. Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

If the company is the lessor, lease payments shall be recognized as profit on a straight line basis over each period of the lease term, and accounted for through profit or loss of the current period. Direct initial expenses incurred are directly accounted for through profit or loss of the current period, unless the amount is large and capitalized, in which case the amounts is deferred and accounted for through profit or loss periodically. Contingent rents shall be recognized as an income in the period in which they are actually incurred.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

III. The company's significant accounting policies and accounting estimates (continued)

26. Operating lease, financial lease (continued)

(2) Finance lease

When the company is the lessee, at lease beginning date, the lower of fair value of leased asset or present value of minimum lease payments is recognized as the initial value of the leased asset, the amount of minimum lease payments are recognized as the initial value of long-term account payable, and the difference is recorded as unrecognized financing costs. The initial direct costs incurred shall be recorded in the asset value. During the lease period, financing cost for current period is calculated according to effective interest rate method.

When the company is the lessor, at lease beginning date, the total of minimum lease receipts since the lease beginning date and initial direct costs incurred shall be recognized as the initial value of finance lease receivable, and unguaranteed residual value is recorded simultaneously; the difference between the total of minimum lease receipts, initial direct costs and unguaranteed residual value and the total of their present value is recognized as unearned financing income. During the lease period, finance income for current period is calculated according to effective interest rate method.

27. Segment reporting

The Company identifies operating segments in accordance with the internal organizational structure, management requirements and internal reporting systems. Based on operating segments, reporting segments are determined, of which information is disclosed separately.

An operating segment is a component of the company that meets the following conditions simultaneously: (1) an operating segment may generate revenues and expenses by engaging in business activities; (2) operating results of the component are periodically reviewed by management to make decisions about resources allocation and performance assessment; (3) financial performance, operating results, cash flow conditions and other information of the component are available to the company. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IV. Taxation

1. Taxes and tax rates

Taxes	Tax Bases	Tax Rate (%)
VAT	Sales of goods, sales of water supply etc.	17, 13, 6, 4, 3, duty free
Sales Tax	Sales of lease, taxable services revenue	5,3
Urban development tax	Turnover tax, VAT Paid	7,5
Education Fee Surcharge	Turnover tax, VAT Paid	3
Local Education Surcharge	Turnover tax, VAT Paid	2
Real Estate Tax	Rental income from the property 70% of the original value of the property	12 1.2
Enterprise income tax	Taxable income	25, 20, 16.5, 15

2. Important preferential tax policies

(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 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.

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%.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IV. Taxation (continued)

2. Important preferential tax policies (continued)

(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% (urban area) and 5% (county and town) respectively (the National rate is 3%, the local rate is 2%).

(4) Real Estate 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%.

(5) Enterprise income tax

The Company is recognized by Jiangsu Provincial Science and Technology Commission as a high-tech enterprise on 31 October 2014 with the effective period for 3 years and the Company was issued a high-tech enterprise certificate (Certificate No. GR201432002014). Accordingly, the Company enjoys a preferential tax policy of 15% from 1 January 2014 to 31 December 2016.

The applicable enterprise income rate for subsidiaries of the Company is 15%, 16.5%, 20% and 25% respectively.

Shenzhen Jinghua Information Technology Co., Ltd, a subsidiary of the Company, has passed the review of high-tech enterprise by Guangdong Science & Technology Commission on 20 September 2012, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GF201244200504). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2012 to 31 December 2014.

Nanjing Panda Electronic Equipment Co., Ltd, a subsidiary of the Company, has passed the application of high-tech enterprise by Jiangsu Science & Technology Commission on 25 October 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, has passed the review of 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.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IV. Taxation (continued)

2. Important preferential tax policies (continued)

(5) Enterprise income tax (continued)

Nanjing Panda Electromechanical Instruments Technology Co., Ltd, a subsidiary of the Company, has passed the review of 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, has passed the application of high-tech enterprise by Jiangsu Science & Technology Commission on 11 December 2013, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201332000359). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2013 to 31 December 2015.

Nanjing Panda Electronic Manufacture Co., Ltd, a subsidiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission on 31 October 2014, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201432001030). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 31 December 2016.

Nanjing Panda Appliance & Apparatus Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 31 October 2014, with the effective period for 3 years and it was issued a high-tech enterprise certificate (Certificate No.GR201432002231). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 31 December 2016.

Nanjing Panda Communication Technology Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 31 October 2014, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GR201432002598). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 31 December 2016.

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 31 October 2014, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201432002300). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 31 December 2016.

Galant Limited., a subsidiary of the Company, registered in Hong Kong, the applicable rate is 16.5%.

Shenzhen Jinghua Audiovisual Products Co., Ltd, a subsidiary of the Company, is recognized as small low-profit enterprises, the basis is as the 50% of the taxable income, the applicable rate is 20%.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IV. Taxation (continued)

2. Important preferential tax policies (continued)

(6) Other taxation

Other taxation is accrued and paid as relevant regulation.

V. Illustration of changes in accounting policy and accounting estimate, error correction of prior period

1. Changes in accounting policy

(1) Summarization of changes

According to the requirement of relevant regulations issued by Ministry of Finance in 2014, the company accordingly changed its accounting policy, details are as follows:

Since 26 January 2014, Ministry of Finance has revised four standards including "Accounting Standards for Business Enterprises No.2-Long-term equity investment" (Cai Kuai [2014] No.14), "Accounting Standards for Business Enterprises No.9-Employee benefits" (Cai Kuai [2014] No.8), "Accounting Standards for Business Enterprises No.30-Presentation of financial statement" (Cai Kuai [2014] No.7), "Accounting Standards for Business Enterprises No.33-Consolidated financial statement" (Cai Kuai [2014] No.10), and published three standards including "Accounting Standards for Business Enterprises No.39-Fair value measurement" (Cai Kuai [2014] No.6), "Accounting Standards for Business Enterprises No.40-Joint arrangement" (Cai Kuai [2014] No.11), "Accounting Standards for Business Enterprises No.41-Disclosure of interests in other entities" (Cai Kuai [2014] No.16). The accounting standards above shall be executed in all of the enterprises which are executing Accounting Standards for Business Enterprises since 1 July 2014.

20 June 2014, Ministry of Finance revised "Accounting Standards for Business Enterprises No.37-The presentation of financial instruments" (Cai Kuai [2014] No.23), the enterprises which are executing Accounting Standards for Business Enterprises should disclosure the financial instruments in financial reports since 2014.

23 July 2014, Ministry of Finance published "The decision of amending Accounting Standards for Business Enterprises-the basic accounting standard by Ministry of Finance", which is executed since published.

The company executed the above policy since the executed date.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

V. Illustration of changes in accounting policy and accounting estimate, error correction of prior period (continued)

1. Changes in accounting policy (continued)

(2) The content and influence of the changes

① The relevant accounting policy of employee benefits

Refer to the revised "Accounting Standards for Business Enterprises No. 9 - Employee benefits", the company classified the employee benefits into employee benefits and long-term employee benefits. The employee benefits include short-term benefits, liabilities of defined contribution plans of termination benefits, the payable part of termination benefits within 12 months after the balance sheet date and the liabilities which complied with defined contribution plans in other long term employee benefits. Long term employee benefits include the net liability of defined benefit plans, the payable part of termination benefits after 12 months from the balance sheet date and the liabilities which complied with defined benefit plans in other long term employee benefits.

The company classified the agreement which employees' service will be paid on the base of profit or other operating results as "short term profit-sharing plan", which should be accounted in secondary subsidiary in "Salaries payable". The change just traced back between the secondary subsidiaries in "Salaries payable", which has no effect on shareholders' equity belong to the parent company, net profit belong to the parent company in 2013 and 2014.

The payable part of employee benefits of internal laid-off staff 12 months after the balance sheet date should be accounted, according to accounting treatment for termination benefits, in "Long term Salaries payable". Refer to the change of accounting policy, the company reclassified the disclosure of the current liability "salaries payable" and non-current liability "long-term salaries payable" in retrospect, the adjustment has no effect on shareholders' equity belong to the parent company, net profit belong to the parent company in 2013 and 2014.

Items involved in retroactive adjustment	Affective amount in 2014	Affective amount in 2013
employee benefits	-17,250,831.64	-18,435,307.41
Long term employee benefits	17,250,831.64	18,435,307.41

The employee of the company, including the employee which offers service as the labor contract signed between the company and the labor service intermediary company (labor dispatching staff). Refer to the change of the accounting policy, the company adjust the labor dispatching fees from "other payable" to "salaries payable", which has no effect on retroactive adjusting item.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

V. Illustration of changes in accounting policy and accounting estimate, error correction of prior period (continued)

1. Changes in accounting policy (continued)

(2) The content and influence of the changes (continued)

① The relevant accounting policy of employee benefits (continued)

Items involved in retroactive adjustment	Affective amount in 2014
Other payable	-4,646,970.33
Employee benefits	4,646,970.33

② The accounting policy of long-term equity investment

Refer to the revised "Accounting Standards for Business Enterprises No.2- long-term equity investment", the company adjusted equity investment which cannot be controlled, joint controlled or significantly affected by the company from long-term equity investment to available-for-sale financial assets, and retroactive adjustment is required.

The change of the accounting policy just retroactively adjusted between "available-for-sale financial assets" and "long-term equity investment", and the adjustment has no effect on shareholders' equity belong to the parent company, net profit belong to the parent company in 2013 and 2014.

Items involved in retroactive adjustment	Affective amount in 2014	Affective amount in 2013
Long-term equity investment	-3,650,000.00	-3,650,000.00
Available-for-sale financial assets	3,650,000.00	3,650,000.00

③ Other relevant accounting policy

Except for the changes in accounting policy mentioned above ①②, other changes in accounting policy has no effect on shareholders' equity belong to the parent company, net profit belong to the parent company in 2013 and 2014.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

V. Illustration of changes in accounting policy and accounting estimate, error correction of prior period (continued)

2. The changes in accounting estimate

(1) The content and reason of the change in accounting estimate

The company became the holding company of Shenzhen Jinghua Electronics Co., Ltd after acquiring the share of Shenzhen Jinghua as a significant reorganization. There is a difference in the depreciation period and estimated residual value. In order to reflect the fixed assets situations, be convenient for financial accounting and meet the regulations of tax policy, the company changed the depreciation period and estimated residual value since 1 October 2014 and depreciated according to the new estimate. The status before and after the change is as follows:

Item	Before		After	
	Depreciation period (year)	Estimated residual value (% of initial value)	Depreciation period (year)	Estimated residual value (% of initial value)
Buildings and constructions	20-30	5	20-30	5
Machine equipments	5-11	3-5	5-11	0-10
Transportation equipments	5-10	3-5	5-10	0-5
Electronic equipments	3-7	3-5	2-7	2-10
Other equipments	5	3-5	2-5	0-10

(2) The influence to financial statement of the change in accounting estimate

Refer to the regulation of "Accounting Standards for Business Enterprises No.28", the change in accounting estimate adopts prospective applicability method, there is no need to trace back to adjust the published financial reporting. There is no effect on current financial performance and operating results by the change of depreciation period and estimated residual value.

3. Significant accounting error correction of prior period

There is no significant accounting error correction of prior period in the current year.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements

Note: the terms “opening balance” and “closing balance” refer to the balances as of 1 January 2014 and 31 December 2014 respectively, and the terms “2013” and “2014” refer to year 2013 and year 2014 respectively.

1. Cash and Bank Balances

(1) Disclosure as classification

Item	Closing balance	Opening balance
Cash	643,825.43	626,247.04
Bank balances	711,713,343.85	1,494,483,562.56
Other cash and bank balances	115,625,904.79	70,895,228.53
Total	827,983,074.07	1,566,005,038.13

(2) The closing balance of the other cash and bank balances amounting to RMB115,625,904.79 mainly included bank’s acceptance bill deposits, performance deposits and bid deposit and L/C deposit amounting to RMB34,588,427.26, RMB33,644,677.45, and RMB47,392,800.08 respectively.

(3) The closing balances of deposits overseas are USD154,297.07 and HKD35,954.50, amounting to RMB972,507.20.

2. Bills Receivable

(1) Disclosure as classification

Types of Bills	Closing Balance	Opening Balance
Bank acceptance notes	195,887,244.86	130,404,808.33
Total	195,887,244.86	130,404,808.33

(2) The bills receivable that had been endorsed but not yet matured

Item	The amount of termination at closing date	The amount of non-termination at closing date	note
Bank acceptance notes	142,477,129.12		
Total	142,477,129.12		

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

2. Bills Receivable (continued)

- (3) There is no bills receivable with pledge at the year end.
- (4) There is no bills receivable turning into account receivable due to issuer's default at the year end.

3. Accounts Receivable

- (1) Disclosure as classification

Items	Closing Balance			Percentage of provision for bad debt (%)
	Balance	Percentage (%)	Provision for bad debt	
Substantial amount of single account receivable with specific provision	597,577,912.57	78.97	9,865,441.58	1.65
Other unsubstantial amount of accounts receivable with specific provision	159,121,051.87	21.03	11,223,678.17	7.05
Total	<u>756,698,964.44</u>	<u>100</u>	<u>21,089,119.75</u>	

Items	Opening Balance			Percentage of provision for bad debt (%)
	Balance	Percentage (%)	Provision for bad debt	
Substantial amount of single account receivable with specific provision	537,305,111.42	74.81	37,407,590.28	6.96
Other unsubstantial amount of accounts receivable with specific provision	180,885,542.25	25.19	22,889,509.25	12.65
Total	<u>718,190,653.67</u>	<u>100</u>	<u>60,297,099.53</u>	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

3. Accounts Receivable (continued)

(2) 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	102,686,557.85			Expected can be recovered
CEC Panda LCD Technology Co., Ltd	72,509,196.28			Expected can be recovered
Nanjing panda HanDa Technology Co., Ltd.	38,474,113.81	2,980.03	0.01	Current value of the expected future cash flow is lower than its carrying value
DaiFuKu Automatic Handling Equipment (Suzhou) Co., Ltd.	31,114,720.80			Expected can be recovered
Binhai Radio and Television Bureau	29,373,100.00	3,432,430.73	11.69	Current value of the expected future cash flow is lower than its carrying value
Nanjing Municipal COMMUNIST PARTY	25,673,455.23			Expected can be recovered
Nanjing Sharp Electronics Co., Ltd.	22,949,075.51	15,317.33	0.07	Current value of the expected future cash flow is lower than its carrying value
Nanjing Rail Transit Systems Co., Ltd	21,398,597.08			Expected can be recovered
Wuhan subway limited liability company	20,434,715.23			Expected can be recovered
Sheyang County Broadcasters	19,596,075.00			Expected can be recovered
Nanjing Lopu Co., Ltd.	17,502,364.46			Expected can be recovered
Nanjing Yougete Communication Equipment Co., Ltd.	16,887,000.00			Expected can be recovered
Suzhou Rail Transit line 2 Co., Ltd.	14,245,308.85			Expected can be recovered
CommScope Communication Technology (China) Co., Ltd.	12,638,615.56			Expected can be recovered
Ningxia radio, film & television bureau	12,558,672.00	2,477,529.50	19.73	Current value of the expected future cash flow is lower than its carrying value
Nanjing China Electronics Panda Panel Display Technology Co., Ltd	11,780,672.30			Expected can be recovered
BSH Home Appliances Co. Ltd.	10,633,407.08			Expected can be recovered
Shanghai Amphenol Airwave Communication Electronics Co., Ltd.	10,252,665.05			Expected can be recovered
Nanjing Zijin (jiangning) Technology Incubation Special Park	10,000,000.00			Expected can be recovered
The Zhejiang Net New Rail Engineering Co., Nanjing jiangning wanda plaza co., Ltd	9,461,581.00			Expected can be recovered

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

3. Accounts Receivable (continued)

(2) Substantial amount of single accounts receivable with specific provision.

Name of debtor	Amounts	Provision for bad debt	Percentage of provision for bad debt (%)	Reasons
Nanjing Internet of Things Application Research Institute Co., Ltd.	9,371,375.00			Expected can be recovered
Nanjing Qixia District Cable management station	9,191,692.80	319,402.45	3.47	Current value of the expected future cash flow is lower than its carrying value
Nanjing Jiangning Wanda Plaza Co., Ltd	7,948,700.91			Expected can be recovered
Wuxi Rail Transit Development Co., Ltd	8,487,709.46			Expected can be recovered
Radio Frequency System (Shanghai) Co., Ltd	7,012,614.89			Expected can be recovered
Funing Broadcasting And TV Station	6,735,200.00	373,299.54	5.54	Current value of the expected future cash flow is lower than its carrying value
Fuqing Wanda Plaza Co., Ltd	6,685,874.60			Expected can be recovered
Nanjin Ericsson Panda communication Co., Ltd.	5,835,220.76			Expected can be recovered
Sihong County Radio and Television Information Network Co. Ltd.	5,456,839.00	340,391.82	6.24	Current value of the expected future cash flow is lower than its carrying value
NARI Technology Development Co., Ltd.	5,353,092.63	2,904,090.18	54.25	Current value of the expected future cash flow is lower than its carrying value
Top Victory Investment Limited Units	5,128,874.70			Expected can be recovered
Majie (Suzhou) Technology Co., Ltd.	5,116,489.73			Expected can be recovered
Shenzhen Jinghua network marketing Co., Ltd	5,084,335.00			Expected can be recovered
Total	<u>597,577,912.57</u>	<u>9,865,441.58</u>		

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

3. Accounts Receivable (continued)

(3) The situation of reversed or received accounts receivable

Items	The amount incurred in current period
Provision for bad debt incurred in current period	13,290,882.40
Provision for bad debt reversed or received in current period	482,831.72

The significant situation of reversed or received provision for bad debts of account receivable:

Name of debtor	Reason for reversed or received	Reason for original provision of bad debts	Amount of provision	Amount of reversed or received
Jiangsu Binhai Middle School	Receive part of the amount by negotiation	Specific provision	300,000.00	300,000.00
Total			<u>300,000.00</u>	<u>300,000.00</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

3. Accounts Receivable (continued)

(4) The situation of written-off accounts receivable

Items	The amount incurred in current period
Written-off accounts receivable	52,016,030.46

The situation of significant written-off accounts receivable:

Name of debtor	Amount	Nature	Reasons for written-off	Related party transactions
PACIC DIGIT CORP	21,203,650.91	payment for goods	The debtor has been revoked	No
JIU ZHOU GROUP (HK) HOLDINGS LTD	6,303,226.57	payment for goods	Unable to recover, abandon the claim	No
Shenzhen No.1 Environmental Technology Co.,Ltd	5,984,098.50	payment for goods	Unable to recover, abandon the claim	No
Total	<u>33,490,975.98</u>			

Note: The written-off of accounts receivable in current year according to "financial assets impairment provision verification report" (Baker Tilly China (2014) No. 10172, Baker Tilly China (2014) No. 10173, Baker Tilly China (2014) No. 10174, Baker Tilly China (2014) No. 10175, Baker Tilly China (2014) No. 10176, Baker Tilly China (2014) No. 10177, Baker Tilly China (2014) No. 10178, Baker Tilly China (2014) No. 10179, Baker Tilly China (2014) No. 10202, Baker Tilly China (2014) No. 10203), is authorized and approved by board of directors.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

3. Accounts Receivable (continued)

(5) Details of the top five debtors of account receivables at the end of the period

Name of debtor	Relationship with the company	Amount	Provision for bad debt	Percentage of total account receivable (%)
CEC Panda LCD Technology Co., Ltd	The same actual controller	102,686,557.85		13.57
CEC Panda LCD Technology Co., Ltd	The same actual controller	72,509,196.28		9.58
Nanjing panda HanDa Technology Co., Ltd.	The same actual controllers	38,474,113.81	2,980.03	5.09
DaiFuKu Automatic Handling Equipment (Suzhou) Co., Ltd.	Non-related party	31,114,720.80		4.11
Binhai Radio and Television Bureau	Non-related party	29,373,100.00	3,432,430.73	3.88
Total		274,157,688.74	3,435,410.76	36.23

(6) The situation of derecognition of account receivable

Items	Amount of derecognition	Profit or loss of derecognition
Shenzhen Entrants Healthy Care Products Co., Ltd	41,325.67	-41,325.67
Total	41,325.67	-41,325.67

(7) There are no transferred accounts receivable in which the company continued to involve and relevant assets or liabilities formed.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

4. Prepayment

(1) Disclosure as the aging

Aging	Closing Balance	Percentage %	Provision for bad debt	Opening Balance	Percentage %	Provision for bad debt
Within 1 year	113,710,845.61	75.19		116,485,803.86	84.47	18,895.81
1-2 years	24,700,476.96	16.33	222,674.64	9,935,994.27	7.20	77,399.52
2-3 years	6,256,809.57	4.14	129,232.88	6,196,492.43	4.49	565,552.89
More than 3 years	6,568,685.62	4.34	1,613,871.14	5,290,940.11	3.84	5,279,288.11
Total	151,236,817.76	100	1,965,778.66	137,909,230.67	100	5,941,136.33

(2) Reason for material balances of prepayment aging over one year unsettled

Client	Amount	Provision for bad debt	Reasons of unsettled accounts beyond 1 year
Jiangsu Overseas Group International Engineering Co., Ltd.	17,102,609.20		Before settlement period
Microface Co., Ltd	3,540,539.25		Before settlement period
Yancheng Wisdom Network Technology Co., Ltd	2,388,202.28		Before settlement period
Nanjing yue technology co., Ltd	2,312,180.25		Before settlement period
Dongying Guanlin Intelligence Technology Co., Ltd.	1,716,360.00		Before settlement period
Nanjing Jinsheng Yuanjian Information Technology Co., Ltd	1,217,864.62		Before settlement period
Nanjing Fire Fighting Engineering Co., Ltd. Zaozhuang branch	1,145,260.93		Before settlement period
Total	29,423,016.53		

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

4. Prepayment

(3) Situation of the top five debtors of prepayment at the end of the period

Client	Relationship with the company	Account	Aging	Reasons of unsettled accounts
Jiangsu Overseas Group International Engineering Co., Ltd.	Non-related party	17,663,245.20	Within 2 years	Before settlement period
Nanjing Keyong Technology Co., Ltd.	Non-related party	9,339,153.38	Within 1 year	Goods not delivered
Kunshan Association Dolly Metal Co., Ltd	Non-related party	6,307,992.31	Within 1 year	Goods not delivered
Shanghai Wisdom, Electrical and Mechanical Engineering Technology Co., Ltd	Non-related party	6,022,398.10	Within 1 year	Goods not delivered
Nanjing Deep Industry Intelligent Systems Engineering Co., Ltd	Non-related party	5,143,421.57	Within 1 year	Project not completed
Total		<u>44,476,210.56</u>		

5. Interest receivable

(1) Disclosure as classification

Items	Closing balance	Opening balance
Deposit interest	<u>47,886.55</u>	<u>53,742.82</u>
Total	<u>47,886.55</u>	<u>53,742.82</u>

(2) There is no significant overdue interest receivable.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

6. Other Receivables

(1) Disclosure as classification

Category	Amount	Closing balance		
		Percentage (%)	Provision for bad debt	Percentage (%)
Substantial amount of single other receivables with specific provision	100,933,883.30	76.68		
Other unsubstantial amount of other receivables with specific provision	30,692,299.51	23.32	2,129,580.48	6.94
Total	<u>131,626,182.81</u>	<u>100</u>	<u>2,129,580.48</u>	

Category	Amount	Opening balance		
		Percentage (%)	Provision for bad debt	Percentage (%)
Substantial amount of single other receivables with specific provision	145,583,801.59	77.47		
Other unsubstantial amount of other receivables with specific provision	42,329,697.64	22.53	11,222,514.30	26.51
Total	<u>187,913,499.23</u>	<u>100</u>	<u>11,222,514.30</u>	

(2) 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.	82,400,000.00			Expected can be recovered
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	9,423,000.00			Expected can be recovered
State Coffers Shenzhen Depots (refunding export taxes)	9,110,883.30			Expected can be recovered
Total	<u>100,933,883.30</u>			

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

6. Other Receivables (continued)

(3) The situation of reversed or received other receivables

Items	The amount incurred in current period
Provision for bad debt incurred in current period	1,348,788.58
Provision for bad debt reversed or received in current period	127,746.09

The significant situation of provision for bad debt reversed or received in current period

Name of debtor	Reasons of reversed or received	Basis of original provision of debt method	The amount of accumulative provision before reversed or received	The amount of reversed or received
Nanjing Huarun oil gas Co.,Ltd	Received	specific provision	2,430.00	2,430.00
Total			<u>2,430.00</u>	<u>2,430.00</u>

(4) The situation of written-off other receivables

Items	The amount incurred in current period
written-off other receivables	10,313,976.31

The significant situation of written-off other receivables

Name of debtor	Amount	Nature	Reasons for written-off	Related Party transaction
Nanjing Electronics (Kunshan) Co. Ltd	2,799,417.23	receivables	The debtor has been revoked	Yes
Shenzhen No.1 Environmental Technology Co., Ltd	605,000.00	accounts for goods	Unable to recover, abandon the claim	No
Total	<u>3,404,417.23</u>			

Note: The written-off of other receivable in current year according to "financial assets impairment provision verification report" (Baker Tilly China (2014) No. 10172, Baker Tilly China (2014) No. 10174, Baker Tilly China (2014) No. 10175, Baker Tilly China (2014) No. 10178, Baker Tilly China (2014) No. 10203, is authorized and approved by board of directors.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

6. Other Receivables (continued)

(5) Classification of other receivable by nature

Nature	Closing balance	Opening balance
Relocation compensation	91,823,000.00	112,181,674.50
Deposit	22,660,208.68	55,926,229.09
Export refund	9,110,883.30	2,592,161.67
Accounts to be written-off		10,313,976.31
Other	8,032,090.83	6,899,457.66
Total	131,626,182.81	187,913,499.23

(6) The situation of the top five debtors of other receivables at the end of the period

Name of debtor	Nature	The closing balance	Aging	Percentage in the total value of the other Receivable %	The closing balance of provision of bad debt
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	relocation compensation	82,400,000.00	1-2 year	62.60	
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	relocation compensation	9,423,000.00	1-2 year	7.16	
State Coffers Shenzhen Depots (for export refund)	Export tax refund	9,110,883.30	Within 1 year	6.92	
Gansu Radio, Film & Television Bureau	Deposit	3,223,971.50	Within 2 years	2.45	
Nanjing Xianlin Drum Tower Hospital Investment Management Co., Ltd	Deposit	1,440,152.18	1-2 year	1.10	
Total		105,598,006.98		80.23	

(7) There is no situation of derecognition of other receivables.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

6. Other Receivables (continued)

(8) Accounts receivable of government subsidies

Government subsidies organization	Government subsidies items	Closing balance	Aging	Expected time, amount and basis of collection
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	Removal of Haifu Xiang No.118	82,400,000.00	1-2 year	In March 2015, 10 million was received and the rest is expected to be received in 2015 based on the relocation compensation agreement signed with the government
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	Removal of Youyihe Road No.1-2	9,423,000.00	1-2 year	By March 2015, all amounts are received based on the relocation compensation agreement signed with the government
Total		<u>91,823,000.00</u>		

(9) There are no transferred other receivables in which the company is involved in management and relevant assets and liabilities formed at the end of the period.

7. Inventories

(1) Category of inventories

Items	Closing Balance			Opening Balance		
	Balance of inventories	Provision	Value of inventories	Balance of inventories	Provision	Value of inventories
Raw materials	73,966,018.86	7,632,787.58	66,333,231.28	121,927,335.37	4,890,185.73	117,037,149.64
Packaging materials	3,029,373.16		3,029,373.16	879,278.57		879,278.57
Low-value consumables	186,268.04		186,268.04	164,500.62		164,500.62
Work in progress	298,867,316.50	5,576,520.50	293,290,796.00	120,306,203.55	2,316,694.58	117,989,508.97
Stored commodities	82,242,452.36	10,901,828.18	71,340,624.18	139,574,554.14	7,550,461.77	132,024,092.37
Consigned commodities	7,488,694.75		7,488,694.75	19,069,296.61		19,069,296.61
Delivered commodities	70,587,325.99	1,685,993.43	68,901,332.56	40,970,671.87	1,650,807.06	39,319,864.81
Total	<u>536,367,449.66</u>	<u>25,797,129.69</u>	<u>510,570,319.97</u>	<u>442,891,840.73</u>	<u>16,408,149.14</u>	<u>426,483,691.59</u>

Note: No capitalized borrowing cost in closing balance.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

7. Inventories (continued)

(2) Provision for diminution in value of inventories

Items	Opening Balance	Accrue in The year	Reverse	Provision in the year Write-off	Total	Closing Balance
Raw materials	4,890,185.73	4,855,871.42	287,994.08	1,825,275.49	2,113,269.57	7,632,787.58
Work in progress	2,316,694.58	3,327,476.08	67,650.16		67,650.16	5,576,520.50
Stored commodities	7,550,461.77	11,168,526.51	717,920.17	7,099,239.93	7,817,160.10	10,901,828.18
Delivered commodities	1,650,807.06	37,858.05	2,671.68		2,671.68	1,685,993.43
Total	16,408,149.14	19,389,732.06	1,076,236.09	8,924,515.42	10,000,751.51	25,797,129.69

(3) The situation of provision of inventories

Items	Basis of accruing provision of inventories	Reasons of reversed provision of inventories	The percentage reversed amount of closing balance of (%)
Raw materials	Net realisable value is lower than the carrying value	The influence factors of former write-down inventory value has disappeared	0.3894
Work in progress	Net realisable value is lower than the carrying value	The influence factors of former write-down inventory value has disappeared	0.0226
Stored commodities	Net realisable value is lower than the carrying value	The influence factors of former write-down inventory value has disappeared	0.8729
Delivered commodities	Net realisable value is lower than the carrying value	The influence factors of former write-down inventory value has disappeared	0.0038

(4) There is no completed but not settled assets resulted from construction contract.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

8. Other current asset

Items	Closing balance	Opening balance
Bank of Communications Yuntong Wealth- profit up 91 says	100,000,000.00	
Tianjin Silver Financial Steady appreciation No.609 Year 2014 (Note)	100,000,000.00	
China Construction Bank Beijing Branch No.491 Year 2014 (Note)	100,000,000.00	
Shanghai pudong development bank wealth bus No. 3 (Note)	95,000,000.00	
Industrial Bank Co. enterprise financial products structured deposits	50,000,000.00	
Bank of Communications Yuntong Wealth- profit up 61 says	50,000,000.00	
China Merchants Bank Dianjin Guzhiying No.52230 financial plan	45,000,000.00	
China Construction Bank Jiangsu Qianyuan break even No.235 Year 2014 financial plan	10,000,000.00	
China Merchants Bank Dianjin financing Ruixiang No.7 Project 5		40,000,000.00
ICBC financial break even No.3		20,000,000.00
China Merchants Bank Golden Faith No0210 financial plan 21 days		16,000,000.00
Total	550,000,000.00	76,000,000.00

Note: Tianjin Silver Financial Steady appreciation No.609 Year 2014, China Construction Bank Beijing Branch No. 491 Year 2014, Shanghai pudong development bank wealth bus No. 3 are third-party financial products acquired by the related party China Electronics Financial Co., Ltd. commissioned by the Company.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

9. Available-for-sale financial assets

(1) The disclosure of category

Items	Closing Balance		Value of inventories	Opening Balance	
	Balance of inventories	Provision		Balance of inventories	Provision
Available-for-sale equity instruments	3,650,000.00		3,650,000.00	3,650,000.00	3,650,000.00
include: According to the cost	3,650,000.00		3,650,000.00	3,650,000.00	3,650,000.00
Jiangsu Research And Design Institute Of Urban Rail Transit Co., Ltd	3,650,000.00		3,650,000.00	3,650,000.00	3,650,000.00
Total	3,650,000.00		3,650,000.00	3,650,000.00	3,650,000.00

(2) Available-for-sale financial assets according to the cost at the end of the year

Items	Carrying value				Provision			Shareholding ratio in the The invested company (%)	The current cash dividends
	Opening balance	Increase in current	Decrease in current	Closing balance	Opening balance	Increase in current	Decrease in current		
Jiangsu Research And Design Institute Of Urban Rail Transit Co., Ltd	3,650,000.00			3,650,000.00					7.30
Total	3,650,000.00			3,650,000.00					

(3) There is no change in impairment of available for sale financial assets.

(4) Fair value of available for sale equity instruments did not fall sharply or continuously and there is no sign of impairment.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

10. Long-term equity investment

(1) The disclosure of category

Name of investee	Opening Balance	Additional investment	Reduced Investment	Increase/decrease of the investee's equity						Closing Balance	Assets Provision
				Investment profit and loss under the equity method	Other comprehensive income	Other equity changes	provision for cash impairment	Other			
Nanjing Ericsson Panda communication Co., Ltd.	267,452,280.00			6,489,450.00						273,941,730.00	
Beijing SE Putian Mobile Communications Co., Ltd.	124,595,800.00			132,143,800.00			-39,300,000.00			217,439,600.00	
Nanjing Thales Panda Transportation System Company Limited	10,545,680.01			-1,304,318.92						9,241,361.09	
Shenzhen Jing'in Electronic Co., Ltd	460,614.98			98,473.17						559,088.15	
Shenzhen Jingfa Plastic Packing Products Co., Ltd	271,809.61			-28,896.65						242,912.96	
Shenzhen Jinghua Network Marketing Co., Ltd	186,332.25			99,229.72						285,561.97	
Nanjing Huaxian High Technology Company (note 1)											
Hua Fei Color Display Systems Co., Ltd. (note 2)											
MPower Batteries (Nanjing) Co., Ltd. (note 3)											
Nanjing Flexonics Panda Mobile Terminals Co. Ltd (note 4)											
Nanjing Panda Medical Electronics Co. Ltd. (note 5)											
Panda Korea Chen Xi Joint Venture Co. Ltd. (note 6)											
Total	403,512,516.85			137,497,737.32			-39,300,000.00			501,710,254.17	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

10. Long-term equity investment (continued)

(1) The disclosure of category (continued)

Note1: Nanjing Huaxian High Technology Company is the associates of the company, the carrying value of the long-term equity investment has decreased to zero.

Note2: Hua Fei Color Display Systems Co., Ltd. is the associates of the company, which entered the bankruptcy and liquidation proceedings by civil ruling of Jiangsu province Nanjing intermediate people's court. On 27th, June, 2014, the cancellation of registration of industry and commerce was finished, and the long-term equity investment has been written-off.

Note3: MPower Batteries (Nanjing) Co., Ltd. is the associates of the company, which has been revoked on 19th, February, 2008. The long-term equity has been written-off in the current year according to "financial assets impairment provision verification report" Baker Tilly China (2014) No. 10172, which is authorized and approved by board of directors.

Note4: Nanjing Flexonics Panda Mobile Terminals Co., Ltd. is the associates of the company, which has been liquidated on 31st, August, 2011, long-term equity of which was written-off in the current year according to "financial assets impairment provision verification report" Baker Tilly China (2014) No. 10172, which is authorized and approved by board of directors.

Note5: Nanjing Panda Medical Electronics Co. Ltd. is the associates of the company's subsidiary, Nanjing Panda Appliance & Apparatus Co., Ltd., which has been revoked on 31st, March, 2008, is written-off in the current year according to "financial assets impairment provision verification report" Baker Tilly China (2014) No. 10178, which is authorized and approved by board of directors.

Note6: Panda Korea Chen Xi Joint Venture Co. Ltd. is the associates of the company's subsidiary, Nanjing Panda Technology Equipment Co., Ltd. Nanjing Panda Technology Equipment Co., Ltd was written off on 14th, April, 2014. The long-term equity investment has been written-off.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

11. investment property

(1) Investment property recording as cost method

Items	Opening balance	Increase in current	Decrease in current	Closing balance
I. Total original value	61,737,767.90			61,737,767.90
including: Buildings	61,737,767.90			61,737,767.90
II. Total accumulated depreciation	50,074,092.46	1,090,976.84		51,165,069.30
including: Buildings	50,074,092.46	1,090,976.84		51,165,069.30
III. Provision for diminution in value of investment property including: Buildings				
IV. Total carrying value of investment property	11,663,675.44			10,572,698.60
including: Buildings	11,663,675.44			10,572,698.60

(2) There are no investment properties with uncompleted ownership certificate.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

12. Fixed assets

(1) The situation of fixed asset

Items	Buildings	Machinery equipment	transportation equipment	Electronic equipment	Other equipment	Total
Original cost						
Opening balance	586,282,824.60	379,940,608.76	26,192,711.35	37,692,603.20	28,580,434.18	1,058,689,182.09
Construction project	62,337,316.94	319,444.44		177,401.71	6,450,475.61	69,284,638.70
Other increase in current		18,627,821.26	6,639,995.12	3,442,004.23	1,395,029.74	30,104,850.35
Decrease in current	4,473,106.66	10,483,532.60	3,495,944.24	588,736.29	270,612.09	19,311,931.88
Closing balance	644,147,034.88	388,404,341.86	29,336,762.23	40,723,272.85	36,155,327.44	1,138,766,739.26
Accumulated depreciation						
Opening balance	180,581,047.81	224,693,867.68	11,980,492.22	29,851,190.02	17,977,853.99	465,084,451.72
Increase in current	18,670,416.95	31,889,211.35	2,713,965.95	2,468,812.22	3,243,638.32	58,986,044.79
Decrease in current	1,496,238.10	10,140,098.74	3,131,254.50	544,549.96	222,000.15	15,534,141.45
Closing balance	197,755,226.66	246,442,980.29	11,563,203.67	31,775,452.28	20,999,492.16	508,536,355.06
Provision for diminution in value						
Opening balance	2,972,121.11	139,410.98		16,484.99	5,208.80	3,133,225.88
Increase in current						
Decrease in current	2,972,121.11			4,697.36		2,976,818.47
Closing balance		139,410.98		11,787.63	5,208.80	156,407.41
Net value						
Closing balance	446,391,808.22	141,821,950.59	17,773,558.56	8,936,032.94	15,150,626.48	630,073,976.79
Opening balance	402,729,655.68	155,107,330.10	14,212,219.13	7,824,928.19	10,597,371.39	590,471,504.49

Note: The original cost of construction in progress transferred into fixed asset is RMB69,284,638.70.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

12. Fixed assets (continued)

- (2) The situation of operating leased fixed assets.

Category of fixed assets	Net value of fixed assets
Buildings	18,205,564.21
Transportation Equipment	1,209,674.18
Total	19,415,238.39

- (3) The situation of fixed asset with unfinished certificate

Items	Net value of fixed asset	Reasons for unfinished certificate
No.3 Workshop Training center in Xingang industrial park	20,687,579.35	The certificate is in progress
No.1&2 Workshop in Equipment industrial park	48,806,278.01	The certificate is in progress cooperative construct
Buildings Shenzhen Longgang Jinghua Electronic Co., Ltd	25,319,906.11	The land is collectively-owned land from Shenzhen longgang Liang'an Tian Economic Development Co., Ltd

- (4) No temporary idle fixed assets at the end of the period.
(5) No finance leased fixed assets at the end of the period.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

13. Construction in progress

(1) Disclosure as items

Items	Carrying amount	Closing balance		Carrying amount	Opening balance	
		Provision during the year	Net value		Provision during the year	Net value
The first phase of the electronic equipment industry	262,238,796.74		262,238,796.74	207,387,680.59		207,387,680.59
Machinery and equipment	4,564,076.42		4,564,076.42	581,461.67		581,461.67
Office furniture	1,659,705.00		1,659,705.00			
Project Management System	1,070,528.40		1,070,528.40			
EMC laboratory	349,018.87		349,018.87			
Xin Gang training Center No.4 No.5 construction				10,201,958.58		10,201,958.58
Total	<u>269,882,125.43</u>		<u>269,882,125.43</u>	<u>218,171,100.84</u>		<u>218,171,100.84</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

13. Construction in progress (continued)

(2) The situation of significant changing construction in progress

Items	Budget	Opening balance	Increase in current	Transfer in fixed assets	Other decrease	Percentage of budget (%)	Progress of items (%)	The cumulative amount of interest capitalized	including: current amount of interest capitalized	Current interest capitalization rate (%)	Capital source	Closing balance
The first phase of the electronic equipment industry (note1)	542,270,000.00	207,387,680.59	103,657,394.16	48,806,278.01		64.76	64.76				Placement/ Owned fund	262,238,796.74
Machinery and equipment		581,461.67	10,929,936.51	6,947,321.76							Owned fund	4,564,076.42
office furniture			1,659,705.00								Owned fund	1,659,705.00
Project Management System	1,126,872.00		1,070,528.40			95.00	95.00				Placement	1,070,528.40
EMC laboratory	10,937,000.00		349,018.87			3.19	3.19				Owned fund	349,018.87
Xin Gang training Center	16,950,000.00	10,201,958.58	2,865,884.90	13,067,843.48		77.10	77.10				Owned fund	
No.4 No.5 construction	180,000,000.00		463,195.45	463,195.45		94.95	94.95				Owned fund	
		218,171,100.84	120,995,663.29	69,284,638.70								269,882,125.43

Note1: The budget of the first phase of the electronic equipment industry includes land amount 61,939,442.90

(3) No recoverable amount less than carrying value and no impairment provision in construction made

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

14. Intangible assets

Items	Opening balance	Increase in current	Decrease in current	Closing balance
I. Total original cost	251,156,809.65	2,380,706.69		253,537,516.34
1. Land-use right	85,241,560.57	176,377.14		85,417,937.71
2. Trademark use rights	158,640,000.00			158,640,000.00
3. Computer software	7,249,544.08	317,537.15		7,567,081.23
4. Patents	25,705.00			25,705.00
5. Software copyright		1,886,792.40		1,886,792.40
II. Total accumulated amortization	168,251,852.13	2,732,718.09		170,984,570.22
1. Land-use right	5,413,036.64	1,985,670.97		7,398,707.61
2. Trademark use rights	158,430,000.00			158,430,000.00
3. Computer software	4,400,805.68	712,591.78		5,113,397.46
4. Patents	8,009.81	3,008.80		11,018.61
5. Software copyright		31,446.54		31,446.54
III. Total accumulated impairment amount	210,000.00			210,000.00
1. Land-use right				
2. Trademark use rights	210,000.00			210,000.00
3. Computer software				
4. Patents				
5. Software copyright				
IV. Total book value of intangible assets	82,694,957.52			82,342,946.12
1. Land-use right	79,828,523.93			78,019,230.10
2. Trademark use rights				
3. Computer software	2,848,738.40			2,453,683.77
4. Patents	17,695.19			14,686.39
5. Software copyright				1,855,345.86

Note: There are no land use rights with unfinished ownership certificate.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

15. Development expenditure

Items	Opening balance	Increase in current		Decrease in current		Closing balance
		Development expenditure	Other	Confirmed as intangible assets	Recorded into the profits and losses of the current	
The robot controller project			17,592,455.22			17,592,455.22
Total			17,592,455.22			17,592,455.22

Note: Details of development expenditure:

Item	Start of capitalization	Basis of capitalization	Research and development progress at the end of period
Robot controller project	Design of assessment plate completed	Completion of design for assessment plate shows feasibility of company technology of new project and development of robot controller is likely to bring to the company earnings in the future, and maintain company's technological competitiveness	As of this period, a small number of robot controller prototypes are completed and are debugged and modified.

16. Long term deferred expenses

Items	Opening balance	Increase in current	Amortized in current	Decrease in current	Closing balance	Other reasons for decrease
Office building renovation costs	2,205,599.70		1,226,252.84		979,346.86	
Waterproof insulation fire control project	915,715.01	545,800.00	446,844.11		1,014,670.90	
Other miscellaneous project	624,370.20	468,800.00	413,207.39		679,962.81	
Total	3,745,684.91	1,014,600.00	2,086,304.34		2,673,980.57	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

17. Deferred Income Tax Assets and Deferred Income Tax Debts

(1) Deferred Income Tax Assets with no offset

Items	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for asset impairment	32,150,993.12	6,038,992.75	5,722,222.93	1,186,589.63
Accrued expenses	3,184,931.97	665,664.94	1,560,342.67	390,085.67
Amortization of intangible assets	203,000.01	30,450.00		
Salaries payable	167,480.09	25,122.01	270,635.92	40,595.38
Total	<u>35,706,405.19</u>	<u>6,760,229.70</u>	<u>7,553,201.52</u>	<u>1,617,270.68</u>

(2) Deferred Income Tax Liabilities with no offset

Items	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Long-term payable	1,031,212.60	154,681.89	1,554,674.26	233,201.14
Total	<u>1,031,212.60</u>	<u>154,681.89</u>	<u>1,554,674.26</u>	<u>233,201.14</u>

(3) Details of unconfirmed deferred income tax assets

Items	Closing Balance	Opening Balance
Deductible temporary difference	150,931,657.03	133,464,910.97
Deductible loss	108,304,126.77	78,662,407.80
Total	<u>259,235,783.80</u>	<u>212,127,318.77</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

17. Deferred Income Tax Assets and Deferred Income Tax Debts (continued)

(4) Deductible loss of unconfirmed deferred income tax assets will expire in the following year

Year	Closing Balance	Opening Balance	Note
2014		2,557,258.91	
2015	5,527,187.81	5,583,749.50	
2016	2,321,114.92	2,321,114.92	
2017	7,685,037.06	8,728,416.55	
2018	52,365,710.15	59,471,867.92	
2019	40,405,076.83		
Total	108,304,126.77	78,662,407.80	

18. Short Term Loans

Items	Closing Balance	Opening Balance
Guaranteed loan	30,000,000.00	99,000,000.00
Total	30,000,000.00	99,000,000.00

Note: There is no short term loans expired but not repaid.

19. Bills payable

Types of Bills	Closing Balance	Opening Balance
Bank acceptance notes	83,633,487.09	61,925,836.17
Total	83,633,487.09	61,925,836.17

Note: There is no bills payable expired but not repaid.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

20. Accounts payable

(1) Disclosure of category

Items	Closing Balance	Opening Balance
Payment for goods	544,589,379.26	460,083,692.34
project funds	186,150,339.79	138,650,533.93
Processing and maintenance funds	21,862,982.93	34,210,350.41
Logistics warehousing funds	6,296,464.78	4,921,827.68
Others	13,153,898.22	15,147,775.15
Total	772,053,064.98	653,014,179.51

(2) Significant accounts payable with aging exceed 1 years.

Items	Closing Balance	Reasons for outstanding or carried forward
YiBuKe (nanjing) Electronic Technology Co., Ltd	3,504,273.50	Repayment of RMB300,000.00 after the balance sheet date. Remaining amount has not been settled.
Shanghai Long Information Technology Co., Ltd	3,159,085.80	Not settled
Panda Electronics Group Company	3,092,412.53	Not settled
Thales Software Systems (Shanghai) Co., Ltd	2,275,150.97	Not settled
Beijing Gold Barron Radio and TV Technology Co., Ltd.	2,043,408.48	Not settled
Nanjing Runkai Technology Industry and Trade co., Ltd.	1,924,303.54	Can't get in touch with each other
Beijing Dinghan Technology Co., Ltd	1,337,918.80	Not settled
Nanjing Panda Electronics Import/Export Co.,Ltd.	1,146,907.44	Not settled
Shaoxing Four-dimensional Plastic Engineering Co., Ltd.	1,111,131.92	Not settled
Jiangsu Jin Zhi Technology Co., Ltd	1,109,996.40	Can't get in touch with each other
Nanjing HuaHao Building Technology Co., Ltd	1,100,684.00	Not settled
Total	21,805,273.38	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

21. Advances from customers

(1) Disclosure of category

Items	Closing Balance	Opening Balance
Project funds	79,637,722.43	69,604,932.77
Payment for goods	56,138,683.11	28,533,654.15
Others	637,672.95	781,189.31
Total	136,414,078.49	98,919,776.23

(2) Significant accounts collected in advance with aging exceed 1 years.

Items	Closing Balance	Reasons for outstanding or carried forward
Nanjing Road Construction	2,925,217.20	The project schedule not attain to settlement conditions
Nanjing Public Security Bureau Yangtze River Branch	4,000,000.00	The project schedule not attain to settlement conditions
Nanjing Public Security Fire Department	2,333,557.25	The project schedule not attain to settlement conditions
Xuzhou City Tongshan District Public Security Bureau	1,614,000.00	The project schedule not attain to settlement conditions
Nanjing Public Security Bureau Xiaguan Branch	1,384,394.39	The project schedule not attain to settlement conditions
Zhejiang & Suye Co., Ltd	1,100,000.00	goods in transit not been accepted
Total	13,357,168.84	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

22. Salaries payable

(1) Disclosure of category

Items	Opening Balance	Increase	Decrease	Closing Balance
Short-term compensation	25,905,529.72	462,826,302.80	458,331,384.92	30,400,447.60
Defined contribution plan liability of post employment benefits	1,764,110.02	37,698,264.26	37,689,739.84	1,772,634.44
The payable part of termination benefits within 12 months after the balance sheet date	5,854,492.44	5,694,134.92	6,285,424.71	5,263,202.65
The liabilities which complied with defined contribution plans in other long term employee benefits.				
Total	<u>33,524,132.18</u>	<u>506,218,701.98</u>	<u>502,306,549.47</u>	<u>37,436,284.69</u>

(2) Short-term employment benefit

Items	Opening Balance	Increase	Decrease	Closing Balance
1. Salaries and bonus	19,353,482.28	289,437,796.09	290,092,907.87	18,698,370.50
2. Labor expenses		105,972,482.00	101,325,511.67	4,646,970.33
3. Welfare expense		20,117,820.95	20,117,820.95	
4. Expenses for social security	320,293.46	18,742,661.17	18,763,590.43	299,364.20
Including: Medical insurance	288,444.02	16,109,800.58	16,130,927.74	267,316.86
Injury insurance	12,249.85	1,287,481.95	1,287,405.82	12,325.98
Maternity insurance	19,599.59	1,345,378.64	1,345,256.87	19,721.36
5. Housing reserve fund	829,592.85	18,186,506.51	17,627,541.66	1,388,557.70
6. Compensation for employment termination	2,294,161.13	3,974,429.91	4,001,406.17	2,267,184.87
7. Short-term absence with pay				
8. Short-term profit sharing plan	3,000,000.00	4,035,589.17	3,935,589.17	3,100,000.00
9. Other short-term employment benefit	108,000.00	2,359,017.00	2,467,017.00	
Total	<u>25,905,529.72</u>	<u>462,826,302.80</u>	<u>458,331,384.92</u>	<u>30,400,447.60</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

22. Salaries payable (continued)

(3) Defined contribution plan liability of termination benefits

Items	payment amount in current	The amount of unpaid
Basic pension fund	34,600,024.63	1,723,437.84
Unemployment pension insurance	2,629,854.27	49,196.60
Enterprise annuity payment	459,860.94	
Total	<u>37,689,739.84</u>	<u>1,772,634.44</u>

(4) Payable part of termination benefits within 12 months after the balance sheet date.

Items	Payment amount in 2014	Amounts payable balance
Early retirement benefit	6,285,424.71	5,263,202.65
Total	<u>6,285,424.71</u>	<u>5,263,202.65</u>

(5) There are no liabilities complied with defined contribution plans in other long term employee benefits.

23. Tax payable

Items	Closing Balance	Opening Balance
Enterprise income tax	14,885,624.88	15,906,258.88
Value-added tax	1,857,641.71	5,794,447.77
Sales tax	1,022,017.16	1,071,644.35
Real estate tax	960,148.68	272,092.17
Individual income tax	919,809.32	668,393.15
Urban development tax	485,690.13	813,947.76
Education surcharges	358,190.80	1,052,801.06
Land use tax	224,915.33	40,500.00
Others	147,595.83	151,193.44
Total	<u>20,861,633.84</u>	<u>25,771,278.58</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

24. Interest Payable

Items	Closing Balance	Opening Balance
Interest Payable of short term loan		83,333.33
Total		83,333.33

Note: There is no overdue interest payable not paid.

25. Dividend Payable

Items	Closing Balance	Opening Balance	The reasons for exceeding 1 year
Minority shareholder dividends Shenzhen China Electronics Investment Co.,Ltd.	3,489,019.43	2,990,333.97	Not acquired
Panda Electronics Group Company		328,845.69	
Pan Guangyu		110,275.70	
Wu Yuehu		6,700,000.00	
Jiang Deming		600,000.00	
		300,000.00	
Total	3,489,019.43	11,029,455.36	

26. Other payables

(1) Disclosure of nature

Nature	Closing Balance	Opening Balance
State-owned capital management budget allocations	34,000,000.00	34,000,000.00
Deposit	31,529,753.02	38,949,336.22
Payables	21,365,688.07	25,604,871.06
Accounts with operating land-transferring fees	20,555,414.31	20,044,024.36
Others	15,578,273.90	16,220,075.90
	10,872,462.69	12,554,589.65
Total	133,901,591.99	147,372,897.19

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

26. Other payables (continued)

(2) Significant other payables exceeding 1 year.

Items	Closing balance	Outstanding or carried forward
China Electronics Corporation	34,000,000.00	Golden state capital budget, has not yet been carried forward
Land and Resources Bureau	15,578,273.90	Add-value of restructuring land value, has not yet been carried forward
Panda Electronics Group Company	6,804,273.57	Accounts, has not yet been carried forward
Nanjing Economic and Technological Development Zone Management Committee	4,424,425.48	Deposit, has not yet been carried forward
Shenzhen Zhengxu Investment Development Co., Ltd	2,362,286.00	Rental deposit, The lessee has not terminated the lease
Shenzhen Kingkey Baina Business Management Co., Ltd	1,639,794.00	Rental deposit, The lessee has not terminated the lease
Shenzhen Lichang Industrial Co., Ltd	1,530,026.00	Rental deposit, The lessee has not terminated the lease
Gansu Radio, Film & Television Bureau	1,347,247.00	Withholding after-sales service, in the period of performance
Cyts Shanshui Hotel Investment Management Co., Ltd	1,242,010.00	Rental deposit, The lessee has not terminated the lease
Dongying Guanlin Intelligent Technology Co., Ltd	1,000,000.00	Deposit, has not yet been carried forward
Total	<u>69,928,335.95</u>	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

27. Other current liabilities

Items	Closing balance	Opening balance
Multi mobile Internet information security audit system research and development and industrialization	2,016,000.00	
Police Digital Trunking (PD Tand TD-SCDMA) Digital trunking terminal equipment research and development	1,356,600.00	
Low energy consumption high frequency/ultra high frequency double frequency RFID Chip and application demonstration	900,000.00	
Water environment intelligent monitoring and emergency treatment demonstration project and standardization construction	696,000.00	696,000.00
Metro automatic ticket machine	500,000.00	
School-age children educational vouchers		97,800.00
Total	5,468,600.00	793,800.00

Note: There are no short-term bonds payable, short-term bond interest payable and other financial instruments issued classified as financial liabilities.

28. Long-term salaries payable

(1) Disclosure of category

Items	Closing balance	Opening balance
The net liability of defined contribution plan of post employment benefits		
The payable part of termination benefits after 12 months from the balance sheet date	17,250,831.64	18,435,307.41
The net liability of defined benefit plan of other long-term employment benefit		
Total	17,250,831.64	18,435,307.41

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

28. Long-term salaries payable (continued)

(2) Payable part of termination benefits after 12 months from the balance sheet date

Items	The payment amount	The amount of unpaid
Early retirement benefits		17,250,831.64
Total		17,250,831.64

29. Share Capital

Items	Opening balance	issue of shares	The current changes (+, -)			Total	Closing balance
			Allotment	reserved funds transfer shares	Others		
I. Restricted tradable shares	258,823,529.00				-219,607,843.00	-219,607,843.00	39,215,686.00
1. State-owned shares							
2. State-owned legal person shares	115,415,686.00				-76,200,000.00	-76,200,000.00	39,215,686.00
3. Other domestic-owned shares	143,407,843.00				-143,407,843.00	-143,407,843.00	
4. Other foreign-owned shares							
II. Non-restricted tradable shares	655,015,000.00				219,607,843.00	219,607,843.00	874,622,843.00
1. Ordinary shares denominated in RMB	413,015,000.00				219,607,843.00	219,607,843.00	632,622,843.00
2. Foreign-owned shares listed domestically							
3. Foreign-owned shares listed overseas	242,000,000.00						242,000,000.00
4. Others							
Total	913,838,529.00						913,838,529.00

Note: The change of Share Capital is resulted from cancellation of restricted conditions of restricted stock. Refer to I. Introduction of the Company.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

30. Capital reserves

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium	1,498,189,832.11	2,116,704.74	50,365,830.00	1,449,940,706.85
Other capital reserves	13,498,333.16			13,498,333.16
Total	<u>1,511,688,165.27</u>	<u>2,116,704.74</u>	<u>50,365,830.00</u>	<u>1,463,439,040.01</u>

Note1: The main reason of increase in capital reserve

Nanjing Panda Information Industry Co., Ltd., the subsidiary of the company, acquired 30% of minority equity of its subsidiary-Nanjing Panda Electromechanical Instruments Technology Co., Ltd. The consideration less than minority equity on the acquisition date is increase of the capital reserve.

Note2: The main reason of the decrease of the capital reserves

The company acquired 5,834,430 shares of Shenzhen Jinghua Electronics Co., Ltd (hereinafter referred to as Shenzhen Jinghua) by public stock transfer of Panda Group. After the acquisition, the company will bring into it of the consolidated financial statements with holding 43.10% shares of Shenzhen Jinghua and obtaining majorities in the board of directors. As the company and the consolidated company are both non-temporary controlled by Panda Group, the acquisition is the business combination under common control. The consideration should write down the current capital reserve. The details of combination refer to VII.1.

31. Surplus reserves

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserves	161,569,383.83	2,856,113.12		164,425,496.95
Discretionary surplus reserves	70,376,641.33			70,376,641.33
Total	<u>231,946,025.16</u>	<u>2,856,113.12</u>		<u>234,802,138.28</u>

Note1: 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 after approval. Based on resolution at the Board of Directors, the Company appropriated statutory surplus reserve amounting to RMB2,856,113.12, which amounted to 10% net profit of the Company this year (2013: RMB11,206,026.27).

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

32. Undistributed profits

Item	Amount for the current period	Amount for the prior period
Closing balance of previous year	474,947,172.20	342,614,884.56
Adjustments of Opening balance of the year (note1)	3,615,726.07	3,384,357.66
Opening balance of the year after adjustments	478,562,898.27	345,999,242.22
Add: Consolidated net profit		
attributable to parent company	153,230,139.40	184,820,911.32
Less: Transfer to statutory surplus Reserve	2,856,113.12	11,206,026.27
Transfer to discretionary surplus Reserve		
Distribution to ordinary shareholders (note2)	62,063,671.91	41,051,229.00
Declaration of dividends on ordinary shares transferred to capital		
Closing balance of current year	566,873,252.64	478,562,898.27

Note1: Adjustments of Opening balance of the year

The influence of undistributed profits is 3,615,726.07 which is caused by the change of consolidated range resulted from business combination under common control.

Note2: Distribution to ordinary shareholders

According to the profit distribution plan released on the conference of the Board of Directors in 2013 and the Annual General Meeting of 2013, the profit will be distributed at the base of the share capital of 913,838,529. Every 10 shares will be paid by RMB0.66 (Tax included) cash dividends, amounting to RMB60,313,342.91 totally.

Shenzhen Jinghua Electronics Co., Ltd., the newly-added subsidiary company of the company, passed the profit distribution plan of 2013 through resolution of board of directors on 29 May 2014. Every 10 shares will be paid by RMB3.00 (Tax included) cash dividends. Panda Group, the parent company of the company, enjoyed the cash dividend prior to transferring of RMB1,750,329.00.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

33. Operating Income and Cost

Items	2014		2013	
	Income	Cost	Income	Cost
1. Income from principal activities	3,424,238,116.84	2,923,878,082.19	4,076,225,708.38	3,583,096,451.20
2. Income from other activities	63,402,952.10	37,931,345.13	59,989,114.59	35,679,253.31
Total	<u>3,487,641,068.94</u>	<u>2,961,809,427.32</u>	<u>4,136,214,822.97</u>	<u>3,618,775,704.51</u>

34. Sales tax and surcharges

Items	2014	2013	standard
Business tax	17,032,510.58	13,862,486.12	IV. Taxation
Urban development tax	6,944,277.46	7,607,695.17	IV. Taxation
Education surcharges	4,987,427.03	6,060,877.58	IV. Taxation
Bund fee	72,308.90	196,983.36	IV. Taxation
Total	<u>29,036,523.97</u>	<u>27,728,042.23</u>	

35. Selling expenses

Items	2014	2013
Salaries and Benefits	17,897,094.84	17,148,285.18
Transport fee	10,595,284.68	8,031,416.98
Advertising fee	5,555,339.59	14,264,429.70
Entertainment	3,420,578.99	3,780,055.21
Office expenses	2,784,047.93	3,289,752.80
Labor expenses	2,703,905.84	2,009,300.21
Travelling expenses	2,531,581.86	2,780,473.52
Others	2,310,096.42	1,965,621.84
Total	<u>47,797,930.15</u>	<u>53,269,335.44</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

36. General and administrative expenses

Items	2014	2013
Salaries and Benefits	132,255,054.83	133,935,805.24
R&D expenses	178,491,741.11	153,298,483.78
Depreciation and Amortization	21,414,739.83	23,819,116.00
Agent fee	13,344,645.12	9,868,782.12
Entertainment and Travel	12,721,916.19	15,286,724.01
Office expenses	11,579,953.53	11,227,773.18
Tax	7,587,113.90	6,885,602.00
Labor expenses	5,519,575.33	7,880,245.16
Utilities	5,176,883.12	2,650,921.35
Maintenance Fee	4,028,823.57	3,563,118.57
Other	8,647,738.20	12,980,219.97
Total	400,768,184.73	381,396,791.38

37. Financial expenses

Items	2014	2013
Interest expenses	6,744,522.22	28,787,723.64
Less: Interest income	15,066,918.04	14,640,258.64
Bank charges	686,749.21	506,504.86
exchange gain or loss	7,920,750.17	3,050,161.10
Other	876,255.47	811,471.59
Total	1,161,359.03	18,515,602.55

38. Assets Impairment Loss

Items	2014	2013
Bad debt losses	14,637,634.17	48,970,003.57
Loss from inventory impairment	18,313,495.97	8,436,439.27
Total	32,951,130.14	57,406,442.84

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

39. Investment Income

Items	2014	2013
Share of profit of investees under equity method of accounting	137,497,737.32	123,081,847.96
Investment income from disposal of long-term equity investments	-840,658.35	
Investment income on financial products	24,661,374.32	10,230,538.34
Total	161,318,453.29	133,312,386.30

40. Non-operating Income

Items	2014	2013	Amount recorded in the current profits and losses
1. Gains from disposal of non-current assets	274,547.36	2,219,009.53	274,547.36
Including: Gains from disposal of fixed assets	274,547.36	2,219,009.53	274,547.36
2. Write off payables	12,195,120.39	8,048,224.59	12,195,120.39
3. Governmental subsidy	34,011,201.18	46,190,384.09	30,713,262.00
4. Other	1,206,793.56	85,931,202.17	1,206,793.56
Total	47,687,662.49	142,388,820.38	44,389,723.31

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

40. Non-operating Income (continued)

Note: Governmental subsidy:

Items	2014	Data sources	Whether related to income/assets
Nanjing Economic and Technological Development Zone Management Committee project subsidy	23,800,000.00	Certification of Committee project subsidy	related to income
The Software Products VAT Refund	2,698,620.80	Preferential Policies of Software Industry and Development of Integrated Circuit Industry	related to income
Subsidy income transferred from discounted interest of provincial achievements	1,340,000.00	NK[2013] No.51	related to income
Subsidy for children care from Nanjing Technology related industrial subsidy	917,800.00	NJC[2011] No.8	related to income
	800,000.00	NK[2014] No.171 NCJ[2014] No.488	related to income
Nanjing software and information services Development funds in 2014	800,000.00	NJXRJ[2014] No.329 NCQ[2014] No.716	related to income
Import financial discount	656,802.00	CQ[2013] No.124	related to income
Industry development funds	604,000.00	FFB[2013] No.7	related to income
The Software Products VAT Refund	599,318.38	Preferential Policies of Software Industry and Development of Integrated Circuit Industry	related to income
software project funding	500,000.00	NJXXT[2014] No.335 NQC[2014] No.753	related to income
Nanjing software industry leader in special subsidies	435,000.00	NJXRJ[2013] No.142 NCQ[2013] No.247	related to income
Large size television (3D) key technology research and development projects	360,000.00	NK[2009] No.225 NCJ[2009] No.774	related to income
Service reward	80,000.00	Nanjing Xuanwu District Finance Bureau	related to income
special subsidies for Nanjing software industry leader in 2012	65,000.00	NJXRJ[2013]No.142 NCQ[2013] No.247	related to income
Subsidies for energy-saving appliances	54,000.00	National energy conservation projects subsidies Policy	related to income

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

40. Non-operating Income (continued)

Note: Governmental subsidy: (continued)

Items	2014	Data sources	Whether related to income/assets
Financial subsidy	53,000.00	Nanjing Xuanwu District Finance Bureau	related to income
Standardized special grant funding	50,000.00	SCGM[2013]No.183	related to income
Provincial engineering technology research center awards	50,000.00	provincial engineering technology research center awards	related to income
2013 support export credit insurance premiums funds	36,000.00	Nanjing Xuanwu District Finance Bureau	related to income
Social insurance award	30,000.00	Shenzhen Social Insurance Fund Bureau	related to income
Employment training for rural migrants in the development zone 2013	28,500.00	employment training for migrant rural workers of Nanjing Economic and Technological Development Zone Management Committee 2013	related to income
Special subsidies for Business Development	24,000.00	Nanjing Xuanwu District Finance Bureau	related to income
Special Award for Technology	19,160.00	NQK[2012]No.15	related to income
Shenzhen security and civilized community 2013	10,000.00	Public Notice regarding Shenzhen Annual Security and civilized community list	related to income
Total	34,011,201.18		

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

40. Non-operating Income (continued)

Note: (continued)

From above:

Items	2013	Data sources	Whether related to income/assets
Electronic equipment, project development subsidies	20,000,000.00	Management committee certification	related to income
Central state-owned capital operating budget of major technological innovation and industrialization funds	7,960,000.00	CQ[2012] No.383	related to income
Jiangsu Province scientific and technological achievements special funds	3,000,000.00	NK[2012] No.1	related to income
Development and industrialization for Rail transportation ticket check system and ticket clearing center	2,600,000.00	SCJ[2013]No.61	related to income
research and development of IPTV set-top boxes' multi-decoder system software project	2,000,000.00	2010 public notice for guidance of the development of special projects funding for provincial modern services (software industry)	related to income
Police-used Digital terminal equipment R & D	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
Subsidies for energy-saving appliances	1,089,300.00	National energy conservation projects subsidies policy	related to income
Technology and Science Common Platform plan and special funding	1,020,000.00	NK[2013] No.240 NCJ[2013] No 757	related to income
Nanjing preschool student subsidy	989,490.00	NJC[2011] No 8	related to income
Special funds for Business development 2012	507,060.00	SCGM[2012] No 36	related to income
Nanjing emerging industries of special funds guide	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
Governmental tax refund subsidy of Baixia district	160,000.00	Development Zone investment incentives preferential policy	related to income
ShenzhenFutian District, industry development special funds management temporary measures	93,200.00	FFB[2012] No 16	related to income
Xuanwu District Finance Bureau funding	80,000.00	XWB[2012] No 29	related to income

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

40. Non-operating Income (continued)

Note: (continued)

From above: (continued)

Items	2013	Data sources	Whether related to income/assets
Software product registration subsidies	70,000.00	NJXRJ[2013] No 409 NCQ[2013] No 852	related to income
Exhibition subsidies	68,200.00	Notice About the "Nanjing Panda Electronics Co., Ltd." attending "2012 Saudi Arabia – China Commodity Fair" and applying Jiangsu Province subsidies	related to income
Migrant rural workers employment training subsidies	67,830.00	employment training for migrant rural workers of Nanjing Economic and Technological Development Zone Management Committee 2012	related to income
2012 SMEs international market development grants	60,000.00	SJMXXJCZ[2013]No99	related to income
CMMI Certification subsidies	50,000.00	NJXRJ[2013] No 409 NCQ[2013] No 852	related to income
Qinhuai Technology Bureau tech enterprise grants	50,000.00	Nanjing Qinhuai District Technology Project Contract	related to income
2012 SMEs international development funds grants	17,350.00	SJMXXJCZ [2013] No 101	related to income
Reward for Science and Technology Bureau qualified units	16,000.00	NK[2012] No 262	related to income
2012 of the award for provincial high-tech products	4,000.00	NK[2012] No 152	related to income
Funding of Baixia District Business Bureau	2,535.00	Bureau of Commerce subsidy certification	related to income
Reward for high-tech products by Baixia District in 2012	2,000.00	NK[2012] No 152	related to income
Total	<u>46,190,384.09</u>		

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

41. Non-operating Expenses

Items	2014	2013	Amount recorded in the current profits and losses
I. Loss from the disposal of non-current assets	436,268.94	2,985,649.87	436,268.94
Including: loss from disposal of fixed assets	436,268.94	2,985,649.87	436,268.94
II. Loss on arrangement (note 1)	41,325.67		41,325.67
III. Donation expenses	86,050.00	230,762.14	86,050.00
IV. Fine payment expenses	437,454.33	43,733.09	437,454.33
V. Others	1,310,829.68	365,958.44	1,310,829.68
Total	2,311,928.62	3,626,103.54	2,311,928.62

Note 1: Shenzhen Xing Jinghua packaging production Co., Ltd., the subsidiary company of the company, came to an agreement with the debtor to release him from a debt of 41,325.67 to non-operating expenses.

42. Income Tax Expenses

(1) Disclosure of items

Items	2014	2013
Income Tax Expenses	24,384,653.86	28,532,358.87
Including: Current income tax	29,606,132.13	23,877,360.37
Deferred income tax	-5,221,478.27	4,654,998.50

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

42. Income Tax Expenses (continued)

(2) Explain of the relationship of income Tax Expenses and accounting profit.

Items	2014	2013
Total profit	220,810,700.76	251,198,007.16
Income tax expenses calculated at the applicable tax rate	55,202,675.19	62,799,501.79
Different tax rate of subsidiaries	-16,365,566.89	-21,542,954.34
Adjustment on previous income tax	45,209.32	-6,445,624.64
Share of results of associates	-20,631,618.25	-18,427,013.54
Income not subject to tax		-58,862.83
Expenses not deductible for tax purposes	1,649,434.76	3,045,643.97
Claim additional deduction r&d	-4,299,334.13	-2,264,653.66
Effect of change in tax rate		477,384.93
Utilization of previously unrecognized tax losses	-2,131,835.23	-202,154.40
Unrecognized deductible temporary difference and deductible tax loss	10,915,689.09	11,151,091.59
Total income tax expenses	24,384,653.86	28,532,358.87

43. Information of Cash Flow Statements

(1) Cash Received Relating to Other Operating Activities

Items	2014	2013
Cash receipts from Acceptance deposit & Commitment deposit	133,512,237.01	29,914,369.10
Government subsidy	37,414,262.00	36,673,962.00
Governmental compensation for relocation	20,000,000.00	34,705,000.00
Cash receipts from Quality deposit & Performance deposit	18,900,000.00	12,623,090.06
Interest Income	15,072,774.31	14,586,515.82
Accounts received	5,783,144.78	1,810,757.68
Other	12,091,908.89	2,178,446.91
Total	242,774,326.99	132,492,141.57

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

43. Information of Cash Flow Statements (continued)

(2) Cash Paid Relating to Other Operating Activities

Items	2014	2013
Payment of deposit of commitment	178,291,913.27	45,376,011.37
Research & development expenses	124,531,869.79	97,362,621.62
Agent fee	14,080,191.75	10,829,388.46
Entertainment expenses	11,700,570.21	15,393,934.56
Office expenses	11,402,444.78	15,034,916.66
Transportation fee	11,280,026.25	8,529,961.69
Service fee	8,265,522.89	9,889,545.37
Travelling expenses	8,122,311.58	7,151,680.75
Advertising fee	6,712,718.29	13,145,035.14
Others	13,251,977.51	7,423,948.92
Total	387,639,546.32	230,137,044.54

(3) Other Cash receipt in Connection with Investment Activities

Items	2014	2013
Principal of financial product	4,242,800,000.00	1,020,000,000.00
Total	4,242,800,000.00	1,020,000,000.00

(4) Other Cash paid in Connection with Investment Activities

Items	2014	2013
Principal of financial product	4,716,800,000.00	1,096,000,000.00
Total	4,716,800,000.00	1,096,000,000.00

(5) Other Cash Paid Relating to Financing Activities

Items	2014	2013
Consideration paid for business combination under common control	50,365,830.00	
Acquisition of minority shareholders' equity	4,008,492.32	
Agent fee of private placement		3,458,926.85
Total	54,374,322.32	3,458,926.85

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. 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	2014	2013
1. Reconciliation of net profit to net cash flows from operating activities:		
Net profit	196,426,046.90	222,665,648.29
Add: Provision for asset impairment	32,951,130.14	57,406,442.84
Depreciation of fixed assets	60,077,021.63	66,670,408.30
Amortization of intangible assets	2,732,718.09	2,766,878.51
Amortization of long term deferred expenses	2,086,304.34	3,635,941.18
Loss arising from disposal of fixed assets, intangible assets and other long term assets (gains are represented by "-")	189,221.58	-84,006,114.92
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 "-")	15,639,254.81	28,905,182.88
Loss on investment (gains are represented by "-")	-161,318,453.29	-133,312,386.30
Decrease in deferred income tax assets (Increase is represented by "-")	-5,142,959.02	4,733,517.75
Increase in deferred income tax liabilities (decrease is represented by "-")	-78,519.25	-78,519.25
Decrease in inventories (increase is represented by "-")	-102,400,124.35	-69,037,152.10
Decrease in trade receivables (Increase is represented by "-")	-128,372,843.33	-85,340,384.31
Increase in trade payables (Decrease is represented by "-")	131,245,215.52	-6,294,599.45
Others		
Net cash flow from operating activities	44,034,013.77	8,714,863.42

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

44. Supplemental Information of Cash Flow Statements (continued)

(1) Reconciliation of net profit to cash flows from operating activities (continued)

Items	2014	2013
2. Material investment and financial activities not involving cash:		
Conversion of debt into capital		
Convertible bonds matured within a year		
fixed assets under financing lease		
3. Net change in cash and cash equivalents:		
Cash balance as at end of the year	712,357,169.28	1,495,158,809.60
Less: cash balance as at beginning of the year	1,495,158,809.60	613,724,667.04
Add: balance of cash equivalents as at the end of the year		
Less: balance of cash equivalents as at the beginning of the year		
Net increase in cash and cash equivalents	<u>-782,801,640.32</u>	<u>881,434,142.56</u>

(2) Net cash paid for acquiring subsidiaries

Items	2014	2013
Cash paid for business combination in the current period	50,365,830.00	
Including: Shenzhen Jinghua Electronics Co., Ltd.	50,365,830.00	
Less: cash held by subsidiaries at purchasing date	215,910,720.90	
Including: Shenzhen Jinghua Electronics Co., Ltd.	215,910,720.90	
Add: Cash paid for business combination in the prior period		
Including: Shenzhen Jinghua Electronics Co., Ltd.		
Net cash paid for acquiring subsidiaries	<u>-165,544,890.90</u>	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

44. Supplemental Information of Cash Flow Statements (continued)

(3) Information on cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	712,357,169.28	1,495,158,809.60
Including: Cash on hand	643,825.43	626,247.04
Bank deposit available for payment at any time	711,713,343.85	1,494,483,562.56
Other cash fund available for payment at any time		49,000.00
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	712,357,169.28	1,495,158,809.60

45. Foreign currency monetary items

Items	The closing balance of foreign currency	Exchange rate	The closing balance of RMB
Cash			60,390,730.95
including: USD	791,759.61	6.11900	4,844,777.05
Euro	64,843.86	7.45560	483,449.88
HKD	86,035.37	0.78887	67,870.72
JPY	1,070,559,340.00	0.05137	54,994,633.30
Account receivable			12,128,910.59
including: USD	1,982,172.02	6.11900	12,128,910.59
Account payable			54,846,358.21
including: USD	3,478,247.83	6.11900	21,283,398.47
JPY	653,357,207.32	0.05137	33,562,959.74
Other payable			822,815.39
including: USD	98,324.99	6.11900	601,650.61
Euro	29,664.25	7.45560	221,164.78

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VI. Notes to major items of consolidated financial statements (continued)

46. Assets with restricted ownership or use right

Items	Closing balance	Reason of restriction
Cash	115,625,904.79	Deposits of acceptance, performance, letter of credit
Total	115,625,904.79	

VII. Change of the range of consolidation

1. Business combination under common control

(1) Business combination under common control in current in 2014

Combined company	The proportion of the shares acquired (%)	Supportive basis for transaction as business combination under common control	Acquisition Date	Basis of determination of Acquisition date	Revenue of combined company from beginning of the combination to the Combination date	Net profit of combined company from beginning of the combination to the Combination date
Shenzhen Jinghua Electronics Co., Ltd	43.10	Commonly controlled by CEC and has a majority of seats in the board of directors of Shenzhen Jinghua	2014-11-25	Equity delivery date	752,173,442.75	56,403,397.93

(2) Cost of the business combination

Item	Shenzhen Jinghua Electronics Co., Ltd
cost of the business combination	50,365,830.00
Including: Cash	50,365,830.00

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VII. Change of the range of consolidation (continued)

1. Business combination under common control (continued)

(3) Assets and liabilities of the acquired company

Item	Shenzhen Jinghua Electronics Co., Ltd	
	Combination Date	End of 2013
Cash and Bank Balances	215,910,720.90	186,179,019.21
Bills Receivable	8,491,510.28	10,192,776.63
Trade receivable	46,508,265.29	23,377,410.40
Prepayment	3,116,258.16	1,275,324.95
Interest receivable	30,921.15	53,742.82
Other receivables	9,577,475.51	2,514,460.33
Inventories	62,287,309.10	54,555,790.40
Other current assets	28,000,000.00	76,000,000.00
Long-term equity investment	1,234,455.96	918,756.84
Investment properties	10,663,613.34	11,663,675.44
Fixed assets	56,280,208.94	62,767,506.28
Intangible assets	5,633,110.00	5,782,857.00
Long-term prepaid expenses	2,838,416.17	3,745,684.91
Deferred income tax assets	3,477,248.70	1,210,726.14
Less: Accounts payable	72,264,790.85	73,154,141.14
Advances from customers	931,247.97	658,669.44
Salaries payable	14,845,422.89	20,085,727.06
Taxes payable	6,911,482.66	3,237,213.61
Dividend Payable	12,377,860.48	11,029,455.36
Other payables	34,107,602.75	33,535,207.72
Net assets	312,611,105.90	298,537,317.02
Less: Minority equity	37,539,269.55	35,970,747.01
Net assets acquired	275,071,836.35	262,566,570.01

2. There is no combination under non-common control, reversed purchase or disposal of subsidiaries in the current period.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VII. Change of the range of consolidation (continued)

3. Other reasons that resulted in changes in the range of consolidation

Nanjing Panda Technical Equipment Co. Ltd., a subsidiary of the company, has been cancelled on 14 April 2014. Before the cancellation, the financial statements have been consolidated into consolidated financial statements of the company appropriately.

Shenzhen Jinghua Lighting Technology Co. Ltd., a subsidiary of the company, has been cancelled on 7 July 2014. Before the cancellation, the financial statements have been consolidated into consolidated financial statements of the company appropriately.

Company	Net asset on disposal date	Net profit from the beginning of current period to the disposal date
Nanjing Panda Technology Equipment Co., Ltd		10,468,242.93
Shenzhen Jinghua Lighting Technology Co., Ltd.		106,400.32

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities

1. Equity interest in subsidiaries

(1) Composition of the company

Subsidiary Company name	Main Business address	Registration address	Nature of business	The Company's shareholding percentage %		The Company's percentage in voting rights of the investee (%)	Acquisition Method
				Direct	Indirect		
Nanjing Panda Communication Technology Co., Ltd.	Nanjing	Nanjing	Manufacturing	100.00		100.00	Business combination under common control
Nanjing Panda Mechanical Engineering Plant (Note1)	Nanjing	Nanjing	Services	99.11		100.00	Business combination under common control
Shenzhen Jinghua Electronics Co., Ltd (Note2)	Shenzhen	Shenzhen	Manufacturing	43.10		55.56	Business combination under common control
Nanjing Panda Accurate Machinery Co., Ltd.	Nanjing	Nanjing	Manufacturing	100.00		100.00	establishment
Nanjing Panda Machinery Co., Ltd.	Nanjing	Nanjing	Manufacturing	85.82		85.82	establishment
Nanjing Panda Information Industry Co., Ltd.	Nanjing	Nanjing	Manufacturing	72.00	28.00	100.00	establishment
Nanjing Panda Electronic Manufacture Co., Ltd.	Nanjing	Nanjing	Manufacturing	75.00	25.00	100.00	establishment
Nanjing Panda Power supply Technology Co., Ltd	Nanjing	Nanjing	Manufacturing	79.55		79.55	establishment
Nanjing Guanghua Electronics Plastic Casings Factory	Nanjing	Nanjing	Services	100.00		100.00	establishment
Nanjing Panda International Communication Systems Co.,Ltd.	Nanjing	Nanjing	Manufacturing	71.77		71.77	establishment
Nanjing Panda Electronic Equipment Co., Ltd.	Nanjing	Nanjing	Manufacturing	100.00		100.00	establishment
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing	Nanjing	Services	100.00		100.00	establishment
Nanjing Panda Electronic Technology Development Co., Ltd.	Nanjing	Nanjing	Manufacturing	100.00		100.00	establishment
Galant Limited	Hong Kong	Hong Kong	Communications industry research and development, investment holding	100.00		100.00	establishment

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

1. Equity interest in subsidiaries (continued)

(1) Composition of the company

Note1: The difference between the company's percentage of shareholding and actual percentage of voting rights in Nanjing Panda Electrical Equipment plant is due to:

0.89% of shareholding in Nanjing Panda Electrical Equipment plant is owned by Shimenkan town industrial company, which does not participate in Nanjing Panda Electrical Equipment plant's daily operations and business decisions. Thus, the Company holds 100% of the voting rights.

Note2: The difference between the company's percentage of shareholding and actual percentage of voting rights in Shenzhen Jinghua Electronics Co. Ltd. is due to:

During this period, the company acquired 5,834,430 (5.07% of total) shares of Shenzhen Jinghua Electronics Co. Ltd (thereafter called Shenzhen Jinghua for short), from Panda Group, after the acquisition, the company holds 43.10% of the shares of Shenzhen Jinghua. In the meantime, Board of Directors of Shenzhen Jinghua has been reorganized, within which 5 out of 9 directors are now designated by the company, thus the company holds 55.56% of the voting rights in the Board.

(2) Information of material non-wholly owned subsidiary

Subsidiary Company	Minority Shareholders' Shareholding percentage (%)	The minority shareholders' percentage in voting rights of the investee (%)	Current profit and loss attributable to minority shareholders	Current dividend attributable to minority shareholders	Closing balance of Minority shareholders' equity
Shenzhen Jinghua Electronics Co., Ltd	56.90%	44.44%	40,526,969.14	28,290,734.80	198,075,794.84

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

1. Equity interest in subsidiaries (continued)

(3) Financial information of material non-wholly owned subsidiary

Item	Shenzhen Jinghua Electronics Co., Ltd	
	31 December, 2014 or 2014	31 December, 2013 or 2013
Current assets	353,462,797.01	356,740,686.41
Non-current assets	78,864,233.01	86,089,206.61
Total assets	432,327,030.02	442,829,893.02
Current liabilities	104,920,867.42	135,381,890.41
Total current liabilities	8,100,203.78	8,910,685.59
Total liabilities	113,021,071.20	144,292,576.00
Net assets	319,305,958.82	298,537,317.02
Total operating income	826,514,054.47	1,656,729,695.28
Net Profit (losses)	63,098,250.85	49,228,124.58
Total comprehensive income	63,098,250.85	49,228,124.58
Cash flows from operating activities	40,071,569.60	95,260,447.21

(4) There are no significant restrictions on usage of company assets and payment of company debts in current period.

(5) The company does not have structured body whose financial statements are consolidated.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

1. Equity interest in subsidiaries (continued)

(6) Changes in equity of the subsidiary's share of owners

1) Situation without loss of control

a. Situation in which equity of the subsidiary's share of owners changed

The Company's subsidiary, Nanjing Panda Information Industry Co., Ltd. on 8 May 2014 acquired 30% minority shareholdings of its subsidiary, Nanjing Panda Electromechanical Instruments Technology Co., Ltd. at the price of RMB4,008,492.32. The shares were held by individual shareholders, of which 9.81% was held by a key management person, with the consideration of RMB1,310,776.96. After the completion of the acquisition, Nanjing Panda Information Industry Co., Ltd. holds 100% equity of Nanjing Panda Electromechanical Instruments Technology Co., Ltd.

b. Impact of trading on minority interests and shareholders' equity attributable to the parent company

Item	Nanjing Panda Electromechanical Instruments Technology Co., Ltd
Purchase costs	4,008,492.32
Including: cash	4,008,492.32
Total purchase cost	<u>4,008,492.32</u>
Less: net assets of the subsidiary calculated on shares percentage acquired	5,762,841.72
Difference	<u>-1,754,349.40</u>
Including: adjusted capital reserve	<u>-1,754,349.40</u>

2) The company has not lost control of any subsidiaries in the current period.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

2. Equity interests in associates and joint ventures

(1) Material joint ventures and associates

Name of invested company	Main business address	Registration address	Nature of business	The Company's shareholding percentage %		The Company's percentage in voting rights of the investee %)	Whether strategic or not for the company's activities
				Direct	Indirect		
Associates							
Beijing SE Putian Mobile Communications Co., Ltd.	Beijing	Beijing	Manufacturing	20.00		20.00	No
Nanjing Ericsson Panda Communication Co., Ltd.	Nanjing	Nanjing	Manufacturing	27.00		27.00	No

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

2. Equity interests in associates and joint ventures (continued)

(2) Principle financial information of material associates

Item	31 December 2014 or 2014	
	Beijing SE Putian Mobile Communications Co., Ltd.	Nanjing Ericsson Panda Communication Co., Ltd.
Current assets	5,057,650,000.00	9,200,828,000.00
Non-current assets	311,710,000.00	1,447,489,000.00
Total assets	5,369,360,000.00	10,648,317,000.00
Current liabilities	4,299,387,000.00	9,633,718,000.00
Non-current liabilities		
Total liabilities	4,299,387,000.00	9,633,718,000.00
Net assets	1,069,973,000.00	1,014,599,000.00
net assets calculated based on percentage of shareholdings	213,994,000.60	273,941,730.00
Adjustment events (Note)	3,445,000.00	
The book value of equity investments in associates	217,439,600.00	273,941,730.00
The fair value of equity investments with public proposal		
Operation income	30,242,788,000.00	13,571,481,000.00
Net Profit	660,719,000.00	24,035,000.00
Other Comprehensive income		
Total Comprehensive income	660,719,000.00	24,035,000.00
Dividends received from associates	39,300,000.00	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

2. Equity interests in associates and joint ventures (continued)

(2) Principle financial information of material associates (continued)

From above:

Item	31 December 2013 or 2013	
	Beijing SE Putian Mobile Communications Co., Ltd.	Nanjing Ericsson Panda Communication Co., Ltd.
Current assets	7,372,788,000.00	6,830,543,000.00
Non-current assets	430,059,000.00	894,503,000.00
Total assets	<u>7,802,847,000.00</u>	<u>7,725,046,000.00</u>
Current liabilities	7,197,083,000.00	6,726,656,000.00
Other non-current liabilities		7,826,000.00
Total liabilities	<u>7,197,083,000.00</u>	<u>6,734,482,000.00</u>
Net Assets	<u>605,764,000.00</u>	<u>990,564,000.00</u>
net assets calculated based on percentage of shareholdings	121,152,800.00	267,452,280.00
Adjustment events (Note)	3,443,000.00	
The book value of equity investments in associates	<u>124,595,800.00</u>	<u>267,452,280.00</u>
The fair value of equity investments with public proposal		
Operating Income	33,898,443,000.00	12,397,385,000.00
Net Profit	<u>96,079,000.00</u>	<u>381,304,000.00</u>
Other comprehensive income		
Total comprehensive income	<u>96,079,000.00</u>	<u>381,304,000.00</u>
Dividends received from associates	<u>107,400,000.00</u>	<u>104,008,000.00</u>

Note: The adjustment is the amount higher than the share of investee's identifiable net asset fair value compared with initial investment cost.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

2. Equity interests in associates and joint ventures (continued)

- (3) Summarized financial information of immaterial joint ventures and associates

Item	Closing balance	Beginning balance
Associates:		
Total carrying amount of the investment	<u>10,328,924.17</u>	<u>11,464,436.85</u>
Total value of the following items calculated based on percentage of shareholdings		
Net profit	-2,778,373.72	-1,531,279.65
Other comprehensive income		
Total comprehensive income	<u>-2,778,373.72</u>	<u>-1,531,279.65</u>

- (4) Information of risks of equity interests in associates.

There are no significant restrictions imposed on the company's associates in terms of the ability to transfer funds either by cash dividends or settlement of loans or advancements or other means.

- (5) The company has no significant joint operation in current period

3. The company does not have structured body whose financial statements are not consolidated.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments

Financial instruments of the company refer to cash, notes receivable and accounts receivable, etc. The primary objective of holding those financial instruments is to finance the daily operation of the company. The company holds various other financial assets and financial liabilities derived directly from operations of the company, for examples, receivables and payables.

Risks derived from the financial instruments mainly include credit risks, liquidity risks and market risks.

1. Classification of financial instruments

(1) At balance sheet date, closing balance of various financial assets is listed below:

Financial Assets	Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period	31 December, 2014			Total
		Held-to-maturity investments	Loans and receivables	Available-for sale financial assets	
Cash and bank			827,983,074.07		827,983,074.07
Bills receivable			195,887,244.86		195,887,244.86
Trade receivable			735,609,844.69		735,609,844.69
Interest receivable			47,886.55		47,886.55
Other receivables			129,496,602.33		129,496,602.33
Other current assets			550,000,000.00		550,000,000.00
Available-for sale financial assets				3,650,000.00	3,650,000.00

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

1. Classification of financial instruments (continued)

(1) At balance sheet date, closing balance of various financial assets is listed below: (continued)

From above:

Financial Assets	Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period	31 December, 2013			Total
		Held-to-maturity investments	Loans and receivables	Available-for sale financial assets	
Cash and bank			1,566,005,038.13		1,566,005,038.13
Bills receivable			130,404,808.33		130,404,808.33
Trade receivable			657,893,554.14		657,893,554.14
Interest receivable			53,742.82		53,742.82
Other receivables			176,690,984.93		176,690,984.93
Other current assets			76,000,000.00		76,000,000.00
Available-for sale financial assets				3,650,000.00	3,650,000.00

(2) At balance sheet date, closing balance of various financial liabilities is listed as below:

Financial liabilities	Financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current period	31 December, 2014	
		Other Financial liabilities	Total
Short term loans		30,000,000.00	30,000,000.00
Bills payable		83,633,487.09	83,633,487.09
Accounts payable		772,053,064.98	772,053,064.98
Interest payable			
Dividend Payable		3,489,019.43	3,489,019.43
Other payables		133,901,591.99	133,901,591.99

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

1. Classification of financial instruments (continued)

- (2) At balance sheet date, closing balance of various financial liabilities is listed as below: (continued)

From above:

Financial liabilities	31 December, 2013	
	Financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current period	Total
Short term loans	99,000,000.00	99,000,000.00
Bills payable	61,925,836.17	61,925,836.17
Accounts payable	653,014,179.51	653,014,179.51
Interest payable	83,333.33	83,333.33
Dividend Payable	11,029,455.36	11,029,455.36
Other payables	147,372,897.19	147,372,897.19

2. Credit risks

The company engages transactions with approved and creditworthy third parties only. According to the company's policy, all clients who require transactions to settle in credit should have their creditworthiness reviewed. In addition, the company monitors its balances of receivables on a continuous basis to ensure that the company is free from significant risk of irrecoverable debt. For transactions in which the counterparty uses accounting currencies other than the currency used by relevant operating units of the company, no credit is granted, unless the company's credit control department specifically approves the transaction.

Other financial assets of the company include cash, other receivables, etc., in which credit risks are resulted from default of counterparties in transactions, the maximum risk exposure equals to carrying amount of those financial assets. The company also faces credit risks from the offer of financial guarantee, details of which are disclosed in Disclosure Chapter 11, Section 6 (7).

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

2. Credit risks (continued)

Since the company engages transactions with approved and creditworthy third parties only, no collateral is required. Credit risks are centrally managed according to different clients, different geographical areas and different industries. Clients with receivables of the company spread across a wide range of sections and industries; therefore there is no concentration of credit risks inside the company. The company holds no collateral on its balance of receivables and no other credit enhancement has been granted on the balance of receivables.

Qualitative data from the company's credit risk exposure on notes receivable, accounts receivable and other receivables are disclosed in Disclosure Chapter 6, Section 2,3,5 and 6.

Duration analysis of financial assets which has been separately reviewed as not impaired is shown below:

Item	Total	31 December, 2014	
		Not past due nor impaired	Past due Within 3 months Over 3 months
Trade receivable	735,609,844.69	658,863,680.83	27,337,105.85 49,409,058.01
Bills receivable	195,887,244.86	195,787,244.86	100,000.00
Interest receivable	47,886.55	47,886.55	
Other current assets	550,000,000.00	550,000,000.00	
Available-for sale financial assets	3,650,000.00	3,650,000.00	

From above

Item	Total	31 December, 2013	
		Not past due nor impaired	Past due Within 3 months Over 3 months
Trade receivable	657,893,554.14	567,161,876.29	37,721,456.81 53,010,221.05
Bills receivable	130,404,808.33	130,404,808.33	
Interest receivable	53,742.82	53,742.82	
Other current assets	76,000,000.00	76,000,000.00	
Available-for sale financial assets	3,650,000.00	3,650,000.00	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

2. Credit risks (continued)

As of 31 December 2014, receivables that have not expired but reviewed as impaired are due to large amount of diversified clients with no recent record of default. When receivables are determined as irrecoverable, the company considers that provisions for impairment are needed.

As of 31 December 2014, receivables that have expired but reviewed as not impaired are due to large amount of individual clients with good transaction records. According to past experiences, for clients that no material changes have taken place in terms of its credit quality and receivables that are deemed to be recoverable in full, the company considers that no provision of impairment is needed.

3. Liquidity risks

The company and its subsidiaries are responsible for their own cash flow forecasts. Financing department of the company gathers cash flow forecasts from all companies, based on which short term and long term fund demands can be monitored continuously on consolidated level. The company uses bank loans and other financing methods to keep the balance between continuity and flexibility in finance, to ensure that sufficient funds are available to use.

Duration analysis of financial liabilities based on undiscounted contractual cash flows

Item	31 December, 2014			31 December, 2013		
	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total
Short term loans	30,000,000.00		30,000,000.00	99,000,000.00		99,000,000.00
Bills payable	83,633,487.09		83,633,487.09	61,925,836.17		61,925,836.17
Accounts payable	772,053,064.98		772,053,064.98	653,014,179.51		653,014,179.51
Dividend Payable	3,489,019.43		3,489,019.43	11,029,455.36		11,029,455.36
Interest payable				83,333.33		83,333.33
Other payables	133,901,591.99		133,901,591.99	147,372,897.19		147,372,897.19

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

4. Market risks

Market risks refer to the risks of changes in fair value or future cash flows of financial instruments due to changes in their market prices. Market risks include interest rate risks, foreign exchange rate risks and other price risks.

(1) Interest rate risks

The company has no long term liabilities that are charged at floating rates, therefore the company currently faces to no risk of interest rate.

(2) Exchange rate risks

Exchanges rate risks that the company faces are primarily related to the company's operating activities.

The table below is the sensitivity analysis of exchange rate risks, it reflects that, assuming other variables are invariant, to what extent will total profit and shareholders' equity be affected when exchange rate against US dollar and JPY changes in a reasonable and probable way.

Item	[Dollar] exchange rate increase/ (decrease)	Year 2014	
		Total profit increase/ (decrease)	Shareholders' equity Increase/ (decrease)
Depreciation of RMB against US dollars	5%	245,568.07	245,568.07
Appreciation of RMB against US dollars	5%	-245,568.07	-245,568.07
Depreciation of RMB against JPY	5%	-1,071,583.68	-1,071,583.68
Appreciation of RMB against JPY	5%	1,071,583.68	1,071,583.68

From above:

Item	[Dollar] exchange rate increase/ (decrease)	Year 2013	
		Total profit increase/ (decrease)	Shareholders' equity Increase/ (decrease)
Depreciation of RMB against US dollars	5%	-55,943.78	-55,943.78
Appreciation of RMB against US dollars	5%	55,943.78	55,943.78
Depreciation of RMB against JPY	5%		
Appreciation of RMB against JPY	5%		

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

4. Market risks (continued)

(3) Price risks for investments in equity instruments

Price risks for investments in equity instruments refer to the risks of decrease in fair value prices of equity securities due to changes of stock index levels or prices of other individual securities.

Since the company holds no equity security investments, the company exposes to no price risks for investments in equity instruments.

5. Capital management

The primary objective of capital management is to ensure the company's sustainable operation, as well as to ensure that the company sustains a healthy capital ratio, so that businesses can be developed and shareholder value can be maximized.

The company manages its capital structure and makes adjustments according to economic situation and changes in risk characteristics of relevant assets. In order to maintain or change capital structure, the company can change the way in which profit is distributed, return capital to shareholders or issue new shares. The company is not restricted to coercive external capital requirements. Objectives, policies and procedures of capital management remained unchanged during the period from 2013 to 2014.

The company monitors its capital structure based on asset-liability ratio (total liabilities divided by total assets). On 31 December 2014, asset-liability ratio of the company is 26.83% (on 31 December 2013: 25.67%)

X. Fair value

Fair value refers to the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Following assumptions are used to evaluate fair value:

For cash, notes receivable, accounts receivable, notes payable and accounts payable etc., fair values are equal to their carrying amount, since their duration is short.

For non-public listed short term loan etc., discounted future cash flow method is used to determine their fair value, the market yield of other financial instruments with substantially identical contractual clauses and characteristics are used as discount rate.

For financial instruments that are public-listed, market quoted prices are used to determine their fair value.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

X. Fair value (continued)

Fair value measurements of the company are divided into 3 levels of inputs:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for relevant asset or liability.

Level 3 inputs include interest rates that are neither directly observable nor verifiable from observable market data, stock volatility, future cash outflow from dismantle obligations in business combinations and financial projections made from the entity's internal data, etc.

Since financial assets and financial liabilities of the company only include cash, accounts receivable and accounts payable, etc., of which fair values are equal to their carrying amounts, currently none of the 3 levels of input above are used in the measurement of fair value.

XI. Related parties and transactions between related parties

1. **Recognition standards for a related party: when one party controls, commonly controls or exerts significant influence to another party, as well as when two or more parties are controlled, jointly controlled or significantly influenced by one party, they constitute related parties to each other.**

2. Information of the company's parent

Name of the parent company	Type of company	Registered Address	Legal Representative	Nature of business	Registered capital
Panda Electronics Group Limited	a company with limited liabilities	Nanjing	Xu Guofei	Manufacturing	RMB1,266,060,000

From above:

Shareholding percentage in the Company %	Voting right percentage in the Company %	Ultimate controller of the Company	Code of Organization
36.63	36.63	China Electronics Corporation	13488315-2

3. Information of subsidiaries of the company

Information of subsidiaries of the company is disclosed on Disclosure Chapter 8, Section 1.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

4. Information of associates and joint ventures of the company

Information of associates and joint ventures of the company are disclosed on Disclosure Chapter 8, Section 2.

Information of the company's other joint ventures or associates, that had transactions with the company in current period, or balances resulted from transactions with the company in the prior period is as follows:

Name of joint ventures or associates	the Company's relationship with Joint venture or associate
Associates	
Nanjing Thales Panda Transportation System Co., Ltd.	Subsidiary's associates
Shenzhen Jingfa plastic packaging products Co., Ltd	Subsidiary's associates
Shenzhen, Jingyin Electronics Co., Ltd.	Subsidiary's associates
Shenzhen Jinghua Network Marketing Ltd.	Subsidiary's associates

5. Information of other related parties of the company

Other related parties Name	the Company relationships with other related party	Organization Code
Nanjing Panda China's electronic information industry group Co. Ltd.	Ultimately controlled by the same party	66068742-6
Shenzhen China Electronics Investment Co., Ltd.	Ultimately controlled by the same party	61743968-9
Shenzhen, China Electronics Electricity Power Technology Co., Ltd	Ultimately controlled by the same party	19223096-9
China Electronics Financial Co., Ltd	Ultimately controlled by the same party	10209083-6
Top Victory Investment Limited Units (Note1)	Ultimately controlled by the same party	193969
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Ultimately controlled by the same party	05797492-2
China Great Wall Computer Shenzhen Co., Ltd.	Ultimately controlled by the same party	27935126-1
Shenzhen China Electronics Property Management Co., Ltd.	Ultimately controlled by the same party	19220642-4
Shenzhen China Electronics Panda Zhansheng Technology Co., Ltd.	Ultimately controlled by the same party	76919400-0
China Zhenhua Group Yunke Electronics Co., Ltd.	Ultimately controlled by the same party	77057754-3
China Electronics (ShenZhen) Co., Ltd.	Ultimately controlled by the same party	19220615-X
China National Electronics Import/Export Corporation	Ultimately controlled by the same party	10000106-X

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

5. Information of other related parties of the company (continued)

Other related parties Name	the Company relationships with other related party	Organization Code
Wuhan Zhongyuan Electronics group Co. Ltd.	Ultimately controlled by the same party	17771759-2
Shenzhen Huaxin China's Electronic Technology Co., Ltd.	Ultimately controlled by the same party	72715269-7
Shenzhen Sangda Electronic Equipment Co., Ltd.	Ultimately controlled by the same party	77162208-6
Shenzhen Sangda Baili Electric Appliance Co., Ltd.	Ultimately controlled by the same party	70848828-3
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party	05121115-8
Nanjing China Electronics Panda Real Estate Co., Ltd.	Ultimately controlled by the same party	78710640-6
Nanjing China Electronics Panda Lighting Co., Ltd.	Ultimately controlled by the same party	68250779-9
CEC Panda LCD Technology Co., Ltd.	Ultimately controlled by the same party	69044284-1
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Ultimately controlled by the same party	05325257-8
Nanjing China Electronics Panda Property Management Co., Ltd.	Ultimately controlled by the same party	67901867-9
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Ultimately controlled by the same party	70412529-0
Nanjing Suzhe Electronics Materials Co., Ltd.	Ultimately controlled by the same party	71627328-2
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd.	Ultimately controlled by the same party	21440297-X
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Ultimately controlled by the same party	21590198-1
Nanjing Huadong Electronics Group Medical Equipment Co., Ltd.	Ultimately controlled by the same party	70414620-2
Nanjing Panda Electronic Import/Export (HK) Company (Note 1)	Ultimately controlled by the same party	1621427
Langfang China Electronics Panda Crystal Technology Co., Ltd.	Ultimately controlled by the same party	750258166
Panda LCD Technology (Hong Kong) Co., Ltd (Note 1)	Ultimately controlled by the same party	1777951
China Electronic Appliance Corporation	Ultimately controlled by the same party	10000624-X
Nanjing Changjiang Electronic Information Industry Group Co. Ltd.	Ultimately controlled by the same party	134899023
China Electronics Science and Industry New Materials Jiangsu Electric Co., Ltd.	Ultimately controlled by the same party	089392804

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

5. Information of other related parties of the company (continued)

Other related parties Name	the Company relationships with other related party	Organization Code
Beijing China Electronics Guangtong Technologies Co., Ltd.	Ultimately controlled by the same party	769370772
China Electronic Technology Development Co., Ltd	Ultimately controlled by the same party	100007728
China Electronics International Exhibition & Advertising Co., Ltd.	Ultimately controlled by the same party	101130939
Panda (Beijing) International Information Technology Co., Ltd.	Subsidiary of the Group	76503190-9
Nanjing Panda China Electronics Furniture Co., Ltd.	Subsidiary of the Group	69040213-7
Nanjing Zhen Hua Packing Material Plant	Subsidiary of the Group	13487319-X
Nanjing Panda Technology Park Development Co., Ltd.	Subsidiary of the Group	59802163-0
Nanjing panda HanDa technology Co., Ltd.	Subsidiary of the Group	79710227-3
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group	13488851-9
Panda Electronics Material Usage Co., Ltd.	Subsidiary of the Group	13488815-6
Nanjing Panda Electronics Import/Export Co.,Ltd.	Subsidiary of the Group	13485068-4
Nanjing Panda Electronics Technology Development Co., Ltd.	Subsidiary of the Group	13487004-4
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	Subsidiary of the Group	74239427-2
Nanjing 21st Century Electronic and Technology Square Co., Ltd.	Subsidiary of the Group	71627148-X
Nanjing Electronic Calibration Co., Ltd.	Subsidiary of the Group	13487289-1
New Dewel Technology Development Limited (Note1)	Other related party	1828744
Dewel Technology Development Limited (Note1)	Other related party	1397047
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other related party	08847521-0

Note1: Top Victory Investment Limited Units, Panda Electronics Import/Export (HK) Company, Panda LCD Technology (Hong Kong) Co. Ltd., Dewel Technology Development Limited and New Dewel Technology Development Limited are registered in Hong Kong, therefore Organization Registration Code does not apply, and their Corporate Registration Certificate Number is disclosed instead.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions

(1) Goods purchased

Name of company	Content of related parties	2014	2013
Nanjing Panda Electronics Import/Export Co.,Ltd.	Purchase of goods	72,720,614.57	60,179,404.86
New Dewel Technology Development Limited	Purchase of goods	67,782,918.03	129,105,242.85
CEC Panda LCD Technology Co., Ltd.	Purchase of goods	12,739,760.46	152,083,584.62
Shanghai Panda Huning Electronic Technology Co., Ltd.	Purchase of goods	9,369,500.24	14,328,314.06
China Electronic Technology Development Co., Ltd	Purchase of goods	5,964,412.31	
Panda LCD Technology (Hong Kong) Co., Ltd	Purchase of goods	3,343,591.62	
Nanjing Zhen Hua Packing Material Plant	Purchase of goods	3,272,842.73	3,294,534.76
Beijing China Electronics Guangtong Technologies Ltd.	Purchase of goods	2,991,452.99	
Shenzhen Jingyin Electronics Co., Ltd.	Purchase of goods	857,825.38	354,242.09
Nanjing Ericsson Panda Communication Co., Ltd	Purchase of goods	506,698.25	60,618.81
Panda Electronics Group Limited	Purchase of goods	396,320.36	100,325.44
Nanjing Changjiang Electronic Information Industry Group Co., Ltd.	Purchase of goods	150,413.74	
Nanjing China Electronics Panda Lighting Co., Ltd.	Purchase of goods	143,445.08	
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Purchase of goods	134,000.68	337,554.63
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	Purchase of goods	121,811.97	348,034.18
Nanjing Electronic Calibration Co., Ltd.	Purchase of goods	74,924.53	
China National Electronics Import/Export Corporation	Purchase of goods	65,000.00	20,000.00
China Zhenhua Group Yunke Electronics Co., Ltd.	Purchase of goods	33,059.83	8,574.36
Nanjing Panda Electronics Technology Development Co., Ltd.	Purchase of goods	20,971.36	161,688.85
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Purchase of goods	20,011.10	27,480.00
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd.	Purchase of goods	19,760.68	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(1) Goods purchased (continued)

Name of company	Content of related parties	2014	2013
Nanjing Panda Electronics Material Usage Co., Ltd.	Purchase of goods	15,000.00	
China Electronics (ShenZhen) Co. Ltd.	Purchase of goods	11,512.82	
Nanjing Panda China Electronics Furniture Co., Ltd.	Purchase of goods	5,297.44	3,202,274.36
Langfang China Electronics Panda Crystal Technology Co., Ltd	Purchase of goods	2,769.23	
Shenzhen Huaxing China's Electronic Technology Co. Ltd.	Purchase of goods	2,222.22	6,012.82
Dewel Technology Development Limited	Purchase of goods		95,568,299.22
Total		<u>180,766,137.62</u>	<u>459,186,185.91</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(2) Receiving services

Name of company	Content of related parties	2014	2013
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Receipt of services	3,571,914.31	
China Electronics (ShenZhen) Co. Ltd.	Receipt of services	2,750,131.32	3,780,723.93
Nanjing Panda China Electronics Furniture Co., Ltd.	Receipt of services	2,595,905.40	
Nanjing Panda Electronics Transportation Company	Receipt of services	1,753,875.32	2,250,924.85
Panda Electronics Group Limited	Receipt of services	1,567,923.26	1,906,014.42
China National Electronics Import/Export Corporation	Receipt of services	938,569.00	288,343.00
China Electronic Appliance Corporation	Receipt of services	515,525.33	
Nanjing Changjiang Electronic Information Industry Group Co., Ltd.	Receipt of services	137,101.20	
China Electronic Technology Development Co., Ltd	Receipt of services	134,500.00	
China Electronics International Exhibition & Advertising Co., Ltd.	Receipt of services	99,210.00	
Nanjing Electronic Calibration Co., Ltd.	Receipt of services	89,635.85	172,162.19
Nanjing China Electronics Panda Lighting Co., Ltd.	Receipt of services		2,284,420.00
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd.	Receipt of services		682,264.96
Nanjing Panda Electronic Technology Development Co., Ltd	Receipt of services		527,049.08
Total		<u>14,154,290.99</u>	<u>11,891,902.43</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(3) Selling products

Company Name	Content of related parties	2014	2013
New Dewel Technology Development Limited	Sales of products	407,463,807.27	121,478,422.46
CEC Panda LCD Technology Co., Ltd.	Sales of products	335,022,663.15	228,710,117.25
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Sales of products	219,970,574.41	
Shenzhen China Electronics Investment Co., Ltd.	Sales of products	151,239,205.80	1,160,430,378.82
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Sales of products	104,164,831.52	90,290,928.05
Nanjing panda HanDa technology Co., Ltd.	Sales of products	77,101,974.30	64,139,526.90
Nanjing Panda Electronic Import/Export (HK) Company	Sales of products	29,963,540.02	32,673,684.86
Shenzhen Jinghua Network Marketing Ltd.	Sales of products	21,076,949.47	8,316,001.59
Nanjing Panda Electronics Import/Export Co., Ltd.	Sales of products	14,536,121.66	4,652,502.62
Panda Electronics Group Limited	Sales of products	13,306,214.08	5,712,198.37
Top Victory Investment Limited Units	Sales of products	9,097,471.77	
China Electronics Science and Industry New Materials Jiangsu Electric Co., Ltd.	Sales of products	8,061,350.39	
Shanghai Panda Huning Electronic Technology Co., Ltd.	Sales of products	2,798,290.60	12,114,636.01
Nanjing Ericsson Panda Communication Co., Ltd.	Sales of products	2,218,660.79	1,203,051.58
China Great Wall Computer Shenzhen Co., Ltd.	Sales of products	1,723,418.59	1,998,140.46
Nanjing China Electronics Panda Real Estate Co., Ltd.	Sales of products	1,561,777.38	4,948,851.08
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	Sales of products	1,502,863.25	111,752.11
Panda (Beijing) International Information Technology Co., Ltd.	Sales of products	400,980.73	
Nanjing Panda Electronics Material Usage Co., Ltd.	Sales of products	256,410.26	179,487.18
Shenzhen Jingyin Electronics Co., Ltd.	Sales of products	114,916.92	156,307.15

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(3) Selling products (continued)

Company Name	Content of related parties	2014	2013
Nanjing Panda Technology Park Development Co., Ltd.	Sales of products	49,808.00	
Nanjing Panda Electronics Transportation Company	Sales of products	36,810.03	
Nanjing Panda China's electronic information industry group Co. Ltd.	Sales of products	24,444.44	10,897.44
Shenzhen China Electronics Electricity Power Technology Co., Ltd	Sales of products	18,213.68	12,289.32
Nanjing Panda China Electronics Furniture Co., Ltd.	Sales of products	4,402.22	154,805,359.50
Nanjing China Electronics Panda Lighting Co., Ltd.	Sales of products	2,564.10	
Dewel Technology Development Limited	Sales of products		108,139,033.03
Shenzhen Jingfa plastic packaging products Co., Ltd	Sales of products		229,914.53
Nanjing Panda Electronics Technology Development Co., Ltd.	Sales of products		55,555.56
Nanjing Huadong Electronics Group Medical Equipment Co., Ltd.	Sales of products		1,709.40
Shenzhen China Electronics Panda Zhansheng Technology Co., Ltd.	Sales of products		1,452.99
Total		<u>1,401,718,264.83</u>	<u>2,000,372,198.26</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(4) Providing services

Company Name	Content of related parties	2014	2013
Nanjing Ericsson Panda Communication Co., Ltd.	Rendering of services	31,654,178.85	17,302,720.43
Nanjing panda HanDa technology Co., Ltd.	Rendering of services	10,346,096.49	18,519,531.91
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Rendering of services	8,378,564.00	217,898.00
Panda Electronics Group Limited	Rendering of services	6,836,968.44	30,365,309.61
CEC Panda LCD Technology Co., Ltd.	Rendering of services	4,763,174.00	6,911,947.00
Nanjing China Electronics Panda Real Estate Co., Ltd.	Rendering of services	2,137,362.52	
Nanjing Panda China Electronics Furniture Co., Ltd.	Rendering of services	745,648.00	161,310.28
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Rendering of services	612,284.79	
Nanjing Suzhe Electronics Materials Co., Ltd.	Rendering of services	547,243.43	1,105,942.25
Nanjing Panda Electronics Import/Export Co.,Ltd.	Rendering of services	297,360.00	71,220.00
Nanjing Panda Electronics Transportation Company	Rendering of services	277,132.00	
Nanjing 21st Century Electronic and Technology Square Co., Ltd.	Rendering of services	250,000.00	250,000.00
Nanjing Panda China's electronic information industry group Co.Ltd.	Rendering of services	179,800.00	263,417.00
Nanjing Panda Technology Park Development Co., Ltd.	Rendering of services	69,460.87	154,913.26
Nanjing Zhen Hua Packing Material Plant	Rendering of services	51,952.37	200,000.00
Nanjing China Electronics Panda Lighting Co., Ltd.	Rendering of services	21,016.58	
Shenzhen Jingyin Electronics Co., Ltd.	Rendering of services	4,600.00	6,600.00
NanjingPanda Electronics Material Usage Co., Ltd.	Rendering of services		119,658.12
Total		67,172,842.34	75,650,467.86

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(5) Other related party transactions

Company Name	Content of related parties	2014	2013
China Electronics Financial Co., Ltd. (Note1)	Receipt of interest	1,968,631.98	684,548.48
China Electronics Financial Co., Ltd (Note1)	Payment of interest	790,833.33	4,651,666.65
China Electronics Financial Co., Ltd (Note1)	Payment of discounted interest	153,850.02	64,494.48
Nanjing Panda China Electronics Furniture Co., Ltd. (Note2)	Trademark licensing	577,664.15	707,700.00

Note1: On 26th Oct. 2012, the company signed contract with China Electronic Financial Co. Ltd (hereafter called Financial Co. Ltd. for short) named "Financial Services Contract". According to the contract, Financial Co. Ltd. will, within its approved business sections, engage in financial services for the company, including but not restricted to fund settlement, fund payments and receipts, credit financing, fund management, ordinary planning and consulting, etc. Both parties agrees that, from the date when the contract becomes effective, Financial Co. Ltd. offers credit to the company with a maximum limit of 300 million RMB, and the company agrees that a maximum balance of 200 million RMB is allowed to be settled in Financial Co. Ltd. The contract is for a period of 3 years since the date the contract becomes effective. This financial service agreement had been approved by the Board of Directors in a temporary Board meeting, and was approved by the 2nd temporary shareholder meeting in 2012.

On 12th Mar. 2014, the 1st temporary shareholder meeting reviewed and approved the contract named "Financial Services Contract," Supplementary Agreements" signed between the company and Financial Co. Ltd. through an ordinary resolution. Both parties agree that, the maximum credit that Financial Co. Ltd. offers to the company rises to 600 million RMB, the maximum amount that the company allows to be settled through Financial Co. Ltd. rises to 500 million RMB. Apart from these clauses in the supplementary agreements, no changes occur to the original Financial Service Contract, which is therefore still effective and binding. This event does not constitute Major Asset Reorganization as defined in the "Measures for Administration of Material Assets Reorganization of Listed Companies".

As of 31st Dec. 2014, total credit that Financial Co. Ltd. offers to the company has a balance of zero, total debit that the company deposits to Financial Co. Ltd. has a balance of RMB221,908,486.13 (including an amount of RMB20,818,181.98 that belongs to Shenzhen Jinghua, a subsidiary which has been consolidated). During 2014, the company paid interest to Financial Co. Ltd. at an amount of RMB153,850.02, discounted interest paid amounting to RMB153,850.02, interest income from the company's deposits from Financial Co. Ltd. Amounting to RMB1,942,383.72, (including an amount of RMB513,915.11 that belongs to Shenzhen Jinghua, a subsidiary which has been consolidated).

Note2: the pricing strategy in which related parties are allowed to use the company's trademark: for every color TV set sold by related parties, the company charges RMB2-5 as license. Considering that entering market overseas is more costly and recourse consuming, if products manufactured and sold are used for export purposes or these businesses encounter losses, license fee that the company charges will be allowed to decrease.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(6) Leases in related party transactions

① Asset leased to related parties

Lessor	Lessee	Types of the Leased Assets	Start Date	Termination Date	Pricing policy and Decision-making process	Annual Rental Income
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronics Transportation Company	Apartment Leasing	2010-1-1	2016-12-31	Fair price in the market	425,802.00
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda China Electronics Furniture Co., Ltd.	Apartment Leasing	2012-5-1	2014-12-31	Fair price in the market	227,972.00
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronics Import/Export Co., Ltd.	Apartment Leasing	2014-1-1	2014-12-31	Fair price in the market	110,400.00
Shenzhen Jinghua Electronics Co., Ltd.	Shenzhen Jinghua Intelligent Technology Co., Ltd.	Apartment Leasing	2014-1-1	2014-12-31	Fair price in the market	384,199.20
Shenzhen Jinghua Electronics Co., Ltd.	Shenzhen Jinghua Network Marketing Ltd.	Apartment Leasing	2014-1-1	2014-12-31	Fair price in the market	120,000.00
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing Panda Electronics Transportation Company	Automobile Leasing	2015/08/31	2015/08/31	Fair price in the market	429,616.56
Total						<u>1,697,989.76</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(6) Leases in related party transactions (continued)

② Assets leased from related parties

Lessor	Lessee	Types of the Leased Assets	Start Date	Termination Date	Pricing policy and Decision-making process	Annual Rental Income
Shenzhen China Electronics Property Management Co., Ltd.	Shenzhen Jinghua Electronics Co., Ltd.	Apartment Leasing	2014-1-1	2014-12-31	Fair price in the market	180,000.00
Panda Electronics Group Limited	Nanjing Panda Information Industry Co., Ltd.	Apartment Leasing	2014-1-1	2014-12-31	Fair price in the market	104,100.00
Panda Electronics Group Limited	Nanjing Panda Industrial Enterprise Co., Ltd.	Apartment Leasing	2014-1-1	2014-12-31	Fair price in the market	77,680.00
Total						<u>361,780.00</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(7) Guarantee provided to related parties

Guarantor	Secured party	Guaranteed Amount	Start Date	Termination Date	Whether the guarantee has been fulfilled
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Information Industry Co., Ltd. (Note1)	50,000,000.00	2014-6-5	2015-6-4	No
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Information Industry Co., Ltd. (Note2)	100,000,000.00	2014-8-13	2015-8-13	No
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Information Industry Co., Ltd. (Note3)	340,000,000.00	2013-12-6	2014-10-13	No
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronic Manufacture Co., Ltd. (Note4)	50,000,000.00	2014-11-18	2015-10-30	No
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronic Manufacture Co., Ltd. (Note5)	40,000,000.00	2013-11-6	2014-10-13	No
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electrical Equipment Co., Ltd. (Note6)	40,000,000.00	2014-1-21	2014-10-13	No
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electrical Equipment Co., Ltd. (Note7)	30,000,000.00	2014-11-18	2015-10-30	No

Note1: The company offers irrevocable maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by China Merchant Bank, Nanjing Branch, to Nanjing Panda Information Industry Co. Ltd., subsidiary of the company. The guarantee has a period from 5th Jun. 2014 to 4 Jun. 2015. Nanjing Panda Information Industry Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2014, Nanjing Panda Information Industry Co. Ltd. has used RMB34,591,912.80 of its total comprehensive bank credit, of which RMB30,000,000.00 is guaranteed by the company in the form of loan guarantee, and the loan has a period from 19th Jun. 2014 to 18th Jun. 2015, RMB830,971.20 is guaranteed in the form of acceptance bill guarantee, RMB3,760,941.60 is guaranteed in the form of letter of guarantee.

Note2: The company offers irrevocable maximum guarantee of RMB100,000,000.00, which is the comprehensive bank credit amount offered by Ningbo Bank, Nanjing Branch, to Nanjing Panda Information Industry Co. Ltd., a subsidiary of the company. The guarantee has a period from 13th Aug. 2014 to 13th Aug. 2015. Nanjing Panda Information Industry Co. Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2014, Nanjing Panda Information Industry Co. Ltd. has used RMB29,087,943.48 of its total comprehensive bank credit, of which RMB22,386,452.64 is guaranteed by the company in the form of loan guarantee, RMB6,701,490.84 is guaranteed in the form of acceptance bill guarantee.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(7) Guarantee provided to related parties (continued)

Note3: The company offers irrevocable maximum guarantee of RMB340,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Information Industry Co. Ltd., subsidiary of the company. The bank credit has duration from 6th Dec. 2013 to 13th Oct. 2014, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Information Industry Co. Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2014, Nanjing Panda Information Industry Co. Ltd. has used RMB44,631,673.19 of its total comprehensive bank credit, of which RMB44,631,673.19 is guaranteed by the company in the form of letter of guarantee.

Note4: The company offers irrevocable maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing MaiGaoQiao Branch, to Nanjing Panda Electronic Manufacturing Co. Ltd., subsidiary of the company. The guarantee has a period from 11th Nov. 2014 to 30th Oct. 2015. Nanjing Panda Electronic Manufacturing Co. Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2014, Nanjing Panda Electronic Manufacturing Co. Ltd. has used RMB14,178,583.09 of its total comprehensive bank credit, of which RMB14,178,583.09 is guaranteed by the company in the form of acceptance bill guarantee.

Note5: The company offers irrevocable maximum guarantee of RMB40,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Manufacturing Co. Ltd., subsidiary of the company. The bank credit has duration from 6th Nov. 2013 to 13th Oct. 2014, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Manufacturing Co. Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2014, Nanjing Panda Electronic Manufacturing Co. Ltd. has used RMB44,631,673.19 of its total comprehensive bank credit, of which RMB44,631,673.19 is guaranteed by the company in the form of letter of guarantee.

Note6: The company offers irrevocable maximum guarantee of RMB40,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Equipments Co. Ltd., subsidiary of the company. The bank credit has duration from 21st Jan. 2014 to 13th Oct. 2014, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipments Co. Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2014, Nanjing Panda Electronic Equipments Co. Ltd. has used RMB2,041,520.00 of its total comprehensive bank credit, of which RMB2,041,520.00 is guaranteed by the company in the form of letter of guarantee.

Note7: The company offers irrevocable maximum guarantee of RMB30,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing MaiGaoQiao Branch, to Nanjing Panda Electronic Equipments Co. Ltd., subsidiary of the company. The guarantee has a period from 11th Nov. 2014 to 30th Oct. 2015. Nanjing Panda Electronic Equipments Co. Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2014, Nanjing Panda Electronic Equipments Co. Ltd. has not yet used the bank credit.

Conclusively, as of 31st Dec. 2014, total guarantee offered by the company amounted to RMB149,017,871.77, which includes: RMB30,000,000.00 of short-term loan guarantee, RMB46,197,284.34 of acceptance bill guarantee, and RMB72,820,587.43 of letter of guarantee. (As of 31st Dec. 2013, total guarantee offered by the company amounted RMB167,180,350.67, which includes: RMB49,000,000.00 of short-term loan guarantee, RMB32,978,635.69 of acceptance bill guarantee, and RMB85,201,714.98 of letter of guarantee.)

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(8) Remuneration of key management

Item	2014	2013
Remuneration of key management	3,198.9 thousand yuan	2,817.6 thousand yuan

(9) There are no trust management, contracted projects, capital lending or borrowing, and asset transfer or debt reorganization with related parties.

7. Receivables and payables from/to related parties

(1) Receivables from related parties

Item	Related Party	Closing balance		Opening balance	
		Balance	Provision for bad debt	Balance	Provision for bad debt
Trade receivable	CEC Panda LCD Technology Co., Ltd.	102,686,557.85		80,467,029.07	
Trade receivable	CEC Panda Liquid Crystal Material Technology Co., Ltd.	72,509,196.28		37,268,356.92	
Trade receivable	Nanjing panda HanDa technology Co., Ltd.	38,474,113.81	2,980.03	35,033,562.13	2,980.03
Trade receivable	Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	11,780,672.30		33,780.00	
Trade receivable	Nanjing Ericsson Panda Communication Co., Ltd.	5,835,220.76		1,802,669.40	360.00
Trade receivable	Top Victory Investment Limited Units	5,128,874.70			
Trade receivable	Shenzhen Jinghua Network Marketing Ltd.	5,084,335.00		1,982,044.00	
Trade receivable	Nanjing Panda Electronics Import/Export Co., Ltd.	3,424,892.87	889,816.33	4,424,503.38	81,454.38
Trade receivable	Nanjing Panda DaSheng Electronics Technology Co., Ltd.	1,608,750.00			
Trade receivable	Shanghai Panda Huning Electronic Technology Co., Ltd.	1,317,000.00			
Trade receivable	Nanjing Panda China Electronics Furniture Co., Ltd.	620,409.67		749,595.67	
Trade receivable	Panda Electronics Group Limited	339,380.00	25,550.00	21,633,653.11	
Trade receivable	China Great Wall Computer Shenzhen Co., Ltd.	211,350.32		484,929.91	
Trade receivable	Nanjing China Electronics Panda Real Estate Co., Ltd.	165,041.63		151,500.43	
Trade receivable	Nanjing Panda Technology Park Development Co., Ltd.	76,168.00		181,086.27	
Trade receivable	Shenzhen Sangda Electronic Equipment Co., Ltd.	60,121.80	60,121.80	60,121.80	60,121.80

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

7. Receivables and payables from/to related parties (continued)

(1) Receivables from related parties (continued)

Item	Related Party	Closing balance		Opening balance	
		Balance	Provision for bad debt	Balance	Provision for bad debt
Trade receivable	Nanjing Thales Panda Transportation System Co., Ltd.	39,086.73	36,156.93	39,086.73	
Trade receivable	Nanjing Zhen Hua Packing Material Plant	17,300.00		4,700.00	
Trade receivable	Langfang China Electronics Panda Crystal Technology Co., Ltd.	3,240.00			
Trade receivable	Wuhan Zhongyuan Electronics Group Co., Ltd.	2,000.00	2,000.00	2,000.00	2,000.00
Trade receivable	Panda (Beijing) International Information Technology Co., Ltd.			107,685.29	107,685.29
Trade receivable	Nanjing Panda Electronics Technology Development Co., Ltd.			84,000.00	
Trade receivable	Nanjing Electronics (Kunshan) Co. Ltd.			35,850.00	35,850.00
Trade receivable	Hua Fei Color Display Systems Co., Ltd.			33,450.00	33,450.00
Trade receivable	Nanjing Panda Electronics Transportation Company			33,155.76	
Trade receivable	Nanjing Panda China's electronic information industry group Co. Ltd.			8,542.00	
Trade receivable	Nanjing Electronic Calibration Co., Ltd.			3,780.00	3,780.00
Total		<u>249,383,711.72</u>	<u>1,016,625.09</u>	<u>184,625,081.87</u>	<u>327,681.50</u>
Prepayments	Panda LCD Technology (Hong Kong) Co., Ltd	603,901.16			
Prepayments	Shanghai Panda Huning Electronic Technology Co., Ltd.	336,000.00		1,799,736.80	
Prepayments	Nanjing Panda China Electronics Furniture Co., Ltd.	190,998.00		34,230.00	
Prepayments	Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	105,600.00			
Prepayments	Nanjing China Electronics Panda Lighting Co., Ltd.	104,695.20			
Prepayments	CEC Panda LCD Technology Co., Ltd.	20,356.00		15,000.00	
Prepayments	China National Electronics Import/Export Corporation			173,508.67	
Prepayments	Nanjing Panda Electronics Technology Development Co., Ltd.			8,275.40	
Prepayments	Nanjing China Electronics Panda Crystal Technology Co., Ltd.			480.00	
Total		<u>1,361,550.36</u>		<u>2,031,230.87</u>	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

7. Receivables and payables from/to related parties (continued)

(1) Receivables from related parties (continued)

Item	Related Party	Closing balance		Opening balance	
		Balance	Provision for bad debt	Balance	Provision for bad debt
Other receivables	Nanjing Electronics (Kunshan) Co. Ltd.			2,799,417.23	2,799,417.23
Other receivables	Shenzhen Jingyin Electronics Co., Ltd.	177,537.52		224,312.46	
Total		177,537.52		3,023,729.69	2,799,417.23
Bills receivable	CEC Panda LCD Technology Co., Ltd.	77,680,000.00		53,870,000.00	
Bills receivable	Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	10,500,000.00			
Bills receivable	Nanjing panda HanDa technology Co., Ltd.	5,000,000.00		24,950,000.00	
Bills receivable	China Great Wall Computer Shenzhen Co., Ltd.	524,822.71			
Total		93,704,822.71		78,820,000.00	

(2) Payables to related parties

Item	Related Party	Closing balance	Opening balance
Accounts payable	Nanjing Panda Electronics Import/Export Co., Ltd.	49,679,178.44	32,529,317.89
Accounts payable	Panda Electronics Group Limited	3,241,208.53	3,677,933.51
Accounts payable	CEC Panda LCD Technology Co., Ltd.	7,372,757.70	
Accounts payable	Nanjing Zhen Hua Packing Material Plant	1,611,095.03	2,117,661.98
Accounts payable	Nanjing China Electronics Panda Property Management Co., Ltd.	853,111.86	327,552.88
Accounts payable	China Electronics (ShenZhen) Co. Ltd.	784,824.08	1,043,582.00
Accounts payable	Nanjing Panda Electronics Transportation Company	260,362.39	538,918.99
Accounts payable	Nanjing Ericsson Panda Communication Co., Ltd.	177,583.65	15,562.37
Accounts payable	Nanjing Changjiang Electronic Information Industry Group Co., Ltd.	175,984.07	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

7. Receivables and payables from/to related parties (continued)

(2) Payables to related parties (continued)

Item	Related Party	Closing balance	Opening balance
Accounts payable	Nanjing Panda China Electronics Furniture Co., Ltd.	147,600.00	147,600.00
Accounts payable	Nanjing Electronics (Kunshan) Co. Ltd.	63,139.64	63,139.64
Accounts payable	Nanjing China Electronics Panda Lighting Co., Ltd.	29,990.40	
Accounts payable	Guizhou Zhenhua Qunying Electric Appliance Co., Ltd.	28,830.00	293,710.00
Accounts payable	Nanjing China Electronics Panda Crystal Technology Co., Ltd.	28,656.13	95,744.60
Accounts payable	Nanjing Panda Electronics Technology Development Co., Ltd.	17,692.05	6,693.32
Accounts payable	China Zhenhua Group Yunke Electronics Co., Ltd.	17,632.00	10,032.00
Accounts payable	Nanjing Thales Panda Transportation System Co., Ltd.	16,410.02	16,410.02
Accounts payable	Shenzhen Sangda Baili Electric Appliance Co., Ltd.	3,565.81	3,565.81
Accounts payable	Dewel Technology Development Limited		2,046,013.67
Accounts payable	Nanjing Electronic Calibration Co., Ltd.		16,600.00
Accounts payable	Shenzhen Huaxing China's Electronic Technology Co. Ltd.		4,800.00
Total		<u>64,509,621.80</u>	<u>42,954,838.68</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

7. Receivables and payables from/to related parties (continued)

(2) Payables to related parties (continued)

Item	Related Party	Closing balance	Opening balance
Advances from customers	China Electronics Science and Industry New Materials Jiangsu Electric Co., Ltd.	29,942,064.50	
Advances from customers	Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	8,054,203.62	
Advances from customers	CEC Panda LCD Technology Co., Ltd.	7,094,891.02	8,743,014.46
Advances from customers	Nanjing panda HanDa technology Co., Ltd.	4,899,797.90	1,712,190.07
Advances from customers	Panda Electronics Group Limited	3,767,561.14	
Advances from customers	Nanjing Panda Electronic Import/Export (HK) Company	1,121,072.97	3,921,549.68
Advances from customers	Nanjing Panda China Electronics Furniture Co., Ltd.	5,506.17	5,506.17
Advances from customers	Nanjing Panda Electronics Transportation Company	1,583.07	
Advances from customers	Nanjing China Electronics Panda Lighting Co., Ltd.		375,400.00
Total		<u>54,886,680.39</u>	<u>14,757,660.38</u>

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

7. Receivables and payables from/to related parties (continued)

(2) Payables to related parties (continued)

Item	Related Party	Closing balance	Opening balance
Other payables	China Electronics Corporation	34,000,000.00	34,000,000.00
Other payables	Panda Electronics Group Limited	10,437,293.38	13,341,659.17
Other payables	Nanjing Thales Panda Transportation System Co., Ltd.	860,265.92	860,265.92
Other payables	Nanjing China Electronics Panda Property Management Co., Ltd.	521,396.27	238,954.41
Other payables	Nanjing Electronics (Kunshan) Co. Ltd.	300,000.00	300,000.00
Other payables	Shenzhen Jingfa plastic packaging products Co., Ltd	228,000.00	228,000.00
Other payables	Shanghai Panda Huning Electronic Technology Co., Ltd.	108,848.00	
Other payables	Panda (Beijing) International Information Technology Co., Ltd.	45,588.91	45,588.91
Other payables	Nanjing Panda China's electronic information industry group Co.Ltd.	44,600.00	43,600.00
Other payables	Nanjing Panda Electronics Transportation Company	28,458.94	46,379.59
Other payables	China National Electronics Import/Export Corporation	10,000.00	
Other payables	Nanjing Panda DaSheng Electronics Technology Co., Ltd.	200.00	200.00
Other payables	Shanghai Panda Huning Electronic Technology Co., Ltd.		539,212.48
Other payables	CEC Panda LCD Technology Co., Ltd.		72,375.88
Other payables	Nanjing Panda Electronics Technology Development Co., Ltd.		25,800.00
Total		46,584,651.42	49,742,036.36

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XII. Payment of dividend

The company has not events related to payment of dividend.

XIII. Commitments and contingent events

1. Material commitments

(1) Operating lease commitments

The total minimum lease payment according to irrevocable operating lease contracts signed by the company is summarized below:

Item	Closing balance	Opening balance
Within 1 year	3,313,456.65	713,166.67
1-2 years	2,580,600.00	163,200.00
2-3 years	562,500.00	54,600.00
Over 3 years		
Total	6,456,556.65	930,966.67

(2) Capital expenditure commitments

At balance sheet date, commitment made by the company that has been contracted but not listed on the Statement of Financial Position is shown below:

Item	Closing balance	Opening balance
Buildings	79,465,428.80	123,006,153.78
Total	79,465,428.80	123,006,153.78

2. Contingent events

- (1) Bank loan guarantees and other guarantees offered by the company to its subsidiaries are disclosed in Disclosure Chapter 11, Section 6 (7).
- (2) Apart from above contingent events, as of 31st Dec. 2014, the company has no material contingent events for which disclosure is required.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XIV. Post Balance Sheet Events

1. According to the profit distribution plan released on the eighteenth of the Seventh conference of the Board of Directors of 2014, 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 RMB60,313,342.91 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.

XV. Other Material Events

1. Debt restructuring

See Disclosure Chapter 6, Section 41 (Note1).

2. Asset Swap

The company has not events related to exchanging non-monetary assets during the current period.

3. Annuity plan

Apart from basic endowment insurances, Shenzhen Jinghua Electronics Co. Ltd., a subsidiary of the company, also establishes annuity plan according to relevant policies of the enterprise annuity system of the state. Formal employees and shareholder representatives who hold Shenzhen citizenship and currently work for the company are eligible for the plan. The annuity plan uses a defined-contribution model, in which the percentage of contribution is determined by previous year's economic performance. Eligible employees pay to the plan on a monthly basis at a certain amount according to their job levels, and Shenzhen Jinghua covers all contribution at an amount no more than 15% of eligible employee's total annual salary, the amount is brought to profit or loss for the year. Apart from the above, the company and its subsidiaries makes no major social security commitments to their employees.

4. Termination of business

The company has not events related to termination of business at the end of the period.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XV. Other Material Events (continued)

5. Segment reports

(1) Segment information as at and for the year is as follows:

Item	Electronic manufacturing products	Electronic equipment products	Consumer electronics products	Other	Unallocated	Elimination among segments	Total
Trade income from third party	964,411,020.93	1,543,856,137.68	802,087,063.19	177,286,847.14			3,487,641,068.94
Trade income between segments	13,947,904.64	19,217,136.55	396,392.31	53,699,004.10		-87,260,437.60	
Investment income from joint ventures and associated enterprises			-1,205,089.20	69,576.52	156,198,891.23	-17,565,641.23	137,497,737.32
impairment of assets	12,553,713.55	11,098,716.73	6,560,627.23	9,064,930.47	14,753,653.93	-21,080,511.77	32,951,130.14
Depreciation and amortisation expense	27,259,226.68	5,054,324.31	6,980,791.92	7,413,554.66	18,188,146.49		64,896,044.06
Total Profit	38,353,536.76	99,571,831.24	15,613,101.44	60,432,433.41	39,580,202.16	-32,740,404.25	220,810,700.76
Income tax expense	3,412,514.94	6,305,915.86	4,997,709.09	9,331,443.01		337,070.96	24,384,653.86
Net profit	34,941,021.82	93,265,915.38	10,615,392.35	51,100,990.40	39,580,202.16	-33,077,475.21	196,426,046.90
Total assets	668,325,649.91	2,068,773,518.38	326,615,181.53	453,972,621.72	3,216,537,742.83	-2,110,100,036.20	4,624,124,678.17
Total liabilities	340,258,659.94	769,511,056.75	173,916,778.69	165,247,941.43	382,282,526.39	-590,553,689.16	1,240,663,274.04
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises			9,526,923.01	802,001.11	609,947,629.35	-118,566,299.30	501,710,254.17
Increase in other non-current assets besides long-term investment	13,992,248.01	125,659,121.41	559,829.25	6,076,562.37	4,959,972.45		151,247,733.49

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XV. Other Material Events (continued)

5. Segment reports (continued)

(2) Segment information as at and for the last year is as follows:

Item	Electronic manufacturing products	Electronic equipment products	Consumer electronics products	Other	Unallocated	Elimination among segments	Total
Trade income from third party	777,619,507.22	1,446,854,498.82	1,747,241,357.93	164,499,459.00			4,136,214,822.97
Trade income between segments	13,362,488.10	3,159,901.15	12,452,335.42	45,233,443.23		-74,208,167.90	
Investment income from joint ventures and associated enterprises			1,266,924.53	-352,636.57	137,105,015.11	-14,937,455.11	123,081,847.96
Impairment of assets	5,451,314.60	1,055,812.03	49,876,945.83	399,936.51	-1,787,204.34	2,409,638.21	57,406,442.84
Depreciation and amortisation expense	30,365,531.46	5,716,398.73	7,604,392.55	9,597,620.99	19,789,284.26		73,073,227.99
Total Profit	29,066,397.44	116,040,813.92	-24,993,404.61	63,374,200.94	111,168,620.13	-43,450,061.78	251,206,566.04
Income tax expense	148,363.50	8,359,512.76	8,268,468.95	11,756,013.66			28,532,358.87
Net profit	28,918,033.94	107,681,301.16	-33,261,873.56	51,618,187.28	111,168,620.13	-43,450,061.78	222,674,207.17
Total assets	579,503,293.46	1,696,265,677.03	416,144,524.06	438,620,994.36	3,276,944,442.38	-1,926,452,306.28	4,481,026,625.01
Total liabilities	285,627,325.31	702,563,346.43	254,037,213.57	163,737,468.19	385,857,334.33	-641,719,490.73	1,150,103,197.10
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises			10,732,012.26	732,424.59	491,910,862.53	-99,862,782.53	403,512,516.85
an increase in other non-current assets besides long-term investment	6,622,299.94	157,403,961.84	20,732,782.57	8,337,051.93	12,346,154.05		205,442,250.33

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XV. Other Material Events (continued)

5. Segment reports (continued)

(3) Other information

1) Income, cost and profit of primary businesses on all industries and sections

Business segment	Operating Income	2014	
		Operating Cost	Operating Profit
Electronic equipment products	1,526,838,607.27	1,309,725,720.21	217,112,887.06
Electronic manufacturing products	945,399,520.58	821,768,210.24	123,631,310.34
Consumer electronics products	800,769,343.33	716,714,057.49	84,055,285.84
Other	151,230,645.66	75,670,094.25	75,560,551.41
Total	<u>3,424,238,116.84</u>	<u>2,923,878,082.19</u>	<u>500,360,034.65</u>

Business segments	Operating Income	2013	
		Operating Cost	Operating Profit
Electronic equipment products	1,427,713,583.48	1,209,019,346.34	218,694,237.14
Electronic manufacturing products	752,424,363.10	658,300,051.72	94,124,311.38
Consumer electronics products	1,746,710,329.95	1,646,893,338.62	99,816,991.33
Other	149,377,431.85	68,883,714.52	80,493,717.33
Total	<u>4,076,225,708.38</u>	<u>3,583,096,451.20</u>	<u>493,129,257.18</u>

2) Businesses activities of the company are primarily located in Nanjing and Shenzhen.

3) Clients of the company are widely spread among different sections and industries; therefore the company is not dependent on them.

6. Foreign Currency Conversion

The amount of exchange gain which is recorded into the profits and losses is RMB430,548.98, the amount of the exchange loss is RMB8,351,299.15, and the net exchange profits and losses is RMB7,920,750.17.

7. Borrowing costs

The company has no capitalization of borrowing costs or other related matters in current period.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XV. Other Material Events (continued)

8. Leases

- (1) Assets under operating lease is listed below:

Type of assets	Closing balance	Opening balance
Buildings	18,205,564.21	19,294,963.14
Transportation Equipment	1,209,674.18	
Total	19,415,238.39	19,294,963.14

9. Other Significant Events

- (1) According to the resolutions of the 3rd temporary shareholders' meeting of the company on 29th Dec. 2014, the Company approved to provide guarantee at an amount of 100 million RMB, which is the extra credit given to Nanjing Panda Information Industry Co. Ltd., a subsidiary of the company. The guarantee is effective until 30th Jun. 2016. In the meantime, the meeting approved to provide guarantee at an amount of 200 million RMB, which is the extra credit given to Nanjing Panda Electronic Equipment Co. Ltd., a subsidiary of the company. The guarantee is effective until 30th Jun. 2016.
- (2) Since the company has completed the purchase of 5.07% percent shares of Shenzhen Jinghua from Panda Electronics, and after reorganization, the company takes the majority of seats of Shenzhen Jinghua's Board of Directors, it is therefore included in the consolidated accounts of the company, and the scale of related party transactions that the company sustains is expected to increase. As the company's business continues to expand, it is expected that within the maximum amount of related party transactions approved by the 2nd temporary shareholder meeting in 2012, one item will fail to meet the company's operation demand of 2015. Under this circumstance, the Board of the company had held its 7th temporary Board meeting, in which the supplementary contract signed between the company and China Electronic named "Sale of goods and components: supplementary contracts (year 2015)" is approved to raise the maximum amount in year 2015 and year 2014. Apart from changes above, all clauses in the continuous related party transaction contract remain effective and unchanged. On 29th Dec. 2014, the 3rd temporary shareholders' meeting of the company reviewed "supplementary contracts of sale of goods and components: (year 2014)" and raised the maximum amount from RMB612,600,000.00 to RMB1,057,000.00, and the contract is effective from the approval date to Dec 31st 2014. Also, "supplementary contracts of sale of goods and components: (year 2015)" was approved at the meeting and the maximum amount was raised from RMB612,600,000.00 to RMB1,600,000,000.00. The contract is effective from the Jan 1st to Dec 31st 2015.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XV. Other Material Events (continued)

9. Other Significant Events (continued)

- (3) On 9th Jan. 2015, the company received "Resolution of temporary shareholders' meeting of Panda Group", a paper-based resolution determined by shareholders of the company's parent company, Panda Group. The resolution concerns equity restructuring of Panda Group, in which the transfer of the company's share is involved. China Huarong Asset Management Co. Ltd, a shareholder of Panda Group ("China Huarong", who holds 466.46 million shares of Panda Group, a shareholding of 36.84%), decreased its shareholding of registered capital at an amount of 466.46 million RMB. China the Great Wall Asset Management Co. Ltd, a shareholder of Panda Group (who holds 79.83 million shares of Panda Group, a shareholding of 6.31%), decreased its shareholding of registered capital at an amount of 79.83 million RMB together with China Huarong. It is suggested that Nanjing China Electronics Panda Information Industry Group Co., Ltd (NEIIC, who holds 719.77 million shares of Panda Group, a shareholding of 56.85%) together with other investors fill in the capital amount gap through cash and assets according to market principles.

The equity of Panda Group disposed by China Huarong and other shareholders are priced at re-evaluated amounts, with a consideration of cash no more than 350 million RMB, and the remaining amount is paid through the company's equity. At actual payment, Panda Group is allowed to make appropriate adjustments between consideration of cash and shares according to the total consideration amount, so as to ensure that Panda Group controls the company. The price of the company's shares used to pay consideration is the same as the price of the company's shares determined in the asset valuation of Panda Group.

After decrease of capital, registered capital of Panda Group decreases from 1,266.06 million RMB to 719.77 million RMB. NEIIC, the controlling shareholder of Panda Group commits that, after the decrease of capital, cash or assets will be filled in according to market principles to recover the registered capital to its original amount.

After completion of restructuring of Panda Group, controlling shareholder and actual controller of the company remain unchanged.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent

1. Accounts receivables

(1) Disclosure 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	70,352,906.80	79.52	4,465,524.54	6.35
Other unsubstantial amount of accounts receivable with specific provision	18,120,855.73	20.48	2,504,184.95	13.82
Total	88,473,762.53	100	6,969,709.49	

From above:

Items	Balance	Opening Balance		Percentage of provision for bad debt %
		Percentage %	Provision for bad debt	
Substantial amount of single account receivable with specific provision	82,244,745.00	79.74	7,978,600.00	9.70
Other unsubstantial amount of accounts receivable with specific provision	20,891,933.81	20.26	563,567.63	2.70
Total	103,136,678.81	100	8,542,167.63	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

1. Accounts receivables (continued)

(2) Substantial amount of single accounts receivable with specific provision.

Name of debtor	Amounts	Provision for bad debt	Percentage of provision for bad debt %	Reasons
Binhai County Broadcast and Television Bureau	29,373,100.00	3,432,430.73	11.69	Current value of the expected future cash flow is lower than its carrying value
Sheyang County Broadcast and Television Department	19,596,075.00			Expected can be recovered
Nanjing Qixia District Cable Management Station	9,191,692.80	319,402.45	3.47	Current value of the expected future cash flow is lower than its carrying value
Funing County Broadcasters	6,735,200.00	373,299.54	5.54	Current value of the expected future cash flow is lower than its carrying value
Sihong County Broadcast and Television Information Network Co. Ltd.	5,456,839.00	340,391.82	6.24	Current value of the expected future cash flow is lower than its carrying value
Total	<u>70,352,906.80</u>	<u>4,465,524.54</u>		

(3) Receivables returned or recovered during this period

Items	The amount incurred in current period
Provision for bad debt incurred in current period	4,182,036.37
Provision for bad debt reversed or received in current period	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

1. Accounts receivables (continued)

- (4) Receivables that had been wrote off during this period

Items	The amount incurred in current period
Receivables that had been wrote off	5,754,494.51

The situation of material written-off accounts receivable

Name of debtor	Amount	Nature	Reason for written-off	Related party transactions
Shenzhen No.1 Environmental Technology Co., Ltd.	5,686,500.00	Payment for goods	Cannot be recovered	No
Jiangsu Construction Group Corporation Nanjing Branch	67,994.51	Payment for projects	Cannot be recovered	No
Total	<u>5,754,494.51</u>			

Note: The amount of account receivables written off during this period is according to Baker Tilly China [2014] No. 10172 "Special audit report on the write-off of provisions of asset impairment", and the write-off had been reviewed and approved by the Board of Directors.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

1. Accounts receivables (continued)

(5) Details of the top five debtors of account receivables at the end of the period

Name of debtor	Relationship with the company	Amount	Bad provision	Percentage of total amount of account receivable (%)
Binhai County Broadcast and Television Bureau	Non-related party	29,373,100.00	3,432,430.73	33.20
Sheyang County Broadcast and Television Department	Non-related party	19,596,075.00		22.15
Nanjing Qixia District Cable Management Station	Non-related party	9,191,692.80	319,402.45	10.39
Funing County Broadcasters	Non-related party	6,735,200.00	373,299.54	7.61
Sihong County Broadcast and Television Information Network Co. Ltd.	Non-related party	5,456,839.00	340,391.82	6.17
Total		<u>70,352,906.80</u>	<u>4,465,524.54</u>	79.52

(6) There are no transferred accounts receivable in which the company continued to involve and relevant assets or liabilities formed.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

2. Other receivables

(1) Disclosure by categories

Items	Amounts	Closing balance		Percentage of provision for bad debt %
		Percentage of total amount of other receivables (%)	Provision for bad debt	
Substantial amount of single other receivable with specific provision	224,718,420.24	95.05	22,854,988.25	10.17
Other unsubstantial amount of other receivable with specific provision	11,697,825.07	4.95	6,076,126.51	51.94
Total	236,416,245.31	100	28,931,114.76	

From above:

Items	Amounts	Opening balance		Percentage of provision for bad debt %
		Percentage of total amount of other receivables (%)	Provision for bad debt	
Substantial amount of single other receivable with specific provision	324,354,272.76	95.37	19,098,882.15	5.89
Other unsubstantial amount of other receivable with specific provision	15,735,147.51	4.63	4,303,362.70	27.35
Total	340,089,420.27	100	23,402,244.85	

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

2. Other receivables (continued)

(2) Substantial amount of single other receivable with specific provision.

Name of debtor	Closing balance	Provision for bad debt	Percentage of provision for bad debt %	Reasons
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	82,400,000.00			Expected can be recovered
Galant Limited	58,130,500.00			Expected can be recovered
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	30,000,000.00	1,000,000.00	3.33	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda Mechanical Manufacturing Co. Ltd.	21,659,874.95	6,127,942.96	28.29	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	15,705,045.29	100.00	Expected cannot be recovered
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	9,423,000.00			Expected can be recovered
Nanjing Panda Communication Technology Co., Ltd	7,400,000.00	22,000.00	0.30	Current value of the expected future cash flow is lower than its carrying value
Total	<u>224,718,420.24</u>	<u>22,854,988.25</u>		

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

2. Other receivables (continued)

(3) amount returned or recovered during this period

Items	The amount incurred in current period
Provision for bad debt incurred in current period	15,095,104.15
Provision for bad debt reversed or received in current period	341,450.22

The situation of material reversed or received accounts receivable

Name of debtor	Reason for reversal or recovery of bad debt	Reason for provision of bad debts	Amount of provision	Amount of reversed or received
Nanjing Panda Technology Equipment Co., Ltd.	Fund received	Expected cannot be recovered	211,950.22	211,950.22
Nanjing Panda Electronic Manufacture Co., Ltd	Fund received	Expected cannot be recovered	129,500.00	129,500.00
Total			<u>341,450.22</u>	<u>341,450.22</u>

(4) The situation of written-off other receivables

Items	2014
Amount of written other receivables	9,224,784.02

The situation of material written-off other receivables

Name of debtor	Amount	Nature	Reason for written-off	Related party transactions
Nanjing Panda Technology Equipment Co., Ltd.	6,833,828.08	Transaction of related party	company cancelled	Yes
Total	<u>6,833,828.08</u>			

Note: the amount of account receivables written off during this period is according to Baker Tilly China [2014] No. 10172 "Special audit report on the write-off of provisions of asset impairment", and the write-off had been reviewed and approved by the Board of Directors.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

2. Other receivables (continued)

(5) Carrying amounts of other receivables are categorized and listed below

Nature	Closing balance	Opening balance
Related party transaction	141,490,834.39	207,025,048.37
Relocation compensation	91,823,000.00	111,823,000.00
Other receivables to be written off		10,313,976.31
Other	3,102,410.92	10,927,395.59
Total	236,416,245.31	340,089,420.27

(6) Details of the top five debtors of other receivable at the end of the period

Name of debtor	Nature	Closing balance	Aging	Percentage of total amount of other receivables (%)	Closing balance of provision for bad debt
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	Relocation compensation	82,400,000.00	1-2 years	34.86	
Galant Limited	Related party transaction	58,130,500.00	2-5 years	24.59	
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	Related party transaction	30,000,000.00	Within 2 years	12.69	1,000,000.00
Nanjing Panda Mechanical Manufacturing Co. Ltd.	Related party transaction	21,659,874.95	Within 1 year, over 1 year	9.16	6,127,942.96
Nanjing Panda International Communication Systems Co.,Ltd.	Related party transaction	15,705,045.29	2-3 years	6.64	15,705,045.29
Total		207,895,420.24		87.94	22,832,988.25

(7) The company does not have derecognition of other receivables.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

2. 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	82,400,000.00	1-2 years	In March 2015, 10 million was received and the rest is expected to be received in 2015 based on the relocation compensation agreement signed with the government
Villagers Committee of Sifang Village Shimenkan Town Baixia District	Removal of 1-2 Youyihe Road	9,423,000.00	1-2 years	By March 2015, all amounts are received based on the relocation compensation agreement signed with the government
Total		<u>91,823,000.00</u>		

(9) There are no transferred other receivables in which the company continuously involved management and related assets or liabilities formed.

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

3. Long-term investments

Name of investee	Opening balance	Increase of investment	Decrease of investment	Investment gains and losses recognized under the equity method	Changes of the current period			Impairment of current period	Other	Closing balance	Impairment of assets
					Other comprehensive income adjustment	Other changes in equity	Cash Dividend				
Beijing SE Putian Mobile Communications Co., Ltd.	124,595,800.00			132,143,800.00			-39,300,000.00			217,439,600.00	
Nanjing Huaxian High Technology Co., Ltd.											
Hua Fei Color Display Systems Co., Ltd.											
Nanjing Ericsson Panda Communication Co., Ltd.	267,452,280.00			6,489,450.00						273,941,730.00	
Shenzhen Jinghua Electronics Co., Ltd.	99,862,782.53	50,365,830.00		17,565,641.23		319,730.28	-13,129,203.60		-36,418,481.14	118,566,299.30	
MPower Batteries (Nanjing) Co., Ltd. (Note1)											
Nanjing Flextronics Panda Mobile Terminals Co., Ltd. (Note2)											
Nanjing Panda Technology	5,627,934.12									5,627,934.12	
Nanjing Panda Technology Equipment Co., Ltd. (Note3)											
Nanjing Panda Machinery Co., Ltd.	2,582,191.03									2,582,191.03	
Nanjing Panda Mechanical Engineering Plant	30,042,016.46									30,042,016.46	
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98									176,736,513.98	
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10									111,221,994.10	
Nanjing Panda Power Supply Technology Co., Ltd.											8,750,000.00
Nanjing Guanghua Electronics Plastic Casings Factory	8,271,096.45									8,271,096.45	
Nanjing Panda International Communication Systems Co., Ltd.											7,655,000.00
Nanjing Panda Industrial Enterprise Co., Ltd. (Note4)	20,000,000.00									20,000,000.00	
Nanjing Panda Electrical Equipment Co., Ltd.	144,000,000.00	46,000,000.00								190,000,000.00	
Nanjing Panda Electronic Technology Development Co., Ltd.	550,000,000.00	124,000,000.00								674,000,000.00	
Nanjing Panda Communication Technology Co., Ltd.	48,585,734.28	50,000,000.00								98,585,734.28	
Total	1,588,978,342.95	270,365,830.00		156,198,891.23		319,730.28	-52,429,203.60		-36,418,481.14	1,927,015,109.72	16,405,000.00

Notes to the Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

3. Long-term investments (continued)

Note1: MPower Batteries (Nanjing) Co. Ltd., an associate of the company, is revoked on 19th Feb. 2008, according to Baker Tilly China [2014] No. 10172 "Special audit report on the write off of provisions of asset impairment". Through the review and approval of the Board of Directors, the amount is written off during this period.

Note2: Nanjing Flextronics Panda Mobile Terminals Co. Ltd., an associate of the company, is liquidated on 31st Aug. 2011, according to Baker Tilly China [2014] No. 10172 "Special audit report on the write off of provisions of asset impairment". Through the review and approval of the Board of Directors, the amount is written off during this period.

Note3: Nanjing Panda Technical Equipment Co. Ltd., a subsidiary of the company, is cancelled on 14th Apr. 2014, and its balance is therefore allowed to write off.

Note4: The company received dividend amounting to RMB1,000,000.00 from Nanjing Panda Industrial Enterprise Co., Ltd. during current period.

4. Operating income and operating cost

Items	2014		2013	
	Income	Cost	Income	Cost
Income from principal activities	60,734,491.60	45,231,395.00	246,923,801.38	223,528,221.44
Income from other activities	35,981,074.49	1,555,765.57	23,815,326.57	1,168,019.74
Total	<u>96,715,566.09</u>	<u>46,787,160.57</u>	<u>270,739,127.95</u>	<u>224,696,241.18</u>

5. Investment income

source of investment income	2014	2013
Long-term equity investment income accounted for at cost	1,000,000.00	
Long-term equity investment income accounted for using equity method	156,198,891.23	137,105,015.11
Income from financial products	<u>19,152,198.64</u>	<u>8,967,945.20</u>
Total	<u>176,351,089.87</u>	<u>146,072,960.31</u>

Supplementary information

(All amounts in RMB unless otherwise stated)

1. ROE (return on equity) and EPS (earnings per share)

Profit during reporting period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	4.82%	0.1677	0.1677
Net profit attributable to holders of ordinary shares after extraordinary items	3.12%	0.1086	0.1086

Note: Basic earnings per share is calculated by the weighted average of consolidated net profit belongs to owners of the parent divided by the parent's shares in issue, diluted earnings per share is calculated by weighted average of consolidated net profit belongs to owners of the parent after adjusting dilutive potential ordinary shares divided by the parent's shares in issue. Since the company has no dilutive potential ordinary shares during this period, basic earnings per share is equal to diluted earnings per share.

2. According to requirements of "CSRC Announcement [2008] No.43 – Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss", extraordinary profits and losses of the company are shown below.

(1) Statement of extraordinary items

Item	Amount	Note
(1) Profit and loss of disposal of non-current assets including reserved provision for asset impairment	-81,700.58	
(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)	29,412,460.00	Note1
(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	20,193,390.43	

Supplementary information (Continued)

(All amounts in RMB unless otherwise stated)

2. According to requirements of “CSRC Announcement [2008] No.43 – Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss”, extraordinary profits and losses of the company are shown below. (continued)

(1) Statement of extraordinary items (continued)

Item	Amount	Note
(8) Provision for assets impairment due to force majeure including natural disasters		
(9) Profit and loss from debt restructuring		
(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	38,837,756.70	
(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	597,840.60	
(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	9,925,810.08	
(21) Other non-recurring profit and loss items recognized by CSRC		
Sub-total	98,885,557.23	

Supplementary information (Continued)

(All amounts in RMB unless otherwise stated)

2. According to requirements of “CSRC Announcement [2008] No.43 – Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss”, extraordinary profits and losses of the company are shown below. (continued)

(1) Statement of extraordinary items (continued)

Item	Amount	Note
Less: the impact from income tax	6,527,796.42	
Net non-recurring profit and loss	92,357,760.81	
Net non-recurring profit and loss attributable to ordinary shareholders of the Company	53,949,310.27	
Net non-recurring profit and loss attributable to minority shareholders	38,408,450.54	

Note1: according to regulations of “Notice on Value Added Tax Policy for Software Products” (Tax [2011] No.100), when ordinary VAT payers sell products that are self-developed or products that are imported but modified to meet localized demands, they are taxed at 17% of VAT, if their actual tax burden exceeds 3% of their turnover, the excess amount is recovered as soon as it is taxed. Total tax refund for the company during this year amounted RMB3,297,939.18, and this amount of government subsidiary is being accounted for through profit or loss as an ordinary profit or loss item.

Supplementary information (Continued)

(All amounts in RMB unless otherwise stated)

3. Supplementary information for the change of accounting policy

The company has changed relevant accounting policies according to “Accounting Standard for Enterprises No.2 – Long-Term Equity Investments” and other 7 accounting regulations issued by the Ministry of Finance in 2014, and has made retrospective restatements according to comparative financial statements, the consolidated statement of financial position on 1st Jan. 2013 and 31st Dec. 2013 after restatements are shown below:

Assets	1 January, 2013	31 December, 2013
Current assets:		
Cash and bank	826,484,106.78	1,566,005,038.13
Settlement provisions		
Placement		
Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period		
Derivative financial assets		
Bills receivable	47,305,311.75	130,404,808.33
Trade receivable	767,663,164.06	657,893,554.14
Prepayments	86,523,131.11	131,968,094.34
Premiums receivable		
Reinsurance receivable		
Reinsurance contract reserve		
Interest receivable		53,742.82
Dividends receivable		
Other receivables	52,151,635.13	176,690,984.93
Financial assets purchased for resale		
Inventories	364,287,989.61	426,483,691.59
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		76,000,000.00
Total current assets	<u>2,144,415,338.44</u>	<u>3,165,499,914.28</u>

Supplementary information (Continued)

(All amounts in RMB unless otherwise stated)

3. Supplementary information for the change of accounting policy (continued)

Assets	1 January, 2013	31 December, 2013
Non-current assets:		
Entrusted loans and advances		
Available-for sale financial assets	3,650,000.00	3,650,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	492,141,095.85	403,512,516.85
Investment properties	13,263,607.44	11,663,675.44
Fixed assets	657,093,991.04	590,471,504.49
Construction in progress	58,622,146.44	218,171,100.84
Construction supplies		
Clearance of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	86,309,861.12	82,694,957.52
Development expenses		
Goodwill		
Long term deferred expenses	6,007,993.28	3,745,684.91
Deferred income tax assets	6,350,788.43	1,617,270.68
Other non-current assets		
	<hr/>	<hr/>
Total non-current assets	<u>1,323,439,483.60</u>	<u>1,315,526,710.73</u>
	<hr/>	<hr/>
Total assets	<u>3,467,854,822.04</u>	<u>4,481,026,625.01</u>

Supplementary information (Continued)

(All amounts in RMB unless otherwise stated)

3. Supplementary information for the change of accounting policy (continued)

Total liabilities and shareholders' equity	1 January, 2013	31 December, 2013
Current liabilities:		
Short term loans	360,000,000.00	99,000,000.00
Borrowing from PBOC		
Customer and interbank deposits		
Borrowing from interbank		
Financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current period		
Derivative financial liabilities		
Bills payable	288,335,481.41	61,925,836.17
Accounts payable	590,458,384.33	653,014,179.51
Advances from customers	111,861,439.97	98,919,776.23
Financial assets sold under repurchase agreements		
Bank charges and Commissions due		
Salaries payable	26,931,141.62	33,524,132.18
Taxes payable	10,930,306.38	25,771,278.58
Interest payable	521,752.78	83,333.33
Dividend Payable	4,393,692.40	11,029,455.36
Other payables	151,913,355.64	147,372,897.19
Reinsurers due		
Insurance contract reserves		
Security trading of agency		
Securities underwriting		
Liabilities classified as held for sale		
Non-current liabilities due within one year		
Other current liabilities	5,057,240.00	793,800.00
Total current liabilities	<u>1,550,402,794.53</u>	<u>1,131,434,688.55</u>

Supplementary information (Continued)

(All amounts in RMB unless otherwise stated)

3. Supplementary information for the change of accounting policy (continued)

Total liabilities and shareholders' equity	1 January, 2013	31 December, 2013
Non-current liabilities:		
Long term loans		
Bonds payables		
Including: Preferred shares		
Perpetual capital securities		
Long term payables		
Long term Salaries payable	23,649,236.20	18,435,307.41
Specific payables		
Accrued liabilities		
Deferred income		
Deferred income tax liabilities	311,720.39	233,201.14
Other non-current liabilities		
Total non-current liabilities	<u>23,960,956.59</u>	<u>18,668,508.55</u>
Total liabilities	<u>1,574,363,751.12</u>	<u>1,150,103,197.10</u>
Shareholders' equity:		
Share capital	655,015,000.00	913,838,529.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserve	476,107,981.72	1,511,688,165.27
Less: treasury stock		
Other comprehensive income		
special reserve		
surplus reserve	220,739,998.89	231,946,025.16
general risk reserve		
undistributed profits	345,999,242.22	478,562,898.27
Shareholders of the parent company	<u>1,697,862,222.83</u>	<u>3,136,035,617.70</u>
Non-controlling interests	195,628,848.09	194,887,810.21
Total shareholders' equity	<u>1,893,491,070.92</u>	<u>3,330,923,427.91</u>
Total liabilities and shareholders' equity	<u>3,467,854,822.04</u>	<u>4,481,026,625.01</u>

Documents Available for Inspection

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.

Nanjing Panda Electronics Company Limited
Chairman: Lai Weide
Approved for submission by the Board on: 30 March 2015