

PANDA Electronics

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Nanjing Panda Electronics Company Limited

2015

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 supervisory committee and the directors, supervisors and senior management 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. All Directors of the Company attended the Board meeting held on 21 March 2016.
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 RMB0.68 (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 2015, with the total cash dividend to be distributed amounting to RMB62,141,019.97, 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. Neither the Company's controlling shareholder nor any of its related parties has misappropriated the Company's funds for non-operating purposes.
8. The Company did not provide external guarantees in violation of any specified decision-making procedures.
9. Notice of significant risks: The Company has elaborated the potential risks in this annual report. For their details and the corresponding countermeasures, please refer to the paragraph headed "Potential Risks" under Section IV "Management Discussion and Analysis" in this annual report.

Definitions

1. Definitions

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

Company	Nanjing Panda Electronics Company Limited (南京熊猫电子股份有限公司)
Group	Nanjing Panda Electronics Company Limited and its subsidiaries
PEGL	Panda Electronics Group Limited (熊猫电子集团有限公司)
PEGL Group	Panda Electronics Group Limited and its subsidiaries
NEIC	Nanjing Electronics Information Industrial Corporation (南京中电熊猫信息产业集团有限公司)
NEIC Group	Nanjing Electronics Information Industrial Corporation and its subsidiaries
CEC	China Electronics Corporation (中国电子信息产业集团有限公司)
CEC Group	China Electronics Corporation and its subsidiaries
Financial Company	China Electronics Financial Co., Ltd. (中国电子财务有限责任公司)
China Electronics Leasing Company	China Electronics Commercial Financial Leasing Co., Ltd. (中电通商融资租赁有限公司)
ENC	Nanjing Ericsson Panda Communication Co., Ltd. (南京爱立信熊猫通信有限公司)
BMC	Beijing SE Putian Mobile Communication Co., Ltd. (北京索爱普天移动通信有限公司)
Shenzhen Jinghua	Shenzhen Jinghua Electronics Co., Ltd. (深圳市京华电子股份有限公司)
Electronics Equipment Company	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫电子装备有限公司)
Information Industry Company	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息产业有限公司)
Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫电子制造有限公司)
Communications Technology Company	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司)
Huagae Appliance Company	Nanjing Huagae Appliance and Plastic Industrial Co., Ltd. (南京华格电气塑业有限公司)

Definitions (Continued)

Mechanical Manufacturing Company	Nanjing Panda Mechanical Manufacturing Co., Ltd. (南京熊猫机电製造有限公司)
Technology Development Company	Nanjing Panda Electronic Technology Development Company Limited (南京熊猫电子科技发展有限公司)
China Huarong	China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)
China Great Wall	China Great Wall Asset Management Corporation (中國長城資產管理公司)
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.
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
AFC	Auto Fare Collection
ACC	AFC Clearing Center
SMT	Surface Mounted Technology, the most commonly used technology and process in the electronics assembly industry
EMS	Electronic Manufacturing Services
TD-LTE	Time Division-Synchronous Code Division Multiple Access (TD-SCDMA) Long Term Evolution
CIM	Computer Integrated Manufacturing
MESH	Mesh Network, a multi-hop network and developed from ad hoc network, representing one of the critical technologies to solve the problem known as "The Last Kilometer"

Definitions (Continued)

CNAS Certification	China National Accreditation Service for Conformity Assessment
MES system	manufacturing execution system, namely Implementation System of Manufacturers Process serving as a management system of information-based production aiming at execution on plant floors of manufacturers
ERP Information-based Systems	Enterprise Resource Planning, based on ideas of systematic management and built on the basis of information technology which provides a management platform of decision-making for the decision-makers and employees
TD trunking communication system	TD-SCDMA trunking communication system, an advanced mobile system with commanding and distributing features, representing a development direction for exclusive mobile communication network in the communication system
BPR technique	Bottom Process Recombine is a bottom welding and recombining technique, a through-hole reflow (THR) technique

Company Profile and Major Financial Indicators

I. Company Information

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
English name of the Company	Nanjing Panda Electronics Company Limited
Abbreviation of the English name	NPEC
Legal Representative of the Company	Xia Dechuan (Executive Director, General Manager)

II. Contact Persons and Contacts

	Secretary to the Board	Securities Affairs Representative
Name	Shen Jianlong	Wang Dongdong
Correspondence address	7 Jingtian Road, Nanjing, the People's Republic of China	7 Jingtian Road, 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
Postal code of the registered address	210032
Office Address	7 Jingtian Road, Nanjing, the People's Republic of China
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 Hong Kong Stock Exchange: http://www.hkex.com.hk
Place for Inspection of the Company's Annual Report	Office of Secretary to the Board of Directors, 7 Jingtian Road, Nanjing, the People's Republic of China

V. Information of the Company's Shares

Overview of the Company's shares

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

Company Profile and Major Financial Indicators (Continued)

VI. 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
	Name of signing accountants	Wang Chuanbang, Zhou Weiyong
Overseas auditors of the Company	Name	Baker Tilly Hong Kong Limited
	Office address	2nd Floor, 625 King's Road, North Point, Hong Kong
	Name of signing accountants	Edmond Chan
Financial Adviser 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 financial adviser	Luo Guijun, Tan Yongfeng
	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
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
Principle Bankers		Bank of Communications, Shanghai Pudong Development Bank, China Merchants Bank, Bank of Nanjing

Company Profile and Major Financial Indicators (Continued)

VII. Major accounting data and financial indicators in the previous three years (prepared in accordance with the PRC Accounting Standards of Business Enterprises)

(I) Principle accounting data

Unit: RMB

Principle accounting data	2015	2014	Increase/decrease from last year (%)	2013
Operating income	3,613,482,935.50	3,487,641,068.94	3.61	4,136,214,822.97
Net profit attributable to shareholders of the Company	143,836,663.39	153,230,139.40	-6.13	184,820,911.32
Net profit attributable to shareholders of the Company after extraordinary items	109,123,429.37	99,280,829.13	9.91	48,046,324.59
Net cash flow from operating activities	108,995,230.11	44,034,013.77	147.53	8,714,863.42

	As of the end of 2015	As of the end of 2014	Increase/decrease from the end of last year (%)	As of the end of 2013
Net assets attributable to shareholders of the Company	3,263,279,379.67	3,178,952,959.93	2.65	3,136,035,617.70
Total assets	4,891,799,403.91	4,624,124,678.17	5.79	4,481,026,625.01
Total share capital as at the end of the period	913,838,529.00	913,838,529.00		913,838,529.00

Company Profile and Major Financial Indicators (Continued)

VII. Major accounting data and financial indicators in the previous three years (prepared in accordance with the PRC Accounting Standards of Business Enterprises) (Continued)

(II) Key financial indicators

Unit: RMB

Key financial indicators	2015	2014	Increase/decrease from last year (%)	2013
Basic earnings per share (RMB/share)	0.1574	0.1677	-6.14	0.2356
Diluted earnings per share (RMB/share)	0.1574	0.1677	-6.14	0.2356
Basic earnings per share after extraordinary items (RMB/share)	0.1194	0.1086	9.94	0.0526
Weighted average return on net assets (%)	4.46	4.82	decreased by 0.36 percentage points	7.66
Weighted average return on net assets after extraordinary items (%)	3.39	3.12	Increased by 0.27 percentage points	1.99

Explanations on major accounting data and financial indicators in previous three years as at the end of the Reporting Period: Nil.

Company Profile and Major Financial Indicators (Continued)

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

- (I) The following is a summary of the consolidated results of the Group for each of the five years ended 31 December 2015 and the combined pro forma results of the Group for the year ended 31 December 2014 prepared on the basis that the Group’s current structure had been in existence from the year ended 31 December 2010.

Unit: RMB’000

	2015	2014	2013 (restated)	2012 (restated)	2011
Turnover	3,570,627	3,450,690	4,096,035	3,690,252	2,115,641
Operating profit (loss)	7,299	51,132	132,692	53,040	-33,649
Share of results of associated companies	185,177	137,497	123,082	175,773	188,191
Profit before taxation	222,747	220,811	251,197	203,857	132,930
Taxation	-33,628	-24,385	-28,532	-34,266	-16,835
Profit after taxation	189,119	196,426	222,665	169,591	116,095
Minority interests	45,282	43,196	37,844	36,042	6,025
Profit attributable to shareholders	143,837	153,230	184,821	133,549	110,070
Proposed final dividends	62,141	60,313	60,313	39,301	32,751

- (II) Summary of the total assets and liabilities for each of the five years ended 31 December 2015

Unit: RMB’000

	2015	2014	2013 (restated)	2012 (restated)	2011
Total assets	4,891,800	4,624,125	4,481,027	3,467,855	2,713,131
Total liabilities	-1,431,906	-1,240,664	-1,150,103	-1,574,364	-1,117,689
Total net assets	3,459,894	3,383,461	3,330,924	1,893,491	1,595,442

IX. Differences 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.

Company Profile and Major Financial Indicators (Continued)

X. Major quarterly accounting data in 2015

Unit: RMB

	The first quarter (January to March)	The second quarter (April to June)	The third quarter (July to September)	The fourth quarter (October to December)
Operating revenue	876,132,360.65	771,602,408.69	854,006,552.07	1,111,741,614.09
Net profit attributable to shareholders of the Company	31,714,371.34	55,911,517.46	25,277,728.89	30,933,045.70
Net profit attributable to shareholders of the Company after extraordinary items	26,261,042.32	50,905,664.24	18,538,928.93	13,417,793.88
Net cash flow from operating activities	-113,121,176.77	80,280,910.31	-37,668,780.08	179,504,276.65

Explanations on differences between quarterly data and data from the disclosed regular report: Not applicable.

XI. Extraordinary items

Unit: RMB0'000

Items	2015	2014	2013
Gains and losses from disposal of non-current assets	-26.58	-8.17	-8.21
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	625.66	2,941.25	4,385.24
Gains and losses from entrusted investment	2,177.93	2,019.34	896.79
Profit or loss from debt restructuring			41.70
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	-	3,883.78	3,429.92
Reversal of impairment of receivables provided by specific provision	657.79	59.78	
Other non-operating income and expenses other than the aforesaid items	251.07	992.58	9,145.27
Affected minority interests	-73.67	-3,840.85	-3,376.86
Affected income tax amount	-140.88	-652.78	-836.39
Total	3,471.32	5,394.93	13,677.46

An Overview of Corporate's Business

I. Information on principal activities, operating model and industry overview during the Reporting Period

(I) Principal activities

The principal activities of the Company are the development, manufacture and sale of electronic equipment products, consumer electronic products and electronic manufacturing products. Electronic equipment includes automation equipment, electronic transport equipment and communication equipment; consumer electronics include digital home electronics and related products; electronics manufacturing include EMS and other services.

According to the development strategy of the Company, the Company will prioritize and focus on the development of electronic equipment products related business. At present, the automation equipment products mainly consist of LCD panel and LCD glass production line system as well as the ancillary components of production and transmission equipment, and industrial robot in relevant industries; electronic transport equipment products mainly comprise railway transit ACC system, AFC system and terminal equipment; communication equipment products mainly include TD-LTE small base station related products, various time-frequency equipment and specific communication equipment, and radio and television broadcast transmitters.

The Company accelerated the integration of its consumer electronic business upon its acquisition of Shenzhen Jinghua, and mainly relied on Shenzhen Jinghua to carry out the digital home business.

After years of development, electronic manufacturing services of the Company, which is centered around EMS, has been underpinned by the Company's capabilities of plastic casings, painting, assembling and processing as well as its manufacturing processes and technology of special new materials used for RF antenna.

(II) Operating model

The Company adopts the "market-oriented" strategy, chooses optimization of product structure as its target, intensifies research and development of new products and expands its product portfolio, eventually materializing the industrial upgrading from single product to systematic whole set. The Company strengthens and improves management and enhances operating efficiency in a great effort to become a nationally leading and internationally renowned electronic equipment manufacturers and service provider.

An Overview of Corporate's Business (Continued)

I. Information on principal activities, operating model and industry overview during the Reporting Period (Continued)

(III) Industry overview

In 2015, the electronic information industry in which the Company is situated entered into a new normal in keeping with the macroeconomic trend in China. From January to December of 2015, principal operating revenue from the electronic information manufacturing industry reached RMB11.1 trillion, a year-on-year increase of 7.6%. Scaled electronic information manufacturing industry achieved value added growth of 10.5%, 4.4 percentage points higher than the industry average (6.1%) and ranking fifth among 41 industrial sectors in China. Its revenue and total profit increased by 7.6% and 7.2%, 6.8 and 9.5 percentage points higher than the industry average, respectively. Their proportions in the industry total reached 10.1% and 8.8%, increased by 0.7 and 1 percentage points over the previous year, respectively.

Among various industries, the electronic equipment industry in which the Company is principally engaged grew relatively rapidly. In 2015, the electronic equipment industry achieved revenue and profit growth of 14.5% and 14.1%, exceeding the industry average.

At present, the electronic equipment industry is developing intelligent manufacturing systems featuring new sensors, intelligent control systems, industrial robots, automation of complete sets of production lines. Intelligent manufacturing technology is advancing towards intelligent machines and intelligent systems, and their development trends mainly comprise modular and reconfigurable structure, open, computerized and networking-based control technology, digitalized and decentralized servo drive technology, practical multi-sensor fusion technology, optimized design of working environment and flexible operation, and networking-based and intelligent systems. The future development of robot technology is heading towards "Industry 4.0 Revolution" that features an in-depth integration of individualization, digitization, networking and intellectualization and centers on people-oriented industrial automation for high-end equipment manufacturing.

The Company continuously facilitates its ability building for independent innovation and self-owned brand building in the robot and intelligent manufacturing industry so as to improve its core competitiveness. In the course of implementing the projects regarding industrialization of industrial robots and key intelligent manufacturing technologies, the company has established a robot research institute and a municipal engineering technology research center and is trying to upgrade it to a provincial engineering technology research center. The Company started the establishment of a core information equipment system laboratory for intelligent manufacturing in an effort to join a mission to build a national core information equipment laboratory for joint intelligent manufacturing. The Company is striving to situate the National Robot Testing and Evaluation Center in "Panda" for participation in the establishment of the national robot evaluation and certification system.

The Company concentrated scientific and technological resources on making new breakthroughs in key technologies of electronic equipment. Currently, with improving design of the 1.4m/6kg industrial robot, its product performance has outrun similar domestic products, signifying that the Company has the technology capacity for research and development of key robot components (such as robot controller and servo drive system). With substantially enhanced capabilities for factory automation and intelligent supporting products, the Company has the technology and market base for the equipment systems of panel display production lines and the equipment systems of glass substrate production lines, and is striving to develop digital workshops, equipment for intelligent manufacturing systems and intelligent factories. Its proprietary communication technology for rail transit is becoming increasingly advanced by virtue of its industry-leading position in new AFC, ACC systems and equipment underpinned by cloud computing.

An Overview of Corporate's Business (Continued)

II. Explanation on substantial changes of major assets during the Reporting Period of the Company

As at 31 December 2015, total assets of the Company was RMB4,891,799,400, total liabilities of the Company was RMB1,431,906,200 and asset-liability ratio of the Company was 29.27%. Compared with those of 31 December 2014, total assets represent an increase of 5.79%, asset-liability ratio increased by 2.44 percentage points. Overall, these figures remained stable without any material change. In addition, the overseas assets was RMB110,521,900, representing 2.26% of total assets.

In 2015, Phase I of Electronic Equipment Industrial Park of the Company reached the predicted ready-for-use conditions and was transferred to fixed assets, resulting an increase of 56.95% of the fixed assets and a decrease of 98.28% of construction in progress; research and development expenses which was RMB17,592,500 met conditions of capitalization and was transferred to intangible assets; the Company paid back short-term borrowings of RMB30,000,000 and the balance of short-term borrowings was nil at the end of the period.

III. Analysis of core competitiveness during the Reporting Period

The Company was dedicated to innovation in its core technology of proprietary intellectual property rights, adopting tactics of combining self-development with international cooperation, developed into a domestic first-class supplier of industrial robot, whole set of production equipment, rail transit automatic ticket vending and automatic fare collection and special communications equipment.

With respect to industrial robot and industrial automation equipment in intelligent manufacturing factory, 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. With capabilities in terms of design and manufacture of industrial robot, the Company planned to further expand into domestic and overseas market and aimed at intensifying international cooperation in the field of industrial robot.

With respect to information-based system and equipment in rail transit, the Company has core technologies in rail transit such as automatic fare clearing center system, automatic fare collection system and equipment in place, evolving into a complete industrial chain from module to equipment, from applications to system software, from ACC system to AFC terminal equipment, from self-development to manufacture which helped it develop into a major supplier of overall solution for automatic fare collection system in domestic urban railway transit and dedicated accessories. 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, Wuhan, Suzhou, Wuxi, Shijiazhuang and Hefei. 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 has successively completed researches in terms of MESH ad-hoc network communication system (自組網通信系統), Miniaturized access gateway for broadband mobile data (寬帶移動數據小型化接入網關), Pico-cell base station (微微蜂窩基站), Digital Trunking (數字集群), Wireless video transmission (無線視頻傳輸), System terminal for Beidou Navigation Satellite System (北斗導航系統終端), Portable satellite terminal (衛星移動終端), Internet of Things (物聯網) and related products. It also engaged in a range of important activities regarding communication security such as Nanjing Youth Olympic Games (南京青奧會), military parade of the 70th anniversary of the Anti-Japanese War (抗戰勝利70周年閱兵).

An Overview of Corporate's Business (Continued)

III. Analysis of core competitiveness during the Reporting Period (Continued)

With respect to digital TV broadcasting and receiving instrument, the Company has completely fulfilled its enormous R&D capabilities. By means of self-development, it has concluded research in a range of digital television broadcast transmitters and received qualifications such as the National industrial production license (全國工業產品生產許可證), Networked product license of the State Administration of Radio, Film & Television (廣電總局入網許可證), Radio Regulatory Commission type approval certificate (無線電委員會型號核准證). Digital set-top box developed by the Company are in widespread use in CATC network (有線數字電視網) which resulted that the Company has become a supplier of the solution for digital TV transmit, digital TV receiving and digital TV system.

With respect to electronics manufacturing services (EMS), the Company has breakthrough in key technologies in terms of high polymer special materials and high-end communication equipment accessories and it has also tackled technical difficulties resulting from high performance material and product contained in antenna of mobile communication base station in terms of heat resistance (耐熱), Ultraviolet resistance (耐紫外光), low dielectric-loss (低介電損耗), low crosstalk (低串擾), among which, "key technology of preparation of organic of inorganic particles modified polymer composite materials" (有機化無機顆粒改性聚合物複合材料制備關鍵技術) placed second in the National Science and Technology Progress Award, taking the lead in the industry in China. BPR technique, researched and developed by the Company, has been applied entirely in SMT production and with a decrease of approximately 30% in defective fraction of products. After the introduction, assimilation and re-innovation of technology, the Company has accomplished scale transformation of high gloss injection moulding technology, for which, the new generation of high-gloss spray lines (高光噴塗線), self-designed and built by the Company, has dramatically shortened production cycle. The Company serves as one of the largest EMS bases in Eastern China, with enormous capabilities in SMT, injection moulding, packaging, manufacture of precision industrial moulds, metal plate, digital precision machining and so forth. Furthermore, it has the production base for professional plastic shaping, spray-paint decoration and assembling of accessories. Apart from that, the Company intensified research and development of core electronic components relating to LCD, capitalizing on the R&D platform of Jiangsu LCD module controller and manufacturing process and engineering technology research centre, it provided clients with multiple choices in terms of LCD timing controller and backlit products, including their development, testing of function and performance, procurement of raw materials and large-scale manufacture with specification of those products ranging from 5.5 to 64.5 inch and monthly output amounting to 2 million sets, proved a major manufacturer in the industry of liquid crystal display panel.

Management Discussion and Analysis

I. Management Discussion and Analysis

As economic growth of the PRC entered into a macroscopic environment of new normality in 2015, the Company actively adopted corresponding measures, focusing on business development, persisted in innovation, outstanding results were made in various aspects, as a result, all missions and goals were accomplished and achieved in a better manner.

In 2015, 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 2015 amounted to RMB3,613,482,900, with total profits of RMB222,747,000 and net profits of RMB143,836,700. According to Hong Kong Financial Reporting Standards, the revenue of main business for the entire year amounted to RMB3,570,630,000, with operating profit of RMB7.30 million and net profits attributable to shareholders of RMB143,840,000.

In 2015, the Company made consolidation and adjustment to its related business categories, further optimized the industry structure. It also completed developing and upgrading of multiple systems including Cloud Desktop, back-up for disaster recovery, accounting, the office automatic system, customer service. Moreover, it upgraded hardware and reduced the overall cost of IT equipment, enhanced data's security resulting in timely control on information and guarantee of accuracy as well as punctuality in decision-making.

Shanghai Panda Robot Technology Company Limited, a wholly-owned subsidiary, was established by the Company in 2015 with a registered capital of RMB285 million, located in Shanghai Zhangjiang High-tech Park, primarily engaged in research and development of robot as well as intelligent manufacturing system equipment. Currently, the subsidiary has moved to the stage of tendering of construction planning and design and preparation for purchase of land.

In 2015, the Company carefully prepared and implemented the scientific research plan with respect to the main business and completed eleven key scientific research projects with scientific research investment of RMB190,980,000. As a result, certain scientific research projects have been granted awards for dedicated projects or scientific and technology advancement by related provincial, municipal or ministerial institutions. In addition, the Company consolidated and established its product inspection centre and efficiently improved its scientific research inspection standard.

In 2015, the Company smoothly passed the annual review and public notification of enterprises regarding Following Contract and Observing Credit led by the State Administration of Industry and Commerce and Jiangsu Province bureau of industry and commerce.

In 2015, the Company formulated the "Development measures for youth backbone talents" specifying schemes in terms of developing and reserving various talents. Moreover, it constantly expanded into more channels to recruit talents, bringing in 30 well-developed talents from society, 119 talents with bachelor degree or above. The Company strengthened recommendation of high-fliers with certain personnel scored highly in various competitions launched in Jiangsu province, CEC and Nanjing municipal. In addition, it offered 24 various training courses to 824 personnel in total. Furthermore, it conducted performance assessment for its entirety of workforce, strengthening performance assessment regarding management at middle-level or above and constantly perfected building of performance assessment system.

In 2015, the party and administrative leading departments of the Company proactively deepened the theme of "Three Stricts and Three Earnests" (三嚴三實) with stringent implementation of vocational requirements of integrity by higher Party organization and sticking to workers' congress system, collective consultation and collective contract system. The Company voluntarily created civilized park that its electronic equipment industrial park passed the audit of NEIC four-star civilized enterprise and was conferred the title of Jiangsu advanced enterprise of making public the affairs of enterprises and democratic management in the year.

In the year 2015, 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 fluctuation of the revenue and profits of important joint ventures should not be ignored; the vision and capability of exploring the market needed further enhancement.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period

In 2015, with a focus on major construction works and key projects, the Company further optimized its corporate structure and product mix to integrate its electronic equipment business, to better supply automation equipment for panel display and relevant projects, and to deliver rail transit equipment as required, leading to an increase of 15.18% in sales of electronic equipment products as compared with that in 2014. As the Company took the initiative to reduce the orders of consumer electronics with low profit margins, sales of consumer electronics declined to some extent. In 2015, sales of electronic equipment products accounted for 49.21% of the principal operating revenue, an increase of 4.62 percentage points as compared with that in 2014.

In recent years, with the increasing technical labor costs and declining prices of major projects, major construction works and processing services, gross margin for part of the business of the Company has decreased. The Company adjusted its product mix to increase the proportion of the revenue from electronic equipment products with relatively high gross margin in the Company's principal operating revenue, resulting in increased consolidated gross margin as compared with that in 2014.

The Company adopted a number of measures for business improvement: to explore new business such as the supply of the automatic transmission equipment for glass substrate production lines based on China's electronics industry chain; to follow up key projects and step up efforts in market expansion for rail and electronics manufacturing services; to improve production processes and use modified materials so as to improve gross profit contribution of products; to control expenses and increase operating profit; to better regulate and serve joint ventures in order to increase investment returns.

(I) Analysis of principal operations

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

Unit: RMB

Item	Amount for the period	Amount for the same period last year	Change (%)
Operating income	3,613,482,935.50	3,487,641,068.94	3.61
Operating cost	3,080,701,274.16	2,961,809,427.32	4.01
Selling expenses	52,987,800.34	47,797,930.15	10.86
Administrative expenses	426,406,618.48	400,768,184.73	6.40
Financial expenses	-11,800,026.20	1,161,359.03	N/A
Net cash flows from operating activities	108,995,230.11	44,034,013.77	147.53
Net cash flows from investment activities	162,176,904.97	-589,843,900.99	N/A
Net cash flows from financing activities	-129,858,089.45	-228,097,020.51	N/A
R&D expenses	190,979,892.86	196,084,196.33	-2.60
Non-operating income	14,158,738.96	47,687,662.49	-70.31
Income tax	33,627,824.51	24,384,653.86	37.91

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

1. Analysis on revenue and cost

The operating income in 2015 has no material changes as compared to that of previous year. The total operating income during the period was RMB3,613,482,900, increased by RMB125,841,900 or 3.61% over the previous period, among which, the income from major business increased by RMB149,717,200 or 4.37% over the previous period.

(1) Principal operations by business sector, product and geographical regions

Unit: RMB

Principal operations by business sector

By sector	Operating income	Operating cost	Gross 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 gross profit margin from the same period last year (%)
Electronic equipment products	1,758,582,561.60	1,513,237,509.32	13.95	15.18	15.54	Decreased by 0.27 percentage points
Electronic manufacturing services	887,041,802.08	771,473,843.48	13.03	-6.17	-6.12	Decreased by 0.05 percentage points
Consumer electronics products	739,042,271.78	660,174,107.32	10.67	-7.71	-7.89	Increased by 0.17 percentage points
Others	189,288,727.61	105,550,302.98	44.24	25.17	39.49	Decreased by 5.73 percentage points

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

1. Analysis on revenue and cost (continued)

(1) Principal operations by business sector, product and geographical regions (continued)

Principal operations by product

By product	Operating income	Operating cost	Gross 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 gross profit margin from the same period last year (%)
Railway transit products	320,802,270.74	263,553,587.34	17.85	49.23	48.90	Increased by 0.18 percentage points
System integration and building intellectualization products	444,718,520.03	404,325,086.03	9.08	6.29	6.61	Decreased by 0.27 percentage points
Industrial automation equipment	896,948,640.77	786,382,381.71	12.33	25.09	28.09	Decreased by 2.05 percentage points
Communication system	81,980,969.78	48,040,085.31	41.40	-51.30	-61.70	Increased by 15.91 percentage points
Plastic injection molding	424,565,036.38	388,415,443.51	8.51	-10.35	-4.27	Decreased by 5.81 percentage points
Surface mounting	446,462,406.90	368,649,665.04	17.43	-0.95	-7.34	Increased by 5.70 percentage points
Digital products	720,720,121.30	640,205,957.83	11.17	-9.19	-10.26	Increased by 1.06 percentage points
Rental property	140,773,698.71	67,193,568.78	52.27	25.50	45.18	Decreased by 6.47 percentage points
Others	96,983,698.46	83,669,987.55	13.73	28.65	28.71	Decreased by 0.04 percentage points

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

1. Analysis on revenue and cost (continued)

(1) Principal operations by business sector, product and geographical regions (continued)

Principal operations by geographical regions

By geographical regions	Operating income	Operating cost	Gross 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 gross profit margin from the same period last year (%)
Nanjing	2,794,527,802.63	2,417,707,735.18	13.48	7.27	7.78	Decreased by 0.41 percentage points
Shenzhen	779,427,560.44	632,728,027.92	18.82	-4.83	-7.05	Increased by 1.93 percentage points

The Company's principal subsidiaries are all in the communication, electronic equipment manufacturing and other related industries. During the Reporting Period, sales revenue of electronic equipment products achieved a year-on-year increase of 15.18% due to growth in LCD production line business. Sales revenue of consumer electronics, however, dropped by 7.71% over the preceding year as a result of fierce market competition and sluggish overseas market. Revenue from electronics manufacturing services also declined by 6.17% over the preceding year due to shrinking injection molding business.

During the Reporting Period, sales revenue of rail transit products as one of the Company's main products achieved a year-on-year increase of 49.23% due to growth in rail transit and intelligent system business. Sales revenue of industrial automation equipment products increased by 25.09% over the preceding year due to the acquisition of LCD projects.

The Company's main operations are primarily located in Nanjing and Shenzhen. During the Reporting Period, sales revenue of the Nanjing segment achieved a year-on-year increase of 7.27% due to growth in rail transit and intelligence system business as well as LCD production line business. Sales revenue of the Shenzhen segment, however, decreased by 4.83% over the preceding year due to fierce competition in the tablet market and the stagnant overseas market.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

1. Analysis on revenue and cost (continued)
- (2) Turnover and contribution by business segment (prepared under HKFRSs)

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	1,850,445	79,165
Consumer electronics	1,208,258	14,555
Electronic manufacturing service	908,415	41,441
Other operations	242,336	55,246
Elimination	-638,827	-71,750
Operating profit		118,657
Unallocated corporate expense		-111,358
Interest income		35,014
Interest expenses		-4,743
Share of profit of associates		185,177
Profit before taxation		222,747

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

1. Analysis on revenue and cost (continued)
- (3) Analysis of volume of production and sales

Principal products	Production output	Sales volume	Stock	Increase/ decrease in production output from the same period last year	Increase/ decrease in sales volume from the same period last year	Increase/ decrease in stock from the same period last year
				(%)	(%)	(%)
Surface mounting (10 thousand points)	80,926	80,926		13.60	13.60	
Set-top boxes	133,888	133,888	13,685	-28.59	-28.59	
Automatic ticket vending machine	546	65	483	22.97	-85.29	24,050
Automatic fare collection machine	1,132	9	1,158	16.10	-99.04	3,208.57
Tablet computer	1,400,686	1,391,036	9,650	-4.43	-6.23	
Voice recorder	321,799	300,107	22,570	-90.13	-7.81	2,470.62
Automobile data recorder	536,580	528,382	8,198	793.18	779.54	

During the Reporting Period, the inventory of automatic ticket vending machine and automatic fare collection machine increased since the Company undertook metro projects including Suzhou Metro, Hefei Metro and Wuhan Metro. Furthermore, in responding to change in market demand, the Company made business transformation on consumer electronics products, the production and sales of voice recorder and automobile data recorder changed during the period, and the inventory of voice recorder remained increased significantly due to the unshipped orders.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

1. Analysis on revenue and cost (continued)

(4) Cost analysis

Unit: RMB

By sector

By sector	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 (%)	Explanation
Electronic manufacturing products	Material cost	525,055,799.86	68.06	554,188,235.38	67.44	-5.26	
	Labor cost	61,080,308.98	7.92	82,273,141.34	10.01	-25.76	
	Manufacturing costs	185,337,734.64	24.02	185,306,833.52	22.55	0.02	
Electronic equipment products	Material cost	1,300,625,936.00	85.94	1,153,918,674.04	88.10	12.71	
	Labor cost	32,806,708.15	2.16	22,911,695.89	1.75	43.19	
	Manufacturing costs	179,983,550.01	11.89	132,895,350.28	10.15	35.43	
Consumer electronics products	Material cost	624,155,712.00	94.54	662,190,902.58	92.39	-5.74	
	Labor cost	11,637,206.78	1.76	14,316,807.80	2.00	-18.72	
	Manufacturing costs	24,381,188.54	3.70	40,206,347.11	5.61	-39.36	
Others	Material cost	27,805,317.07	26.39	29,386,050.19	38.83	-5.38	
	Labor cost	26,306,320.24	24.97	30,871,124.24	40.80	-14.79	
	Other expenses	51,259,980.83	48.64	15,412,919.82	20.37	232.58	Depreciation of leasehold

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

1. Analysis on revenue and cost (continued)

(4) Cost analysis (continued)

By product

By product	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 (%)	Explanations
Railway transit products	Material cost	263,553,587.34	100.00	176,994,499.12	100.00	48.90	
	Labor cost						
	Manufacturing costs						
System integration and building intellectualization products	Material cost	399,047,224.29	98.69	373,324,764.12	98.44	6.89	
	Labor cost	5,277,861.74	1.31	5,924,828.09	1.56	-10.92	
	Manufacturing costs						
Industrial automation equipment	Material cost	662,316,121.85	84.22	481,112,967.48	78.37	37.66	
	Labor cost	26,959,857.78	3.43	16,209,288.00	2.64	66.32	
	Manufacturing costs	97,106,402.08	12.35	116,603,099.51	18.98	-16.72	
Communication system	Material cost	46,335,993.69	96.45	123,614,278.64	98.55	-62.52	
	Labor cost			396,717.32	0.32	-100.00	
	Manufacturing costs	1,704,091.62	3.55	1,424,507.35	1.13	19.63	
Plastic injection molding	Material cost	256,909,028.26	66.14	258,194,272.05	63.64	-0.50	
	Labor cost	37,137,637.95	9.56	57,264,192.60	14.11	-35.15	
	Manufacturing costs	94,368,777.30	24.30	90,265,509.75	22.25	4.55	
Surface mounting	Material cost	259,458,304.26	70.38	288,409,299.10	72.49	-10.04	
	Labor cost	21,113,921.51	5.73	21,126,990.75	5.31	-0.06	
	Manufacturing costs	88,077,439.27	23.89	88,331,407.50	22.20	-0.29	
Digital products	Material cost	614,374,093.02	95.97	674,450,801.47	94.54	-8.91	
	Labor cost	11,577,592.24	1.81	14,766,124.99	2.07	-21.59	
	Manufacturing costs	14,254,272.57	2.22	24,178,170.40	3.39	-41.04	
Rental property	Material cost	5,691,421.71	8.47	13,185,814.95	28.49	-56.84	
	Labor cost	18,963,523.44	28.22	23,706,360.82	51.22	-20.01	
	Other expenses	42,538,623.63	63.31	9,389,531.78	20.29	353.04	Depreciation of leasehold
Others	Material cost	38,519,719.89	46.04	10,397,165.26	15.99	270.48	
	Labor cost	10,800,149.49	12.91	10,978,266.70	16.89	-1.62	
	Other expenses	34,350,118.17	41.05	43,629,224.44	67.12	-21.27	

During the Reporting Period, the ratio of material cost to principal operating cost was 81.22%, the ratio of labor cost to principal operating cost was 4.32%, the ratio of manufacturing costs to principal operating cost was 14.46%. The principal operating cost did not show a material change in 2015 over the same period in the previous year.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

1. Analysis on revenue and cost (continued)

(5) Sales from major customers and suppliers

During the reporting period, sales from the top five customers amounted to RMB1,352,003,200, representing 37.83% of the total sales in 2015, and 14.84% of the total sales was attributable to the sales to the largest customer for the year.

During the reporting period, the aggregate amount of purchase from the top five suppliers of the Company amounted to RMB379,839,700, accounting for 16.59% of the total amount of purchase made by the Company in 2015. The purchase amount from the largest supplier accounted for 5.70% of the total amount of purchase of the Company for the year.

2. Expenses

During the Reporting Period, the financial expenses represented a decrease of RMB12,961,400 over the same period last year mainly attributable to increase of exchange gains led by fluctuations in exchange rate.

3. R&D expenses

Particulars of R&D expenses

Unit: RMB

R&D expenses for the period	183,181,739.52
Capitalized R&D expenses for the period	7,798,153.34
Total R&D expenses	190,979,892.86
The percentage of total R&D expenses over operating income (%)	5.29
The number of R&D personnel	550
The percentage of R&D personnel over total number of staff (%)	13.48
The percentage of capitalized R&D expenses (%)	4.08

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(I) Analysis of principal operations (continued)

3. R&D expenses (continued)

Explanations:

For the purpose of propelling further development in the fields including intelligent equipment, rail transit, intelligent manufacturing as well as communication, the Company has determined one significant R&D program, one key R&D program of the Company and eleven key R&D programs of Information Industry Company. At present, these programs are progressing on schedule while achieving periodical results that products of intelligent equipment and rail transit proved to be a forceful supporting point contributing to sustained growth in the Company's benefits.

The Company persisted in integrating technological innovation with mechanism innovation, in the meantime, the Company transformed the managerial style of technological innovation projects by giving prominence to scientificity of project, reasonability of expense budget and seriousness of implementation of plan as well as warranting profitable investment into R&D programs so as to ensure forward looking, catering to market as well as feasibility of R&D programs.

All R&D centres relentlessly promoted technological innovations by means of proactively adjusting product mix, pooling advantageous resources and making breakthroughs so that the Company further enhanced its innovation capability coupled with more prominent core competitiveness.

In 2015, the Company established a product testing centre and laboratories including EMC test, safety testing of electronic products, environment testing, energy efficiency testing, efficiency testing of electricity and light which guaranteed quality of its R&D process and production.

In 2016, R&D and investment in intelligent manufacturing equipment, robot and system, rail transit equipment and communication system, communication equipment will be further increased so as to develop the Company into a major R&D and industrialization base for high-end electronic equipment in China as soon as it can.

4. Cash flow

During the Reporting Period, the net cash flow generated by operating activities has risen mainly due to larger amount of payment for goods pursuant to contracts during the previous period, the net cash flow generated by investment activities has risen mainly due to dividend distribution from associates as well as wealth management products purchased from banks, the change of net cash flow generated by financing activities was mainly due to payment of dividend and repayment of short-term loan.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(II) Explanation on material changes from non-major business: N/A

(III) Analysis of assets and liabilities

Assets and liabilities

Unit: RMB

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
Accounts receivable	1,043,468,726.23	21.33	735,609,844.69	15.91	41.85	Mainly due to increase of accounts receivable in the credit term as a result of revenue recognition
Interest receivable	994,401.51	0.02	47,886.55		1,976.58	Mainly due to the increase of deposit interest recognized on an accrual basis in the period
Fixed assets	988,924,408.37	20.22	630,073,976.79	13.63	56.95	Mainly due to the construction work for Electronic Equipment Park Phase I completed as planned, transferred into fixed asset
Construction in progress	4,643,526.54	0.09	269,882,125.43	5.84	-98.28	Mainly due to the construction work for Electronic Equipment Park Phase I completed as planned, transferred into fixed asset
Development expenditure			17,592,455.22	0.38	-100.00	Mainly due to the intangible assets from capitalization of development expenditure in the period

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(III) Analysis of assets and liabilities (continued)

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
Long-term deferred expense	8,306,199.54	0.17	2,673,980.57	0.06	210.63	Mainly due to the increase of decoration and afforestation fee in the period
Short-term borrowings			30,000,000.00	0.65	-100.00	Mainly due to the repayment of short term bank borrowings in the period
Tax payable	27,980,335.62	0.57	20,861,633.84	0.45	34.12	Mainly due to the increase in taxable value-added tax in the period
Other current liabilities	40,756,600.00	0.83	5,468,600.00	0.12	645.28	Mainly due to the increase of government subsidy unrecognized according to standards at the end of the period
Long-term salaries payable	26,276,064.59	0.54	17,250,831.64	0.37	52.32	Mainly due to the provision for dismissal welfare as a result of the increase in early retirement
Deferred income tax liabilities	226,137.51		154,681.89		46.20	Mainly due to the increase of taxable tentative difference recognized in the period

There are 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 2015 are as follows:

Unit: RMB

	2015	2014	2013 (restated)
Net assets per share	3.79	3.70	3.64
Increase/(decrease)	2.43%	1.65%	25.95%

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(IV) Analysis of industry operational information

As the strategic, basic and leading industry of national economy in which the Company belonged to, the electronic information industry has become the backbone of transformation of manufacturing in China. The Company will witness new opportunities and space for development in the period of the 13th Five-Year Plan and simultaneously a new round of fierce challenge of industrial upgrading as well as market competition.

In the field of manufacture of intelligent electronic equipment, the State issued a range of policies such as "Made in China 2025" (《中國製造2025》), "2015 Implementation program of special projects in intelligent manufacturing" (《2015智能製造專項行動實施方案》) in order to promote development of intelligent equipment and intelligent manufacturing. Specified within the policies, up to 2020, the proportion of sales revenue in the industry of high-end equipment manufacturing to that of in the equipment manufacture industry will rise as high as 25%. The next step for electric equipment manufacture industry will be the development of intelligent manufacturing features industrial robot, the long-term development of high-end equipment manufacturing serves as platform and supporter, the collaborative development of intelligent technology, intelligent equipment and digital manufacturing is systematically driven which set out help make major strides in the high-end equipment manufacturing of China.

The Company has always been intensifying construction of R&D base as well as industrial base and laid solid foundation for technological innovation and achievement transformation by creating bases including Panda Electronic Equipment Industrial Park (熊貓電子裝備園), Panda Xingang Industrial Park (熊貓新港工業園) and by continuously perfecting infrastructure for R&D and meeting requirements for industrialization. The Company took the lead in self-development and industrialization of core technology of robotic control system, with its whole set intelligent manufacturing equipment for large-scale production (大生產成套智能製造裝備) employed in projects such as production lines for panel and glass substrate as well as factory automatic equipment in the industry of new type of display. The Company will further consolidate its technological resources with focus on building R&D centre of electronic equipment and concentration on breakthrough in terms of key technologies including electronic equipment and EMS services.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(IV) Analysis of industry operational information (continued)

In the field of urban rail transit, the State Council has approved a mileage beyond 7300 kilometers in its general program of urban rail transit (城市軌道交通總規劃) with an estimated budget of RMB300 billion to be invested into urban rail transit in 2015. The National Development and Reform Committee (“NDRC”) issued 68 major projects to be launched from 2015 to 2017 which would accelerate construction of urban rail transit major projects. There will be relatively complete coverage of rail transit network in cities like Beijing, Shanghai, Guangzhou and Shenzhen, basic coverage in cities like Nanjing, Chongqing, Wuhan and Chengdu, and main lines coverage in cities like Nantong, Shijiazhuang, Lanzhou by the year 2020, when the overall status of rail transit in our country will be raised to a new level.

The Company has specialized equipment for development and design of large-scale system software and dedicated equipment as well as components of automatic clearing system, automatic fare collection system. The products, rail transit automatic clearing centre system (ACC) and rail transit automatic fare collection system (AFC), automatic ticket vending machine, automatic fare collection machine, semi-automatic ticket vending machine, portable ticket checking machine, standard card reader with built-in ticketing process, with the Company’s own intellectual property, have become widespread in metro in cities like Nanjing, Suzhou, Wuxi, Wuhan, Beijing, Shenzhen, Shijiazhuang and Hefei. The Company, adhering to guidance of industry policies of the State, will adopt business models of investment and financing like BT, PPP, BOT and expand business in the field of rail transit. Moreover, it will make the most of the results achieved in the field of rail transit and interactive channels with owners of the metros, adopt appropriate investment and financing business models so as to rapidly expand business in the field of rail transit and seek for healthy and speedy development in the business of rail transit.

The major objective set out in “Made in China 2025” is to enhance overall competitiveness of China’s manufacturing on an intelligent basis and New generation of information technology is listed as one of the ten major areas for focused development. Moreover, the Company secured the opportunity by making further investment in research and development and propelling projects in terms of electronic equipment, information-based equipment employed in rail transit field and R&D centre, as a result, these strategies promoted the Company’s consolidated capabilities, bridged the gap with leading international enterprises and enhanced its competitiveness in the international market, in addition, it enjoyed a leading position for its technological level in respect of industrial robot, automatic equipment employed in intelligent manufacturing factory and transit electronic equipment.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(V) Analysis of investment

1. Overall analysis of equity investment

During the Reporting Period, the Company increased the capital of investment project with raised proceeds, with the increased registered capital of RMB26,000,000. The increase of the Company's external equity investment by acquiring equity shares amounted to RMB675,000; the increase of the Company's external equity investment by new companies amounted to RMB1,000,000.

(1) Material equity investment

▶ To implement capital contribution for the proceeds investment projects

At the extraordinary meeting of the seventh session of the Board of the Company, the Company, pursuant to actual situation of proceeds investment projects, approved the second capital contribution to Technology Development Company with the raised proceeds of RMB150,000,000 and the implementation of capital contribution are completed in three steps: (1) On 21 February 2014, the Company completed the first portion of RMB40,000,000. (2) On 9 June 2014, the Company completed the second portion of RMB55,000,000. (3) The third portion of RMB55,000,000 are in batches. As at 31 December 2014, the capital contribution of RMB29,000,000 was completed, the capital contribution of RMB26,000,000 was completed as at 17 March 2015, after which, the registered capital of Technology Development Company was RMB700,000,000, representing 100% of the total number of shares. Up to now, the Company has completed the second capital contribution to Technology Development Company as approved by the Board, increasing RMB150,000,000 for the investment. The abovementioned capital contribution was from raised proceeds and the increases in registered capital have been deposited in the special savings account for raised proceeds. For details please refer to the Announcement on Use of Raised Proceeds for Capital Contribution to Subsidiaries of Nanjing Panda Electronics Company Limited (Lin 2015-013) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 18 March 2015 and the website of the Hong Kong Stock Exchange on 17 March 2015.

▶ Investment of external equity increased by acquiring equity interests

At the extraordinary meeting of the seventh session of the Board of the Company, the Company approved to acquire 0.24% equity in Shenzhen Jinghua held by natural person at a consideration based on the unaudited net assets of Shenzhen Jinghua for the year 2014 with an amount of RMB675,000. After the acquisition, the Company held 43.34% equities in Shenzhen Jinghua.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(V) Analysis of investment (continued)

1. Overall analysis of equity investment (continued)

(1) Material equity investment (continued)

▶ Investment of external equity increased by new companies

At the extraordinary meeting of the seventh session of the Board of the Company, the Board of the Company approved the establishment of its wholly-owned subsidiary Shanghai Panda Robot Technology Company Limited in Shanghai Zhangjiang High-tech Park with registered capital RMB285,000,000 which primarily engaged in research and development of robot as well as intelligent manufacturing system equipment. As at 26 June 2015, the Company has completed procedures relating to registering and obtaining business license. As at the reporting date, the actual capital contribution was RMB1,000,000. After its incorporation, the Company has launched procedures such as tendering of contribution planning and design and preparation for purchase of land, it also planned to build an R&D complex in Shanghai Zhangjiang High-tech Park for R&D administration, properties and facilities management, business services support, etc.

(2) Substantial non-equity investment

Nil

(3) Financial assets measured at fair value

Nil

(VI) Disposal of material assets and equity Interest

Nil

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(VII) Analysis of major invested companies

1. Analysis of major subsidiaries

In 2015, the Company's wholly-owned subsidiary, Shanghai Panda Robot Technology Company Limited, was incorporated, and CEC JWD Trading (HK) Company Limited, invested by the Company and incorporated in Hong Kong, has received investment and started business and it has been consolidated in the accounts of the Company. Nanjing Panda Power Sources Technology Co., Ltd., another subsidiary, has completed procedures of its de-registration. Newly established subsidiaries of the Company remained at a stage of tendering of construction planning and design, preparation of purchase of land, inheritance of business by companies newly consolidated into the accounts of the Company, termination of business of de-registered company and the aforesaid actions made no impact on the Company's overall production, operation and results. The overview of major subsidiaries is set out below:

Unit: RMB'000

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Principal operating revenue	Principal operating profit	Net profit
Electronic Equipment Company	Manufacturing and sales of automatic transmission equipment and industrial robot	19,000	67,989.47	29,773.51	82,416.39	2,731.46	2,410.12
Information Industry Company	Manufacturing and sales of railway transit AFC and ACC system, equipment, building intellectualization products and System integration	USD3,194.6435	90,407.31	29,492.64	93,569.06	2,423.13	2,332.58
Electronic Manufacture Company	EMS services	USD2,000	61,125.74	32,600.00	88,404.17	3,030.68	3,270.37
Communications Technology Company	Manufacture and sales mobile communications, digital communications and network communications systems and products	10,000	16,052.27	13,327.46	8,242.44	1,202.84	1,386.48
Technology Development Company	Manufacture of general purpose equipment, software development, and property management	70,000	80,565.64	67,878.04	1,316.36	-2,163.14	-2,176.35
Shenzhen Jinghua	Research and development, manufacture and sales of communications equipments and digital products	11,507	44,593.18	32,344.36	77,948.20	8,661.02	7,063.80
Nanjing Panda Xinxing Industrial Co., Ltd.	Supply of property management and catering services	2,000	5,328.02	2,632.93	10,732.16	247.25	249.80

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(VII) Analysis of major 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 (%)
	2015	2014	
Electronic Equipment Company	2,410.12	3,557.36	-32.25
Information Industry Company	2,332.58	2,703.21	-13.71
Electronic Manufacture Company	3,270.37	3,593.35	-8.99
Communications Technology Company	1,386.48	1,284.72	7.92
Technology Development Company	-2,176.35	-33.91	Not applicable
Shenzhen Jinghua	7,063.80	5,236.50	34.90
Nanjing Panda Xinxing Industrial Co., Ltd.	249.80	151.22	65.19

2. Analysis of major 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. As the biggest production and supply center of Ericsson in the world, ENC is now mainly in charge of the industrialization and mass production of the products that Ericsson Company Limited developed and provides delivery and shipment to customers worldwide.

Operating revenue of ENC for 2015 amounted to RMB12,708,102,000, representing a decrease of 6.36% year-on-year; net profit amounted to RMB306,513,000, representing an increase of RMB282,478,000 year-on-year. Reason(s) for changes in the main indicators: from 2015, the company adjusted its business operating mode, and thus brought about a substantial growth in both gross profit and net profit of the products.

Management Discussion and Analysis (Continued)

II. Principal Operations during the Reporting Period (continued)

(VII) Analysis of major invested companies (continued)

2. Analysis of major invested companies (continued)

(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 (索尼移动通信产品(中国)有限公司), 25% by Sony Mobile Communications Limited (索尼移动通信有限公司) and 2% by Hong Kong Yung Shing Enterprise Company. BMC mainly engages 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 2015 amounted to RMB22,865,917,000, representing a decrease of 24.39% year-on-year; net profit was RMB510,100,000 representing a decrease of 22.80% year-on-year. Reason(s) for changes in the main indicators: The product revenue and net profit indicators both decreased year-on-year due to intensifying competition in the smartphone market.

(3) Investment income of main invested companies

During the reporting period, the Company's investment income amounted to RMB185,180,000. The investment income of main invested companies is as follows:

Unit: RMB'000

Invested company	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
ENC	1,270,810.20	30,651.30	27%	8,275.85
BMC	2,286,591.70	51,010	20%	10,202.00

(VIII) Structured entities controlled by the Company

During the reporting period, there were no structured entities that were controlled by the Company.

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company over the Company's Future Development

(I) Competition pattern and development trend of the industry

1. Industrial environment and development trend

As a strategic, fundamental and guiding pillar industry of the national economy, the electronic information industry has become the important supporting strength for the transformation and promotion of our national manufacturing industry. During the 12th five-year plan period, our national electronic information industry enjoyed sustained and rapid development with steady expansion in the industrial scale, continuous breakthroughs in critical technology, gradual enhancement in strength of the key enterprises and remarkable improvement in international status of this industry. The national electronic information industry will step towards a bigger stage in the 13th five-year plan period, and will embrace new developing opportunities and developing space as well as severe challenges due to a new round of industrial promotion and competition in the market place.

According to the *Central Committee of the Communist Party of China's Proposal on Formulating the Thirteenth Five-year Plan on National Economic and Social Development* ("Proposal"), in respect to the basic features of the national developing environment in the coming 5 years, during the 13th five-year plan period, a new round of technological revolution and industrial revolution will come into play and the social informationization will embrace a thorough development, which will provide enormous developing space for the vigorous development of the national electronic information industry. In the future, the electronic information industry is faced with two driving forces, that is, *Made in China 2025* and the Action Plan "Internet Plus", respectively.

The *Proposal* points out that such achievements are to be realised by 2020, that the integration of informationization and industrialization is to be further improved, the industry steps towards middle and high end grade, advanced manufacturing industry accelerates its development and new industry and new management types continue to grow. The *Proposal* makes it clear that the construction of reinvigorating China through manufacturing should be accelerated and *Made in China 2025* should be implemented, and that the manufacturing industry shall be led to develop by way of detailed division and close coordination, information technology shall be promoted to infiltrate into segments such as market, design and production and the production pattern shall be encouraged to transform to a more flexible, intelligent and specific way.

Made in China 2025 takes enhancing the overall competitiveness of China's manufacturing industry as its main target and considers the "new generation of information technology" as the first priority of the top ten key development fields. Smart production is the core of "Industry 4.0", while big data, cloud computing and Internet Plus are the starting points. On the one hand, as the demander and user of smart production technology, the electronic information industry needs to strengthen its own construction of smart production system, optimize manufacturing process and improve manufacturing level; on the other hand, as the supplier of smart production technology, electronic information industry offers solutions not only to industry itself but also to other industries. Therefore, electronic information industry plays a significant supporting role in smart production. It needs strong support from electronic information industry to implement *Made in China 2025*, to promote deep integration of industrialization and informationization and to accelerate the transformation from big manufacturing power to strong manufacturing power. At the same time, as is the *Made in China 2025* strategy thoroughly implemented and smart production develops in depth, the market demand of electronic information industry will further expand.

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company over the Company's Future Development (continued)

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

1. Industrial environment and development trend (continued)

Internet Plus embodies a new kind of economic form in which internet is given full play of its optimizing and integrating functions in allocation of production factors, the innovative achievements of Internet are deeply engaged in every area of economy and society in order to enhance the creativity and productivity of real economy and to form a wider economic development type that is based on the Internet as its infrastructure and implementation tool.

As China's economy enters a new normal, maintaining stable growth, restructuring and reform promoting all present new requirements to the development of companies. The objective of Internet Plus is to bring the scale and application advantages of the national Internet into play and to facilitate the Internet to expand from consumption field to manufacturing field so as to accelerate the upgrading of industry development level, strengthen the creativity of all industries and construct new advantages and new motives of economic and social development.

2. Industry competition

(1) Overall competition status

In 2015, the development trend of electronic information industry was in line with that of the macro-situation of China, taking on the "new normal". The historic task of making the large electronic information industry stronger was faced with severe challenges as well as new opportunities.

In 2015, foreign and domestic macro-economy showed a common cooling while the world economy remained low. The economic growth of China continued to decrease slightly, with an actual GDP growth of approximately 6.9% decreasing by 0.4 percentage points compared to that of with 2014, nevertheless still basically accomplished the expected economic growth goal. The expected actual growth rate of 2016 was 6.6% representing a further decrease of 0.3 percentage points compared with 2015.

The national electronic information industry was also under deep influence of the macro-economy at home and abroad. From January to December of 2015, the added value of electronic information industry above designated size recorded a year-on-year increase of 10.5%, which was 4.4 percentage points higher than the average industrial level (6.1%). The sales value of electronic information industry recorded a year-on-year increase of 8.7% while the domestic sales value recorded a year-on-year increase of 17.3%.

Main operational conditions of the electronic information industry from January to December of 2015 are as follows:

Communication equipment industry recorded a year-on-year increase in sales value of 13.2%, which was 3.4 percentage points lower than that of the previous year, and a year-on-year increase in domestic sales value of 18.6%, which was 2.2 percentage points higher than that of the previous year;

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company over the Company's Future Development (continued)

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

2. Industry competition (continued)

(1) Overall competition status (continued)

Household audio and video industry recorded a year-on-year increase in sales value of 4.8%, which was 0.6 percentage points higher than that of the previous year, and a year-on-year increase in domestic sales value of 6.4%, which was 4 percentage points higher than that of the previous year;

Electronic components industry recorded a year-on-year increase in sales value of 7.8%, which was 2.7 percentage points lower than that of the previous year, and a year-on-year increase in domestic sales value of 19.7%, which was 3.9 percentage points higher than that of the previous year;

Electronic devices industry recorded a year-on-year increase in sales value of 10.5%, which was 0.3 percentage points higher than that of the previous year, and a year-on-year increase in domestic sales value of 22.6%, which was 4.9 percentage points higher than that of the previous year;

Computer industry recorded a year-on-year increase in sales value of 0.4%, which was 2.5 percentage points lower than that of the previous year, and a year-on-year increase in domestic sales value of 15.7%, which was 6.4 percentage points higher than that of the previous year;

In addition, the business of the software and information technology service industry totaled RMB4.3 trillion, representing a year-on-year increase of 16.6%, although the growth rate was 4.5 percentage points lower than that of 2014, it had increased by 0.4 percentage points compared with that from January to November;

At present, under the circumstances that the national electronic industry will remain its low growth rate and the domestic and overall internal and external environment had no obvious changes, several main issues that need to be noticed: the national development strategic deployment of industrial internet is outdated; integrated circuits may bring about risks of scattered distributions of the industry; the basic manufacturing process of chips and elements lags far behind the international level; the scale of emerging fields is still too small to guide the industrial growth; photovoltaic and panel display products encounters once again export control from the international market.

(2) Major competitors

Compared with major competitors, the Company pays more attention to technological development and has set up several research and development centers and products laboratories. The fields the Company is involved in are mostly hot spots of the industry and the focus industries of the country. However, 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.

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company 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 influences on the business of the Company

With technological innovation as driving force, the Company upgrades and develops rapidly during its transformation period. By means of continuous readjustment and improvement of industrial structure and product structure, the Company promoted such transformations as: business mode with solutions and comprehensive services, products with high added value and industry at the high end of the value chain in order to form such core principal businesses including a communication equipment industry that the whole set of system equipment, the related industrial robots, information system equipment for rail transit, digital TV broadcast transmitter and products regarding digital trunking are manufactured by smart production, an industry of consumer electronics mainly aimed at triple-play smart terminals and digital household products and an industry of electronic manufacturing EMS service.

The Company devoted great efforts to the construction of R&D and industrialized base and had built R&D and industrialized bases namely Panda Electronic Equipment Park and Panda Xingang Industrial Park. The ongoing perfected R&D infrastructure and industrial conditions have laid solid foundation for the technological innovation, product R&D and achievement transformation of the Company.

The Company enhanced the construction of technological innovation system and innovation capability and have more than ten national, provincial and municipal level engineering and technology research centers, corporate technological centers, institutes of product design and other R&D units alike, including: "Video Audio Digital Products National Engineering Research Center (視像音響數字化產品國家工程研究中心)", "Rail Transit Automatic Fare Collection System Engineering and Technology Research Center of Jiangsu Province (江蘇省軌道交通自動售檢票系統工程技術研究中心)", "Mobile Communication Engineering and Technology Research Center of Jiangsu Province (江蘇省移動通信工程技術研究中心)", "Special Polymer Material for Communication Application Engineering and Technology Research Center of Jiangsu Province (江蘇省通信用特種高分子材料工程技術研究中心)", "Provincial Enterprise Technology Center of Nanjing Panda Electronics Equipment. Co. Ltd. (南京熊貓電子裝備有限公司省級企業技術中心)", "Nanjing Mass-Production Technological Equipment Engineering and Technology Research (南京大生產技術裝備工程技術研究)", "Nanjing (Panda) Robot Engineering and Technology Research Center (南京(熊貓)機器人工程技術研究中心)" and "Municipal Enterprise Technology Center of Nanjing Panda Electronic Manufacture Co., Ltd (南京熊貓電子製造有限公司市級企業技術中心)". The Company has achieved breakthroughs in a series of key technologies including the core software technology of robot controller, a new generation of mobile satellite communication system and its terminal core technology and the new generation of clearing system and auto-ticketing and checking system for the rail transit. The Company was among the first who devoted efforts to the independent R&D and industrialization of the core technology of robot controller system. The large-scale smart production of the whole set equipment has shared a relatively large part of production line and auto-equipment engineering of plant of the new display industrial panel and glass substrate. The 4G mobile communications and the TD-LTE communication integrated gateway (Femtocel) developed by the Company on its own could offer solutions and supply products to domestic operators. All the above have consolidated the Company's developing goal of occupying the commanding height of core technologies and its leading position of technologies of the domestic specialized fields.

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company 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 influences on the business of the Company (continued)

The Company integrated and coordinated its scientific and technical resource, focused on the building of "electronic equipment R&D center" and concentrated efforts to make breakthroughs in the key technologies such as electronic equipment and EMS service. The capital raised by non-public issue of A shares was put into the promotion of projects such as electronic equipment, communication equipment, information equipment of rail transit and R&D centers to increase the comprehensive strength of the Company, to further narrow the gap between the leading enterprises in the world and to enhance the Company's competitiveness in the international market. The Company is leading the way in regard to technologies in communication equipment, industrial robot, factory automatic equipment by smart production and electronic equipment for transportation.

The implementation of projects such as automatic equipment industrialization, industrialization of electronic equipment for transportation and industrialization of communication equipment facilities to enhance the Company's competitiveness in the market place and to improve the performance of the Company.

(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 topnotched domestic listed company of electronics equipment that can sustain coordination and development.

2. Industrial development plan

- (1) Industrial automation equipment

To 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.

Key products area: welding robot 1.4 meters tall, welding robot 2 meters tall, six-axis all-purpose robot weighing 165 kilos and economical welding robot; robot controller, servo drive system; system integration of industrial robot, automatic welding workstation, digital workshop, equipment system for flat panel display production line, equipment system for glass substrate production line, intelligent factory, Panda plant automatic standard equipment system with reference to Germany's Industry 4.0.

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company over the Company's Future Development (continued)

(II) Development strategies of the Company (continued)

2. Industrial development plan (continued)

(2) Traffic electronic equipment

Consolidate the leading advantages of domestic AFC/ACC field, further expand Engineering Procurement Construction (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.

Key product orientation: system software for subway ACC/AFC; dedicated equipment for subway ACC/AFC; self-service equipment; subway communication system; application system for operation and service system; railway maintenance inspection and security; information system of enterprises.

(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.

Key product orientation: small base station (communication convergence gateway) products; time-frequency equipment products; video surveillance products; digital radio transmitter.

(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.

Key product orientation: SMT, injection molding, extrusion molding, spray coating; special new material used for RF antenna; modified material used for plastic parts of household appliances; control modules used in the field of Internet of Things and smart electronics.

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company over the Company's Future Development (continued)

(II) Development strategies of the Company (continued)

2. Industrial development plan (continued)

(5) Consumer electronics including digital family products

Grasp the core technologies including construction of "triple play" platform, information terminal of digital family, etc. Further strengthen the channel management of broadcast and television operators and market development capacity.

Key product orientation: central console unit of smart home/general standard control module for touch display of smart home, digital home, intelligent community application service cloud platform; network digital visual and intercom control system and property management control system; and new digital home smart theater system with functions of "'triple play' (network convergence of cable, telecom, and internet) + HD interactivity and smart control"; smart household gateway; smart household sensing equipment

(III) Business plan

1. The progress of development strategies and business plan during the reporting period

In 2015, under the circumstances that the recovery of world economy lacked momentum and the domestic economic growth decelerated, the Company, taking the market as its orientation and independent innovation as its driving force, maintained its sustained growth in its main businesses by way of promoting technological upgrading and industrial development and improved its quality of assets and economic benefits steadily by way of enhancing standard management and improving investment efficiency.

The target operating revenue and total profit of the Company in 2015 were RMB4,000,000,000 and RMB230,000,000 respectively. According to the audited financial statements, the operating revenue and total profit of the Company in 2015 were RMB3,613,482,900 and RMB222,747,000 respectively.

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company over the Company's Future Development (continued)

(III) Business plan (continued)

2. 2016 operating plan

In 2016, the Company will steadily make structural adjustment, by means of promoting scientific and technological development, uplifting innovation ability and improve productivity, it will endeavor to achieve its operating target. 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 2016 are RMB3,800,000,000 and RMB220,000,000 respectively. In 2016, 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 act in a practical manner and adhere to steady progress to achieve operation targets.
- (2) Enhance research and development capability and design innovative scientific and research system. The Company will formulate and implement the 2016 scientific and research projects plan in a responsible and practical manner making further innovation in its scientific and research management system and consolidating its scientific and technological resources, furthermore, it will offer more support to the R&D projects with prospect of scale development and sustainable development, increase the ratio of effective inventions and patents so as to promote application of industrialization for its scientific and technological results.
- (3) Promote marketing in brand market. The Company will actively implement developmental strategies of the brand Panda with the following measures such as intensifying the publicity in important exhibitions, extending its influence, devising its marketing and developmental orientation for electronic equipment, rail transit, and communication equipment and devoting more efforts to explore and develop the product market.
- (4) Facilitate the progress of major projects. The Company will accelerate the construction of the base for Shanghai Panda Robot Technology Company Limited and the construction of dormitory in the Panda Electronic Equipment Park. With sounder foundation to be laid, the Company will promote businesses including robot, intelligent manufacturing system equipment and rail transit and further expand its production scale.
- (5) Strengthen the establishment of elite team. The Company will devote more efforts to attract talents with specialty in scientific and technological fields. It will establish position capability models for critical managerial positions and improved the criteria of talents selection, training and performance assessment, to perfect the training system, and plan for internal training courses.

This operating plan does not constitute a performance commitment of the Company to investors, who shall maintain sufficient risk awareness and understand the discrepancy between operating plan and performance commitment.

With respect to operating plan and various key work and key projects for 2016, the accounting department and related departments have made scientific and reasonable estimates and arrangements in terms of funds in need.

Management Discussion and Analysis (Continued)

III. Discussion and Analysis of the Company over the Company's Future Development (continued)

(IV) 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. Industrial robots industry witnesses rapid development and promising market prospect but will face a more intense competition with the further development of intelligent and automation industrial modes. 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 investing in industrial robots projects, exploring and developing the market, utilizing various 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 and the core technologies of industrial robots are controlled by overseas enterprises, our industrial robots products at current phase are mainly for the teaching demonstration in colleges and universities. The Company will continue innovation development, enhance the construction of robot R&D center and intensify R&D investment, seeking to make breakthrough in the core technologies of robot industry, master the production technologies on key parts such as controller and retarder, focus on new product R&D, constantly keep track of the newest technologies in both domestic and international electronic information industry, obtain updates on customers' latest demands. In case of failure, the Company will be placed in an adverse position of loss in the industrial robots development, such as core production capacity, higher production cost and lower product competitiveness. In 2016, the Company will reinforce investment 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.

IV. Explanations on Facts not Disclosed in accordance with the Standards and Reasons such as Inapplicability of Standards or Special Reasons: not applicable.

Management Discussion and Analysis (Continued)

V. Other Disclosures

(I) Information on Board meetings

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolution	Date of disclosure
18th meeting of the 7th session of the Board	2015-3-30	China Securities Journal, Shanghai Securities News	The 2014 Work Report of the Board, the Work Report of General Manager, the Final Financial Report, Financial Budget Report, Profit Distribution Plan; Specific Report on the Deposit and the Actual use of Proceeds for 2014; re-appointment of auditor for 2015; the remuneration plan of directors and senior management for 2014; the 2014 annual report of the Company and its summary; the work report of independent directors for 2014; the performance report of the Audit Committee for 2014; the Social Responsibility Report for 2014; the internal control evaluation report for 2014; amendment to Articles of Association; certain corporate governance procedures and rules of PEGJ; changes in accounting policies and estimation; Risk Assessment Report of China Electronics Financial Co., Ltd.; report on achievement of profit following material asset reorganization and matters related to convening the 2014 annual general meeting were considered and approved.	2015-3-31
Resolutions passed at the extraordinary meeting of the seventh session of the Board	2015-3-30	China Securities Journal, Shanghai Securities News	Write-off of certain account receivables and long-term equity investment were considered and approved.	2015-3-31
19th meeting of the 7th session of the Board	2015-4-29	/	The 2015 first quarterly report of the Company was considered and approved.	/
Resolutions passed at the extraordinary meeting of the seventh session of the Board	2015-5-29	/	Matters on bidding for 0.24% equity interests of Shenzhen Jinghua was considered and approved.	/
20th meeting of the 7th session of the Board	2015-6-5	China Securities Journal, Shanghai Securities News	Candidates for the eighth session of the Board were elected.	2015-6-6
Extraordinary meeting of the seventh session of the Board	2015-6-5	China Securities Journal, Shanghai Securities News	The resolution on provision of guarantees for subsidiaries was considered and approved.	2015-6-6
Extraordinary meeting of the seventh session of the Board	2015-6-9	China Securities Journal, Shanghai Securities News	Matters on Nanjing Panda Industrial Robots Project was considered.	2015-6-10
1st meeting of the 8th session of the Board	2015-6-30	China Securities Journal, Shanghai Securities News	The chairman, vice chairman, members of every special committee and senior management of the 8th session of the Board were elected and appointed.	2015-7-1

Management Discussion and Analysis (Continued)

V. Other Disclosures (continued)

(I) Information on Board meetings (continued)

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolution	Date of disclosure
2nd meeting of the 8th session of the Board	2015-8-28	China Securities Journal, Shanghai Securities News	The 2015 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 2015 and authorization of the general manager with absolute discretion to deal with provision of guarantee to subsidiaries were considered and approved.	2015-8-31
Extraordinary meeting of the eighth session of the Board	2015-8-31	China Securities Journal, Shanghai Securities News	Matters on the connected transactions under Non-recourse Factoring Business Contract entered into by the holding subsidiary and associate were considered and approved.	2015-9-1
Extraordinary meeting of the eighth session of the Board	2015-9-16	China Securities Journal, Shanghai Securities News	The resolution on cash management with the temporarily idle raised proceeds was considered and approved.	2015-9-17
3rd meeting of the 8th session of the Board	2015-10-30	/	The 2015 third quarterly report was considered and approved	/
Extraordinary meeting of the eighth session of the Board	2015-11-12	China Securities Journal, Shanghai Securities News	Continuing connected transactions of the Company for 2016-2018 were considered and approved.	2015-11-13

(II) 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 29%, RMB1,405,400,000, 236% and 215% respectively as at 31 December 2015 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB962,220,000 as at 31 December 2015 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans and other loans amounted to RMB93,280,000 as at 31 December 2015 as shown in the consolidated financial statements of the Company.

During the reporting period, the 1-year Renminbi loan benchmark interest rate with financial institutions was 5.60% (from the beginning of the period to 28 February 2015), 5.35% (from 1 March 2015 to 10 May 2015), 5.10% (from 11 May 2015 to 27 June 2015), 4.85% (from 28 June 2015 to 25 August 2015), 4.60% (from 26 August 2015 to 23 October 2015) and 4.35% (from 24 October 2015 to 31 December 2015), respectively.

(III) 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.

Management Discussion and Analysis (Continued)

V. Other Disclosures (continued)

(IV) 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.

(V) Highest Paid Individuals

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

(VI) 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.

(VII) Directors', Supervisors' and Senior Management Staff's Interests in Transaction, Arrangement or Contracts

At no time during the year had the Group entered into any transaction, arrangement or contract of significance in which a Director, Supervisor or senior management staff of the Company was materially interested.

(VIII) 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.

(IX) 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.

(X) Interested Relations with Suppliers and Customers

During the reporting period, NEIC, the shareholder of the Company, held an aggregate 62.863% equity share in Nanjing China Electronics Panda Panel Display Technology Co., Ltd., of which 5.217% was directly held and 57.646% was indirectly held through Nanjing Hua Dong Electronics Information Technology Holdings Limited, its holding subsidiary; NEIC also held 49.655% equity interest in Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD. The aforesaid two companies are among our five largest customers.

Save as disclosed above, during the year, neither the Directors, Supervisors, nor their close associates or shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in the five largest customers or suppliers of the Company.

Management Discussion and Analysis (Continued)

V. Other Disclosures (continued)

(XI) 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 V "Significant Events" of this report.

(XII) Enter into material contracts

1. On 31 August 2015, the controlled subsidiary of the Company, Electronic Manufacture Company entered into the Non-recourse factoring business Contract (《無追索權保理業務合同》) with China Electronics Leasing Company, a wholly-owned subsidiary of CEC, which agreed to provide account receivable factoring business with revolving factoring facilities of RMB150 million to Electronic Manufacture Company. The term of the contract is one year, taking effect upon fulfillment of necessary approval procedures by the Company, and was considered and approved at the Extraordinary Meeting of the eighth session of the Board of the Company. For details please refer to the relevant announcements published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 1 September 2015 and on the website of the Hong Kong Stock Exchange on 31 August 2015.
2. On 12 November 2015, the Company entered into the following continuing connected transactions agreements which were considered and approved by the Extraordinary Meeting of the eighth session of the Board of the Company:
 - (A) The Company entered into an agreement with CEC in respect of provision of sub-contracting services and composite services by the Group to the CEC Group, for a term from 1 January 2016 to 31 December 2018 and with an annual agreed cap of RMB222,000,000;
 - (B) The Company entered into an agreement with CEC in respect of sale of materials, components and parts by the Group to the CEC Group, for a term from 1 January 2016 to 31 December 2018 and with an agreed annual cap of RMB2,333,000,000;
 - (C) The Company entered into the Financial Services Agreement with the Financial Company for a term of three years with effect upon the approval of independent shareholders at the Extraordinary General Meeting. Pursuant to the agreement, the annual cap for the Company's deposit balance provided by the Financial Company was RMB500,000,000, and the annual cap for loan, loan guarantee and other credit financing services provided by the Financial Company for the Company was RMB600,000,000;
 - (D) The Company entered into an agreement with CEC in respect of provision of sub-contracting services and composite services by CEC Group to the Group, for a term from 1 January 2016 to 31 December 2018 and with an agreed annual cap of RMB7,000,000;

Management Discussion and Analysis (Continued)

V. Other Disclosures (continued)

(XII) Enter into material contracts (continued)

2. On 12 November 2015, the Company entered into the following continuing connected transactions agreements which were considered and approved by the Extraordinary Meeting of the eighth session of the Board of the Company: (continued)
 - (E) The Company entered into an agreement with CEC in respect of purchase of materials, components and parts by the Group from CEC Group, for a term from 1 January 2016 to 31 December 2018 and with an agreed annual cap of RMB103,000,000;
 - (F) The Company entered into an agreement with NEIC in respect of lease of premises and relevant equipment by the Group to NEIC Group, for a term from 1 January 2016 to 31 December 2018 and with an agreed annual cap of RMB3,000,000;
 - (G) The Company entered into an agreement with NEIC in respect of lease of premises and relevant equipment by NEIC Group to the Group, for a term from 1 January 2016 to 31 December 2018 and with an agreed annual cap of RMB2,000,000;
 - (H) The Company entered into an agreement with Nanjing CEC-Panda Home Appliances Co., Ltd., a controlled subsidiary of PEG, in respect of licensing of the PANDA trademark by the Group to Nanjing CEC-Panda Home Appliances Co., Ltd., for a term from 1 January 2016 to 31 December 2018 and with an agreed annual cap of RMB3,000,000.

These Continuing Connected Transactions Agreements were considered and approved at the 2015 first Extraordinary General Meeting of the Company held on 28 December 2015. For details, please refer to the announcements dated 13 November 2015 and 29 December 2015 published on China Securities Journal and Shanghai Securities News and website of the Shanghai Stock Exchange and the announcements published on the website of the Hong Kong Stock Exchange on 12 November 2015 and 18 December 2015 and the H share circular dispatched on 11 December 2015.

(XIII) Convertible Securities, Options, Warrants or Similar Rights or Redeemable Securities

The Company had not issued or granted any convertible securities, options, warrants or similar rights or redeemable securities as at 31 December 2015.

(XIV) 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.

(XV) 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.

Management Discussion and Analysis (Continued)

V. Other Disclosures (continued)

(XVI) Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group, as of 31 December 2015, 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.

(XVII) 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.

(XVIII) 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.

(XIX) Subsidiaries

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

(XX) Corporate Governance Code and Model Code

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

(XXI) Confirmation by Independent Non-executive Directors on Connected Transactions

The Independent Non-executive Directors of the Company, within their scope of duties, have reviewed "Related parties and transactions between related parties" in Note 38 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 better or (2) on terms no less favourable to the Company than terms available to or from independent third parties, 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

Management Discussion and Analysis (*Continued*)

V. Other Disclosures (*continued*)

(XXI) Confirmation by Independent Non-executive Directors on Connected Transactions (*continued*)

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 sub-section headed “Material connected transactions” under Section V “Significant Events” of this report.

(XXII) Annual General Meeting

The Board proposes to convene the annual general meeting before 30 June 2016. Announcement will be made separately for relevant matters.

By Order of the Board
Lai Weide
Chairman

Nanjing, the PRC, 21 March 2016

Significant Events

I. Plan for profit distribution of ordinary shares or capitalization of capital reserve

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

1. Formulation and implementation of profit distribution policy

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, proposals on the decision-making procedures and policy of profit distribution in the Articles of Association were considered and approved on the extraordinary meeting of the seventh session of the Board on 22 January 2014 and on the first extraordinary general meeting in 2014 on 12 March 2014, respectively. 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 are the key contents of decision-making process and policy changes and improved cash dividend policy are 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. Meanwhile, 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)》), relevant decision-making procedures of profit distribution 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 amendments 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 the opinions and demands of independent directors and minority shareholders were fully listened to by the Board in making decisions on dividend distribution to further strengthen the rationality, stability and transparency of cash dividend policies.

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, strengthen the rationality, stability and transparency of the cash dividend distribution policy and proactively reward investors, “Shareholders’ Return Plan of Nanjing Panda Electronics Company Limited (2016–2018)” (《南京熊貓電子股份有限公司股東回報規劃(2016–2018)》) was considered and approved by the Company on the fourth meeting of the eighth session of the Board on 21 March 2016. For details please refer to the relevant announcement published on the website of Shanghai Stock Exchange dated 22 March 2016 and the website of the Hong Kong Stock Exchange on 21 March 2016.

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.

Significant Events (Continued)

I. Plan for profit distribution of ordinary shares or capitalization of capital reserve (continued)

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

2. Profit distribution plan for the past three years

- (1) Profit distribution plan for 2013: having distributed a cash dividend of RMB0.66 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2013, with the total cash dividend to be distributed amounting to RMB60,313,300, and the remaining part was carried forward to next year. The Company did not make any capitalization of capital reserve. The profit distribution plan has been fully completed.
- (2) Profit distribution plan for 2014: having distributed 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 was carried forward to next year. The Company did not make any capitalization of capital reserve. The profit distribution plan has been fully completed.

(3) Profit distribution plan for 2015

After being 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 RMB110,298,200 in 2015, surplus reserves of RMB11,029,800 shall be appropriated. Given the cash dividends of RMB60,313,300 distributed according to the 2014 profit distribution plan and the undistributed profit at the beginning of the period of RMB235,215,100, hence the actual distributable profit to shareholders this year amounted to RMB274,170,200.

In accordance with the Articles of Association of the Company and requirements of the Shanghai Stock Exchange, it was proposed to distribute a cash dividend of RMB0.68 (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 2015, with the total cash dividend to be distributed amounting to RMB62,141,000, 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 fourth meeting of the eighth session of the Board of the Company, subject to further consideration by the shareholders in general meeting.

Significant Events (Continued)

I. Plan for profit distribution of ordinary shares or capitalization of capital reserve (continued)

(II) Plan or proposal for profit distribution of ordinary shares 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 (%)
2015	-	0.68	-	62,141,019.97	143,836,663.39	43.20
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

(III) No repurchase of shares under cash offer included in cash dividend during the reporting period

(IV) If the Company records profits and the parent company records a positive undistributed profit during the reporting period but there is no resolution for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in details: N/A

Significant Events (Continued)

II. Fulfillment of Commitments

(I) Commitments of the Company, shareholders, ultimate controller, acquirers, directors, supervisors, senior management and other connected parties during the reporting period or continued to the reporting period

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	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
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	NA	N/A
Undertakings made in acquisition reports or equity change reports	Standardization and avoidance of connected transactions	CEC	Upon completion of the 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	NA	N/A
Undertakings made in acquisition reports or equity change reports	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	NA	N/A

Significant Events (Continued)

II. Fulfillment of Commitments (continued)

(I) Commitments of the Company, shareholders, ultimate controller, acquirers, directors, supervisors, senior management and other connected parties 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	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
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 PEGL and its subsidiaries, the Company and its subsidiaries would terminate production and operation, or integrate such competing business into the PEGL, 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 PEGL, or PEGL is able to and intends to undertake such business, the Company and its subsidiaries shall immediately inform PEGL of such opportunity and facilitate the undertaking of such business by the Company on reasonable terms and conditions.</p> <p>(5) If PEGL or the relevant regulatory authorities believe(s) there exists horizontal competition between the business PEGL and its subsidiaries is engaging in or will engage in and the Company, the Company and its subsidiaries will timely transfer or terminate such business upon objection by PEGL. If PEGL 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 PEGL 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	NA	N/A

Significant Events (Continued)

II. Fulfillment of Commitments (continued)

(I) Commitments of the Company, shareholders, ultimate controller, acquirers, directors, supervisors, senior management and other connected parties 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	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
	Avoidance of horizontal competition	NEIC	The same contents as that of PEGl for "avoidance of horizontal competition"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
	Standardization and avoidance of connected transactions	PEGL	(1) As long as the Company is a shareholder of PEGl, the Company and its subsidiaries shall maximally reduce and standardize connected transactions with PEGl. (2) As for the connected transactions that cannot be avoided, the Company shall enter into agreements with PEGl in compliance and in accordance with relevant laws, regulations, regulatory documents and the articles of association of PEGl, 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	N/A	N/A
	Standardization and avoidance of connected transactions	NEIC	The same contents as that of PEGl for "standardization and avoidance of connected transactions"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
	Commitment to lock-up of shares	NEIC	(1) The Company shall not transfer or entrust others to manage the shares subscribed by the Company in this issue, or let PEGl repurchase such shares within 36 months after closing of this issue. (2) The source of capital used by the Company for subscription for the shares in the issue shall be legitimate. (3) The Company currently has no pending or foreseeable material litigation, arbitration or administrative sanctions. 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.	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A

Significant Events (Continued)

II. Fulfillment of Commitments (continued)

(I) Commitments of the Company, shareholders, ultimate controller, acquirers, directors, supervisors, senior management and other connected parties 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	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
Undertakings related to material asset reorganization	Others	PEGL	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 there was no false recording or misleading representation or material omission and that it was willing to be liable for the joint and several liabilities.	Time: 15 July 2014; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
Other undertakings	Others	CEC	Due to the abnormal fluctuation of the domestic stock market, the Company received declaration documents from CEC as follows: (1) as a responsible shareholder, CEC will proactively take social responsibilities and will not decrease its shareholding in the listed company during the abnormal fluctuation period in stock markets. (2) CEC made commitment to actively explore and execute measures including repurchase, increasing shares, etc. within the permitted scope of law and regulations; to increase shareholding of shares in the listed company when the stock price considerably deviates from its share value, in order to protect the benefit of investors. (3) CEC will continue to improve the quality of the listed company through asset restructuring and capital injection, supporting the economic structural adjustment and industrial transformation and equip the listed company with a upgraded healthy and comprehensive long-term reward mechanism to achieve continuous improvement of the return level of investors.	Time: 9 July 2015; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
Other undertakings	Others	NEIC	Due to the abnormal fluctuation of the domestic stock market, the Company received the Notice in Relation to the Increase of Shareholding in Nanjing Panda Electronics Company Limited from NEIC on issues as follows: (1) to propose appointing securities company(ies) and fund management company(ies) to increase the Company's shareholding in A Share of the Company through target asset management. The monetary amount in such increase is expected to be no less than RMB150 million. (2) to increase shareholding in the H Share of the Company according to the securities market situation in the following 12 months in a timely manner pursuant to the related regulations by CSRC and SFC.	Time: 9 July 2015 Term: 12 months	Yes	Yes	N/A	N/A

Significant Events (Continued)

II. Fulfillment of Commitments (continued)

(I) Commitments of the Company, shareholders, ultimate controller, acquirers, directors, supervisors, senior management and other connected parties 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	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
Other undertakings	Others	China Huarong	Upon the completion of the equity restructuring of the PEGL, China Huarong will hold 82,811,667 A Shares in the Company, accounting for 9.06% of the total share capital. China Huarong committed that within 6 months after the transfer date, China Huarong will not decrease or transfer any shares held; after the period of 6 months, China Huarong will execute by complying with relevant laws and regulations and related requirements of CSRC.	Time: 17 August 2015 Term: 6 months since the completion date of such share transfer	Yes	Yes	N/A	N/A
Other undertakings	Others	China Great Wall	Upon the completion of the equity restructuring of the PEGL, China Great Wall will hold 14,172,397 A Shares in the Company, accounting for 1.55% of the total share capital. China Great Wall committed that within 6 months after the transfer date, China Great Wall will not decrease or transfer any shares held; after the period of 6 months, China Great Wall will execute by complying with relevant laws and regulations and related requirements of CSRC.	Time: 17 August 2015 Term: 6 months since the completion date of such share transfer	Yes	Yes	N/A	N/A

As of the reporting date, CEC, NEIC, PEGL, China Huarong and China Great Wall confirmed that undertakings had been strictly fulfilled by each of the parties.

(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

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) on 28 August 2014. In accordance with the relevant provisions of material asset reorganization, the Company prepared the "Explanation on Realization of 2015 Profit Estimates of Shenzhen Jinghua Electronics Co., Ltd." (《關於深圳市京華電子股份有限公司2015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 [2016] No. 3701-4) (《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[2016]3701-4號)) and as for to the actual profits of Shenzhen Jinghua for 2014 and 2015, the profit goals of profit estimates were achieved. For details, please refer to the relevant announcements published by the Company on the website of Shanghai Stock Exchange on 22 March 2016 and the website of the Hong Kong Stock Exchange on 21 March 2016.

Significant Events (Continued)

III. Appropriation of funds and repayment of debt during the reporting period: N/A

IV. 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: N/A
- (III) Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period: N/A

V. Appointment and Dismissal of Accounting Firms

Unit: RMB0'000

Currently appointed	
Name of the domestic accounting firm	Baker Tilly China (Special General Partnership)
Remuneration for the domestic accounting firm	72
Audit years of the domestic accounting firm	8 years
Name of the overseas accounting firm	Baker Tilly Hong Kong Limited
Remuneration for the overseas accounting firm	70
Audit years of the overseas accounting firm	6 years

Unit: RMB0'000

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

Explanations: 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. The continuing monitoring period lasted until 31 December 2015.

VI. The Company was not exposed to any risk of suspension of listing

VII. Bankruptcy and restructuring related matter: N/A

Significant Events (Continued)

VIII. Material litigation and arbitration

(I) Information on litigation and arbitration not disclosed in the interim announcement or subsequent events

Unit: RMB

During the reporting period:									
Suitor (sue)	Defendant (being sued)	Party with joint liability	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Nanjing Panda Information Industry Co. Ltd	Provincial Press and Publication Bureau of Ningxia Hui Autonomous Region (宁夏回族自治区新闻出版广电局)	Nil	Arbitration	A procurement agreement of "Hu Hu Tong (户户通)" was entered into with the party being sued on 2 December 2011. Upon inspection and acceptance in July 2013, the party being sued still owed a large part of overdue payment.	Principal: RMB12,558,672; Interest: RMB2,855,484.40	N/A	The hearing ended and appending for judgement.		

IX. Punishment and rectification to the listed Company, its Directors, Supervisors, Senior Management, controlling shareholder, ultimate controller and acquirers: N/A

X. Explanation on credibility status of the Company, its controlling shareholder and ultimate controller during the reporting period

During the reporting period, there was no occurrence of non-compliance with court ruling in effect or default of any material overdue debt by the Company, its controlling shareholders or ultimate controller.

XI. Share incentive scheme, employee shareholding scheme and other employee incentives and their impacts: N/A

Significant Events (Continued)

XII. 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) Report of 2016–2018 continuing connected transactions and transaction caps

With a view to renew certain existing continuing connected transactions of the Company upon their expiration, the 2016–2018 continuing connected transactions and transaction caps between the Group and CEC Group, NEIC Group and PEGL were considered and approved on the extraordinary meeting of the eighth session of the Board on 12 November 2015, and relevant agreements relating to such continuing connected transactions were agreed and entered into. Connected directors abstained from voting at the meeting of the Board and the prior consent of the independent non-executive directors, who agreed to such continuing connected transactions with Audit Committee and believed that such were in the best interests of the Company and its shareholders as a whole, was obtained. Such continuing connected transactions were considered and approved on the 2015 first extraordinary general meeting by the Company on 28 December 2015. 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 13 November and 29 December 2015 and the website of the Hong Kong Stock Exchange on 12 November 2015 and 18 December 2015, and H share circular despatched on 11 December 2015.

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

- (1) Connected transactions with Financial Company

On 21 January 2014, the seventh session of the Board of the Company held an extraordinary meeting 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. On 12 March 2014, the supplemental agreement to the Financial Services Agreement was considered and approved at the 2014 first extraordinary general meeting of the Company, with a term ending on 20 December 2015. 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 website of the Hong Kong Stock Exchange on 21 January 2014 and 13 March 2014, and the circular despatched on 25 February 2014. As at 20 December 2015, the Group had withdrawn all its deposits from Financial Company with a balance of RMB0 and the balance of the Company's loans from Financial Company was RMB0. Before renewing such continuing connected transactions and the caps and/or approval by independent shareholders, the Company suspended all business operations with Financial Company.

Significant Events (Continued)

XII. 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 (continued)

(1) Connected transactions with Financial Company (continued)

On 12 November 2015, the renewing of the existing continuing connected transactions and the cap between the Group and Financial Company was considered and approved at the extraordinary meeting of the eighth session of the Board, at which it was approved that the Company (on behalf of the Group) and Financial Company enter into the Financial Services Agreement. It was stipulated that the cap for the loan, loan guarantee and other credit financing services to be provided by Financial Company to the Company amount to RMB600 million and the cap for the deposit service with Financial Company amount to RMB500 million. The Financial Services Agreement was considered and approved at the 2015 first extraordinary general meeting of the Company on 28 December 2015 and with a term of three years effective from obtaining approval of independent shareholders at the extraordinary general meeting. 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 13 November and 29 December 2015 and the website of the Hong Kong Stock Exchange on 12 November 2015 and 28 December 2015 and H share circular despatched on 11 December 2015. As at 31 December 2015, the balance of the Company's loans from Financial Company was RMB0 and the balance of the Company's deposits in Financial Company was RMB498,168,100. As at 18 March 2016, the balance of the Company's loans from Financial Company was RMB0 and the balance of the Company's deposits in Financial Company was RMB144,099,300.

On 30 March 2015 and on 21 March 2016, the seventh session of the Board of the Company held the eighteenth meeting and the eighth session of the Board of the Company held the fourth meeting respectively, where it considered and approved the resolution in relation to the Risk Assessment Reports of China Electronics Financial Co., Ltd. to assess the deposit risk in the Financial Company. After auditing, no material deficiency in relation to the risk management of financial statements was found to exist as of 31 December 2015. Please refer to the relevant announcement published on the website of Shanghai Stock Exchange on 31 March 2015 and 22 March 2016 and on the website of the Hong Kong Stock Exchange on 31 March 2015 and 21 March 2016 for more details.

The entering into of the above supplemental agreement to the Financial Services Agreement (dated January 2014) and the Financial Services Agreement (dated November 2015) were 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 prior consent of the independent non-executive directors, who together with the Audit committee agreed to such continuing connected transactions entered into by the Company and Financial Company believed that such were in the best interests of the Company and its shareholders as a whole, was obtained. The sponsor institutions had given positive inspection opinions on the supplemental agreement to the Financial Services Agreement (dated January 2014).

Significant Events (Continued)

XII. 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 (continued)

(1) Connected transactions with Financial Company (continued)

The connected transactions between the Company and Financial Company were also confirmed by the independent non-executive directors. The balance of loan, loan guarantee and other credit financing services and the balance of deposit services did not exceed relevant annual caps of such continuing connected transactions disclosed in the announcements of the Company dated 22 January 2014 and 13 November 2015, respectively.

(2) Connected transaction with China Electronics Leasing Company

On 31 August 2015, the non-recourse Factoring Agreement between the Electronic Manufacture Company, a controlled subsidiary by the Company, and China Electronics Leasing Company was considered and approved at the extraordinary meeting of the eighth session of the Board, and China Electronics Leasing Company would provide non-recourse factoring against the receivables between the Electronic Manufacture Company and CEC Panda LCD Technology Co., Ltd (南京中電熊猫液晶顯示科技有限公司) with factoring credit exposure limit of RMB150,000,000 (revolving) and with a term of one year. The transaction was conducted on normal commercial terms and on the principle of openness, fairness and justice, without prejudice to the interests of the Company and minority shareholders of the Company. The prior consent of the independent non-executive directors, who together with the Audit Committee agreed to such connected transaction and believed that such was in the best interests of the Company and its shareholders as a whole, was obtained. For details 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 on 1 September 2015 and on the website of the Hong Kong Stock Exchange on 31 August 2015. As at 31 December 2015, the balance of factoring credit exposure limit utilized by the Electronic Manufacture Company was RMB89,930,000 which was fallen within the approved limit by the Board of the Company.

The connected transaction between Electronic Manufacture Company and China Electronics Leasing Company was also confirmed by the independent non-executive directors. The factoring credit exposure limit did not exceed annual cap of relevant amount in relation to such continuing connected transaction disclosed in the announcement of the Company dated 1 September 2015.

Significant Events (Continued)

XII. Material connected transactions (continued)

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

3. Matters not disclosed in interim announcements

Unit: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing Panda Electronics Import and Export Company Limited	Subsidiary owned by shareholders	Purchase of goods				17,989,602.53	0.86			
CEC Panda LCD Technology (Hong Kong) Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				13,828,813.86	0.66			
CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				8,168,682.10	0.39			
New Dewel Technology Development Limited	Others	Purchase of goods				4,638,566.38	0.22			
Nanjing Zhen Hua Packing Material Plant	Subsidiary owned by shareholders	Purchase of goods				2,455,982.96	0.12			
Shenzhen Jingyin Electronics Co., Ltd.	Associate	Purchase of goods				1,430,878.81	0.07			
Beijing China Electronics Guangtong Technologies Ltd.	Subsidiary owned by shareholders	Purchase of goods				854,700.85	0.04			
Panda Electronics Group Limited	Controlling shareholder	Purchase of goods				632,015.32	0.03			
Guizhou Zhenhua Quanying Electric Appliance Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				315,726.50	0.02			
Nanjing Ericsson Panda Communication Co. Ltd.	Subsidiary owned by shareholders	Purchase of goods				279,866.98	0.01			
Shenzhen Huaxing China's Electronic Technology Co. Ltd.	Subsidiary owned by shareholders	Purchase of goods				251,794.87	0.01			
CEC Panda Flat Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				210,210.43	0.01			
Nanjing Panda Piezoelectric Technique Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				117,461.54	0.01			
Guizhou Zhenhua Huailian Electronics Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				113,606.83	0.01			
Nanjing China Electronics Panda Crystal Technology Corporation	Subsidiary owned by shareholders	Purchase of goods				81,718.11				
Shenzhen CECI Information Technology Co., Ltd. (深圳中電國際信息科技 有限公司)	Subsidiary owned by shareholders	Purchase of goods				60,196.58				

Significant Events (Continued)

XII. Material connected transactions (continued)

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

3. Matters not disclosed in interim announcements (continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing Panda Handa Technology Company Limited	Subsidiary owned by shareholders	Purchase of goods				5,008.55				
China Electronics (Shenzhen) Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				326.92				
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Others	Receipt of services				5,543,933.46	2.74			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Receipt of services				1,870,359.00	0.92			
Nanjing Zhen Hua Packing Material Plant	Subsidiary owned by shareholders	Receipt of services				494,726.89	0.24			
Panda Electronics Group Limited	Controlling shareholder	Receipt of services				320,359.03	0.16			
China Electronics (Shenzhen) Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				300,372.65	0.15			
China National Electronics Import/Export Corporation	Subsidiary owned by shareholders	Receipt of services				177,289.72	0.09			
Nanjing Panda Handa Technology Company Limited	Subsidiary owned by shareholders	Receipt of services				131,684.91	0.07			
Nanjing Changjiang Electronics Group Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				54,020.65	0.03			
CEC Panda Flat Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				488,330,224.32	13.66			
CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				352,952,447.56	9.88			
China Electronics Science and Industry New Materials Jiangsu Electric Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				73,826,376.92	2.07			
Nanjing Panda Handa Technology Company Limited	Subsidiary owned by shareholders	Sale of goods				63,032,638.94	1.76			
New Dewel Technology Development Limited	Others	Sale of goods				56,065,686.85	1.57			
Shenzhen China Electronics Investment Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				44,208,883.47	1.24			
Top Victory Investment Limited Units	Subsidiary owned by shareholders	Sale of goods				36,371,431.14	1.02			
Shenzhen Jinghua Network Marketing Ltd.	Associate	Sale of goods				24,051,736.56	0.67			

Significant Events (Continued)

XII. Material connected transactions (continued)

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

3. Matters not disclosed in interim announcements (continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shenzhen Frontsurf Information Technology Co., Ltd. (深圳中電前海信息產業有限公司)	Subsidiary owned by shareholders	Sale of goods				23,516,134.36	0.66			
Panda Electronics Import & Export (Hong Kong) Co., Ltd. (熊猫電子進出口(香港)有限公司)	Subsidiary owned by shareholders	Sale of goods				17,889,498.47	0.50			
Nanjing Panda Electronics Import and Export Company Limited	Subsidiary owned by shareholders	Sale of goods				12,012,886.09	0.34			
Panda Electronics Group Limited	Controlling shareholder	Sale of goods				6,277,454.51	0.18			
Nanjing Ericsson Panda Communication Co. Ltd.	Associate	Sale of goods				2,217,203.01	0.06			
China Greatwall Computer Shenzhen Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2,107,234.76	0.06			
Nanjing CEC-PANDA LCD Material Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				437,936.17	0.01			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Sale of goods				64,842.49	0.00			
Nanjing Panda Investment and Development Co., Ltd. (南京熊猫投資發展有限公司)	Subsidiary owned by shareholders	Sale of goods				55,956.00	0.00			
Shenzhen Jingyin Electronics Co., Ltd.	Associate	Sale of goods				50,596.24	0.00			
Nanjing China Electronics Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				39,092.31	0.00			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				30,029.89	0.00			
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder	Sale of goods				29,059.00	0.00			
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				27,816.24	0.00			
Nanjing Panda Science Park Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				9,433.96	0.00			

Significant Events (Continued)

XII. Material connected transactions (continued)

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

3. Matters not disclosed in interim announcements (continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing Suzhe Electronics Materials Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2,000.00	0.00			
CEC Panda Flat Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				41,758,385.94	1.17			
Nanjing Ericsson Panda Communication Co. Ltd.	Associate	Rendering of services				18,748,793.47	0.52			
Panda Electronics Group Limited	Controlling shareholder	Rendering of services				16,668,971.23	0.47			
CEC Panda LCD Technology Co., Ltd	Subsidiary owned by shareholders	Rendering of services				14,825,833.94	0.41			
Nanjing Panda Handa Technology Company Limited	Subsidiary owned by shareholders	Rendering of services				8,558,665.66	0.24			
Nanjing China Electronics Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				2,025,837.16	0.06			
Nanjing CEC-PANDA LCD Material Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				1,170,635.15	0.03			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Rendering of services				313,532.00	0.01			
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder	Rendering of services				246,260.00	0.01			
Dongguan Electronics Technology and Development Co., Ltd. (東莞中電熊貓科技發展有限公司)	Subsidiary owned by shareholders	Rendering of services				235,810.49	0.01			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				181,662.00	0.01			
Nanjing Panda Electronics Import and Export Company	Subsidiary owned by shareholders	Rendering of services				179,057.00	0.01			
Panda Electronics Material Usage Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				170,940.17	0.00			
Nanjing Panda Science Park Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				9,800.00	0.00			
New Dewel Technology Development Limited	Others	Rendering of services				4,535.00	0.00			
Shenzhen Jinghua Network Marketing Ltd.	Associate	Rendering of services				2,235.00	0.00			

Significant Events (Continued)

XII. Material connected transactions (continued)

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

3. Matters not disclosed in interim announcements (continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Trademark licensing				566,504.72	37.52			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Leasing of assets				488,232.00	0.58			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				160,944.00	0.19			
Nanjing Panda Electronics Import and Export Company	Subsidiary owned by shareholders	Leasing of assets				15,552.00	0.02			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Others	Leasing of assets				721,353.00	0.86			
Shenzhen Jinghua Network Marketing Ltd.	Associate	Leasing of assets				81,281.00	0.10			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Leasing of assets				1,039,707.09	1.24			
Panda Electronics Group Limited	Controlling shareholder	Leasing of assets				37,350.00	0.04			
Shenzhen City Zhong Dian Property Management Company Limited	Subsidiary owned by shareholders	Assets leased				180,000.00	1.80			
Panda Electronics Group Limited	Controlling shareholder	Assets leased				32,200.00	0.32			
Total				/	/	1,372,358,583.71		/	/	/
Details on return of bulk sales										
Explanation on connected transactions										

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 published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange respectively on 22 December 2012, 13 March 2014 and 30 December 2014 and the website of the Hong Kong Stock Exchange on 21 December 2012, 13 March 2014 and 29 December 2014.

Significant Events (Continued)

XII. Material connected transactions (continued)

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

3. Matters not disclosed in interim announcements (continued)

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 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.

For details of the continuing connected transactions between the Group and NEIC Group and CEC Group (including Financial Company) please refer to the section headed "Related Party Transactions" in the notes to the financial statements of 2015 annual financial report of the Company, summaries of which are as follows:

Unit: RMB0'000

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	Market price, government guidance rate	8,635
(B)	Provision of sub-contracting services and composite services by the CEC Group to the Group	Market price, government guidance rate	335
(C)	Sale of materials, components and parts by the Group to the CEC Group	Market price, Cost plus	112,122
(D)	Purchase of materials, components and parts by the Group from the CEC Group	Market price	4,509
(E)	Import and export agency service provided by the CEC Group to the Group	Market price	0
(F)	Licensing of PANDA Trademark by the Group to the CEC Group	Market price	57
(G)	Lease of premises and relevant equipment by the Group to the CEC Group	Market price	174
(H)	Lease of premises and relevant equipment by the CEC Group to the Group	Market price	21
(I)	Deposit balances with a financial Institution in the CEC Group	Market price	49,817
(J)	Provision of loan and other credit financing services by a financial Institution in the CEC Group to the Group	Market price	0
(K)	Provision of non-recourse factoring financial services by China Electronics Leasing Company of CEC Group to the Group	Market price	8,993

Significant Events (Continued)

XII. 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. CEC, NEIC, PEG and their 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 38 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:

- (a) 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
- (b) as at 31 December 2015, the Group’s deposits of RMB498,170,000 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 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants .

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.

(II) No connected transactions in respect of asset acquisition or disposal of the Company existed during the reporting period.

Significant Events (Continued)

XII. Material connected transactions (continued)

(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

1. Matters not disclosed in interim announcements

Unit: RMB

Connected parties	Connected relationship	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
Shenzhen Jingyin Electronics Co., Ltd.	An associate of a subsidiary	177,537.52	-177,537.52				
China Electronics Corporation	Ultimate controller				34,000,000.00		34,000,000.00
Panda Electronics Group Limited	Intergroup company				10,437,293.38	-647,374.43	9,789,918.95
Nanjing Thales Panda Transportation System Company Limited	An associate of a subsidiary				860,265.92		860,265.92
Nanjing Zhongdian Panda Property Management Co., Ltd.	Ultimately controlled by the same party				521,396.27		521,396.27
Panda Electronics (Kun Shan) Co., Ltd.	An associate of a subsidiary				300,000.00		300,000.00
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group				28,458.94	102,036.53	130,495.47
Nanjing Electronics Information Industrial Corporation	Ultimately controlled by the same party				44,600.00	30,000.00	74,600.00
Panda (Beijing) International Information Technology Co., Ltd.	Subsidiary of the Group				45,588.91		45,588.91
Nanjing Panda Science Park Development Co., Ltd.	Subsidiary of the Group					20,000.00	20,000.00
China National Electronics Import/Export Corporation	Ultimately controlled by the same party				10,000.00		10,000.00
Nanjing Panda Piezoelectric Technique Co., Ltd.	Subsidiary of the Group				200.00		200.00
Shenzhen Jingfa Plastic Packaging Products Co., Ltd.	An associate of a subsidiary				228,000.00	-228,000.00	
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party				108,848.00	-108,848.00	
Total		177,537.52	-177,537.52		46,584,651.42	-832,185.90	45,752,465.52
Reason of creditor's rights and debts							
Influence of creditor's rights and debts to the Company							

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

Significant Events (Continued)

XIII. Material contracts and their execution

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

(II) Guarantees

Unit: RMB0'000

Guarantor	Relationship between guarantor and listed company		Secured party	Guaranteed Amount	Commencement date of guarantee (Agreement execution date)		Start Date	Termination Date	Type of guarantee	Whether the guarantee has been fulfilled	Overdue? Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
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 and its subsidiaries														
Total amount of guarantees provided to subsidiaries during the reporting period														72,000
Total balance of the amount of guarantees provided to subsidiaries at the end of the reporting period (B)														11,489.22
Total amount of guarantees made by the Company (including those in favour of subsidiaries)														
Total amount of guarantees (A+B)														11,489.22
Percentage of total guarantee amount in net assets of the Company (%)														3.52
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
Statement on the contingent joint and several liability in connection with unexpired guarantee														
Statement on guarantee														

The said guarantees totaling RMB114,892,200, representing 3.52% 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 notes to the financial statements of the 2015 annual financial report.

At the 2012 General Meeting convened on 20 May 2013, the first extraordinary general meeting of 2013 convened on 26 September 2013, the third extraordinary general meeting of 2014 convened on 29 December 2014, and the 2014 General Meeting convened on 30 June 2015, it was approved that the Company could provide a guarantee for the financing amount of RMB1,260,000,000 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, on 30 March 2015, it convened the eighteenth meeting of the seventh session of the Board, and on 28 August 2015, it convened the second meeting of the eighth 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.

Significant Events (Continued)

XIII. Material contracts and their execution (continued)

(II) Guarantees (continued)

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. Other than its subsidiaries, the Company did not provide any guarantee to any independent third parties 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) Entrusted cash assets management

1. Entrusted wealth management

(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 2014, 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 2015. At the extraordinary meeting of the Eighth Session of the Board of the Company convened on 16 September 2015, 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 RMB480 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. 2014-067, Lin. 2015-059) (《南京熊貓電子股份有限公司關於使用暫時閒置的募集資金進行現金管理的公告》(臨2014-067、臨2015-059)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 23 August 2014 and 17 September 2015 respectively and the website of the Hong Kong Stock Exchange on 22 August 2014 and 16 September 2015.

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 2015, the balance of the principal guaranteed wealth management products of banks purchased by the Company amounted to RMB457 million. As at 21 March 2016, the balance of the principal guaranteed wealth management products of banks purchased by the Company amounted to RMB431 million.

Significant Events (Continued)

XIII. Material contracts and their execution (continued)

(III) Entrusted cash assets management (continued)

1. Entrusted wealth management (continued)

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

During the reporting period, the Company and its subsidiaries purchased the following entrusted wealth management products by using temporarily idle raised proceeds:

Unit: RMB0'000

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Method to determine return (annual rate of return)	Actual amount of principal recovered	Actual income obtained	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Connected relationship
Ping An Bank Co., Ltd.	Structured Corporate Deposits	10,000	2015-1-21	2015-4-21	5.00	10,000	123.29	Yes	N/A	No	No	N/A
Industrial Bank Co., Ltd.	Structured deposits	10,000	2015-1-27	2015-4-27	5.02	10,000	123.78	Yes	N/A	No	No	N/A
Entrusted China Electronics Financial Co., Ltd.	Principal-guaranteed wealth management product	10,000	2015-1-28	2015-4-28	4.92	10,000	121.32	Yes	N/A	Yes	No	Ultimately controlled by the same party
Shanghai Pudong Development Bank Co., Ltd.	Principal-guaranteed wealth management product	1,000	2015-1-30	2015-7-29	4.70	1,000	23.44	Yes	N/A	No	No	N/A
China Construction Bank Corporation	Principal-guaranteed wealth management product	1,100	2015-2-11	2015-5-14	4.60	1,100	12.75	Yes	N/A	No	No	N/A
China Construction Bank Corporation	Principal-guaranteed wealth management product	1,000	2015-2-15	2015-3-19	4.60	1,000	4.03	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal-guaranteed wealth management product	4,700	2015-2-13	2015-3-16	4.70	4,700	18.76	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Structured Corporate Deposits	9,900	2015-3-11	2015-6-11	4.90	9,900	121.28	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal-guaranteed wealth management product	4,700	2015-3-20	2015-4-20	4.80	4,700	19.16	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal-guaranteed wealth management product	5,000	2015-4-22	2015-5-25	5.10	5,000	23.05	Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd.	Structured Corporate Deposits	10,000	2015-4-24	2015-7-23	5.00	10,000	123.29	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal-guaranteed wealth management product	10,000	2015-5-4	2015-8-3	5.00	10,000	124.66	Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd.	Structured Corporate Deposits	10,000	2015-4-30	2015-7-30	5.00	10,000	124.66	Yes	N/A	No	No	N/A

Significant Events (Continued)

XIII. Material contracts and their execution (continued)

(III) Entrusted cash assets management (continued)

1. Entrusted wealth management (continued)

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

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Method to determine return (annual rate of return)	Actual amount of principal recovered	Actual income obtained	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Connected relationship
Bank of Communications Company Limited	Principal-guaranteed wealth management product	6,100	2015-6-3	2015-7-6	4.20	6,100	23.16	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Structured Corporate Deposits	10,000	2015-6-17	2015-9-17	3.90	10,000	97.50	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Principal-guaranteed wealth management product	4,400	2015-7-10	2015-10-8	4.20	4,400	46.07	Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd	Structured Corporate Deposits	20,100	2015-7-31	2015-10-29	3.90	20,100	193.29	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal-guaranteed wealth management product	9,500	2015-8-10	2015-11-9	3.90	9,500	92.37	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Principal-guaranteed wealth management product	1,000	2015-8-12	2016-2-8	3.95			Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Structured Corporate Deposits	10,000	2015-9-23	2015-12-23	3.70	10,000	92.50	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal-guaranteed wealth management product	5,000	2015-10-19	2016-1-18	3.95			Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal-guaranteed wealth management product	5,000	2015-11-9	2016-2-15	3.70			Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd	Structured Corporate Deposits	15,000	2015-11-5	2016-5-4	3.65			Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal-guaranteed wealth management product	9,700	2015-11-16	2016-2-16	3.70			Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Structured Corporate Deposits	10,000	2015-12-25	2016-3-25	3.50			Yes	N/A	No	No	N/A
Total	/	193,200	/	/	/	147,500	1,508.36	/	/	/	/	/
Principal and accumulated returns overdue but yet to recover (yuan)												0
Explanations on entrust wealth management												

Significant Events (*Continued*)

XIII. Material contracts and their execution (*continued*)

(III) Entrusted cash assets management (*continued*)

1. Entrusted wealth management (*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 agreement with the Financial Company on 27 January 2015 to use the temporarily idle raised proceeds in the amount of RMB100 million for purchase of principal-guaranteed wealth management products. As at 28 April 2015, such wealth management product had expired. As at 31 December 2015 and the reporting date, balance of wealth management products purchased by the Financial Company under the Company's entrustment was RMB0.

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 during the reporting period, 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 2015-003, 004, 005, 006, 009, 010, 011, 012, 014, 023, 024, 027, 035, 044, 047, 049, 050, 060, 063, 064, 067, 071) published in China Securities Journal and Shanghai Securities News on 22 January, 30 January, 31 January, 12 February, 13 February, 14 February, 11 March, 21 March, 25 April, 4 May, 5 June, 18 June, 14 July, 5 August, 7 August, 13 August, 23 September, 30 October, 6 November, 13 November and 29 December in 2015, and on the website of the Hong Kong Stock Exchange on 21 January, 30 January, 11 February, 12 February, 13 February, 10 March, 20 March, 24 April, 30 April, 4 June, 17 June, 13 July, 4 August, 6 August, 12 August, 22 September, 29 October, 5 November, 12 November and 28 December in 2015.

As at 31 December 2015, 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 2015-050, 064, 067), principal and returns were recovered as scheduled on the due dates.

2. Entrusted loans: N/A

3. Other investment products or derivatives investment: N/A

Significant Events (Continued)

XIII. Material contracts and their execution (continued)

(IV) Other material contracts

1. Borrowing contract: On 5 January 2015, the Company entered into a borrowing contract with Financial Company, which requires a provision of short-term working capital of RMB80,000,000 to replenish working capital with a term of 6 months and a rate of 5.6%. The Company repaid all such short-term borrowing on 5 July 2015.

In addition to the above borrowing contract, contracts concerning large amount of financing guarantee to subsidiaries and wealth management investment of temporarily idle fund were published and announced in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange and the website of the Hong Kong Stock Exchange.

XIV. Other Material 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. GR201432002014, 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 9% of the verified fee of all of the existing employees of the Company. Save for the aforesaid premiums, the Company is not responsible for other medical expenses.

(III) Liability insurance for its Directors, supervisors and senior management

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) Relocation compensation

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 resulted in an increase of RMB568,900 in aggregate in the non-recurring profit and loss of the Company. As at 31 December 2015, such relocation resulted in an increase of RMB11,997,800 in aggregate in the non-recurring profit and loss of the Company.

Significant Events (Continued)

XIV. Other Material Events (continued)

(V) Write-off regarding accounts receivable and long-term equity investment

The Company convened the extraordinary meeting of the seventh session of the Board which considered and approved the resolution of Written Off of Part of Receivables and Long-term Equity Investment, agreed to written off of long-aged credit as of 30 June 2014, provision for asset impairment in full and long-term equity investment during the prior year, representing RMB62,765,697.18 receivables, RMB40,029,132.02 long-term equity investment, total amounted to RMB102,794,829.20. The Company has made provision for impairment in full in the prior year and the written off will not influence the gain/loss of the Company. The written off complies with the Accounting Standards for Business Enterprises and related law and regulations, the Article of Associates and related law and regulations, the actual situation of the Company, legal permitted procedure, operational regulations and sufficient references; no connected person of the Company is involved; no detrimental to the interests of shareholders or the Company. The written off of receivables and long-term equity investment will be continuously recovered by related departments. Independent executives and supervisors both expressed different opinions. For detail, please refer to the related announcement of the Company published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 31 March 2015.

(VI) Changes in Accounting Policy and Accounting Estimates

The Company considered and approved the Resolution in Relation to Changes in Accounting Policy and Accounting Estimates on the eighteenth general meeting of the seventh session of the Board held on 30 March 2015. For detail, please refer to the related announcement of the Company published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 31 March 2015 and 3 April 2015 and the website of the Hong Kong Stock Exchange on 30 March 2015 and 2 April 2015.

XV. Report on Performance of Social Responsibility by the Company

(I) Overview of social responsibility

The Company considered and approved the 2015 Social Responsibility Report of Nanjing Panda Electronics Company Limited at the fourth meeting of the eighth session of the Board on 21 March 2016, the full text of which was published on the websites of the Shanghai Stock Exchange on 22 March 2016 and the website of the Hong Kong Stock Exchange on 21 March 2016.

(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

The Company and its subsidiaries do not belong to the severely polluting industries specified in the regulations made by national environmental protection authorities.

XVI. Convertible bonds: N/A

Changes in Share Capital and Information of Shareholders

I. Changes in shareholdings

(I) Table for changes in shareholdings

1. Table for changes in shareholdings

During the reporting period, there was no change in share capital or shareholding structure of the Company.

2. Explanations on changes in shareholdings

As at 21 March 2016, the latest 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 within the knowledge of the Directors, the Company has complied with the requirements of the Hong Kong Stock Exchange in relation to sufficiency of public float.

(II) Changes in shareholdings subject to trading moratorium: N/A

II. Securities in issue and listings

(I) Issue of securities during the reporting period

During the reporting period, the Company did not issue any ordinary shares, convertible bonds, bonds with warrants, corporate debts and other derivatives.

(II) 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

1. Shareholding reduction of the Company by PEGL

From 5 June 2015 to 12 June 2015, PEGL reduced its shareholdings in the Company by 27,069,492 shares via the Shanghai Stock Exchange trading system, representing 2.96% of the total share capital of the Company. Before the reduction, PEGL held 334,715,000 shares of the Company, representing 36.63% of the total share capital of the Company; after the reduction, PEGL holds 307,645,508 shares, representing 33.67% of the total share capital and remains the controlling shareholder of the Company.

2. Shareholding increase of the Company by NEIC

From 17 July 2015 to 31 December 2015, NEIC increased its shareholdings in the Company by a total of 2,893,825 A shares under the Custody of Specific Asset Scheme, representing 0.32% of the total share capital of the Company and by a total of 3,996,000 H shares, representing 0.44% of the total share capital of the Company. Before the increase, NEIC held 39,215,686 A shares of the Company, representing 4.29% of the total share capital. After the increase, NEIC holds 42,109,511 A shares of the Company, representing 4.61% of the total share capital and 3,996,000 H shares of the Company, representing 0.44% of the Company, with total shareholding ratio of 5.05%.

Changes in Share Capital and Information of Shareholders (Continued)

II. Securities in issue and listings (continued)

(II) 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 (continued)

3. Changes in shareholder structure caused by equity restructuring of PEGL

PEGL had transferred 82,811,667 A shares and 14,172,397 A shares (96,984,064 A shares in total) of the Company that it held respectively to China Huarong and China Great Wall upon approval of relevant authorities. Upon completion of the share transfers, the Company's total share capital remained unchanged. In particular, PEGL held 210,661,444 shares, representing 23.05% of the total share capital; China Huarong held 82,811,667 shares, representing 9.06% of the total share capital; China Great Wall held 14,172,397 shares, representing 1.55% of the total share capital. There will be no change in the controlling shareholders and the de facto controllers of the Company as a result of the transfer.

Conclusively, as at 31 December 2015, NEIC directly held 5.05% of the Company's total share capital and indirectly held 23.05% of the Company's total share capital through PEGL, collectively holding 28.10% of the Company's total share capital; China Huarong held 9.06% of the Company's total share capital; China Great Wall held 1.55% of the Company's total share capital. Aforesaid changes in structures of shareholding and of shareholders have not produced any direct impact on the Company's structure changes of assets and liabilities. During the reporting period, there has been no change in the total number of shares of the Company.

(III) Existing internal employee's shares

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

III. Shareholders and actual controller

(I) Total number of shareholders

Total number of shareholders as at the end of the Reporting Period	31,044 shareholders including 31,016 A shareholders and 28 H shareholders
Total number of shareholders at the end of last month prior to the disclosure of this annual report	40,390 shareholders including 40,362 A shareholders and 28 H shareholders

Changes in Share Capital and Information of Shareholders (Continued)

III. Shareholders and actual controller (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

Shareholdings of top ten shareholders of the Company

Unit: share

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		Type of shareholders
					Status of shares	Number of shares	
HKSCC (Nominees) Limited	311,970	241,419,569	26.42	0	Unknown		Overseas legal person
Panda Electronics Group Limited	-124,053,556	210,661,444	23.05	0	Pledged	93,880,000	State-owned legal person
China Huarong Asset Management Co., Ltd.	82,811,667	82,811,667	9.06		Unknown		State-owned legal person
Nanjing Electronics Information Industrial Corporation	6,889,825	46,105,511	5.05	39,215,686	Unknown		State-owned legal person
China Great Wall Asset Management Corporation	14,172,397	14,172,397	1.55	0	Unknown		State-owned legal person
National Social Security Fund – Combination 114 全國社保 基金——四組合	2,541,419	7,450,546	0.82	0	Unknown		Other
China Life Insurance Company Limited – dividend – personal dividend – 005L – FH002 Shanghai 中國人壽保險股份 有限公司 – 分紅 – 個人分紅 – 005L – FH002 滬	5,490,013	6,639,933	0.73	0	Unknown		Other
Li Na 李娜	3,254,200	5,788,713	0.63	0	Unknown		Domestic natural person
South Industry Assets Management Co., Ltd. 南方 工業資產管理有限責任公司	-10,000,000	5,000,000	0.55		Unknown		State-owned legal person
Zhang Qunying 張群英	3,134,788	3,134,788	0.34	0	Unknown		Domestic natural person

Changes in Share Capital and Information of Shareholders (Continued)

III. Shareholders and actual controller (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 holders of shares not subject to trading moratorium

Unit: share

Name of Shareholder	Number of shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC (Nominees) Limited	241,419,569	RMB ordinary shares	241,419,569
Panda Electronics Group Limited	210,661,444	Overseas listed foreign shares	210,661,444
China Huarong Asset Management Co., Ltd.	82,811,667	RMB ordinary shares	82,811,667
China Great Wall Asset Management Corporation	14,172,397	RMB ordinary shares	14,172,397
National Social Security Fund – Combination 114 全國社保基金——四組合	7,450,546	RMB ordinary shares	7,450,546
Nanjing Electronics Information Industrial Corporation	6,889,825	RMB ordinary shares Overseas listed foreign shares	2,893,825 3,996,000
Insurance Company Limited – dividend – personal dividend – 005L – FH002 Shanghai 中國人壽保險股份有限公司 – 分紅 – 個人分紅 – 005L – FH002 滬	6,639,933	RMB ordinary shares	6,639,933
Li Na 李娜	5,788,713	RMB ordinary shares	5,788,713
South Industry Assets Management Co., Ltd. 南方工業資產管理有限責任公司	5,000,000	RMB ordinary shares	5,000,000
Zhang Qunying 張群英	3,134,788	RMB ordinary shares	3,134,788

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

NEIC holds 100% share capital of PEGL, the controlling shareholder of the Company. NEIC directly holds 42,109,511 A shares and 3,996,000 H shares of the Company, representing 5.05% of total share capital, and indirectly holds 210,661,444 A shares through PEGL, representing 23.05% of the total share capital. Thus NEIC collectively holds 28.10% of the Company's total share capital. Apart from the aforesaid, 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. Shareholders and actual controller (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	Number of shares held subject to trading moratorium	Particulars of shares subject to trading moratorium to be listed		Conditions of 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 100% equity interest in PEGL, the controlling shareholder of the Company, and directly holds 5.05% shares of the Company. NEIC indirectly holds 23.05% of the shares of the Company through PEGL, collectively holding 28.10% of the Company's shares.

Notes:

- On 22 January 2014, 167,350,000 shares held by PEGL were pledged. On 12 May 2015, 50,000,000 shares held by PEGL were released from the pledge; on 26 June 2015, 23,470,000 shares held by PEGL were released from the pledge. As at 31 December 2015, 93,880,000 shares held by PEGL were pledged. On 12 January 2016, 93,880,000 shares held by PEGL were released from the 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 23 January 2014, 14 May and 30 June 2015, and 14 January 2016 and on the website of the Hong Kong Stock Exchange on 22 January 2014, 13 May 2015, 29 June 2015 and 13 January 2016.
- HKSCC (Nominees) Limited held 241,419,569 H Shares, representing 26.42% 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

1. Legal person

Name	PEGL
The person in charge of the entity or legal representative	Xu Guofei
Date of establishment	5 December 1990
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.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	As at 31 December 2015, apart from the Company, equity interests of the following listed companies were held: (1) Shanghai Bailian (600827), 91,013 shares; (2) Jiangsu Expressway (600377), 500,000 shares; (3) Bank of Communications (601328), 1,257,029 shares; (4) Bank of Nanjing (601009), 3,848,553 shares; (5) Nanjing Xinbai (600682), 1,006,500 shares; (6) Nanjing Securities (833868), 24,267,557 shares.

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)

1. Legal person (continued)

Since September 2014, the equity restructuring of PEGL is being carried out by its shareholders. PEGL's Board of Directors and shareholders in general meeting respectively passed written resolutions in respect of the matter regarding equity interest reorganization of PEGL (including the transfer of shares of 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 PEGL, reduce its holding of the registered capital of PEGL of RMB466,460,000; agreed that China Great Wall Asset Management Corporation, a shareholder of PEGL, reduce its holding of the registered capital of PEGL of RMB79,830,000. The interests of the reduced equities in PEGL held by China Huarong and China Great Wall were evaluated after assessment, with the A shares of the Company held by PEGL and cash as consideration. As agreed by all parties, in accordance with PEGL's net assets value and capital reduction price determined thereby for each party as listed in the filed Asset Valuation Report on the Project of Proposed Repurchase of Equity Held by China Huarong Asset Management Co. Ltd. by Panda Electronics Group Limited (Vocational Pin Bao Zi [2014] No. 0488), the relevant parties have entered into Capital Reduction Agreement of Panda Electronics Group Limited and the Supplemental Agreement to the Capital Reduction Agreement of Panda Electronics Group Limited. As at 29 September 2015, equity restructuring of PEGL was completed and business license after the capital reduction was granted with total registered capital of RMB719,770,000 all held by NEIC. As at 4 February 2016, NEIC had completed the increase in its shareholding of PEGL by way of cash. PEGL had completed the formalities for the changes in the business registration and obtained the new business license with registered capital of RMB1,632,970,000. For details, please refer to the announcement published on the website of Shanghai Stock Exchange on 20 February 2016 and on the website of the Hong Kong Stock Exchange on 19 February 2016 by the Company.

Nanjing Electronics Information Industrial Corporation:

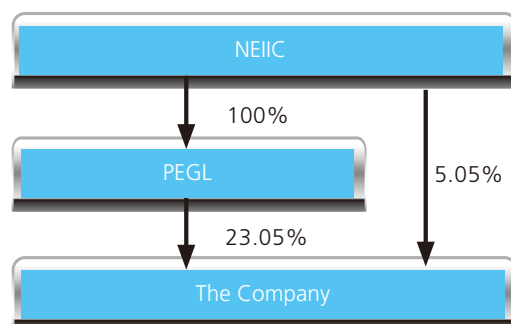
Name	NEIC
The person in charge of the entity or legal representative	Lai Weide
Date of establishment	11 May 2007
Principal business	Research and development, services and transfer of electronic information; research and development, manufacture, sales and related services of electronic products; design, construction and related services in electronic engineering; real estate investment; property management; industrial investment and asset management services.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	As at 31 December 2015, other than its equity interests in the Company, NEIC held 28.11% equity interests of Huadong Technology (000727).

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)

2. The controlling relationship between the Company and the controlling shareholder is as follows



(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
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.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	Details seen as follows.

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)

As at 31 December 2015, equities of other domestic and overseas listed companies (other than the Company) in which the ultimate controller CEC held 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	58.27%
3	CEC Corecast	600764	53.47%
4	Kaifa	000021	44.51%
5	Greatwall Computer	000066	53.92%
6	China Software	600536	45.13%
7	Greatwall Information	000748	20.58%
8	Huadong Technology	000727	28.11%
9	Zhenhua Science & Technology	000733	36.13%
10	Irico Display	600707	29.40%
11	China Electron	00085HK	59.42%
12	TPV Technology	00903HK	37.05%
13	Solomon Systech	02878HK	28.50%
14	IRICO	00438HK	71.74%

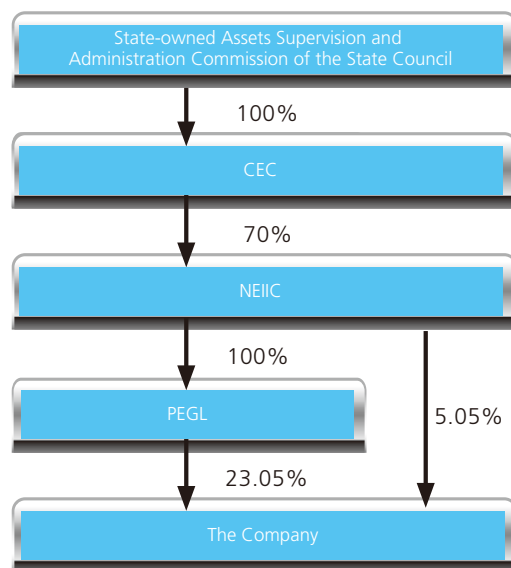
Note: Percentage of CEC's shareholding represents the aggregate of the shareholdings held through relevant connected parties or party acting in concert among the shareholders of listed companies.

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:



3. Control over the Company via trust or other assets management methods by the de facto controller

During the reporting period, no circumstance in which the de facto controller controls the Company via trust or other assets management methods existed.

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

HKSCC (Nominees) Limited held 241,419,569 H shares of the Company, representing 26.42% 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 issued share capital of the Company. Apart from this, the Company did not have any legal person shareholder holding 10% or more of its shares as at 31 December 2015.

VI. Limitation on the reduction of shareholding: N/A

Changes in Share Capital and Information of Shareholders (Continued)

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

As at 31 December 2015, 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 210,661,444 domestic shares, accounting for approximately 31.36% of domestic shares in issue and approximately 23.05% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (2) NEIC held 42,109,511 domestic shares, accounting for approximately 6.27% of domestic shares in issue and approximately 4.61% of the total shares in issue and held 3,996,000 H shares, accounting for approximately 1.65% of H shares in issue and approximately 0.44% 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. NEIC held 100% equity interest of PEGL and in total held 256,766,955 shares in the Company which was held as corporate interest or in the capacity of beneficial owner, accounting for approximately 28.10% of the total shares in issue. (3) China Huarong held 82,811,667 domestic shares, accounting for approximately 12.33% of domestic shares in issue and approximately 9.06% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (4) Tang Hanbo (唐漢博) held 25,768,000 H Shares, accounting for approximately 10.65% of H Shares in issue and approximately 2.82% 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. (5) 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. (6) Tuesday Thirteen Inc., held 21,978,000 H Shares, accounting for approximately 9.08% of H Shares in issue and approximately 2.41% 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.

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 2015.

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 2015, 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	Effective date of appointment	Expire date 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 in the year	Reason for the change	Total remuneration received from the Company during the reporting period (before tax) (RMB'000)	Remuneration received from the connected parties of the company
Lai Weide	Chairman, Executive Director	M	58	2010-05-28	2018-06-30	0	0	0	-	0	YES
Xu Guofei	Vice Chairman, Executive Director	M	54	2005-06-29	2018-06-30	2,546	2,546	0	-	0	YES
Yu Yanqiu	Vice Chairman, Non-executive Director	M	57	2015-06-30	2018-06-30	0	0	0	-	0	YES
Deng Weiming	Non-executive Director	M	52	2010-05-28	2018-06-30	0	0	0	-	0	YES
Lu Qing	Non-executive Director	M	51	2006-06-30	2018-06-30	0	0	0	-	0	YES
Xia Dechuan	Executive Director	M	46	2015-06-30	2018-06-30	0	0	0	-	0	NO
Du Jie	Independent Non-executive Director	F	61	2015-06-30	2018-06-30	0	0	0	-	4.00	NO
Chu Wai Tsun, Vincent	Independent Non-executive Director	M	42	2012-03-06	2018-06-30	0	0	0	-	4.00	NO
Zhang Chun	Independent Non-executive Director	M	37	2015-06-30	2018-06-30	0	0	0	-	4.00	NO
Zhang Yinqian	Chairman of the Supervisory Committee	M	61	2013-09-26	2018-06-30	0	0	0	-	0	YES
Fu Yuanyuan	Supervisor representing employees	F	44	2012-03-06	2018-06-30	0	0	0	-	20.20	NO
Zhou Yuxin	Supervisor representing employees	M	52	2008-10-28	2018-06-30	0	0	0	-	20.20	NO
Xia Dechuan	General Manager	M	46	2011-10-24	2018-06-30	0	0	0	-	58.93	NO
Liu Kun	Deputy General Manager	M	50	2002-08-14	2018-06-30	0	0	0	-	52.00	NO
Zhou Guixiang	Deputy General Manager	M	45	2011-12-09	2018-06-30	1,639	1,639	0	-	52.00	NO
Shen Jianlong	Chief Accountant, secretary to the Board, Company Secretary	M	53	2006-04-20	2018-06-30	0	0	0	-	52.00	NO
Guo Qing	Deputy General Manager	M	54	2013-07-24	2018-06-30	0	0	0	-	52.00	NO
Hsuan Jason	Former Non-executive Director	M	72	2009-12-23	2015-06-30	0	0	0	-	0	YES
Zhang Xiuhua	Former Independent Non-executive Director	F	71	2012-03-06	2015-06-30	0	0	0	-	0	NO
Liu Danping	Former Independent Non-executive Director	F	59	2012-03-06	2015-06-30	0	0	0	-	0	NO
Total						4,185	4,185	0		319.33	

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)

1. The Eighth Session of the Board and the Supervisory Committee were elected at the 2014 annual general meeting on 30 June 2015. In 2015, the total remunerations of Directors, supervisors and senior management members were RMB3.1933 million, which was within the range approved by the general meeting. Of such total remunerations, RMB2.7893 million was for the Directors and senior management, and RMB0.404 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 RMB0.60 million for the year. The pension scheme for the executive Directors and supervisors has been included in the scope of the pension scheme for employees of the Company, with no other special arrangements.
2. In 2015, Independent Non-executive Directors Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun received remuneration from the Company up to RMB120,000. They did not receive remuneration from shareholders or other related parties.

Save as disclosed above, during the reporting period, none of the Directors, Supervisors and senior management staff of the Company had any interests or short positions which 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 2015, 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 (in particular between the chairman of the Board and the chief executive officer), including financial, business, family or other material or relevant relationships.

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

I. Change in Shareholdings and Remuneration (continued)

(II) Profiles

1. Executive Directors

Mr. LAI Weide, born in 1958, is a senior accountant and holds a master's degree in engineering from University of Electronic Science and Technology of China. 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 CEC and General Manager of NEIC etc. He is now a Deputy General Manager of CEC, the Chairman of NEIC, the Chairman of PEGE and the Chairman of the Company. He has engaged in the work of operation and management in central enterprises for a long period and has substantial experience in business management.

Mr. XU Guofei, born in 1962, is a senior post-graduate engineer and holds a master's degree. Mr. Xu has served as standing Deputy Manager of the Communication Equipment Department and General Manager of the Military Communications Department of PEGE, Deputy General Manager and General Manager of PEGE and Deputy General Manager of NEIC etc. Mr. Xu has been the General Manager of PEGE since November 2004, the General Manager of NEIC since July 2010, assistant to the General Manager of CEC since June 2014, chairman of CEC Panda Flat Panel Display Technology Co., Ltd. since August 2014 and chairman of CEC Panda LCD Technology Co, Ltd. since December 2014. He is currently the Vice Chairman of the Company. 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.

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 PEGE, 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 Information Industry Company from July 2008 to July 2013. He has been the General Manager of the Company since October 2011. and he was concurrently the Communist Party Committee Secretary of the Company from October 2011 to February 2015. Mr. Xia was appointed as an executive Director of the Company in June 2015. 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 (continued)

2. Non-executive directors

Mr. Yu Yanqiu, born in 1959, graduated from Xidian University in 1982 majoring in radar engineering, and is a post-graduate level senior engineer. He currently serves as the deputy general manager of NEIC. Mr. Yu has held several positions including the designer, secretary to the plant office, deputy director of the equipment sub-plant, director of the equipment sub-plant and secretary to the Party Branch of the State-operated Plant No. 772 (國營第七七二廠), and concurrently served as the director of the Applied Complete Machine Business Division. He successively served as the deputy director and director of the State-operated Plant No. 772, the chairman and general manager of Nanjing Sanle Group Co., Ltd. (南京三樂集團有限公司), the deputy general manager of NEIC and the general manager of Nanjing Sanle Electronics Information Industry Group Co., Ltd. (南京三樂電子信息產業集團有限公司), and concurrently served as the vice chairman of Walton Advanced Engineering Inc. (華東科技股份有限公司), the chief engineer and executive deputy general manager of NEIC, and concurrently served as the chairman of Nanjing China Electronics Panda Lighting Co., Ltd.

Mr. Deng Weiming, born in 1964, graduated from Huazhong College of Technology (Now known as Huazhong University of Science and Technology) majoring in information engineering and graduated from Nanjing University of Aeronautics and Astronautics with master's degree in Management Science and Engineering. He is a senior engineer and holds a master's degree. Mr. Deng has served in PEGL as Office Head, Deputy Head, Head and deputy chief engineer of the First Design Institute, General Manager of Communications Department and Deputy General Manager of PEGL. He has been a Deputy General Manager of PEGL since July 1999 until now, and the General Manager of Nanjing CEC-Panda Home Appliances Co., Ltd. since June 2009 until now and the General Manager of Nanjing Panda Electronics Import and Export Co., Ltd. since January 2011 until now. Mr. Deng Weiming has engaged in the work of communication technology development and management for a long period and has extensive knowledge of electronics technology and experience in 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 PEGL 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 Assistant General Manager and Deputy General Manager of PEGL etc. He has been a Deputy General Manager of PEGL and the General Manager of Nanjing Panda Handa Technology Co., Ltd. since January 2009 until now. Mr. Lu Qing has engaged in the development and management of communication technology for a long period and has extensive knowledge of electronics profession and experience in operation management.

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

I. Change in Shareholdings and Remuneration (continued)

(II) Profiles (continued)

3. Independent non-executive directors

Ms. Du Jie, born in 1955, holds a doctoral degree and a certified accountant qualification. She served as the chief accountant of the First Division of No. 1 Engineering Bureau of Ministry of Electric Power (電力部第一工程局一處) and was a teacher of Jilin School of Commerce (吉林商業專科學校). She is currently a professor and a doctoral Tutor of the School of Economics of Jilin University. She is also a member of the 12th session of the CPPCC. As Ms. Du Jie has long been engaged in the research and education of financial management and finance, she has gained a relatively high level of expertise and extensive experience in the field.

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. Chu Wai Tsun, Vincent served as Audit Manager in PricewaterhouseCoopers from April 2005 to December 2009, and Senior Audit Manager in Baker Tilly Hong Kong 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. Chu Wai Tsun, Vincent has engaged in auditing and finance work for a long period and has extensive experience in financial management.

Mr. Zhang Chun, born in 1979, is a bachelor's degree holder. He served as a law teacher of Jinling Institute of Technology from June 2000 to April 2004, and works for Jiangsu Liu Hong Law Firm as a full-time lawyer since May 2004. Mr. Zhang Chun has worked for several enterprises and public institutions as a legal adviser for years and has extensive practical experience in legal practice related to corporate operation and management.

4. Supervisors

Mr. Zhang Yinqian, born in 1955, is a senior engineer with Bachelor's degree. Mr. Zhang previously served as the deputy president, the deputy secretary of the Party Committee and the secretary of the Discipline Inspection Committee of Huadong Electronics Group Company (華東電子集團公司), the general manager of Huadong Electronics Information & Technology Co., Ltd. (華東電子信息科技股份有限公司), and the secretary of the Party Committee and the deputy executive president of Huadong Electronics Group Co., Ltd (華東電子集團有限公司), etc. He was the provisional deputy secretary of the Party Committee and the provisional secretary of the Discipline Inspection Committee of NEIC 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 NEIC from October 2008 to August 2014. He has been the secretary of the Party Committee and the secretary of the Discipline Inspection Committee of NEIC since August 2014. 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 NEIC from August 2008 to September 2014, the chairman of the Labor Union of NEIC since December 2010 until now and the secretary of the Party Committee of PEGE since April 2011 until now. He was appointed as the Chairman of the Supervisory Committee of the Company in September 2014. Mr. Zhang Yinqian has long been engaged in enterprise management and has extensive experience in operation and management.

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

I. Change in Shareholdings and Remuneration (continued)

(II) Profiles (continued)

4. Supervisors (continued)

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 the Company and Finance Manager of Nanjing Panda Electronics Manufacturing Co., Ltd. since 2007 up to now. She is now the director of the Audit Department and a Supervisor of the Company. 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 and is now mainly in charge of the internal audit of the Company.

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 the Company. Mr. Zhou has engaged in the work of corporate management for a long period, has extensive knowledge of and experience in corporate management and is now mainly in charge of matter with respect to the Labor Union of the Company.

5. Senior management

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 PEGE, 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 Information Industry Company from July 2008 to July 2013. He has been Deputy General Manager of the Company since October 2011 and was Communist Party Committee Secretary of the Company from October 2011 to February 2015. Mr. Xia was appointed as an executive Director of the Company in June 2015. He has long been engaged in the management of information technology industries, has extensive professional knowledge and experience in operation and management and now takes full charge of the operating and management of the Company.

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 the Company etc. He has been a Deputy General Manager of the Company since August 2002 up to now, and the General Manager of Electronics Equipment Company 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, has extensive professional knowledge and experience in operation and management and is now mainly in charge of the overall operating of electronic equipment segment.

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

I. Change in Shareholdings and Remuneration (continued)

(II) Profiles (continued)

5. Senior management (continued)

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 PEGl etc. He has been the General Manager of Electronic Manufacturing Company since June 2004, and a Deputy General Manager of the Company since November 2011. Mr. Zhou has long been engaged in the management of electronics manufacturing, has extensive experience in operation and management and now is mainly in charge of the overall operating of Electronic Manufacturing Company and the safe production of the Company.

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 the Company etc. He has been the Chief Accountant, Secretary to the Board of the Company, and Company Secretary of the Company since April 2006. Mr. Shen has long been engaged in the management of corporate finance, has extensive professional knowledge in finance and experience in operation and management and is now mainly in charge of financial and securities matters of the Company.

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 PEGl and Deputy General Manager of Information Industry Company etc. He was the Deputy Chief Engineer of the Company, Deputy General Manager of Information Industry Company 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 2014. He was also the Standing Deputy General Manager of Information Industry Company from January 2012 to July 2013 and has been the Deputy General Manager of the Company and the concurrent General Manager of Information Industry Company since July 2013. Mr. Guo has long been engaged in business management in the industry of information technology, has extensive experience in management and professional knowledge and is now mainly in charge of the overall operating of information industry segment.

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

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

(I) Positions in shareholder entities

Name	Name of shareholder entity	Position(s)	Effective date of appointment	Expire date 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	
Explanations for holding positions in shareholder entities				

(II) Positions in other entities

Name	Name of entity	Position(s)	Start date of term of office	Expiration date of term of office
Lai Weide	CEC	Deputy General Manager	July 2010	
Xu Guofei	NEIC	Chairman	July 2010	
	CEC	Assistant to the General Manager	June 2014	
Zhang Yinqian	NEIC	General Manager	July 2010	
	NEIC	Secretary of the Party Committee	August 2014	
Yu Yanqiu	NEIC	Deputy General Manager	July 2010	
Deng Weiming	Nanjing CEC-Panda Home Appliances Co., Ltd.	General Manager	June 2009	
Lu Qing	Nanjing Panda Handa Technology Co., Ltd.	General Manager	January 2007	
Explanations for holding positions in other entities				

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

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

Decision making process of remuneration of Directors, Supervisors and Senior Management	According to relevant requirements of the Articles of Association and the Rules of Procedure of the Remuneration and Appraisal Committee, and based on the operating results, scope of work, main duties and other information, the Remuneration and Appraisal Committee shall appraise the actual performance of the Directors and senior management and submit the appraisal result to the Board for consideration. The remuneration of Directors and supervisors shall be determined by general meetings while that of senior management by the Board.
Basis for determination of remuneration of Directors, Supervisors and Senior Management	Basis for determination of remuneration includes: achievement status of major financial indicators and operational targets of the Company, scope of work and main duties of senior management, completion of indicators contained in the position-based performance appraisal system for Directors and senior management, operational performance in respect of business innovation capability and profit-making capability of Directors and senior management, and proposed remuneration distribution plan and distribution method based on the Company's performance.
Actual payment of remuneration of Directors, Supervisors and Senior Management	Since the 2015 annual performance appraisal for the senior management of the Company has not been completed yet, the performance payment for 2015 was excluded from the remuneration during the reporting period, whereas the 2014 annual performance payment was included.
Total remuneration of Directors, Supervisors and Senior Management received at the end of the reporting period	During the reporting period, the total actual remuneration of all Directors, supervisors and senior management was RMB3,193,300 (before tax).

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

IV. Changes in Directors, Supervisors and Senior Management

Name	Position(s)	Change	Reason for the change
Lai Weide	Chairman, Executive Director	Elected	Change term of office of the Board
Xu Guofei	Vice Chairman, Executive Director	Elected	Change term of office of the Board
Yu Yanqiu	Vice Chairman, Non-Executive director	Elected	Change term of office of the Board
Deng Weiming	Non-Executive director	Elected	Change term of office of the Board
Lu Qing	Non-Executive director	Elected	Change term of office of the Board
Xia Dechuan	Executive Director	Elected	Change term of office of the Board
DU Jie	Independent Non-Executive director	Elected	Change term of office of the Board
CHU Wai Tsun, Vincent	Independent Non-Executive director	Elected	Change term of office of the Board
Zhang Chun	Independent Non-Executive director	Elected	Change term of office of the Board
Zhang Yinqian	Chairman of the Supervisory Committee	Elected	Change term of office of the Supervisory Committee
Fu Yuanyuan	Supervisor representing employees	Elected	Change term of office of the Supervisory Committee
Zhou Yuxin	Supervisor representing employees	Elected	Change term of office of the Supervisory Committee
Xia Dechuan	General Manager	Appointed	Job demands
Liu Kun	Deputy General Manager	Appointed	Job demands
Zhou Guixiang	Deputy General Manager	Appointed	Job demands
Shen Jianlong	Chief Accountant, secretary to the Board, Company Secretary	Appointed	Job demands
Guo Qing	Deputy General Manager	Appointed	Job demands
Hsuan Jason	Former Non-Executive director	Relieved	Change term of office of the Board
Zhang Xiuhua	Former Independent Non-Executive director	Relieved	Change term of office of the Board
Liu Danping	Former Independent Non-Executive director	Relieved	Change term of office of the Board

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

IV. Changes in Directors, Supervisors and Senior Management (continued)

1. On 5 June 2015, the Company convened the 20th meeting of the seventh session of the Board of the Company, at which nomination of Mr. Lai Weide, Mr. Xu Guofei, Mr. Yu Yanqiu, Mr. Deng Weiming, Mr. Lu Qing, Mr. Xia Dechuan, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun as candidates for members of the eighth session of the Board were considered and approved. Those candidates were elected at the 2014 annual general meeting of the Company convened on 30 June 2015, for a term of three years.
2. On 5 June 2015, the Company convened the 19th meeting of the seventh session of the Supervisory Committee, at which nomination of Mr. Zhang Yinqian as a supervisor representing non-employee of the eighth session of the Supervisory Committee was considered and approved and Ms. Fu Yuanyuan and Mr. Zhou Yuxin were confirmed as employee supervisors of the eighth session of the Supervisory Committee. Mr. Zhang Yinqian was elected at the 2014 annual general meeting of the Company convened on 30 June 2015, and the eighth session of the Supervisory Committee of the Company is comprised of Mr. Zhang Yinqian and two supervisor representing employees, Ms. Fu Yuanyuan and Mr. Zhou Yuxin, for a term of three years.

Please refer to the relevant announcements published in the website of Shanghai Stock Exchange, on China Securities Journal and Shanghai Securities News on 6 June 2015 and the website of the Hong Kong Stock Exchange on 5 June 2015 for details of the above matters.

3. The first meeting of the eighth session of the Board of the Company was convened on 30 June 2015.
 - (1) Mr. Lai Weide was elected as the chairman of the Company, and Mr. Xu Guofei and Mr. Yu Yanqiu were elected as the vice chairmen of the Company.
 - (2) Mr. Lai Weide (chairman), Mr. Xu Guofei (vice chairman), Mr. Yu Yanqiu (vice chairman), Mr. Xia Dechuan (director) and Mr. Chu Wai Tsun, Vincent (independent director) were elected as members of the Strategy Committee with Mr. Lai Weide as the chairman. Mr. Deng Weiming (director), Mr. Lu Qing (director), Ms. Du Jie (independent director), Mr. Chu Wai Tsun, Vincent (independent director) and Mr. Zhang Chun (independent director) were elected as members of the Audit Committee with Ms. Du Jie as the chairman. Mr. Lai Weide (chairman), Mr. Xu Guofei (vice chairman), Ms. Du Jie (independent director), Mr. Chu Wai Tsun, Vincent (independent director) and Mr. Zhang Chun (independent director) were elected as members of the Nomination Committee with Mr. Chu Wai Tsun, Vincent as the chairman. Mr. Yu Yanqiu (vice chairman), Mr. Xia Dechuan (director), Ms. Du Jie (independent director), Mr. Chu Wai Tsun, Vincent (independent director) and Mr. Zhang Chun (independent director) were elected as members of the Remuneration and Evaluation Committee with Mr. Zhang Chun as the chairman.
 - (3) Mr. Xia Dechuan was appointed as the general manager of the Company; Mr. Liu Kun, Mr. Zhou Guixiang and Mr. Guo Qing were appointed as the deputy general managers of the Company; and Mr. Shen Jianlong was appointed as the chief accountant of the Company and the secretary to the Board for a term of three years, which was the same as the term of the eighth session of the Board.

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

IV. Changes in Directors, Supervisors and Senior Management (continued)

4. On 30 June 2015, the Company convened the first meeting of the eighth session of the Supervisory Committee, at which Mr. Zhang Yinqian was elected as the chairman of the Supervisory Committee of the Company.

Please refer to the announcements published on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 1 July 2015 and the website of the Hong Kong Stock Exchange on 30 June 2015 for details of the above matters.

5. Mr. Hsuan Jason (former non-executive director) and Ms. Zhang Xiuhua (former independent non-executive director) and Ms. Liu Danping (former independent non-executive director) did not perform duties of directors of the Company any longer due to expiration of the term of office.

V. Punishment by Securities Regulatory Authorities in the Last Three Years: N/A

VI. Details of Staff of the Company and Major Subsidiaries

(I) Details of staff

Number of on-the-job employees of the Company	408
Number of on-the-job employees of major subsidiaries	3,671
Total number of on-the-job employees	4,079
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	3,392

Composition of professions

Type of profession	Number of persons
Production staff	1,807
Sales staff	335
Technical staff	1,406
Financial staff	190
Administrative staff	341
Total	4,079

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

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

(I) Details of staff (continued)

Educational Background

Education level	Number of persons
Masters or above	158
Bachelors	857
Associate degree	1,098
Other	1,966
Total	4,079

(II) Remuneration policies

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

(III) Training plan

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

(IV) Labor outsourcing

Total hours of labor outsourcing (Hour)	5,419,624
Total remuneration paid to labor outsourcing (RMB)	97,553,216.51

VII. Others

In 2015, 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.

Corporate Governance

I. Explanations on Corporate Governance

(I) Basic information on corporate governance

In 2015, 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 refine its corporate governance structure and internal rules and systems, reinforced management of internal control and boosted the standard operation level of the Company. There were no material differences between the actual corporate governance of the Company and the regulative requirements of the Corporate Governance Standards for Listed Companies released by the CSRC. During the reporting period, the Company adopted and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

Pursuant to the Guidelines for the Articles of Association of Listed Companies (as amended in 2014) 《上市公司章程指引(2014年修訂)》 and the Rules for the General Meetings of Shareholders of Listed Companies (2014 Revision) 《上市公司股東大會規則(2014年修訂)》 released by the CSRC and the requirement of the Shanghai Stock Exchange in relation to providing a internet voting platform when holding a general meeting, in 2015, the Company, in consideration of its own operating situation, conducted revision and renumbering of the related provisions of the Articles of Association. Based on the actual operating situation, some amendments were made to the Rules of Procedure at General Meeting, Management Regulations of Connected Transactions (《關聯交易管理制度》) and Significant Information Internal Report System 《重大信息內部報告制度》. For details, please refer to the announcements and the related information published on the website of Shanghai Stock Exchange dated 31 March 2015 and 1 July 2015 and the website of the Hong Kong Stock Exchange on 30 March 2015 and 30 June 2015.

(II) Implementation 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 dated 17 September 2007, 15 November 2007 and 30 July 2008.

Corporate Governance (Continued)

II. Overview of General Meetings

During the reporting period, the Company convened two general meetings altogether, details of which are as follows:

Session of the meeting	Date of the meeting	Query index of the designated website where the resolutions were published	Disclosure date of the resolutions
2014 annual general meeting	2015-06-30	http://www.sse.com.cn http://www.hkex.com.hk	2015-07-01
The first extraordinary general meeting of 2015	2015-12-28	http://www.sse.com.cn http://www.hkex.com.hk	2015-12-29

The shareholders' general meeting is the source of authority of the Company, exercises its functions and powers in accordance with the law and makes decisions over material matters of the Company. The annual general meeting or extraordinary general meeting serves as a channel for direct communications between the Board and the shareholders of the Company. The Company is in strict compliance with the requirements of Articles of Association and Rules of Procedure at General Meeting, standardizes the procedure of the convening, holding and voting of the general meetings and invites lawyers as witnesses and auditors to scrutinize the voting in order to ensure all shareholders (including minority shareholders) are treated fairly and could fully exercise their rights as shareholders.

The Company issued a written notice of general meeting 45 days prior to the convening of the general meeting and dispatched circulars to the H shareholders. The Company encouraged all shareholders to attend the meeting and requested the Directors, Supervisors and senior management to attend the meeting wherever possible. The meetings were presided over by the Chairman, Vice Chairman or other directors of the Company. Auditors and representatives for each special committee of the Board were arranged to attend the meeting and questions raised by shareholders were arranged to be answered.

III. Performance of Duties by Directors

The eighth session of the Board, which was elected at the 2014 annual general meeting held on 30 June 2015, 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 accountable to the general meeting. Its duties mainly include: convening general meetings and reporting the work thereto; implementing resolutions passed at the general meeting; deciding on the operation plans and investment proposals of the Company; appointing and relieving General Manager and senior management of the Company (details are set out in the Article 127 of Chapter 10 of the Articles of Association). During the reporting period, the Board strictly carried out the resolutions approved at the general meetings, and in line with the principle of integrity and diligence, will continue to earnestly work for the best interest of the Company and its shareholders.

Corporate Governance (Continued)

III. Performance of Duties by Directors

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 Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange regarding 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 regarding securities transactions by directors 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 responsibility of formulating and reporting 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 attendance at Board meetings	Attendance at Board meetings				Absence in person from the Board meetings for two consecutive times	Attendance at general meetings
			Attendance in person	Attendance by way of communications	Attendance by proxy	Absence		
Lai Weide	No	13	13	11	0	0	No	0
Xu Guofei	No	13	13	11	0	0	No	2
Yu Yanqiu	No	6	6	5	0	0	No	2
Deng Weiming	No	13	13	11	0	0	No	2
Lu Qing	No	13	12	11	1	0	No	2
Xia Dechuan	No	13	13	11	0	0	No	2
Du Jie	Yes	6	6	5	0	0	No	2
Chu Wai Tsun, Vincent	Yes	13	12	11	1	0	No	2
Zhang Chun	Yes	6	6	5	0	0	No	2
Hsuan Jason	No	7	6	6	1	0	No	0
Zhang Xiuhua	Yes	7	7	6	0	0	No	0
Liu Danping	Yes	7	7	6	0	0	No	0

Number of Board meetings held in the year	13
Of which: Number of on-site meetings	2
Number of meetings held by way of communication	11
Number of on-site meetings combined with the communication means	0

Corporate Governance (Continued)

III. Performance of Duties by Directors (continued)

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

In 2015, the Independent Non-executive Directors of the Company did not raise any objection to the resolutions of the Board and other meetings for the year.

In 2015, 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, prudently and properly exercised their rights to express fair and objective opinions, and fully brought into play their experiences and expertise, devoting much to the improvement of corporate governance and major decisions of the Company, which practically safeguarded 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 2015 published on the website of Shanghai Stock Exchange on 22 March 2016 and on the website of the Hong Kong Stock Exchange on 21 March 2016.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his or her 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 consisted of Mr. Deng Weiming, Mr. Lu Qing, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent and was chaired by Ms. Zhang Xiuhua. The eighth session of the Audit Committee, coming into being by election at the first Board meeting of the eighth Board Committee convened on 30 June 2015, consists of Mr. Deng Weiming, Mr. Lu Qing, Ms. Du Jie, Mr. Chu Wai Tsun and Mr. Zhang Chun and is chaired by Ms. Du Jie. During the reporting period, the Audit Committee convened seven meetings:

1. The first meeting of 2015 was convened on 28 March 2015 and all members attended the meeting. At the meeting, the committee reviewed the 2014 financial report and agreed to submit such report to the Board for consideration. In addition, the re-appointment of Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) as the Company's international and PRC auditors and internal control auditors for 2015 was approved at the meeting and was submitted to the Board for consideration.

Corporate Governance (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)

2. The second meeting of 2015 was convened by way of written resolutions on 29 April 2015. All members of the Audit Committee attended the meeting to review the 2015 first quarterly report of the Company, and agreed to submit the same to the Board for consideration.
3. On 28 August 2015, the third meeting of 2015 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.
4. On 31 August 2015, an audit committee was convened by way of written resolutions and all committee members attend the meeting. At the meeting, the matters of connected transactions regarding the Non-recourse Factoring Business Contract signed between Electronic Manufacture Company, a subsidiary of the Company and the related parties were reviewed and approved. Upon agreement, such were submitted to the Board for consideration.
5. The fourth meeting of 2015 was convened by way of written resolutions on 30 October 2015. All members of the Audit Committee attended the meeting to review the 2015 third quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.
6. On 11 November 2015, an audit committee meeting was convened by way of written resolutions and all meeting members attended the meeting. At the meeting, the matters of connected transactions regarding agreements of continuing connected transactions from 2016 to 2018 to be entered into by and between the Company and the relevant connected person(s) were reviewed and approved. Upon agreement, such was submitted to the Board for consideration.

Corporate Governance (Continued)

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

(1) Audit Committee (continued)

7. On 28 December 2015, the fifth meeting of 2015 was convened and all committee members attended the meeting. At the meeting, it was heard: the report of audit work plan for 2015 annual report and the relevant situation; 2015 production and operation, financial position and progress of material matters; 2015 internal control audit work plan and auditing situation; 2015 internal control evaluation work plan and the relevant situation. At 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 coordinate 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 time frame and of high quality. In case of major issues, timely report of such issues was required. 2015 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 endeavoured 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 and strengthen its major business, and further enhance 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, coordinate 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 2015 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 2015 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 (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 consisted of Mr. Lai Weide, Mr. Xu Guofei, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent and was chaired by Ms. Liu Danping. The eighth session of nomination committee, coming into being by election at the first Board meeting of the eighth session of Board Committee on 30 June 2015, consists of Mr. Lai Weide, Mr. Xu Guofei, Ms. Du Jie, Mr. Chu Wai Tsun and Mr. Zhang Chun and is chaired by Mr. Chu Wai Tsun.

1. On 28 March 2015, 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 Kong Stock Exchange.
2. On 5 June 2015, the Nomination Committee of the seventh Board held a meeting, and all the members of the Committee attended the meeting. After discussion, Mr. Lai Weide and Mr. Xu Guofei were nominated as candidates for executive directors of the eighth session of the Board Committee; Mr. Yu Yanqiu, Mr. Deng Weiming and Mr. Lu Qing were nominated as candidates for non-executive directors of the eighth session of the Board; Mr. Xia Dechuan, general manager of the company, was nominated as candidate for executive director of the eighth session of the Board; and Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun were nominated as candidates for independent non-executive directors of the eighth session of the Board.
3. On 30 June 2015, the Nomination Committee under the eighth session of Board convened the first meeting of 2016 with full attendance. After discussion, the Nomination Committee nominated Mr. Xia Dechuan as candidate for the general manager of the company, Mr Liu Kun, Mr. Zhou Guixiang and Mr. Guo Qing as candidates for deputy general managers of the company and Mr. Shen Jianlong as candidate for secretary to the Board and candidate for Chief Accountant of the company.

Corporate Governance (Continued)

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

(III) Strategy Committee

The Strategy Committee of the seventh Board consists of Mr. Lai Weide, Mr. Xu Guofei, Mr. Deng Weiming, Mr. Xia Dechuan and Mr. Chu Wai Tsun, Vincent and is chaired by Mr. Lai Weide. Mr. Xia Dechuan was appointed as a member of the Strategy Committee of the seventh session of the Board on 26 September 2014. The members of Strategy Committee under the eighth session of the Board were elected and approved at the first Board meeting of the eighth session of Board on 30 June 2015. They are Mr. Lai Weide, Mr. Xu Guofei, Mr. Yu Yanqiu, Mr. Xia Dechuan and Mr. Chu Wai Tsun, Vincent respectively with Mr. Lai Weide as the chairman. On 28 March 2015, the Strategy Committee of the Seventh Session of the Board convened a meeting 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, 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 continue 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.

(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 2014. The eighth session of Remuneration and Evaluation Committee, coming into being by election at the first Board meeting of the eighth session of Board on 30 June 2015, consists of Mr. Yu Yanqiu, Mr. Xia Dechuan, Ms. Du Jie, Mr. Chu Wai Tsun and Mr. Zhang Chun and is chaired by Mr. Zhang Chun.

1. On 28 March 2015, 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.

Corporate Governance (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 *(continued)*

2. On 30 June 2015, the Remuneration and Evaluation Committee under the eighth session of Board convened a meeting with full attendance. At the meeting, recommendation was made to the Board that the remuneration of the members of the eighth session of Board shall be decided upon the basis that the aggregate annual remuneration for the directors, supervisors and the senior management shall not exceed RMB4.5 million.

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. Independence of Business, Staff, Asset, Organization and Finance between the Company and its Controlling Shareholder and Capability of Independent Operating.

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 (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” (《南京熊猫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. Self-assessment Report on the Internal Control

During the reporting period, the Board has conducted a review of the effectiveness of the internal control system of the Groups and considers them effective and adequate. 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 2015) (《公開發行證券的公司信息披露內容與格式準則第2號—年度報告的內容與格式(2015年修訂)》) of the CSRC and the Notice on the Preparation of 2015 Annual Reports by Listed Companies (《關於做好上市公司2015年年度披露報告工作的通知》) 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 2015, which was disclosed along with the 2015 annual report. For details, please refer to the relevant announcement published on the website of the Shanghai Stock Exchange on 22 March 2016 and the website of the Hong Kong Stock Exchange on 21 March 2015.

IX. Auditors’ Report on Internal Control

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. For details, please refer to the relevant announcement published on the website of the Shanghai Stock Exchange on 22 March 2016 and the website of the Hong Kong Stock Exchange on 21 March 2015.

X. Others

(I) Chairman and Chief Executive Officer

The main duties of Chairman of the Board are to preside over 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 Eighth Session of the Board held on 30 June 2015.

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 eighth Board on 30 June 2015.

Corporate Governance (Continued)

X. Others (continued)

(II) Auditors remuneration

Baker Tilly China (Special General Partnership) was engaged as the Company's PRC auditor and internal control auditor for 2015. Baker Tilly Hong Kong Limited was engaged as the Company's international auditor for 2015. Remuneration paid by the Company to the abovementioned two certified public accountants for their audit services for the annual report was aggregately RMB1,900,000, of which RMB1,200,000 was paid to Baker Tilly China (Special General Partnership) while RMB700,000 was paid to Baker Tilly Hong Kong Limited.

(III) 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.

(IV) Shareholders Rights

Pursuant to Article 76 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.

Corporate Governance (Continued)

X. Others (continued)

(IV) Shareholders Rights (continued)

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 5 of this report.

(V) 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.

(VI) 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 2015 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.

(VII) Other

There was no trading in shares by Directors, supervisors and senior management in contravention of relevant regulations in the year of 2015.

Financial Report

This 2015 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 118 to 190, which comprise the consolidated and company statements of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 financial position of the Company and of the Group as at 31 December 2015 and of the Group's financial performance 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, 21 March 2016

Chan Kwan Ho, Edmond

Practising Certificate Number P02092

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Turnover	7	3,570,627	3,450,690
Cost of sales		(3,100,955)	(2,980,123)
Gross profit		469,672	470,567
Other income and net gains/(losses)	8	25,904	46,424
Distribution costs		(50,563)	(47,798)
Administrative expenses		(437,714)	(418,061)
Operating profit		7,299	51,132
Finance income/(costs), net	9	30,271	32,182
Share of profits of associates		185,177	137,497
Profit before taxation	10	222,747	220,811
Income tax expense	12	(33,628)	(24,385)
Profit and total comprehensive income for the year		189,119	196,426
Attributable to:			
Equity shareholders of the Company		143,837	153,230
Non-controlling interests		45,282	43,196
		189,119	196,426
Earnings per share (RMB cents)			
– Basic and diluted	13	15.74	16.77

The notes on pages 127 to 190 form part of the consolidated financial statements.

Consolidated statement of financial position

at 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	70,786	72,416
Property, plant and equipment	16	1,006,957	906,954
Investment properties	17	14,760	16,176
Associates	19	447,694	501,710
Available-for-sale equity securities	20	3,650	3,650
Capitalised development costs	21	23,275	17,593
Deferred tax assets	22	6,801	6,760
		<u>1,573,923</u>	<u>1,525,259</u>
Current assets			
Inventories	23	295,597	279,439
Trade and bills receivables	24	1,239,576	931,497
Amounts due from customers for contract work	25	131,333	231,131
Deposits, prepayments and other receivables	26	232,149	278,816
Other financial assets	27	457,000	550,000
Restricted bank deposits	28	108,420	115,626
Cash and cash equivalents	29	853,802	712,357
		<u>3,317,877</u>	<u>3,098,866</u>
Total assets		<u><u>4,891,800</u></u>	<u><u>4,624,125</u></u>
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	30	913,839	913,839
Share premium and reserves		<u>2,349,441</u>	<u>2,265,114</u>
		<u>3,263,280</u>	<u>3,178,953</u>
Non-controlling interests		<u>196,614</u>	<u>204,508</u>
Total equity		<u><u>3,459,894</u></u>	<u><u>3,383,461</u></u>

Consolidated statement of financial position (Continued)

at 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Other payables		26,276	17,251
Deferred tax liabilities	22	226	155
		<u>26,502</u>	<u>17,406</u>
Current liabilities			
Bank and other borrowings	32	93,284	113,633
Trade payables	33	910,699	772,053
Accruals and other payables	34	392,132	322,686
Tax payable		9,289	14,886
		<u>1,405,404</u>	<u>1,223,258</u>
Total liabilities		<u>1,431,906</u>	<u>1,240,664</u>
Total equity and liabilities		<u>4,891,800</u>	<u>4,624,125</u>
Net current assets		<u>1,912,473</u>	<u>1,875,608</u>
Total assets less current liabilities		<u>3,486,396</u>	<u>3,400,867</u>

Approved and authorised for issue by the board of directors on 21 March 2016.

Xu Guofei
 Director

Lu Qing
 Director

The notes on pages 127 to 190 form part of the consolidated financial statements.

Statement of financial position

at 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	12,665	13,056
Property, plant and equipment	16	367,346	377,394
Subsidiaries	18	1,466,228	1,438,553
Associates	19	111,224	111,224
Available-for-sale equity securities	20	3,650	3,650
		<u>1,961,113</u>	<u>1,943,877</u>
Current assets			
Inventories	23	25,198	16,804
Trade and bills receivables	24	102,228	81,804
Deposits, prepayments and other receivables	26	284,881	209,045
Other financial assets	27	447,000	540,000
Restricted bank deposits	28	7,215	1,899
Cash and cash equivalents	29	87,860	80,209
		<u>954,382</u>	<u>929,761</u>
Total assets		<u><u>2,915,495</u></u>	<u><u>2,873,638</u></u>
EQUITY			
Share capital	30	913,839	913,839
Share premium and reserves	31	1,629,848	1,525,675
Total equity		<u><u>2,543,687</u></u>	<u><u>2,439,514</u></u>

Statement of financial position (Continued)

at 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Other payables		12,961	4,854
Current liabilities			
Bank and other borrowings	32	5,000	4,746
Trade payables	33	36,186	28,311
Accruals and other payables	34	317,661	396,213
		358,847	429,270
Total liabilities		371,808	434,124
Total equity and liabilities		2,915,495	2,873,638
Net current assets		595,535	500,491
Total assets less current liabilities		2,556,648	2,444,368

Approved and authorised for issue by the board of directors on 21 March 2016.

Xu Guofei
 Director

Lu Qing
 Director

The notes on pages 127 to 190 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2015 (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 2015	913,839	1,424,918	(47,087)	236,514	1,874	648,895	3,178,953	204,508	3,383,461
Acquisition of additional interests in subsidiaries	-	-	757	-	-	-	757	(11,429)	(10,672)
Profit and total comprehensive income for the year	-	-	-	-	-	143,837	143,837	45,282	189,119
Dividend approved in respect of the previous year	-	-	-	-	-	(60,313)	(60,313)	-	(60,313)
Deregistration of a subsidiary	-	-	-	-	-	-	-	(1,000)	(1,000)
Capital contribution from a non-controlling shareholder	-	-	46	-	-	-	46	61	107
Profit appropriations	-	-	-	11,030	-	(11,030)	-	-	-
Transfer to accumulated profits	-	-	-	-	(394)	394	-	-	-
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	(40,808)	(40,808)
As at 31 December 2015	<u>913,839</u>	<u>1,424,918</u>	<u>(46,284)</u>	<u>247,544</u>	<u>1,480</u>	<u>721,783</u>	<u>3,263,280</u>	<u>196,614</u>	<u>3,459,894</u>

Consolidated statement of changes in equity (Continued)

for the year ended 31 December 2015 (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	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>

The notes on pages 127 to 190 form part of the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations	35	170,645	46,136
Interest paid		(3,951)	(7,984)
Income tax paid		(39,195)	(30,626)
Net cash generated from operating activities		127,499	7,526
Investing activities			
Purchase of property, plant and equipment		(186,022)	(162,741)
Acquisition of additional interests in subsidiaries		(10,672)	(4,009)
(Increase)/decrease in net amounts due with fellow subsidiaries and associates		(42,582)	36,822
Proceeds from disposals of property, plant and equipment		12,725	529
Cash paid for business combination under common control		–	(50,366)
Interest received		35,014	39,728
Dividends received from associates		238,966	39,300
Expenditures on development projects		(7,798)	(17,593)
Decrease/(increase) in other financial assets		93,000	(474,000)
Net cash generated from/(used in) investing activities		132,631	(592,330)

Consolidated statement of cash flows (Continued)

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Financing activities			
Proceeds from borrowings		323,284	313,633
Repayments of borrowings		(343,633)	(360,926)
Advances from intermediate holding company (Repayments to)/advances from immediate holding company		30	1
Repayments to non-controlling shareholders upon deregistration of subsidiaries		(4,384)	863
Repayments to non-controlling shareholders upon deregistration of subsidiaries		(1,000)	–
Capital contribution from a non-controlling shareholder		107	–
Dividends paid to equity shareholders of the Company		(60,313)	(60,313)
Dividends paid to non-controlling shareholders of subsidiaries		(40,116)	(35,831)
Dividends paid to former shareholder of a subsidiary relating to business combination under common control		–	(1,750)
Decrease/(increase) in restricted bank deposits		7,206	(44,780)
Net cash used in financing activities		(118,819)	(189,103)
Net increase/(decrease) in cash and cash equivalents		141,311	(773,907)
Cash and cash equivalents at beginning of the year		712,357	1,495,159
Effect of foreign exchange rate changes		134	(8,895)
Cash and cash equivalents at end of the year	29	853,802	712,357

The notes on pages 127 to 190 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. 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.

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, PEGL, 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. Accordingly, the acquired assets and liabilities are stated as the predecessor’s values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if Shenzhen Jinghua had always been part of the Group.

Notes to the Consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.1 Basis of preparation (*continued*)

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.

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 statement of financial position 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 profit or loss and other 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 statement of financial position.

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.

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)

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 statement of financial position, 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.

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 statement of financial position, 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 the end of each reporting period 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 are classified as operating leases, 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, annually.

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 statement of financial position 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 the end of each reporting period 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.

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*)

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).
- 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.

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)

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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.

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 (*continued*)

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 of disposal 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 end of the reporting period. 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 statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

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.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

2 Summary of significant accounting policies (continued)

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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

2 Summary of significant accounting policies (continued)

2.18 Income tax (continued)

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

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

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

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

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

2.19 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.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

2 Summary of significant accounting policies (continued)

2.19 Financial guarantees (continued)

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.

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.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

2 Summary of significant accounting policies (continued)

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.

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.

Notes to the Consolidated financial statements (*Continued*)

(Expressed in Renminbi)

2 Summary of significant accounting policies (*continued*)

2.22 Foreign currency translation (*continued*)

(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 year end 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 end of the reporting period 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.

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

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 statement of financial position 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 of 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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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 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:

- Annual improvements to HKFRSs 2010 – 2012 cycle
- Annual improvements to HKFRSs 2011 – 2013 cycle

The adoption of these amendments 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 2015 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 2012–2014 cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	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 they 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 2015, 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 RMB1,077,000 higher/lower and RMB1,424,000 lower/higher (2014: RMB804,000 higher/lower and RMB184,000 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:

	2015		2014	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
Variable rate instruments:				
Other financial assets	3.50% – 3.95%	457,000	2.86% – 5.60%	550,000
Bank deposits	0.35% – 1.10%	853,148	0.35% – 2.55%	711,713
Bank and other borrowings	–	–	6.00%	(30,000)
		<u>1,310,148</u>		<u>1,231,713</u>

(ii) Sensitivity analysis

At 31 December 2015, 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 RMB9,826,000 (2014: RMB9,238,000). 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 reporting period.

(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.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

4 Financial Risk Management (continued)

(b) Credit risk (continued)

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 39.06% (2014: 29.06%) 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 statement of financial position 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 end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000	After 1 year RMB'000
2015				
Bank and other borrowings	93,284	93,284	93,284	–
Trade payables	910,699	910,699	910,699	–
Accruals and other payables	418,408	418,493	391,511	26,982
	<u>1,422,391</u>	<u>1,422,476</u>	<u>1,395,494</u>	<u>26,982</u>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

4 Financial Risk Management (continued)

(c) Liquidity risk (continued)

The Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000	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>
The Company	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000	After 1 year RMB'000
2015				
Bank and other borrowings	5,000	5,000	5,000	–
Trade payables	36,186	36,186	36,186	–
Accruals and other payables	330,622	330,682	317,519	13,163
	<u>371,808</u>	<u>371,868</u>	<u>358,705</u>	<u>13,163</u>
The Company	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000	After 1 year RMB'000
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>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

4 Financial Risk Management (continued)

(d) Categories of financial instruments

The Group	2015 RMB'000	2014 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	2,305,391	1,889,025
Available-for-sale equity securities	3,650	3,650
Other financial assets	457,000	550,000
	2,766,041	2,442,675
Financial liabilities		
Financial liabilities at amortised cost	1,422,391	1,225,623
The Company	2015 RMB'000	2014 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	480,087	371,396
Available-for-sale equity securities	3,650	3,650
Other financial assets	447,000	540,000
	930,737	915,046
Financial liabilities		
Financial liabilities at amortised cost	371,808	434,124

(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	2015	2014
	RMB'000	RMB'000
At 1 January	550,000	76,000
Payments for purchases	2,503,000	4,717,000
Proceeds from settlements	(2,596,000)	(4,243,000)
	<u>457,000</u>	<u>550,000</u>
	<u>457,000</u>	<u>550,000</u>

The Company	2015	2014
	RMB'000	RMB'000
At 1 January	540,000	–
Payments for purchases	1,902,000	3,461,000
Proceeds from settlements	(1,995,000)	(2,921,000)
	<u>447,000</u>	<u>540,000</u>
	<u>447,000</u>	<u>540,000</u>

During the years ended 31 December 2015 and 2014, 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 2015 and 2014.

5 Capital risk management

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

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

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

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

5 Capital risk management (continued)

The gearing ratios as at 31 December 2015 and 2014 were as follows:

	2015 RMB'000	2014 RMB'000
Total borrowings	93,284	113,633
Less: Cash and cash equivalents	(853,802)	(712,357)
Net cash	(760,518)	(598,724)
Total equity (excluding non-controlling interests)	3,263,280	3,178,953
Total capital (total equity plus net debt)	3,263,280	3,178,953
Gearing ratio	—	—

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.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

6 Critical accounting estimates and judgements (continued)

(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 the end of each reporting period and makes provision for obsolete items. Management reassesses the estimation on the end of each reporting period.

(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.

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 2015, 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 2015 and 2014:

Year ended 31 December 2015

	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	1,762,076	735,371	895,380	177,800	-	3,570,627
Internal sales	88,369	472,887	13,035	64,536	(638,827)	-
Total	<u>1,850,445</u>	<u>1,208,258</u>	<u>908,415</u>	<u>242,336</u>	<u>(638,827)</u>	<u>3,570,627</u>
Results						
Segment results	<u>79,165</u>	<u>14,555</u>	<u>41,441</u>	<u>55,246</u>	<u>(71,750)</u>	<u>118,657</u>
Unallocated corporate expenses						(111,358)
Interest income						35,014
Interest expense						(4,743)
Share of profits of associates						185,177
Income tax expense						<u>(33,628)</u>
Profit for the year						<u>189,119</u>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

7 Revenue and segmental information (continued)

At 31 December 2015

	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	2,623,852	357,535	711,190	491,109	(721,868)	3,461,818
Associates						447,694
Available-for-sale equity securities						3,650
Other financial assets						457,000
Unallocated corporate assets						521,638
Consolidated total assets						4,891,800
Liabilities						
Segment liabilities	1,175,735	163,654	300,019	189,698	(451,000)	1,378,106
Unallocated corporate liabilities						53,800
Consolidated total liabilities						1,431,906

	Electronic equipment products RMB'000	Consumer electronic products RMB'000	Electronic manufacturing products RMB'000	Other operations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Other information						
Capital expenditure	159,260	1,721	20,004	2,584	13,343	196,912
Depreciation and amortisation	21,340	6,787	26,737	7,587	18,762	81,213
Write-down of inventories	7,862	350	9,617	-	-	17,829
Loss/(gain) on disposals of property, plant and equipment	662	23	85	4	(508)	266
Impairment loss recognised/(reversed) on trade receivables	2,992	2,416	11	1,199	(50)	6,568
Impairment loss recognised on property, plant and equipment	44	-	-	25	-	69

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

7 Revenue and segmental information (continued)

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	<u>1,659,197</u>	<u>857,941</u>	<u>972,823</u>	<u>223,251</u>	<u>(262,522)</u>	<u>3,450,690</u>
Results						
Segment results	<u>96,354</u>	<u>14,509</u>	<u>36,944</u>	<u>55,785</u>	<u>(46,691)</u>	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						<u>(24,385)</u>
Profit for the year						<u>196,426</u>

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						<u>540,607</u>
Consolidated total assets						<u>4,624,125</u>
Liabilities						
Segment liabilities	846,673	201,994	340,259	195,148	(394,804)	1,189,270
Unallocated corporate liabilities						<u>51,394</u>
Consolidated total liabilities						<u>1,240,664</u>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

7 Revenue and segmental information (continued)

At 31 December 2014 (continued)

	Electronic equipment products RMB'000	Consumer electronic products RMB'000	Electronic manufacturing products RMB'000	Other operations RMB'000	Unallocated RMB'000	Consolidated RMB'000
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

(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

Revenue from major customers, each of whom amounted to 10% or more of the Group's total revenue, is set out as below:

	2015 RMB'000	2014 RMB'000
Customer A ¹	530,299	N/A ³
Customer B ¹	375,947	N/A ³
Customer C ²	N/A ³	407,464

¹ Revenue from the electronic equipment products segment.

² Revenue from the consumer electronic products segment.

³ The corresponding revenue did not contribute 10% or more of the Group's total revenue.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

8 Other income and net gains/(losses)

	2015 RMB'000	2014 RMB'000
Other income		
Rental income	5,758	4,364
Property management fee income	2,023	3,551
Government grants [#]	9,859	34,011
Sundry income	3,448	13,422
	<u>21,088</u>	<u>55,348</u>
Other net gains/(losses)		
Loss on disposals of property, plant and equipment	(266)	(162)
Loss on deregistration of a subsidiary	–	(840)
Exchange gains/(losses)	5,082	(7,922)
	<u>4,816</u>	<u>(8,924)</u>
	<u>25,904</u>	<u>46,424</u>

[#] 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.

9 Finance income/(costs), net

	2015 RMB'000	2014 RMB'000
Finance income		
– Interest income on short-term deposits	13,235	15,067
– Interest income on other financial assets	21,779	24,661
	<u>35,014</u>	<u>39,728</u>
Finance costs		
– Bank and other borrowings	(3,951)	(6,745)
– Others	(792)	(801)
	<u>(4,743)</u>	<u>(7,546)</u>
Finance income/(costs), net	<u>30,271</u>	<u>32,182</u>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

10 Profit before taxation

Profit before taxation is arrived at after charging:

	2015 RMB'000	2014 RMB'000
Cost of inventories recognised as an expense	2,556,617	2,069,077
Amortisation of		
– land use rights	1,630	1,630
– capitalised development costs	2,116	–
Depreciation of		
– Property, plant and equipment	76,051	61,819
– Investment properties	1,416	1,446
Loss on disposals of property, plant and equipment ^{**}	266	189
Impairment loss recognised on		
– Trade receivables	6,568	11,762
– Other receivables	668	1,830
– Amounts due from fellow subsidiaries and associates	1,291	1,046
– Property, plant and equipment	69	–
Write-down of inventories	17,829	18,313
Research and development expenses [#]	183,182	178,492
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and other allowances	456,248	444,084
– Retirement benefit scheme contributions	55,072	56,441
Auditors' remuneration	1,900	1,700
Operating lease rentals in respect of		
– Land and buildings	7,089	8,286
– Plant and equipment	3,535	1,002
– Motor vehicles	1,390	1,443

[#] Research and development expenses include RMB80,220,000 (2014: RMB57,938,000) relating to staff costs which is also included in the respective amount disclosed separately above.

^{**} Loss on disposals of property, plant and equipment of RMB266,000 (2014: RMB162,000) and RMBnil (2014: RMB27,000) was included in other net gains/(losses) and cost of sales, respectively, in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

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

(a) Directors' and Supervisors' emoluments

The emoluments paid or payable to each of the fifteen (2014: twelve) Directors and Supervisors were as follows:

Year ended 31 December 2015

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	-	-	-	-
Xia Dechuan (Note i)	295	-	19	314
	<u>295</u>	<u>-</u>	<u>19</u>	<u>314</u>
Non-executive Directors:				
Lu Qing	-	-	-	-
Jason Hsuan (Note ii)	-	-	-	-
Deng Weiming	-	-	-	-
Xia Dechuan (Note ii)	295	-	19	314
Yu Yanqiu (Note i)	-	-	-	-
	<u>295</u>	<u>-</u>	<u>19</u>	<u>314</u>
Independent Non-executive Directors:				
Zhang Xiuhua (Note ii)	-	-	-	-
Liu Danping (Note ii)	-	-	-	-
Chu Wai Tsun, Vincent	-	-	-	-
Du Jie (Note i)	-	-	-	-
Zhang Chun (Note i)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 2015 (continued)

Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors:				
Zhang Yingqian	—	—	—	—
Zhou Yuxin	—	202	39	241
Fu Yuanyuan	—	202	39	241
	—	404	78	482
Total	590	404	116	1,110

Notes:

(i) Appointed on 30 June 2015.

(ii) Retired on 30 June 2015.

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

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
Independent Non-executive				
Directors:				
Zhang Xiuhua	-	-	-	-
Liu Danping	-	-	-	-
Chu Wai Tsun, Vincent	-	-	-	-
	-	-	-	-
Supervisors:				
Zhang Yingqian	-	-	-	-
Zhou Yuxin	-	190	36	226
Fu Yuanyuan	-	190	36	226
	-	380	72	452
Total	568	380	108	1,056

(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:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	4,240	4,050
Retirement benefits scheme contributions	195	184
	4,435	4,234

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 (continued)

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

	Number of employees	
	2015	2014
Nil to HKD1,000,000	1	1
HKD1,000,001 to HKD2,000,000	4	4
	<u>5</u>	<u>5</u>

12 Income tax expense

(a) Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2015	2014
	RMB'000	RMB'000
Current tax		
– PRC enterprise income tax	32,818	29,561
– Under-provision in prior year	780	45
	<u>33,598</u>	<u>29,606</u>
Deferred tax (Note 22)		
– attributable to the origination and reversal of temporary differences	30	(5,221)
	<u>33,628</u>	<u>24,385</u>

PRC enterprise income tax is charged at the statutory rate of 25% (2014: 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% (2014: 15% or 20%).

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

12 Income tax expense (continued)

(b) The income tax expense for the year can be reconciled to the accounting profit as follows:

	2015 RMB'000	2014 RMB'000
Profit before taxation	<u>222,747</u>	<u>220,811</u>
Tax calculated at the statutory PRC tax rate of 25% (2014: 25%)	55,687	55,203
Exemption/reduction of income tax under preferential tax treatment	(27,723)	(16,366)
Tax effect of:		
Share of results of associates	(27,791)	(20,631)
Expenses not deductible for tax purposes	1,398	1,649
Tax concessions	(6,554)	(4,299)
Unrecognised tax losses and other deferred tax assets	37,884	10,916
Utilisation of previously unrecognised tax losses and other deferred tax assets	(53)	(2,132)
Under-provision in prior year	<u>780</u>	<u>45</u>
Income tax expense for the year	<u><u>33,628</u></u>	<u><u>24,385</u></u>

13 Earnings per share

The calculation of the basic earnings per share is based on profit attributable to equity shareholders of the Company of RMB143,837,000 (2014: RMB153,230,000) and the weighted average number of 913,839,000 shares in issue throughout the years ended 31 December 2015 and 2014.

The diluted earnings per share for the years ended 31 December 2015 and 2014 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 the Company attributable to the year:

	2015 RMB'000	2014 RMB'000
Final dividend proposed after the end of the reporting period of RMB68 cents per ten shares (2014: RMB66 cents per ten shares)	<u><u>62,141</u></u>	<u><u>60,313</u></u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period. 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 the Company attributable to the previous financial year, approved and paid during the year:

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the financial year ended 31 December 2014, approved and paid during the year, of RMB66 cents per ten shares (2013: RMB66 cents per ten shares)	<u>60,313</u>	<u>60,313</u>

15 Land use rights

	The Group RMB'000	The Company RMB'000
Cost:		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	<u>79,459</u>	<u>15,494</u>
Accumulated amortisation:		
At 1 January 2014	5,413	2,047
Charge for the year	<u>1,630</u>	<u>391</u>
At 31 December 2014 and 1 January 2015	7,043	2,438
Charge for the year	<u>1,630</u>	<u>391</u>
At 31 December 2015	<u>8,673</u>	<u>2,829</u>
Carrying value:		
At 31 December 2015	<u>70,786</u>	<u>12,665</u>
At 31 December 2014	<u>72,416</u>	<u>13,056</u>

The land use rights are held under medium term leases in the PRC.

Notes to the Consolidated financial statements

(Expressed in Renminbi)

16 Property, plant and equipment

The Group	Buildings RMB'000	Leasehold improvements 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 2014	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 and 1 January 2015	644,145	30,112	409,772	29,337	269,883	1,383,249
Additions	–	3,346	29,580	801	155,387	189,114
Transfers	392,691	5,180	21,591	–	(419,462)	–
Disposals	(8,377)	–	(49,067)	(1,147)	(1,162)	(59,753)
As at 31 December 2015	1,028,459	38,638	411,876	28,991	4,646	1,512,610
Accumulated depreciation and impairment losses:						
As at 1 January 2014	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 and 1 January 2015	197,755	27,437	239,415	11,688	–	476,295
Charge for the year	29,411	2,894	40,683	3,063	–	76,051
Impairment losses	–	–	69	–	–	69
Written back on disposals	(2,664)	–	(43,044)	(1,054)	–	(46,762)
As at 31 December 2015	224,502	30,331	237,123	13,697	–	505,653
Carrying value:						
As at 31 December 2015	803,957	8,307	174,753	15,294	4,646	1,006,957
As at 31 December 2014	446,390	2,675	170,357	17,649	269,883	906,954

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 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 and 1 January 2015	522,153	21,934	5,479	349	549,915
Additions	–	1,642	–	12,946	14,588
Transfers	6,096	6,374	–	(12,470)	–
Disposals	(8,377)	(2,186)	(52)	–	(10,615)
As at 31 December 2015	519,872	27,764	5,427	825	553,888
Accumulated depreciation and impairment losses:					
As at 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 and 1 January 2015	153,381	17,278	1,862	–	172,521
Charge for the year	16,976	1,313	542	–	18,831
Written back on disposals	(2,664)	(2,097)	(49)	–	(4,810)
As at 31 December 2015	167,693	16,494	2,355	–	186,542
Carrying value:					
As at 31 December 2015	352,179	11,270	3,072	825	367,346
As at 31 December 2014	368,772	4,656	3,617	349	377,394

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 RMB421,004,000 (2014: RMB94,814,000).

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

17 Investment properties

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	67,697	67,521
Additions	–	176
At 31 December	<u>67,697</u>	<u>67,697</u>
Accumulated depreciation:		
At 1 January	51,521	50,075
Charge for the year	1,416	1,446
At 31 December	<u>52,937</u>	<u>51,521</u>
Carrying value	<u><u>14,760</u></u>	<u><u>16,176</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 RMB678,000,000 as at 31 December 2015 (2014: RMB603,700,000). 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

	2015 RMB'000	2014 RMB'000
Unlisted investments, at cost	1,482,633	1,454,958
Less: Impairment loss	<u>(16,405)</u>	<u>(16,405)</u>
	<u><u>1,466,228</u></u>	<u><u>1,438,553</u></u>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

18 Subsidiaries (continued)

Except for Galant Limited and CEC JWD Trading (HK) Company Limited, which are incorporated and operate in Hong Kong, all subsidiaries are incorporated and operate in the PRC. Particulars of the subsidiaries as at 31 December 2015 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.	RMB35,000,000	–	100%	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.	RMB700,000,000	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%	–	Investment holding
Shanghai Panda Robot Technology Co., Ltd. (Note i)	RMB285,000,000	100%	–	Research and development of robot and intelligent manufacturing systems and equipment

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	
Shenzhen Jinghua (Note ii)	RMB115,067,558	43.34%	–	Development, manufacture and sale of consumer electronic products, and property leasing and management
Dongguan XingJinghua Plastic Products Co., Ltd. (Note iii)	RMB1,000,000	–	23.84%	Manufacture and sale of plastic packing materials
Shenzhen Jingjia Property Management Co., Ltd. (Note iii)	RMB1,000,000	–	43.34%	Property management
Shenzhen Jinghua Property Management Co., Ltd. (Note iii)	RMB1,000,000	–	43.34%	Property management
Shenzhen Jialihua Electronics Co., Ltd. (Note iii)	RMB3,000,000	–	43.34%	Inactive
Shenzhen Jinghua Audio and Video Sales Co., Ltd. (Note iii)	RMB1,000,000	–	26.87%	Sale of consumer electronic products
Shenzhen Jinghua Information Technology Co., Ltd. (Note iii)	RMB20,000,000	–	26.87%	Development, manufacture and sale of consumer electronic products
Shenzhen Jinghua Multi-media Technology Co., Ltd. (Note iii)	RMB5,000,000	–	43.34%	Manufacture and sale of motor vehicles electronic products
Shenzhen Jinghua Digital Technology Co., Ltd. (Note iii)	RMB5,000,000	–	26.87%	Manufacture and sale of computer software and hardware
Shenzhen Jingyu Electronics Co., Ltd. (Note iii)	HKD8,500,000	–	43.34%	Manufacture and sale of electronic products
Shenzhen Longgang Jinghua Electronics Co., Ltd. (Note iii)	RMB3,500,000	–	43.34%	Leasing of investment properties
Shenzhen XingJinghua Packing Products Co., Ltd. (Note iii)	RMB1,000,000	–	23.84%	Inactive
CEC JWD Trading (HK) Company Limited (Notes i and iii)	USD100,000	–	26.87%	Sale and purchase of electronic products and components and provision of relevant technology

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

18 Subsidiaries (continued)

Notes:

- (i) Established during the year ended 31 December 2015.
- (ii) Although the Group holds a 43.34% 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.
- (iii) Held by Shenzhen Jinghua.

During the year ended 31 December 2015:

- (1) The Company acquired an additional 0.24% equity interest in Shenzhen Jinghua from a non-controlling shareholder at a cash consideration of RMB675,000.
- (2) The Group acquired an additional 30% equity interest in Nanjing Panda Mechanical Manufacturing Co., Ltd. from non-controlling shareholders at a total cash consideration of RMB9,997,000. In addition, the Group made additional capital contributions of RMB25,000,000 to Nanjing Panda Mechanical Manufacturing Co., Ltd..
- (3) The Company made additional capital contributions of RMB26,000,000 to Nanjing Panda Electronic Technology Development Co., Ltd..
- (4) Shenzhen Jinghua Internet Electronic Co., Ltd. and Dongguan Jingbanghua Electronics Co., Ltd., as 100% and 80% owned by Shenzhen Jinghua respectively, were deregistered.

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

	2015 RMB'000	2014 RMB'000
NCI percentage	56.66%	56.90%
Current assets	381,207	353,463
Non-current assets	64,724	78,864
Current liabilities	(116,561)	(113,021)
Non-current liabilities	(5,927)	-
Net assets	323,443	319,306
Carrying amount of NCI	183,263	181,673
Revenue	784,110	826,514
Profit and total comprehensive income for the year	70,638	63,098
Profit allocated to NCI	40,023	35,901
Dividend paid to NCI	(32,599)	(14,880)
Cash flow from operating activities	65,010	40,072
Cash flow from investing activities	(94)	76,604
Cash flow from financing activities	(60,393)	(50,711)

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

19 Associates

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Unlisted investments, at cost	–	–	187,688	187,688
Less: Impairment loss	–	–	(76,464)	(76,464)
Share of net assets	444,251	498,267	–	–
Goodwill	3,443	3,443	–	–
	447,694	501,710	111,224	111,224

During the year, Shenzhen Jingfa Plastics Packing Products Co., Ltd. was deregistered.

Particulars of the Group's material associates, which are all incorporated and operate in the PRC, as at 31 December 2015 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 corporate entities whose quoted market price is not available, and are accounted for using the equity method in the consolidated financial statements.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

19 Associates (continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts of the Group's interest in the consolidated financial statements, are disclosed below:

	2015		2014	
	ENC RMB'000	BMC RMB'000	ENC RMB'000	BMC RMB'000
Turnover	<u>12,708,102</u>	<u>22,865,917</u>	<u>13,571,481</u>	<u>30,242,788</u>
Profit before income tax	<u>341,104</u>	<u>1,065,637</u>	<u>28,427</u>	<u>1,025,604</u>
Income tax	<u>(34,591)</u>	<u>(555,537)</u>	<u>(4,393)</u>	<u>(364,885)</u>
Profit and total comprehensive income for the year	<u>306,513</u>	<u>510,100</u>	<u>24,034</u>	<u>660,719</u>
Profit and comprehensive income for the year attributable to the Group	<u>82,759</u>	<u>102,020</u>	<u>6,489</u>	<u>132,142</u>
Dividends received from the associates during the year	<u>108,000</u>	<u>130,966</u>	<u>–</u>	<u>39,300</u>
Financial position				
Non-current assets	<u>2,202,653</u>	<u>211,382</u>	<u>1,447,489</u>	<u>311,710</u>
Current assets	<u>3,916,839</u>	<u>3,997,831</u>	<u>9,200,827</u>	<u>5,057,650</u>
Current liabilities	<u>(5,198,381)</u>	<u>(3,283,970)</u>	<u>(9,633,718)</u>	<u>(4,299,387)</u>
Net assets	<u>921,111</u>	<u>925,243</u>	<u>1,014,598</u>	<u>1,069,973</u>
Group's share of net assets of the associates	<u>248,700</u>	<u>185,050</u>	<u>273,941</u>	<u>213,995</u>
Goodwill	<u>–</u>	<u>3,443</u>	<u>–</u>	<u>3,443</u>
Carrying amount in the consolidated financial statements	<u>248,700</u>	<u>188,493</u>	<u>273,941</u>	<u>217,438</u>

Aggregate information of associates that are not individually material:

	2015 RMB'000	2014 RMB'000
Aggregate amounts of the Group's share of those associates' profit/(loss) and comprehensive income/(loss) for the year	<u>398</u>	<u>(1,134)</u>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>10,501</u>	<u>10,331</u>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

20 Available-for-sale equity securities

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 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 end of the reporting period 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

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	17,593	–
Additions	<u>7,798</u>	<u>17,593</u>
At 31 December	<u>25,391</u>	<u>17,593</u>
Accumulated amortisation:		
At 1 January	–	–
Charge for the year	<u>2,116</u>	<u>–</u>
At 31 December	<u>2,116</u>	<u>–</u>
Carrying value	<u>23,275</u>	<u>17,593</u>

Capitalised development costs at 31 December 2015 were arisen from completed development projects (2014: incomplete development projects). The average remaining amortisation period is 5 years (2014: Nil).

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

22 Deferred taxation

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

	Trade and other receivables RMB'000	Write-down of inventories RMB'000	Accelerated tax depreciation RMB'000	Trade and other payables RMB'000	Other temporary differences RMB'000	Total RMB'000
As at 1 January 2014	71	366	–	40	907	1,384
Credited/(charged) to profit or loss	595	5,673	–	(15)	(1,032)	5,221
As at 31 December 2014 and 1 January 2015	666	6,039	–	25	(125)	6,605
(Charged)/credited to profit or loss (Note 12(a))	(90)	(165)	(150)	286	89	(30)
As at 31 December 2015	576	5,874	(150)	311	(36)	6,575

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	6,801	6,760
Deferred tax liabilities	(226)	(155)
	6,575	6,605

At 31 December 2015, the Group has unused tax losses of RMB578,627,000 (2014: RMB597,622,000) 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 (2014: RMBnil). These tax losses will expire within five years, except for RMB328,770 (2014: RMBnil) which do not expire under the current Hong Kong tax legislation.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

23 Inventories

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	69,074	72,138	5,464	5,208
Work in progress	122,762	115,912	10,065	7,570
Finished goods	103,759	91,203	9,667	4,026
Spare parts and consumables	2	186	2	—
	<u>295,597</u>	<u>279,439</u>	<u>25,198</u>	<u>16,804</u>

24 Trade and bills receivables

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	613,871	507,144	83,499	86,182
Less: Provision for impairment	(26,418)	(19,901)	(6,394)	(6,970)
	<u>587,453</u>	<u>487,243</u>	<u>77,105</u>	<u>79,212</u>
Bills receivable	200,005	195,887	18,000	300
Due from intermediate holding company	9	—	—	—
Due from immediate holding company	2,539	314	—	—
Due from fellow subsidiaries	439,993	237,131	6,965	2,287
Due from subsidiaries	—	—	158	5
Due from associates	9,577	10,922	—	—
	<u>1,239,576</u>	<u>931,497</u>	<u>102,228</u>	<u>81,804</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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Within 1 year	1,087,460	816,832	52,635	29,422
1 to 2 years	102,514	82,576	20,466	34,942
2 to 3 years	39,030	27,300	27,842	13,495
Over 3 years	10,572	4,789	1,285	3,945
	<u>1,239,576</u>	<u>931,497</u>	<u>102,228</u>	<u>81,804</u>

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

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Up to 3 months	20,362	27,437	3,756	8,420
Over 3 months	101,842	49,409	50,114	21,481
	<u>122,204</u>	<u>76,846</u>	<u>53,870</u>	<u>29,901</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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
At 1 January	19,901	59,969	6,970	8,542
Impairment loss recognised	6,568	11,762	(576)	4,182
Uncollectible amounts written off	(51)	(51,830)	—	(5,754)
At 31 December	<u>26,418</u>	<u>19,901</u>	<u>6,394</u>	<u>6,970</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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
USD	<u>50,554</u>	<u>12,129</u>	<u>—</u>	<u>—</u>

25 Amounts due from customers for contract work

	The Group	
	2015 RMB'000	2014 RMB'000
Contract costs incurred plus recognised profits less recognised losses	311,359	352,848
Less: Progress billings	<u>(180,026)</u>	<u>(121,717)</u>
	<u>131,333</u>	<u>231,131</u>

At 31 December 2015, advances received from customers for contract work amounted to RMB101,551,000 (2014: RMB105,809,000).

The project contract revenue recognised for the year ended 31 December 2015 is RMB761,419,000 (2014: RMB630,600,000).

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

26 Deposits, prepayments and other receivables

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Other receivables	105,556	131,497	55,686	94,834
Deposits and prepayments	127,020	149,875	1,840	1,565
Less: Provision for impairment	(4,732)	(4,096)	(822)	(1,128)
	<u>227,844</u>	<u>277,276</u>	<u>56,704</u>	<u>95,271</u>
Due from fellow subsidiaries	4,305	1,362	–	91
Due from subsidiaries	–	–	228,177	113,683
Due from associates	–	178	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total deposits, prepayments and other receivables	<u>232,149</u>	<u>278,816</u>	<u>284,881</u>	<u>209,045</u>

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

Deposits, prepayments and other receivables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
USD	<u>791</u>	<u>–</u>	<u>–</u>	<u>–</u>

27 Other financial assets

At 31 December 2015, other financial assets of the Group and the Company of RMB457,000,000 (2014: RMB550,000,000) and RMB447,000,000 (2014: 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 3.50% – 3.95% (2014: 2.86% – 5.60%) 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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	60,021	81,981	3,200	1,899
Performance bonds given by banks to customers in respect of projects undertaken	48,399	33,645	4,015	—
	108,420	115,626	7,215	1,899

These restricted bank deposits carry interest at market rates ranging from 0.35% to 1.30% (2014: 0.35% to 2.55%) per annum and will mature in 3 to 6 months from the end of the reporting period.

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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
JPY	20,709	47,327	—	—

29 Cash and cash equivalents

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bank deposits	853,148	711,713	87,744	80,089
Cash on hand	654	644	116	120
	853,802	712,357	87,860	80,209

Bank deposits carry interest at market rates ranging from 0.35% to 1.10% (2014: 0.35% to 2.35%) 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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
JPY	3	7,668	–	–
USD	29,353	4,871	4	4
EUR	112	483	–	–
HKD	78	70	1	1
	<u>29,546</u>	<u>13,092</u>	<u>5</u>	<u>5</u>

30 Share capital

	The Company			
	2015		2014	
	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 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 and 1 January 2015	1,424,918	18,399	215,759	1,480	(134,881)	1,525,675
Profit and total comprehensive income for the year	-	-	-	-	164,486	164,486
Dividend approved in respect of the previous year	-	-	-	-	(60,313)	(60,313)
Profit appropriations	-	-	11,030	-	(11,030)	-
As at 31 December 2015	1,424,918	18,399	226,789	1,480	(41,738)	1,629,848

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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Short term bank loans	–	30,000	–	–
Bills payable, secured	93,284	83,633	5,000	4,746
	93,284	113,633	5,000	4,746

At 31 December 2015 and 2014, all of the bills payable were secured by restricted bank deposits (see note 28).

33 Trade payables

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	865,762	707,543	26,617	10,842
Due to immediate holding company	3,754	3,241	2,796	2,114
Due to fellow subsidiaries	41,155	61,012	1,377	13,242
Due to subsidiaries	–	–	5,396	2,113
Due to associates	28	257	–	–
Total trade payables	910,699	772,053	36,186	28,311

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

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	796,015	697,256	25,834	14,087
1 to 2 years	67,748	33,570	1,056	984
2 to 3 years	12,761	9,980	753	1,451
Over 3 years	34,175	31,247	8,543	11,789
	910,699	772,053	36,186	28,311

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.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

33 Trade payables (continued)

- (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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
JPY	49,437	33,563	–	–
USD	42,715	21,282	–	–
	<u>49,437</u>	<u>33,563</u>	<u>–</u>	<u>–</u>

34 Accruals and other payables

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals and other payables	334,832	221,215	41,853	40,484
Due to ultimate holding company	34,000	34,000	–	–
Due to intermediate holding company	75	45	75	45
Due to immediate holding company	9,821	14,205	1,295	1,052
Due to fellow subsidiaries	12,244	51,833	640	538
Due to subsidiaries	–	–	273,798	354,094
Due to associates	1,160	1,388	–	–
Total accruals and other payables	<u>392,132</u>	<u>322,686</u>	<u>317,661</u>	<u>396,213</u>

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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
USD	–	602	–	–
	<u>–</u>	<u>602</u>	<u>–</u>	<u>–</u>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

35 Cash generated from operations

	2015 RMB'000	2014 RMB'000
Profit before taxation	222,747	220,811
Adjustments for:		
Interest income	(35,014)	(39,728)
Loss on disposals of property, plant and equipment	266	189
Loss on deregistration of a subsidiary	–	840
Exchange (gains)/losses	(134)	8,895
Finance costs	4,743	7,546
Depreciation and amortisation	81,213	64,895
Impairment loss recognised on trade and other receivables	8,527	14,638
Impairment loss recognised on property, plant and equipment	69	–
Write-down of inventories	17,829	18,313
Share of profits of associates	(185,177)	(137,497)
Operating cash flows before changes in working capital	115,069	158,902
Increase in inventories	(33,987)	(43,582)
Increase in trade and bills receivables	(315,938)	(155,923)
Decrease/(increase) in amounts due from customers for contract work	99,798	(58,817)
Decrease in deposits, prepayments and other receivables	47,490	26,835
Increase in trade payables	137,308	127,801
Increase/(decrease) in accruals and other payables	120,905	(9,080)
Net cash generated from operations	170,645	46,136

36 Contingent liabilities

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Performance bonds given by banks to customers in respect of projects undertaken	48,399	33,645	4,015	–
Guarantees given in respect of banking facilities made available to subsidiaries	–	–	720,000	650,000

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 RMB114,892,000 (2014: RMB149,018,000).

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

37 Commitments

(a) Capital commitments

At 31 December 2015, outstanding capital commitments not provided for in the consolidated financial statements are as follows:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for				
– Property, plant and equipment	<u>3,956</u>	<u>79,465</u>	<u>2,249</u>	<u>19,458</u>

(b) Operating lease arrangements

At 31 December 2015, the Group had future minimum lease payments under non-cancellable operating leases which are payable as follows:

	2015	2014
	RMB'000	RMB'000
Land and buildings		
Within 1 year	<u>3,363</u>	<u>2,974</u>
2–5 years	<u>1,111</u>	<u>3,093</u>
	<u>4,474</u>	<u>6,067</u>
Machineries and motor vehicles		
Within 1 year	<u>250</u>	<u>340</u>
2–5 years	<u>246</u>	<u>50</u>
	<u>496</u>	<u>390</u>
	<u>4,970</u>	<u>6,457</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.

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

37 Commitments (continued)

(b) Operating lease arrangements (continued)

At 31 December 2015, the Group had future minimum lease receipts under non-cancellable operating leases which are receivable as follows:

	2015 RMB'000	2014 RMB'000
Land and buildings		
Within 1 year	70,158	94,053
2-5 years	115,790	33,197
After 5 years	21,073	62,085
	<u>207,021</u>	<u>189,335</u>

Operating lease receipts represent rental payable by tenants for the use of the Group's properties. Leases are negotiated for average terms of 1 to 10 years with fixed rentals.

38 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:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	3,074	2,948
Retirement benefit scheme contributions	272	251
	<u>3,346</u>	<u>3,199</u>

Notes to the Consolidated financial statements (Continued)

(Expressed in Renminbi)

38 Related party transactions (continued)

(b) Transactions with other related parties

In addition to those disclosed in notes 2.1 and 36, 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 [#]	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of components and parts (Note i)	29	24	6,277	13,306	1,114,915	957,513	26,320	23,411	56,066	407,464
Purchase of components and parts (Note i)	-	-	632	396	44,453	111,222	1,711	1,365	4,639	67,783
Fees paid for welfare, support and sub-contracting services (Note ii)	-	-	320	1,568	3,029	9,014	-	-	5,544	3,572
Income for welfare, support, and sub-contracting services (Note ii)	246	180	16,669	6,837	69,430	28,497	18,751	31,659	5	-
Rental income (Note i)	-	-	37	-	1,705	1,194	81	120	721	384
Rental expenses (Note i)	-	-	32	182	180	180	-	-	-	-
Interest income (Note i)	-	-	-	-	2,983	1,969	-	-	-	-
Interest expenses (Note i)	-	-	-	-	3,438	945	-	-	-	-
Trademark income (Note ii)	-	-	-	-	567	578	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>567</u>	<u>578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Notes to the Consolidated financial statements (*Continued*)

(Expressed in Renminbi)

38 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.

During the year ended 31 December 2015, trade receivables amounting to RMB89,928,000 (2014: RMBnil) were factored without recourse to a fellow subsidiary for bills issued by another fellow subsidiary which is a financial institution in the PRC (the "FI Fellow Subsidiary"), and paid service charges totalling RMB45,000 (2014: RMBnil) to the fellow subsidiary.

At 31 December 2015, the Group placed deposits of RMB498,168,000 (2014: RMB221,908,000) with the FI Fellow Subsidiary.

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

39 Difference between HKFRSs and PRC Accounting Standards for Business Enterprises

For the years ended 31 December 2015 and 2014, there were no material differences between the consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position of the Group prepared under HKFRSs and PRC Accounting Standards for Business Enterprises.

40 Subsequent event

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 14(a).

Report of the Auditors

Baker Tilly China Ye Zi(2016) No. 3701

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 2015, 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 2015, 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 2015 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: Wang Chuanbang

Beijing, the People's Republic of China
21 March 2016

Chinese Certified Public Accountant: Zhou Weiyong

Consolidated Balance Sheet

Prepared by: Nanjing Panda Electronics Company Limited

2015/12/31

Unit: RMB

Items	Closing balance	Opening balance	Notes
Current assets			
Cash and bank	962,222,126.94	827,983,074.07	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	196,107,157.14	195,887,244.86	VI. 2
Trade receivable	1,043,468,726.23	735,609,844.69	VI. 3
Prepayments	128,556,264.84	149,271,039.10	VI. 4
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve			
Interest receivable	994,401.51	47,886.55	VI. 5
Dividends receivable			
Other receivables	102,598,457.58	129,496,602.33	VI. 6
Financial assets purchased for resale			
Inventories	426,929,637.85	510,570,319.97	VI. 7
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	457,000,000.00	550,000,000.00	VI. 8
Total current assets	3,317,876,772.09	3,098,866,011.57	
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	447,693,693.59	501,710,254.17	VI. 10
Investment properties	9,512,701.03	10,572,698.60	VI. 11
Fixed assets	988,924,408.37	630,073,976.79	VI. 12
Construction in progress	4,643,526.54	269,882,125.43	VI. 13
Construction supplies			
Clearance of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	104,391,407.06	82,342,946.12	VI. 14
Development expenses		17,592,455.22	VI. 15
Goodwill			
Long term deferred expenses	8,306,199.54	2,673,980.57	VI. 16
Deferred income tax assets			
Other non-current assets	6,800,695.69	6,760,229.70	VI. 17
Total non-current assets	1,573,922,631.82	1,525,258,666.60	
Total assets	4,891,799,403.91	4,624,124,678.17	

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

2015/12/31

Unit: RMB

Items	Closing balance	Opening balance	Notes
Current liabilities			
Short term loans		30,000,000.00	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	93,283,710.62	83,633,487.09	VI. 19
Accounts payable	910,699,210.48	772,053,064.98	VI. 20
Advances from customers	139,640,661.64	136,414,078.49	VI. 21
Financial assets sold under repurchase agreements			
Bank charges and Commissions due			
Salaries payable	30,876,393.03	37,436,284.69	VI. 22
Taxes payable	27,980,335.62	20,861,633.84	VI. 23
Interest payable			
Dividend Payable	4,181,545.34	3,489,019.43	VI. 24
Other payables	157,985,511.78	133,901,591.99	VI. 25
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	40,756,600.00	5,468,600.00	VI. 26
Total current liabilities	1,405,403,968.51	1,223,257,760.51	
Non-current liabilities			
Long term loans			
Bonds payables			
Including: Preferred shares			
Perpetual capital securities			
Long term payables			
Long term Salaries payable	26,276,064.59	17,250,831.64	VI. 27
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities	226,137.51	154,681.89	VI. 17
Other non-current liabilities			
Total non-current liabilities	26,502,202.10	17,405,513.53	
Total liabilities	1,431,906,170.61	1,240,663,274.04	

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

2015/12/31

Unit: RMB

Items	Closing balance	Opening balance	Notes
Shareholders' equity			
Share capital	913,838,529.00	913,838,529.00	VI. 28
Other equity instruments Including: Preferred shares Perpetual capital securities			
Capital reserve	1,464,242,139.28	1,463,439,040.01	VI. 29
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	245,831,957.46	234,802,138.28	VI. 30
General risk reserve			
Undistributed profits	639,366,753.93	566,873,252.64	VI. 31
Shareholders' equity of the parent company	3,263,279,379.67	3,178,952,959.93	
Non-controlling interests	196,613,853.63	204,508,444.20	
Total shareholders' equity	3,459,893,233.30	3,383,461,404.13	
Total liabilities and shareholders' equity	4,891,799,403.91	4,624,124,678.17	

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

2015

Unit: RMB

Items	Amount for the current period	Amount for the prior period	Notes
1. Total operating income	3,613,482,935.50	3,487,641,068.94	
Include: Operating income	3,613,482,935.50	3,487,641,068.94	VI.32
Interest income			
Premiums earned			
Income from Bank charges and Commissions			
2. Total operating cost	3,609,796,223.92	3,473,524,555.34	
Include: Operating cost	3,080,701,274.16	2,961,809,427.32	VI.32
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	35,075,123.68	29,036,523.97	VI.33
Selling expenses	52,987,800.34	47,797,930.15	VI.34
Administrative expenses	426,406,618.48	400,768,184.73	VI.35
Financial expenses	-11,800,026.20	1,161,359.03	VI.36
Loss in assets impairment	26,425,433.46	32,951,130.14	VI.37
Add: Income from change in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	206,956,734.21	161,318,453.29	VI.38
Include: Investment income of associates and joint ventures	185,177,439.42	137,497,737.32	VI.38
Exchange gain (losses are represented by "-")			
3. Operating profit (losses are represented by "-")	210,643,445.79	175,434,966.89	
Add: Non-operating income	14,158,738.96	47,687,662.49	VI.39
Include: Gains on disposal of non-current assets	852,255.19	274,547.36	VI.39
Less: Non-operating expenses	2,055,202.39	2,311,928.62	VI.40
Include: Loss from the disposal of non-current assets	1,118,062.92	436,268.94	VI.40
4. Total Profit (losses are represented by "-")	222,746,982.36	220,810,700.76	
Less: Income tax	33,627,824.51	24,384,653.86	VI.41
5. Net Profit (losses are represented by "-")	189,119,157.85	196,426,046.90	
Include: Net profit of the combined party occurred before consolidation		56,403,397.93	
Profit attributable to the equity shareholders of the Parent company	143,836,663.39	153,230,139.40	
Non-controlling interests	45,282,494.46	43,195,907.50	

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

2015

Unit: RMB

Items	Amount for the current period	Amount for the prior period	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	189,119,157.85	196,426,046.90	
Total comprehensive income attributable to the equity shareholders of the Parent company	143,836,663.39	153,230,139.40	
Total comprehensive income attributable to non-controlling interests	45,282,494.46	43,195,907.50	
8. Earnings per share			
(1) Basic earnings per share	0.1574	0.1677	XVII.1
(2) Diluted earnings per share	0.1574	0.1677	XVII.1

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

2015

Unit: RMB

Items	Amount for the current period	Amount for the prior period	Notes
1. Cash flows from operating activities			
Cash received from the sale of goods and rendering of services	3,783,483,572.65	3,834,242,989.88	
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	61,136,704.24	61,844,498.41	
Cash received from relating to other operating activities	114,876,757.54	242,774,326.99	VI.42
Sub-total of cash inflows from operating activities	3,959,497,034.43	4,138,861,815.28	
Cash paid on purchase of goods and services received	2,950,192,129.39	3,061,268,746.49	
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	520,568,949.23	501,531,956.77	
Cash paid for all types of taxes	173,087,465.07	144,387,551.93	
Cash paid relating to other operating activities	206,653,260.63	387,639,546.32	VI.42
Sub-total of cash outflows from operating activities	3,850,501,804.32	4,094,827,801.51	
Net cash flows from operating activities	108,995,230.11	44,034,013.77	VI.43

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

2015

Unit: RMB

Items	Amount for the current period	Amount for the prior period	Notes
2. Cash flows from investing activities:			
Cash received from disposal of investments		63,961,374.32	
Cash received from return on investments	260,745,294.79		
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	11,762,924.05	528,875.77	
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investment activities	<u>2,596,000,000.00</u>	<u>4,242,800,000.00</u>	VI.42
Sub-total of cash inflows from investing activities	<u>2,868,508,218.84</u>	<u>4,307,290,250.09</u>	
Cash paid on purchase of fixed assets, intangible assets and other long term assets	192,658,433.90	180,334,151.08	
Cash paid for acquisition of investments			
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities	10,672,879.97		
Cash paid on other investment activities	<u>2,503,000,000.00</u>	<u>4,716,800,000.00</u>	VI.42
Sub-total of cash outflows from investing activities	<u>2,706,331,313.87</u>	<u>4,897,134,151.08</u>	
Net cash flows from investing activities	<u>162,176,904.97</u>	<u>-589,843,900.99</u>	

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

2015

Unit: RMB

Items	Amount for the current period	Amount for the prior period	Notes
3. Cash flows from financing activities:			
Cash received from investment	107,000.00		
Including: cash received by subsidiaries from minority shareholders' investment	107,000.00		
Cash received from borrowings	230,000,000.00	230,000,000.00	
Cash received from issuing bonds			
Cash received from other financing activities	4,415,000.00		VI.42
Sub-total of cash inflows from financing activities	234,522,000.00	230,000,000.00	
Cash paid on repayment of borrowings	260,000,000.00	299,000,000.00	
Cash paid on distribution of dividends or profits, or interest expenses	104,380,089.45	104,722,698.19	
Including: bonus and profit paid to minority shareholders by subsidiaries	40,115,579.88	35,720,895.03	
Cash paid on other financing activities		54,374,322.32	VI.42
Sub-total of cash outflows from financing activities	364,380,089.45	458,097,020.51	
Net cash flows from financing activities	-129,858,089.45	-228,097,020.51	
4. Effect of fluctuations in exchange rates on cash	134,048.15	-8,894,732.59	
5. Net increase in cash and cash equivalents	141,448,093.78	-782,801,640.32	VI.43
Add: balance of cash and cash equivalents at the beginning of the year	712,357,169.28	1,495,158,809.60	VI.43
6. Balance of cash and cash equivalents at the end of the year	853,805,263.06	712,357,169.28	VI.43

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	2015											
	Share capital	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
Preferred shares		Perpetual capital securities	Others	Capital reserves								
1. Balance at the end of last year	913,838,529.00			1,463,439,040.01				234,802,138.28		566,873,252.64	204,508,444.20	3,383,461,404.13
Add: Change in accounting policies												
Correction of previous errors												
Business combination under common control												
Other												
2. Balance at the beginning of this year	913,838,529.00			1,463,439,040.01				234,802,138.28		566,873,252.64	204,508,444.20	3,383,461,404.13
3. Change of this year (a decrease is represented by "-")												
(1) Other comprehensive income				803,099.27				11,029,819.18		72,493,501.29	-7,894,590.57	76,431,829.17
(2) Contribution and reduction of capital by shareholders				803,099.27						143,836,663.39	45,282,494.46	189,119,157.85
i. Common stock contribution by shareholders											-12,368,979.24	-11,565,879.97
ii. Capital contribution by other equity instruments holders												
iii. Amount of share-based payment recorded in the shareholders' equity												
iv. Others				803,099.27							-12,368,979.24	-11,565,879.97
(3) Profit distribution								11,029,819.18		-71,343,162.10	-40,808,105.79	-101,121,448.71
i. Transfer to surplus reserves								11,029,819.18		-11,029,819.18		
ii. Transfer to general risk reserves												
iii. Distributions to shareholders												
iv. Others											-60,313,342.92	-40,808,105.79
(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			1,464,242,139.28				245,831,957.46		639,366,753.93	196,613,853.63	3,459,893,233.30

Legal representative of the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Consolidated Statement of Change of Shareholders' equity (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	2014												Total Shareholders' equity
	Share capital	Preferred shares	Other equity instruments Perpetual capital securities	Others	Capital reserves	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				1,501,966,314.34				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													
Business combination under common control					9,721,850.93						3,615,726.07	185,361,257.49	198,698,834.49
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	3,330,923,427.91
3. Change of this year (a decrease is represented by "-")					-48,249,125.26				2,856,113.12		88,310,354.37	9,620,633.99	52,537,976.22
(1) Other comprehensive income											153,230,139.40	43,195,907.50	196,426,046.90
(2) Contribution and reduction of capital by shareholders					-48,249,125.26							-5,284,538.71	-53,533,663.97
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							-5,284,538.71	-53,533,663.97
(3) Profit distribution									2,856,113.12		-64,919,785.03	-28,290,734.80	-90,354,406.71
i. Transfer to surplus reserves									2,856,113.12		-2,856,113.12		
ii. Transfer to general risk reserves													
iii. Distributions to shareholders													
iv. Others											-62,063,671.91	-28,290,734.80	-90,354,406.71
(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	204,508,444.20	3,383,461,404.13

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

2015/12/31

Unit: RMB

Items	Closing balance	Opening balance	Notes
Current assets			
Cash and bank	95,074,660.13	82,107,307.67	
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	18,000,000.00	300,000.00	
Trade receivable	84,227,954.78	81,504,053.04	XVI.1
Prepayments	2,097,095.90	1,559,561.86	
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve			
Interest receivable			
Dividends receivable	1,973,887.56	1,973,887.56	
Other receivables	282,783,700.03	207,485,130.55	XVI.2
Financial assets purchased for resale			
Inventories	25,198,140.07	16,804,006.58	
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	447,000,000.00	540,000,000.00	
Total current assets	956,355,438.47	931,733,947.26	
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	1,900,502,624.42	1,927,015,109.72	XVI.3
Investment properties			
Fixed assets	365,690,219.32	375,713,101.66	
Construction in progress	824,628.20	349,018.87	
Construction supplies			
Clearance of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	13,496,814.23	14,388,869.54	
Development expenses			
Goodwill			
Long term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets	2,284,164,286.17	2,321,116,099.79	
Total assets	3,240,519,724.64	3,252,850,047.05	

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

2015/12/31

Unit: RMB

Items	Closing balance	Opening balance	Notes
Current liabilities			
Short term loans			
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	5,000,441.06	4,746,292.55	
Accounts payable	36,186,447.59	28,311,456.42	
Advances from customers	2,844,371.04	80,370.00	
Financial assets sold under repurchase agreements			
Bank charges and Commissions due			
Salaries payable	4,950,679.68	5,446,383.76	
Taxes payable	6,031,331.58	7,190,572.47	
Interest payable			
Dividend Payable			
Other payables	301,578,396.56	379,221,818.93	
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	2,256,600.00	4,272,600.00	
Total current liabilities	358,848,267.51	429,269,494.13	

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

2015/12/31

Unit: RMB

Items	Closing balance	Opening balance	Notes
Non-current liabilities:			
Long term loans			
Bonds payables			
Including: Preferred shares			
Perpetual capital securities			
Long term payables			
Long term Salaries payable	12,959,937.89	4,853,882.58	
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	12,959,937.89	4,853,882.58	
Total liabilities	371,808,205.40	434,123,376.71	
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	1,434,870,834.28	
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	245,831,957.46	234,802,138.28	
General risk reserve			
Undistributed profits	274,170,198.50	235,215,168.78	
Total Shareholders' equity	2,868,711,519.24	2,818,726,670.34	
Total Liabilities and Shareholders' equity	3,240,519,724.64	3,252,850,047.05	

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	2015/12/31	2014/12/31	Notes
1. Total operating income	77,201,082.63	96,715,566.09	
Include: Operating income	77,201,082.63	96,715,566.09	XVI.4
Interest income			
Premiums earned			
Income from Bank charges and Commissions			
2. Total operating cost	222,948,648.09	245,000,366.98	
Include: Operating cost	48,161,803.72	46,787,160.57	XVI.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	1,926,518.90	2,628,090.35	
Selling expenses	4,584,195.63	4,886,690.70	
Administrative expenses	170,049,449.67	162,496,750.06	
Financial expenses	-2,303,477.80	6,451,756.02	
Loss in assets impairment	530,157.97	21,749,919.28	
Add: Income from change in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	252,625,145.19	176,351,089.87	XVI.5
Include: Investment income of associates and joint ventures	184,778,510.00	156,198,891.23	XVI.5
Exchange gain (losses are represented by "-")			
3. Operating profit (losses are represented by "-")	106,877,579.73	28,066,288.98	
Add: Non-operating income	3,851,123.40	1,064,989.30	
Include: Gains on disposal of non-current assets	607,887.68		
Less: Non-operating expenses	430,511.31	570,147.05	
Include: Loss from the disposal of non-current assets	98,600.86	10,072.66	
4. Total Profit (losses are represented by "-")	110,298,191.82	28,561,131.23	
Less: Income tax			
5. Net Profit (losses are represented by "-")	110,298,191.82	28,561,131.23	

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	2015/12/31	2014/12/31	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:	110,298,191.82	28,561,131.23	
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	2015/12/31	2014/12/31	Notes
1. Cash flows from operating activities:			
Cash received from the sale of goods and rendering of services	78,138,293.15	116,134,459.37	
Net increase in Customer and interbank deposits			
Net increase in borrowing from PBOC			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase in disposal of financial assets			
Cash received from interest, bank charges and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Refunds of taxes			
Cash received from relating to other operating activities	44,790,845.28	158,866,140.55	
Sub-total of cash inflows from operating activities	122,929,138.43	275,000,599.92	
Cash paid on purchase of goods and services received	73,784,393.64	71,968,455.44	
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	64,622,735.18	68,145,280.27	
Cash paid for all types of taxes	7,709,892.96	8,074,334.23	
Cash paid relating to other operating activities	67,418,772.95	115,335,955.62	
Sub-total of cash outflows from operating activities	213,535,794.73	263,524,025.56	
Net cash flows from operating activities	-90,606,656.30	11,476,574.36	

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	2015/12/31	2014/12/31	Notes
2. Cash flows from investing activities:			
Cash received from disposal of investments		72,977,825.39	
Cash received from return on investments	287,265,221.00		
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	6,314,000.00	4,020.39	
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investment activities	<u>2,024,467,414.67</u>	<u>2,921,000,000.00</u>	
Sub-total of cash inflows from investing activities	<u>2,318,046,635.67</u>	<u>2,993,981,845.78</u>	
Cash paid on purchase of fixed assets, intangible assets and other long term assets	12,012,372.85	6,660,257.27	
Cash paid for acquisition of investments	27,675,004.70	220,365,830.00	
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities			
Cash paid on other investment activities	<u>2,031,052,000.00</u>	<u>3,461,000,000.00</u>	
Sub-total of cash outflows from investing activities	<u>2,070,739,377.55</u>	<u>3,688,026,087.27</u>	
Net cash flows from investing activities	<u>247,307,258.12</u>	<u>-694,044,241.49</u>	

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	2015/12/31	2014/12/31	Notes
3. Cash flows from financing activities:			
Cash received from investment			
Including: cash received by subsidiaries from minority shareholders' investment	230,000,000.00	150,000,000.00	
Cash received from borrowings			
Cash received from issuing bonds			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities	230,000,000.00	150,000,000.00	
Cash paid on repayment of borrowings	230,000,000.00	200,000,000.00	
Cash paid on distribution of dividends or profits, or interest expenses	63,699,509.57	77,322,065.13	
Including: bonus and profit paid to minority shareholders by subsidiaries			
Cash paid on other financing activities	85,350,000.00		
Sub-total of cash outflows from financing activities	379,049,509.57	277,322,065.13	
Net cash flows from financing activities	-149,049,509.57	-127,322,065.13	
4. Effect of fluctuations in exchange rates on cash			
5. Net increase in cash and cash equivalents	7,651,092.25	-809,889,732.26	
Add: balance of cash and cash equivalents at the beginning of the year	80,208,790.62	890,098,522.88	
6. Balance of cash and cash equivalents at the end of the year	87,859,882.87	80,208,790.62	

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

2015

Unit: RMB

Items	Share capital	Other equity instruments			Capital reserves	Amount for the current period				General risk reserves	Unappropriate profits	Total Shareholders' equity	
		Preferred shares	Perpetual capital securities	Others		Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves				
1. Balance at the end of last year	913,838,529.00				1,434,870,834.28					234,802,138.28		235,215,168.78	2,818,726,670.34
Add: Change in accounting policies													
Correction of previous errors													
Other													
2. Balance at the beginning of this year	913,838,529.00				1,434,870,834.28					234,802,138.28		235,215,168.78	2,818,726,670.34
3. Change of this year (a decrease is represented by "-")										11,029,819.18		38,955,029.72	49,984,848.90
(1) Other comprehensive income												110,298,191.82	110,298,191.82
(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													
(3) Profit distribution										11,029,819.18		-71,343,162.10	-60,313,342.92
i. Transfer to surplus reserves										11,029,819.18		-11,029,819.18	
ii. Transfer to general 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				1,434,870,834.28					245,831,957.46		274,170,198.50	2,868,711,519.24

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

2014

Unit: RMB

Items	Share capital	Other equity instruments		Capital reserves	Amount for the prior period			Surplus reserves	General risk reserves	Unappropriate profits	Total Shareholders' equity
		Preferred shares	Perpetual capital securities		Others	Less: Treasury shares	Other comprehensive income				
1. Balance at the end of last year	913,838,529.00			1,470,969,585.14			231,946,025.16		269,823,493.58	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			1,470,969,585.14			231,946,025.16		269,823,493.58	2,886,577,632.88	
3. Change of this year (a decrease is represented by "-")				-36,098,750.86			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				319,730.28						319,730.28	
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							2,856,113.12		-63,169,456.03	-60,313,342.91	
i. Transfer to surplus reserves							2,856,113.12		-2,856,113.12		
ii. Transfer to general reserves											
iii. Distributions to shareholders									-60,313,342.91	-60,313,342.91	
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				-36,418,481.14						-36,418,481.14	
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	

Legal representative of the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Notes to the Financial Statements, Year 2015

(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 molds 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.

The Company gained approval from the document by Securities Supervision and Management Committee of the State Council on 30 October 1996 of issuing Zheng Gan Fa Zi (1996) No. 304, to issue 23,000,000 ordinary shares in RMB to the public. Selling price is RMB5.10 per share. At 14 November 1996, all fund raised were received in full and the stock was listed on Shanghai Securities Exchange at 18 November 1996. The 35,000,000 internal employee’s shares including 5,000,000 shares originally planned to be a source of financing was also listed after completion of issuing shares. Another 30,000,000 shares were listed and started circulating in 1999.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

I. Introduction of the Company (continued)

The Company obtained its enterprise legal person business license Qi Su Ning Zong Fu Zi No. 003967 on 18 April 1997. Its registered capital was 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 numbered 320100400008823 on 6 January 2011. The registered capital is RMB655,015,000. Approved business include the research, manufacture and sale of the transmission equipment of radio broadcasting and television, together with the after service, technical service, etc., the development, production and sale of communication equipment, computers and other electronic facilities; meters and instruments, cultural and office-based machinery; electrical machinery and equipment; plastic products; general equipment such as fans, scales and packaging equipment; special equipment for the processing of non-metallic products such as chemical and wood; transmission and distribution equipment; environmental, public safety and related equipment; 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. (For those business areas that require permission, business activities are conducted after relevant approval). The registered address is floors 1 and 2 on North side of No. 5 Building, Nanjing High Technology Development District. The legal representative is Xia Dechuan and the parent of the Company is Panda Electronics Group Limited.

In December 2011, China Cinda Asset Management Co., Ltd. had transferred 8.87% shares of Panda Electronic Group Co., Ltd. (hereinafter referred to as "Panda Group" or "Group") to Nanjing Electronics Information Industrial Corporation (hereinafter referred to as "NEIIC")

In 2012, according to Jiangsu Provincial government's approval "The agreement of indirectly transferring quoted shares which are hold by Panda Electronic Group Co., Ltd.-Nanjing Huadong Electronics Group Co., Ltd." (Su Zheng Fu [2009] No. 45), Jiangsu provincial State-owned assets supervision and Administration Commission's approval "the reply of amending partial state-owned property right in Panda Electronic Group Co., Ltd. with no obligation" (Su Guo Zi Fu [2012] No. 22) State Council state-owned assets supervision and Administration Commission's approval "the reply of amending the actual controller of Nanjing Panda Electronics Co., Ltd." (Guo Zi Chan Quan [2012] No.158), and under the permission of China's Securities Regulatory Commission's approval "the reply of China Electronics Corporation announce acquisition report of Nanjing Panda Electronics Company Limited" (Zheng Jian Xu Ke [2012] No. 770), Jiangsu Guoxin Investment Group Limited, Nanjing Xingang Development Corporation and Nanjing State-owned Assets Investment Management Holdings Co., Ltd. transferred 21.59% shares, 22.07% shares and 4.32% shares of Panda Group 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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

I. Introduction of the Company (continued)

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. CEC, via holding 70.00% shares of NEIIC, 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 a related party of the company, and the 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.

On June 2015, Panda Group reduced its shareholding of the company at an amount of 27,069,492 shares through the Shanghai Security Exchange System. After the reduction of holdings, Panda Group holds 307,645,508 shares of the company, which is 33.67% of total floating stock.

On August 2015, by the instruction of "The approval of the issues regarding Panda Electronic Group Co., Ltd. to transfer part of its shares of Nanjing Panda Electronics Co., Ltd. under negotiation" (SASAC [2015] No. 697) issued by the State-owned assets supervision and administration commission of China, Panda Group transferred 82,811,667 and 14,172,397 A shares to China Huarong Asset Management Co., Ltd. and China Great Wall Asset Management Corporation under a negotiation transfer. After the transfer, Panda Group now holds 210,661,444 shares of the company, with a shareholding ratio of 23.05%. Panda Group still holds 5 out of 9 members of the board, indicating it is still in control position of the company.

From July to December, 2015, NEIIC has, in total, increased its A shares of the company at an amount of 2,893,825 through directed asset management plans, which is approximately 0.32% of total shares, and has, in total, increased its H shares of the company at an amount of 3,996,000, which is 0.44% of total shares. After its increased holding, NEIIC now holds 42,109,511 A shares and 3,996,000 H shares of the company, with a shareholding ratio of 4.61% and 0.44%, respectively. With its subsidiary – Panda Group holding 23.05% percent of shares of the company, NEIIC holds 28.10% of the company in total. NEIIC's parent, China Electronics Corporation, is still the ultimate controller of the company.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

I. Introduction of the Company (continued)

This company is an incorporated company (with capital from Hong Kong and China Mainland), it lies in the industry of computer, communication and other electronic equipment manufacturing. Its product includes electronic manufacturers, electronic equipment, consumer electronics, etc. Its business duration starts from 5th Oct, 1996, with no upper limits.

The scale of consolidation of the company's financial statements is on a control basis, including its own and its subsidiaries' financial statements. Subsidiary refers to entities and corporations that are under control of the company. Consolidation scale of this year remains unchanged, despite the establishment and liquidation of several of its previously consolidated subsidiaries, which are illustrated in detail in Part VII. Change of the range of consolidation.

The Financial Statements of the Company were approved by the Board of Directors on 21 March 2016.

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)").

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

2. Accounting period and business cycle

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.

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.

Notes to the Financial Statements, Year 2015 (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

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.

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, except other comprehensive as a result of remeasurement of net defined benefit plan liability or asset.
- ② Recognize goodwill (or current profit or loss). For every single transaction that consist business combination, compare their cost of investment with the proportionate share of net identifiable value of the acquire in step ①. If the former is greater than the latter, the difference is recognized as goodwill; If the former is less than the latter, the difference is recognized as current profit and loss.

Notes to the Financial Statements, Year 2015 (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)

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;

- 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.

Notes to the Financial Statements, Year 2015 (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)

- 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, Year 2015 (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 arrangement

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, Year 2015 (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 other comprehensive income.

(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 recognized as other comprehensive income.

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, Year 2015 (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 de-recognition 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 other comprehensive income; 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 other comprehensive income, shall be recognized as investment income.

Notes to the Financial Statements, Year 2015 (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 de-recognition 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 de-recognition, 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 de-recognition, added by accumulated changes in fair value that has been recorded in other comprehensive income. When financial asset has been partially transferred and the transferred part meets the criteria of de-recognition, carrying amount of the financial asset shall be divided into two parts: the derecognized part and the under-recognized 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 other comprehensive income.

- (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, Year 2015 (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 other comprehensive income 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
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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
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Notes to the Financial Statements, Year 2015 (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

Allowance methods for receivables Allowances are recognized according to the difference between carrying amount of receivables and future estimated discounted cash flow of receivables

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 commodity held for sale during normal business activities, work-in-progress items that are still in manufacture, raw materials that are consumed during the process of manufacture, etc.

- (2) Accounting for reception and shipping of inventories

Inventories are measured at cost on 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, Year 2015 (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 recoding 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.

Notes to the Financial Statements, Year 2015 (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

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.

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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

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.

- 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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

14. Long term investments (continued)

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

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.

(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 semi-control the policy with others.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

14. Long term investments (continued)

(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 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, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

16. Fixed assets

- (1) The recognition, 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 rate (%)	Annual depreciation rate (%)
Buildings and constructions	20-30	5	3.17-4.75
Machine equipment	5-11	0-10	8.18-20.00
Transportation equipment	5-10	0-5	9.50-20.00
Electronic equipment	2-7	2-10	12.86-49.00
Other equipment	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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

16. Fixed assets (continued)

- (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.

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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

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, Year 2015 (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
Nonpatented technology	5

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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

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.

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, Year 2015 (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 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, Year 2015 (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, Year 2015 (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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

23. Revenue (continued)

(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.

(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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

23. Revenue (continued)

(5) Specific recognition principles

The company's revenue comes mainly from electronic manufacturing products, electronic equipment products, consumer electronics products and other products. Revenue comes from electronic manufacturing products is recognized according to the advice of settlement confirmed by customers; Revenue comes from equipment part of electronic equipment products is recognized according to the receipt confirmed by customers, while engineering part is recognized according to the progress payment confirmation provided by project supervision and management company; Revenue comes from consumer electronics products is recognized according to customer receipt for domestic sales and customs declaration for export. Other revenue comes from rent and property management and is recognized according to terms of the contract.

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.

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.

Notes to the Financial Statements, Year 2015 (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 (continued)

- (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.

(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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

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.

IV. Taxation

1. Taxes and tax rates

Taxes	Tax Bases	Tax Rate (%)
VAT	Sales of goods, sales of water supply etc.	17, 13, 6, 3, 2, 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	12
	70% of the original value of the property	1.2
Enterprise income tax	Taxable income	25, 20, 16.5, 15

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

IV. Taxation (continued)

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%, 6%. Small scale taxpayers' tax rate is 3%. The sales tax rate of used fixed assets whose input tax was not deducted is halved with a rate of 3%. 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%.

(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%.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

IV. Taxation (continued)

2. Important preferential tax policies (continued)

(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.

Nanjing Panda Mechanical Manufacturing Co., Ltd., a sub-sub-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 sub-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 sub-sub-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 sub-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 sub-sub-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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

IV. Taxation (continued)

2. Important preferential tax policies (continued)

(5) Enterprise income tax (continued)

Nanjing Panda Information Industry Co., Ltd, a sub-sub-subsidiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission on 10 October 2015, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201532002255). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2015 to 31 December 2017.

Nanjing Panda Electromechanical Instruments Technology Co., Ltd, a sub-sub- subsidiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission on 10 October 2015, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201532002564). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2015 to 31 December 2017.

Shenzhen Jinghua Information Technology Co., Ltd, a sub-sub-subsidiary of the Company, has passed the review of high-tech enterprise by Guangdong Science & Technology Commission on 2 November 2015, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201544201289). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2015 to 31 December 2017.

Nanjing Panda Electronic Equipment Co., Ltd, a sub-sub-subsidiary of the Company, has passed the application of high-tech enterprise by Jiangsu Science & Technology Commission on 3 November 2015, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GF201532001331). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2015 to 31 December 2017.

Galant Limited., a sub-sub-subsidiary of the Company, and CEC JWD Trading (HK) Co., Limited, a sub-sub-sub-subsidiary of the Company, are registered in Hong Kong, the applicable rate is 16.5%.

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

(6) Other taxation

Other taxation is accrued and paid as relevant regulation.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

1. Changes in accounting policy

There is no change in accounting policy of the Company during this accounting period.

2. The changes in accounting estimate

There is no change in accounting estimate of the Company during this accounting period.

3. Significant accounting error correction of prior period

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

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 2015 and 31 December 2015 respectively, and the terms "2014" and "2015" refer to year 2014 and year 2015 respectively.

1. Cash and Bank Balances

(1) Disclosure as classification

Item	Closing balance	Opening balance
Cash	654,078.59	643,825.43
Bank balances	853,147,900.68	711,713,343.85
Other cash and bank balances	108,420,147.67	115,625,904.79
Total	962,222,126.94	827,983,074.07

(2) The closing balance of the other cash and bank balances amounting to RMB108,416,863.88 mainly included bank's acceptance bill deposits, performance deposits and bid deposit and L/C deposit amounting to RMB39,308,908.49, RMB48,399,374.92, and RMB20,708,580.47 respectively.

(3) The closing balances of deposits overseas are USD1,464,418.70 and HKD175,697.11, amounting to RMB9,656,548.31.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

2. Bills Receivable

(1) Disclosure as classification

Types of Bills	Closing Balance	Opening Balance
Bank acceptance notes	<u>196,107,157.14</u>	<u>195,887,244.86</u>
Total	<u>196,107,157.14</u>	<u>195,887,244.86</u>

(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	<u>97,583,950.31</u>		
Total	<u>97,583,950.31</u>		

(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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

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	869,863,905.59	81.12	11,977,468.11	1.38
Other unsubstantial amount of accounts receivable with specific provision	<u>202,500,856.99</u>	<u>18.88</u>	<u>16,918,568.24</u>	<u>8.35</u>
Total	<u><u>1,072,364,762.58</u></u>	<u><u>100</u></u>	<u><u>28,896,036.35</u></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	597,577,912.57	78.97	9,865,441.58	1.65
Other unsubstantial amount of accounts receivable with specific provision	<u>159,121,051.87</u>	<u>21.03</u>	<u>11,223,678.17</u>	<u>7.05</u>
Total	<u><u>756,698,964.44</u></u>	<u><u>100</u></u>	<u><u>21,089,119.75</u></u>	

Notes to the Financial Statements, Year 2015 (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 China Electronics Panda Panel Display Technology Co., Ltd	268,900,418.83			Expected can be recovered
Nanjing Panda HanDa Technology Co., Ltd.	64,876,655.26	33,649.21	0.05	Current value of the expected future cash flow is lower than its carrying value
Nanjing Metro Group Co., Ltd.	63,232,961.77			Expected can be recovered
CEC Panda LCD Technology Co., Ltd.	49,954,646.16			Expected can be recovered
Shanghai Weienshi Trading Co., Ltd.	37,284,345.00			Expected can be recovered
CEC Panda Liquid Crystal Material Technology Co., Ltd.	36,761,773.78			Expected can be recovered
Binhai Radio and Television Bureau	27,749,600.00	2,415,018.84	8.70	Current value of the expected future cash flow is lower than its carrying value
Nanjing Municipal Communist Party	21,571,242.67			Expected can be recovered
CommScope Communication Technology (China) Co., Ltd.	20,782,049.06			Expected can be recovered
Nanjing Sharp Electronics Co., Ltd.	19,633,179.37	15,317.33	0.08	Current value of the expected future cash flow is lower than its carrying value
Sheyang County Broadcasters	19,289,075.00	1,425,725.54	7.39	Current value of the expected future cash flow is lower than its carrying value
Southern Telecom Inc.	17,776,282.99			Expected can be recovered
DaiFuKu Automatic Handling Equipment (Suzhou) Co., Ltd.	17,665,371.49			Expected can be recovered
Nanjing Yougete Communication Equipment Co., Ltd.	16,056,800.00			Expected can be recovered
China Nuclear Industry Huaxing Co., Ltd., Jiangsu	13,887,886.45			Expected can be recovered

Notes to the Financial Statements, Year 2015 (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 (continued)

Name of debtor	Amounts	Provision for bad debt	Percentage of provision for bad debt (%)	Reasons
BSH Home Appliances Co. Ltd.	13,802,233.10			Expected can be recovered
Nanjing Lopu Co., Ltd.	13,095,453.81			Expected can be recovered
Ningxia Radio, Film & Television Bureau	12,558,672.00	6,210,926.20	49.46	Current value of the expected future cash flow is lower than its carrying value
Sihong County Radio and Television Information Network Co., Ltd.	10,139,839.00	676,373.14	6.67	Current value of the expected future cash flow is lower than its carrying value
Nanjing Metro Operation Co., Ltd.	9,768,699.46			Expected can be recovered
Nanjing Rail Transit Systems Co., Ltd	9,037,047.40			Expected can be recovered
Chongqing Municipal Culture Commission	8,495,550.00			Expected can be recovered
China Electronics Science and Industry New Materials Jiangsu Co., Ltd.	8,315,576.46			Expected can be recovered
Wuxi Rail Transit Development Co., Ltd	8,154,065.04			Expected can be recovered
Qijing Zhongming Technology Co., Ltd	7,981,531.66			Expected can be recovered
Shenzhen Jinghua Network Marketing Co., Ltd	7,762,342.00			Expected can be recovered
Suzhou Railway Group Co., Ltd	7,009,878.00			Expected can be recovered
Majie (Suzhou) Technology Co., Ltd.	6,829,164.66			Expected can be recovered
Wuhan Metro Group Co., Ltd.	6,759,538.05			Expected can be recovered
Nanjing Panda Electronics Import/Export Co., Ltd.	6,012,740.91	889,816.33	14.80	Current value of the expected future cash flow is lower than its carrying value
V Technology Co., Ltd	5,898,566.40			Expected can be recovered

Notes to the Financial Statements, Year 2015 (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 (continued)

Name of debtor	Amounts	Provision for bad debt	Percentage of provision for bad debt (%)	Reasons
Guangzhou Luogang Wanda Square Co., Ltd.	5,715,150.92			Expected can be recovered
Hangzhou Amphenol Phoenix Telecom Parts Co., Ltd.	5,660,713.65			Expected can be recovered
Nanjing Qixia District Cable Management Station	5,659,435.90	149,860.45	2.65	Current value of the expected future cash flow is lower than its carrying value
Ganyu Broadcasting Network Development Co., Ltd.	5,377,040.96	160,781.07	2.99	Current value of the expected future cash flow is lower than its carrying value
Xuzhou Wanda Square Co., Ltd.	5,268,165.24			Expected can be recovered
Wuhu Baili Real Estate Co., Ltd.	5,140,213.14			Expected can be recovered
Total	<u>869,863,905.59</u>	<u>11,977,468.11</u>		

(3) The situation of reversed or received accounts receivable

Items	The amount incurred in current period
Provision for bad debt incurred in current period	13,123,095.81
Provision for bad debt reversed or received in current period	5,264,119.48

Notes to the Financial Statements, Year 2015 (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 (continued)

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
Binhai Radio and Television Bureau	Receive part of the amount by negotiation	Specific provision	1,017,411.89	1,017,411.89
Siyang County Board of Education	Received	Specific provision	1,077,009.78	1,077,009.78
Zhejiang Yuanjing Auto Parts Co., Ltd.	Received	Specific provision	780,469.94	780,469.94
Guannan County Radio and Television Network Co., Ltd.	Receive part of the amount by negotiation	Specific provision	443,419.15	443,419.15
Ganyu Broadcasting Network Development Co., Ltd.	Receive part of the amount by negotiation	Specific provision	245,955.63	245,955.63
Funing County Broadcasters	Receive part of the amount by negotiation	Specific provision	287,976.49	287,976.49
Jiangsu Binhai Middle School	Received	Specific provision	173,164.04	173,164.04
Nantong Public Security Bureau	Received	Specific provision	216,650.00	216,650.00
Information Department of Guangzhou Command of Military Region	Received	Specific provision	163,250.00	163,250.00
Total			4,405,306.92	4,405,306.92

Notes to the Financial Statements, Year 2015 (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	52,059.73

The situation of significant written-off accounts receivable

Name of debtor	Amount	Nature	Reasons for written-off	Related party transactions
Shenzhen Linkage Technology Group Co., Ltd.	40,000.00	payment for goods	Termination of business, No unable to recover	
Total	40,000.00			

Note: The written-off of accounts receivable in current year is unable to recover, is authorized and approved by board of directors.

Notes to the Financial Statements, Year 2015 (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 (%)
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	The same actual controller	268,900,418.83		25.07
Nanjing panda HanDa Technology Co., Ltd.	The same actual controller	64,876,655.26	33,649.21	6.05
Nanjing Metro Group Co., Ltd.	Non-related party	63,232,961.77		5.90
CEC Panda LCD Technology Co., Ltd	The same actual controller	49,954,646.16		4.66
Shanghai Weienshi Trading Co., Ltd.	Non-related party	37,284,345.00		3.48
Total		<u>484,249,027.02</u>	<u>33,649.21</u>	<u>45.16</u>

(6) The situation of derecognition of account receivable

Items	Amount of derecognition	Profit or loss of derecognition
China Electronics Commercial Financial Leasing Co., Ltd.	<u>89,928,010.06</u>	<u>-44,964.00</u>
Total	<u>89,928,010.06</u>	<u>-44,964.00</u>

Note: On August 31, 2015, authorized and approved by the board of directors, subsidiary of the Company, Nanjing Panda Electronics Manufacture Co., Ltd. signed with China Electronics Commercial Financial Leasing Co., Ltd, the "Non-recourse factoring contract" with regard to the receivables between Nanjing Panda Electronics Manufacture Co., Ltd and CEC Panda LCD Technology Co., Ltd. It is agreed that China Electronics Commercial Financial Leasing Co., Ltd. provides reusable factoring financing service amounting to RMB150 million for accounts receivables, and the service fee rate is 0.05% of the transferred accounts receivables amount, with a period of one year. Nanjing Panda Electronics Manufacture Co., Ltd, a subsidiary of the Company, derecognized accounts receivable of RMB89,928,010.06, with service fee expense RMB44,964.00.

(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, Year 2015 (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	113,059,958.62	86.09	17,533.44	113,710,845.61	75.19	
1-2 years	7,177,083.16	5.47	439,985.59	24,700,476.96	16.33	222,674.64
2-3 years	2,536,209.73	1.93	545,850.25	6,256,809.57	4.14	129,232.88
More than 3 years	8,551,978.10	6.51	1,765,595.49	6,568,685.62	4.34	1,613,871.14
Total	131,325,229.61	100	2,768,964.77	151,236,817.76	100	1,965,778.66

(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
Nanjing Yuewen Technology Co., Ltd.	2,312,180.25		Before settlement period
Dongying Guanlin Intelligence Technology Co., Ltd.	1,649,160.00		Before settlement period
China Railway First Group Electrical Engineering Co., Ltd.	1,584,000.00		Goods not received
Nanjing Fire Fighting Engineering Co., Ltd. Zaozhuang branch	1,426,113.35		Before settlement period
Nanjing Zhuoshuo Computer Technology Co., Ltd.	1,102,100.30		Before settlement period
Nantong Hengrui Construction and Installation Co., Ltd.	767,456.92		Before settlement period
Jiangsu Netlink Technology Co., Ltd.	600,000.00		Before settlement period
Total	9,441,010.82		

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

4. Prepayment (continued)

(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
Shanghai Aiji Information Technology Co., Ltd.	Non-related party	14,297,643.28	Within 1 years	Service Unavailable
Jiangsu Overseas Group International Engineering Co., Ltd.	Non-related party	13,246,887.78	Within 1 year	Goods not received
Dongba Engineering Installation Co., Ltd	Non-related party	7,299,249.83	Within 2 year	Project not completed
MCT Worldwide, LLC	Non-related party	6,493,600.00	Within 1 year	Goods not delivered
Kunshan Judong Photoelectric Equipment Co., Ltd.	Non-related party	6,237,270.00	Within 1 year	Goods not delivered
Total		47,574,650.89		

5. Interest receivable

(1) Disclosure as classification

Items	Closing balance	Opening balance
Deposit interest	994,401.51	47,886.55
Total	994,401.51	47,886.55

(2) There is no significant overdue interest receivable.

Notes to the Financial Statements, Year 2015 (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	72,332,869.38	69.18		
Other unsubstantial amount of other receivables with specific provision	32,228,587.49	30.82	1,962,999.29	6.09
Total	104,561,456.87	100	1,962,999.29	

Category	Amount	Opening 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	131,626,182.81	100	2,129,580.48	

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

6. Other Receivables (continued)

(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 State-Owned Assets Management Center	52,400,000.00			Expected can be recovered
State Coffers Shenzhen Depots (refunding export taxes)	19,932,869.38			Expected can be recovered
Total	<u>72,332,869.38</u>			

(3) The situation of reversed or received other receivables

Items	The amount incurred in current period
Provision for bad debt incurred in current period	691,945.61
Provision for bad debt reversed or received in current period	826,676.30

Notes to the Financial Statements, Year 2015 (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 (continued)

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
Industrial and Commercial Bank of China Limited Beijing Branch Asset Custody Accounts	Received	specific provision	300,000.00	300,000.00
Zhou Long	Received	specific provision	100,000.00	100,000.00
Chen Sining	Received	specific provision	5,000.00	5,000.00
Jiangsu Dongda Wiscom Building Intelligent Systems Engineering Co., Ltd	Received	specific provision	80,000.00	80,000.00
Lu Wenfeng	Received	specific provision	31,676.30	31,676.30
Suguo Supermarket Co., Ltd.	Received	specific provision	10,000.00	10,000.00
Total			526,676.30	526,676.30

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

6. Other Receivables (continued)

(4) The situation of written-off other receivables

Items	The amount incurred in current period
Written-off other receivables	31,850.50

The significant situation of written-off other receivables

Name of debtor	Amount	Nature	Reasons for written-off	Related Party transaction
Zhang Min	31,730.50	petty cash	Unable to recover	No
Total	<u>31,730.50</u>			

Note: The written-off of other receivable in current year cannot be able to recover, is authorized and approved by board of directors.

(5) Classification of other receivable by nature

Nature	Closing balance	Opening balance
Relocation compensation	52,400,000.00	91,823,000.00
Deposit	25,575,077.23	22,660,208.68
Export refund	19,932,869.38	9,110,883.30
Other	6,653,510.26	8,032,090.83
Total	<u>104,561,456.87</u>	<u>131,626,182.81</u>

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

6. Other Receivables (continued)

(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 State-Owned Assets Management Center	Non-related party	52,400,000.00	2-3 years	50.11	
State Coffers Shenzhen Depots (for export refund)	Non-related party	19,932,869.38	Within 1 year	19.06	
Chengdu Metro Co., Ltd.	Non-related party	1,500,000.00	Within 1 year	1.44	
Anhui Hefei Public Resource Exchange Center	Non-related party	1,400,000.00	Within 2 years	1.34	
Nanjing Public Resource Exchange Center	Non-related party	1,172,000.00	Within 1 year	1.12	
Total		<u>76,404,869.38</u>		<u>73.07</u>	

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

(8) Accounts receivable of government subsidies

Government subsidies organization	Government subsidies items	Closing balance	Aging	Expected time, amount and basis of collection
Nanjing Baixia State-Owned Assets Management Center	Removal of Haifu Xiang No. 118	52,400,000.00	2-3 years	The rest is expected to be received in 2016 based on the relocation compensation agreement signed with the government
Total		<u>52,400,000.00</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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

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	138,696,815.57	10,460,421.22	128,236,394.35	73,966,018.86	7,632,787.58	66,333,231.28
Packaging materials	1,289,384.81		1,289,384.81	3,029,373.16		3,029,373.16
Low-value consumables	1,538.46		1,538.46	186,268.04		186,268.04
Work in progress	179,253,690.26	6,407,708.43	172,845,981.83	298,867,316.50	5,576,520.50	293,290,796.00
Stored commodities	78,427,428.12	15,279,561.89	63,147,866.23	82,242,452.36	10,901,828.18	71,340,624.18
Consigned commodities	20,277,781.02		20,277,781.02	7,488,694.75		7,488,694.75
Delivered commodities	43,072,374.54	1,941,683.39	41,130,691.15	70,587,325.99	1,685,993.43	68,901,332.56
Total	<u>461,019,012.78</u>	<u>34,089,374.93</u>	<u>426,929,637.85</u>	<u>536,367,449.66</u>	<u>25,797,129.69</u>	<u>510,570,319.97</u>

Note: No capitalized borrowing cost in closing balance.

(2) Provision for diminution in value of inventories

Items	Opening Balance	Accrue in The year	Provision in the year		Total	Closing Balance
			Reverse	Write-off		
Raw materials	7,632,787.58	3,300,382.35	351,486.39	121,262.32	472,748.71	10,460,421.22
Work in progress	5,576,520.50	2,191,067.61	1,359,879.68		1,359,879.68	6,407,708.43
Stored commodities	10,901,828.18	14,195,573.07	444,673.25	9,373,166.11	9,817,839.36	15,279,561.89
Delivered commodities	1,685,993.43	355,398.91	57,828.61	41,880.34	99,708.95	1,941,683.39
Total	<u>25,797,129.69</u>	<u>20,042,421.94</u>	<u>2,213,867.93</u>	<u>9,536,308.77</u>	<u>11,750,176.70</u>	<u>34,089,374.93</u>

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

7. Inventories (continued)

(3) The situation of provision of inventories

Items	Basis of accruing provision of inventories	Reasons of reversed provision of inventories
Raw materials	Net realisable value is lower than the carrying value	The influence factors of former write-down inventory value has disappeared
Work in progress	Net realisable value is lower than the carrying value	The influence factors of former write-down inventory value has disappeared
Stored commodities	Net realisable value is lower than the carrying value	The influence factors of former write-down inventory value has disappeared
Delivered commodities	Net realisable value is lower than the carrying value	The influence factors of former write-down inventory value has disappeared

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

8. Other current asset

Items	Closing balance	Opening balance
Structured corporate deposits (interest rate-linked) products	150,000,000.00	
Structured deposit of 2015 JG1119	100,000,000.00	
Yuntong Wealth- profit increasing up 92 days	97,000,000.00	
Yuntong Wealth- profit increasing up 98 days	50,000,000.00	
Yuntong Wealth- profit increasing up 91 days	50,000,000.00	
Guaranteed-income-wealth bus No. 4	10,000,000.00	
Bank of Communications Yuntong Wealth- profit up 91 days		100,000,000.00
Tianjin Silver Financial Steady appreciation No. 609 Year 2014		100,000,000.00
China Construction Bank Beijing Branch No. 491 Year 2014		100,000,000.00
Shanghai pudong development bank wealth bus No. 3		95,000,000.00
Industrial Bank Co. enterprise financial products structured deposits		50,000,000.00
Bank of Communications Yuntong Wealth- profit up 61 days		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
Total	457,000,000.00	550,000,000.00

Notes to the Financial Statements, Year 2015 (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
Include: According to the cost	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
Total	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		
	Opening balance	Increase in current	Decrease in current	Closing balance	Opening balance	Increase in current	Decrease in current	Closing balance	The invested company (%)	The current cash dividends
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, Year 2015 (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	cash dividend	provision for impairment loss	Other			
Nanjing Ericsson Panda Communication Co., Ltd.	273,941,730.00			82,758,510.00			108,000,000.00				248,700,240.00	
Beijing SE Putian Mobile Communications Co., Ltd.	217,439,600.00			102,020,000.00			130,966,000.00				188,493,600.00	
Nanjing Thales Panda Transportation System Company Limited	9,241,361.09			72,133.21							9,313,494.30	
Shenzhen Jing'in Electronic Co., Ltd.	559,088.15			160,211.49							719,299.64	
Shenzhen Jingfa Plastic Packing Products Co., Ltd.	242,912.96		228,000.00	-14,912.96								
Shenzhen Jinghua Network Marketing Co., Ltd.	285,561.97			181,497.68							467,059.65	
Nanjing Huaxian High Technology Company (note)												
Total	501,710,254.17		228,000.00	185,177,439.42			238,966,000.00				447,693,693.59	

Note: Nanjing Huaxian High Technology Company is the associates of the company, the carrying value of the long-term equity investment has decreased to zero.

Notes to the Financial Statements, Year 2015 (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	51,165,069.30	1,059,997.57		52,225,066.87
including: Buildings	51,165,069.30	1,059,997.57		52,225,066.87
III. Provision for diminution in value of investment property including: Buildings				
IV. Total carrying value of investment property	10,572,698.60			9,512,701.03
including: Buildings	10,572,698.60			9,512,701.03

(2) There are no investment properties with uncompleted ownership certificate.

Notes to the Financial Statements, Year 2015 (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	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
Construction project	392,691,341.02	8,289,304.55		5,599,350.51	6,954,842.51	413,534,838.59
Other increase in current		20,783,249.40	801,455.69	4,651,438.50	3,122,743.49	29,358,887.08
Decrease in current	8,376,986.85	43,323,729.70	1,146,666.69	4,203,368.53	1,540,230.41	58,590,982.18
Closing balance	1,028,461,389.05	374,153,166.11	28,991,551.23	46,770,693.33	44,692,683.03	1,523,069,482.75
Accumulated depreciation						
Opening 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
Increase in current	29,410,587.68	31,627,564.79	3,062,932.81	3,432,632.82	4,611,294.88	72,145,012.98
Decrease in current	2,663,889.65	37,784,343.54	1,054,232.49	3,923,411.44	1,298,636.15	46,724,513.27
Closing balance	224,501,924.69	240,286,201.54	13,571,903.99	31,284,673.66	24,312,150.89	533,956,854.77
Provision for diminution in value						
Opening balance		139,410.98		11,787.63	5,208.80	156,407.41
Increase in current				69,447.70		69,447.70
Decrease in current		29,185.44		3,241.26	5,208.80	37,635.50
Closing balance		110,225.54		77,994.07		188,219.61
Net value						
Closing balance	803,959,464.36	133,756,739.03	15,419,647.24	15,408,025.60	20,380,532.14	988,924,408.37
Opening 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

Note: The original cost of construction in progress transferred into fixed asset is RMB413,534,838.59.

Notes to the Financial Statements, Year 2015 (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	33,620,860.90
Transportation Equipment	3,338,043.60
Total	36,958,904.50

- (3) The situation of fixed asset with unfinished certificate

Items	Net value of fixed asset	Reasons for unfinished certificate
Electronic Equipment industrial park	390,700,953.20	The certificate is in progress
Buildings - Shenzhen Longgang Jinghua Electronic Co., Ltd.	23,232,415.12	Cooperative construct – The land is collectively-owned land from Shenzhen Longgang Liang'an Tian Economic Development Co., Ltd.
No. 3 Workshop in Xingang industrial park	7,070,587.31	The certificate is in progress

- (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, Year 2015 (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	Net value	Carrying amount	Opening balance	Net value
		Provision			Provision	
		during the year			during the year	
Machinery and Equipment	3,301,097.15		3,301,097.15	4,564,076.42		4,564,076.42
Cloud Desktop System	713,192.30		713,192.30			
The First Phase of Electronic Equipment Industry	391,684.00		391,684.00	262,238,796.74		262,238,796.74
Supporting Facilities for Electronic Equipment Industry	126,117.19		126,117.19			
Engineering of Xingang	111,435.90		111,435.90			
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
Total	4,643,526.54		4,643,526.54	269,882,125.43		269,882,125.43

Notes to the Financial Statements, Year 2015 (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 including:			Capital source	Closing balance
								of interest capitalized	current amount of interest capitalized	Current interest capitalization rate (%)		
The First Phase of Electronic Equipment Industry (note 1)	562,800,000.00	262,238,796.74	133,850,401.51	390,517,871.20	5,179,643.05	90.06	90.06				Placement/Owned fund	391,684.00
Supporting Facilities for Electronic Equipment Industry	55,870,000.00		126,117.19			0.23	0.23				Owned fund	126,117.19
Machinery and Equipment		4,564,076.42	8,464,311.83	9,727,291.10							Owned fund	3,301,097.15
Cloud Desktop System	2,600,000.00		713,192.30			27.43	27.43				Owned fund	713,192.30
Engineering of Xingang	840,000.00		111,435.90			13.27	13.27				Owned fund	111,435.90
Office Furniture		1,659,705.00		640,089.74	1,019,615.26						Owned fund	
Project Management System	1,126,872.00	1,070,528.40		179,358.97	891,169.43	95.00	100.00				Placement fund	
EMC Laboratory	10,937,000.00	349,018.87	5,354,507.88	5,703,526.75		52.15	52.15				Owned fund	
Xin Gang Training Center	19,438,430.41		6,370,586.93	6,370,586.93		100.00	100.00				Owned fund	
No. 4 No. 5 Construction	180,000,000.00		103,784.15	103,784.15		95.01	100.00				Owned fund	
Others			292,329.75	292,329.75							Owned fund	
		269,882,125.43	155,386,667.44	413,534,838.59	7,090,427.74							4,643,526.54

Note 1: The budget of the first phase of the electronic equipment industry includes land amount RMB61,939,442.90.

(3) No recoverable amount less than carrying value and no impairment provision in construction made.

Notes to the Financial Statements, Year 2015 (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	<u>253,537,516.34</u>	<u>27,161,085.10</u>		<u>280,698,601.44</u>
1. Land-use right	85,417,937.71			85,417,937.71
2. Trademark use rights	158,640,000.00			158,640,000.00
3. Computer software	7,567,081.23	896,690.13		8,463,771.36
4. Patents	25,705.00			25,705.00
5. Software copyright	1,886,792.40	873,786.41		2,760,578.81
6. Nonpatented technology		25,390,608.56		25,390,608.56
II. Total accumulated amortization	<u>170,984,570.22</u>	<u>5,112,624.16</u>		<u>176,097,194.38</u>
1. Land-use right	7,398,707.61	1,985,667.24		9,384,374.85
2. Trademark use rights	158,430,000.00			158,430,000.00
3. Computer software	5,113,397.46	812,101.58		5,925,499.04
4. Patents	11,018.61	3,010.50		14,029.11
5. Software copyright	31,446.54	195,960.79		227,407.33
6. Nonpatented technology		2,115,884.05		2,115,884.05
III. Total accumulated impairment amount	<u>210,000.00</u>			<u>210,000.00</u>
1. Land-use right				
2. Trademark use rights	210,000.00			210,000.00
3. Computer software				
4. Patents				
5. Software copyright				
6. Nonpatented technology				
IV. Total book value of intangible assets	<u>82,342,946.12</u>			<u>104,391,407.06</u>
1. Land-use right	78,019,230.10			76,033,562.86
2. Trademark use rights				
3. Computer software	2,453,683.77			2,538,272.32
4. Patents	14,686.39			11,675.89
5. Software copyright	1,855,345.86			2,533,171.48
6. Nonpatented technology				23,274,724.51

Note: There are no land use rights with unfinished ownership certificate.

Notes to the Financial Statements, Year 2015 (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		7,798,153.34	25,390,608.56		
Total	17,592,455.22		7,798,153.34	25,390,608.56		

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, the robot controller project has been applied in production.

16. Long term deferred expenses

Items	Opening balance	Increase in current	Amortized in current	Decrease in current	Closing balance	Other reasons for decrease
Afforest for Electronic Equipment Industry		4,418,186.05	859,091.73		3,559,094.32	
Purification Room Renovation Project		2,302,000.00	76,733.33		2,225,266.67	
Logo Production for Electronic Equipment Industry		761,457.00			761,457.00	
Waterproof Insulation Fire Control Project	1,014,670.90	258,000.00	524,059.59		748,611.31	
MCT Building Renovation Project		302,310.75	25,192.56		277,118.19	
Office Building Renovation Costs	979,346.86		979,346.86			
Other Miscellaneous Project	679,962.81	484,000.00	429,310.76		734,652.05	
Total	2,673,980.57	8,525,953.80	2,893,734.83		8,306,199.54	

Notes to the Financial Statements, Year 2015 (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	36,475,218.78	5,873,304.72	32,150,993.12	6,038,992.75
Salaries payable	2,075,384.53	311,307.68	167,480.09	25,122.01
Accrued expenses	3,009,864.17	575,716.04	3,184,931.97	665,664.94
Internal offset of unrealized profit intangible assets	161,469.00	40,367.25	203,000.01	30,450.00
Total	<u>41,721,936.48</u>	<u>6,800,695.69</u>	<u>35,706,405.19</u>	<u>6,760,229.70</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
Depreciation of fixed assets	999,832.49	149,974.87		
Long-term payable	507,750.93	76,162.64	1,031,212.60	154,681.89
Total	<u>1,507,583.42</u>	<u>226,137.51</u>	<u>1,031,212.60</u>	<u>154,681.89</u>

(3) Details of unconfirmed deferred income tax assets

Items	Closing Balance	Opening Balance
Deductible temporary difference	186,934,652.18	150,931,657.03
Deductible loss	106,682,147.16	108,304,126.77
Total	<u>293,616,799.34</u>	<u>259,235,783.80</u>

Notes to the Financial Statements, Year 2015 (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
2015		5,527,187.81	
2016	2,031,821.03	2,321,114.92	
2017	5,013,739.25	7,685,037.06	
2018	30,446,038.60	52,365,710.15	
2019	13,316,706.83	40,405,076.83	
2020	55,873,841.45		
Total	106,682,147.16	108,304,126.77	

18. Short Term Loans

Items	Closing Balance	Opening Balance
Guaranteed loan		30,000,000.00
Total		30,000,000.00

Note: There is no short term loans expired but not repaid.

19. Bills payable

Types of Bills	Closing Balance	Opening Balance
Bank acceptance notes	93,283,710.62	83,633,487.09
Total	93,283,710.62	83,633,487.09

Note: There is no bills payable expired but not repaid.

Notes to the Financial Statements, Year 2015 (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	609,551,699.67	544,589,379.26
Project funds	274,260,678.85	186,150,339.79
Processing and maintenance funds	11,455,233.11	21,862,982.93
Logistics warehousing funds	5,643,227.05	6,296,464.78
Others	9,788,371.80	13,153,898.22
Total	910,699,210.48	772,053,064.98

(2) Significant accounts payable with aging exceed 1years.

Items	Closing Balance	Reasons for outstanding or carried forward
Shanghai Railway Communication Co., Ltd.	8,703,134.36	Not settled
Daifuku Co., Ltd.	5,269,856.82	Not settled
Nanjing Panda Electronics Import/Export Co., Ltd.	3,273,420.44	Not settled
Hytera Communications Co., Ltd.	2,667,594.14	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
Panda Electronics Group Company	1,917,313.28	Not settled
Nanjing Runkai Technology Industry and Trade Co., Ltd.	1,924,303.54	Cannot get in touch with each other
Ma'anshan Bowang District Spring Electronic Operation Department	1,248,000.00	Not settled
Shaoxing Four-dimensional Plastic Engineering Co., Ltd.	1,111,131.92	Cannot get in touch with each other
Wiscom System Co., Ltd.	1,109,996.40	Not settled
Total	31,543,310.35	

Notes to the Financial Statements, Year 2015 (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	101,701,842.28	79,637,722.43
Payment for goods	36,124,998.94	56,138,683.11
Others	1,813,820.42	637,672.95
Total	139,640,661.64	136,414,078.49

(2) Significant accounts collected in advance with aging exceed 1years.

Items	Closing Balance	Reasons for outstanding or carried forward
Nanjing Public Security Bureau Xiaguan Branch	2,785,382.24	The project schedule not attain to settlement conditions
Xuzhou Tongshan District Public Security Bureau	3,114,000.00	The project schedule not attain to settlement conditions
Nanjing Public Security Fire Department	3,266,980.15	The project schedule not attain to settlement conditions
Ma'anshan Treasury Centralized Payment Center	1,994,000.00	The project schedule not attain to settlement conditions
Nanjing Construction Group Co., Ltd. Youth Olympic Sports Park Project Management Department	1,764,247.45	The project schedule not attain to settlement conditions
Zhejiang Bajun Plastics Co., Ltd.	1,100,000.00	Goods in transit not been accepted
Nanjing Qiqiao Construction and Installation Engineering Co., Ltd.	1,020,000.00	The project schedule not attain to settlement conditions
Total	15,044,609.84	

Notes to the Financial Statements, Year 2015 (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	30,400,447.60	473,475,307.33	479,995,284.49	23,880,470.44
Defined contribution plan liability of post employment benefits	1,772,634.44	36,162,024.28	37,844,297.11	90,361.61
The payable part of termination benefits within 12 months after the balance sheet date	5,263,202.65	7,951,797.79	6,309,439.46	6,905,560.98
The liabilities which complied with defined contribution plans in other long term employee benefits				
Total	<u>37,436,284.69</u>	<u>517,589,129.40</u>	<u>524,149,021.06</u>	<u>30,876,393.03</u>

(2) Short-term employment benefit

Items	Opening Balance	Increase	Decrease	Closing Balance
1. Salaries and bonus	18,698,370.50	297,840,301.53	301,936,057.84	14,602,614.19
2. Labor expenses	4,646,970.33	108,939,888.97	110,673,255.43	2,913,603.87
3. Welfare expense		20,171,182.26	20,171,182.26	
4. Expenses for social security	299,364.20	17,227,737.74	17,490,557.50	36,544.44
Including: Medical insurance	267,316.86	15,116,684.54	15,350,466.96	33,534.44
Injury insurance	12,325.98	1,109,401.14	1,120,222.13	1,504.99
Maternity insurance	19,721.36	1,001,652.06	1,019,868.41	1,505.01
5. Housing reserve fund	1,388,557.70	20,966,870.39	21,607,007.67	748,420.42
6. Compensation for employment termination	2,267,184.87	3,875,560.62	4,169,457.97	1,973,287.52
7. Short-term profit sharing plan	3,100,000.00	3,673,500.00	3,167,500.00	3,606,000.00
8. Other short-term employment benefit		780,265.82	780,265.82	
Total	<u>30,400,447.60</u>	<u>473,475,307.33</u>	<u>479,995,284.49</u>	<u>23,880,470.44</u>

Notes to the Financial Statements, Year 2015 (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	34,595,366.08	84,369.52
Unemployment insurance	2,843,298.03	5,992.09
Enterprise annuity payment	405,633.00	
Total	37,844,297.11	90,361.61

(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	6,309,439.46	6,905,560.98
Total	6,309,439.46	6,905,560.98

(5) There are no liabilities complied with defined contribution plans in other long term employee benefits.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

23. Tax payable

Items	Closing Balance	Opening Balance
Value-added tax	11,194,560.94	1,857,641.71
Enterprise income tax	9,289,157.12	14,885,624.88
Sales tax	2,271,394.58	1,022,017.16
Real estate tax	1,456,882.00	960,148.68
Individual income tax	1,721,716.70	919,809.32
Urban development tax	1,000,174.06	485,690.13
Education surcharges	726,305.26	358,190.80
Land use tax	218,387.86	224,915.33
Others	101,757.10	147,595.83
Total	27,980,335.62	20,861,633.84

24. Dividend Payable

Items	Closing Balance	Opening Balance	The reasons for exceeding 1 year
Minority shareholder dividends	4,181,545.34	3,489,019.43	Not acquired
Total	4,181,545.34	3,489,019.43	

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

25. 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	48,942,991.67	31,529,753.02
Payables	21,899,871.41	21,365,688.07
Accounts with operating	22,088,599.24	20,555,414.31
Land-transferring fees	15,578,273.90	15,578,273.90
Others	15,475,775.56	10,872,462.69
Total	157,985,511.78	133,901,591.99

(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 Electronic Group Co., Ltd.	6,189,329.76	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
Dai Jianning	3,649,569.65	Accounts, has not yet been carried forward
Shenzhen Lichang Industrial Co., Ltd.	1,530,026.00	Rental deposit, the lessee has not terminated the lease
Jiangsu Huimin Auto Parts Manufacturing Co., Ltd.	1,499,498.17	Deposit, has not yet been carried forward
Suqian Wanlong Information Industry Co., Ltd.	1,537,632.22	Deposit, has not yet been carried forward
Cyts Shanshui Hotel Investment Management Co., Ltd.	1,027,800.00	Deposit, has not yet been carried forward
Dongying Guanlin Intelligent Technology Co., Ltd.	1,000,000.00	Deposit, has not yet been carried forward
Total	70,436,555.18	

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

26. Other current liabilities

Items	Closing balance	Opening balance
New-type flat panel display factory automation transfer system industrialization	30,000,000.00	
High localization rate of industrial robots and intelligent equipment development and industrialization	8,000,000.00	
Police Digital Trunking (PDT and TD-SCDMA) Digital trunking terminal equipment research and development	1,356,600.00	1,356,600.00
Low energy consumption high frequency/ultra high frequency double frequency RFID Chip and application demonstration	900,000.00	900,000.00
Metro automatic ticket machine	500,000.00	500,000.00
Multi mobile Internet information security audit system research and development and industrialization		2,016,000.00
Water environment intelligent monitoring and emergency treatment demonstration project and standardization construction		696,000.00
Total	40,756,600.00	5,468,600.00

Note: There are no short-term bonds payable, short-term bond interest payable and other financial instruments issued classified as financial liabilities.

27. 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	26,276,064.59	17,250,831.64
The net liability of defined benefit plan of other long-term employment benefit		
Total	26,276,064.59	17,250,831.64

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

27. 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		26,276,064.59
Total		26,276,064.59

28. Share Capital

Items	Opening balance	The current changes (+,-)				Total	Closing balance
		issue of shares	Allotment	reserved funds transfer shares	Others		
I. Restricted tradable shares	39,215,686.00					39,215,686.00	
1. State-owned shares							
2. State-owned legal person shares	39,215,686.00					39,215,686.00	
3. Other domestic-owned shares							
4. Other foreign-owned shares							
II. Non-restricted tradable shares	874,622,843.00					874,622,843.00	
1. Ordinary shares denominated in RMB	632,622,843.00					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: Share Capital has not changed, Refer to I. Introduction of the Company.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

29. Capital reserves

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium	1,449,940,706.85	946,078.13	142,978.86	1,450,743,806.12
Other capital reserves	13,498,333.16			13,498,333.16
Total	<u>1,463,439,040.01</u>	<u>946,078.13</u>	<u>142,978.86</u>	<u>1,464,242,139.28</u>

Note 1: 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 Mechanical Manufacturing Co., Ltd. The consideration less than minority equity of 899,702.65 on the acquisition date is increase of the capital reserve.

Note 2: The main reason of the decrease of the capital reserves

The company acquired 0.24% of minority equity of Shenzhen Jinghua Electronics Co., Ltd. The consideration more than minority equity of 142,978.86 on the acquisition date is decrease of the capital reserve.

30. Surplus reserves

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserves	164,425,496.95	11,029,819.18		175,455,316.13
Discretionary surplus reserves	<u>70,376,641.33</u>			<u>70,376,641.33</u>
Total	<u>234,802,138.28</u>	<u>11,029,819.18</u>		<u>245,831,957.46</u>

Note: 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 RMB11,029,819.18, which amounted to 10% net profit of the Company this year (2014: RMB2,856,113.12).

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

31. Undistributed profits

Item	Amount for the current period	Amount for the prior period
Closing balance of previous year	566,873,252.64	474,947,172.20
Adjustments of Opening balance of the year		3,615,726.07
Opening balance of the year after adjustments	566,873,252.64	478,562,898.27
Add: Consolidated net profit attributable to parent company	143,836,663.39	153,230,139.40
Less: Transfer to statutory surplus Reserve	11,029,819.18	2,856,113.12
Transfer to discretionary surplus Reserve		
Distribution to ordinary shareholders (note)	60,313,342.92	62,063,671.91
Declaration of dividends on ordinary shares transferred to capital		
Closing balance of current year	639,366,753.93	566,873,252.64

Note: Distribution to ordinary shareholders

According to the profit distribution plan released on the conference of the Board of Directors in 2014 and the Annual General Meeting of 2014, 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 RMB60,313,342.92 totally.

32. Operating Income and Cost

Items	2015		2014	
	Income	Cost	Income	Cost
1. Income from principal activities	3,573,955,363.07	3,050,435,763.10	3,424,238,116.84	2,923,878,082.19
2. Income from other activities	39,527,572.43	30,265,511.06	63,402,952.10	37,931,345.13
Total	<u>3,613,482,935.50</u>	<u>3,080,701,274.16</u>	<u>3,487,641,068.94</u>	<u>2,961,809,427.32</u>

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

33. Sales tax and surcharges

Items	2015	2014	standard
Business tax	19,854,948.03	17,032,510.58	IV. Taxation
Urban development tax	8,863,513.32	6,944,277.46	IV. Taxation
Education surcharges	6,347,070.02	4,987,427.03	IV. Taxation
Bund fee	9,592.31	72,308.90	IV. Taxation
Total	35,075,123.68	29,036,523.97	

34. Selling expenses

Items	2015	2014
Salaries and Benefits	19,089,477.06	17,897,094.84
Transport fee	11,696,999.58	10,595,284.68
Advertising fee	6,749,053.87	5,555,339.59
Labor expenses	3,127,454.95	2,703,905.84
Office expenses	2,965,111.90	2,784,047.93
Travelling expenses	2,466,732.19	2,531,581.86
Trademark license fee	2,424,866.14	
Entertainment	2,205,720.31	3,420,578.99
Others	2,262,384.34	2,310,096.42
Total	52,987,800.34	47,797,930.15

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

35. General and administrative expenses

Items	2015	2014
Salaries and Benefits	138,059,348.52	132,255,054.83
R&D expenses	183,181,739.52	178,491,741.11
Depreciation and Amortization	28,563,705.28	21,414,739.83
Office expenses	12,853,789.52	11,579,953.53
Agent fee	12,261,420.78	13,344,645.12
Entertainment and Travel	10,427,338.07	12,721,916.19
Tax	7,914,350.41	7,587,113.90
Labor expenses	7,730,397.70	5,519,575.33
Maintenance Fee	6,255,727.40	4,028,823.57
Utilities	1,944,446.16	5,176,883.12
Other	17,214,355.12	8,647,738.20
Total	426,406,618.48	400,768,184.73

36. Financial expenses

Items	2015	2014
Interest expenses	3,951,166.65	6,744,522.22
Less: Interest income	13,235,109.85	15,066,918.04
Bank charges	1,122,912.14	686,749.21
exchange gain or loss	-5,082,143.85	7,920,750.17
Other	1,443,148.71	876,255.47
Total	-11,800,026.20	1,161,359.03

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

37. Assets Impairment Loss

Items	2015	2014
Bad debt losses	8,527,431.75	14,637,634.17
Loss from inventory impairment	17,828,554.01	18,313,495.97
Fixed assets impairment losses	69,447.70	
Total	26,425,433.46	32,951,130.14

38. Investment Income

Items	2015	2014
Share of profit of investees under equity method of accounting	185,177,439.42	137,497,737.32
Investment income from disposal of long-term equity investments		-840,658.35
Investment income on financial products	21,779,294.79	24,661,374.32
Total	206,956,734.21	161,318,453.29

39. Non-operating Income

Items	2015	2014	Amount recorded in the current profits and losses
1. Gains from disposal of non-current assets	852,255.19	274,547.36	852,255.19
Including: Gains from disposal of fixed assets	852,255.19	274,547.36	852,255.19
2. Write off payables	389,709.86	12,195,120.39	389,709.86
3. Governmental subsidy	9,858,675.64	34,011,201.18	6,256,600.00
4. Other	3,058,098.27	1,206,793.56	3,058,098.27
Total	14,158,738.96	47,687,662.49	10,556,663.32

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

39. Non-operating Income (continued)

Note: Governmental subsidy:

Items	2015	Data sources	Whether related to income/assets
Multi mobile Internet information security audit system research and development and industrialization	2,016,000.00	Development and Reform Office High-Tech [2013] No.1309	related to income
Shenzhen industrial design innovation research achievements application project grants in 2015	1,980,000.00	SF[2012] No.137	
The Software Products VAT Refund	1,879,869.68	Preferential Policies of Software Industry and Development of Integrated Circuit Industry	related to income
The Software Products VAT Refund	1,722,205.96	Preferential Policies of Software Industry and Development of Integrated Circuit Industry	related to income
Water environment intelligent monitoring and emergency treatment demonstration project and standardization construction	696,000.00	Ning Jingxin investment [2012] No. 26	related to income
Subsidy for children care from Nanjing	512,000.00	NJC[2011] No. 8	related to income
Emerging Industry development funds	500,000.00	SZBF[2012] No. 172	related to income
The worker to work and primary, intermediate vocational training subsidies	178,000.00	NRS[2014] No. 22	related to income
Scientific and technological achievements special funds	150,000.00	NK[2014]No. 31	related to income
Intellectual property strategy special funds	68,000.00	NKG[2013] No. 5	related to income
Innovation fund for technology	60,000.00	SKJF[2014] No. 24	related to income
Standardized special grant funding	50,000.00	SCGM[2013] No. 183	related to income
Environmental protection guide funding	20,000.00	SCG[2011] No. 20	related to income
Small and medium-sized enterprise international market development funds	18,000.00	CQ[2014] No. 58	related to income
Futian treasury intellectual property special reward	8,600.00	Shenzhen futian district industry development special funds management method	related to income
Total	9,858,675.64		

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

39. Non-operating Income (continued)

Note: Governmental subsidy: (continued)

From above:

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
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, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

40. Non-operating Expenses

Items	2015	2014	Amount recorded in the current profits and losses
I. Loss from the disposal of non-current assets	1,118,062.92	436,268.94	1,118,062.92
Including: loss from disposal of fixed assets	1,118,062.92	436,268.94	1,118,062.92
II. Loss on arrangement (note 1)	50,000.00	41,325.67	50,000.00
III. Donation expenses	241,464.71	86,050.00	241,464.71
IV. Fine payment expenses	645,674.76	437,454.33	645,674.76
V. Others		1,310,829.68	
Total	2,055,202.39	2,311,928.62	2,055,202.39

41. Income Tax Expenses

(1) Disclosure of items

Items	2015	2014
Income Tax Expenses	33,627,824.51	24,384,653.86
Including: Current income tax	33,596,834.88	29,606,132.13
Deferred income tax	30,989.63	-5,221,478.27

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

41. Income Tax Expenses (continued)

(2) Explain the relationship of income Tax Expenses and accounting profit

Items	2015	2014
Total profit	222,746,982.36	220,810,700.76
Income tax expenses calculated at the applicable tax rate	55,686,745.61	55,202,675.19
Different tax rate of subsidiaries	-27,723,478.68	-16,365,566.89
Adjustment on previous income tax	779,375.96	45,209.32
Share of results of associates	-27,791,145.76	-20,631,618.25
Income not subject to tax		
Expenses not deductible for tax purposes	1,397,990.14	1,649,434.76
Claim additional deduction R&D	-6,553,052.74	-4,299,334.13
Effect of change in tax rate		
Utilization of previously unrecognized tax losses	-53,426.53	-2,131,835.23
Unrecognized deductible temporary difference and deductible tax loss	37,884,816.51	10,915,689.09
Total income tax expenses	33,627,824.51	24,384,653.86

42. Information of Cash Flow Statements

(1) Cash Received Relating to Other Operating Activities

Items	2015	2014
Government subsidy	41,544,600.00	37,414,262.00
Governmental compensation for relocation	39,423,000.00	20,000,000.00
Interest Income	12,288,594.89	15,072,774.31
Cash receipts from Acceptance deposit & Commitment deposit		133,512,237.01
Cash receipts from Quality deposit & Performance deposit	18,632,625.51	18,900,000.00
Accounts received		5,783,144.78
Other	2,987,937.14	12,091,908.89
Total	114,876,757.54	242,774,326.99

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

42. Information of Cash Flow Statements (continued)

(2) Cash Paid Relating to Other Operating Activities

Items	2015	2014
Research & development expenses	115,876,662.38	124,531,869.79
Office expenses	15,818,901.42	11,402,444.78
Payment of deposit of commitment	14,754,697.47	178,291,913.27
Transportation fee	11,696,999.58	11,280,026.25
Service fee	10,857,852.65	8,265,522.89
Agent fee	10,468,967.95	14,080,191.75
Travelling expenses	8,035,313.52	8,122,311.58
Entertainment expenses	6,939,401.35	11,700,570.21
Advertising fee	6,749,053.87	6,712,718.29
Others	5,455,410.44	13,251,977.51
Total	206,653,260.63	387,639,546.32

(3) Other Cash receipt in Connection with Investment Activities

Items	2015	2014
Principal of financial product	2,596,000,000.00	4,242,800,000.00
Total	2,596,000,000.00	4,242,800,000.00

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

42. Information of Cash Flow Statements (continued)

(4) Other Cash paid in Connection with Investment Activities

Items	2015	2014
Principal of financial product	<u>2,503,000,000.00</u>	<u>4,716,800,000.00</u>
Total	<u>2,503,000,000.00</u>	<u>4,716,800,000.00</u>

(5) Other related to the financing activities of cash received

Items	2015	2014
Accounts received	<u>4,415,000.00</u>	<u> </u>
Total	<u>4,415,000.00</u>	<u> </u>

(6) Other Cash Paid Relating to Financing Activities

Items	2015	2014
Consideration paid for business combination under common control		<u>50,365,830.00</u>
Acquisition of minority shareholders' equity	<u> </u>	<u>4,008,492.32</u>
Total	<u> </u>	<u>54,374,322.32</u>

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

43. Supplemental Information of Cash Flow Statements

(1) Reconciliation of net profit to cash flows from operating activities

Items	2015	2014
1. Reconciliation of net profit to net cash flows from operating activities:		
Net profit	189,119,157.85	196,426,046.90
Add: Provision for asset impairment	26,425,433.46	32,951,130.14
Depreciation of fixed assets	73,205,010.55	60,077,021.63
Amortization of intangible assets	5,112,624.16	2,732,718.09
Amortization of long term deferred expenses	2,893,734.83	2,086,304.34
Loss arising from disposal of fixed assets, intangible assets and other long term assets (gains are represented by "-")	266,626.33	189,221.58
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 "-")	3,817,118.50	15,639,254.81
Loss on investment (gains are represented by "-")	-206,956,734.21	-161,318,453.29
Decrease in deferred income tax assets (Increase is represented by "-")	-40,465.99	-5,142,959.02
Increase in deferred income tax liabilities (decrease is represented by "-")	71,455.62	-78,519.25
Decrease in inventories (increase is represented by "-")	65,812,128.11	-102,400,124.35
Decrease in trade receivables (Increase is represented by "-")	-272,213,456.45	-128,372,843.33
Increase in trade payables (Decrease is represented by "-")	221,482,597.35	131,245,215.52
Others		
Net cash flow from operating activities	108,995,230.11	44,034,013.77

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

43. Supplemental Information of Cash Flow Statements (continued)

(1) Reconciliation of net profit to cash flows from operating activities (continued)

Items	2015	2014
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	853,805,263.06	712,357,169.28
Less: cash balance as at beginning of the year	712,357,169.28	1,495,158,809.60
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	141,448,093.78	-782,801,640.32

(2) Information on cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	853,805,263.06	712,357,169.28
Including: Cash on hand	654,078.59	643,825.43
Bank deposit available for payment at any time	853,147,900.68	711,713,343.85
Other cash fund available for payment at any time	3,283.79	
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	853,805,263.06	712,357,169.28

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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

44. Foreign currency monetary items

Items	The closing balance of foreign currency	Exchange rate	The closing balance of RMB
Cash			29,545,316.98
Including: USD	4,520,253.41	6.493600	29,352,717.54
EURO	15,819.05	7.095200	112,239.32
HKD	92,584.97	0.837780	77,565.84
JPY	51,866.00	0.053875	2,794.28
Account receivable			50,553,650.82
Including: USD	7,785,150.12	6.493600	50,553,650.82
Other receivable			840,752.74
Including: USD	121,875.00	6.493600	791,407.50
HKD	58,900.00	0.837780	49,345.24
Account payable			92,151,987.20
Including: USD	6,577,991.59	6.493600	42,714,846.19
JPY	917,626,747.32	0.053875	49,437,141.01
Other payable			560.52
including: HKD	669.05	0.837780	560.52

45. Assets with restricted ownership or use right

Items	Closing balance	Reason of restriction
Cash	108,416,863.88	Deposits of acceptance, performance, letter of credit
Total	108,416,863.88	

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

VII. Change of the range of consolidation

1. There is no business combination under common control in current period.
2. There is no combination under non-common control in current period.
3. There is no reversed purchase in current period.
4. There is no disposal of subsidiaries in the current period in current period.
5. Other reasons that resulted in changes in the range of consolidation.

Quadruple subsidiary of the company, CEC JWD Trading (HK) Co., Limited started operation on January 19, 2015. From the operation date, the financial statements have been consolidated into consolidated financial statements of the company appropriately.

Secondary subsidiary of the company, Shanghai Panda Robot Technology Co., Ltd. was established on June 26, 2015. From the establishment date, the financial statements have been consolidated into consolidated financial statements of the company appropriately.

Company	Net asset by the end of period	Net profit from the establishment date to end of current period
CEC JWD Trading (HK) Co., Limited	302,962.33	-309,337.67
Shanghai Panda Robot Technology Co., Ltd.	993,991.91	-6,008.09

Ternary subsidiary of the company, Dongguan Jingbanghua Electronics Co., Ltd. has been cancelled on 10 November 2015. Before the cancellation, the financial statements have been consolidated into consolidated financial statements of the company appropriately.

Ternary subsidiary of the company, Shenzhen Jinghua Interconnection Co., Ltd. has been cancelled on 3 December 2015. 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
Dongguan Jingbanghua Electronics Co., Ltd.		10,104.74
Shenzhen Jinghua Interconnection Co., Ltd.		6,374,847.85

Notes to the Financial Statements, Year 2015 (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	43.34		57.14	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 (Note3)	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	HongKong	HongKong	Communications industry research and development, investment holding	100.00		100.00	Establishment
Shanghai Panda Robot Technology Co., Ltd.	Shanghai	Shanghai	Manufacturing	100.00		100.00	Establishment

Note 1: 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.

Note 2: The difference between the company's percentage of shareholding and actual percentage of voting rights in Shenzhen Jinghua Electronics Co. Ltd. is due to:

The company designated 4 out of 7 directors in Board of Directors of Shenzhen Jinghua, thus the company holds 57.14% of the voting rights in the Board.

Note 3: In accordance with the [2015] No. 28634 "Tax Affairs notice" issued by State Tax Bureau of Nanjing Economic and Technological Development Zone on May 13, 2015, the subsidiary of the Company, Nanjing Panda Power supply Technology Co., Ltd. has cancelled tax registration, but as of December 31, 2015, industrial and commercial cancellation has not been completed.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

1. Equity interest in subsidiaries (continued)

(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.	56.66	44.44	45,248,074.09	40,808,105.79	201,044,361.82

(3) Financial information of material non-wholly owned subsidiary

Item	Shenzhen Jinghua Electronics Co., Ltd.	
	31December, 2015 or 2015	31December, 2014 or 2014
Current assets	381,207,497.75	353,462,797.01
Non-current assets	64,724,261.20	78,864,233.01
Total assets	445,931,758.95	432,327,030.02
Current liabilities	116,561,499.85	106,405,599.46
Total current liabilities	5,926,625.94	6,615,471.74
Total liabilities	122,488,125.79	113,021,071.20
Net assets	323,443,633.16	319,305,958.82
Total operating income	784,110,317.00	826,514,054.47
Net Profit(losses)	70,638,001.13	63,098,250.85
Total comprehensive income	70,638,001.13	63,098,250.85
Cash flows from operating activities	65,010,143.28	40,071,569.60

(4) There are no significant restrictions on usage of company assets and payment of company debts in current period.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

VIII. Disclosure of interests in other entities (continued)

1. Equity interest in subsidiaries (continued)

- (5) The company does not have structured body whose financial statements are consolidated.
- (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 Electronic Equipment Co., Ltd. in January 2015 acquired 30% individual shareholdings of its subsidiary, Nanjing Panda Mechanical Manufacturing Co., Ltd. at the price of RMB9,997,875.27. After the completion of the acquisition, Nanjing Panda Electronic Equipment Co., Ltd. holds 100% equity of Nanjing Panda Mechanical Manufacturing Co., Ltd.

The Company acquired 273,643.00 minority shareholdings of Wang Jiming, who is the shareholder of Shenzhen Jinghua Electronics Co., Ltd. at the price of RMB675,004.70 (accounting for 0.24% of the total shareholdings). After the completion of the acquisition, The Company holds 43.34% equity of Shenzhen Jinghua Electronics Co., Ltd.

- b. Impact of trading on minority interests and shareholders' equity attributable to the parent company

Item	Nanjing Panda Mechanical Manufacturing Co., Ltd.	Shenzhen Jinghua Electronics Co., Ltd.
Purchase costs	9,997,875.27	675,004.70
Including: Cash	9,997,875.27	675,004.70
Total purchase cost	<u>9,997,875.27</u>	<u>675,004.70</u>
Less: Net assets of the subsidiary calculated on shares percentage acquired	10,897,577.92	532,025.84
Difference	<u>-899,702.65</u>	<u>142,978.86</u>
Including: Adjusted capital reserve	<u>-899,702.65</u>	<u>142,978.86</u>

- 2) The company has not lost control of any subsidiaries in the current period.

Notes to the Financial Statements, Year 2015 (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, Year 2015 (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 2015 or 2015	
	Beijing SE Putian Mobile Communications Co., Ltd.	Nanjing Ericsson Panda Communication Co., Ltd.
Current assets	3,997,831,000.00	3,916,840,000.00
Non-current assets	211,382,000.00	2,202,653,000.00
Total assets	4,209,213,000.00	6,119,493,000.00
Current liabilities	3,283,970,000.00	5,198,381,000.00
Non-current liabilities		
Total liabilities	3,283,970,000.00	5,198,381,000.00
Net assets	925,243,000.00	921,112,000.00
net assets calculated based on percentage of shareholdings	185,048,600.00	248,700,240.00
Adjustment events (Note)	3,445,000.00	
The book value of equity investments in associates	188,493,600.00	248,700,240.00
The fair value of equity investments with public proposal		
Operation income	22,865,917,000.00	12,708,102,000.00
Net Profit	510,100,000.00	306,513,000.00
Other Comprehensive income		
Total Comprehensive income	510,100,000.00	306,513,000.00
Dividends received from associates	130,966,000.00	108,000,000.00

Notes to the Financial Statements, Year 2015 (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 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
Other 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	213,994,600.00	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		
Operating 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	

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, Year 2015 (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>10,499,853.59</u>	<u>10,328,924.17</u>
Total value of the following items calculated based on percentage of shareholdings		
Net profit	-41,365,354.18	-2,778,373.72
Other comprehensive income		
Total comprehensive income	<u>-41,365,354.18</u>	<u>-2,778,373.72</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, Year 2015 (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	31 December, 2015				Total
	Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period	Held-to-maturity investments	Loans and receivables	Available-for sale financial assets	
Cash and bank			962,222,126.94		962,222,126.94
Bills receivable			196,107,157.14		196,107,157.14
Trade receivable			1,043,468,726.23		1,043,468,726.23
Interest receivable			994,401.51		994,401.51
Other receivables			102,598,457.58		102,598,457.58
Other current assets			457,000,000.00		457,000,000.00
Available-for sale financial assets				3,650,000.00	3,650,000.00

Notes to the Financial Statements, Year 2015 (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, 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, Year 2015 (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:

Financial liabilities	Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period	31 December, 2015	
		Other Financial liabilities	Total
Bills payable		93,283,710.62	93,283,710.62
Accounts payable		910,699,210.48	910,699,210.48
Dividend Payable		4,181,545.34	4,181,545.34
Other payables		157,985,511.78	157,985,511.78

From above:

Financial liabilities	Financial assets 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
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, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

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 XI, Section 6 (7).

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 VI, 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, 2015		
		Not past due nor impaired	Within 3 months	Past due Over 3 months
Trade receivable	1,043,468,726.23	921,365,183.77	20,261,745.63	101,841,796.83
Bills receivable	196,107,157.14	196,007,157.14	100,000.00	
Interest receivable	994,401.51	994,401.51		
Other current assets	457,000,000.00	457,000,000.00		
Available-for sale financial assets	3,650,000.00	3,650,000.00		

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

2. Credit risks (continued)

From above

Item	Total	31 December, 2014		
		Not past due nor impaired	Within 3 months Past due	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		

As of 31 December 2015, 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 2015, 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.

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

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, 2015		Total
	Within 1 year	Over 1 year	
Short term loans			
Bills payable	93,283,710.62		93,283,710.62
Accounts payable	910,699,210.48		910,699,210.48
Dividend Payable	4,181,545.34		4,181,545.34
Other payables	157,985,511.78		157,985,511.78

From above

Item	31 December, 2014		Total
	Within 1 year	Over 1 year	
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
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, Year 2015 (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	Exchange rate increase/ (decrease)	Year 2015	
		Total profit increase/ (decrease)	Shareholders' equity Increase/ (decrease)
Depreciation of RMB against US dollars	5%	1,899,146.48	1,899,146.48
Appreciation of RMB against US dollars	5%	-1,899,146.48	-1,899,146.48
Depreciation of RMB against JPY	5%	-1,436,288.31	-1,436,288.31
Appreciation of RMB against JPY	5%	1,436,288.31	1,436,288.31

Notes to the Financial Statements, Year 2015 (Continued)

(All amounts in RMB unless otherwise stated)

IX. Risks associated with financial instruments (continued)

4. Market risks (continued)

(2) Exchange rate risks (continued)

From above:

Item	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

(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 2014 to 2015.

The company monitors its capital structure based on asset-liability ratio (total liabilities divided by total assets). On 31 December 2015, asset-liability ratio of the company is 29.27% (on 31 December 2014: 26.83%).

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

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	RMB1,632,970,000

From above:

Shareholding percentage in the Company (%)	Voting right percentage in the Company (%)	Ultimate controller of the Company	Code of Organization
23.05	55.56	China Electronics Corporation	13488315-2

Note: Percentage of voting right percentage in the Company is higher than that of Shareholding percentage in the Company is due to the reason that five members out of nine in the board of directors were recommended by parent company.

3. **Information of subsidiaries of the company**

Information of subsidiaries of the company is disclosed on Disclosure Chapter VIII, Section 1.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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 VIII, 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 Company Limited	Subsidiary's associates
Shenzhen Jingfa Plastic Packing Products Co., Ltd.	Subsidiary's associates
Shenzhen Jing'in Electronic Co., Ltd.	Subsidiary's associates
Shenzhen Jinghua Network Marketing Co., 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
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party	05121115-8
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Ultimately controlled by the same party	05797492-2
China Electronics Commercial Financial Leasing Co., Ltd.	Ultimately controlled by the same party	09441853-8
China National Electronics Import/Export Corporation	Ultimately controlled by the same party	10000106-X
China Electronic Appliance Corporation	Ultimately controlled by the same party	10000624-X
China Electronic Technology Development Co., Ltd.	Ultimately controlled by the same party	10000772-8
China Electronics International Exhibition & Advertising Co., Ltd.	Ultimately controlled by the same party	10113093-9
China Electronics Financial Co., Ltd.	Ultimately controlled by the same party	10209083-6
Nanjing Changjiang Electronic Information Industry Group Co., Ltd.	Ultimately controlled by the same party	13489902-3
Wuhan Zhongyuan Electronics Group Co., Ltd.	Ultimately controlled by the same party	17771759-2
China Electronic Appliance (ShenZhen) Co. Ltd.	Ultimately controlled by the same party	19220615-X
Shenzhen China Electronic Qianhai Information Industry Co., Ltd.	Ultimately controlled by the same party	19220642-4
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Ultimately controlled by the same party	19223096-9

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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
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
China Great Wall Computer Shenzhen Co., Ltd.	Ultimately controlled by the same party	27935126-1
Shenzhen China Electronics Investment Co., Ltd.	Ultimately controlled by the same party	61743968-9
Nanjing China Electronics Panda Property Management Co., Ltd.	Ultimately controlled by the same party	67901867-9
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
IRICO (Hefei) LCD glass Co., Ltd.	Ultimately controlled by the same party	69284936-2
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Ultimately controlled by the same party	70412529-0
Shenzhen Sangda Baili Electric Appliance Co., Ltd.	Ultimately controlled by the same party	70848828-3
Nanjing Suzhe Electronics Materials Co., Ltd.	Ultimately controlled by the same party	71627328-2
Nanjing Electronics (Kunshan) Co., Ltd.	Ultimately controlled by the same party	71867972-9
Shenzhen China Electronics Huaxing Technology Co., Ltd.	Ultimately controlled by the same party	72715269-7
Nanjing Panda Communication Development Co., Ltd.	Ultimately controlled by the same party	74235154-7
Beijing China Electronics Guangtong Technologies Co., Ltd.	Ultimately controlled by the same party	76937077-2
China Zhenhua Group Yunke Electronics Co., Ltd.	Ultimately controlled by the same party	77057754-3
Shaanxi IRICO Electronic Glass Co., Ltd. (note 1)	Ultimately controlled by the same party	610000100027507
Langfang China Electronics Panda Crystal Technology Co., Ltd. (note 1)	Ultimately controlled by the same party	91131001750258166F
Nanjing China Electronics Panda Real Estate Co., Ltd. (note 1)	Ultimately controlled by the same party	91320113787106406J

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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
Nanjing Electronics Information Industrial Corporation (note 1)	Ultimately controlled by the same party	913201006606874000
CEC Panda Liquid Crystal Material Technology Co., Ltd. (note 1)	Ultimately controlled by the same party	913201920532525000
China Electronics Science and Industry New Materials Jiangsu Co., Ltd. (note 1)	Ultimately controlled by the same party	91320583089392804Y
Shenzhen China Electronics International Information Technology Co., Ltd. (note 1)	Ultimately controlled by the same party	91440300311666571Q
Shenzhen Sangda Electronic Equipment Co., Ltd. (note 1)	Ultimately controlled by the same party	91440300771622086T
Panda Electronics Import/Export (HK) Company (note 2)	Ultimately controlled by the same party	1621427
Panda LCD Technology (Hong Kong) Co., Ltd. (note 2)	Ultimately controlled by the same party	1777951
Top Victory Investment Limited Units (note 2)	Ultimately controlled by the same party	193969
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary of the Group	13485068-4
Nanjing Panda Electronics Technology Development Company Limited	Subsidiary of the Group	13487004-4
Nanjing Electronic Calibration Co., Ltd.	Subsidiary of the Group	13487289-1
Nanjing Zhenhua Packing Material Plant	Subsidiary of the Group	13487319-X
Nanjing Panda Electronics Material Usage Co., Ltd.	Subsidiary of the Group	13488815-6
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group	13488851-9
Dongguan China Electronics Panda Technology Development Co., Ltd.	Subsidiary of the Group	59586728-6
Nanjing China Electronics Panda Furniture Company Limited	Subsidiary of the Group	69040213-7
Nanjing 21st Century Electronic and Technology Square Company Limited	Subsidiary of the Group	71627148-X
Nanjing Panda DaSheng Electronics Technology Company Limited	Subsidiary of the Group	74239427-2
Panda (Beijing) International Information Technology Co., Ltd.	Subsidiary of the Group	76503190-9
Nanjing Panda HanDa Technology Co., Ltd.	Subsidiary of the Group	79710227-3
Panda Electronic Group Power Supply Company (note 1)	Subsidiary of the Group	3201911000177
Nanjing Panda Investment Development Co., Ltd. (note 1)	Subsidiary of the Group	91320102302558675N
Nanjing Panda Technology Park Development Company Limited (note 1)	Subsidiary of the Group	91320102598021630T
New Dewei Technology Development Limited (note 2)	Other related party	1828744
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other related party	08847521-0

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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)

Note 1: The standard Committee of China has released a coercive national standard – “Unifying Society Credit Coding Rule for Legal Entity and Other Organizations”, implemented on 1 October, 2015. Shaanxi IRICO Electronic Glass Co., Ltd., Langfang China Electronics Panda Crystal Technology Co., Ltd, Nanjing China Electronics Panda Real Estate Co., Ltd., Nanjing Electronics Information Industrial Corporation, Nanjing China Electronics Panda Liquid Crystal Material Technology Co., Ltd., China Electronics Science and Industry New Materials Jiangsu Co., Ltd., Shenzhen China Electronics International Information Technology Co., Ltd., Shenzhen Sangda Electronic Equipment Co., Ltd., Panda Electronic Group Power Supply Company, Nanjing Panda Investment Development Co., Ltd. and Nanjing Panda Technology Park Development Company Limited has started to use this unified standard code, therefore organization codes are no longer applicable, their unifying society credit code are disclosed instead.

Note 2: Top Victory Investment Limited Units, Panda Electronics Import/Export (HK) Company, Panda LCD Technology (Hong Kong) Co., Ltd, New Dewel Technology Development Limited are registered in Hong Kong, organization codes are therefore not applicable, registered certificate numbers are disclosed instead.

6. Related party transactions

(1) Purchase of goods

Company name	Type of transaction	2015	2014
Nanjing Panda Electronics Import/Export Co., Ltd.	Purchase of goods	17,989,602.53	72,720,614.57
Panda LCD Technology (Hong Kong) Co., Ltd.	Purchase of goods	13,828,813.86	3,343,591.62
CEC Panda LCD Technology Co., Ltd.	Purchase of goods	8,168,682.10	12,739,760.46
New Dewel Technology Development Limited	Purchase of goods	4,638,566.38	67,782,918.03
Nanjing Zhenhua Packing Material Plant	Purchase of goods	2,455,982.96	3,272,842.73
Shenzhen Jing'in Electronic Co., Ltd.	Purchase of goods	1,430,878.81	857,825.38
Beijing China Electronics Guangtong Technologies Co., Ltd.	Purchase of goods	854,700.85	2,991,452.99
Panda Electronic Group Co., Ltd.	Purchase of goods	632,015.32	396,320.36
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd.	Purchase of goods	315,726.50	19,760.68
Nanjing Ericsson Panda Communication Co., Ltd.	Purchase of goods	279,866.98	506,698.25
Shenzhen China Electronics Huaxing Technology Co., Ltd.	Purchase of goods	251,794.87	2,222.22
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Purchase of goods	210,210.43	
Nanjing Panda DaSheng Electronics Technology Company Limited	Purchase of goods	117,461.54	121,811.97

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(1) Purchase of goods (continued)

Company name	Type of transaction	2015	2014
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Purchase of goods	113,606.83	20,011.10
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Purchase of goods	81,718.11	134,000.68
Shenzhen China Electronics International Information Technology Co., Ltd.	Purchase of goods	60,196.58	
Nanjing Panda HanDa Technology Co., Ltd.	Purchase of goods	5,008.55	
China Electronic Appliance (ShenZhen) Co. Ltd.	Purchase of goods	326.92	11,512.82
Shanghai Panda Huning Electronic Technology Co., Ltd.	Purchase of goods		9,369,500.24
China Electronic Technology Development Co., Ltd.	Purchase of goods		5,964,412.31
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 Electronic Calibration Co., Ltd	Purchase of goods		74,924.53
China National Electronics Import/Export Corporation	Purchase of goods		65,000.00
China Zhenhua Group Yunke Electronics Co., Ltd.	Purchase of goods		33,059.83
Nanjing Panda Electronics Technology Development Company Limited	Purchase of goods		20,971.36
Nanjing Panda Electronics Material Usage Co., Ltd.	Purchase of goods		15,000.00
Nanjing China Electronics Panda Furniture Company Limited	Purchase of goods		5,297.44
Langfang China Electronics Panda Crystal Technology Co., Ltd.	Purchase of goods		2,769.23
Total		<u>51,435,160.12</u>	<u>180,766,137.62</u>

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(2) Receipt of services

Company name	Type of transaction	2015	2014
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Receipt of services	5,543,933.46	3,571,914.31
Nanjing Panda Electronics Transportation Company	Receipt of services	1,870,359.00	1,753,875.32
Nanjing Zhenhua Packing Material Plant	Receipt of services	494,726.89	
Panda Electronic Group Co., Ltd.	Receipt of services	320,359.03	1,567,923.26
China Electronic Appliance (ShenZhen) Co. Ltd.	Receipt of services	300,372.65	2,750,131.32
China National Electronics Import/Export Corporation	Receipt of services	177,289.72	938,569.00
Nanjing Panda HanDa Technology Co., Ltd.	Receipt of services	131,684.91	
Nanjing Changjiang Electronic Information Industry Group Co., Ltd.	Receipt of services	54,020.65	137,101.20
Nanjing China Electronics Panda Furniture Company Limited	Receipt of services		2,595,905.40
China Electronic Appliance Corporation	Receipt of services		515,525.33
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
Total		<u>8,892,746.31</u>	<u>14,154,290.99</u>

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(3) Sale of goods

Company name	Type of transaction	2015	2014
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Sales of goods	488,330,224.32	219,970,574.41
CEC Panda LCD Technology Co., Ltd.	Sales of goods	352,952,447.56	335,022,663.15
China Electronics Science and Industry New Materials Jiangsu Co., Ltd.	Sales of goods	73,826,376.92	8,061,350.39
Nanjing Panda HanDa Technology Co., Ltd.	Sales of goods	63,032,638.94	77,101,974.30
New Dewel Technology Development Limited	Sales of goods	56,065,686.85	407,463,807.27
Shenzhen China Electronics Investment Co., Ltd.	Sales of goods	44,208,883.47	151,239,205.80
Top Victory Investment Limited Units	Sales of goods	36,371,431.14	9,097,471.77
Shenzhen Jinghua Network Marketing Co., Ltd.	Sales of goods	24,051,736.56	21,076,949.47
Shenzhen China Electronic Qianhai Information Industry Co., Ltd.	Sales of goods	23,516,134.36	
Panda Electronics Import/Export (HK) Company	Sales of goods	17,889,498.47	29,963,540.02
Nanjing Panda Electronics Import/Export Co., Ltd.	Sales of goods	12,012,886.09	14,536,121.66
Panda Electronic Group Co., Ltd.	Sales of goods	6,277,454.51	13,306,214.08
Nanjing Ericsson Panda Communication Co., Ltd.	Sales of goods	2,217,203.01	2,218,660.79
China Great Wall Computer Shenzhen Co., Ltd.	Sales of goods	2,107,234.76	1,723,418.59
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Sales of goods	437,936.17	104,164,831.52
Nanjing Panda Electronics Transportation Company	Sales of goods	64,842.49	36,810.03
Nanjing Panda Investment Development Co., Ltd.	Sales of goods	55,956.00	
Shenzhen Jing'in Electronic Co., Ltd.	Sales of goods	50,596.24	114,916.92
Nanjing China Electronics Panda Real Estate Co., Ltd.	Sales of goods	39,092.31	1,561,777.38
Nanjing China Electronics Panda Furniture Company Limited	Sales of goods	30,029.89	4,402.22
Nanjing Electronics Information Industrial Corporation	Sales of goods	29,059.00	24,444.44
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Sales of goods	27,816.24	18,213.68
Nanjing Panda Technology Park Development Company Limited	Sales of goods	9,433.96	49,808.00
Nanjing Suzhe Electronics Materials Co., Ltd.	Sales of goods	2,000.00	
Shanghai Panda Huning Electronic Technology Co., Ltd.	Sales of goods		2,798,290.60
Nanjing Panda DaSheng Electronics Technology Company Limited	Sales of goods		1,502,863.25
Panda (Beijing) International Information Technology Co., Ltd.	Sales of goods		400,980.73
Nanjing Panda Electronics Material Usage Co., Ltd.	Sales of goods		256,410.26
Nanjing China Electronics Panda Lighting Co., Ltd.	Sales of goods		2,564.10
Total		1,203,606,599.26	1,401,718,264.83

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XI. Related parties and transactions between related parties (continued)

6. Related party transactions (continued)

(4) Rendering of services

Company name	Type of transaction	2015	2014
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Rendering of services	41,758,385.94	8,378,564.00
Nanjing Ericsson Panda Communication Co., Ltd.	Rendering of services	18,748,793.47	31,654,178.85
Panda Electronic Group Co., Ltd.	Rendering of services	16,668,971.23	6,836,968.44
CEC Panda LCD Technology Co., Ltd.	Rendering of services	14,825,833.94	4,763,174.00
Nanjing Panda HanDa Technology Co., Ltd.	Rendering of services	8,558,665.66	10,346,096.49
Nanjing China Electronics Panda Real Estate Co., Ltd.	Rendering of services	2,025,837.16	2,137,362.52
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Rendering of services	1,170,635.15	612,284.79
Nanjing Panda Electronics Transportation Company	Rendering of services	313,532.00	277,132.00
Nanjing Electronics Information Industrial Corporation	Rendering of services	246,260.00	179,800.00
Dongguan China Electronics Panda Technology Development Co., Ltd.	Rendering of services	235,810.49	
Nanjing China Electronics Panda Furniture Company Limited	Rendering of services	181,662.00	745,648.00
Nanjing Panda Electronics Import/Export Co., Ltd.	Rendering of services	179,057.00	297,360.00
Nanjing Panda Electronics Material Usage Co., Ltd.	Rendering of services	170,940.17	
Nanjing Panda Technology Park Development Company Limited	Rendering of services	9,800.00	69,460.87
New Dewel Technology Development Limited	Rendering of services	4,535.00	
Shenzhen Jinghua Network Marketing Co., Ltd.	Rendering of services	2,235.00	
Nanjing Suzhe Electronics Materials Co., Ltd.	Rendering of services		547,243.43
Nanjing 21st Century Electronic and Technology Square Company Limited	Rendering of services		250,000.00
Nanjing Zhenhua Packing Material Plant	Rendering of services		51,952.37
Nanjing China Electronics Panda Lighting Co., Ltd.	Rendering of services		21,016.58
Shenzhen Jing'in Electronic Co., Ltd.	Rendering of services		4,600.00
Total		105,100,954.21	67,172,842.34

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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	Type of transaction	2015	2014
China Electronics Financial Co., Ltd. (note 1)	Receipt of interests	2,983,038.82	1,968,631.98
China Electronics Financial Co., Ltd. (note 1)	Payment of interest	2,785,777.78	790,833.33
China Electronics Financial Co., Ltd. (note 1)	Payment of discounted interest	651,713.22	153,850.02
Nanjing China Electronics Panda Furniture Company Limited (note 2)	Trademark licensing	566,504.72	577,664.15
China Electronics Commercial Financial Leasing Co., Ltd. (note 3)	Payment of factoring service fee	44,964.00	

Note 1: On 26th October 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 March 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. Above agreement had expired in this period.

On the date when above agreement expires, the company and Financial Co., Ltd, resigned Financial Service Contract" (hereafter called Service Contract for short). According to the contract, Financial Co., Ltd. will, in accordance with national laws, regulations and financial institution running regulations, provide financial consulting, credit visa, other related consulting, agency, guarantee, acceptance of bills, discounting of bills, deposits as well as other services. Total credit amount is determined to be RMB600,000,000, the maximum amount that the company allows to be settled through Financial Co., Ltd. rises to 500 million RMB. The contract has an effective period of 3 years, starting from the date when the contract is signed. Above service contract has gained approval in The First Temporary Shareholder Meeting of the company on 28 December 2015.

As of 31st December 2015, 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 RMB498,168,108.34. During 2015, the company paid interest to Financial Co., Ltd. at an amount of RMB2,785,777.78, discounted interest paid amounting to RMB651,713.22, interest income from the company's deposits from Financial Co., Ltd. Amounting to RMB2,983,038.82.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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 (continued)

Note 2: 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.

Note 3: On 31 August 2015, The 8th Board Temporary Meeting approved that Nanjing Panda Electronic Manufacture Co., Ltd., a sub-subsidiary of the company, signed contract "factoring without recourse agreement", with China Electronics Commercial Financial Leasing Co., Ltd. The contract allows China Electronics Commercial Financial Leasing Co., Ltd. to provide Nanjing Panda Electronic Manufacture Co., Ltd. a reusable factoring service of account receivables at an amount of RMB150,000,000, with a service fee rate of 0.05%. The contract has an effective period of 1 year. This transaction does not constitute "major asset restructuring" as defined in "Measures for the administration of major asset restructuring of listing Corporation".

During 2015, Nanjing Panda Electronic Manufacture Co., Ltd., a sub-subsidiary of the company, de-recognized account receivables at an amount of RMB89,928,010.06 due to this transfer of financial assets, and factoring service fee amounted RMB44,964.00.

As of 31 December 2015, Nanjing Panda Electronic Manufacture Co., Ltd., a sub-subsidiary of the company, has used RMB89,928,010.06 of its total factoring amount; the remaining amount is RMB60,071,989.94.

(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	Annual Rental Income
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronics Transportation Company	Apartment Leasing	2015/01/01	2018/12/31	Fair price in the market	488,232.00
Nanjing Panda Electronics Co., Ltd.	Nanjing China Electronics Panda Furniture Company Limited	Apartment Leasing	2015/01/01	2018/12/31	Fair price in the market	160,944.00
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronics Import/Export Co., Ltd.	Apartment Leasing	2015/12/01	Long-term	Fair price in the market	15,552.00
Shenzhen Jinghua Electronics Co., Ltd.	Shenzhen Jinghua Intelligent Technology Co., Ltd.	Apartment Leasing	2015/01/01	2016/12/31	Fair price in the market	721,353.00
Shenzhen Jinghua Electronics Co., Ltd.	Shenzhen Jinghua Network Marketing Co., Ltd	Apartment Leasing	2012/07/01	2016/07/31	Fair price in the market	81,281.00
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing Panda Electronics Transportation Company	Automobile Leasing	2014/01/01	2017/12/31	Fair price in the market	1,039,707.09
Nanjing Panda Electronic Technology Development Co., Ltd.	Panda Electronic Group Co., Ltd.	Apartment Leasing	2015/03/01	2017/02/28	Fair price in the market	37,350.00
Total						2,544,419.09

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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	2015/01/01	2015/12/31	Fair price in the market	180,000.00
Panda Electronics Group Limited	Nanjing Panda Information Industry Co., Ltd.	Apartment Leasing	2015/11/01	2015/12/31	Fair price in the market	32,200.00
Total						212,200.00

(7) Guarantee provided to related parties

Guarantor	Secured party	Guaranteed Amount	Start Date	Termination Date	Whether guarantee has been fulfilled
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronic Manufacture Co., Ltd. (Note 1)	60,000,000.00	2015/08/25	2016/06/30	NO
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronic Manufacture Co., Ltd. (Note 2)	50,000,000.00	2014/11/18	2015/10/30	NO
Nanjing Panda Electronics Co., Ltd.	Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (Note 3)	50,000,000.00	2015/04/08	2015/12/17	NO
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Electronic Equipment Co., Ltd. (Note 4)	70,000,000.00	2015/10/23	2016/10/22	NO
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Information Industry Co., Ltd. (Note 5)	340,000,000.00	2015/02/03	2015/12/17	NO
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Information Industry Co., Ltd. (Note 6)	100,000,000.00	2015/07/31	2016/06/30	NO
Nanjing Panda Electronics Co., Ltd.	Nanjing Panda Information Industry Co., Ltd. (Note 7)	50,000,000.00	2014/06/05	2015/06/04	NO

Note 1: The company offers irrevocable maximum guarantee of RMB60,000,000.00, which is the comprehensive bank credit amount offered by China Merchant Bank, Nanjing Branch, to Nanjing Panda Electronic Manufacture Co., Ltd., sub-subsidiary of the company. The guarantee has a period from 25th August 2015 to 30 June 2016. The guarantee has a period from the date the guarantee is signed to the due date of each loan or to other financing agreements or the due date of received account receivables by China Merchant Bank, Nanjing Branch, plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2015, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB19,309,534.83 of its total comprehensive bank credit, of which RMB19,309,534.83 is guaranteed by the company in the form of bank acceptance bill.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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)

Note 2: The company offers irrevocable maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing Branch, to Nanjing Panda Electronic Manufacture Co., Ltd, a sub-subsidiary of the company. The amount of guarantee has a period from 11st November 2014 to 30th October 2015. The period of guarantee ends after 2 years when the debtor has fulfilled its duty. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2015, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB9,870,482.40 of its total comprehensive bank credit, of which RMB9,870,482.40 is guaranteed by the company in the form of bank acceptance bill.

Note 3: The company offers irrevocable maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Huage Appliance and Plastic Industrial Co., Ltd., sub-sub-subsidiary of the company. The bank credit has duration from 8th April 2015 to 17th December 2015, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Huage Appliance and Plastic Industrial Co., Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2015, Nanjing Huage Appliance and Plastic Industrial Co., Ltd. has used RMB6,043,222.86 of its total comprehensive bank credit, of which RMB6,043,222.86 is guaranteed by the company in the form of bank acceptance bill.

Note 4: The company offers irrevocable maximum guarantee of RMB70,000,000.00, which is the comprehensive bank credit amount offered by Ping An Bank, Nanjing Branch, to Nanjing Panda Electronic Equipment Co., Ltd., sub-subsidiary of the company. The contract was signed on 23rd October 2015, expires in 1 year. The period of guarantee starts from the date when the contract is signed to 2 years after the debtor has fulfilled its duty. Nanjing Panda Electronic Equipment Co. Ltd. offers its total assets as counter guarantee. As of 31st Dec. 2015, Nanjing Panda Electronic Equipment Co. Ltd. has used RMB11,070,000.00 of its total comprehensive bank credit, of which RMB11,070,000.00 is guaranteed by the company in the form of bank acceptance bill.

Note 5: 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., a sub-subsidiary of the company. The bank credit has duration from 31th July 2015 to 30th June 2016, 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 December 2015, Nanjing Panda Information Industry Co. Ltd. has used RMB37,857,302.51 of its total comprehensive bank credit, of which RMB37,857,302.51 is guaranteed by the company in the form of letter of guarantee.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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)

Note 6: 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 sub-subsidiary of the company. The bank credit has duration from 31st July 2015 to 30th June 2016. The guarantee has a period from the date the guarantee is signed to the due date of each loan or to other financing agreements or the due date of received account receivables by China Merchant Bank, Nanjing Branch, plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly. Nanjing Panda Information Industry Co. Ltd. offers its total assets as counter guarantee. As of 31st December 2015, Nanjing Panda Information Industry Co. Ltd. has used RMB28,516,343.24 of its total comprehensive bank credit, of which RMB22,634,926.71 is guaranteed by the company in the form of letter of guarantee, RMB5,881,416.53 is guaranteed in the form of bank acceptance bill.

Note 7: 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., a sub-subsidiary of the company. The guarantee has a period from 5th June 2014 to 4th June 2015. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2015, Nanjing Panda Information Industry Co., Ltd. has used RMB2,225,333.31 of its total comprehensive bank credit, of which RMB2,225,333.31 is guaranteed by the company in the form of letter of guarantee.

Conclusively, as of 31st December 2015, total guarantee offered by the company amounted to RMB114,892,219.15, which includes: RMB52,174,656.62 of acceptance bill guarantee, and RMB62,717,562.53 of letter of guarantee. (As of 31st December 2014, total guarantee offered by the company amounted 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.)

(8) Remuneration of key management

Item	2015	2014
Remuneration of key management	3,345.6 thousand yuan	3,198.9 thousand yuan

(9) There are no trust management, contracted projects, capital lending or borrowing, and asset transfer or debt reorganization with related parties.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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

(1) Receivables from related parties

Items	Related Party	Closing balance		Opening balance	
		Balance	Bad debt Provision	Balance	Bad debt Provision
Trade receivable	Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	268,900,418.83		11,780,672.30	
Trade receivable	Nanjing Panda HanDa Technology Co., Ltd.	64,876,655.26	33,649.21	38,474,113.81	2,980.03
Trade receivable	CEC Panda LCD Technology Co., Ltd.	49,954,646.16		102,686,557.85	
Trade receivable	CEC Panda Liquid Crystal Material Technology Co., Ltd.	36,761,773.78		72,509,196.28	
Trade receivable	China Electronics Science and Industry New Materials Jiangsu Co., Ltd.	8,315,576.46			
Trade receivable	Shenzhen Jinghua Network Marketing Co., Ltd	7,762,342.00		5,084,335.00	
Trade receivable	Nanjing Panda Electronics Import/Export Co., Ltd.	6,012,740.91	889,816.33	3,424,892.87	889,816.33
Trade receivable	Top Victory Investment Limited Units	4,488,376.32		5,128,874.70	
Trade receivable	Panda Electronic Group Co., Ltd.	2,565,108.96	25,550.00	339,380.00	25,550.00
Trade receivable	Nanjing Ericsson Panda Communication Co., Ltd.	1,811,861.02		5,835,220.76	
Trade receivable	Shanghai Panda Huning Electronic Technology Co., Ltd.	1,317,000.00	1,317,000.00	1,317,000.00	
Trade receivable	Nanjing China Electronics Panda Furniture Company Limited	600,495.00		620,409.67	
Trade receivable	China Great Wall Computer Shenzhen Co., Ltd.	570,628.29		211,350.32	
Trade receivable	Nanjing China Electronics Panda Real Estate Co., Ltd.	165,041.63		165,041.63	
Trade receivable	Dongguan China Electronics Panda Technology Development Co., Ltd.	135,810.49			
Trade receivable	Nanjing Panda DaSheng Electronics Technology Company Limited	108,750.00		1,608,750.00	
Trade receivable	Nanjing Thales Panda Transportation System Company Limited	39,086.73	36,156.93	39,086.73	36,156.93
Trade receivable	Nanjing Zhenhua Packing Material Plant	12,600.00		17,300.00	
Trade receivable	Nanjing Electronics Information Industrial Corporation	8,994.00			
Trade receivable	Nanjing Panda Investment Development Co., Ltd.	8,801.00			
Trade receivable	Langfang China Electronics Panda Crystal Technology Co., Ltd.	3,240.00	3,240.00	3,240.00	
Trade receivable	Nanjing Panda Electronics Transportation Company	3,216.93			
Trade receivable	Wuhan Zhongyuan Electronics Group Co., Ltd.	2,000.00	2,000.00	2,000.00	2,000.00
Trade receivable	Nanjing Panda Technology Park Development Company Limited			76,168.00	
Trade receivable	Shenzhen Sangda Electronic Equipment Co., Ltd.			60,121.80	60,121.80
Total		<u>454,425,163.77</u>	<u>2,307,412.47</u>	<u>249,383,711.72</u>	<u>1,016,625.09</u>

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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)

Items	Related Party	Closing balance		Opening balance	
		Balance	Bad debt Provision	Balance	Bad debt Provision
Prepayments	Nanjing Panda Electronics Import/Export Co., Ltd.	2,992,002.90			
Prepayments	Panda LCD Technology (Hong Kong) Co., Ltd.	774,056.68		603,901.16	
Prepayments	Shanghai Panda Huning Electronic Technology Co., Ltd.	336,000.00		336,000.00	
Prepayments	Nanjing China Electronics Panda Lighting Co., Ltd.	104,695.20		104,695.20	
Prepayments	China National Electronics Import/Export Corporation	73,758.00			
Prepayments	CEC Panda LCD Technology Co., Ltd.	15,000.00		20,356.00	
Prepayments	Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	9,600.00		105,600.00	
Prepayments	Nanjing China Electronics Panda Furniture Company Limited			190,998.00	
Total		<u>4,305,112.78</u>		<u>1,361,550.36</u>	
Other receivables	Shenzhen Jing'in Electronic Co., Ltd.			177,537.52	
Total				<u>177,537.52</u>	
Bills receivable	China Electronics Commercial Financial Leasing Co., Ltd.	89,883,046.06			
Bills receivable	Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	5,000,000.00		10,500,000.00	
Bills receivable	Nanjing Panda HanDa Technology Co., Ltd.	1,000,000.00		5,000,000.00	
Bills receivable	China Great Wall Computer Shenzhen Co., Ltd.	460,541.70		524,822.71	
Bills receivable	CEC Panda LCD Technology Co., Ltd.			77,680,000.00	
Total		<u>96,343,587.76</u>		<u>93,704,822.71</u>	

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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

Items	Related Party	Closing balance	Opening balance
Accounts payable	Nanjing Panda Electronics Import/Export Co., Ltd.	37,397,836.26	49,679,178.44
Accounts payable	Panda Electronic Group Co., Ltd.	3,754,117.21	3,241,208.53
Accounts payable	Nanjing Zhenhua Packing Material Plant	1,334,967.96	1,611,095.03
Accounts payable	Nanjing China Electronics Panda Property Management Co., Ltd.	853,111.86	853,111.86
Accounts payable	Beijing China Electronics Guangtong Technologies Co., Ltd.	450,000.00	
Accounts payable	Nanjing China Electronics Panda Furniture Company Limited	335,038.57	147,600.00
Accounts payable	Nanjing Panda Electronics Transportation Company	254,912.39	260,362.39
Accounts payable	Nanjing China Electronics Panda Lighting Co., Ltd.	275,851.71	29,990.40
Accounts payable	Guizhou Zhenhua Qunying Electric Appliance Co., Ltd.	77,730.00	28,830.00
Accounts payable	Shenzhen China Electronics Electricity Power Technology Co., Ltd.	67,400.00	
Accounts payable	Guizhou Zhenhua Hualian Electronics Co., Ltd.	32,340.00	
Accounts payable	Nanjing China Electronics Panda Crystal Technology Co., Ltd.	25,649.88	28,656.13
Accounts payable	Nanjing Panda Electronics Technology Development Company Limited	17,692.05	17,692.05
Accounts payable	China Zhenhua Group Yunke Electronics Co., Ltd.	17,632.00	17,632.00
Accounts payable	Nanjing Thales Panda Transportation System Company Limited	16,410.02	16,410.02
Accounts payable	Nanjing Panda HanDa Technology Co., Ltd.	14,466.00	
Accounts payable	Nanjing Ericsson Panda Communication Co., Ltd.	12,000.36	177,583.65
Accounts payable	CEC Panda LCD Technology Co., Ltd.		7,372,757.70
Accounts payable	China Electronic Appliance (ShenZhen) Co.Ltd.		784,824.08
Accounts payable	Nanjing Changjiang Electronic Information Industry Group Co., Ltd.		175,984.07
Accounts payable	Nanjing Electronics (Kunshan) Co., Ltd.		63,139.64
Accounts payable	Shenzhen Sangda Baili Electric Appliance Co., Ltd.		3,565.81
Total		44,937,156.27	64,509,621.80

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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)

Items	Related Party	Closing balance	Opening balance
Advances from customers	Shaanxi IRICO Electronic Glass Co., Ltd.	5,100,000.00	
Advances from customers	IRICO (Hefei) LCD glass Co., Ltd.	4,190,400.00	
Advances from customers	Panda Electronics Import/Export (HK) Company	1,790,975.80	1,121,072.97
Advances from customers	Nanjing Panda Technology Park Development Company Limited	233,334.00	
Advances from customers	Nanjing Panda HanDa Technology Co., Ltd.	188,679.25	4,899,797.90
Advances from customers	Panda Electronic Group Co., Ltd.	31,340.85	3,767,561.14
Advances from customers	Nanjing China Electronics Panda Lighting Co., Ltd	7,020.00	
Advances from customers	Nanjing China Electronics Panda Furniture Company Limited	5,506.17	5,506.17
Advances from customers	China Electronics Science and Industry New Materials Jiangsu 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
Advances from customers	Nanjing Panda Electronics Transportation Company		1,583.07
Total		<u>11,547,256.07</u>	<u>54,886,680.39</u>

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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)

Items	Related Party	Closing balance	Opening balance
Other payables	China Electronics Corporation	34,000,000.00	34,000,000.00
Other payables	Panda Electronic Group Co., Ltd.	9,789,918.95	10,437,293.38
Other payables	Nanjing Thales Panda Transportation System Company Limited	860,265.92	860,265.92
Other payables	Nanjing China Electronics Panda Property Management Co., Ltd.	521,396.27	521,396.27
Other payables	Nanjing Electronics (Kunshan) Co., Ltd.	300,000.00	300,000.00
Other payables	Nanjing Panda Electronics Transportation Company	130,495.47	28,458.94
Other payables	Nanjing Electronics Information Industrial Corporation	74,600.00	44,600.00
Other payables	Panda (Beijing) International Information Technology Co., Ltd.	45,588.91	45,588.91
Other payables	Nanjing Panda Technology Park Development Company Limited	20,000.00	
Other payables	China National Electronics Import/Export Corporation	10,000.00	10,000.00
Other payables	Nanjing Panda DaSheng Electronics Technology Company Limited	200.00	200.00
Other payables	Shenzhen Jingfa Plastic Packing Products Co., Ltd.		228,000.00
Other payables	Shanghai Panda Huning Electronic Technology Co., Ltd.		108,848.00
Total		<u>45,752,465.52</u>	<u>46,584,651.42</u>
Bills payable	Guizhou Zhenhua Hualian Electronics Co., Ltd.	92,400.00	
Bills payable	Nanjing Zhenhua Packing Material Plant	36,510.40	
Total		<u>128,910.40</u>	

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XII. Share Payment

The company has not events related to payment settled by shares.

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	3,613,117.21	3,313,456.65
1-2 years	1,168,568.89	2,580,600.00
2-3 years	188,084.95	562,500.00
Total	4,969,771.05	6,456,556.65

(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 and constructions	2,926,971.73	79,465,428.80
Plant and equipment	1,029,491.13	
Total	3,956,462.86	79,465,428.80

2. Contingent events

(1) Bank loan guarantees and other guarantees offered by the company to its subsidiaries are disclosed in Disclosure Chapter XI, Section 6 (7).

(2) Apart from above contingent events, as of 31st December 2015, the company has no material contingent events for which disclosure is required.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XIV. Post Balance Sheet Events

1. According to the profit distribution plan released on the Eighth of the Forth Conference of the Board of Directors in 2015, the profit will be distributed at the base of share capital of 913,838,529.00. Every 10 shares will be paid by RMB0.68 cash (tax included) dividends, amounting to RMB62,141,019.97 totally. The profit distribution plan should be executed after the approval of the general meeting of shareholders of the Company.
2. Despite above event, there are 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

The company has no events related to debt restructuring during the current period.

2. Asset Swap

The company has no 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 no events related to termination of business at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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	Undistributed	Elimination among segments	Total
Trade income from third party	901,142,698.39	1,776,462,970.99	739,399,975.26	196,477,290.86			3,613,482,935.50
Trade income between segments	13,014,283.38	33,518,567.98	12,269,267.45	51,809,129.68		-110,611,248.49	
Investment income from joint ventures and associated enterprises			253,630.89	145,298.53	184,778,510.00		185,177,439.42
impairment of assets	9,628,466.97	13,376,218.92	2,795,318.93	314,898.29	703,276.09	-392,745.74	26,425,433.46
Depreciation and amortisation expense	26,736,479.02	21,340,269.47	6,786,731.68	7,587,596.87	18,760,292.50		81,211,369.54
Total Profit	43,816,540.70	83,264,082.84	16,394,186.73	60,551,264.32	116,305,475.42	-97,584,567.65	222,746,982.36
Income tax expense	5,507,272.55	8,192,373.61	5,858,919.08	14,109,626.52		-40,367.25	33,627,824.51
Net profit	<u>38,309,268.15</u>	<u>75,071,709.23</u>	<u>10,535,267.65</u>	<u>46,441,637.80</u>	<u>116,305,475.42</u>	<u>-97,544,200.40</u>	<u>189,119,157.85</u>
Total assets	<u>630,915,896.27</u>	<u>2,470,000,281.32</u>	<u>320,005,324.50</u>	<u>466,392,955.95</u>	<u>3,194,894,352.34</u>	<u>-2,190,409,406.47</u>	<u>4,891,799,403.91</u>
Total liabilities	<u>299,994,877.11</u>	<u>1,095,099,922.28</u>	<u>176,771,654.01</u>	<u>190,503,416.86</u>	<u>310,333,172.69</u>	<u>-640,796,872.34</u>	<u>1,431,906,170.61</u>
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises			9,780,553.95	719,299.64	437,193,840.00		447,693,693.59
Increase in other non-current assets besides long-term investment	<u>17,702,136.46</u>	<u>177,600,719.93</u>	<u>1,418,762.66</u>	<u>2,584,436.21</u>	<u>13,342,584.36</u>		<u>212,648,639.62</u>

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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	Undistributed	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	<u>34,941,021.82</u>	<u>93,265,915.38</u>	<u>10,615,392.35</u>	<u>51,100,990.40</u>	<u>39,580,202.16</u>	<u>-33,077,475.21</u>	<u>196,426,046.90</u>
Total assets	<u>668,325,649.91</u>	<u>2,068,773,518.38</u>	<u>326,615,181.53</u>	<u>453,972,621.72</u>	<u>3,216,537,742.83</u>	<u>-2,110,100,036.20</u>	<u>4,624,124,678.17</u>
Total liabilities	<u>340,258,659.94</u>	<u>769,511,056.75</u>	<u>173,916,778.69</u>	<u>165,247,941.43</u>	<u>382,282,526.39</u>	<u>-590,553,689.16</u>	<u>1,240,663,274.04</u>
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	<u>13,992,248.01</u>	<u>125,659,121.41</u>	<u>559,829.25</u>	<u>6,076,562.37</u>	<u>4,959,972.45</u>		<u>151,247,733.49</u>

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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	2015	
		Operating Cost	Operating Profit
Electronic equipment products	1,758,582,561.60	1,513,237,509.32	245,345,052.28
Electronic manufacturing products	887,041,802.08	771,473,843.48	115,567,958.60
Consumer electronics products	739,042,271.78	660,174,107.32	78,868,164.46
Other	189,288,727.61	105,550,302.98	83,738,424.63
Total	3,573,955,363.07	3,050,435,763.10	523,519,599.97

Business segments	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	3,424,238,116.84	2,923,878,082.19	500,360,034.65

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 recorded into profit and loss is RMB9,662,522.85, the amount of the exchange loss is RMB4,580,379.00, and the net exchange gains and losses is RMB5,082,143.85.

7. Borrowing costs

The company has no capitalization of borrowing costs or other related matters in current period.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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	33,620,860.90	18,205,564.21
Transportation Equipment	3,338,043.60	1,209,674.18
Total	36,958,904.50	19,415,238.39

9. Other Significant Events

(1) As part of the continuous related party transactions expires on 20th December 2015 and 31st December 2015, and future related party transactions are expected to continue, the Board had held the Eighth Temporary Board meeting on 12th November 2015. The meeting approved that the company, as well as its subsidiaries (thereafter called the group for short), will continue to approve related party transactions and related party transaction limits with China Electronics Corporation and its subsidiaries (thereafter called CEC group for short), Nanjing Electronic Information Industry Corporation (thereafter called NEIC for short), China Electronics Financial Co., Ltd. (thereafter called CE Financial for short), and suggested to take all necessary actions to carry out related party transaction contracts. The Board suggested that the continuous related party transaction limit to adjust as follows:

(All units in million RMB)

Content of transaction	Current annual limit	Suggested annual limit
The Group provide CEC Group with outsource and comprehensive services	90.50	222.00
CEC Group provide the Group with outsource and comprehensive services	12.50	7.00
The Group sells goods and spare parts to CEC Group	1,600.00	2,333.00
The Group purchases goods and spare parts from CEC group	292.90	103.00
The Group leases factory and equipment to NEIC	11.00	3.00
NEIC leases factory and equipment to the Group	2.00	2.00
The Group offers licenses to CEC Furniture	3.00	3.00
CE Financial provide the Group with Financial Services – Fund settlement balance	500.00	500.00
CE Financial provide the Group with Financial Services – Comprehensive credit balance	600.00	600.00

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XV. Other Material Events (continued)

9. Other Significant Events (continued)

- (2). On 21st January 2014, controller of the company, Panda Group, provides its 167,350,000 normal shares of the company (all non-restricted shares, amounted to 18.31% of total shares of the company) as pledge against the RMB800,000,000 loan (a 2 year loan) lend by Nanjing Panda HanDa Technology Co., Ltd. (a fully owned subsidiary of Panda Group) from a syndication consisting of China Electronics Financial Co., Ltd., Bank of Communications, Jiangsu Branch and China Construction Bank, Nanjing Central Gate Branch.

On 12th May 2015, Panda Group lifted part of its pledged shares through China Securities Depository and Clearing Corporation, the shares that has been lifted amounted 50,000,000, which is 5.47% of total shares of the company. On 16th June 2015, Panda Group lifted part of its pledged shares through China Securities Depository and Clearing Corporation, the shares that has been lifted amounted 23,470,000, which is 2.57% of total shares of the company. On 13th January 2016, the company was informed by Panda Group that it had lifted its pledged shares. On 12th January 2016, Panda Group lifted its pledged shares through China Securities Depository and Clearing Corporation, the shares that has been lifted amounted 93,880,000, which is 10.27% of total shares of the company, after which no shares of the company is been pledged.

- (3). Nanjing Panda Information Industry Co., Ltd., a sub-subsidiary of the company, has filed arbitration to Yinchuan Arbitration Commission on 5th November 2016, against the Press and Publication Bureau of Radio and Television of Ningxia Hui Autonomous Region. Nanjing Panda Information Industry Co., Ltd. had signed "Equipment Purchase Contract for Ningxia Live Satellite Public Service Huhutong Project" (thereafter called "Purchase Contract" for short) with Press and Publication Bureau of Radio and Television of Ningxia Hui Autonomous Region. The contract specifies that Press and Publication Bureau of Radio and Television of Ningxia Hui Autonomous Region purchases Huhutong equipment from Nanjing Panda Information Industry Co., Ltd. amounted RMB45,720,000. On the date when the arbitration was filed, Press and Publication Bureau of Radio and Television of Ningxia Hui Autonomous Region still owes RMB12,558,672. On 30th November 2015, Yinchuan Arbitration Commission accepted the case. As of the date when financial statements are issued, the case has not yet being ruled by Yinchuan Arbitration Commission.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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	74,579,162.05	82.30	4,827,759.04	6.47
Other unsubstantial amount of accounts receivable with specific provision	16,043,222.75	17.70	1,566,670.98	9.77
Total	90,622,384.80	100.00	6,394,430.02	

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	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	

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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 Radio and Television Bureau	27,749,600.00	2,415,018.84	8.70	Current value of the expected future cash flow is lower than its carrying value
Sheyang County Broadcasters	19,289,075.00	1,425,725.54	7.39	Current value of the expected future cash flow is lower than its carrying value
Sihong County Radio and Television Information Network Co., Ltd.	10,139,839.00	676,373.14	6.67	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda HanDa Technology Co., Ltd.	6,364,171.19			Expected can be recovered
Nanjing Qixia District Cable Management Station	5,659,435.90	149,860.45	2.65	Current value of the expected future cash flow is lower than its carrying value
Ganyu Broadcasting Network Development Co., Ltd.	5,377,040.96	160,781.07	2.99	Current value of the expected future cash flow is lower than its carrying value
Total	<u>74,579,162.05</u>	<u>4,827,759.04</u>		

(3) Receivables returned or recovered during this period

Items	The amount incurred in current period
Provision for bad debt incurred in current period	1,973,982.64
Provision for bad debt reversed or received in current period	<u>2,549,262.11</u>

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

1. Accounts receivables (continued)

- (4) There is no situation of written-off accounts receivable.
- (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 (%)
Binhai Radio and Television Bureau	Non-related party	27,749,600.00	2,415,018.84	30.62
Sheyang County Broadcasters	Non-related party	19,289,075.00	1,425,725.54	21.29
Sihong County Radio and Television Information Network Co., Ltd.	Non-related party	10,139,839.00	676,373.14	11.19
Nanjing Panda HanDa Technology Co., Ltd.	Non-related party	6,364,171.19		7.02
Nanjing Qixia District Cable Management Station	Non-related party	5,659,435.90	149,860.45	6.25
Total		<u>69,202,121.09</u>	<u>4,666,977.97</u>	76.37

- (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, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

2. 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	303,915,666.11	97.27	27,181,051.51	8.94
Other unsubstantial amount of other receivables with specific provision	8,542,424.77	2.73	2,493,339.34	29.19
Total	<u>312,458,090.88</u>	<u>100.00</u>	<u>29,674,390.85</u>	

Category	Amount	Opening balance		
		Percentage (%)	Provision for bad debt	Percentage (%)
Substantial amount of single other receivables with specific provision	224,718,420.24	95.05	22,854,988.25	10.17
Other unsubstantial amount of other receivables with specific provision	11,697,825.07	4.95	6,076,126.51	51.94
Total	<u>236,416,245.31</u>	<u>100.00</u>	<u>28,931,114.76</u>	

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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	Amount	Provision for bad debt	Percentage of provision for bad debts (%)	Reasons
Nanjing Panda Electronic Equipment Co., Ltd.	104,979,546.35	4,979,546.35	4.74	Current value of the expected future cash flow is lower than its carrying value
Galant Limited	61,689,200.00			Expected can be recovered
Nanjing Baixia State-Owned Assets Management Center	52,400,000.00			Expected can be recovered
Nanjing Huage Appliance and Plastic Industrial Co., Ltd	30,000,000.00			Expected can be recovered
Nanjing Panda Electronic Technology Development Co., Ltd.	27,402,000.00			Expected can be recovered
Nanjing Panda International Communication Systems Co., Ltd.	15,285,045.29	15,285,045.29	100.00	Expected can be recovered
Nanjing Panda Mechanical Manufacturing Co., Ltd.	12,159,874.47	6,916,459.87	56.88	Current value of the expected future cash flow is lower than its carrying value
Total	<u>303,915,666.11</u>	<u>27,181,051.51</u>		

(3) Amount returned or recovered during this period

Items	The amount incurred in current period
Provision for bad debt incurred in current period	2,555,836.75
Provision for bad debt reversed or received in current period	1,812,560.66

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (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 (continued)

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
Industrial and Commercial Bank of China Beijing Branch asset custody accounts	Fund received	Expected cannot be recovered	300,000.00	300,000.00
Total			<u>300,000.00</u>	<u>300,000.00</u>

- (4) There is no written-off other receivables in the current period.

- (5) Carrying amounts of other receivables are categorized and listed below

Nature	Closing balance	Opening balance
Related party transaction	256,348,222.09	141,490,834.39
Relocation compensation	52,400,000.00	91,823,000.00
Other	3,709,868.79	3,102,410.92
Total	<u>312,458,090.88</u>	<u>236,416,245.31</u>

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

2. Other Receivables (continued)

(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 Panda Electronic Equipment Co., Ltd.	Related party transaction	104,979,546.35	Within 1 year, 3-5 years	33.60	4,979,546.35
Galant Limited	Related party transaction	61,689,200.00	Within 2 years, Over 3 years	19.74	
Nanjing Baixia State-Owned Assets Management Center	Relocation Compensation	52,400,000.00	2-3 years	16.77	
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	Related party transaction	30,000,000.00	1-3 years	9.60	
Nanjing Panda Electronic Technology Development Co., Ltd.	Related party transaction	27,402,000.00	Within 1 year	8.77	
Total		<u>276,470,746.35</u>		<u>88.48</u>	<u>4,979,546.35</u>

(7) The company does not have derecognition of other receivables.

(8) Governmental subsidy

Name	Items	Amount	Aging	Data sources
Nanjing Baixia State-Owned Assets Management Center	Removal of 118 Haifu Lane	52,400,000.00	2-3 years	Expected to be received in by the end of 2016 based on the relocation compensation agreement signed with the government
Total		<u>52,400,000.00</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, YEAR 2015 (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	Total	Increase of investment	Decrease of investment	Changes of the current period					Impairment of assets	
				Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Cash Dividend	Impairment of current period		Other
Beijing SE Putian Mobile Communications Co., Ltd.	217,439,600.00			102,020,000.00			130,966,000.00		188,493,600.00	
Nanjing Huaxian High Technology Company										
Nanjing Ericsson Panda Communication Co., Ltd.	273,941,730.00			82,758,510.00			108,000,000.00		248,700,240.00	
Shenzhen Jinghua Electronics Co., Ltd. (note 1)	118,566,299.30	675,004.70							119,241,304.00	
Nanjing Panda Accurate Machinery Co., Ltd.	5,627,934.12								5,627,934.12	
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. (note 2)	111,221,994.10								111,221,994.10	
Nanjing Panda Power supply Technology Co., Ltd.	8,750,000.00								8,750,000.00	8,750,000.00
Nanjing Guanghua Electronics Plastic Casings Factory	8,271,096.45								8,271,096.45	
Nanjing Panda International Communication Systems Co., Ltd.	7,655,000.00								7,655,000.00	7,655,000.00
Nanjing Panda Industrial Enterprise Co., Ltd. (note 3)	20,000,000.00								20,000,000.00	
Nanjing Panda Electronic Equipment Co., Ltd.	190,000,000.00								190,000,000.00	
Nanjing Panda Electronic Technology Development Co., Ltd.	674,000,000.00	26,000,000.00							700,000,000.00	
Nanjing Panda Communication Technology Co., Ltd.	98,585,734.28								98,585,734.28	
Shanghai Panda Robot Technology Co., Ltd.		1,000,000.00							1,000,000.00	
Total	1,943,420,109.72	27,675,004.70		184,778,510.00			238,966,000.00		1,916,907,624.42	16,405,000.00

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XVI. Notes to the financial statements of the parent (continued)

3. Long-term investments (continued)

Note 1: The company received dividend amounting to RMB24,799,221.00 from Shenzhen Jinghua Electronics Co., Ltd. during current period.

Note 2: The company received dividend amounting to RMB22,500,000.00 from Nanjing Panda Electronic Manufacture Co., Ltd. during current period.

Note 3: 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	2015		2014	
	Income	Cost	Income	Cost
Income from principal activities	62,162,918.39	47,570,602.30	60,734,491.60	45,231,395.00
Income from other activities	15,038,164.24	591,201.42	35,981,074.49	1,555,765.57
Total	77,201,082.63	48,161,803.72	96,715,566.09	46,787,160.57

5. Investment income

Source of investment income	2015	2014
Long-term equity investment income accounted for at cost	48,299,221.00	1,000,000.00
Long-term equity investment income accounted for using equity method	184,778,510.00	156,198,891.23
Income from financial products	19,547,414.19	19,152,198.64
Total	252,625,145.19	176,351,089.87

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XVII. Supplementary information

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	4.4649	0.1574	0.1574
Net profit attributable to holders of ordinary shares after extraordinary items	<u>3.3882</u>	<u>0.1194</u>	<u>0.1194</u>

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.

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XVII. Supplementary information (continued)

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.

Item	Amount	Note
(1) Profit and loss of disposal of non-current assets including reserved provision for asset impairment	-265,807.73	
(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)	6,256,600.00	Note 1
(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	21,779,294.79	
(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		
(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		

NOTES TO THE FINANCIAL STATEMENTS, YEAR 2015 (Continued)

(All amounts in RMB unless otherwise stated)

XVII. Supplementary information (continued)

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)

Item	Amount	Note
(15) Reversal of impairment of receivables provided by specific provision	6,577,958.38	
(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	2,510,668.66	
(21) Other non-recurring profit and loss items recognized by CSRC		
Sub-total	<u>36,858,714.10</u>	
Less: the impact from income tax	1,408,762.94	
Net non-recurring profit and loss less the impact from income tax	<u>35,449,951.16</u>	
Including: non-recurring profit and loss attributable to owners of the parent	<u>34,713,234.02</u>	
Net non-recurring profit and loss attributable to minority shareholders	736,717.14	

Note 1: 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 RMB3,602,075.64, and this amount of government subsidiary is being accounted for through profit or loss as an ordinary profit or loss item.

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 Head of the Accounting Department (person in charge of accounting matters).
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: 21 March 2016