

# PANDA Electronics

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Nanjing Panda Electronics Company Limited

# 2016

## 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 29 March 2017.
3. BDO China Shu Lun Pan Certified Public Accountants LLP has issued an unqualified auditors' report for the Company. The financial statements of the Company for this year were prepared in accordance with the PRC Accounting Standards for Business Enterprises and were also in compliance with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.
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 for profit distribution or capitalisation of capital reserves of the Company for the Reporting Period considered by the Board: to distribute a cash dividend of RMB0.70 (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 2016, with the total cash dividend to be distributed amounting to RMB63,968,697.03, and the balance 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 are advised to pay attention to 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 "Discussion and Analysis of the Operation" 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)

## Definitions (Continued)

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. (中国华融资产管理股份有限公司)
China Great Wall	China Great Wall Asset Management Corporation (中国长城资产管理公司)
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong (香港证券及期货事务监察委员会)
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
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	TD-SCDMA Long Term Evolution
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"
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

## Definitions (Continued)

BPR technique	Bottom Process Recombine is a bottom welding and recombining technique, a through-hole reflow (THR) technique
ODM	Original Design Manufacturer
PPP	Public Private Partnership, various cooperative relationship built between public and private sectors for providing public products or services
BOT	Build Operate Transfer, a way by which private enterprises participate in infrastructure construction and provide social public services
MID Product	Mobile Internet Device
BC System	Block Control System, which is used to control device cluster
NFC-HCF Cloud Technology	HCE (HOST card emulation), the terminology is used to describe a software structure, which creates a safe payment environment for the communication between NFC device and remote host. By virtue of HCE technology, users can replace the traditional cards such as payment cards, transportation cards, access cards and passes with their cellphones.
ABS materials	Acrylonitrile Butadiene Styrene, a thermoplastic polymer material structure with high strength and flexibility, which is easy to be processed for moulding, and also known as ABS resin
TFT-LCD Automated Transmission System	Thin Film Transistor– Liquid Crystal Display, or TFT-LCD for short
FPD Project Automated Transmission System	Process Flow Diagram, an important process material balance diagram in chemical design
Doherty Amplifier Design Technology	Doherty technology was invented by W.H.Doherty in 1936 and was initially applied to traveling wave tube. It provided broadcast with high-power transmitter, with simple and easy structure as well as high efficiency
CDR	China digital radio, a radio and television standard with Chinese characteristics
MES system	Manufacturing Execution System, a management system of information-based production aiming at execution on plant floors of manufacturers

# 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

	<b>Secretary to the Board</b>	<b>Securities Affairs Representative</b>
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) 8480 1144	(86 25) 8480 1144
Facsimile	(86 25) 8482 0729	(86 25) 8482 0729
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	<a href="http://www.panda.cn">http://www.panda.cn</a>
Email	dms@panda.cn

## IV. Place for Information Disclosure and Inspection

Designated newspaper for information disclosure	Shanghai Securities News, China Securities Journal
International websites for the publication of the Company's Annual Report and information disclosure	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>
Place for inspection of the Company's Annual Report	Office of Secretary to the Board of Directors, 7 Jingtian Road, Nanjing, the People's Republic of China



## Company Profile and Major Financial Indicators (Continued)

### 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

### VI. Other Relevant Information

Domestic auditors of the Company	Name Office address Name of signing accountants	BDO China Shu Lun Pan Certified Public Accountants LLP 28th floor, Maotai Building, Yard 29, Middle of North 3rd Ring Road, Xicheng District, Beijing Meng Qingxiang (孟慶祥), Zhao Bin (趙斌)
Overseas auditors of the Company	Name Office address Name of signing accountants	N/A N/A N/A
Long-term domestic legal advisers	Name Office address	Grandall Law Firm (Nanjing) 7th-8th Floor, Building B, No.309 Hanzhong Gate Avenue, Nanjing
Long-term overseas legal advisers	Name Office address	Philip K. H. Wong, Kennedy Y. H. Wong & Co., Solicitors 23rd Floor, Admiralty Centre Tower II, 18 Harcourt Road, Queensway, Hong Kong
Share Registrars and Transfer Office (A shares)	Name Office address	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, the PRC
Share Registrars and Transfer Office (H shares)	Name Office address	Hong Kong Registrars Limited 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principle Bankers		Bank of Communications, Shanghai Pudong Development Bank, China Merchants Bank, Ping An Bank

## Company Profile and Major Financial Indicators (Continued)

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

#### (I) Principle accounting data

Unit: RMB0'000 Currency: RMB

Principle accounting data	2016	2015	Increase/ decrease from last year (%)	2014	2013 (restated)	2012 (restated)
Operating income	<b>370,276.34</b>	361,348.29	2.47	348,764.11	413,621.48	373,110.51
Net profit attributable to shareholders of the Company	<b>11,924.05</b>	14,383.67	-17.10	15,323.01	18,482.09	13,354.89
Net profit attributable to shareholders of the Company after extraordinary items	<b>4,049.73</b>	10,912.34	-62.89	9,928.08	4,804.63	5,944.69
Net cash flow from operating activities	<b>5,314.68</b>	10,899.52	-51.24	4,403.40	871.49	-931.47

	As of the end of 2016	As of the end of 2015	Increase/ decrease from the end of last year (%)	As of the end of 2014	As of the end of 2013	As of the end of 2012
Net assets attributable to shareholders of the Company	<b>332,027.06</b>	326,327.94	1.75	317,895.30	313,603.56	169,786.22
Total assets	<b>523,997.64</b>	489,179.94	7.12	462,412.47	448,102.66	346,785.48



## Company Profile and Major Financial Indicators (Continued)

### (II) Key financial indicators

Key financial indicators	2016	2015	Increase/ decrease from last year (%)	2014	2013	2012
Basic earnings per share (RMB/share)	<b>0.1305</b>	0.1574	-17.09	0.1667	0.2356	0.2039
Diluted earnings per share (RMB/share)	<b>0.1305</b>	0.1574	-17.09	0.1667	0.2356	0.2039
Basic earnings per share after extraordinary items (RMB/share)	<b>0.0443</b>	0.1194	-62.90	0.1086	0.0526	0.09
Weighted average return on net assets (%)	<b>3.67</b>	4.46	decreased by 0.79 percentage point	4.82	7.66	8.10
Weighted average return on net assets after extraordinary items (%)	<b>1.25</b>	3.39	decreased by 2.14 percentage points	3.12	1.99	3.61

Explanations on major accounting data and financial indicators as at the end of the Reporting Period: Not Applicable

### VIII. Differences between accounting data prepared under overseas and domestic accounting standards

- (I) Differences in the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed under the International Accounting Standards and the PRC GAAP: Not Applicable
- (II) Difference in the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed under the foreign accounting standards and the PRC GAAP: Not Applicable
- (III) Explanations on differences under the foreign and domestic accounting standards: Not Applicable

### IX. Major quarterly accounting data in 2016

Unit: RMB0'000 Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating Revenue	69,251.33	82,668.28	97,256.98	121,099.75
Net profit attributable to shareholders of the Company	3,790.94	1,674.48	2,446.08	4,012.55
Net profit attributable to shareholders of the Company after extraordinary items	2,123.45	-1,106.77	2,176.75	856.30
Net cash flows from operating activities	4,765.87	3,427.66	-14,728.08	11,849.23

Explanation on difference between quarterly data and data disclosed in regular reports: Not Applicable

## Company Profile and Major Financial Indicators (Continued)

### X. Extraordinary items and amounts

Unit: RMB0'000 Currency: RMB

Extraordinary items	Amount for 2016	Amount for 2015	Amount for 2014
Gains and losses from disposal of non-current assets	-156.38	-26.58	-8.17
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	5,028.18	625.66	2,941.25
Gains and losses from entrusted investment	1,322.57	2,177.93	2,019.34
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
Reversal of impairment of receivables provided by specific provision	1,278.03	657.79	59.78
Other non-operating income and expenses other than the aforesaid items	1,343.81	251.07	992.58
Affected minority interests	-246.00	-73.67	-3,840.85
Affected income tax amount	-695.89	-140.88	-652.78
Total	<u>7,874.32</u>	<u>3,471.32</u>	<u>5,394.93</u>

Note: The government subsidies items with large amount included in gains and losses for the period were as follows:

Items	Amount (RMB0'000)
New-type flat panel display factory automation transfer system industrialization project	2,108.16
Special project for developing the intelligent manufacturing equipment	2,000.00

# An Overview of Company's Business

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

### (I) Principal products and activities

The principal activities of the Company are the development, manufacture and sale of electronic equipment and consumer electronic products and electronic manufacturing services. 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 the products and business relating to electronic equipment. At present, the automation equipment products mainly consist of LCD panel and LCD glass substrate 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, railway lines communication system and intelligent transit terminal equipment, and building intelligent project; communication equipment products mainly include digital trunking system, TD-LTE series base station products, various time-frequency equipment and specific communication equipment, and radio and television broadcast transmitters.

The digital home business was mainly carried out by Shenzhen Jinghua. The consumer electronic products of the Company also include tablet computers and smart wristbands.

After years of development, electronic manufacturing services of the Company, which are centered around EMS and provides design, production and supply chain management services for the relevant electronic products, have been underpinned by the Company's capabilities of plastic injection molding, painting, assembling and processing as well as its manufacturing processes and technology of special new materials used for RF antenna.

### (II) Operating model

By implementation of diversified operation, active development of electronic equipment industry and intelligent manufacturing services, expansion of consumer electronics field, and formation of considerable operating scale and competitive edges, the Company has become a national leading manufacturer and service provider of whole-set production equipment, rail transit AFC system and specialized communication equipment. The Company proactively adapted to and flexibly responded to the economic development situation and changes in demand of the market and other external factors under the new normal environment, adhering to technological innovation, optimizing the industrial structure, and strengthening standardized management, striving to maintain steady development trend.

1. As oriented by consumer market and customer demand, the Company has researched and developed, produced and sold a variety of equipment terminal products and consumer electronics products.
2. By virtue of constantly optimizing the industrial structure and product mix, expanding industry and business segment, participating in construction of major projects such as urban rail transit, intelligent buildings, smart home and intelligent factories, the Company continued to carry out its industrial upgrade by expanding to undertake major projects and provide systematic whole-set equipment.

# An Overview of Company's Business (Continued)

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

### (II) Operating model (Continued)

3. The Company continued and consolidated the “agile, lean and smart” manufacturing service system and further enhanced the level of site management, formed a complete EMS manufacturing industrial chain from research and development, supply chain management, manufacturing, quality assurance to worldwide logistics, and provided ODM services to global well-known enterprises.
4. The Company has carried out international cooperation at an early stage, and set up a joint venture with international well-known enterprise. The Company attached great importance to the management and coordination of the joint venture, and realized a better return on investment after years of development.

### (III) Industry overview

In 2016, the electronic information industry developed steadily: manufacturers above designated size achieved value added growth of 10%, with the increasing rate declined by 0.5 percentage points from last year; export delivery value fell by 0.1% year-on-year, with the falling rate narrowed by 0.1 percentage points over the previous year. Among various sectors, the electronic equipment industry where the Company is principally engaged grew rapidly.

In the field of intelligent manufacturing equipment up to 2020, the proportion of sales revenue in the industry of high-end equipment manufacturing to that of the equipment manufacture industry will rise as high as 25%. As a result, the Company continued to intensify 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 (熊猫电子装备园), Panda Electronic Manufacturing Park (熊猫电子制造园) 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 (成套智能制造装备) 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.

In the field of urban rail transit, the total mileage of urban rail transit currently in service in China is over 3,300 kilometers and is expected to reach 6,000 kilometers in the “13th Five-Year Plan” period, which means that nearly 3,000 kilometers will be built in the period. Furthermore, the urban rail transit construction plans of 40 cities with a total planned mileage of approximately 8,500 kilometers have been approved. The government issued 68 major projects to be launched from 2015 to 2017 which would accelerate construction of urban rail transit major projects. 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, ACC system and AFC system, 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 metros in cities like Nanjing, Suzhou, Wuxi, Wuhan, Beijing, Shenzhen, Shijiazhuang and Hefei. The Company, adhering to guidance of industry policies of the State, will expand business in the field of rail transit, 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.

# An Overview of Company's Business (Continued)

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

As at 31 December 2016, total assets of the Company was RMB5,239,976,400, total liabilities of the Company was RMB1,729,576,000 and asset-liability ratio of the Company was 33.01%. Compared with those of 31 December 2015, total assets represent an increase of 7.12%, asset-liability ratio increased by 3.74 percentage points. Overall, these figures remained stable without any material change. In addition, the overseas assets amounted to RMB152,543,200, representing 2.91% of total assets. During the Reporting Period, there were no substantial changes in major assets of the Company.

## III. Analysis of core competitiveness during the Reporting Period

Focusing on industries of intelligent manufacturing equipment, transport electronic equipment, new generation of information communication, smart city and internet terminal, the Company restructured its industrial strategic layout through construction of Panda Electronic Equipment Industrial Park and Panda Electronic Manufacturing Park and successfully realized industrial transformation and upgrading. The Company aims to build itself into a nationally leading and internationally renowned electronic information enterprise.

The Company vigorously pushed forward innovation in its core technology of independent intellectual property rights, adopted tactics of combining self-development with international cooperation and developed into a national leading supplier of whole set of production equipment, industrial robot, 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 was accredited as the "Engineering and Technology Research Center for Industrial Robot of Jiangsu Province" and the "Technology Center for Electronic Equipment Enterprises of Jiangsu Province". The Company has achieved breakthroughs in a series of key technologies regarding robots including whole-set machine technology, mass production technology and technique, robot controller, servo drive system, etc. and developed a series of products. In addition, the Company has become the enterprise with the largest business volume and the most comprehensive technology in the domestic panel display factory automation field and its industrial robot and whole-set transmission and storage system for factory cleaning were officially identified as a pilot project for intelligent manufacturing. Accordingly, the Company has become one of the few manufacturers in China which are able to provide solutions for the automatic transmission system for factory cleaning and our technology in this regard is leading and pioneering domestically.

With respect to information-based system and equipment in rail transit, the Company has been accredited as the "AFC System Engineering and Technology Research Center of Jiangsu Province" and possesses the core technologies in rail transit such as automatic fare clearing center system and automatic fare collection system 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. Furthermore, the Company has won bidding for rail transit projects in over 20 cities at home and abroad, and its 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.

# An Overview of Company's Business (Continued)

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

With respect to communications equipment, the Company has successively completed researches in a wide range of military-civilian communications equipment products 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).

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) from General Administration of Quality Supervision, 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 boxes 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. The breakthrough in the application of BPR technique in the SMT production line enabled SMT production line to substitute the wave-soldering technology in large scale. 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 backlight products, including their development, testing of function and performance, procurement of raw materials and large-scale manufacture and is proved a major manufacturer in the industry of liquid crystal display panel.



# Discussion and Analysis of the Operation

## I. Discussion and analysis of the operation

In 2016, based on its overall development strategy, the Company earnestly implemented supply-side reform and persisted in innovation-based development. As a result, all missions and goals were accomplished and achieved in a better manner and a sound development momentum was maintained. In addition, the Company was granted the title of “Outstanding Enterprises in Jiangsu Province” (江蘇省優秀企業) and took the floor at the Conference for Promotion of Supply-side Reform of Jiangsu Province. It was also granted the honorary titles including “Jiangsu Industrial Proprietary Brand Top 50” (江蘇省工業自主品牌50強), “National Intelligent and Fire-fighting Engineering Industry Enterprise Top 30” (全國智能化與消防工程行業30強企業), “Jiangsu Intelligent and Fire-fighting Engineering Industry Enterprise Top 20” (江蘇省智能化與消防工程行業20強企業) and “Jiangsu Advanced Enterprises of Legal Compliance and Honest Operation” (江蘇省依法管理誠信經營先進企業). The Company also passed the annual review of “Enterprises with Commitment to Contracts and Credibility” (守合同、重信用企業) by State Administration for Industry & Commerce of the PRC and Jiangsu Administration for Industry & Commerce.

In 2016, the Company recorded better performance and results. According to the Accounting Standards for Business Enterprises of the PRC, the Company's operating revenue for 2016 amounted to RMB3,702,763,400, with total profits of RMB202,388,600 and net profits of RMB169,009,700.

In 2016, the Company expanded investment in scientific research and enhanced related management, with annual investment in scientific research of RMB187,720,000. It strengthened the ability of R&D centers at various levels, cautiously identified scientific research projects and pressed ahead them as scheduled, yielding satisfactory scientific research results. Meanwhile, it enhanced management of intellectual property rights and hence conspicuously improved patent filing both in quantity and quality. Moreover, the Company actively participated in and undertook key scientific research and industrialization projects from governments at all levels and won provincial/municipal prizes and CEC prizes for a number of scientific research projects. In particular, three employees were granted the title of CEC “Outstanding Contributor for Science and Technology” (突出貢獻科技工作者) and one was awarded “Top 10 Science and Technology Innovation Prize for Employees” (十大職工科技創新獎) of Nanjing and “Nanjing May 1st Labor Medal” (南京市五一勞動獎章).

In 2016, the Company coordinated market developing mechanism and actively broadened marketing ideas. For sale of industrial robots, the Company cooperated with local governments to integrate into their intelligent manufacturing development strategy; for rail transit business, the Company set foot in the PPP projects to lay a foundation for rail transit marketing; for electronics manufacturing, the Company kept abreast of the cutting-edge technologies to expand new market space in the fields of new-energy automobiles, high polymer materials for communication, etc. In addition, the Company promoted its marketing activities by attending major fairs and economic and trade activities as well as publicizing the Company's image through mainstream newspapers, magazines and online platforms.

In 2016, the Company improved regulations and systems, inspected implementation of the regulations and completed the annual amendments to relevant regulations; intensified review of contracts to prevent material legal risks; continually enhanced financial monitoring system to raise the cost accounting level; carried out auditing of major assets and businesses, and completed auditing for settlement of various projects of Panda Electronic Equipment Industrial Park; enhanced information-based construction and established a new-type data center based on virtualization; further improved OA office system, upgraded mail system, and strengthened ERP system to increase efficiency. Persisting with management innovation, the Company had won CEC First Prize (CEC一等獎) and Second Prize for National Enterprise Management Modernization Innovation Achievements (全國企業管理現代化創新成果二等獎).

# Discussion and Analysis of the Operation (Continued)

## I. Discussion and analysis of the operation (Continued)

In 2016, the Company continued to improve the building of its talents team by recruiting 77 talents with bachelor degrees or above, training 50 postgraduates and technicians at middle or higher level and providing over 197 training courses to 5,300 persons in total. As a result, one employee was selected into the “333” Talents Project of Jiangsu Province, one employee was granted the title of “National Skill Experts” (全國技術能手), three employees were granted the title of “Provincial Skill Experts” (省級技術能手) and another three employees obtained the title of “Chief Technician of Jiangsu Enterprises” (江蘇省企業首席技師). Furthermore, the Company reinforced appraisal and incentive mechanism, and implemented strict performance appraisal standards for middle-level and technical officers. They will be demoted or dismissed if failing to meet the requirements. The Company also carried out selection activity for advanced employees, and selected the first batch of “Panda craftsman” as the role models for their endeavors to study technique on their positions.

In 2016, the Party Committee of the Company earnestly carried through the Party’s routes, guidelines and policies as well as work arrangements of Party organizations at higher level, focused on reform and development, and gave priorities to the four major areas of enhancement of Party building, promotion of company development, close ties with employees and maintenance of the Company’s stability. As a result, the Company’s Party Committee had been consecutively awarded the title of “Outstanding Basic Party Organization” (先進基層黨組織) by the CEC Party Organization. The Company persists in democratic management mechanism of employees and strives to build harmonious labor relations in the Company; adhering to the people-oriented ideology and maintaining close contact with employees, the Company strengthened its cohesion; Caring about its employees, the Company handles concrete affairs and resolves difficulties for employees in a down-to-earth manner. The Company’s assistance system was praised by All-China Federation of Trade Unions.

In 2016, the Company maintained the momentum of steady development in its production and operation as a whole. However, it also faced challenges in many aspects: there remains room for improvement in scale and benefit of electronic equipment business; the abilities in scientific research innovation, particularly the core independent intellectual property rights, should be further enhanced; and training and building of talents teams in scientific research and marketing should be strengthened.

## II. Principal operations during the reporting period

In 2016, focusing on market demand, the Company strove to promote the industrialization of industrial robots, thus achieving a certain breakthrough in the sales of industrial robots of independent intellectual property rights. By following up the “13th Five-Year Development Plan for Intelligent Manufacturing”, the Company has devoted its great effort to explore new business in the field of intelligent manufacturing and achieved certain success. With a close eye on major rail transit projects, the Company won the bid of several projects. The Company earnestly implemented quality and efficiency enhancement measures and cost management programs and managed to reduce production costs through AI-based renovation of its plants, use of modified materials and optimization of electronic manufacturing services and products and business structure. Through its efforts to expand consumer product market, the Company achieved a considerable increase in export sales orders amid a sluggish global market. In addition, the Company strengthened special controls on inventories and accounts receivable and stepped up the collection of accounts receivable, which produced good effect with a portion of long-aged receivables recovered.

## Discussion and Analysis of the Operation (Continued)

### II. Principal operations during the reporting period (Continued)

#### (I) Analysis of principal operations

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

Unit: 0'000 Yuan Currency: RMB

Item	Amount for the period	Amount for the same period last year	Change (%)
Operating income	<b>370,276.34</b>	361,348.29	2.47
Operating cost	<b>316,785.60</b>	308,070.13	2.83
Selling expenses	<b>4,835.00</b>	5,298.78	-8.75
Administrative expenses	<b>42,680.37</b>	42,640.66	0.09
Financial expenses	<b>-541.71</b>	-1,180.00	N/A
Net cash flows from operating activities	<b>5,314.68</b>	10,899.52	-51.24
Net cash flows from investment activities	<b>29,812.40</b>	16,217.69	83.83
Net cash flows from financing activities	<b>-6,365.52</b>	-12,985.81	N/A
R&D expenses	<b>18,772.22</b>	19,097.99 <sup>Note1</sup>	-1.71
Non-operating income	<b>6,913.02</b>	1,415.87	388.25 <sup>Note2</sup>

Note 1: R&D expenses for 2015 included RMB7,798,200 of capitalized R&D investment.

Note 2: Increase in non-operating income was due to the government subsidy recognized in the period.

# Discussion and Analysis of the Operation (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 the reporting period has no material changes as compared to that of previous year. The total operating income was RMB3,702,763,400, increased by 2.47% over the previous period, among which, the income from major business was RMB3,638,592,800, increased by 1.81% over the previous period. Sales revenue of electronic equipment products accounted for 40.55% of the principal operating revenue, representing a decrease of 8.66 percentage points as compared with that in 2015.

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.

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

Unit: 0'000 Yuan Currency: 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	147,558.69	126,546.79	14.24	-16.09	-16.37	Increased by 0.29 percentage points
Electronic manufacturing services	108,609.89	95,229.46	12.32	22.44	23.44	Decreased by 0.71 percentage points
Consumer electronics products	84,636.93	75,536.68	10.75	14.52	14.42	Increased by 0.08 percentage points
Others	23,053.77	15,686.14	31.96	21.79	48.61	Decreased by 12.28 percentage points

## Discussion and Analysis of the Operation (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

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	29,131.90	22,963.89	21.17	-9.19	-12.87	Increased by 3.32 percentage points
System integration and building intellectualization products	43,788.40	39,398.75	10.02	-1.54	-2.56	Increased by 0.94 percentage points
Industrial automation equipment	67,214.95	62,654.39	6.79	-25.06	-20.33	Decreased by 5.54 percentage points
Communication system	6,956.89	3,031.06	56.43	-15.14	-36.91	Increased by 15.03 percentage points
Plastic injection molding	37,452.12	33,628.72	10.21	-11.79	-13.42	Increased by 1.70 percentage points
Surface mounting	69,251.56	60,248.72	13.00	55.11	63.43	Decreased by 4.43 percentage points
Digital products	81,708.06	73,374.49	10.20	13.37	14.61	Decreased by 0.97 percentage points
Rental property	16,765.35	9,253.22	44.81	19.09	37.71	Decreased by 7.46 percentage points
Others	11,590.05	8,445.83	27.13	19.51	0.94	Increased by 13.40 percentage points

# Discussion and Analysis of the Operation (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	279,225.21	243,840.78	12.67	-0.08	0.86	Decreased by 0.81 percentage points
Shenzhen	84,634.07	69,158.29	18.29	8.58	9.30	Decreased by 0.53 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 recorded a year-on-year decrease of 16.09% since new projects had not commenced operation. Sales revenue of electronics manufacturing products, however, increased by 22.44% over the last year as a result of increased orders in the surface mounting business. Sales revenue of consumer electronics products also achieved a year-on-year increase of 14.52% due to significant increase in sales orders as a result of positive feedback from the market to MID product and intelligent wristband.

Sales revenue of automation equipment products, a major product of the Company, declined by 25.06% over the last year since its new project was yet in operation. Sales revenue of railway transit products also decreased by 9.19% over the last year due to the impact of the timing for works recognition. Sales revenue of plastic injection molding products decreased by 11.79% over the last year as a result of sluggish development of the industry. Sales revenue of surface mounting increased by 55.11% over the last year due to the expanding market demands. Sales revenue of digital products rose by 13.37% over the last year due to increase in sales orders led by positive market response.

The principal business of the Company was primarily distributed in Nanjing and Shenzhen. During the reporting period, sales revenue in Nanjing maintained as that of previous year, while sales revenue in Shenzhen recorded a year-on-year increase of 8.58% due to growing demand as a result of favourable market response to its consumer electronics products.



## Discussion and Analysis of the Operation (Continued)

### II. Principal operations during the reporting period (Continued)

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

1. Analysis on revenue and cost (Continued)
- (2) Analysis of volume of production and sales

During the Reporting Period, volume of production and sales of the Company's principal products (other than engineering and project related businesses):

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)	304,596.75	304,596.75		276.39	276.39	
Set-top boxes	270,800	116,700	167,800	102.26	-12.87	1,126.37
Automatic ticket vending machine	507	924	66	-7.14	1,321.54	-86.34
Automatic fare collection machine	653	1,536	275	-42.31	16,966.67	-76.25
Tablet computer	1,714,500	1,670,700	53,400	22.40	20.11	453.49
Voice recorder	298,300	289,100	31,800	-7.30	-3.68	41.05
Smart phone	47,300	47,600	33,300	-79.51	-75.86	-0.94
Automobile data recorder	61,400	64,300	5,300	-88.55	-87.83	-35.03

During the Reporting Period, the Company's volume of production and sales of surface mounting grew significantly due to more demand for electronic manufacturing services from NEIIC; production of set-top boxes-related products substantially increased as compared with the same period last year as the Company won the bidding for wireless digital network coverage projects of broadcast and television programs and direct broadcast satellite project; sales volume of the automatic ticket vending machines and automatic fare collection machines increased significantly as compared with the same period last year due to the delivery of metro projects in Suzhou, Hefei, Wuhan and Chengdu by the Company but their production volume decreased due to delay in commencement of construction of rail transit projects; sales orders for smart phones decreased as consumers tended to select well-known brands; sales volume of voice recorder and automobile data recorder dropped considerably from the same period last year due to market downturn and intense industry competition.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

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

#### 1. Analysis on revenue and cost (Continued)

##### (3) Cost analysis

Unit: 0'000 Yuan Currency: 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 equipment products	Material cost	115,101.14	90.96	130,062.59	85.94	-11.50	
	Labor cost	3,471.22	2.74	3,280.67	2.17	5.81	
	Manufacturing costs	7,974.43	6.30	17,998.36	11.89	-55.69	
Electronic manufacturing products	Material cost	68,780.90	72.23	52,505.58	68.06	31.00	
	Labor cost	4,918.55	5.16	6,108.03	7.92	-19.47	
	Manufacturing costs	21,530.01	22.61	18,533.78	24.02	16.17	
Consumer electronic products	Material cost	68,120.72	90.18	62,415.57	94.55	9.14	
	Labor cost	2,503.32	3.31	1,163.72	1.76	115.11	
	Manufacturing costs	4,912.64	6.51	2,438.12	3.69	101.49	
Others	Material cost	4,897.61	31.23	2,780.53	26.39	76.14	
	Labor cost	4,546.16	28.98	2,630.63	24.96	72.82	
	Other expenses	6,242.37	39.79	5,126.00	48.65	21.78	Other expenses include depreciation of leasehold, etc.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

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

#### 1. Analysis on revenue and cost (Continued)

##### (3) 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 (%)	Explanation
Railway transit products	Material cost	22,498.11	97.97	26,355.36	100.00	-14.64	
	Labor cost	227.29	0.99	-	-	-	
	Manufacturing costs	238.49	1.04	-	-	-	
System integration and building intellectualization products	Material cost	38,957.48	98.88	39,904.72	98.69	-2.37	
	Labor cost	441.27	1.12	527.79	1.31	16.39	
	Manufacturing costs	-	-	-	-	-	
Industrial automation equipment	Material cost	51,464.32	82.14	66,231.61	84.22	-22.30	
	Labor cost	3,295.62	5.26	2,695.99	3.43	22.24	
	Manufacturing costs	7,894.45	12.60	9,710.64	12.35	-18.70	
Communication system	Material cost	2,822.86	93.13	4,633.60	96.45	-39.08	
	Labor cost	-	-	-	-	-	
	Manufacturing costs	208.20	6.87	170.41	3.55	22.18	
Plastic injection molding	Material cost	20,234.40	60.17	25,690.90	66.14	-21.24	
	Labor cost	1,980.73	5.89	3,713.77	9.56	-46.67	
	Manufacturing costs	11,413.59	33.94	9,436.88	24.30	20.95	
Surface mounting	Material cost	47,802.55	79.34	25,945.83	70.38	84.24	
	Labor cost	2,684.24	4.46	2,111.39	5.73	27.13	
	Manufacturing costs	9,761.93	16.20	8,807.74	23.89	10.83	
Digital products	Material cost	68,417.51	93.25	61,437.41	95.97	11.36	
	Labor cost	2,555.34	3.49	1,157.76	1.80	120.71	
	Manufacturing costs	2,401.64	3.26	1,425.43	2.23	68.49	
Rental property	Material cost	565.21	6.11	569.14	8.47	-0.69	
	Labor cost	3,038.54	32.84	1,896.35	28.22	60.23	
	Other expenses	5,649.47	61.05	4,253.86	63.31	32.81	Other expenses include depreciation of leasehold, etc.
Others	Material cost	5,660.18	67.02	3,851.97	46.04	46.94	
	Labor cost	284.26	3.37	1,080.02	12.91	-73.68	
	Other expenses	2,501.39	29.61	3,435.01	41.05	-27.18	

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

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

#### 1. Analysis on revenue and cost (Continued)

##### (3) Cost analysis (Continued)

During the Reporting Period, the ratio of material cost to principal operating cost was 82.08%, the ratio of labor cost to principal operating cost was 4.93%, and the ratio of manufacturing costs to principal operating cost was 11%. The composition of cost did not show a material change in 2016 as compared with the same period of the previous year. In particular, labor cost and manufacturing costs of the consumer electronic business saw considerable increase as compared with the same period last year due to the increase in sales orders.

##### (4) Sales to major customers and purchases from major suppliers

During the reporting period, sales to the top five customers amounted to RMB1,271,576,800, representing 34.36% of the total sales in 2016, of which sales to connected parties amounted to RMB785,334,200, representing 21.22% of the total sales in 2016.

During the reporting period, the aggregate amount of purchase from the top five suppliers of the Company amounted to RMB409,989,400, accounting for 14.18% of the total amount of purchase made by the Company in 2016. There were no connected parties in the top five suppliers.

#### 2. Expenses

During the Reporting Period, the financial expenses represented an increase of RMB6,382,900 over the same period last year mainly attributable to increase of exchange loss led by fluctuations in exchange rate.

#### 3. R&D expenses

##### Particulars of R&D expenses

Unit: 0'000 Yuan Currency: RMB

R&D expenses for the period	18,772.22
Capitalized R&D expenses for the period	0
Total R&D expenses	18,772.22
The percentage of total R&D expenses over operating income (%)	5.07
The number of R&D personnel	573
The percentage of R&D personnel over total number of staff (%)	13.98
The percentage of capitalized R&D expenses (%)	0

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

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

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

Explanations:

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.

In 2016, for the purpose of propelling further development in the fields including intelligent equipment, rail transit, intelligent manufacturing as well as communication, the Company has prudently identified nine significant and key R&D programs as reviewed by experts at the beginning of the year, including all-purpose industrial robot, small base station system for 5G ultra dense network technology, intelligent manufacturing MES system, research and application of NFC-HCE cloud technology in rail transit industry. 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.

Major subsidiaries of the Company attained admirable scientific research achievements in their respective fields. In particular, the Information Industry Company completed the development and application of metro cellphone APP and cellphone payment function; the Electronics Equipment Company completed R&D of 1.8-meter-20-kilogram robots and passed relevant certifications; the Electronic Manufacture Company completed R&D of the plastic extrusion weathering- resistance ABS materials for video antenna and relevant products, and realized mass production and market sale; the Communications Technology Company completed R&D of comprehensive video commanding system, timing equipment and other key R&D programs.

The Company will further increase R&D investment and carefully research and determine its R&D plan for 2017. In the fields of robot, rail transit and communication, more efforts will be made in new technology R&D and industrialization, accelerate and upgrade the absorption and digestion of cooperative and imported technology so as to develop the Company into a major R&D and industrialization base for high-end electronic equipment in China as soon as possible.

#### 4. Cash flow

During the Reporting Period, the decrease in the net cash flow from operating activities was mainly due to more cash paid on purchase of goods and receipt of services for the period; the increase in the net cash flow from investment activities was mainly due to dividend distribution from associates as well as wealth management products purchased from banks; the increase in net cash flow from financing activities was mainly due to the fact that the dividend for 2015 paid in the period was higher than short-term bank loan.

## Discussion and Analysis of the Operation (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

##### 1. Assets and liabilities

Unit: 0'000 Yuan Currency: 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
Cash and bank balances	130,180.29	24.84	96,222.21	19.67	35.29	Mainly due to recovered principal as wealth management products mature at the end of the period and dividend received from associates in the period
Bills receivable	31,297.25	5.97	19,610.72	4.01	59.59	Mainly due to increase in bills receivable for selling products in the period
Interest receivable	-	-	99.44	0.02	-100.00	Mainly due to no recognition of deposit interest on an accrual basis in the period
Other current assets	25,901.89	4.94	45,700.00	9.34	-43.32	Mainly due to decrease in purchase of wealth management products at the end of the period
Construction in progress	150.22	0.03	464.35	0.09	-67.65	Mainly due to transfer of construction in progress into fixed asset in the period
Bills payable	14,369.18	2.74	9,328.37	1.91	54.04	Mainly due to issuance of bills according to contract for purchasing products in the period
Short-term borrowings	4,000.00	0.76	-	-	N/A	N/A Mainly due to borrowings from banks in the period



## Discussion and Analysis of the Operation (Continued)

### II. Principal operations during the reporting period (Continued)

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

##### 1. Assets and liabilities (Continued)

Unit: 0'000 Yuan Currency: 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
Tax payable	4,659.40	0.89	2,798.03	0.57	66.52	Mainly due to item reclassification according to accounting policy in the period
Interest payable	2.38	0.00	-	-	N/A	Mainly due to provision for interest of short-term borrowings for the period
Dividend payable	1,852.96	0.35	418.15	0.09	343.13	Mainly dividends on ordinary shares due to minority shareholders
Other current liabilities	970.00	0.19	4,075.66	0.83	-76.20	Mainly due to recognition of non-operating income according to standards in the period
Deferred income	891.84	0.17	-	-	N/A	Mainly due to recognition of asset-related government subsidy as deferred income according to standards
Deferred income tax liabilities	13.36	0.00	22.61	0.00	-40.91	Mainly due to decrease of taxable temporary difference recognized in the period

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

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

2. Main restrictions on assets as at the end of the Reporting Period: Not applicable

### (IV) Analysis of industry operational information

1. Intelligent manufacturing equipment

The relevant ministries and commissions of China issued the Development Plan for Robot Industry (2016–2020) (《机器人产业发展规划(2016–2020年)》) and the Guidance for Standard System Construction of National Intelligent Manufacturing (《国家智能制造标准体系建设指南》), which clearly stipulate that by 2020, the relevant industries will grow continually in scale, significantly improve in technological level, make significant breakthroughs in key parts and components, and achieve material results in integration application; the state will strive to establish an improved standard system of intelligent manufacturing, basically realize full coverage of basic and common standards and key technological standards and promote their application in the entire manufacturing field.

In the Development Plan for Intelligent Manufacturing (2016–2020) (《智能制造发展规划(2016–2020年)》) issued by relevant ministries and commissions of China, the “Two Step” strategy was put forward in respect of the intelligent manufacturing industry: by 2020, the development foundation and supporting ability of intelligent manufacturing will be apparently strengthened; digital manufacturing will basically be realized in key areas of traditional manufacturing; and evident progress will be made in intelligent transformation of key industries fulfilling certain conditions and with foundations; by 2025, supporting system of intelligent manufacture will be generally established and preliminary intelligent transformation will be realized in key industries. Meanwhile, ten key tasks are put forward, namely to speed up development of intelligent manufacturing equipment, strengthen innovation of key and common technology, build up standard system of intelligent manufacturing, construct the foundation of industrial Internet, intensify promotion of trial demonstration of intelligent manufacturing, promote intelligent transformation of key areas, facilitate intelligent transformation of medium and small sized enterprises, foster ecosystem of intelligent manufacturing, push forward coordinative development of regional intelligent manufacturing and build talents team of intelligent manufacturing.

Following the intensive introduction of national policies and planning as well as the launch of trial demonstration projects of intelligent manufacturing, the intelligent manufacturing industry is embracing a huge development opportunity. Large-scale investment in the industry and the technology by governments at different levels provides intelligent manufacturing industry with strong momentum and resources. It is expected the fund scale of intelligent manufacturing industry will exceed RMB100 billion in 2017, which will become an important driver for the development of intelligent manufacturing industry.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (IV) Analysis of industry operational information (Continued)

#### 1. Intelligent manufacturing equipment (Continued)

After terminating the monopoly of foreign enterprises on automatic transportation system of high generation LCD panel plant and digital workshop of LCD glass production line in the intelligent manufacturing equipment field, the Company has become the only domestic enterprise capable of undertaking equipment system of new display production line, occupying a market share of more than one third in China. In the field of intelligent manufacturing equipment, the Company undertook many national, provincial and ministry level projects. The "intelligent manufacturing and R&D trial demonstration project of electronic glass substrate production line" undertaken by the Company has been listed in the national trial demonstration project of intelligent manufacturing.

The Company set up a China-Japan cooperative R&D team in Tokyo, Japan, specializing in tackling key technology of core controllers of industrial robots, innovatively researched and developed the fundamental technology, product technology and system technology in the technological field of industrial robots and achieved a series of technological results in the industrial robots with independent intellectual rights. The welding robot working station independently developed by the Company has been introduced to the market and substantially increased the localization rate of industrial robots in China.

The Company intensified the cooperation with domestic universities and developed industrial robots used for education and experiment for them. Meanwhile, the Company carried out cooperation in the cultivation of various technical talents with such universities, and nurtured many highly skilled talents in industrial robots under the mode of "cooperation between the plants and schools", endeavoring to enrich the talent reservoir for the development of domestic industrial robots.

Two provincial level R&D institutes has been set up by the Company in the field of intelligent manufacturing equipment, specializing in technological breakthrough and R&D in common key technologies of intelligent manufacturing and obtaining a series of technological achievements in the field of intelligent manufacturing equipment. An array of research projects including BC System of Intelligent Manufacturing System (《智能製造系統BC系統》) and Universal Industrial Robots (《通用型工業機器人》) were awarded as provincial level technological results; TFT-LCD Automatic Transportation System (《TFT-LCD自動化傳輸系統》) was granted Technological Prize (科技獎) by Chinese Institute of Electronics (中國電子學會); and FPD Engineering Automatic Transmission System (《FPD工程自動傳輸系統》) was granted Technological Progress Prize (科技進步獎) by Jiangsu Province and Nanjing City, respectively.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (IV) Analysis of industry operational information (Continued)

#### 2. Urban rail transit

Following the launch of the policies of China on enhancing development of urban rail transit, cities qualified for construction of urban rail transit have been further increased. Population threshold for cities applying for development of urban rail transit was lowered to 1.5 million persons from the previous 3 million persons, which will engender trillion-yuan investment potentials.

To further enhance the working efficiency, China changed the approval procedures for construction planning of urban rail transit and adjustments thereof, which will be submitted to relevant ministries and commissions after preliminary approval by relevant provincial authorities. As a result, a trend in investment and construction of urban rail transit was created among the second and third tier cities.

According to “the Three-Year Action Plan for Key Engineering Construction of Transportation Infrastructure” (《交通基礎設施重大工程建設三年行動計劃》) issued by relevant ministries and commissions, from 2016 to 2018, China will give priority to promotion of 303 projects in railways, roads, waterways, airports and urban rail transit, involving a total investment of approximately RMB4.7 trillion. In particular, it will focus on the preliminary works of 103 urban rail transit projects, with newly added mileage of urban rail transit of over 2,000 kilometers and a total investment of approximately RMB1.6 trillion. Accordingly, another upsurge may occur in the construction of domestic urban rail transit. The first and second tier cities will establish a complete network of rail transit while the third tier cities will construct main rail transit lines, which will further bring about huge investment potentials for construction of urban rail transit.

Meanwhile, China is promoting the reform of investing and financing system of the urban infrastructure construction to attract various capitals to participate in. Urban rail transit has the characteristics of quasi-public products, which are suitable for long-term operation and are attached with certain returns. Thus, it is very appropriate to adopt the PPP mode in the investment, construction and operation of urban rail transit.

The Company continued to maintain its cutting edge in independent intellectual property in rail transit ACC system, AFC system, special communication system and intelligent terminal equipment of rail transit, etc., further expand R&D and application of information system, operation and maintenance service system of the urban rail transit. The Company followed up the construction of urban rail transit in various cities, explored market and participated in bidding while diligently completing the urban rail transit projects undertaken by it. Guided by the national industrial policy, the Company will explore investing and financing business modes such as PPP to expand its business scale in the field of rail transit, thereby promoting the rapid and healthy development of rail transit business of the Company.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (IV) Analysis of industry operational information (Continued)

#### 3. Information communication

In 2016, the scale of information communication industry in China further expanded, with significantly improved comprehensive development level. With the all-around implementation of "Broadband China" strategy, it has built a new generation of high-speed, mobile, safe and expansive information infrastructure and preliminarily formed a modern Internet industry system with internet-based, intelligent, service-oriented and coordinative features. As driven by the policy of "Internet +", the Internet, as the core icon of the current information-based development, integrated comprehensively with industrial, commercial and financial industries, developed innovatively and underwent restructuring. As the newly emerging industries and integrated applications were booming, and the information communication industry has fully upgraded its capability to support the economic and social development, played a more obvious role in promoting quality and efficiency of the economy and social advancement and laid a solid foundation for building China into a strong country in Internet.

Mobile Internet, especially, brought about huge development potentials for the industry. TD-LTE standards, which are pioneered by China, have become the mainstream standards of global 4G. In China, 4G network covers main cities nationwide. Number of 4G base stations exceeds 1.8 million and additional 2 million base stations are planned to be constructed in the following two years, enabling China to have the largest 4G network in the world. In 2016, income scale of the information communication service industry in China exceeded RMB2.4 trillion, representing a year on year increase of 22.5% and an increase of 9.8 percentage points in growth rate as compared with the previous year.

The Company kept abreast of the times, kept close eyes on key technologies of global communication industry and established a professional and highly-efficient R&D team, which leveraged on the self-owned Jiangsu Mobile Engineering Research Center (江蘇省移動工程研究中心), carried out R&D and manufacturing of series products, tackled difficulties in projects and customized efficient and safe solutions so as to meet demands of different customers. In 2016, the Company completed R&D of 4G small base station, became a supplier of ODM, an internationally renowned communication company, and actively carried out R&D of "small base station system for 5G ultra dense network technology"; in respect of the time-frequency products, the Company has occupied certain markets and gradually established its leading position, and are trying to make breakthrough in metro and broadcast and television fields; in respect of the special ad-hoc network communication products, the Company endeavored to expand its product series, aiming for multilevel development; in respect of the mobile video monitoring products, the Company made technological breakthroughs in key products. Based on the specific demands of customers, it expanded the application of prototypes and enlarged the product application range, thereby achieving the comprehensive industrialized development.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (IV) Analysis of industry operational information (Continued)

#### 4. Electronic manufacturing services

The launch of national strategies such as “One Belt One Road” (一帶一路) and “Yangtze River Economic Belt” (長江經濟帶) injected new dynamics into the development of manufacturing industry in east China, Yangtze Delta and other regions; the implementation of the strategy of “strengthening the country by virtue of manufacturing industry” raised higher requirements to the electronic manufacturing industry; the increasing outsourcing demand for electronic products globally provided vast development space for EMS services. However, the overall development of the industry was influenced by the global economic fluctuations. In 2016, the growth of electronic manufacturing industry in China slowed down, with the overall growth rate staying at about 9% and market scale of RMB1.2 billion. In addition, the “integration of informationization and industrialization” promoted electronic manufacturing to transform toward intelligent manufacturing and make breakthrough.

As for electronic manufacturing services, the Company focused on improving technological and supply chain levels, strengthening international market exploration and enhancing international competitiveness to form a complete EMS manufacturing industry chain ranging from R&D, supply chain management, production and manufacturing, quality guarantee to global logistics, thus promoting the intellectualization during the entire life cycle of products. Leveraging on the self-owned 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), the Company cooperated with universities including Southeast University and Nanjing University of Aeronautics and Astronautics in production, education and research, focusing on R&D, innovation in techniques and process for special polymer material, panel display, renewable energy car, and healthcare products. New-type special polymer materials have become a new economic growth point of the Company.



# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (IV) Analysis of industry operational information (Continued)

#### 5. Broadcast and television products

Broadcast and television are accelerating to integrate with the new generation of information technology, which brought about both new opportunities and challenges in the development of broadcast and television. Network transmission and terminal services are evolving towards intellectualization and inter-screen interaction. The development of broadcast and television omnimedia becomes the mainstream tendency. Following the acceleration of the integrated development between traditional media and new media, an all-round strategic transformation was needed for the broadcast and television industry. Guidance on Promotion of Integrated Development between the Traditional Media and Newly Emerging Media(《關於推動傳統媒體和新興媒體融合發展的指導意見》) serve as the strategic deployment and sublime design for the integrated development between traditional media and new media. Transmission mode, operating mode and service mode of broadcast and television are at the brink of comprehensive transformation and “television+” or “television and broadcast+” will be the main line in the future development of broadcast and television.

Triple play and omnimedia integration are major missions for current broadcast and television industry. In addition, enhancement of public service levels of broadcast and television is also an important development planning of the State Administration of Radio, Film & Television, under which the major projects include wireless coverage project of central broadcast and television programs, Hu Hu Tong (戶戶通) project of direct broadcast satellite, construction of dubbing ability of broadcast and television programs and transmission coverage ability in remote ethnic minority areas, “Go-global” project of broadcast and television, construction project of national emergency broadcast system as well as network project of green broadband of broadcast and television.

Closely following up the trend of the industry, the Company has developed a broadcast and television system solution for transmission, coverage and terminal receiving. The Company has been among the excellent suppliers of digital television transmitters in China. The Company has been equipped with the doherty power amplifying design technology which increases the amplifying efficiency. It can be customized according to the demands of customers; based on low power transmitters, the Company conducted research and manufacture of box transmitters which can be cooled by both air and water and outdoor transmitters. The Company developed its set-top box products towards integration, standardization and intellectualization of the wired, wireless, live broadcast satellite television and Internet-based television, media gateway and integrated terminals. Meanwhile, it carried out the development of CDR digital radio and emergency broadcast projects.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (V) Analysis of investment

#### 1. Overall analysis of external investment

In 2016, in line with the operating plan and the progress of key projects, the Company made investments, mainly including capital increase to relevant subsidiaries, investment in relevant companies for its business expansion, and further contribution to its investment projects with raised funds.

##### (1) Material equity investment

During the Reporting Period, the Company made the second capital contribution of RMB5 million to Shanghai Panda Robot Technology Company Limited, a wholly-owned subsidiary of the Company. As of 31 December 2016, the Company had made investment of RMB6 million to Shanghai Panda Robot Technology Company Limited in aggregate. Currently, this company has completed the tendering of construction planning and design and preparation work for purchase of land.

During the Reporting Period, Shenzhen Jinghua, a controlled subsidiary of the Company, made an investment of RMB300,000 to Shenzhen Chebao Information Technology Co., Ltd. (which is a company from the Internet-of-vehicle industry operating on the basis of cloud platforms such as vehicle voice operation, traffic information and multi-media), representing 30% of its total number of shares.

##### (2) Substantial non-equity investment

Having obtained approval from the CSRC and other relevant ministries and committees, the Company issued 258,823,529 A shares by way of non-public issuance in June 2013 and raised proceeds of RMB1.32 billion. During the reporting period, the Company used the raised proceeds pursuant to the provisions and requirements of the relevant laws, regulations and normative documents, mainly including: using the raised proceeds in proceeds investment projects, using temporary idle raised proceeds to purchase banks' wealth management products with capital guarantee, using the remaining raised proceeds to permanently replenish the working capital etc. For details, please refer to the 2016 Specific Report on the Deposit and the Actual Use of Proceeds Raised by Nanjing Panda (Lin 2017-017) (《南京熊猫2016年度募集资金存放与使用情况专项报告》(临2017-017)) published by the Company in China Securities Journal and Shanghai Securities News and on the websites of Shanghai Stock Exchange on 30 March 2017 and on the website of Hong Kong Stock Exchange on 29 March 2017.

##### (3) Financial assets measured at fair value: N/A

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (VI) Disposal of material assets and equity Interest: N/A

### (VII) Analysis of major invested companies

#### 1. Analysis of major subsidiaries

In 2016, for the purpose of further optimization of corporate structure and acceleration of industry transformation and upgrading, on the premises that relevant operation and business are unaffected, the Company disposed ineffective and low-efficiency assets. Nanjing Panda Power Sources Technology Co., Ltd. (南京熊猫电源科技有限公司), Nanjing Panda Mechanical Co., Ltd. (南京熊猫机械有限公司), Nanjing Panda Accurate Machinery Co., Ltd. (南京熊猫精机有限公司), which are controlled subsidiaries of the Company, and Shenzhen XingJinghua Packing Products Co., Ltd. (深圳市興京華包裝製品有限公司) and Shenzhen Jialihua Co., Ltd. (深圳市佳利華有限公司), the third-tier subsidiaries of the Company, have completed procedure of business deregistration. Dongguan XingJinghua Plastic Products Co., Ltd. (東莞市興京華塑料製品有限公司), a third-tier subsidiary of the Company, has completed equity transfer procedure. The aforesaid companies had ceased to operate without any material impact on overall production, operation and results of the Company. The overview of major subsidiaries is set out below:

Unit: 0'000 Currency: RMB

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Principal operating revenue	Principal operating profit	Net profit
Electronics Equipment Company	Manufacturing and sales of automatic transmission equipment and industrial robot	19,000	67,402.57	31,251.29	61,061.73	3,846.54	726.63
Information Industry Company	Manufacturing and sales of railway transit AFC and ACC system, equipment, building intellectualization products and system integration	USD3,194.6435	103,370.54	31,497.40	91,256.42	12,975.60	4,004.76
Electronic Manufacture Company	EMS services	USD2,000	84,137.67	35,617.89	108,537.84	13,229.29	3,017.89
Communications Technology Company	Manufacture and sales mobile communications, digital communications and network communications systems and products	10,000	17,569.93	14,011.73	6,921.33	3,922.44	684.26
Technology Development Company	Manufacture of general purpose equipment, software development, and property management	70,000	78,453.87	65,963.43	1,590.25	57.97	-1,914.60
Shenzhen Jinghua	Research and development, manufacture and sales of communications equipments and digital products	11,507	47,538.20	32,032.22	84,634.07	15,475.78	7,806.67
Nanjing Panda Xinxing Industrial Co., Ltd.	Supply of property management and catering services	2,000	5,761.77	2,833.75	11,995.55	1,190.65	350.82

## Discussion and Analysis of the Operation (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: 0'000 Currency: RMB

Subsidiary	Net profit		Change (%)
	2016	2015	
Electronics Equipment Company	<b>726.63</b>	2,410.12	-69.85
Information Industry Company	<b>4,004.76</b>	2,332.58	71.69
Electronic Manufacture Company	<b>3,017.89</b>	3,270.37	-7.72
Communications Technology Company	<b>684.26</b>	1,386.48	-50.65
Technology Development Company	<b>-1,914.60</b>	-2,176.35	N/A
Shenzhen Jinghua	<b>7,806.67</b>	7,063.80	10.52
Nanjing Panda Xinxing Industrial Co., Ltd.	<b>350.82</b>	249.80	40.44

Revenue from the principal business of Electronics Equipment Company decreased by 25.91% as compared to the same period of last year, mainly due to the failure of commencement of production of new projects. The increase in investment in research and development of robot resulted in a decrease in net profit. The net profit of Information Industry Company increased as compared to the same period of last year due to rise in gross profit margin in the business of rail transit. Communications Technology Company made a large amount of provision for bad debts in the period for the payment for goods that had not been recovered for a long time, resulting in a decrease in net profit. Revenue from the principal business of Nanjing Panda Xinxing Industrial Enterprise Co., Ltd. increased by 11.77% as compared with the same period of last year, resulting in an increase in net profit of RMB1,010,200.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (VII) Analysis of major invested companies (Continued)

#### 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 Yung Shing Enterprise, Hong Kong. ENC mainly engages in production of mobile telecommunication system equipment and network communications system equipment, etc. As the biggest production and supply center of Ericsson in the world, ENC is now mainly in charge of the industrialization and mass production of the products that Ericsson Company Limited developed and provides delivery and shipment to customers worldwide.

Operating revenue of ENC for 2016 amounted to RMB10,162,137,000, representing a year-on-year decrease of 20.03%; net profit amounted to RMB217,642,000, representing a year-on-year decrease of 28.99%. Reason(s) for changes in the main indicators: more fierce competition in the domestic market resulted in the decrease in operating revenue and net profit over the same period of last year.

##### (2) Beijing SE Putian Mobile Communications Co., Ltd. (“BMC”)

BMC was set up on 8 August 1995 with a total investment of US\$90 million and a registered capital of US\$30 million. BMC is held as to 20% by the Company, 27% by China Potevio Co., Ltd., 26% by Sony Mobile Communications (China) Limited (索尼移動通信產品(中國)有限公司), 25% by Sony Mobile Communications Limited (索尼移動通信有限公司) and 2% by Yung Shing Enterprise, Hong Kong. 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 in 2016 amounted to RMB14,043,068,000, representing a year-on-year decrease of 38.59%; net profit was RMB180,102,900, representing a year-on-year decrease of 64.69%. Reason(s) for changes in the main indicators: the product orders gradually declined and the indicators of income and net profit of the products decreased year-on-year due to the severe competition in the smart phone market.

# Discussion and Analysis of the Operation (Continued)

## II. Principal operations during the reporting period (Continued)

### (VII) Analysis of major invested companies (Continued)

2. Analysis of major invested companies (Continued)
- (3) Investment income from major invested companies

During the reporting period, the Company's investment income amounted to RMB108,566,100. The investment income of major invested companies is as follows:

Unit: 0'000 Currency: RMB

Invested companies	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
ENC	1,016,213.70	21,764.20	27%	5,876.33
BMC	1,404,306.80	18,010.29	20%	3,602.06

### (VIII) Structured entities controlled by the Company

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

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

### (I) Industrial landscape and trend

In 2016, the electronic information industry in which the Company operates entered into a new normal in line with the macroeconomic trend in China. Production in the electronic information manufacturing industry of China ran steadily with rapid growth. The electronic information industry achieved favourable economic benefits, with accelerated growth in investment in fixed-assets. However, the decrease in import and export expanded. 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 upgrade of the manufacturing industry in China. Among various sectors, the electronic equipment industry where the Company is principally engaged grew rapidly. Household audio and video industry recorded a year-on-year increase in production on an accelerated basis. In addition, production in the electronic components industry grew amidst stability while production in the electronic devices industry grew at a stable pace. However, the computer industry maintained a shrinking trend in its production.

Compared with major competitors, the Company focuses on technological development and has set up several research and development centers and products laboratories, which are mostly involved in hot spots of the industry and the industries to which the State gives priorities. However, the electronic information manufacturing industry in which the Company operates has the characteristics of intense market competition, high concentration and strong relativity, and is currently at a strategic adjustment stage featuring industrial consolidation and structural upgrade. The Company's competitors are widely distributed in the electronic information industry and its related sectors.

## Discussion and Analysis of the Operation (Continued)

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

#### (I) Industrial landscape and trend (Continued)

Just like the whole industry, the Company is currently highly dependent on external resources and has limited innovation capability and a relative weak industrial basis. Together with the mediocre performance of principal business, the Company did not achieve anticipated development results, with insufficient market share and volatile profit margin. However, as the relevant industrialized projects are gradually implemented, the industrial structure is further optimized and adjusted, and operating models are further expanded and diversified, the market competitiveness of the Company will be further improved, which will in turn support the Company to maintain stable and healthy development momentum.

In respect of intelligent manufacturing equipment, the Company adheres to the development guideline of owning intelligent equipment products with independent intellectual rights and proprietary brands. In order to change the long-term monopoly of overseas companies in respect of the core components, the Company concentrated on research and development of industrial robot controllers, which laid foundation for the adoption of "home-made CPU" for Panda industrial robot and other intelligent equipment. In respect of R&D of whole-set equipment, it uses core components out of its proprietary brands, and possesses, researches and develops core technology, which allows it to control the cost, performance and other aspects. Meanwhile, the Company builds its unique and differentiated competitive edges based on market feedback and application areas of its products. However, the existing application area of the robots of the Company is relatively limited, the systematic techniques for production lines are lagged behind the overseas peers, and only single variety of core components are developed. Despite of such weakness, based upon a higher starting point as well as guideline and support of national policies, Panda industrial robots are expected to maintain rapid development in the industry market in the future, thus promoting the performance and profitability of the Company.

In respect of the urban rail transit, the Company has an early and high level startup in the industry. Particularly, in the fields of AFC/ACC system and equipment, and rail transit communication system, the Company has many domestic and overseas customers and is well-recognized. The Company has outstanding cutting edges integrating production, education and research. The Rail Transit Automatic Fare Collection System Engineering and Technology Research Center of Jiangsu Province is established at the premises of the Company. As an excellent comprehensive provider of urban rail transit system and equipment, the Company holds various national grade I qualifications in system integration and service. However, facing the current fierce competition, the Company has to further enhance its market expansion capability, seize opportunities arising from vigorous development of rail transit in domestic cities and actively expand market, so as to secure more market share. The Company proposes to adopt investing and financing commercial modes including BT, PPP and BOT, to enlarge the business scale in rail transit field, and make full use of its well-established track record and sound interaction channels with the owners of subways to expand its business scope in urban rail transit, thereby promoting the rapid and healthy development of urban rail transit business and enhancing the performance and profitability of the Company.



# Discussion and Analysis of the Operation (Continued)

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

### (II) Development strategies of the Company

#### 1. Development strategies

Specializing in the intelligent manufacturing and relevant businesses relating to the building of smart cities, the Company devotes great efforts to develop the intelligent manufacturing equipment, industrial robots, the new generation of information communication, the intelligent information system for rail transit and other smart city-related products, technology integration and services. The Company aims to build itself into a domestic top-notch and large civil-military-integrated electronic equipment enterprise possessing the following abilities: controlling the proprietary key technologies; providing the industry-leading solutions to intelligent manufacturing, and core equipment and system for smart cities; constantly increasing its brand value and overall enterprise value; and continually enhancing abilities to generate investment returns.

#### 2. Industrial development plan

##### (1) Intelligent manufacturing equipment segment

To make its way into the top domestic proprietary brands of intelligent manufacturing equipment and industrial robots, and become a provider of full-set solutions and core equipment of domestic intelligent factories. Its industrial vision is to become one of the domestic leading enterprises of intelligent manufacturing equipment and robots with international competitiveness.

The Company will focus on development of the key components of intelligent manufacturing equipment, the intelligent manufacturing equipment for handling robots and system integration, the intelligent factories centering on the industrial robots and the application software relating to intelligent manufacturing. The main products include robot controllers and servo drive systems, welding robots for machinery manufacturing industry, collaborative robots for electronics manufacturing industry, automatic transport and storage systems (mainly including clean and handling robots) for display panel industry, equipment systems for glass substrate production line and plant automatic standard equipment systems with reference to Germany's Industry 4.0.

# Discussion and Analysis of the Operation (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 segment

To consolidate the competitive advantages of AFC/ACC/communication field in the domestic urban railway transit, and strive to develop the Company into a national leading and international famous professional provider specialized in R&D and manufacturing of traffic electronic equipment and intelligent traffic solutions and system integration services. In addition, the Company will expand its railway transit electromechanical EPC business, undertake the PPP projects and enter the field of urban railway and high-speed railway equipment.

The Company will focus on system software for subway AFC/ACC, dedicated supporting equipment and self-service equipment for AFC/ACC system, dedicated communication system for subway, application system for operation and service of subway. Meanwhile, we will expand the railway transit maintenance, inspection and security business, give priority to make breakthroughs in the digitalized, intelligent and Internet-based technology for railway transit equipment, the cloud-computation-based AFC system technology for railway transit and subway communication system technology. The main products include AFC system, ACC system, dedicated communication system, smart card system and intelligent software.

##### (3) Communication equipment segment

To expand and strengthen the businesses of small base station, time-frequency system, dedicated communication system for regional broadband and mobile video product line, so as to accelerate the pace to seize the market shares of relevant products in the public network market and the private network market; in the meantime, by leveraging the Company's technological advantages in the field of private communication, we will give priority to make breakthroughs in 5G technology, new generation of satellite mobile communication technology and the integration and emergency communication general technology covering communication technologies of satellite, unmanned aerial vehicle and ground monitoring station. We are devoted to becoming a technology-leading solution and equipment supplier for the military-civilian-integrated private communication network, providing first-class services to the government, the military and the users of smart cities, intelligent transportation and other industries.

We will focus on 5G small base station products, time-frequency equipment products, dedicated video surveillance products and digital radio transmitter, as well as the expansion of relevant products and businesses about the military-civilian-integrated network and smart cities.

# Discussion and Analysis of the Operation (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)

##### (4) Electronic manufacturing service

To build an advanced EMS manufacturing system and develop a full range of electronic manufacturing service capabilities ranging from R&D, supply chain management, manufacturing, quality guarantee and global logistics, with a view to providing systemized, flexible and competitive solutions to clients and thus becoming a top-notch ODM manufacturer for the global brands as well as serving as the important R&D and production base for the products of our proprietary brand Panda.

We will focus on 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, as well as the expansion of products and services under the ODM business mode.

##### (5) Consumer electronics and broadcast and television segment

To keep abreast of technology trends of consumer electronics and broadcast and television products, and forge R&D capability of core technologies of consumer electronics, with focuses on R&D and application of central console platform of smart home, interconnected and intelligent community, intelligent terminals with integration of multi-networks, wearable devices, high-definition and high-fidelity digital audio and video, next generation of broadcast and television network and other innovative technologies; meanwhile, to strengthen the brand promotion and enhance the omni-channel sales model both online and offline, laying a staunch foundation for next step of industrial scale development and thus striving to become one of the mainstream enterprises in the domestic market segment of new consumer electronics and broadcast and television products.

We will continue to facilitate the business consolidation of consumer electronics, and give priority to digital home and smart home segment and the related products of smart cities and intelligent communities. The main products include central console unit of smart home, general standard control module for touch display of smart home, digital home and intelligent community application service cloud platform, network digital visual and intercom control system and property management control system.

# Discussion and Analysis of the Operation (Continued)

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

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

#### 3. About business model

##### (1) Promote innovation and transformation of our business model

We will transform from the profit model of mainly undertaking one single project to the one of relying on general contracting, from merely providing equipment, supporting products or solutions to providing comprehensive solutions to clients, from relying on sale of hardware products to providing innovations and achievements of our software and hardware with independent intellectual property rights, and from research and manufacturing of mainly terminal products to research and manufacturing of key components, core underlying technologies and system equipment in the upstream.

Through transforming from a supplier merely providing equipment and engineering to both a full-service provider and an operating service provider, we are about to conduct lean manufacturing based on big data analysis under the intelligent factory model which will gradually replace the traditional manufacture and operation model relying on orders. As such, we will attach importance to the fine, personalized and customized manufacturing and operation of products. Furthermore, we will enhance Internet e-commerce.

In order to curb the situation of fighting separately, the Company will adopt a new business model, under which, its subsidiaries will work together, and the internal resources and advantages of each subsidiary will be consolidated and aggregated. In this way, our subsidiaries will exert their respective advantages and create synergies in terms of technologies, markets and network resources, and hence, our expenses and costs will decline accordingly.

##### (2) Promote the "Internet Plus" concept to accelerate new industrial development

We will fully utilize the "Internet Plus" concept in optimizing our production organization, resource allocation, product forms and business model, and facilitate the deep fusion between the Internet technologies and our research and design, production control, supply chain management and marketing of electronic products.

We will focus on the following four aspects: the synergy of research and design, the intellectualized upgrading of traditional factories, the application of Internet marketing model and the industrial innovation in the field of the "Internet Plus".

We will further increase our presence in the "Internet Plus" market, so as to elevate the value of our products.

# Discussion and Analysis of the Operation (Continued)

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

### (III) Business plan

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

In 2016, faced with the complex international economy, the decelerated growth of domestic economy and the fiercer competitions in intelligent manufacture, the Company pressed ahead with industrial transformation and upgrading by taking the manufacturing of intelligent equipment as its principal business and innovation as its driving force, and maintained its stable development momentum via carrying out R&D efforts in new products based on the market-oriented approach, improving the product quality and management, and enhancing the internal control and the talents team building.

The operating targets of the Company in 2016 were to achieve a revenue of RMB3,800,000,000 and total profit of RMB220,000,000. Based on the audited financial report, the operating revenue of the Company in 2016 was RMB3,702,763,400 and total profit was RMB202,388,600.

2. 2017 operating plan

In 2017, taking the development of electronic equipment as the core, the Company will endeavor to make breakthroughs in core technologies to lift the level of industrialization, implement the supply-side reform and various measures designed for advancing quality and efficiency and strengthen cooperation with enterprises at home and abroad, in an effort to achieve the scale development of its principal business and make breakthroughs in its core independent intellectual property rights. We will mainly focus on the following aspects:

- (1) Endeavour to achieve the operating targets. The operating targets of the Company in 2017 are to achieve a revenue of RMB4,000,000,000 and total profit of RMB150,000,000. In 2017, the Board has formulated relatively objective and pragmatic business objectives based on the overall economic situation at home and abroad, taking into full account the developments of the industry segments in which the Company operates and the actual conditions of the Company. Although the Company is subject to many uncertainties in its daily course of operations, it will insist on pragmatic approaches and seek progress while maintaining stability in an effort to achieve its business objectives.
- (2) Optimize the industrial structure and expedite the market expansion. More resources will be put into those profitable segments and make good use of the existing scientific research, financing and management platforms, with a view to pushing ahead with the internal reform and reorganization and streamlining the existing product category. To keep a close watch on the markets specified in our internal system and secure more orders in terms of the intelligent factory construction; and expand the domestic and overseas markets by exerting the advantage of being a central enterprise and in line with the national initiative of "One Belt, One Road", and proactively participate in the bidding for the national PPP projects.

## Discussion and Analysis of the Operation (Continued)

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

#### (III) Business plan (Continued)

##### 2. 2017 operating plan (Continued)

- (3) Increase investments in scientific research and enhance the introduction and digestion. To continue to increase investments in scientific research and formulate the 2017 R&D plan in a scientific way, so as to speed up R&D of new technologies and the industrialization process in the fields of industrial robots, railway transit and communications; in addition, to reinforce our abilities to introduce, absorb and digest technologies, and ultimately form our own core technologies.
- (4) Enhance the scale of our core businesses and speed up the transformation. To actively expand the core businesses via the combination of organic growth and external acquisition, and make them bigger and stronger through cooperation with the leading enterprises at home and abroad. To increase brand awareness efforts, improve the quality of both products and services, and promote the marketing of Panda products in the industrial manufacturing market and the terminal consumer market.
- (5) Strengthen the construction of talents team, and perfect the remuneration structure and system. In line with the development planning of the Company, we will accelerate the talents structure adjustment, enhance the cultivation of young key staff and raise the percentage of high-caliber talents introduced; in addition, we will facilitate the construction of professional system for scientific and technological talents, so as to establish and perfect the career promotion channel for scientific and technological talents and highly skilled personnel. We will perfect the remuneration structure and system and explore the medium and long term incentive mechanism based on our actual situations.
- (6) Thoroughly implement measures designed for improving quality and efficiency. To keep on elevating the management level of expenses and costs and improve the cost accounting system. Energy saving, cost control and budget management will be intensified during the day-to-day operation, with a view to reducing various cost at the source, promoting the craftsman's spirits and lifting the efficiencies of R&D, production and management.

# Discussion and Analysis of the Operation (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 rising market demands, more capital may enter the electronic information industry in the future, especially the industry segments where the Company operates. The intelligent manufacturing equipment industry, represented by industrial robots, has seen rapid development and promising market prospect. As such, the Company will face a more intense market competition with the further development of intelligent and automation industrial modes. Were the Company unable to maintain its edges in respect of technological R&D, quality control and product category, its development and industrial position in the future would be limited to a certain extent. The Company continues to increase investments into the intelligent manufacturing equipment industry and relevant products and explore and develop the marketing channels based on the industrial policies and the needs of clients, making an active response to market changes. 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 due to their low industrialized application percentage. The Company will increase the R&D efforts and enhance the construction of robot R&D center, seeking to further improve the core technologies including controllers and servo system drivers, focus on new product R&D, improve the product stability, constantly keep track of the latest technologies in both domestic and international electronic information industry and obtain updates on customers' latest demands. In case of failure, the Company will be faced with an adverse situation of loss in the core capacity, higher production cost and lower product competitiveness. The Company will reinforce investments to explore the integration and adjustment made to the R&D capability, and innovate in models of contribution, so as to maintain growth in the R&D capability in respect of the intelligent manufacturing equipment. Risk associated with development of technology is within the scope of control at present.

## IV. Explanations on Facts not Disclosed in accordance with the Inapplicability of Standards or Special Reasons including state secrets or trade secrets: not applicable



# Discussion and Analysis of the Operation (Continued)

## V. Other Disclosures

### (I) Information on Board meetings

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolutions	Date of disclosure
4th meeting of the 8th session of the Board	2016-3-21	China Securities Journal, Shanghai Securities News	The resolutions in relation to the following matters were considered and approved: the 2015 annual report of the Company and its summary, work report of the Board, work report of General Manager, final financial report, profit distribution plan, specific report on the deposit and the actual use of proceeds, remuneration packages for directors and senior management, work report of independent directors, performance report of the Audit Committee, social responsibility report and internal control evaluation report, the 2016 financial budget report, the appointment of auditor for 2016, certain corporate governance procedures and rules of PEG, the risk assessment report of the Financial Company, report on achievement of profit following material asset reorganization, the termination of certain proceeds investment projects and allocation of the surplus amount for permanent supplement of working capital (關於部分募集資金投資項目結項並將節餘募集資金永久補充流動資金), and the convening of 2015 annual general meeting.	2016-3-22
Extraordinary meeting of the 8th session of the Board	2016-3-29	China Securities Journal, Shanghai Securities News	The resolution on provision of guarantees for subsidiaries was considered and approved.	2016-3-30
5th meeting of the 8th session of the Board	2016-4-29	China Securities Journal, Shanghai Securities News	The 2016 first quarterly report of the Company was considered and approved.	2016-4-30
6th meeting of the 8th session of the Board	2016-5-23	China Securities Journal, Shanghai Securities News	The resolution on appointment of deputy general manager was considered and approved.	2016-5-24
7th meeting of the 8th session of the Board	2016-6-3	China Securities Journal, Shanghai Securities News	The resolution on nomination of candidates for the 8th session of the Board	2016-6-4
8th meeting of the 8th session of the Board	2016-6-30	China Securities Journal, Shanghai Securities News	The resolutions on election of chairman and vice chairman of the Board, election of members and chairmen of the Board committees, and cash management with the idle internal funds were considered and approved.	2016-7-1

# Discussion and Analysis of the Operation (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 resolutions	Date of disclosure
Extraordinary meeting of the 8th session of the Board	2016-8-19	China Securities Journal, Shanghai Securities News	The resolution on authorization to the general manager to deal with provision of guarantee for subsidiaries of the Company was considered and approved.	2016-8-20
9th meeting of the 8th session of the Board	2016-8-30	China Securities Journal, Shanghai Securities News	The 2016 interim report of the Company and its summary, the specific report on the deposit and the actual use of proceeds for the first half of 2016 and the risk assessment report of the Financial Company were considered and approved.	2016-8-31
Extraordinary meeting of the 8th session of the Board	2016-9-14	China Securities Journal, Shanghai Securities News	The use of temporarily idle raised proceeds for cash management and the increase in internal idle funds for cash management were considered and approved.	2016-9-15
10th meeting of the 8th session of the Board	2016-10-28	China Securities Journal, Shanghai Securities News	The 2016 third quarterly report of the Company was considered and approved.	2016-10-29
Extraordinary meeting of the 8th session of the Board	2016-11-11	China Securities Journal, Shanghai Securities News	The resolution on change of auditor was considered and approved.	2016-11-12
Extraordinary meeting of the 8th session of the Board	2016-11-30	China Securities Journal, Shanghai Securities News	The resolution on amendments to certain provisions of the Articles of Association was considered and approved.	2016-12-1

### (II) Liquidity of Capital

In accordance with the Accounting Standards for Business Enterprises of China, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 33.01%, RMB1,687,850,000, 2.23 and 1.74 respectively as at 31 December 2016 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB1,141,683,900 as at 31 December 2016 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans and other loans amounted to RMB40,000,000 as at 31 December 2016 as shown in the consolidated financial statements of the Company.

During the reporting period, the 1-year Renminbi benchmark interest rate with financial institutions was 4.35%.

### (III) Purchase, Sale or Redemption of the Company's Listed Securities

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

## Discussion and Analysis of the Operation (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 operators (including marketing employees) of the Company's subsidiaries.

#### (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 or debentures of the Company or any other corporate bodies.

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

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

#### (VIII) Directors' and Supervisors' Service Agreements

Each of the Directors and Supervisors has entered into a service agreements with the Company for a term of 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

As at 31 December 2016, NEIC, a shareholder of the Company, held an aggregate 62.863% equity interest 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; CEC, the de facto controller of the Company, holds an aggregate 56.108% equity interest in Nanjing CEC Panda LCD Technology Co., Ltd., of which 16.752% was directly held and 39.356% was indirectly held through NEIC. The aforesaid two companies are among our five largest customers.

## Discussion and Analysis of the Operation (Continued)

### V. Other Disclosures (Continued)

#### (X) Interested Relations with Suppliers and Customers (Continued)

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 issued share capital of the Company) had any interest in the five largest customers or suppliers of the Company.

#### (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 any of its subsidiaries and the 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 the controlling shareholder of the Company or any of its subsidiaries, are set out in the paragraph headed "Material Connected Transactions" under Section V "Significant Events" of this report.

#### (XII) Enter into Material Contracts

All the material contracts to which the Company was a party were entered into either for provision of guarantee for loans granted to its subsidiaries or for cash management with idle funds, relevant announcements of which had been published on China Securities Journal, Shanghai Securities News and the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange.

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

The Company had not issued or granted any convertible securities, options, warrants or similar rights as at 31 December 2016.

#### (XIV) Pension Scheme

The Company participated in a pension scheme established by the government. In accordance with the terms of the scheme, the annual contributions made by the Company should be equivalent to around 19% of the salaries of its employees. According to the said scheme, the pension of present and retired employees of the Company is protected by Nanjing Human Resources and Social Security Bureau.

#### (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.

#### (XVI) Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in the notes to the financial statements prepared under the PRC accounting standards.

#### (XVII) Changes in Owners' Equity

The particulars of changes in owners' equity of the Group during the year are set out in the statement of changes in owners' equity prepared under the PRC accounting standards.

## Discussion and Analysis of the Operation (Continued)

### V. Other Disclosures (Continued)

#### (XVIII) Fixed Assets

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

#### (XX) Corporate Governance Code and Model Code

Please refer to the relevant paragraphs under Section VIII “Corporate Governance” of this annual report for details of compliance with the Corporate Governance Code and the Model Code for Securities Transactions by Directors of Listed Issuers.

#### (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 the “Related party relationship and transactions” set out in the notes to the financial statements of the Company for 2016 prepared under the Accounting Standards for Business Enterprises of China, as well as the relevant letter of the auditors, and confirmed that:

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

For details of the connected transactions and continuing connected transaction of the Company, please refer to the sub-section headed “Material connected transactions” under Section V “Significant Events” of this report.

# Discussion and Analysis of the Operation (Continued)

## V. Other Disclosures (Continued)

### (XXII) Contingencies

Details of contingent events of the Group during the year are set out in the notes to the financial statements prepared under the PRC accounting standards.

### (XXIII) Environmental, Social and Governance Report

The Group is committed to supporting the sustainable development of the environment and is subject to various national laws and regulations in relation to environmental protection promulgated by the PRC. The Group has set up compliance procedures to ensure compliance with relevant laws, rules and regulations in relation to environmental protection. In addition, the employees and operating units concerned have paid attention to changes in relevant laws, rules and regulations from time to time. The Group has always been devoted to maintaining well-observed standards regarding environmental protection and the society and safeguarding the sustainable development of our business. In accordance with the requirements under the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, the Company has prepared a report covering corporate governance, environmental protection, employee care, community investment, product quality management and other aspects, which is set out in Section IX Environmental, Social and Governance Report of this annual report. In preparation of the report, the Company followed the reporting principles of materiality, quantitative, balance and consistency to the greatest possible extent.

The report, which has been considered and approved by the Board, gives an account of the management approach, objectives, measures and results achieved in respect of environmental, social and governance areas of the Company and its subsidiaries during the period from 1 January 2016 to 31 December 2016.

### (XXIV) Annual General Meeting

The Board proposes to convene the 2016 annual general meeting of the Company before 30 June 2017, the announcement of which will be made separately.

By order of the Board

**Xu Guofei**

*Chairman*

Nanjing, the PRC, 29 March 2017

# 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

Pursuant to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and 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.

On 21 March 2016, the “Shareholders’ Return Plan of Nanjing Panda Electronics Company Limited (2016–2018)” (《南京熊猫電子股份有限公司股東回報規劃(2016–2018)》) was considered and approved at the fourth meeting of the eighth session of the Board of the Company. The revised Shareholders’ Return Plan maintains continuity and stability of the profit distribution policy and 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 refined the decision-making procedures and supervision 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.

During the reporting period, the Company did not adjust the profit distribution policy for ordinary shares. 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.

In 2016, the Company achieved a net profit of RMB59,937,400 (as parent company) and appropriated surplus reserves of RMB5,993,800. Given the cash dividend of RMB62,141,000 distributed in 2015, and the undistributed profit at the beginning of the period of RMB274,170,200, the actual distributable profit to shareholders this year amounted to RMB265,972,800. In accordance with the Articles of Association and the relevant requirements of Shanghai Stock Exchange, it was proposed to distribute a cash dividend of RMB0.70 (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 2016, with the total cash dividend to be distributed amounting to RMB63,968,697.03, and the remaining part to be carried forward to next year. The Company will not transfer capital reserve into share capital. This proposal was considered and approved at the 11th meeting of the eighth session of the Board of the Company, and was agreed to submit to the annual general meeting for consideration.

The proposal for distribution of cash dividend is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company (“AGM”) to be held on or before 30 June 2017 and the dividend is expected to be paid to the holders of H Shares of the Company on or before 10 August 2017. The Company will announce in due course the date of the AGM and the closure of its register of members in relation to the right to attend and vote at the AGM. The Company will announce the record date for the distribution of H Share dividend, and the closure date of its register of members in due course.



## 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: yuan Currency: 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 holders of ordinary shares of the Company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement (%)
2016	-	0.70	-	63,968,697.03	119,240,512.92	53.65
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

#### (III) Repurchase of shares under cash offer included in cash dividend: N/A

#### (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 ultimate controller, shareholders, connected parties, acquirers and the Company and other related 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, CEC and its controlled enterprises had no projects or assets which constituted horizontal competition with the principal operations of the Company. Upon completion of this acquisition, CEC and its controlled enterprises would not be directly or indirectly engaged in business which constitutes horizontal competition with the principal operations of the Company, nor invest in enterprises or projects which have direct or indirect competition with the principal operations of the Company.	Time: 25 April 2012; Term: effective for as long as CEC is the ultimate controller of the Company.	Yes	Yes	N/A	N/A
	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) try to 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	N/A	N/A
	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	N/A	N/A
Undertakings relating to refinancing	Avoidance of horizontal competition	PEGL	(1) PEGL and its subsidiaries have no projects or assets which constitute horizontal competition with the principal operations of the Company. (2) PEGL and its subsidiaries would not engage in the same or similar business as/to that of the Company and its subsidiaries in any form (including such forms as investment, acquisition, operation, merger and entrusted operation inside or outside the PRC). (3) In the event of business competition with the Company and its subsidiaries, the PEGL and its subsidiaries would terminate production and operation, or integrate such competing business into the Company, or transfer such competing business to non-related third parties to avoid horizontal competition. (4) If any business opportunity is provided to PEGL and its subsidiaries by third parties or by PEGL and its subsidiaries to third parties, and such business directly or indirectly constitutes competition with the Company, or the Company is able to and intends to undertake such business, PEGL and its subsidiaries shall immediately inform the Company of such opportunity and facilitate the undertaking of such business by the Company on reasonable terms and conditions. (5) If the Company or the relevant regulatory authorities believe(s) there exists horizontal competition between the business of PEGL and its subsidiaries is engaging in or will engage in, PEGL and its subsidiaries will timely transfer or terminate such business upon objection by the Company. If the Company further requests to acquire such business, PEGL and its subsidiaries will, unconditionally, transfer the aforesaid business and assets to the Company with priority based on the fair price as audited or appraised by agencies qualified to deal in securities and futures related business.	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 ultimate controller, shareholders, connected parties, acquirers and the Company and other related 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
			(6) If this letter of commitment proves to be untrue or not observed, PEGL will indemnify the Company and its subsidiaries for all direct and indirect losses. (7) PEGL confirms that each commitment contained in this letter of commitment is independently executable, and any one commitment, if deemed invalid or terminated, shall not affect the validity of other commitments. (8) This letter of commitment is effective from the date of signing.					
	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	NA	NA
	Standardization and avoidance of connected transactions	PEGL	(1) As long as PEGL is a shareholder of the Company, PEGL and its subsidiaries shall try to reduce and standardize connected transactions with the Company. (2) As for the connected transactions that cannot be avoided, PEGL shall enter into agreements with the Company in compliance and in accordance with relevant laws, regulations, regulatory documents and the articles of association of the Company, perform relevant approval procedures and the information disclosure obligation in accordance with statutory procedures, and refrain or abstain from voting at board meetings and/or general meetings, so as to procure such connected transaction can be conducted in compliance with the principle of "fairness, justice and openness" and non-normal commercial terms and conditions, and ensure such connected transactions will not harm the legitimate interests and rights of the Company and other shareholders.	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	NA	NA
	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	NA	NA
	Commitment to lock-up of shares	NEIC	(1) NEIC shall not transfer or entrust others to manage the shares subscribed by NEIC in this issue, or let the Company repurchase such shares within 36 months after closing of this issue. (2) The source of capital used by NEIC for subscription for the shares in the issue shall be legitimate. (3) NEIC currently has no pending or foreseeable material litigation, arbitration or administrative sanctions. If the above commitments are inconsistent with the facts, or NEIC fails to follow such commitments, NEIC is willing to assume relevant legal liability.	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	NA	NA
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 an 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	NA	NA

## Significant Events (Continued)

### II. Fulfillment of Commitments (continued)

#### (I) Commitments of the ultimate controller, shareholders, connected parties, acquirers and the Company and other related 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	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 under the Custody of Specific Asset Scheme. 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
Other undertakings	Others	China Huarong	Upon the completion of the equity restructuring of the PEG, 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 PEG, 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

## Significant Events (Continued)

### II. Fulfillment of Commitments (continued)

#### (I) Commitments of the ultimate controller, shareholders, connected parties, acquirers and the Company and other related parties during the reporting period or continued to the reporting period (continued)

As of the reporting date, CEC, NEIC, PEGE, China Huarong and China Great Wall confirmed that undertakings had been strictly fulfilled by each of the parties. In particular, (1) NEIC had fully fulfilled the “undertakings on lock-up of shares” under the “Undertakings relating to refinancing” and 39,215,686 shares it subscribed has been unlocked and became tradable; (2) NEIC had fully fulfilled its undertakings in relation to increase in shareholding of the Company under the “Other undertakings” after an extension of six months due to plan for increase in shareholding. For details, please refer to the announcement in relation to completion of the plan for increase in shareholding in Nanjing Panda by the controlling shareholders published by the Company in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 5 January 2017 and on the website of Hong Kong Stock Exchange on 4 January 2017; (3) China Huarong and China Great Wall had fully fulfilled their respective undertakings.

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

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

### IV. Explanation of the Company on the “Non-standard Opinions” given by the Accounting Firm: N/A

### V. Analysis and explanation of the Company on the reasons and impact of the change in accounting policy, accounting estimation or the correction to material accounting errors

#### (I) Analysis and explanation of the Company on the reasons and impact of the change in accounting policy and accounting estimation

In order to further regulate the accounting treatment of value added taxes and promote the implementation of the “Circular regarding the Pilot Program on Comprehensive Implementation of Replacing Business Tax with Value Added Tax”(Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016] 36號)), the Ministry of Finance of the PRC issued the “Regulations on Value Added Tax Accounting Treatment” (《增值稅會計處理規定》) in 2016, setting out new requirements for the accounting treatment of value added taxes.

The Company has changed its accounting policies pursuant to the above document, and adjusted the reported amounts of the relevant items presented in the financial statements for the year according to the relevant requirements set out in the document. The change of the accounting policies affects only the reported amounts of certain items of the financial statements and has no impact on the equity and net profit attributable to owners of the Company for 2016.

For details of the change in accounting policies, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2017-[019]) published on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 30 March 2017 and on the website of Hong Kong Stock Exchange on 29 March 2017.

#### (II) Analysis and explanation of the Company on the reasons and impact of the correction to material errors: N/A

## Significant Events (Continued)

### V. Analysis and explanation of the Company on the reasons and impact of the change in accounting policy, accounting estimation or the correction to material accounting errors (continued)

#### (III) Communication with the Previous Accounting Firm

Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) had been providing financial accounting and auditing services to the Company for years. Since their service terms had reached the prescribed time limit pursuant to the relevant regulations stipulated by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council, the Company had come to an agreement with Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) on matters regarding their removal as the international auditor and domestic auditor as well as internal control auditor of the Company for the year 2016 upon amicable negotiation.

Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) had confirmed in writing that there were no matters relating to the change of accounting firm that needs to be brought to the attention of the shareholders of the Company. The Board was not aware of any matters relating to the change of accounting firm that need to be brought to attention of shareholders of the Company. The Board, independent directors and the Audit Committee of the Board also confirmed that there was no disagreement or pending matters between the Company and Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership).

#### (IV) Other Explanation: N/A

### VI. Appointment and Dismissal of Accounting Firms

Unit: 0'000 Currency: RMB

	Previously appointed	Currently appointed
Name of the domestic accounting firm	Baker Tilly China (Special General Partnership)	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration for the domestic accounting firm <sup>note</sup>	72	162
Audit years of the domestic accounting firm	8 years	1 year
Name of the overseas accounting firm	Baker Tilly Hong Kong Limited	N/A
Remuneration for the overseas accounting firm	70	N/A
Audit years of the overseas accounting firm	6 years	N/A

Note: In 2015, Baker Tilly China (Special General Partnership) concurrently acted as domestic auditor as well as internal control auditor, and RMB480,000 was paid by the Company as the remuneration for its internal control audit.

## Significant Events (Continued)

### VI. Appointment and Dismissal of Accounting Firms (continued)

Unit: 0'000 Currency: RMB

	Name	Remuneration
Accounting firm for audit of internal control	BDO China Shu Lun Pan Certified Public Accountants LLP	48

Explanations on appointment and dismissal of accounting firms:

Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) had been providing financial accounting and auditing services to the Company for years. Since their service terms had reached the prescribed time limit pursuant to the relevant regulations stipulated by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council, the Company has come to an agreement with Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) on matters regarding their removal as the international auditor and domestic auditor as well as internal control auditor of the Company for the year 2016 upon amicable negotiation.

To ensure the smooth implementation of relevant audit of the Company, the Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP as the international auditor and domestic auditor as well as the internal control auditor of the Company for 2016. Their remuneration will be determined within the limit of RMB2.1 million.

The resolution in relation to the change of accounting firms was considered and approved at the extraordinary meeting of the eighth session of the Board and at the second extraordinary general meeting of the Company in 2016, respectively, and the aforesaid removal and the appointment matters were approved.

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

### VIII. Possible delisting and reason therefor: N/A

### IX. Bankruptcy and restructuring related matter: N/A



## Significant Events (Continued)

### X. Material litigation and arbitration

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

Unit: 0'000 Currency: 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 (寧夏回族自治區新聞出版廣播電局)	Nil	Arbitration	A procurement agreement of "Hu Hu Tong (戶戶通)" 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: RMB12,558,700; Interest: RMB2,855,500	N/A	Both parties reach a reconciliation agreement on 22 September 2016.	Arbitration tribunal issued an arbitration reconciliation instrument.	Provincial Press and Publication Bureau of Ningxia Hui Autonomous Region made a payment of RMB10,808,900 to Nanjing Panda Information Industry Co., Ltd.
Nanjing Panda Electronics Company Limited	Binhai Radio and Television Bureau (濱海縣廣播電視台)	Nil	Litigation	Certain sales contracts were entered into between the Company and the party being sued in relation to sales of set-top boxes from 2010 to 2014 and a repayment agreement was reached in November 2015, the party being sued still owed certain overdue payment.	Payment of goods: RMB20,206,600 and relevant interest	N/A	The first-instance ruling was made by relevant court on 26 December 2016 which took effect in January 2017.	The Company won the lawsuit.	Principal of RMB20,206,600 was fully recovered.
Communications Technology Company	Nanjing Yougete Communication Equipment Co., Ltd.	Nil	Litigation	The party being sued owed Communications Technology Company payment of goods of RMB14,285,000 and subsequent demand thereof failed.	Payment of goods of RMB14,285,000 and relevant liquidated damages	N/A	The period for announcement has expired thus the judgment has been effective since then.	The Company won the lawsuit.	Relevant ruling is pending execution.

## Significant Events (Continued)

### XI. Punishment and rectification to the listed Company, its Directors, Supervisors, Senior Management, controlling shareholder, ultimate controller and acquirers:

During the reporting period, there was no punishment and rectification to the Company, its Directors, Supervisors, Senior Management, controlling shareholder, ultimate controller and acquirers.

### XII. 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.

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

### XIV. 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: N/A
2. Matters disclosed in interim announcements with progress or change in the follow-up implementation

#### (1) Connected transactions with Financial Company

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 comprehensive 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 amount to RMB500 million. The entering into of the Financial Services Agreement was conducted on the principle of openness, fairness and justice and in compliance with relevant state and industry regulations, without prejudice to the interest of the Company and minority shareholders of the Company. Additionally, the Company has made and perfected the Emergency Risk Management Plan for the Deposits Placed with Financial Company which guaranteed the safety and liquidity of the funds. 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. 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 H share circular despatched on 11 December 2015.

## Significant Events (*Continued*)

### XIV. 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 30 August 2016 and on 29 March 2017, the eighth session of the Board of the Company held the ninth meeting and the eleventh 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 30 June 2016 and 31 December 2016. Please refer to the relevant announcement published on the website of Shanghai Stock Exchange on 31 August 2016 and 30 March 2017 and on the website of Hong Kong Stock Exchange on 30 August 2016 and 29 March 2017 for more details.

As at 31 December 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 RMB497,862,800. As at 29 March 2017, the balance of the Company's loans from Financial Company was RMB0 and the balance of the Company's deposits in Financial Company was RMB222,390,700. The connected transactions between the Company and Financial Company were also confirmed by the independent non-executive directors that the comprehensive credit balance and fund settlement balance did not exceed relevant annual caps of relevant amounts disclosed in the announcements of the Company dated 13 November 2015.

##### (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 Nanjing CEC Panda LCD Technology Co., Ltd (南京中電熊貓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 Hong Kong Stock Exchange on 31 August 2015. As at 31 August 2016, the validity period of the factoring credit expired. The balance of factoring credit exposure limit utilized by the Electronic Manufacture Company fallen within the approved limit by the Board of the Company during the validity period as agreed in the contract.

# Significant Events (Continued)

## XIV. Material connected transactions (continued)

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

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

Unit: 0'000 Currency: 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
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1,295.67	0.45			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1,134.43	0.39			
Beijing China Electronics Guangtong Technologies Ltd.	Subsidiary owned by shareholders	Purchase of goods				652.74	0.23			
Panda LCD Technology (Hong Kong) Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				511.03	0.18			
Shenzhen China Electronics International Information Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				225.88	0.08			
China Electronic Material Suzhe Company	Subsidiary owned by shareholders	Purchase of goods				218.10	0.08			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				196.78	0.07			
Nanjing Zhen Hua Packing Material Plant	Subsidiary owned by shareholders	Purchase of goods				177.93	0.06			
Nanjing China Electronics Panda Lighting Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				79.18	0.03			
Shenzhen China Electronics Huaxing Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				59.49	0.02			
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				40.53	0.01			

## Significant Events (Continued)

### XIV. Material connected transactions (continued)

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

##### 3. Matters not disclosed in interim announcements (continued)

Unit: 0'000 Currency: 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 CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				31.12	0.01			
Nanjing Panda HanDa Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				27.01	0.01			
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				5.37	0.00			
Panda Electronics Group Limited	Controlling shareholder	Purchase of goods				46.53	0.02			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				3.49	0.00			
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				2.75	0.00			
Nanjing Panda DaSheng Electronics Technology Co.,Ltd	Subsidiary owned by shareholders	Purchase of goods				1.45	0.00			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Purchase of goods				3.07	0.00			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Receipt of services				166.35	0.68			
Nanjing Panda Electronics Import/Export Co., Ltd.	Controlling shareholder	Receipt of services				72.20	0.29			
Panda Electronics Group Limited	Controlling shareholder	Receipt of services				29.13	0.12			
Nanjing Changjiang Electronics Group Co., Ltd	Controlling shareholder	Receipt of services				41.05	0.17			

## Significant Events (Continued)

### XIV. Material connected transactions (continued)

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

##### 3. Matters not disclosed in interim announcements (continued)

Unit: 0'000 Currency: 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	Reason for the difference between trading price and market price
China National Electronics Import/Export Corporation	Subsidiary owned by shareholders	Receipt of services				40.49	0.17		
Nanjing Zhen Hua Packing Material Plant	Subsidiary owned by shareholders	Receipt of services				30.00	0.12		
Nanjing Panda HanDa Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				7.80	0.03		
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				0.22	0.00		
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Others	Receipt of services				699.65	2.86		
Nanjing China Electronics Panda Panel Display Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				48,970.21	13.23		
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				23,347.22	6.31		
Nanjing Panda HanDa Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				8,436.70	2.28		
IRICO (Hefei) LCD glass Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2,501.54	0.68		
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1,784.58	0.48		
CEAC International Limited	Subsidiary owned by shareholders	Sale of goods				1,609.54	0.43		
Shaanxi IRICO Electronic Glass Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1,452.99	0.39		

## Significant Events (Continued)

### XIV. Material connected transactions (continued)

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

##### 3. Matters not disclosed in interim announcements (continued)

Unit: 0'000 Currency: 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/Export Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1,072.41	0.29			
Panda Electronics Import/Export (HK) Company	Subsidiary owned by shareholders	Sale of goods				928.77	0.25			
Shenzhen China Electronic Qianhai Information Industry Co., Ltd.	Controlling shareholder	Sale of goods				554.45	0.15			
Panda Electronics Group Limited	Subsidiary owned by shareholders	Sale of goods				206.50	0.06			
China Great Wall Computer Shenzhen Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				144.69	0.04			
Panda (Beijing) International Information Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				26.85	0.01			
Nanjing Panda DaSheng Electronics Technology Co.,Ltd	Subsidiary owned by shareholders	Sale of goods				15.67	0.00			
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				4.65	0.00			
Nanjing Panda Science Park Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				4.20	0.00			
Nanjing China Electronics Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1.40	0.00			
Solomon Systech (Shenzhen) Limited	Subsidiary owned by shareholders	Sale of goods				0.99	0.00			



## Significant Events (Continued)

### XIV. Material connected transactions (continued)

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

##### 3. Matters not disclosed in interim announcements (continued)

Unit: 0'000 Currency: 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	Reason for the difference between trading price and market price
Nanjing Panda Electronics Material Usage Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				0.44	0.00		
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Sale of goods				2.21	0.00		
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1.14	0.00		
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				8.56	0.00		
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Sale of goods				2,354.57	0.64		
Panda Electronics Group Limited	Controlling shareholder	Rendering of services				3,509.32	20.67		
Nanjing China Electronics Panda Panel Display Technology Co., Ltd	Subsidiary owned by shareholders	Rendering of services				4,899.75	28.86		
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				1,316.23	7.75		
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				2,053.19	12.10		
China Electronics Corporation	Subsidiary owned by shareholders	Rendering of services				2,000.00	11.78		
Nanjing Zhongdian Panda Property Management Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				810.25	4.77		
Nanjing Panda HanDa Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				168.86	0.99		

## Significant Events (Continued)

### XIV. Material connected transactions (continued)

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

##### 3. Matters not disclosed in interim announcements (continued)

Unit: 0'000 Currency: 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
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				132.67	0.78			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				64.12	0.38			
Nanjing China Electronics Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				36.88	0.22			
Nanjing Electronics Information Industrial Corporation	Subsidiary owned by shareholders	Rendering of services				32.74	0.19			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				22.15	0.13			
Nanjing Panda Electronics Material Usage Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				20.51	0.12			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Rendering of services				17.98	0.11			
Nanjing CEC Panda Modern Services Industry Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				10.16	0.06			
Nanjing Panda Jingling Grand Hotel Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				4.45	0.03			
Chengdu China Electronics Panda Display Technology Co., Ltd	Subsidiary owned by shareholders	Rendering of services				3.09	0.02			
Nanjing China Electronics Panda Lighting Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				0.40	0.00			
Nanjing Hua Dong Electronics Information Technology Holdings Limited	Subsidiary owned by shareholders	Rendering of services				0.32	0.00			

## Significant Events (Continued)

### XIV. Material connected transactions (continued)

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

##### 3. Matters not disclosed in interim announcements (continued)

Unit: 0'000 Currency: 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	Reason for the difference between trading price and market price
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				0.31	0.00		
Nanjing Panda Trading Development Co. Ltd.	Subsidiary owned by shareholders	Rendering of services				0.18	0.00		
China Electronic Material Suzhe Company	Subsidiary owned by shareholders	Rendering of services				0.06	0.00		
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Rendering of services				150.09	0.88		
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				46.73	0.42		
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Leasing of assets				14.82	0.13		
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				17.43	0.16		
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Leasing of assets				94.19	0.84		
Panda Electronics Group Limited	Controlling shareholder	Leasing of assets				4.19	0.04		
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Associate	Leasing of assets				53.10	0.48		
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Leasing of assets				4.23	0.04		
Shenzhen China Electronics Property Management Co., Ltd.	Subsidiary owned by shareholders	Assets leased				17.24	0.84		

## Significant Events (Continued)

### XIV. Material connected transactions (continued)

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

##### 3. Matters not disclosed in interim announcements (continued)

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing	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	Reason
				principle of the connected transaction					Market price
Panda Electronics Group Limited	Controlling shareholder	Assets leased				18.86	0.92		
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Trademark licensing				48.07	33.75		
	Total			/	/	114,802.29		/	/

#### 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 eighth session of the Board of the Company and were approved by independent shareholders at the first extraordinary general meeting of 2015, 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 13 November and 29 December 2015 and the H share circular dispatched on 11 December 2015.

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.

## Significant Events (Continued)

### XIV. Material connected transactions (continued)

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

##### 3. Matters not disclosed in interim announcements (continued)

For details of the continuing connected transactions between the Group and NEIC Group and CEC Group (including Financial Company) during the reporting period, please refer to the section headed "Related party relationship and transactions" in the notes to the financial statements of 2016 of the Company, summaries of which are as follows:

Unit: 0'000 Currency: RMB

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	15,104
(B)	Provision of sub-contracting services and composite services by the CEC Group to the Group	Market price, government guidance rate	387
(C)	Sale of materials, components and parts by the Group to the CEC Group	Market price, Cost plus	91,076
(D)	Purchase of materials, components and parts by the Group from the CEC Group	Market price	4,709
(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	48
(G)	Lease of premises and relevant equipment by the Group to the CEC Group	Market price	177
(H)	Lease of premises and relevant equipment by the CEC Group to the Group	Market price	36
(I)	Deposit balances with a financial Institution in the CEC Group	Market price	49,786.28
(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	0

Note: (I), (J) were the balances of deposit and loan of the Group with the Financial Company under CEC as at 31 December 2016. During the reporting period, both of the balances of deposit and loan of the Group with the Financial Company did not exceed the relevant annual caps. (K) was the balance of factoring finance of the Group provided by China Electronics Leasing Company under CEC as at 31 December 2016. On 31 August 2016, the factoring finance expired and the factoring finance balance was within the limit as approved by the Board of the Company in the validity period as agreed in relevant contract.

## Significant Events (Continued)

### XIV. 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 Financial 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 “Related party relationship and transactions” as set out in notes to the financial statements and the connected transactions disclosed below, which constituted connected transactions and/or continuing connected transactions under the Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, no other transactions constituted “connected transaction” or “continuing connected transaction” under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The Company has complied with relevant requirements under 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 2016, the Group’s deposits of RMB497,862,800 with a fellow subsidiary of the Company, being a financial institution in the PRC, and no short-term loans were borrowed therefrom.

The auditors of the Company were engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” 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 Main Board Listing Rules, a copy of which has been provided to the Hong Kong Stock Exchange.

## Significant Events (Continued)

### XIV. Material connected transactions (continued)

- (II) No connected transactions in respect of asset acquisition or disposal of the Company existed during the reporting period.
- (III) During the reporting period, the Company had no material connected transactions in respect of joint external investment.
- (IV) Transactions relating to creditor's rights and debts
- Matters not disclosed in interim announcements

Unit: 0'000 Currency: 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
China Electronics Corporation	Ultimate controller				3,400.00	14.38	3,414.38
Panda Electronics Group Limited	Intergroup company				978.99	-361.45	617.54
Nanjing Thales Panda Transportation System Company Limited	An associate of a subsidiary				86.03		86.03
Nanjing China Electronics Panda Property Management Co., Ltd.	Ultimately controlled by the same party				52.14	0	52.14
Panda Electronics (Kun Shan) Co., Ltd.	An associate of a subsidiary				30.00	-30.00	
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group				13.05	-11.82	1.23
Nanjing Electronics Information Industrial Corporation	Ultimately controlled by the same party				7.46	-3.00	4.46
Panda (Beijing) International Information Technology Co., Ltd.	Subsidiary of the Group				4.56		4.56
Nanjing Panda Science Park Development Co., Ltd.	Subsidiary of the Group				2.00		2.00
China National Electronics Import/Export Corporation	Ultimately controlled by the same party				1.00	18.55	19.55



## Significant Events (Continued)

### XIV. Material connected transactions (continued)

#### (IV) Transactions relating to creditor's rights and debts (continued)

##### 1. Matters not disclosed in interim announcements (continued)

Unit: 0'000 Currency: 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
Nanjing Panda DaSheng Electronics Technology Company Limited.	Subsidiary of the Group				0.02		0.02
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party					2.29	2.29
Total					4,575.25	-371.05	4,204.20
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)

### XV. Material contracts and their execution

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

(II) Guarantees

Unit: 0'000 Currency: RMB

Guarantees made by the Company (excluding those in favour of subsidiaries)													
Guarantor	Relationship between guarantor and the listed company	Secured party	Guaranteed Amount	Date of guarantee (Agreement execution date)	Commencement Date	Expiry date	Type of guarantee	Whether the guarantee has been fulfilled		Overdue amount	Counter Guarantee available?	Guarantee provided to the related parties?	Relationship
								Overdue?	fulfilled				
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													73,000
Total balance of the amount of guarantees provided to subsidiaries at the end of the reporting period (B)													25,465.83
Total amount of guarantees made by the Company (including those in favour of subsidiaries)													
Total amount of guarantees (A+B)													25,465.83
Percentage of total guarantee amount in net assets of the Company (%)													7.67
Including:													
Amount of guarantees provided to shareholders, de facto 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 RMB254,658,300, representing 7.67% of the Company's net assets, are provided by the Company to its 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 subsidiaries, nor to its controlling shareholder, de facto 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 2016.

At the 2012 Annual 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 Annual 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. The Company convened an extraordinary meeting of the seventh session of the Board on 29 May 2013, and the tenth meeting of the seventh session of the Board on 26 September 2013, the eighteenth meeting of the seventh session of the Board on 30 March 2015, and the second meeting of the eighth session of the Board on 28 August 2015. 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 aforesaid subsidiaries, with effective term until 30 June 2016.

## Significant Events (*Continued*)

### XV. Material contracts and their execution (*continued*)

#### (II) Guarantees (*continued*)

On 19 August 2016, the Company convened the first extraordinary general meeting of 2016, at which it was approved that the Company could provide a guarantee for the financing amount of no more than RMB1,185 million in total for the relevant subsidiaries, with effective term until 30 June 2019. On 19 August 2016, the Company convened an extraordinary meeting of the eighth session of the Board. At the meeting, 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 2019.

The independent non-executive Directors of the Company have expressed their independent opinions on the above external guarantees as follows: all the abovementioned 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 and its subsidiaries did not provide any guarantee to any independent third parties nor to its controlling shareholder, de facto 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 Eighth Session of the Board of the Company convened on 16 September 2015, 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. It was agreed that temporarily idle raised proceeds could be used for cash management with the amount no more than RMB480 million (inclusive). The effective term for using temporarily idle raised proceeds for cash management expired on 15 September 2016. At the extraordinary meeting of the Eighth Session of the Board of the Company convened on 14 September 2016, 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 an appropriate manner, and to ensure that the investment plan of raised proceeds was not affected, it was approved that temporarily idle raised proceeds of the Group in the amount of not more than RMB220 million (inclusive) be used to invest in highly safe and liquid products with principal-guaranteed terms. The resolution will remain effective for one year from the date of approval by the Board during which the amount can be used by way of rolling basis and the General Manager shall be authorized to deal with relevant matters within the amount limit. For details, please refer to the Announcement on Use of Idle fund for Cash Management of Nanjing Panda Electronics Company Limited (Lin. 2016-052) (《南京熊貓關於使用閒置資金進行現金管理的公告》(臨2016-052)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 15 September 2016 and the website of the Hong Kong Stock Exchange on 14 September 2016.

## Significant Events (Continued)

### XV. Material contracts and their execution (continued)

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

1. Entrusted wealth management (continued)
  - (2) Cash management by using internal temporarily idle fund

At the eighth meeting of the eighth session of the Board of the Company convened on 30 June 2016, the resolution concerning the Use of Internal Temporarily Idle Fund for Cash Management was considered and approved. It was agreed that the internal idle fund of no more than RMB200 million (inclusive) could be used to purchase low-risk wealth management products with principal-guaranteed terms for a term not exceeding 12 months, so as to achieve higher return. The resolution would remain effective for one year from the date of approval by the Board. On 14 September 2016, the Company convened an extraordinary meeting of the eighth session of the Board of the Company, at which it was agreed that additional RMB100 million of internal idle funds could be used for cash management of the Group. Upon the increase, the maximum investment amount could be used for such purpose will be not more than RMB300 million (inclusive) in total with an effective term until 29 June 2017. During the effective term, the aforesaid amount can be used for investment on cyclic and rolling basis. For details, please refer to the relevant announcement published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 1 July 2016 and 15 September 2016 and the website of the Hong Kong Stock Exchange on 30 June 2016 and 14 September 2016.

During the reporting period, the balance used to purchase the wealth management products of banks with temporarily idle raised proceeds by the Group (Investing entities act as implementing entities for proceeds investment projects) was within the limit approved by the Board. The balance used to purchase wealth management products with internal temporarily idle fund by the Group was within the limit approved by the Board. As at 31 December 2016, the balance used to purchase wealth management products of banks with temporarily idle raised proceeds by the Group (Investing entities act as implementing entities for proceeds investment projects) amounted to RMB198 million and as at 29 March 2017, the balance thereof amounted to RMB199 million. As at 31 December 2016, the balance used to purchase wealth management products with internal temporarily idle fund by the Group amounted to RMB50 million, and as at 29 March 2017, the balance thereof amounted to RMB220 million.

## Significant Events (Continued)

### XV. Material contracts and their execution (continued)

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

##### 1. Entrusted wealth management (continued)

##### (2) Cash management by using internal temporarily idle fund (continued)

During the reporting period, the Group purchased the following entrusted wealth management products:

Unit: 0'000 Currency: RMB

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
Shanghai Pudong Development Bank Co., Ltd.	Principal-guaranteed wealth management product	1,000	2015-8-12	2016-2-8	3.95	1,000	20.02	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	5,000	49.24	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	5,000	49.67	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	15,000	271.50	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	9,700	90.46	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	10,000	87.50	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Principal guaranteed with floating returns	5,000	2016-1-21	Floating date	1.95-3.25	2,800 <sup>100%</sup>	3.11	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	1,000	2016-2-25	2016-3-24	3.30	1,000	2.53	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Returns guaranteed	14,900	2016-2-29	2016-4-29	3.30	14,900	80.83	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	10,100	2016-3-30	2016-5-3	3.15	10,100	29.16	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	1,000	2016-4-1	2016-7-1	3.15	1,000	7.88	Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	10,500	2016-5-19	2016-6-16	2.70	10,500	21.75	Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	11,800	2016-5-19	2016-8-15	2.90	11,800	82.50	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Returns guaranteed	5,600	2016-5-23	2016-8-22	3.20	5,600	44.68	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	10,300	2016-6-8	2016-7-12	2.75	10,300	26.75	Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	10,500	2016-6-16	2016-7-14	3.00	10,500	24.17	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	1,000	2016-7-8	2016-10-8	3.00	1,000	7.50	Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	11,800	2016-8-19	2016-11-18	2.85	11,800	83.84	Yes	N/A	No	No	N/A

# Significant Events (Continued)

## XV. Material contracts and their execution (continued)

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

#### 1. Entrusted wealth management (continued)

#### (2) Cash management by using internal temporarily idle fund (continued)

Unit: 0'000 Currency: RMB

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	Returns guaranteed	5,600	2016-8-24	2016-10-21	3.05	5,600	27.14	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Returns guaranteed	5,600	2016-10-27	2017-1-25	3.05	-	-	Yes	N/A	No	No	N/A
China Construction Bank Corporation	Principal guaranteed with floating returns	12,000	2016-11-30	2017-1-11	3.20	-	-	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Returns guaranteed	10,000	2016-8-24	2016-10-21	3.05	10,000	48.47	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	10,000	2016-8-25	2016-9-22	3.00	10,000	23.01	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Returns guaranteed	10,000	2016-9-29	2016-10-31	3.05	10,000	26.74	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Returns guaranteed	10,000	2016-10-27	2016-11-28	3.05	10,000	26.74	Yes	N/A	No	No	N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	2,000	2016-10-27	2016-11-30	2.50	2,000	4.72	Yes	N/A	No	No	N/A
Bank of Communications Company Limited	Returns guaranteed	10,000	2016-11-7	2016-12-8	3.05	10,000	25.91	Yes	N/A	No	No	N/A
Ping An Bank Co., Ltd	Principal guaranteed	5,000	2016-12-27	2017-3-27	3.75	-	-	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	3,000	2016-1-1	2016-1-31	4.20	3,000	8.63	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	3,000	2016-2-1	2016-2-29	4.20	3,000	10.13	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	4,000	2016-3-1	2016-3-31	4.20	4,000	13.81	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	4,000	2016-4-1	2016-4-30	4.20	4,000	13.00	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000	2016-5-1	2016-5-31	4.20	5,000	15.34	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000	2016-6-1	2016-6-30	4.20	5,000	15.10	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000	2016-7-1	2016-7-31	4.20	5,000	14.58	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000	2016-8-1	2016-8-31	4.20	5,000	14.79	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000	2016-9-1	2016-9-30	4.20	5,000	14.30	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	3,000	2016-10-1	2016-10-31	4.20	3,000	6.81	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	3,000	2016-11-1	2016-11-30	4.20	3,000	8.58	Yes	N/A	No	No	N/A

## Significant Events (Continued)

### XV. Material contracts and their execution (continued)

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

##### 1. Entrusted wealth management (continued)

##### (2) Cash management by using internal temporarily idle fund (continued)

Unit: 0'000 Currency: RMB

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
Industrial and Commercial Bank of China Limited	Principal guaranteed	3,000	2016-12-1	2016-12-31	4.20	3,000	8.58	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	1,000	2016-2-1	2016-2-29	4.20	1,000	2.88	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	1,000	2016-3-1	2016-3-31	4.20	1,000	3.45	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	1,200	2016-4-1	2016-4-30	4.20	1,200	3.73	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	1,200	2016-5-1	2016-5-31	4.00	1,200	3.68	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	1,200	2016-6-1	2016-6-30	3.80	1,200	3.62	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	100	2016-1-28	2016-1-29	4.20	100	0.01	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	100	2016-2-1	2016-2-29	4.20	100	0.32	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	100	2016-3-1	2016-3-31	4.20	100	0.35	Yes	N/A	No	No	N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	100	2016-3-24	2016-11-30	4.20	100	2.40	Yes	N/A	No	No	N/A
China Merchants Bank Co., Ltd.	Principal and return guaranteed	3,000	2016-1-27	2016-4-26	2.70	3,000	19.97	Yes	N/A	No	No	N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	3,000	2016-4-28	2016-6-28	1.6-2.7	3,000	9.77	Yes	N/A	No	No	N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	300	2016-1-15	2016-6-27	1.6-2.7	300	3.27	Yes	N/A	No	No	N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	200	2016-3-1	2016-6-27	1.6-2.7	200	1.55	Yes	N/A	No	No	N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	400	2016-7-1	2016-9-6	1.6-2.7	400	1.46	Yes	N/A	No	No	N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	500	2016-8-18	2016-9-6	1.6-2.7	500	0.42	Yes	N/A	No	No	N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	2,500	2016-1-16	2016-1-25	1.6-2.7	2,500	1.16	Yes	N/A	No	No	N/A
Total	/	283,300	/	/	/	258,500	1,367.51	/	/	/	/	/

Principal and accumulated returns overdue but yet to recover (RMB) 0

Explanations on entrust wealth management



## Significant Events (Continued)

### XV. Material contracts and their execution (continued)

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

1. Entrusted wealth management (continued)
  - (2) Cash management by using internal temporarily idle fund (continued)

*Note:* The maturity of the wealth management product is unfixed. In 2016, the Company redeemed a principal of RMB28 million. On 16 January 2017, the Company redeemed the remaining principal of RMB22 million and received the corresponding return of wealth management.

The entrusted wealth management products purchased by the Group with the temporarily idle raised proceeds and internal fund were considered and approved by 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.

As at 31 December 2016, save for the outstanding wealth management products, the Company recovered the proceeds and internal fund that were used to purchase wealth management products and the respective return thereof as scheduled. For the wealth management products which remain outstanding, 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

#### (IV) Other material contracts

The Company did not enter into other contracts with large amount except for the contracts concerning provision of financing guarantee to subsidiaries and wealth management investment with idle fund, which were disclosed 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.

## Significant Events (Continued)

### XVI. 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 2014 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.

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

During the reporting period, the Company purchased liability insurance for its Directors, supervisors and senior management in compliance with the relevant regulations of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

#### (IV) Others

PEGL, a controlling shareholder of the Company, and NEIC (an associate of PEGE) were contemplating relevant significant event which may involve material assets injection. The trading of A shares of the Company had been suspended consecutively from 23 September 2016 upon application. Meanwhile, the trading of H shares of the Company suspended from 23 September 2016 and resumed on 26 September 2016 in compliance with the governance requirements of the Hong Kong Stock Exchange. Upon discussion and negotiation with various parties, the event will constitute a material asset reorganization of the Company. The Announcement on the Suspension of Trading in Relation to the Material Asset Reorganisation of Nanjing Panda Electronics Company Limited was published by the Company on 14 October 2016. The Announcement in relation to Termination of Material Assets Reorganization and Resumption of Trading of Nanjing Panda Electronics Company Limited was published on 22 October 2016. Given that the ownership certificates for certain lands and properties of the target assets to be injected could not be obtained within the specified period of suspension of trading, the Company and relevant parties were of the view that further advancement of the material asset reorganisation might encounter many uncertainties, and thus decided, upon earnest study, to terminate the contemplation of the material asset reorganisation for the purpose of safeguarding the interests of all the shareholders and the Company. During the suspension of trading, the Company timely fulfilled its disclosure obligation pursuant to relevant regulations. For details please refer to relevant announcements published on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange respectively.

# Significant Events (Continued)

## XVII. Fulfillment of Social responsibilities

### (I) Poverty alleviation of the Company

#### 1. The targeted measures poverty alleviation plan

In active response to the plan for Ending Poverty and Raising Standard of Living of Nanjing municipality in the “13th Five-Year Plan” period and the Hundreds of Enterprises Assisting Hundreds of Villages by Pairing (“百企掛鉤幫百村”) campaign carried out by the Nanjing municipality government, the Company devised schemes for assisting the impoverished households in accordance with the requirement of targeted measures poverty alleviation of the Nanjing municipal committee and government. The Company also proactively participated in poverty alleviation and development of its counterpart village and achieved the goals of accurate poverty alleviation set by Nanjing municipal committee through a variety of means including donation to the impoverished households, industries cultivation, direct sales of agricultural products, skills training, employment arrangement, and pair-up with dropout children for providing help.

#### 2. Summary of the targeted measures poverty alleviation for the Year

In 2016, according to the requirements of targeted measures poverty alleviation, the Company organized visits to the impoverished villages it paired up in Gaochun District and took relevant measures to provide help upon on-site investigation and research. Over the year, the Company has made donation amounting to RMB60,000, assisting around 60 poverty-stricken households and made certain supplies to console orphans and widows as well as the old suffering from disease.

## Significant Events (Continued)

### XVII. Fulfillment of Social responsibilities (continued)

#### (I) Poverty alleviation of the Company (continued)

3. Statistics on the targeted measures poverty alleviation of the Company for 2016

Unit: 0'000 Currency: RMB

Items	Amount and relevant implementations
I. General information	
of which: 1. Capital	6.00
2. Supplies converted to cash	0.50
3. Number of registered poor people lifted out of poverty (person)	
II. Injection by project	
1. Poverty alleviation through industrial development	N/A
2. Poverty alleviation through transferring the form of employment	N/A
3. Poverty alleviation through relocation	N/A
4. Poverty alleviation through education	N/A
5. Poverty alleviation through improving health	N/A
6. Poverty alleviation through ecological protection	N/A
7. Basic protection	N/A
8. Poverty alleviation in the society	N/A
9. Other projects	
of which: 9.1. Number of projects	1
9.2. Capital injected	6.50
9.3. Number of registered poor people out of poverty (person)	
9.4. Details about other projects	Assistance to 60 poverty-stricken households in the pair-up village
III. Awards and its level	N/A

## Significant Events (Continued)

### XVII. Fulfillment of Social responsibilities (continued)

#### (I) Poverty alleviation of the Company (continued)

##### 4. Subsequent plan for targeted measures poverty alleviation

In 2017, in compliance with the requirements of the municipality committee and government for development of undeveloped rural villages and income improvement and poverty alleviation of certain peasants, as well as the action target of Ending Poverty and Raising Standard of Living of Nanjing municipality in the “13th Five-Year Plan” period, the Company will further carry out work concerning poverty alleviation in the Maocheng Village of Zhuanqiang Town of Gaochun District and earnestly implement various tasks. The specific measures thereof are as follows:

- (1) Go to the impoverished villages and make investigation and research. In light of the actual situation of the Company and economic circumstances of the pair-up village, the Company will formulate practical and effective poverty alleviation plan and implement work concerning “targeted measures poverty alleviation”.
- (2) Take initiatives to visit and console the poverty-stricken households. Devote efforts in registration for 60 poverty-stricken households and make specific consolation.
- (3) Make proactive publicity for common participation. The Company will uphold the concept of poverty alleviation internally and encourage communist party member, league member and all employees to participate in the action thereof by way of pairing up and other means.

#### (II) Overview of social responsibility

The Company considered and approved the 2016 Social Responsibility Report of Nanjing Panda Electronics Company Limited at the eleventh meeting of the eighth session of the Board on 29 March 2017, the full text of which was published on the websites of the Shanghai Stock Exchange on 30 March 2017 and the website of the Hong Kong Stock Exchange on 29 March 2017.

#### (III) 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.

### XVIII. Convertible bonds: N/A

# Changes in Ordinary Shares and Information of Shareholders

## I. Changes in shareholdings

### (I) Table for changes in shareholdings

#### 1. Table for changes in shareholdings

Unit: share

	Before the change		increase/decrease from the change (+, -)				After the change		
	Amount	Percentage	Newly issued shares	Bonus shares	Transfer of capital reserve	Others	Subtotal	Amount	Percentage
		(%)							(%)
I. Shares subject to trading moratorium	39,215,686	4.29				-39,215,686	-39,215,686	0	0
1. State-owned shares									
2. State-owned legal person shares	39,215,686	4.29				-39,215,686	-39,215,686	0	0
3. Other domestically owned shares									
4. Overseas owned shares									
II. Shares not subject to trading moratorium	874,622,843	95.71				39,215,686	39,215,686	913,838,529	100
1. Renminbi ordinary shares	632,622,843	69.23				39,215,686	39,215,686	671,838,529	73.52
2. Overseas listed foreign shares	242,000,000	26.48						242,000,000	26.48
III. Total number of shares	913,838,529	100						913,838,529	100

As at 29 March 2017, 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 Stock Exchange of Hong Kong Limited in relation to sufficiency of public float.

#### 2. Explanations on changes in shareholdings

On 28 June 2016, the trading moratorium of shares was relieved in respect of 39,215,686 shares subscribed by NEIC (中電熊貓) and could be traded on the market. For details, please refer to the Announcement on Listing and Trading of Shares Subject to Trading Moratorium Issued by Non-public Issue of Nanjing Panda Electronics Company Limited (Lin 2016-031) 《南京熊貓電子股份有限公司非公開發行限售股上市流通公告》(臨2016-031) published by the Company in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 22 June 2016 and on the website of Hong Kong Stock Exchange on 21 June 2016.

## Changes in Ordinary Shares and Information of Shareholders (Continued)

### I. Changes in shareholdings (continued)

#### (II) Changes in shareholdings subject to trading moratorium:

Unit: share

Name of Shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released over the year	Increase in number of shares subject to trading moratorium over the year	Number of shares subject to trading moratorium at the end of the year	Reason of trading moratorium	Date of release of trading moratorium
Nanjing Electronics Information Industrial Corporation	39,215,686	39,215,686	0	0	It may not be transferred within 36 months from the completion date of the issue.	2016-06-28
Total	<u>39,215,686</u>	<u>39,215,686</u>	<u>0</u>	<u>0</u> /		/

### 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

Pursuant to the plan on increase of shareholding by the shareholders of the Company and the extension of the term of the plan on increase of shareholding, NEIC increased its shareholdings in the Company in the secondary market under the Custody of Specific Asset Scheme established by securities companies since 17 July 2015. From 17 July 2015 to 31 December 2015, NEIC increased its shareholdings in the Company by a total of 2,893,825 A shares, 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. During the reporting period, NEIC increased its shareholdings in the Company by a total of 7,425,100 A shares, representing 0.81% of the total share capital of the Company and by a total of 9,772,000 H shares, representing 1.07% of the total share capital of the Company. Before the increase, NEIC directly held 39,215,686 A shares of the Company, representing 4.29% of the total share capital.



## Changes in Ordinary Shares 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)

Conclusively, as at the end of the reporting period, NEIC holds, directly and through asset management schemes, 49,534,611 A shares, representing 5.42% of the total share capital of the Company, holds 13,768,000 H shares, representing 1.51% of the Company's total share capital through overseas asset management schemes and indirectly holds 210,661,444 A shares, representing 23.05% of the Company's total share capital through PEG, collectively holding 29.98% of the Company's total share capital. The increase of shareholding by shareholders and corresponding changes in structures of shareholders mentioned above have not produced any direct impact on the Company's structure 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	35,134 shareholders including 35,105 A shareholders and 29 H shareholders
Total number of shareholders at the end of last month prior to the disclosure of this annual report	36,333 shareholders including 36,305 A shareholders and 28 H shareholders

## Changes in Ordinary Shares 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

Unit: share

##### Shareholdings of top ten shareholders of the Company

Name of Shareholder	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage of Shareholding (%)	Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number of shares	Type of shareholders
HKSCC (Nominees) Limited	-31,999	241,387,570	26.41	0	Unknown		Overseas legal person
Panda Electronics Group Limited	0	210,661,444	23.05	0	Pledged	93,880,000	State-owned legal person
China Huarong Asset Management Co., Ltd.	0	82,811,667	9.06	0	Unknown		State-owned legal person
Nanjing Electronics Information Industrial Corporation	17,197,100	63,302,611	6.93	0	Unknown		State-owned legal person
China Great Wall Asset Management Corporation	0	14,172,397	1.55	0	Unknown		State-owned legal person
Agricultural Bank of China Limited – China Post Core Growth Mixed Securities Investment Fund (中國農業銀行股份有限 公司—中郵核心成長混合型證 券投資基金)	10,000,000	10,000,000	1.09	0	Unknown		Others
National Social Security Fund – Combination 114 (全國社保基 金一一四組合)	2,257,185	5,193,361	0.57	0	Unknown		Others
South Industry Assets Management Co., Ltd. (南方工業資產管理 有限責任公司)	-200,000	4,800,000	0.53	0	Unknown		Others
Xi Caixia (奚彩霞)	4,419,522	4,419,522	0.48	0	Unknown		Domestic natural person
Huang Liangfu (黃亮富)	1,345,125	4,148,825	0.45	0	Unknown		Domestic natural person

## Changes in Ordinary Shares 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 10 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	241,387,570	Overseas listed foreign shares	241,387,570
Panda Electronics Group Limited	210,661,444	RMB ordinary shares	210,661,444
China Huarong Asset Management Co., Ltd.	82,811,667	RMB ordinary shares	82,811,667
Nanjing Electronics Information Industrial Corporation	63,302,611	RMB ordinary shares	49,534,611
		Overseas listed foreign shares	13,768,000
China Great Wall Asset Management Corporation	14,172,397	RMB ordinary shares	14,172,397
Agricultural Bank of China Limited – China Post Core Growth Mixed Securities Investment Fund	10,000,000	RMB ordinary shares	10,000,000
National Social Security Fund – Combination 114	5,193,361	RMB ordinary shares	5,193,361
South Industry Assets Management Co., Ltd.	4,800,000	RMB ordinary shares	4,800,000
Xi Caixia	4,419,522	RMB ordinary shares	4,419,522
Huang Liangfu	4,148,825	RMB ordinary shares	4,148,825
Details for the connected relationship or party acting in concert among the aforesaid shareholders	NEIC holds 100% equity interests of PEGL, the controlling shareholder of the Company. NEIC holds, directly and through asset management plans, 49,534,611 A shares and 13,768,000 H shares of the Company, representing 6.93% of the total number of shares. NEIC indirectly holds 210,661,444 A shares of the Company through PEGL, representing 23.05% of the total number of shares. In total, NEIC holds 29.98% equity interests of the Company. Save as the above, the Company is not aware of any connected relationship or party acting in concert among the aforesaid shareholders.		

Shareholdings of the top ten shareholders subject to trading moratorium and the condition of trading moratorium: N/A

## Changes in Ordinary Shares 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 10 holders of shares not subject to trading moratorium (continued)

Note:

1. 167,350,000 shares held by PEGL were pledged on 22 January 2014, of which 50,000,000 shares, 23,470,000 shares and 93,880,000 shares were released on 12 May 2015, 26 June 2015 and 12 January 2016 respectively. PEGL completed the registration procedures of the share pledge with Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 24 March 2016 and 93,880,000 shares out of the 210,661,444 shares held by PEGL were pledged, representing 10.27% of the total share capital of the Company.

For details, please refer to the relevant announcements of the Company published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 23 January 2014, 14 May 2015, 30 June 2015, 14 January 2016 and 26 March 2016 and on the website of Hong Kong Stock Exchange on 22 January 2014, 13 May 2015, 29 June 2015, 13 January 2016 and 28 March 2016, respectively.

2. HKSCC (Nominees) Limited held 241,387,570 H shares of the Company, representing 26.41% of the issued share capital of the Company, on behalf of several clients. The Company is not aware of any individual client holding more than 5% of the issued share capital of the Company.

#### (III) Strategic investors or general legal persons becoming the top ten Shareholders because of placing of new Shares: N/A

### IV. Controlling shareholders and the de facto controllers of the Company

#### (I) Controlling shareholder

1. Legal person

Name	Panda Electronics Group Limited
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.

## Changes in Ordinary Shares 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)

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 2016, 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. (7) Guotai Junan (601211), 1,471,383 shares.
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According to the resolution of the board of PEGL and the resolution of its shareholders regarding the equity restructuring, the reductions of registered capital and corresponding equity interests during the restructuring are proposed to be complemented with the appropriate cash and assets injected by NEIC (the controlling shareholder of PEGL, will hold 100% equity interest in PEGL upon the completion of the equity restructuring) and other investors in accordance with market principles. As at 4 February 2016, NEIC had completed the injection of capital in PEGL by way of cash and PEGL had obtained the new business license with registered capital of RMB1,632,970,000. For details, please refer to the relevant announcement of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 20 February 2016 and on the website of Hong Kong Stock Exchange on 19 February 2016.

NEIC:

Name	Nanjing Electronics Information Industrial Corporation
The person in charge of the entity or legal representative	Xu Guofei
Date of establishment	11 May 2007
Principal business	Research and development, services and transfer of electronic information technology; 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.

## Changes in Ordinary Shares and Information of Shareholders (Continued)

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

#### (I) Controlling shareholder (continued)

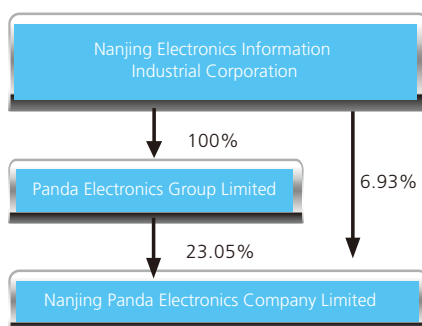
1. Legal person (continued)

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 2016, other than its equity interests in the Company, NEIC held 24.51% equity interests of Huadong Technology (000727).

According to "Notice Regarding Change of Registered Capital and Proportion of Capital Contribution" from NEIC, the registered capital of NEIC was changed to RMB4,055,642,500 as at 31 December 2016, of which CEC contributes RMB2,927,878,000, representing 72.19% of total registered capital.

2. Diagram of the shareholding and controlling relationship between the Company and the controlling shareholder



## Changes in Ordinary Shares and Information of Shareholders (Continued)

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

#### (II) De facto controllers

1. Legal person

Name China Electronics Corporation

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, construction 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 Ordinary Shares 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 2016, equities of other domestic and overseas listed companies (other than the Company) in which the de facto controllers held controlling shares or shares were as follows:

No.	Abbreviation of listed company	Securities code	Percentage of CEC's shareholding <sup>Note</sup>
1	Shanghai Beiling	600171	26.45%
2	Shenzhen SEDA	000032	58.27%
3	Kaifa	000021	44.51%
4	Greatwall Computer	000066	54.77%
5	China Software	600536	45.13%
6	Greatwall Information	000748	22.28%
7	Huadong Technology	000727	28.11%
8	Zhenhua Science & Technology	000733	36.13%
9	Irico Display	600707	29.40%
10	China Electron	00085HK	59.42%
11	TPV Technology	00903HK	37.05%
12	Solomon Systech	02878HK	28.50%
13	IRICO New Energy	00438HK	71.74%
14	CEOVU	00798HK	31.88%

*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.

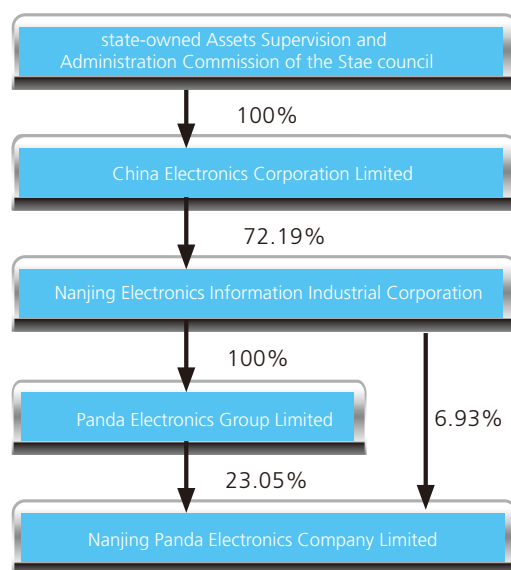


## Changes in Ordinary Shares and Information of Shareholders (Continued)

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

#### (II) De facto controllers (continued)

2. Diagram of shareholding and controlling relationship between the Company and its de facto controllers



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 241,387,570 H shares of the Company, representing 26.41% 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 2016.

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

## Changes in Ordinary Shares 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 2016, 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 49,534,611 domestic shares, accounting for approximately 7.37% of domestic shares in issue and approximately 5.42% of the total shares in issue and held 13,768,000 H shares, accounting for approximately 5.69% of H shares in issue and approximately 1.51% 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 273,964,055 shares in the Company which was held as corporate interest or in the capacity of beneficial owner, accounting for approximately 29.98% 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 22,586,000 H Shares, accounting for approximately 9.33% of H Shares in issue and approximately 2.47% of the total shares in issue. The nature of interests in such shares is personal interest which was held in the capacity of beneficial owner. (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 16,920,000 H Shares, accounting for approximately 7.00% of H Shares in issue and approximately 1.85% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of controlled corporation. No short positions were found in any shares held by the above substantial shareholders.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2016.

# 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 2016, 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	Total remuneration received from the Company during the reporting period (before tax) (RMB'000)	Remuneration received from the connected parties of the Company
Xu Guofei	Chairman, Executive Director	M	55	2016-06-30	2018-06-30	2,546	2,546	0	YES
Chen Kuanyi	Vice Chairman, Executive Director	M	55	2016-06-30	2018-06-30	0	0	0	YES
Lu Qing	Non-executive Director	M	52	2006-06-30	2018-06-30	0	0	0	YES
Deng Weiming	Non-executive Director	M	53	2010-05-28	2018-06-30	0	0	0	YES
Xia Dechuan	Executive Director	M	47	2015-06-30	2018-06-30	0	0	-	NO
Gao Gan	Non-executive Director	M	50	2016-06-30	2018-06-30	0	0	0	NO
Du Jie	Independent Non-executive Director	F	62	2015-06-30	2018-06-30	0	0	8	NO
Chu Wai Tsun, Vincent	Independent Non-executive Director	M	43	2012-03-06	2018-06-30	0	0	8	NO
Zhang Chun	Independent Non-executive Director	M	38	2015-06-30	2018-06-30	0	0	8	NO
Tu Changbai	Chairman of the Supervisory Committee	M	49	2016-06-30	2018-06-30	0	0	0	YES
Song Yunfeng	Employee Representative Supervisor	M	53	2016-06-03	2018-06-30	0	0	49.78	NO
Zhou Yuxin	Employee Representative Supervisor	M	53	2008-10-28	2018-06-30	0	0	23.19	NO
Xia Dechuan	General Manager	M	47	2011-10-24	2018-06-30	0	0	57.97	NO
Liu Kun	Deputy General Manager	M	51	2002-08-14	2018-06-30	0	0	53.65	NO
Shen Jianlong	Chief Accountant, secretary to the Board, Company Secretary	M	54	2006-04-20	2018-06-30	0	0	49.78	NO

## 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)

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	Total remuneration received from the Company during the reporting period (before tax) (RMB0'000)	Remuneration received from the connected parties of the Company
Guo Qing	Deputy General Manager	M	55	2013-07-24	2018-06-30	0	0	49.32	NO
Hu Huichun	Deputy General Manager	M	44	2016-05-23	2018-06-30	0	0	46.26	NO
Shao Bo	Deputy General Manager	M	37	2016-05-23	2018-06-30	0	0	12.25	NO
Lai Weide	Former Chairman, Executive Director	M	59	2010-05-28	2016-03-30	0	0	0	-
YU Yanqiu	Former Vice Chairman, Non-executive Director	M	58	2015-06-30	2016-06-03	0	0	0	YES
Zhang Yinqian	Former Chairman of the Supervisory Committee	M	62	2013-09-26	2016-06-30	0	0	0	-
Fu Yuanyuan	Former Employee Representative Supervisor	F	45	2012-03-06	2016-06-03	0	0	24.50	NO
Zhou Guixiang	Former Deputy General Manager	M	46	2011-12-09	2016-04-13	1,639	1,639	34.73	Note 1
Total						4,185	4,185	425.43	

*Note 1:* On 13 April 2016, due to work arrangement, Mr. Zhou Guixiang, the former deputy general manager of the Company, resigned from the deputy general manager and other positions of the Company. He currently serves as the deputy general manager of NEIIC. During the reporting period, Mr. Zhou Guixiang received the total remuneration (before tax) of RMB0.3473 million from the Company before work arrangement. After work arrangement, he received the remuneration from NEIIC, the controlling shareholder.

- The Eighth Session of the Board and the Supervisory Committee were elected at the 2014 annual general meeting on 30 June 2015. In 2016, the total remunerations of Directors, supervisors and senior management members were RMB4,254,300, which was within the range approved by the general meeting. Of such total remunerations, RMB3,279,600 was for the Directors and senior management, and RMB974,700 was for the supervisors. The above remunerations did not include contributions to the pension scheme for the Directors and supervisors. The pension scheme applicable to relevant Directors and supervisors has been included in the scope of the pension scheme for employees of the Company, with no other special arrangement. 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.

## 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)

2. In 2016, Independent Non-executive Directors Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun received remuneration from the Company up to RMB240,000. They did not receive remuneration from shareholder entities or other related entities.
3. During the reporting period, Mr. Guo Qing, the deputy general manager of the Company, conducted irregular trading of A shares of the Company. For further details, please refer to the announcement of the Company in relation to irregular trading of shares of the Company by senior management (Lin 2017-014), published by the Company on China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 25 March 2017 and on the website of Hong Kong Stock Exchange on 24 March 2017.

Save as disclosed above, as of 31 December 2016, none of the Directors, Supervisors and senior management staff of the Company or their associates had any interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”)), (a) which were required to be notified to the Company or the Stock Exchange under Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were regarded or deemed to have pursuant to such provisions of the SFO); or (b) which were required to be recorded in the register required to be kept by the Company under such provision of Section 352 of SFO; or (c) which were required to be separately notified to the Company or the Stock Exchange according to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix 10 to the Listing Rules. 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.

#### (II) Profiles

##### 1. Executive Directors

**Mr. XU Guofei**, born in 1962, is a senior post-graduate engineer and holds a master’s degree. Mr. Xu has served as standing Deputy Manager of the Communication Equipment Department and General Manager of the Military Communications Department of PEGL, Deputy General Manager of PEGL and Deputy General Manager and General Manager of NEIC etc. Mr. Xu has been the General Manager of PEGL since November 2004, the General Manager of NEIC from July 2010 to March 2016, assistant to the General Manager of CEC since June 2013, chairman of NEIC since January 2016, and Communist Party Committee Secretary of NEIC and PEGL since March 2016. Mr. Xu was appointed as the chairman of the Company in June 2016. 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 operation management.

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

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

#### (II) Profiles (continued)

##### 1. Executive Directors (continued)

**Mr. CHEN Kuanyi**, born in 1962, is a senior engineer at researcher level, graduated from the Department of Electronic Engineering of Northwest Telecommunication Engineering College (currently known as Xidian University) with a bachelor's degree in electronic engineering and from Nanjing University Business School with an EMBA degree. Mr. Chen has successively served as the assistant to the head and deputy head of the Research Institute of Electronic Equipment of the State-owned Xinlian Machinery Plant (國營新聯機械廠電子設備研究所), deputy general manager of Nanjing Xinlian Electronic Equipment Engineering Company (南京新聯電子裝備工程公司), deputy head of the Military Industry Department of the State-owned Xinlian Machinery Plant (國營新聯機械廠軍工部), and deputy general manager and standing deputy general manager of Nanjing Keruida Electronic Equipment Co., Ltd. (南京科瑞達電子裝備有限公司). Mr. Chen has served as an executive director and the general manager of Nanjing Changjiang Electronic Information Industry Group Co., Ltd. from January 2011 to May 2016 and concurrently the Communist Party Committee Secretary of Nanjing Changjiang Electronic Information Industry Group Co., Ltd. from August 2013 to May 2016. He has also served as the general manager of NEIC since March 2016. Mr. Chen was appointed as an executive Director and the vice chairman of the Company in June 2016. Mr. Chen Kuanyi has long been engaged in research and design of electronic systems as well as enterprise management, and has extensive expertise and experience in operation and management.

**Mr. XIA Dechuan**, born in 1970, is a senior engineer at researcher level, graduated from Xidian University with a bachelor's degree 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 PEG, a standing Deputy General Manager of Nanjing Panda Information Industry Co, Ltd.. He also served as a Deputy General Manager of the Company from July 2008 to September 2011 and a General Manager of Nanjing Panda Information Industry Co., Ltd. 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 with full responsibility for the operation and management of the Company.

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

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

#### (II) Profiles (continued)

##### 2. Non-executive directors

**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 of PEGL etc. He has been the General Manager of Nanjing Panda Handa Technology Co., Ltd. from August 2004 to May 2016. He has been the Deputy General Manager of PEGL since January 2009 until now and the Deputy General Manager of NEIC since March 2016 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.

**Mr. Deng Weiming**, born in 1964, graduated from Huazhong College of Technology (Now known as Huazhong University of Science and Technology) with a bachelor's degree in information engineering and graduated from Nanjing University of Aeronautics and Astronautics with a master's degree in Management Science and Engineering. He is a senior engineer. 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, the General Manager of Nanjing CEC-Panda Home Appliances Co., Ltd. since June 2009 until now and General Manager of Nanjing Panda Electronics Import and Export Co., Ltd. since January 2011. Mr. Deng Weiming has engaged in the work of electronics technology development and management for a long period and has extensive knowledge of electronics technology and experience in operation management.

**Mr. Gao Gan**, born in 1967, graduated from History Department of Peking University with a Bachelor's degree in Chinese history, and holds a master's degree in business administration of the School of Economics and Management of Tsinghua University. Mr. Gao served as the General Manager of the Shenyang Office of China Huarong Assets Management Co., Ltd. from June 2006 to October 2008 and as the Director of the System Reform Office of China Huarong Assets Management Co., Ltd. from October 2008 to February 2009. He also served as the General Manager of Huarong Real Estate Co., Ltd. from February 2009 to June 2012. He has been the General Manager of the Equity Business Department of China Huarong Assets Management Co., Ltd. since June 2012, and chairman of Huarong Ruitong Equity Investment Management Co., Ltd. (華融瑞通股權投資管理有限公司) since January 2017 until now. Mr. Gao was appointed as a non-executive director of the Company in June 2016.



## 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 the 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. Tu Changbai**, born in 1968, is a senior accountant and holds a bachelor's degree from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) (currently known as Hangzhou Dianzi University) of Industrial Finance and Accounting Department and a master's degree from China Renmin University of Business Administration Department. Mr. Tu has successively served as the Deputy Director-General of the 2nd Office of Financial and Property Rights Management Department, Director-General of 2nd Office of Financial Department and Director-General of Capital Office of Asset Management Department in China Electronics Corporation, the Director-General of Financial Auditing Department in Nanjing Electronics Information Industrial Corporation and the Accountant-General in Nanjing Sanle Electronics Information Industry Group Co., Ltd., etc. Mr. Tu served as the Assistant General Manager and Director-General of Financial Auditing Department in NEIC from February 2009 to May 2011, and the Account-General in NEIC from May 2011 until now. Mr. Tu was appointed as the non-employee representative supervisor and chairman of the Supervisory Committee of the Company in June 2016. Mr. Tu has engaged in the work of corporate financial management and auditing for a long period and has extensive knowledge of finance and auditing and experience in operational management.



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

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

#### (II) Profiles (continued)

##### 4. Supervisors (continued)

**Mr. Song Yunfeng**, born in 1964, is a senior political work specialist with a bachelor's degree. He has successively served as the vice chairman of the Labour Union, deputy head of Human Resources Department and head of Personnel Division, and office director, an assistant to the General Manager and head of the Administrative and Legal Department of PEGE, deputy head of the Party-Mass Work Department (a temporary post) of China Electronics Corporation, etc.. He has served as deputy secretary of the Party Committee and secretary of the Discipline Inspection Committee of the Company from November 2010 to March 2015 and as secretary of the Party Committee and secretary of the Discipline Inspection Committee of the Company from March 2015 to November 2016. He has also been the secretary of the Party Committee of the Company since December 2016. Mr. Song Yunfeng has long been engaged in enterprise management and Party affairs and has extensive experience in operation and management and Party affairs. Mr. Song was appointed as the employee representative supervisor of the Company in June 2016.

**Mr. Zhou Yuxin**, born in 1964, is a senior political work specialist 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, is a senior engineer at researcher level, graduated from Xidian University with a bachelor's degree 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 the Company from July 2008 to September 2011 and a General Manager of Nanjing Panda Information Industry Co, Ltd. 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 with full responsibility for the operation and management of the Company.

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

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

#### (II) Profiles (continued)

##### 5. Senior management (continued)

**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 Nanjing Panda Electronics Equipment Co., Ltd. since June 2009 up to now. Mr. Liu has long been engaged in the development and management of electronic and industrial automation equipment, as well as environmental protection equipment, has extensive professional knowledge and experience in operation and management and is now mainly in charge of the overall operating of electronic equipment segment.

**Mr. Shen Jianlong**, born in 1963, is a senior accountant and holds a bachelor's degree. Mr. Shen has served as the 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 Nanjing Panda Information Industry Co., Ltd. etc. He was the Deputy Chief Engineer of the Company, Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. and General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. from December 2008 to December 2011. Mr. Guo has been the Deputy Chief Engineer of the Company and General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. from January 2012 to December 2014. He was also the Standing Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. from January 2012 to July 2013 and has been the Deputy General Manager of the Company and the concurrent General Manager of Nanjing Panda Information Industry Co., Ltd. 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.

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

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

#### (II) Profiles (continued)

##### 5. Senior management (continued)

**Mr. Hu Huichun**, born in 1973, graduated with a master degree from the Party School of the Central Committee of CPC majoring in economic management and is an economist. He successively served as the deputy head of the office of PEGL and the general manager of the production company of Panda Electronic Industry Group (熊猫电子制造产业集团制造公司). He has served as the deputy general manager of Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫电子制造有限公司) from December 2008 to May 2016. He has been the Deputy General Manager of the Company and the General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. since May 2016 until now. Mr. Hu has been engaged in the management in the electronic industry for a long period with extensive experience in operation and management.

**Mr. Shao Bo**, born in 1980, has a bachelor's degree in finance from School of Finance of Shandong University of Finance and Economics and has a master degree and doctorate degree in politics and economics from Economics School of Jilin University. He is an economist. He successively served as the head of Capital Operation Division of Asset Operation Department, the deputy head of Production and Operation Division of Production and Operation Department of China Electronics Corporation (中國電子信息產業集團有限公司) and secretary of the Board of IRICO Group (彩虹集團公司), etc. He has served as deputy head of Production and Operation Division of Production and Operation Department of China Electronics Corporation from October 2013 to May 2016 and has served as secretary of the Board of IRICO Group from December 2013 to March 2016. He has also been the deputy general manager of the Company since May 2016. Mr. Shao Bo has been engaged in the management of asset operation and production and operation of state-owned enterprises for a long period with profound professional knowledge in finance and extensive experience in operation and management.

#### (III) 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
Xu Guofei	PEGL	General Manager	November 2004	
Deng Weiming	PEGL	Deputy General Manager	July 1999	
Lu Qing	PEGL	Deputy General Manager	January 2009	
Explanations for holding positions in shareholder entities	N/A			

#### (II) Positions in other entities

Name	Name of entity	Position(s)	Start date of term of office	Expiration date of term of office
Xu Guofei	CEC	Assistant to the General Manager	June 2013	
Chen Kuanyi	NEIC	Chairman	March 2016	
	NEIC	General Manager	March 2016	
Tu Changbai	NEIC	Chief Accountant	May 2011	
Lu Qing	NEIC	Deputy General Manager	May 2016	
Deng Weiming	Nanjing CEC-Panda Home Appliances Co., Ltd.	General Manager	June 2009	
	Nanjing Panda Electronics Import and Export Company	General Manager	January 2011	
Gao Gan	Equity Business Department of China Huarong Asset Management Co., Ltd.	General Manager	June 2012	
Xia Dechuan	Nanjing Ericsson Panda Communication Co., Ltd.	Vice Chairman	April 2016	
	Beijing SE Putian Mobile Communication Co., Ltd.	Vice Chairman	November 2012	
Explanations for Positions in other entities	Not applicable			

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

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

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 profitmaking 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 2016 annual performance appraisal for the senior management of the Company has not been completed yet, the performance payment for 2016 was excluded from the remuneration during the reporting period, whereas the annual performance payment for 2015 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 RMB4,254,300 (before tax).

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

Name	Position(s)	Change	Reason for the change
Xu Guofei	Chairman, Executive Director	Elected	Job demands
Chen Kuanyi	Vice Chairman, Executive Director	Elected	Job demands
Gao Gan	Non-executive Director	Elected	Job demands
Tu Changbai	Chairman of the Supervisory Committee	Elected	Job demands
Song Yunfeng	Employee Representative Supervisor	Elected	Job demands
Hu Huichun	Deputy General Manager	Appointed	Job demands
Shao Bo	Deputy General Manager	Appointed	Job demands
Lai Weide	Former Chairman, Executive Director	Resigned	Job arrangement
YU Yanqiu	Former Vice Chairman, Non-executive Director	Resigned	Job arrangement
Zhang Yinqian	Former Chairman of the Supervisory Committee	Resigned	Retirement
Fu Yuanyuan	Former Employee Representative Supervisor	Resigned	Job arrangement
Zhou Guixiang	Former Deputy General Manager	Resigned	Job arrangement

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

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

1. On 30 March 2016, due to work reasons, Mr. Lai Weide, the former chairman of the Board of the Company, resigned from the director, the chairman of the Board and relevant positions in the committees under the Board of the Company.
2. On 13 April 2016, due to work arrangement, Mr. Zhou Guixiang, the former deputy general manager of the Company, resigned from the deputy general manager and other positions of the Company.
3. On 23 May 2016, the Company convened the 6th meeting of the eighth session of the Board of the Company, at which appointment of Mr. Hu Huichun and Mr. Shao Bo as deputy general managers of the Company was considered and approved, with a term same as the eighth session of the Board.
4. On 3 June 2016, due to work arrangement, Mr. Yu Yanqiu, the former vice chairman of the Board of the Company, resigned from the director, vice chairman and relevant positions in the committees under the Board of the Company.
5. On 3 June 2016, Mr. Zhang Yinqian, the former chairman of the Supervisory Committee of the Company, resigned from the supervisor and chairman of the Supervisory Committee as he reached the age of retirement. On the same day, Ms. Fu Yuanyuan, the former employee representative supervisor of the Company, resigned from the employee representative supervisor due to work reasons. As the resignations of Mr. Zhang Yinqian and Ms. Fu Yuanyuan would result in the number of members of the Supervisory Committee falling below the statutory minimum requirement, Mr. Zhang Yinqian and Ms. Fu Yuanyuan will continue to perform their duties until the newly elected supervisors take up their offices.
6. On 3 June 2016, the Company convened the 7th meeting of the eighth session of the Board of the Company, at which nomination of Mr. Chen Kuanyi and Mr. Gao Gan as candidates for an executive director and a non-executive director of the eighth session of the Board of the Company respectively were considered and approved. Mr. Chen Kuanyi and Mr. Gao Gan were appointed at the 2015 annual general meeting of the Company convened on 30 June 2016, with a term same as the eighth session of the Board.
7. On 3 June 2016, the Company convened the 6th meeting of the eighth session of the Supervisory Committee of the Company, at which appointment of Mr. Tu Changbai as a candidate for the non-employee representative supervisor of the eighth session of the Supervisory Committee of the Company was considered and approved. Mr. Tu Changbai was appointed at the 2015 annual general meeting of the Company convened on 30 June 2016, with a term same as the eighth session of the Supervisory Committee.
8. Mr. Song Yunfeng was elected as the employee representative supervisor of the eighth session of the Supervisory Committee of the Company through democratic election, with a term same as the eighth session of the Supervisory Committee.
9. On 30 June 2016, the Company convened the 8th meeting of the eighth session of the Board of the Company, at which Mr. Xu Guofei was elected as the chairman of the Board of the Company; Mr. Chen Kuanyi was elected as the vice chairman of the Board; Mr. Chen Kuanyi, vice chairman of the Board, and Mr. Lu Qing, the director, were elected as members of the Strategy Committee, and according to the Rules of Procedures of the Strategy Committee, Mr. Xu Guofei, the Chairman of the Board, serves as the chairman of the Strategy Committee; Mr. Chen Kuanyi, the vice chairman of the Board, was elected as a member of the Nomination Committee; Mr. Gao Gan, the director, was elected as a member of the Remuneration and Appraisal Committee.

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

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

10. On 30 June 2016, the Company convened the 7th meeting of the eighth session of the Supervisory Committee of the Company, at which Mr. Tu Changbai 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 31 March, 14 April, 24 May, 4 June and 1 July 2016 and on the website of the Hong Kong Stock Exchange on 30 March, 13 April, 23 May, 3 June and 30 June 2016 for details of the above matters.

### 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	283
Number of on-the-job employees of major subsidiaries	3,536
Total number of on-the-job employees	3,819
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	2,935

#### Composition of professions

Type of profession	Number of persons
Production staff	1,590
Sales staff	315
Technical staff	1,400
Financial staff	193
Administrative staff	321
Total	3,819

#### Educational Background

Education level	Number of persons
Masters or above	176
Bachelors	809
Associate degree	1,093
Other	1,741
Total	3,819

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

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

#### (II) Remuneration policies

In order to effectively mobilize the enthusiasm, initiative and creativity of the staff, the Company formulated the Administrative Measures for Salary Distribution (《工資分配管理辦法》) which has definitely and clearly specified the salary management and salary distribution. 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 formulated the Job Training Regulations for Staff (《員工崗位培訓條例》) which has specified that, the Company shall organize surveys on the training demand on a yearly basis, and, based on the survey result, formulate the training plan, which will be implemented upon approval by division leaders and will be targeted at 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)	1,597,320
Total remuneration paid to labor outsourcing (RMB0'000)	3,394.28

### VII. Others

In 2016, 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

In 2016, 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, optimized the risk management and internal control system 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 tried its best endeavour to comply 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.

With respect to risk management and internal control, the Company established the risk management and internal control systems which were framed with the multi-layered management organization and corresponding management documents, and ameliorated and perfected it on a continuous basis in accordance with requirements of the regulatory authorities and the operation situation of the Company. Such systems were designed to manage rather than eliminate the risk of failure to achieve business objectives, and could only provide reasonable and not absolute assurance against material misstatement or loss. The Board is responsible for overseeing and reviewing the Group's risk management and internal control systems on an ongoing basis, and ensuring the Group to establish and maintain appropriate and effective risk management and internal control systems. The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems, ensuring strict compliance with relevant rules and regulations and reporting to the Board. The multi-layered management structure, mainly comprised of functional departments at the headquarters of the Company, the united council, Office of General Manager and the Board, undertook decision-making, management and supervising obligations according to relevant procedures. Their obligations concerned risk assessment and amelioration for material events, reviewing and execution of significant investment projects, overall budgeting management, appraisal of economic responsibilities, design of the remuneration system, financing guarantee, and other related work. Pursuant to their respective term of reference, relevant issues shall be submitted by the functional department or the united council to the Office of General Manager for consideration and those intended for decisions of the Board shall be reported to the Board for consideration in the form of proposal.

The Company established risk management and internal control systems with its own features based on its production and operation circumstance. Catering to management and operation in accordance with laws and regulations, asset safety, the true and complete financial report and relevant information, improving operating efficiency and results and boosting the achievement of corporate development strategies, the Company formulated the risk detection and assessment standards from quantitative and qualitative perspectives and deemed such as identifying standards for internal control defects. For details of identifying standards, please refer to the 2016 Internal Control Evaluation Report of Nanjing Panda Electronics Company Limited published by the Company on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 30 March 2017 and 29 March 2017, respectively.

The risk management and internal control committee under the united council is mainly responsible for assessing and making recommendations for reducing and solving risks in relation to certain important operation practices and business procedures as well as material events, and analyzing and making improving recommendations for certain irregularities in internal operation.

# Corporate Governance (Continued)

## I. Explanations on Corporate Governance (continued)

Since its incorporation, the Company has set up an independent internal auditing department, which carries out monitoring and review activities independently and objectively and pushes forward the realization of goals of the Company through reviewing and assessing the appropriateness, legitimacy and effectiveness of the business activities and internal control of various units. The Audit Department (performs internal audit function) consists of a number of professional auditors with expertise, technical titles, auditing experiences and competent capabilities. Such professionals attend continuing professional education and trainings held by competent authorities or associations of the occupation for a certain period each year. Besides, the Company will also organize business trainings relating to risk management and internal control based on practical demands. Auditing Department is directly accountable to the General Manager, receives instructions from Audit Committee under the Board and reports to the Audit Committee on the summary report of the internal auditing work for the year and the auditing and inspecting plan for the forthcoming year at the meeting of Audit Committee held at the end of each year.

The Company set up an independent inspection department to intensify discipline inspection and supervision. The Inspection Department formulated opinions on inspection work for the year and supervised and reviewed the major operation decisions, decisions on significant project investments, important personnel appointment and removal, large capital operation, fulfillment of duties of key positions and integrity and self-discipline.

The Company regularly reviewed the effectiveness of the risk management and internal control systems and formed a complete workflow and procedures, and a mechanism to address significant risks or internal control deficiencies, and kept them updated. In order to promote the ongoing perfection and amelioration of the risk management and internal control systems, the Company conducted self-assessment on internal control once a year and formulated the Evaluation Measures on Internal Control to guarantee the orderly and effective implementation of internal control evaluation from institutional perspective. Under the leadership of risk management and internal control committee, the Audit Department organized the assessment panel (comprising Audit Department and backbones of personnel in charge of internal control work from relevant business departments and the subsidiaries) and conducted the self-assessment. Audit Department reports the self-assessment scheme on internal control to the independent Directors and the Audit Committee under the Board at the meeting of Audit Committee held at the end of each year. The Company prepares Internal Control Evaluation Report and submits it to the Board for consideration for each year. In the reporting period, as reviewed by the directors, there was no significant deficiency in internal control in relation to financial reporting of the Company, nor was any significant deficiency in internal control in relation to non-financial reporting identified. BDO China Shu Lun Pan Certified Public Accountants LLP has audited the effectiveness of the internal control relating to financial reporting of the Company, and issued an audit report with unqualified opinion. The Board has reviewed the effectiveness of the risk management and internal control systems and considered the system to be effective and sound.

The Company identifies, assesses and manages material risk and internal control by the closed-loop management and allows time for rectification in internal control assessment. After issuing the report, the Audit Department will convey the defects identification and rectification suggestions to the responsible unit and department concerned for their implementation of such rectifications in relation to relevant internal control defects. The Audit Department will carry out follow-up inspections on the implementation of relevant rectifications so as to consolidate achievements of the internal control assessment. Significant events deliberated or commented by the Audit Committee under the Board or the risk management and internal control committee shall be assigned to the responsible department concerned for rectification and requested for feedbacks of fulfillment. With regard to risk matters, the Company will take countermeasures promptly; formulate rectification plans based on analysis of risk causes and follow up the relevant implementation, thus consummating the business process. Related personnel in failure to fulfill internal control standards shall be held accountable according to relevant provisions. The Company has made emergency response plan for businesses that place deposits in the subordinate financial company of the de facto controller.

# Corporate Governance (Continued)

## I. Explanations on Corporate Governance (continued)

As directed by relevant industry policies and industrial development plans of the PRC, the Company steadily pressed ahead industrial restructuring and structural adjustment of the product mix. Focusing on its principal business in the equipment industry, the Company undertook optimization of corporate resource allocation and adjustment of factor input structure to increase investment in major construction works and key projects and gradually scale down products of excessive competition and non-strategic industries. The Company also emphatically advanced the development of scientific and research capabilities and the construction of marketability so as to improve its comprehensive competitiveness and enhance the adaptability to external changes. After years of development, the Company has achieved significant improvement in its self-supporting capability, maintained stable gross profit margin, and improved and increased the major financial indicators and operational targets year after year. During the Reporting Period, there was no material deficiency or failure in relation to management and control systems of the Company.

Based on the actual operating situation, the Company made some amendments to the Regulations of Connected Transactions of Panda Electronics (《南京熊猫關聯交易制度》) and Significant Information Internal Report System of Panda Electronics(《南京熊猫重大信息內部報告制度》), made some amendments to several provisions of the Articles of Association of the Company in relation to the preparation of financial statements and formulated the Shareholders' Return Plan of Panda Electronics (2016–2018) (《南京熊猫股東回報規劃(2016–2018)》). For details, please refer to the announcements and the related information published by the Company on the website of Shanghai Stock Exchange on 22 March 2016, 1 December 2016 and 30 December 2016 and on the website of Hong Kong Stock Exchange on 21 March 2016, 30 November 2016 and 29 December 2016, respectively.

## II. Overview of General Meetings

During the reporting period, the Company convened three 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
2015 annual general meeting	2016-06-30	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	2016-07-01
The first extraordinary general meeting of 2016	2016-08-19	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	2016-08-20
The second extraordinary general meeting of 2016	2016-12-29	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	2016-12-30

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.

# Corporate Governance (Continued)

## II. Overview of General Meetings (continued)

The Company issued a 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 134 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.

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 Model Codes stipulated by the Hong Kong 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.

## Corporate Governance (Continued)

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

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

Name of director	Independent director or not	Attendance at Board meetings						Attendance at general meetings
		Required attendance at Board meetings	Attendance in person	Attendance by way of communications	Attendance by proxy	Absence	Absence in person from the Board meetings for two consecutive times	Attendance at general meetings
Xu Guofei	No	12	12	10	0	0	No	0
Chen Kuanyi	No	7	7	6	0	0	No	1
Lu Qing	No	12	12	10	0	0	No	3
Deng Weiming	No	12	12	10	0	0	No	3
Xia Dechuan	No	12	12	10	0	0	No	3
Gao Gan	No	7	7	6	0	0	No	0
Du Jie	Yes	12	12	10	0	0	No	3
Chu Wai Tsun, Vincent	Yes	12	12	10	0	0	No	3
Zhang Chun	Yes	12	12	10	0	0	No	3
Lai Weide	No	2	2	1	0	0	No	0
Yu Yanqiu	No	4	4	3	0	0	No	0

Explanation for the absence in person from two consecutive Board meetings: N/A

Number of Board meetings held in the year	12
Of which: Number of on-site meetings	2
Number of meetings held by way of communication	10
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 2016, the Independent Non-executive Directors of the Company did not raise any objection to the resolutions of the Board and other meetings.

In 2016, pursuant to the requirements of the Company Law, the Securities Law, the Guidance for Listed Companies on Establishment of Independent 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 2016 published on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 30 March 2017 and 29 March 2017, respectively.

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 as 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 of the eighth session of the Board consisted of Mr. Lu Qing, Mr. Deng Weiming, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and is chaired by Ms. Du Jie. During the reporting period, the Audit Committee convened six meetings:

1. The first meeting of 2016 was convened on 19 March 2016 and all members attended the meeting. At the meeting, the committee reviewed the 2015 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 auditors for 2016 was approved at the meeting and was agreed to submit to the Board for consideration.
2. The second meeting of 2016 was convened by way of written resolutions on 29 April 2016. All members of the Audit Committee attended the meeting to review the 2016 first quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.
3. On 30 August 2016, the third meeting of 2016 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.

## 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)

4. The fourth meeting of 2016 was convened by way of written resolutions on 28 October 2016. All members of the Audit Committee attended the meeting to review the 2016 third quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.
5. On 11 November 2016, the fifth meeting of 2016 was convened by way of written resolutions and all committee members attended the meeting, at which the proposal regarding the change of accountant firm was considered and reviewed, and the following opinion was formed: the procedure of the change of accountant firm was in compliance with the requirements of regulatory authorities and the provisions of the Articles of Association of the Company and the necessary approval procedures was performed, it would not damage the interests of the Company and shareholders, especially the minority shareholders. BDO China Shu Lun Pan Certified Public Accountants was considered being had the qualification and professional competence to provide financial auditing work for listing companies and satisfied the independence requirement. As such, the Company was agreed to enter into engagement contracts with it and this proposal was agreed to submit to the Board for consideration.
6. On 29 December 2016, the sixth meeting of 2016 was convened and all committee members attended the meeting. At the meeting, it was heard: the report of audit work plan for 2016 annual report and the relevant situation; 2016 production and operation, assets and financial position and progress of material matters; 2016 internal control audit work plan and auditing situation; 2016 internal control evaluation work plan and the relevant situation of risk management, and guidelines were given on the internal audit work. The audit committee 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 under relevant regulations of CSRC. In case of major issues, timely report of such issues to the audit committee was required during the process of auditing. In view of the change of accountant firm, the audit committee required the Company to try its best to coordinate with the new accountant firm to conduct auditing for the annual report, internal control audit and relevant works. The management was required to continue to pay great attention to the development of self-owned products and greater efforts were endeavored in scientific research. The Company should actively explore and develop the product market, ensure the quality of the product, keep refining the governance structure, enhance the management and prevention of risks, strengthen the standardized operation, level up the corporate governance, fully utilize the capital market, develop and strengthen its major business, and further enhance the image of the listed company, and achieve sound and rapid development. It required that the internal audit department and the relevant persons in charge shall maintain communication with the registered accountant for internal control audit, provide full support for the internal control audit work and issue audit report. The Company tracks down the matters submitted for attention, puts forward and finalizes rectification proposal, and copes with follow-up control testing. It required all the members involved in assessment of internal control to give high priority to the assessment of internal control and preparation of the report. The rectification of the deficiency in internal control shall be completed subsequently based on the assessment report on internal control and audit results of the internal control. The Audit Committee provides guidelines for internal control audit work and requires the Company to refine and implement 2017 annual internal audit work plan, to conduct the monitoring and assessment of risks and internal control management against important units, material business and key projects, to supervise and urge the rectification of major issues, and timely report to the audit committee should a major issue arise.



## 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)

7. During the process of preparing and disclosing the 2016 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 2016 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 audit and disclosure of annual report were required to be conducted in a good manner.

#### (II) Nomination Committee

The Nomination Committee of the eighth Session of the Board currently consists of Mr. Xu Guofei, Mr. Chen Kuanyi, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and is chaired by Mr. Chu Wai Tsun, Vincent. During the reporting period, the Nomination Committee convened three meetings.

1. The first meeting of 2016 was convened on 19 March 2016 and all members attended the meeting. The following resolutions were passed at the meeting: the Committee was of the view that, the 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, Shanghai Stock Exchange and Hong Kong Stock Exchange and that the senior management members of the Company have the necessary professional skills to perform their duties.
2. The second meeting of 2016 was convened by way of written resolutions on 23 May 2016, and all the members of the committee attended the meeting, at which the nomination of Mr. Hu Huichun and Mr. Shao Bo as candidates for deputy general managers of the Company was approved and was submitted to the Board for discussion.
3. The third meeting of 2016 was convened by way of written resolutions on 3 June 2016, and all the members of the Committee attended the meeting, at which the nomination of Mr. Chen Kuanyi and Mr. Gao Gan as candidates for the eighth session of the Board of the Company was approved and was submitted to the Board for discussion.



## 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 eighth Session of the Board currently consists of Mr. Xu Guofei, Mr. Chen Kuanyi, Mr. Lu Qing, Mr. Xia Dechuan and Mr. Chu Wai Tsun, Vincent and is chaired by Mr. Xu Guofei.

On 19 March 2016, the Strategy Committee of the eighth session of the Board convened a meeting which all committee members attended. The following resolutions were passed at the meeting: to enhance the core competitiveness and accelerate the completion of strategic shifting of business, 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 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 further strengthen international cooperation and to pay close attention to and value the development of joint ventures on a continuous basis, strengthen the management and service of joint venture companies and facilitate continuous and steady development of the business of joint venture companies.

#### (IV) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the eighth session of the Board currently consists of Mr. Xia Dechuan, Mr. Gao Gan, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and is chaired by Mr. Zhang Chun.

On 19 March 2016, the eighth Remuneration and Appraisal Committee held a meeting, and all the members of the Committee attended the meeting, at which an evaluation was made of the Directors, senior management of the Company, with their remuneration discussed. According to the evaluation result, the annual remuneration of the Directors and senior management during the reporting period was preliminarily determined.

# Corporate Governance (Continued)

## 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, Assets, Organization and Finance between the Company and its Controlling Shareholder and Capability of Independent Operation

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

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

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

The Company 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. The Remuneration and Evaluation Committee is responsible for formulating and reviewing the remuneration policies and plans for the senior management of the Company, and setting up the evaluation criteria for the senior management of the Company and implementing the evaluation.

The "Measures Regarding the Verification of Performance of Senior Management Officers of Nanjing Panda Electronics Company Limited" (《南京熊猫高级管理人員績效考核辦法》) was formulated by the Company and considered and approved by the Board, 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.

# Corporate Governance (Continued)

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

According to the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Content and Format of Annual Reports (Revision 2016) (《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(2016年修訂)》) of the CSRC and the Notice on the Preparation of 2016 Annual Reports by Listed Companies (《關於做好上市公司2016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 2016, which was disclosed along with the 2016 annual report. For details, please refer to the relevant announcement published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 30 March 2017 and 29 March 2017, respectively. There was no significant deficiency in internal control in relation to financial report of the Company, nor was any significant deficiency in internal control in relation to non-financial report identified.

## IX. Auditors' Report on Internal Control

The Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP to audit the effectiveness of the internal control 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 2016 annual report. For details, please refer to the relevant announcement published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 30 March 2017 and 29 March 2017, respectively.

## 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 142 of Chapter 10 of the Articles of Association). Mr. Xu Guofei was elected the Chairman of the Board of the Company at the eighth meeting of the eighth Session of the Board held on 30 June 2016.

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 160 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.

### (II) Auditors' remuneration

BDO China Shu Lun Pan Certified Public Accountants LLP was engaged as the Company's international auditor, PRC auditor and internal control auditor for 2016. Remuneration paid by the Company for its audit services for the annual report (including the internal control audit service) was RMB2.10 million.

# Corporate Governance (Continued)

## X. Others (continued)

### (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 Chapter 8 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 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 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 10 days upon receipt of the said proposal, shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the supervisory committee the convening of the extraordinary general meeting, provided that such proposal shall be made in writing.

In the event that the supervisory committee agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within 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 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 6 of this report.

# Corporate Governance (Continued)

## X. Others (continued)

### (V) Inside Information Management and the Relevant Situation

In order to further implement inside information management and prevention of insider trading, according to the requirements of the CSRC, the “Insiders Management System of NPEC” was formulated by the Company and considered and approved by the Board, which specifies the scope and confidentiality management of inside information, as well as the scope, registration and filing of the insiders. The “Significant Information Internal Report System of NPEC” (《南京熊猫重大信息内部报告制度》) was formulated by the Company and considered and approved by the Board, which specifies the reporting scope, division of responsibilities, procedures and formats, confidentiality obligations and legal liabilities in respect of the material information. The Company delivered to the controlling shareholder and the ultimate controller the “Opinions on the Implementation of Strengthened Inside 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 State-Owned Assets Supervision and Administration Commission of Jiangsu Provincial Government and the CSRC Jiangsu Bureau. Moreover, the Company strictly followed the regulations on insider registration and management in respect of the preparation of regular reports, and other significant events in accordance with the requirements under the aforesaid administrative documents.

### (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 2016 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

During the reporting period, Mr. Guo Qing, a deputy general manager of the Company traded A shares of the Company in contravention of relevant regulations, which violated the relevant requirements under the Securities Law and “Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof”. For details, please refer to the Announcement of NPEC in Relation to Trading in Shares by Senior Management in Contravention of Relevant Regulations (Lin 2017-014) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 25 March 2017 and on the website of Hong Kong Stock Exchange on 24 March 2017. Apart from the above, there was no trading in shares by Directors, supervisors and senior management in contravention of relevant regulations during the reporting period.

# Environmental, Social and Governance Report

In strict observance of the Environmental Protection Law, Air Pollution Prevention and Control Law, Water Pollution Prevention and Control Law, Energy Conservation Law and other relevant PRC laws and regulations, the Company upholds the coordinated development of economy, society and environment and insists on the scientific development concept. As such, the Company has transformed its development mode to adapt itself to the economic development situation and social development requirements under the new normality, and strove to achieve sustainable development so as to create value for stakeholders and promote the harmonious development of the Company, society and environment. The Company endeavors to bring rewards to its shareholders and effectively safeguard the interests of its creditors and the legitimate rights and interests of its employees, while actively protecting the interests of customers and consumers and participating in social welfare undertakings.

## Corporate Governance

A standardized corporate governance mechanism lays a foundation, and provides an important guarantee, for the healthy and stable development of an enterprise. Based on its actual conditions, the Company keeps improving its corporate governance structure and various rules and regulations and proceeds with the implementation of its internal control rules, with a view to boosting its standard operation, promoting sustainable development and creating long-term value for its shareholders. For details of corporate governance, please refer to the relevant paragraphs under “Section VIII Corporate Governance” of this report.

## Environmental Protection

### — Emissions

A small amount of industrial wastewater and exhaust gas is produced during the production of plastic injection products, which is part of the Company’s electronic manufacturing services. However, the Company has developed the Procedures for Environmental Monitoring and Pollution Control to promote environmental protection, the Procedures for Waste Control and the Management Rules for Solid Waste to deal with wastes disposal, and the Standards on Controlling Indicators of Hazardous Substances and Materials to control harmful substances contained in products. Therefore, the Company is able to effectively manage the operation of its sewage treatment stations, from which the effluent that meets certain standards is delivered to sewage treatment plants for secondary treatment. Solid waste is delivered to plants with relevant qualifications for disposal.

### — Use of Resources, Environment and Natural Resources

The offices and plants of the Company were built in strict compliance with the requirements under the preliminary environmental assessments approved by relevant governmental authorities, with separate pipe systems for rainwater and sewage. Sanitary sewage is piped to sewage treatment plants designated by government. The buildings of the Company comply with the energy efficiency standards. In addition, the Company has developed the “Energy Management Rules”, pursuant to which, water and electricity meters are installed in each internal unit and intelligent central control systems are adopted for park lighting and air conditioning to prevent energy waste.

# Environmental, Social and Governance Report (Continued)

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## Society

### — Employment

The Company has provided strong human resources support for its sustainable development. The Company emphasizes personnel training and development and endeavors to create a good working and development environment for its employees.

The Company has established a systematic and standardized human resources management system, including the Management Measures for Labor Contracts, the Employee Turnover Management Measures, the Rules on Working Hours, Rest Breaks and Time off and the Management Measures for Personnel Recruitment, and developed position-based performance management systems to ensure its remuneration packages are attractive and regularly revised as appropriate.

The Company has adopted proactive measures for personnel recruitment and training, and made practical efforts to build talent teams in line with its development needs. The principles of “openness, fairness and merits-based selection” are followed in the recruitment process. The recruitment approaches adopted by the Company include on-campus recruitment and social recruitment, both of which comprises written exams and interviews. The Company sticks to the principle of “stressing ability and integrity, integrity foremost”(德能兼備·以德為先) in its hiring and promotion process, aiming to build a fair, just and transparent mechanism for personnel selection and promotion. For position vacancy promotions, internal promotion is preferred, and chances are first given to outstanding employees who have served the Company for years.

Male and female employees are treated equally at the Company, and fairness and impartiality are maintained in respect of work allocation, remuneration standard, job promotion and other aspects. In addition, the Company has an infirmary and maternal-infant rooms designed to meet the needs of employees who are pregnant or nurse their infants.

The Company offers good staff welfare to its employees, with its factory area equipped with staff quarters, canteens and sports grounds. Its employees enjoy statutory and comprehensive social security and are entitled to paid annual leave and annual physical exam under the relevant systems of the Company.

### — Health and Safety

The new and renovation and expansion projects of the Company are in compliance with the “three simultaneousness” requirement in relation to safety facilities and occupational health. New employees are provided with the three-level production safety education, and all employees are provided with trainings on job skills and production safety. In accordance with relevant regulations, the Company has production safety officers to provide regular trainings to personnel in charge of production safety. In addition to equipping employees with labor protection articles and maintaining the effective operation of occupational health facilities, the Company strives to improve its working environment, monitors occupational hazards at workplace on a regular basis and provides regular occupational health check to employees who are exposed to occupational hazards. Thanks to these efforts and measures, there was neither any work-related injury nor occupational disease case during the year.



# Environmental, Social and Governance Report (Continued)

## Society (continued)

### — Development and Training

The Company has established the Job Training Regulations for Staff (《員工崗位培訓條例》) to provide its employees with systematic, targeted and forward-looking internal and external trainings, so as to explore the potentials of employees and promote the sustainable development of the Company. At present, the Company offers job trainings and continuing professional education and trainings. Job trainings comprise three kinds of training programs, i.e. trainings for middle management, position-specific trainings for management officers, and skills training for production staff. Continuing professional education and trainings comprise trainings on office automation skills, trainings on engineering computer skills and trainings on audit skills for financial personnel. In 2016, the Company held nearly 200 sessions of in-house staff trainings.

### — Labour Standards

In strict compliance with the labor and employment laws and regulations issued by the PRC and local governments, the Company safeguards the legitimate rights and interests of its employees and eliminates the employment of child labour and forced labour and other illegal situations through rigorous admission procedures and other reasonable measures.

### — Supply Chain Management

The Group is committed to maintaining long-term cooperation with its suppliers to ensure a stable supply of raw materials. The Company's major subsidiaries have adopted information management systems to effectively manage the huge information relating to raw material suppliers and established their own quality tracking and supplier evaluation systems. In addition, scientific management measures are adopted for inspection on incoming and outgoing materials and storage and maintenance of materials. The planning, supply and manufacturing of raw materials are reasonably organized to optimize the circulation process, which is of great significance to cost control and efficiency improvement.

### — Product Responsibility

Adhering to the quality and service management concept of "quality first, service first, user first, reputation first", the Company seeks to establish the sense of responsibility – "Panda in my mind and quality in my hand". As such, the Company has developed the Quality Management Regulations to ensure the effective implementation of its quality management system and product responsibility. Furthermore, the Company has established quality management system (GB/T19001–2008/ISO9001: 2008), environmental management system (GB/T24001–2004/ISO14001: 2004) and occupational health and safety management system (GB/T28001–2011/OHSAS18001: 2007), committed to providing quality products and services to a vast number of consumers with the "Panda" craftsmanship spirit.



# Environmental, Social and Governance Report (Continued)

## Society (continued)

### — Anti-corruption

In accordance with the Measures on the Accountability of Responsible Persons Who Are in Breach of Rules and Regulations during Production and Business Activities (《關於對在生產經營活動中違紀責任人實施責任追究的辦法》) and other rules, the Company requires all employees to strictly abide by relevant requirements, and act honestly in performing their duties without violating relevant rules and regulations. Employees should not abuse their powers to embezzle, divert, retain, conceal or misappropriate the funds of the Company and should not abuse their position to seek personal gains. Our employees have the right to report to the discipline inspection and supervision office of the Company in respect of any abuse of powers, suspected recipient of bribes or other misconducts that prejudicing the interests of the Company and the country. Any employ who is found guilty of any such misconduct will be held accountable. During the reporting period, neither the Company nor any of its employees was involved in any legal case relating to corruption.

### — Community Investment

The Company has been actively participating in poverty alleviation programs to contribute to the implementation of China's poverty-alleviation strategy. For details, please refer to the contents in relation to involvement in poverty alleviation programs under "Section V Significant Events" of this report.

The Company actively carries out volunteer community service activities. With more than 1,500 registered volunteers, the Company holds a variety of volunteer service activities from time to time, such as providing convenience services, care for the elderly, helping the disabled and the needy, providing traffic guidance, subway volunteer service and health care service, publicity of environmental protection and energy conservation, as well as donations to welfare homes for children and charity sale for mentally challenged children. Due to these efforts, the Company was named the Volunteer Service Advanced Collective among State-owned Enterprises Directly under the Central Government (中央企業志願服務先進集體). Since 2012, the Company has organized volunteer service activities every week at nearby subway stations to provide convenience services, assist the disabled and those who need help. Over the past nearly 8 years, more than 200 such activities were held, with volunteer participants and aggregate service time amounting to over 2,000 person-times and 10,000 hours, respectively.

In addition, the Company has held a number of volunteer service activities focusing on creating a clean and beautiful environment, such as clearing white garbage, removing greenbelt weeds and promoting low-carbon lifestyle and environmental protection at various communities and Tzu-chin Mountain in Nanjing. Our volunteers have held compulsory tree-planting campaign under the slogan "Growing bamboos for pandas"(我為熊貓種竹子) for six consecutive years in the Hongshan Zoo, providing food for pandas – our national treasure, and calling for the protection of our environment and wild animals.

The Board is responsible for the Company's environmental, social and governance strategy and reporting. In subsequent reporting periods, the Company will further improve its environmental, social and governance, risk management and internal control systems, enhance communication with stakeholders and establish a sound evaluation system comprising scientific and rational key performance indicators, with a view to effectively fulfilling its corporate social responsibility.

# Financial Report

This 2016 Financial Report of the Company was audited by BDO China Shu Lun Pan Certified Public Accountants LLP pursuant to Accounting Standard for Business Enterprises, and standard unqualified audit report was issued.

# Auditors' Report

Xin Kuai Shi Bao Zi (2017) No. ZG10725

**To the shareholders of Nanjing Panda Electronics Company Limited:**

## I. Audit opinion

We have audited the accompanying financial statements of Nanjing Panda Electronics Company Limited (the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2016, the consolidated and company income statements, the consolidated and company cash flow statements, and the consolidated and company statements of changes in equity for the year then ended, as well as notes to financial statements.

We believe that the accompanying financial statements are prepared in all material respects which in accordance with the Accounting Standards for Business Enterprises. We fairly reflect the financial position of the Company, the Company's financial position as at 31 December 2016, the consolidated results of the Company, the Company's operating results and cash flow.

## II. The basis for the formation of audit opinions

We conducted the audit in accordance with the Chinese Auditing Standards for Certified Public Accountants. The "Responsibilities of Certified Public Accountants for Auditing of Financial Statements" in the audit report further illustrate our responsibilities under these guidelines. In accordance with the Code of Professional Ethics of Chinese Certified Public Accountants, we are independent of HEC and have performed other duties in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for the publication of the audit opinion.

## III. Key audit matters

The key audit matter is based on our professional judgment that is the most important issue in the current financial statements audit. The response to these matters is based on the audit of the financial statements as a whole and the formation of an audit opinion. We do not comment on these matters individually.

### (I). Recognition of the revenue

#### 1. Description of the matter

For the period of 2016, the consolidated main operation revenue of the Company amounting to RMB3.64 billion is the significant component of the consolidated income statement and the Company's operations of products and services are in differentiation strategy. Therefore, we regard the truthfulness and cut-off of main operation revenue as the key audit matters.

## Auditors' Report (Continued)

Based on the accounting policy of the Company, the main source of operation income is from electronic manufacturing products, electronic equipment products, consumer electronics products and others. As regards of electronic manufacturing products, the revenue is recognised in accordance with the settlement receipts of customers' confirmation. For the electronic equipment products, the electronic products revenue is recognised when the customers confirm that they have already received the products; the revenue recognition of construction project is based on the certificate of project progress issued by project supervision enterprise and construction management enterprise. In order to recognise revenue of consumer electronics products, the company needs to get the customer receipts for the domestic sales; and for export sales, the company should finish export customs clearance and the products have to be offshored. Other operation revenue which applies to leasing and property management and etc. should be based on the contract so that the Company can recognise revenue. Please refer to notes III, (XXIV) for more details.

### 2. Audit reaction

In the audit of the truthfulness and cut-off of main operation revenue, we implemented the audit procedures include:

- a. Understanding, testing the internal procedure of the Company related to sales and cash receipts cycle, the design and the implementation of financial accounting system;
- b. Implementing analytical review procedure to determine the reasonableness of changes in sales revenue and gross profit in accordance with comparing the different kinds of sales and combining the information of the operating business, industry development, and the actual condition of the Company;
- c. Implementing test of details and sampling to check the external evidence like inventory records, customer receipts, collection records and etc. and implementing procedure of accounts receivable confirmation;
- d. Sampling to check revenue in large proportion of total revenue at the end of 2016 and the beginning of 2017 to audit the cut-off of operation revenue.

## IV. Other information

The Company management response to other information which include the information exclude the financial report and this audit report.

Our audit opinion on the financial statements does not cover any other information, and we do not publish any form of forensic conclusions on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information in the course of considering whether other information is materially inconsistent with the financial statements or what we have learned in the course of the audit or that there is a material misstatement.

Based on the work we have already done with respect to other information obtained earlier in the audit report, we should report the fact if we determine that there is a material misstatement of the other information. In this respect, we have no need to report any matter.

# Auditors' Report (Continued)

## V. Management and management of the financial statements of the responsibility

The management of the Company shall be responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to enable them to be fairly reflected and to design, implement and maintain the necessary internal controls so that there is no material misstatement due to fraud or error in the financial statements.

In the preparation of the financial statements, the management is responsible for assessing the Company's continuing operating capacity, disclosing matters relating to continuing operations (if applicable) and applying the continuing operating assumptions unless the management plans to liquidate the Company, cease to operate or otherwise Realistic choice.

The management is responsible for overseeing the financial reporting process of the Company.

## VI. The CPA's audit responsibility of the financial statements

Our objective is to obtain a reasonable assurance of the financial statements as a whole whether there is a material misstatement due to fraud or error and to issue an audit report containing audit opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that audits carried out in accordance with the audit criteria will always be found in the presence of a material misstatement. Mistakes may be caused by fraud or error, and it is generally considered that the misstatement is significant if it is reasonably expected that the misstatement alone or aggregates may affect the economic decisions made by the users of the financial statements based on the financial statements.

In the course of carrying out the audit in accordance with the audit criteria, we used professional judgment and maintained professional suspicion. At the same time, we also perform the following tasks:

- (1) to identify and evaluate the risk of material misstatement of financial statements due to fraud or error; design and implement audit procedures to address these risks and obtain adequate and appropriate audit evidence as a basis for issuing audit opinions. As fraud may involve collusion, forgery, intentional omission, false statements or above internal controls, the risk of gross misstatement due to fraud is not higher than the risk of finding a material misstatement due to an error.
- (2) to understand the internal control related to the audit to design the appropriate audit procedures.
- (3) to evaluate the appropriateness of accounting policy selection and the rationality of accounting estimates and related disclosures.

## Auditors' Report (Continued)

- (4) to draw conclusions on the appropriateness of management's use of continuing operating assumptions. At the same time, according to the audit evidence obtained, it may lead to Kazakhstan shares of the company's continuing operating capacity of the matter or the situation of the existence of significant uncertainty or conclusions. If we conclude that there are significant uncertainties, the audit criteria require us to draw the attention of the reporting user to the disclosure in the financial statements; if the disclosure is inadequate, we should publish a non-reserved opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may result in the failure of Hattie AG to continue to operate.
- (5) to evaluate the overall presentation, structure and content (including disclosure) of the financial statements and to assess whether the financial statements reflect the relevant transactions and events fairly.
- (6) to obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of the Company in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

We communicate with management on audit schedules, schedules and significant audit findings, including communicating with the internal control deficiencies that we have identified in our audits.

We also provide a statement to management on compliance with ethical requirements related to independence and communicate with governance about all relationships and other matters that may be reasonably considered to affect our independence, as well as related precautions.

In the case of communication with governance, we determine which matters are most important to the current financial statement audit and thus constitute a critical audit. We describe these matters in the audit report unless the laws and regulations prohibit public disclosure of these matters or, in rare cases, if the reasonable expectation of communicating the matter in the audit report exceeds the negative benefits arising from the public interest. The matter should not be communicated in the audit report.

**BDO China Shu Lun Pan Certified Public Accountants LLP**

**Shanghai • China**

***Certified Public Accountant***

***Certified Public Accountant***

March 29, 2017

# Consolidated Balance Sheet

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes V
<b>Current assets:</b>			
Cash and cash equivalents	<b>1,301,802,896.46</b>	962,222,126.94	1
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	<b>312,972,457.59</b>	196,107,157.14	2
Accounts receivable	<b>1,238,735,984.06</b>	1,043,468,726.23	3
Advances paid	<b>143,140,748.06</b>	128,556,264.84	4
Interest receivable		994,401.51	5
Dividend receivable			
Other receivables	<b>77,676,184.19</b>	102,598,457.58	6
Inventories	<b>438,042,391.88</b>	426,929,637.85	7
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	<b>259,018,893.89</b>	457,000,000.00	8
<b>Total current assets</b>	<b>3,771,389,556.13</b>	3,317,876,772.09	
<b>Non-current Assets:</b>			
Available-for-sale financial assets	<b>3,650,000.00</b>	3,650,000.00	9
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	<b>363,076,123.14</b>	447,693,693.59	10
Investment property	<b>8,469,941.94</b>	9,512,701.03	11
Fixed assets	<b>978,971,199.52</b>	988,924,408.37	12
Construction in progress	<b>1,502,221.31</b>	4,643,526.54	13
Construction materials			
Fixed and held for disposal			
Bearer biological assets			
Oil and gas assets			
Intangible assets	<b>97,142,326.93</b>	104,391,407.06	14
Development expenditure			
Goodwill			
Long-term prepayments	<b>6,995,346.87</b>	8,306,199.54	15
Deferred tax assets	<b>8,779,702.14</b>	6,800,695.69	16
Other non-current assets			
<b>Total non-current assets</b>	<b>1,468,586,861.85</b>	1,573,922,631.82	
<b>Total Assets</b>	<b>5,239,976,417.98</b>	4,891,799,403.91	

## Consolidated Balance Sheet (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes V
<b>Current Liabilities:</b>			
Short-term borrowings	40,000,000.00		17
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	143,691,812.27	93,283,710.62	18
Accounts payable	1,108,431,550.84	910,699,210.48	19
Advances received	132,694,559.25	139,640,661.64	20
Employee benefits payable	32,087,847.95	30,876,393.03	21
Tax payable	46,593,961.13	27,980,335.62	22
Interest payable	23,835.62		23
Dividend payable	18,529,612.95	4,181,545.34	24
Other payables	156,096,869.24	157,985,511.78	25
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities	9,700,000.00	40,756,600.00	26
<b>Total current liabilities</b>	<b>1,687,850,049.25</b>	<b>1,405,403,968.51</b>	
<b>Non-current Liabilities:</b>			
Long-term borrowings			
Bonds payable			
including: preference shares			
perpetual bond			
Long-term payables			
Long-term employee benefits payable	32,673,991.19	26,276,064.59	27
Special payables			
Estimate liabilities			
Deferred income	8,918,416.06		28
Deferred tax liabilities	133,560.55	226,137.51	16
Other non-current liabilities			
<b>Total non-current liabilities</b>	<b>41,725,967.80</b>	<b>26,502,202.10</b>	
<b>Total liabilities</b>	<b>1,729,576,017.05</b>	<b>1,431,906,170.61</b>	



## Consolidated Balance Sheet (Continued)

Prepared by: Nanjing Panda Electronics Company Limited      2016/12/31      Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes V
<b>Owners' equity (or shareholders' equity)</b>			
Paid-in capital (Share capital)	<b>913,838,529.00</b>	913,838,529.00	29
Other equity instrument including: preference shares perpetual bond			
Capital reserve	<b>1,464,133,820.05</b>	1,464,242,139.28	30
Less: Treasury shares			
other comprehensive income			
Special reserve			
Surplus reserve	<b>251,825,696.34</b>	245,831,957.46	31
Undistributed profit	<b>690,472,508.00</b>	639,366,753.93	32
<b>Total equity attributable to parent company</b>	<b>3,320,270,553.39</b>	3,263,279,379.67	
<b>Minority interests</b>	<b>190,129,847.54</b>	196,613,853.63	
<b>Total owners' equity (or shareholders' equity)</b>	<b>3,510,400,400.93</b>	3,459,893,233.30	
<b>Total liabilities and owners' equity (or shareholders' equity)</b>	<b>5,239,976,417.98</b>	4,891,799,403.91	

The following notes is the part of financial statement.

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Income Statement

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes V
<b>I. Total operating revenue</b>	<b>3,702,763,356.54</b>	3,613,482,935.50	33
<b>II. Total Operating cost</b>	<b>3,672,354,844.96</b>	3,609,796,223.92	
Including: operating cost	<b>3,167,855,950.93</b>	3,080,701,274.16	33
Taxes and surcharges	<b>25,290,542.41</b>	35,075,123.68	34
Selling and distribution expenses	<b>48,349,962.41</b>	52,987,800.34	35
Administrative expenses	<b>426,803,729.36</b>	426,406,618.48	36
Financial expenses	<b>-5,417,075.71</b>	-11,800,026.20	37
Assets impairment loss	<b>9,471,735.56</b>	26,425,433.46	38
Add: Gains on changes of fair values (or less: losses)			
Investment income (or less: losses)	<b>108,566,100.29</b>	206,956,734.21	39
Including: Income from investment in associates and joint ventures	<b>95,058,047.55</b>	185,177,439.42	
<b>III. Operating profit</b>	<b>138,974,611.87</b>	210,643,445.79	
Add: Non-operating income	<b>69,130,156.25</b>	14,158,738.96	40
Including: Gains on disposal of non-current assets	<b>752,051.21</b>	852,255.19	
Less: Non-operating expenses	<b>5,716,135.02</b>	2,055,202.39	41
Including: Losses from disposal of non-current assets	<b>2,598,185.88</b>	1,118,062.92	
<b>IV. Profit before tax (or less: total loss)</b>	<b>202,388,633.10</b>	222,746,982.36	
Less: Income tax expenses	<b>33,378,971.45</b>	33,627,824.51	42
<b>V. Net profit (or less: net loss)</b>	<b>169,009,661.65</b>	189,119,157.85	
Net profit attributable to the parent company owners	<b>119,240,512.92</b>	143,836,663.39	
Minority shareholders profit and loss	<b>49,769,148.73</b>	45,282,494.46	

## Consolidated Income Statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes V
<b>VI. Other comprehensive income after tax</b>			
Other comprehensive income after tax attributable to parent company			
Other comprehensive income which is not reclassified subsequently to profit or loss			
Including: 1. Changes in remeasurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
Other comprehensive income which will be reclassified subsequently to profit or loss			
Including: 1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Gains from changes in fair values (less losses) on available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets			
4. Profit or loss on cash flow hedging			
5. Translation difference of financial statements in foreign currencies			
6. Others			
Other comprehensive income after tax attributable to minority shareholders			
<b>VII. Total comprehensive income</b>	<b>169,009,661.65</b>	189,119,157.85	
Total comprehensive income attributed to parent company owners	<b>119,240,512.92</b>	143,836,663.39	
Total comprehensive income attributable to minority shareholders	<b>49,769,148.73</b>	45,282,494.46	
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share	<b>0.1305</b>	0.1574	
(II) Diluted earnings per share	<b>0.1305</b>	0.1574	

The following notes is the part of financial statement.

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Cash Flow Statements

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes V
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services	<b>3,723,723,306.31</b>	3,783,483,572.65	
Receipts of tax refund	<b>92,920,359.07</b>	61,136,704.24	
Other cash receipts relating to operating activities	<b>153,528,898.86</b>	114,876,757.54	43
Sub-total of cash inflows from operating activities	<b>3,970,172,564.24</b>	3,959,497,034.43	
Cash payments for goods purchased and services received	<b>3,047,270,117.99</b>	2,950,192,129.39	
Cash payments to and on behalf of employees	<b>488,955,616.16</b>	520,568,949.23	
Payments of taxes	<b>161,842,503.27</b>	173,087,465.07	
Other cash payments relating to operating activities	<b>218,957,530.17</b>	206,653,260.63	43
Sub-total of cash outflows from operating activities	<b>3,917,025,767.59</b>	3,850,501,804.32	
Net Cash Flows from Operating Activities	<b>53,146,796.65</b>	108,995,230.11	
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and returns of investments			
Cash receipts from returns on investments	<b>193,201,343.95</b>	260,745,294.79	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	<b>1,133,687.22</b>	11,762,924.05	
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	<b>2,505,000,000.00</b>	2,596,000,000.00	43
Sub-total of cash inflows from investing activities	<b>2,699,335,031.17</b>	2,868,508,218.84	
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	<b>103,988,134.12</b>	192,658,433.90	
Cash payments to acquire investments	<b>300,000.00</b>		
Net cash payments for acquisitions of subsidiaries and other business units		10,672,879.97	
Other cash payments relating to investing activities	<b>2,296,922,945.76</b>	2,503,000,000.00	43
Sub-total of cash outflows from investing activities	<b>2,401,211,079.88</b>	2,706,331,313.87	
Net Cash Flows from Investing Activities	<b>298,123,951.29</b>	162,176,904.97	

## Consolidated Cash Flow Statements (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes V
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from investors making investment in the enterprise		107,000.00	
Including: cash receipts from minorities making investment in subsidiaries		107,000.00	
Cash receipts from borrowings	<b>380,000,000.00</b>	230,000,000.00	
Other cash receipts relating to financing activities		4,415,000.00	43
Sub-total of cash inflows from financing activities	<b>380,000,000.00</b>	234,522,000.00	
Cash repayments of amounts borrowed	<b>340,000,000.00</b>	260,000,000.00	
Cash payments for distribution of dividends or profit or interest expenses	<b>103,655,192.26</b>	104,380,089.45	
Including: payments for distribution of dividends or profit to minorities of subsidiaries	<b>41,057,422.29</b>	40,115,579.88	
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities	<b>443,655,192.26</b>	364,380,089.45	
Net Cash Flows from Financing Activities	<b>-63,655,192.26</b>	-129,858,089.45	
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>263,100.53</b>	134,048.15	
<b>V. Net Increase in Cash and Cash Equivalents</b>	<b>287,878,656.21</b>	141,448,093.78	
Add: Opening balance of Cash and Cash Equivalents	<b>853,805,263.06</b>	712,357,169.28	
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b><u>1,141,683,919.27</u></b>	<b><u>853,805,263.06</u></b>	

The following notes is the part of financial statement.

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Consolidated Statement of Changes in Equity

Prepared by: Nanjing Panda Electronics Company Limited

2016

Unit: RMB

Items	Paid-in capital (Share capital)	Other equity instrument			Equity attributable to parent company							Minority interests	Total owners' equity	
		Preference shares	Perpetual bond	Others	Capital reserve	less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Subtotal			
I. Balance at the end of prior year	913,838,529.00				1,464,242,139.28					245,831,957.46	639,366,753.93	3,263,279,379.67	196,613,853.63	3,459,893,233.30
Add: Changes in accounting policies														
Error correction of prior period														
Others														
II. Balance at the beginning of current year	913,838,529.00				1,464,242,139.28					245,831,957.46	639,366,753.93	3,263,279,379.67	196,613,853.63	3,459,893,233.30
III. Current period increase (or less: decrease)					-108,319.23					5,993,738.88	51,105,754.07	56,991,173.72	-6,484,006.09	50,507,167.63
(i) Total comprehensive income											119,240,512.92	119,240,512.92	49,769,148.73	169,009,661.65
(ii) Capital contributed or withdrew by owners					-108,319.23							-108,319.23	-847,664.92	-955,984.15
1. Ordinary shares contributed by owners														
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment included in equity														
4. Others					-108,319.23							-108,319.23	-847,664.92	-955,984.15
(iii) Profit distribution										5,993,738.88	-68,134,758.85	-62,141,019.97	-55,405,489.90	-117,546,509.87
Including:														
1. Appropriation of surplus reserve										5,993,738.88	-5,993,738.88			
2. Appropriation of profit to owners												-62,141,019.97	-62,141,019.97	-55,405,489.90
3. Others														
(iv) Internal carry-over within equity														
1. Transfer of capital reserve to capital (or share capital)														
2. Transfer of surplus reserve to capital (or share capital)														
3. Surplus reserve to cover losses														
4. Others														
(v) Appropriation and application of special reserve														
1. Appropriation of special reserve														
2. Application of special reserve														
(vi) Others														
IV. Balance at the end of current year	913,838,529.00				1,464,133,820.05					251,825,696.34	690,472,508.00	3,320,270,553.39	190,129,847.54	3,510,400,400.93

# Consolidated Statement of Changes in Equity (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

2015

Unit: RMB

Items	Paid-in capital (Share capital)	Other equity instrument				Equity attributable to parent company					Subtotal	Minority interests	Total owners' equity			
		Preference shares	Perpetual bond	Others	Capital reserve	2015 less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit						
<b>I. Balance at the end of prior year</b>	913,838,529.00				1,463,439,040.01						234,802,138.28	566,873,252.64	3,178,952,959.93	204,508,444.20	3,383,461,404.13	
Add: Changes in accounting policies Error correction of prior period Others																
<b>II. Balance at the beginning of current year</b>	913,838,529.00				1,463,439,040.01						234,802,138.28	566,873,252.64	3,178,952,959.93	204,508,444.20	3,383,461,404.13	
<b>III. Current period increase (or less: decrease)</b>					803,099.27						11,029,819.18	72,493,501.29	84,326,419.74	-7,894,590.57	76,431,829.17	
(I) Total comprehensive income												143,836,663.39	143,836,663.39	45,282,494.46	189,119,157.85	
(II) Capital contributed or withdrew by owners					803,099.27									803,099.27	-12,368,979.24	-11,565,879.97
1. Ordinary shares contributed by owners																
2. Capital contributed by holders of other equity instruments																
3. Amount of share-based payment included in equity																
4. Others					803,099.27									803,099.27	-12,368,979.24	-11,565,879.97
(III) Profit distribution											11,029,819.18	-71,343,162.10	-60,313,342.92	-40,808,105.79	-101,121,448.71	
Including:																
1. Appropriation of surplus reserve											11,029,819.18	-11,029,819.18				
2. Appropriation of profit to owners												-60,313,342.92	-60,313,342.92	-40,808,105.79	-101,121,448.71	
3. Others																
(IV) Internal carry-over within equity																
1. Transfer of capital reserve to capital (or share capital)																
2. Transfer of surplus reserve to capital (or share capital)																
3. Surplus reserve to cover losses																
4. Others																
(V) Appropriation and application of special reserve																
1. Appropriation of special reserve																
2. Application of special reserve																
(VI) Others																
<b>IV. Balance at the end of current year</b>	913,838,529.00				1,464,242,139.28						245,831,957.46	639,366,753.93	3,262,279,379.67	196,613,853.63	3,459,893,233.30	

The following notes is the part of financial statement.

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

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes XV
<b>Current assets:</b>			
Cash and cash equivalents	<b>335,229,528.49</b>	95,074,660.13	
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	<b>500,000.00</b>	18,000,000.00	
Accounts receivable	<b>82,209,934.77</b>	84,227,954.78	(I)
Advances paid	<b>1,392,109.95</b>	2,097,095.90	
Interest receivable			
Dividend receivable	<b>973,887.56</b>	1,973,887.56	
Other receivables	<b>299,788,984.63</b>	282,783,700.03	(II)
Inventories	<b>22,671,565.47</b>	25,198,140.07	
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	<b>251,918,151.96</b>	447,000,000.00	
<b>Total current assets</b>	<b>994,684,162.83</b>	956,355,438.47	
<b>Non-current Assets:</b>			
Available-for-sale financial assets	<b>3,650,000.00</b>	3,650,000.00	
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	<b>1,812,280,797.69</b>	1,900,502,624.42	(III)
Investment property			
Fixed assets	<b>347,915,255.17</b>	365,690,219.32	
Construction in progress	<b>90,564.10</b>	824,628.20	
Construction materials			
Fixed and held for disposal			
Bearer biological assets			
Oil and gas assets			
Intangible assets	<b>13,263,376.11</b>	13,496,814.23	
Development expenditure			
Goodwill			
Long-term prepayments			
Deferred tax assets			
Other non-current assets			
<b>Total non-current assets</b>	<b>2,177,199,993.07</b>	2,284,164,286.17	
<b>Total Assets</b>	<b>3,171,884,155.90</b>	3,240,519,724.64	



## Balance Sheet (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes XV
<b>Current Liabilities:</b>			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	<b>7,625,755.82</b>	5,000,441.06	
Accounts payable	<b>52,121,083.74</b>	36,186,447.59	
Advances received	<b>8,000.00</b>	2,844,371.04	
Employee benefits payable	<b>2,369,247.78</b>	4,950,679.68	
Tax payable	<b>12,893,940.75</b>	6,031,331.58	
Interest payable			
Dividends payable			
Other payables	<b>225,378,937.26</b>	301,578,396.56	
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities	<b>900,000.00</b>	2,256,600.00	
<b>Total current liabilities</b>	<b>301,296,965.35</b>	358,848,267.51	
<b>Non-current Liabilities:</b>			
Long-term borrowings			
Bonds payable			
including: preference shares			
perpetual bond			
Long-term payables			
Long-term employee benefits payable	<b>4,079,302.51</b>	12,959,937.89	
Special payables			
Estimate liabilities			
Deferred revenue			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>	<b>4,079,302.51</b>	12,959,937.89	
<b>Total liabilities</b>	<b>305,376,267.86</b>	371,808,205.40	

## Balance Sheet (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes XV
<b>Owners' equity (or shareholders' equity)</b>			
Paid-in capital (Share capital)	<b>913,838,529.00</b>	913,838,529.00	
Other equity instrument including: preference shares perpetual bond			
Capital reserve	<b>1,434,870,834.28</b>	1,434,870,834.28	
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	<b>251,825,696.34</b>	245,831,957.46	
Undistributed profit	<b>265,972,828.42</b>	274,170,198.50	
<b>Total owners' equity (or shareholders' equity)</b>	<b><u>2,866,507,888.04</u></b>	<u>2,868,711,519.24</u>	
<b>Total liabilities and owners' equity (or shareholders' equity)</b>	<b><u>3,171,884,155.90</u></b>	<u>3,240,519,724.64</u>	

The following notes is the part of financial statement.

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Income Statement

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes XV
<b>I. Operating income</b>	<b>162,052,757.96</b>	77,201,082.63	(IV)
Less: Operating costs	<b>99,010,797.01</b>	48,161,803.72	(IV)
Less: Taxes and surcharges	<b>4,236,189.84</b>	1,926,518.90	
Selling and distribution expenses	<b>4,760,895.81</b>	4,584,195.63	
Administrative expenses	<b>151,206,664.27</b>	170,049,449.67	
Financial expenses	<b>-6,718,044.58</b>	-2,303,477.80	
Assets impairment loss	<b>4,583,174.65</b>	530,157.97	
Add: Gains on changes of fair values (or less: losses)			
Investment income (or less: losses) Including: Income from investment in associates and joint ventures	<b>140,216,848.83</b>	252,625,145.19	(V)
<b>II. Operating profit</b>	<b>45,189,929.79</b>	106,877,579.73	
Add: Non-operating income Including: Gains on disposal of non-current assets	<b>17,305,266.66</b>	3,851,123.40	
Less: Non-operating expenses Including: Losses from disposal of non-current assets	<b>2,557,807.68</b>	430,511.31	
<b>III. Total profit</b>	<b>59,937,388.77</b>	110,298,191.82	
Less: Income tax expenses			
<b>IV. Net profit</b>	<b>59,937,388.77</b>	110,298,191.82	

# Income Statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes XV
<b>V. Other comprehensive income after tax</b>			
(I) Other comprehensive income which is not reclassified subsequently to profit or loss			
Including: 1. Changes in remeasurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
(II) Other comprehensive income which will be reclassified subsequently to profit or loss			
Including: 1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Gains from changes in fair values (less losses) on available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets			
4. Profit or loss on cash flow hedging			
5. Translation difference of financial statements in foreign currencies			
6. Others			
<b>VI. Total comprehensive income</b>	<b>59,937,388.77</b>	110,298,191.82	
<b>VII. Earnings per share</b>			
Basic earnings per share			
Diluted earnings per share			

The following notes is the part of financial statement.

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

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services	<b>145,796,306.31</b>	78,138,293.15	
Receipts of tax refund			
Other cash receipts relating to operating activities	<b>112,335,577.10</b>	44,790,845.28	
Sub-total of cash inflows from operating activities	<b>258,131,883.41</b>	122,929,138.43	
Cash payments for goods purchased and services received	<b>94,781,560.85</b>	73,784,393.64	
Cash payments to and on behalf of employees	<b>67,572,531.60</b>	64,622,735.18	
Payments of taxes	<b>10,163,446.36</b>	7,709,892.96	
Other cash payments relating to operating activities	<b>204,846,753.50</b>	67,418,772.95	
Sub-total of cash outflows from operating activities	<b>377,364,292.31</b>	213,535,794.73	
Net Cash Flows from Operating Activities	<b>-119,232,408.90</b>	-90,606,656.30	
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and returns of investments			
Cash receipts from returns on investments	<b>233,431,853.90</b>	287,265,221.00	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	<b>8,500.00</b>	6,314,000.00	
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	<b>1,781,000,000.00</b>	2,024,467,414.67	
Sub-total of cash inflows from investing activities	<b>2,014,440,353.90</b>	2,318,046,635.67	
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	<b>901,870.06</b>	12,012,372.85	
Cash payments to acquire investments	<b>5,000,000.00</b>	27,675,004.70	
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities	<b>1,582,000,000.00</b>	2,031,052,000.00	
Sub-total of cash outflows from from investing activities	<b>1,587,901,870.06</b>	2,070,739,377.55	
Net Cash Flows from Investing Activities	<b>426,538,483.84</b>	247,307,258.12	

## Cash Flow Statement (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

2016/12/31

Unit: RMB

Item	Dec 31, 2016	Dec 31, 2015	Notes
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from investors making investment in the enterprise			
Cash receipts from borrowings	<b>340,000,000.00</b>	230,000,000.00	
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities	<b>340,000,000.00</b>	230,000,000.00	
Cash repayments of amounts borrowed	<b>340,000,000.00</b>	230,000,000.00	
Cash payments for distribution of dividends or profit or interest expenses	<b>63,133,604.98</b>	63,699,509.57	
Other cash payments relating to financing activities		85,350,000.00	
Sub-total of cash outflows from financing activities	<b>403,133,604.98</b>	379,049,509.57	
Net Cash Flows from Financing Activities	<b>-63,133,604.98</b>	-149,049,509.57	
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
<b>V. Net Increase in Cash and Cash Equivalents</b>	<b>244,172,469.96</b>	7,651,092.25	
Add: Opening balance of Cash and Cash Equivalents	<b>87,859,882.87</b>	80,208,790.62	
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b>332,032,352.83</b>	87,859,882.87	

The following notes is the part of financial statement.

Legal representative of the Company:  
**Xia Dechuan**

Chief Accountant:  
**Shen Jianlong**

Head of the Accounting Department:  
**Liu Xianfang**

# Statement of Changes in Equity

Prepared by: Nanjing Panda Electronics Company Limited

2016

Unit: RMB

Items	Paid-in capital (Share capital)	Other equity instrument			Capital reserve	2016		Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bond	Others		less: Treasury shares	Other comprehensive income				
<b>I. Balance at the end of prior year</b>	913,838,529.00				1,434,870,834.28				245,831,957.46	274,170,198.50	2,868,711,519.24
Add: Changes in accounting policies											
Error correction of prior period											
Others											
<b>II. Balance at the beginning of current year</b>	913,838,529.00				1,434,870,834.28				245,831,957.46	274,170,198.50	2,868,711,519.24
<b>III. Current period increase (or less: decrease)</b>									5,993,738.88	-8,197,370.08	-2,203,631.20
(I) Total comprehensive income									5,993,738.88	59,937,388.77	59,937,388.77
(II) Capital contributed or withdrew by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution									5,993,738.88	-68,134,758.85	-62,141,019.97
Including:											
1. Appropriation of surplus reserve									5,993,738.88	-5,993,738.88	
2. Appropriation of profit to owners										-62,141,019.97	-62,141,019.97
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover losses											
4. Others											
(V) Appropriation and application of special reserve											
1. Appropriation of special reserve											
2. Application of special reserve											
(VI) Others											
<b>IV. Balance at the end of current year</b>	<b>913,838,529.00</b>				<b>1,434,870,834.28</b>				<b>251,825,696.34</b>	<b>265,972,828.42</b>	<b>2,866,507,888.04</b>

# Statement of Changes in Equity (Continued)

Prepared by: Nanjing Panda Electronics Company Limited

2015

Unit: RMB

Items	Paid-in capital (Share capital)	Other equity instrument			Capital reserve	2015		Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bond	Others		less: Treasury shares	Other comprehensive income				
<b>I. Balance at the end of prior year</b>	913,838,529.00				1,434,870,834.28				234,802,138.28	235,215,168.78	2,818,726,670.34
Add: Changes in accounting policies											
Error correction of prior period											
Others											
<b>II. Balance at the beginning of current year</b>	913,838,529.00				1,434,870,834.28				234,802,138.28	235,215,168.78	2,818,726,670.34
<b>III. Current period increase (or less: decrease)</b>									11,029,819.18	38,955,029.72	49,984,848.90
(I) Total comprehensive income										110,298,191.82	110,298,191.82
(II) Capital contributed or withdrew by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution									11,029,819.18	-71,343,162.10	-60,313,342.92
Including:											
1. Appropriation of surplus reserve									11,029,819.18	-11,029,819.18	
2. Appropriation of profit to owners										-60,313,342.92	-60,313,342.92
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover losses											
4. Others											
(V) Appropriation and application of special reserve											
1. Appropriation of special reserve											
2. Application of special reserve											
(VI) Others											
<b>IV. Balance at the end of current year</b>	913,838,529.00				1,434,870,834.28				245,831,957.46	274,170,198.50	2,868,711,519.24

The following notes is the part of financial statement.

Legal representative of the Company:

**Xia Dechuan**

Chief Accountant:

**Shen Jianlong**

Head of the Accounting Department:

**Liu Xianfang**



# Notes to the 2016 Financial Statements

(Unless otherwise stated, all amounts are denominated in RMB)

## I. Information about the company

### (I) Company profile

Nanjing Panda Electronics Company Limited (the “Company”) was reorganised by the only initiator of Panda Electronics Group Company Limited under the approval of Ning Ti Gai [1992] No.034 by Nanjing Economic Reform Committee. Panda Electronics Group Company Limited took net assets of RMB480,000,000 in exchange for 480,000,000 shares of state-owned enterprise legal person. The registered capital of the Company was RMB515,000,000, of which 480,000,000 shares (RMB1.00 per share) were held by state-owned enterprise legal person and 35,000,000 shares were held by employees.

The Company got the legal enterprise business license of 13488315-2 on 29 April 1992. The principal activities of the Company are radio communication equipment products, radio and television equipment products, hardware and electrical equipment products, electronic components products, instrument and apparatus products, electrical machinery products, standard machinery products, medical equipment products, the development, manufacture and sale of electronic equipment products, electronic computer fitting products, and the development, manufacture and sale of office machinery products and tooling products.

After obtaining the special approval of general meeting, board of directors was fully authorised to split and recombine the assets and liabilities of Company, and Panda Electronics Group Company reconfirmed the shareholding of state-owned enterprise legal person and selling H shares and A shares of the Company on 27 May 1994. According to this meeting, the net assets were adjusted to RMB322,873,348, including the registered capital of RMB322,870,000. 287,870,000 shares were held by state-owned enterprise legal person, 35,000,000 shares were held by employees and the rest of RMB3,348 was adjusted to capital reserve.

Confirmed by Guo Zi Qi Fa [1996] No. 12 by State Administration of State Property in February 1996, the net assets were RMB86,471.40 ten thousand Yuan, the share capital was 32,287 ten thousand, of which 28,787 ten thousand shares were held by state-owned enterprise legal person, and 3,500 ten thousand shares were held by employees after evaluation. Panda Electronics Group making use of the land-use right valued to RMB4,130 ten thousand Yuan and creditor’s right valued to RMB62,000 thousand Yuan to invest in the Company and the share capital changed to 390,015,000 shares, of which 355,015,000 shares were held by state-owned enterprise legal person and 35,000,000 shares were held by employees. State Commission for Restructuring approved this report on 11 March 1996.

In order to issue H shares, the Company started to evaluate the assets and liabilities in all aspects on 30 September 1995 and adjusted the booking value in accordance with this evaluation after the approval of the Securities Commission of the State Council.

After the approval of Zheng Wei Fa [1996] No. 6 by the Securities Commission of the State Council, the Company issued 242,000,000 H shares and the issue price was HKD2.13 per share when listing on the Stock Exchange of Hong Kong on 2 May, 1996.

After the approval of Zheng Jian Fa [1996] No. 304 by Securities Commission of the State Council on 2 May 1996, the Company issued 23,000,000 normal shares to the public and the issue price was RMB5.10 per share. The Company got all the fund on 14 November 1996 and was listing on the Stock Exchange of Shanghai. 5,000,000 out of 35,000,000 shares held by employees were in trade at the same date of issuing and the rest of shares were in trade in 1999.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## I. Information about the company (continued)

### (I) Company profile (continued)

The Company got the legal enterprise business license of Qi Su Ning Zong Fu Zi No. 003967, the registered capital was RMB655,015,000, the approved businesses were development, manufacture, sale of communication equipment products, computer products, other electronics equipment products, apparatus products, office machinery products, electrical machinery products, plastic products, general equipment products like fan drive, weighing machine, and packing machine, chemical engineering processing products, wood processing products, non-metal processing products, PTD products, environmental equipment products, society public security products, finance, tax control equipment products, power products, moulding products, computing service, software products, SI service, property management service, and the after-sale and technology service of above businesses.

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 transferred its 8.87% shareholdings of Panda Electronics Group Co., Ltd (referred to as "PEGL" or "Group" below) to Nanjing Electronics Information Industry Co., Ltd (referred to as "NEIIC").

In 2012, according to the approval of "Reply of the provincial government on the indirect transfer of listed companies' shares held by Nanjing Electronics Group Co., Ltd." (Su Zheng Fu No. [2009] 45) by Jiangsu Province People's Government, "Reply of issues concerning the free alteration of part state owned property rights of Panda Electronics Group Co., Ltd. (Su Guo Zi Fu [2012] 22) by the state owned assets supervision and Administration Commission of the Jiangsu Provincial People's Government, "Reply of the relevant issues concerning the change of the actual controller of Nanjing Panda Electronic Limited" (Guo Zi Chan Quan [2012] 158) by State owned assets supervision and Administration Commission of the State Council, "Reply of acquisition report of Chinese Electronics Information Industry Group Co Ltd.'s subsidiary Nanjing Panda electronics Limited Company and the exemption from the obligation to offer" (Zheng Jian Xu Ke [2012] No. 770) by China Securities Regulatory Commission, Jiangsu Guoxin Asset Management Group Co., Ltd., Nanjing Xingang Development Corporation and Nanjing state owned Assets Management (Holdings) Co., Ltd freely transferred the shareholdings of 21.59%, 22.07% and 4.32% respectively to China Electronics Panda, the subsidiary of China Electronics Corporation (referred to as "CEC" below). The Group completed the change of business registration on 21 September 2012. After the transfer of shareholdings, CEC held 51% shares of the Company and became the real controller via holding 70% shares of the China Electronics Panda which held 56.85% shares of the Group.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## I. Information about the company (continued)

### (I) Company profile (continued)

On 19 April 2013, according to China Securities Regulatory Commission's approval (Zheng Jian Xu Ke [2013] No. 332), the Company was authorised to issue 258,823,529 ordinary shares (A shares) in RMB to no more than 10 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 company had finished the change of business registration, and the capital had been changed to RMB913,838,529.00 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 General 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 17 July 2015 to 31 December 2015, NEIIC 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, NEIIC held 39,215,686 A shares of the Company, representing 4.29% of the total share capital. After the increase, NEIIC 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%.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## I. Information about the company (continued)

### (I) Company profile (continued)

The company is a limited company (listed in Taiwan, Hong Kong, Macao and domestic joint venture). The principal business involves computer, communication and other electronic equipment manufacturing industry, including electronic manufacturing products, electronic equipment products, consumer electronics products and etc. The operating period is from 5 October 1996 to the unlimited period.

By the end of 31 December 2016, the company totally issued 91,383.8529 shares, registered capital is RMB913.83 million. Registered address is floors 1 and 2 on North side of No. 5 Building, Nanjing High Technology Development District. 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. Parent and ultimate controller of the Company is PANDA Electronics Group Co., Ltd.

The financial statements were approved for submission by the board of directors on 29 March 2017.

### (II) Scope of consolidated financial statements

As of December 31, 2016, the company scope of consolidated financial statements had the company are as follows:

#### Name of subsidiaries

Nanjing Panda Communication Technology Co.,Ltd  
Nanjing Panda Machinery and Electronics Factory  
Shenzhen Jinghua Electronics Technology Co., Ltd.  
Nanjing Panda Information Industry Co.,Ltd  
Nanjing Panda Electronic Manufacture Co., Ltd  
Nanjing Guanghua Electronics Plastic Casings Factory  
Nanjing Panda International Communication Systems Co., Ltd.  
Nanjing Panda Electronic Equipment Co.,Ltd  
Nanjing Panda Industrial Enterprise Co.,Ltd  
Nanjing Panda Electronic Technology Development Co., Ltd  
Galant Limited  
Shanghai Panda Robot Technology Co., Ltd.

Details of the scope of the consolidated financial statement for the period and its changes were set out in "VI. Changes in the consolidated scope" and "VII. Equity in other entities" of the note.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## II. Basis of preparation of financial statements

### (I) Preparation of basis

Based on going concern and actual transactions and events, the Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "CAS"), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission.

### (II) Going concern

For the reporting period and at least 12 months since the end of the reporting period, the Company's production and operation was stable with reasonable asset and liability structure, therefore it has ability to continue as a going concern and there's no significant risk affecting its ability to continue as a going concern.

## III. Significant accounting policies, accounting estimates

Notes to specific accounting policies and accounting estimates

The following disclosures cover the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its production and operation. Please refer to the notes III. (XXIV) Revenue.

### (I) Statement of compliance of accounting standards for business enterprises

The financial statements have been prepared by the Company in conformity with the China Accounting Standards for Business Enterprises, and present truly and completely the Company's financial position, operating results and cash flow and other related information in there porting period.

### (II) Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

### (III) Operating Cycle

The Company's operating cycle is 12 months.

### (IV) Reporting currency

The reporting currency of the Company is Renminbi ("RMB").

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (V) Accounting treatments for business combinations involving entities under and not under common control

Business combinations involving entities under common control: The assets and liabilities acquired by the Company in business combination shall be measured at the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve.

Business combinations involving entities not under common control: The assets paid and liabilities incurred or committed as a consideration of business combination by the Company were measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be charged to the profit or loss for the period. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognise such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to the profit or loss for the current period.

The agency fee such as audit, legal service and evaluation consultation and other fees which are directly related to the above matters shall be recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities issued for corporate combination shall be written-off against equity.

### (VI) Preparation of consolidated financial statements

#### 1 Scope of consolidation

The scope of consolidation of the consolidated financial statements of the Company is based on controlling interests, and all the subsidiaries (including separate entities of the investee controlled by the Company) are included in the consolidated financial statements.

#### 2 Consolidation method

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and in accordance with the other relevant information. In preparation of the Company's consolidated financial statements, the Company will treat the enterprise group as a single accounting entity. The Group's overall financial condition, operating results and cash flow are reflected based on the relevant accounting standards, measurement and presentation requirements and in accordance with the unified accounting policy.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (VI) Preparation of consolidated financial statements (continued)

#### 2 Consolidation method (continued)

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the date of acquisition. For subsidiaries acquired from a business combination involving entities under common control, the individual financial statements of the subsidiaries are adjusted based on the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where losses attributable to the minority shareholders of a subsidiary exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority shareholders interest.

#### (1) Acquisition of subsidiaries or business

For acquisition of subsidiaries or business due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity had been in existence since the beginning of the control by the ultimate controlling party.

An investor that may impose control over the investee under joint control due to additional investment shall be deemed a party participating in the combination, and shall be adjusted at current status when the ultimate controlling party begins the control. The equity investment held before gaining the control of the combined party is recognised as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance retained earnings or current profit or loss in the comparative reporting period.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (VI) Preparation of consolidated financial statements (continued)

#### 2 Consolidation method (continued)

##### (1) Acquisition of subsidiaries or business (continued)

For acquisition of subsidiaries due to business combination involving entities not under common control during the reporting period, the opening balance of consolidated balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognised as investment income in current period; if the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

##### (2) Disposal of subsidiaries or business

#### 1. General treatment

For disposal of subsidiaries or business during the reporting period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.



# Notes to the 2016 Financial Statements (*Continued*)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (*continued*)

### (VI) Preparation of consolidated financial statements (*continued*)

#### 2 Consolidation method (*continued*)

##### (2) Disposal of subsidiaries or business (*continued*)

###### 1. General treatment (*continued*)

Where control of the investee is lost due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets recorded from the acquisition date or combination date and the sum of goodwill, is recognised in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when control is lost, except the other comprehensive income as a result of the changes arising from the remeasurement of the net assets and net liabilities of the investee's defined benefit plan.

###### 2. Disposal of subsidiary achieved by stages

When disposal of equity interests of subsidiaries through multiple transaction until control is lost, generally transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of disposal of the subsidiary's equity interests comply with one or more of the following:

- i. These transactions are achieved at the same time or the mutual effects on each other are considered.
- ii. A complete set of commercial results can be achieved with reference to the series of transactions as a whole.
- iii. Achieving a transaction depends on at least achieving of one of the other transaction.
- iv. One transaction recognised separately is not economical, but it is economical when considered together with other transactions.

# Notes to the 2016 Financial Statements (*Continued*)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (*continued*)

### (VI) Preparation of consolidated financial statements (*continued*)

#### 2 Consolidation method (*continued*)

##### (2) Disposal of subsidiaries or business (*continued*)

##### 2. Disposal of subsidiary achieved by stages (*continued*)

If losing control of a subsidiary in disposal of equity interests through multiple transactions is recognised as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the differences between price on each disposal and disposal of investment on the subsidiary's net assets shall be recognised in other comprehensive income in the consolidated financial statements, and included in profit or loss for the period when the control is lost.

If all transactions in disposal of equity interests of subsidiaries until losing control are not package deals, accounting treatment for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be used.

##### (3) Acquisition of minority interest of subsidiaries

The Company shall adjust the share premium in the capital reserve of the consolidated balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the parent company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination) or, adjust the retained earnings in case the share premium in the capital reserve is insufficient for write-down.

##### (4) Partial disposal of equity investment in subsidiaries without losing control

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing control and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (VII) Classification of accounting method and the joint arrangements

A joint arrangement is classified as either a joint operation or a joint venture.

When the Company is a joint operator of joint arrangement, which means the Company have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognizes the following items in relation to its interest in a joint operation, and method for them in accordance with relevant accounting standards:

- (1) The Company's solely-held assets, and the Company's share of any assets held jointly;
- (2) The Company's solely-assumed liabilities, and the Company's share of any liabilities incurred jointly;
- (3) The Company's revenue from the sale of its share of the output arising from the joint operation.
- (4) The Company's share of the revenue from the sale of the output by the joint operation;
- (5) Its solely-incurred expenses and the Company's share of any expenses incurred jointly.

Please refer to Note III. (XIV). 'Long-term equity investment' for details on the Company's accounting policy of joint arrangements.

### (VIII) Determination of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognised as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change are recognised as cash equivalents.

### (IX) Foreign currency transactions and translation of foreign currency financial statements

#### 1. Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss for the current period, except for those differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency for acquisitions, construction or production of the qualified assets, which should be capitalised as cost of the assets

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (IX) Foreign currency transactions and translation of foreign currency financial statements (continued)

#### 2. Translation of foreign currency financial statements

All assets and liabilities items in balance sheet are translated based on spot exchange rate on the balance sheet date; owners' equity items other than "undistributed profit" are translated at a spot exchange rate when accrued. Revenue and expense items in the income statement are translated at a spot exchange rate at the transaction occurrence date.

For disposal of overseas operation, the translation difference as stated in the foreign currency financial statements relating to overseas operation, is accounted for in the profit and loss account in the current period from owners' equity items.

### (X) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

#### 1. Classification of the financial instruments

The financial instruments was classified at the time of initial recognition as: financial assets or financial liabilities carried at fair value through profit or loss for the current period, including financial assets or liabilities for trading and financial assets or financial liabilities directly designated as measured at fair value and its changes are included in the profit or loss for the current period; held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.

#### 2. Recognition and measurement of financial instruments

##### (1) Financial assets or financial liabilities carried at fair value through profit or loss for the current period

When obtained, the financial assets or financial liabilities shall be initially measured at their fair value (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn), its transaction costs are included in the profit or loss for the period.

The interest or cash dividend which was gained in the period are recognised as investment income. At the end of the period, the variation in the fair value of the financial asset or financial liability shall be included in the profit or loss for the period.

When the said financial assets or financial liabilities are on disposal, the difference between the fair value and the amount of initial recognition shall be recognised as investment income; meanwhile, the profits and losses arising from the variation in fair value shall be adjusted.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (X) Financial instruments (continued)

#### 2. Recognition and measurement of financial instruments (continued)

##### (2) Held-to-maturity investments

Held-to-maturity investments are initially measured at fair value when obtained (except for interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

Interest income is calculated according to the amortised cost and effective interest rate and recorded into investment income. The effective interest rate, ascertained when initially obtained, shall remain unchanged within the predicted term of existence or within a shorter applicable term.

When disposed, the difference between the consideration obtained and the carrying amount of the investment shall be recorded into investment income.

##### (3) Accounts receivable

The receivables that are formed in sale of goods or rendering of services to external parties, and the receivables, except for the debt instruments quoted in an active market, due to the Company from other entities, including accounts receivable, other receivables, etc., are initially recognised at the consideration of the contract or agreement to be received from the buyers. Accounts receivable that are of a financing nature are initially recognised at their present value

Upon recovery or disposal of accounts receivable, the difference between the consideration obtained and the carrying amount is charged to profit or loss for the period.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (X) Financial instruments (continued)

#### 2. Recognition and measurement of financial instruments (continued)

##### (4) Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value when obtained (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

The interests or cash dividends to be obtained during the period the available-for-sale financial assets are held shall be recorded into investment income. By the end of the reporting period, financial assets are measured at fair value, and the change in fair value shall be recorded into other comprehensive income. However, measurement at cost shall be used when there is no quoted price in an active market and the fair value of investments in equity instruments cannot be reliably measured and derivative financial assets is linked to equity instruments where equity instrument shall be settled by delivery.

When disposed of, the difference between the consideration obtained and the carrying amount of the financial assets shall be recorded into investment income; meanwhile, the corresponding portion of accumulated change in fair value previously recorded into other comprehensive income shall be transferred to profit or loss.

##### (5) Other financial liabilities

Other financial liabilities are initially measured at fair value plus relevant transaction costs, and subsequently measured at amortized cost.

#### 3. Recognition and measurement of transfer of financial assets

A financial asset shall be derecognised while the has transferred nearly all the risks and rewards related to the ownership of the financial asset to the transferee, and it shall not be derecognised if the Group has retained nearly all the risks and rewards related to the ownerships of the financial asset.

The substance-over-form principle shall be adopted while making a judgment on whether the transfer of financial assets satisfies the above conditions for termination of recognition. The transfer of financial assets could be classified into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the two amounts below shall be recorded into profit or loss for the period:

- (1) The carrying amount of the financial asset transferred;
- (2) The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously recorded into the owners' equities (in cases where the transferred financial asset is available-for-sale financial asset).

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (X) Financial instruments (continued)

#### 3. Recognition and measurement of transfer of financial assets (continued)

If the partial transfer of financial assets satisfies the conditions for termination of recognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognized part and the remaining part, and the difference between the two amounts below shall be recorded into profit or loss for the current period:

- (1) The carrying amount of the derecognised portion;
- (2) The sum of consideration of the derecognised portion and the corresponding portion of accumulated change in fair value previously recorded into owners' equity (in cases where the transferred financial assets are available for-sale financial assets).

Financial assets will still be recognised if they fail to satisfy the conditions for termination of recognition, with the consideration received recognised as a financial liability.

#### 4. Conditions for de-recognition of financial liabilities

When the current obligation under a financial liability is completely or partially discharged, the whole or relevant portion of the liability is derecognised; an agreement is entered between the Group and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

If all or part of the contract terms of the original financial liabilities are substantially amended, the original financial liabilities will be derecognised in full or in part, and the financial liabilities whose terms have been amended shall be recognised as a new financial liability.

When financial liabilities is derecognised in full or in part, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the current period.

Where the Company repurchases part of its financial liabilities, the carrying amount of such financial liabilities will be allocated according to the relative fair value between the continued recognised part and derecognised part on the repurchase date. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the current period.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (X) Financial instruments (continued)

#### 5. Method of determining the fair values of financial assets and liabilities

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Company uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

#### 6. Testing methodology and accounting for impairment of financial assets (excluding accounts receivable)

The Group shall assess the carrying amount of financial assets other than those at fair value through profit or loss at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Company shall make provision of any impairment.

##### (i) Impairment provision for available-for-sale financial asset:

While the fair value of available-for-sale financial asset falls significantly, or judged by the Company that descending trend is not temporary after taking into account related data comprehensively at the end of the period, they will be recognised as impaired, the cumulative loss arising from decline in fair value that had been recognised directly in the owners' equity shall be removed from the shareholders' equity and recognised as impairment or loss.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss for the current period. Impairment losses recognised for an investment in an available-for-sale equity instrument shall not be reversed through profit or loss.

##### (ii) Impairment provision for Held-to-maturity investments

Held-to-maturity investments are initially measured at fair value when obtained (except for interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XI) Provision for bad debt of the accounts receivable

1. Accounts receivable that are individually significant and subject to separate provision individually significant accounts receivable:

Bases for making judgment and standard for calculation the amount for the accounts receivable that are individually significant, the amount of accounts receivable of more than 5%, or more than RMB50 million (including RMB50 million).

Recognition of receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts:

The Company assesses individually significant receivables for impairment on individual basis, financial assets which is not impaired on individual basis will be assessed for impairment collectively with a portfolio of financial assets which share similar credit risk characteristics. Provision for bad debts in accordance with the difference between the expected future cash flow and the book value of the future.

2. Accounts receivable which are individually insignificant but subject to separate bad debt provision:

Combination of credit risk characteristics is not obvious, the objective evidence of impairment occur, such as the debtor revocation of bankruptcy or death to the bankrupt property or estate settlement, is still unable to recover, a serious shortage of cash flow and so on.

Provision for bad debts preparation: The impairment loss and the provision for bad debts are determined based on the amount of the present value of the future cash flows expected to be derived from the receivables below the carrying amount.

For Notes receivable, advanced paid, interests receivable, long term receivables and other receivables, accounting to the difference between future cash flow present value and its carrying amount is charged to bad debt.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XII) Inventories

1. Category of inventory

Inventories include raw materials, work in progress, turnover materials, goods in product, commissioned processing materials and so on.

2. Determination of cost

Cost of inventories is determined using the weighted average method.

3. Basis for the determination of net realisable value and different type of inventories

Net realisable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated sales less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realisable value of inventories held for execution of sales contracts or labour contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realisable value of the exceeding part shall be calculated on the ground of general selling price.

Decline in value of inventories is made on an item-by item basis at the end of the period. For large quantity and low value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicable evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

Unless there is evidence clearly shows that abnormality in market price exists as of the balance sheet date, the net realisable value of inventories is determined based on the market price as of the balance sheet date.

The net realisable value of inventories at the end of current period is determined based on the market price of the balance sheet date.

4. Inventory system

The perpetual inventory system is adopted.

5. Amortisation of low-value consumables and packaging materials

(1) Low-value consumables are amortised using the immediate write-off method.

(2) Packaging materials are amortised using the immediate write-off method.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XIII) Classified as assets held for sale

The Company recognises component (or non-current assets) which meet the following conditions as assets held for sale:

- (1) The component must be under the current conditions only according to the usual terms of the sale of such part, then sell immediately;
- (2) The Company has been offered a resolution with disposition of the components (or non-current assets). If regulation needs to be approved by shareholders, it has approved by the general meeting of shareholders or relevant authority;
- (3) The Company has entered into agreement on irrevocable transfer with the transferee;
- (4) Transfer will be completed within 1 year.

### (XIV) Long-term equity investments

1. Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. The Company together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company can exercise significant influence over the investee, the investee is an associate of the Company.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XIV) Long-term equity investments (continued)

#### 2. Determination of initial investment cost

##### (1) Long-term equity investments formed through business combination of entities

For business combinations involving entities under common control: where the Company pays cash, transfers non-cash assets, bears debts or issues equity securities as consideration of combinations, the initial investment cost of long-term equity investments are the share with reference to the book value of the shareholders' equity of the acquire in the financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of carrying amounts in the consolidated financial statement of the ultimate controlling party by net assets of the combined party after the combination. The difference between initial investment cost and the carrying value of long term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

Business combinations involving entities not under common control: the cost of the combination ascertained on the date of acquisition shall be taken as the initial investment cost of the long-term equity investments. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

##### (2) Long-term equity investments acquired by other means

The initial cost of investment of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid.

The initial cost of investment of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the initial cost of investment of a long-term equity investment received the nonmonetary assets transaction, shall be determined on the basis of the fair value of the assets surrendered and the related tax payable, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the initial cost of investment of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable.

The initial cost of investment of a long-term equity investment obtained by the Company through debt restructurings shall be ascertained based on their fair value.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XIV) Long-term equity investments (continued)

#### 3. Subsequent measurement and recognition of profit or loss

##### (1) Long-term equity investment accounted for by cost method

Long-term equity investment in subsidiaries of the Company is accounted for by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognised as the Company's shares of the cash dividends or profits declared by the investee.

##### (2) Long-term equity investment accounted for by equity method

Long-term equity investments of associates and jointly controlled entities are accounted for using equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period.

The Company recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realised by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments; The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Company, adjustment shall be made to the net profit of the investee. During the period of holding investments, when preparing consolidated financial statements by the investee, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner's equity in the consolidated financial statements.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XIV) Long-term equity investments (continued)

#### 3. Subsequent measurement and recognition of profit or loss (continued)

##### (2) Long-term equity investment accounted for by equity method (continued)

The unrealised profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in portion to the investor's equity interest of investee, based on which investment income or loss shall be recognised. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognised. Transactions of the assets casted and sold that are able to constitute an agreement between the Company and associates, joint venture shall be dealt with in accordance with Note 3(V) "Accounting method for business combination involving enterprises under common control and not under common control" and Note 3(VI) "Preparation of consolidated financial statements".

In recognition of share of losses in the investee, the Company treats it in the following order: Firstly, the Company will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognised based on the obligations which are expected to assume and included in the investment loss for the current period.

##### (3) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included in the current profit or loss.

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognised due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into the current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XIV) Long-term equity investments (continued)

3. Subsequent measurement and recognition of profit or loss (continued)
  - (3) Disposal of long-term equity investments (continued)

When the Group loses the controls or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognised in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognised due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

When the Group loses the controls over the investee due to partially disposal of equity investment and other reasons, the remaining equities after disposal shall be accounted for under equity method in preparation of individual financial statements provided that common control or material influence over the investee can be imposed, and shall be adjusted as if such remaining equities has been accounted for under the equity method since they are obtained. Where the remaining equities after disposal cannot impose common control or material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in the current profit or loss.

The disposed equity interest was acquired in a business combination as resulted from such as making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity recognised when the equity interests held on the acquisition date is accounted for using equity method and shall be transferred on pro rata basis; For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XV) Investment property

Investment property is held to earn rentals or for capital appreciation or both which include leased land use rights; land use rights held for sale after appreciation; leased buildings (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

The Company's existing investment property is measured at cost. Investment property measured at cost – buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

### (XVI) Fixed assets

#### 1. Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed asset is recognised when it meets the following conditions:

- (1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) Its cost can be reliably measured

#### 2. Method for depreciation

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

For fixed assets leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the shorter of the lease term and the remaining useful life of the leased asset.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XVI) Fixed assets (continued)

#### 2. Method for depreciation (continued)

The depreciation method, useful life of depreciation, residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Useful lives of depreciation (years)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building	straight line method	20–30	5	3.17–4.75
Machinery and equipment	straight line method	5–11	0–10	8.18–20.00
Motor vehicles	straight line method	5–10	0–5	9.50–20.00
Electronic equipment	straight line method	2–7	2–10	12.86–49.00
Other equipments	straight line method	2–5	0–10	18.00–50.00

#### 3. Recognition basis and measurement method of fixed assets under finance lease

Where any one of the following conditions is provided in the lease agreement between the Company and the lesser, assets under finance lease will be recognised:

- (1) upon the expiry of lease, the ownership of the leased asset is transferred to the Company;
- (2) the Company has the option to purchase the leased asset, the purchase consideration entered into is expected to be far less than the fair value of the leased asset upon the exercise of the option;
- (3) the lease term accounts for the majority of the useful life of the leased asset;
- (4) the present value of the minimum lease payment upon the commencement of the lease is substantially the same as the fair value of the leased asset.

On the commencement of the lease, the leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognised finance charge.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XVII) Construction in progress

Criteria and time point for construction in progress being transferred to the fixed asset Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

### (XVIII) Borrowing costs

#### 1. Criteria for recognition of capitalised borrowing costs

Borrowing costs refers to the borrowing interests, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalized and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalisation are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs begins when the following three conditions are fully satisfied:

- (1) expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalisation) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XVIII) Borrowing costs (continued)

#### 2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalisation of borrowing costs, excluding the period in which capitalisation of borrowing costs is temporarily suspended.

Capitalisation of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalisation of borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

#### 3. Suspension of capitalisation period

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognised as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalisation of borrowing costs commences.

#### 4. Calculation of capitalisation rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalisation, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

General borrowings for the acquisition, construction or production of assets qualified for capitalisation, the to-be-capitalized amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalisation rate of the general borrowing used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XIX) Intangible assets

#### 1. Valuation method of intangible assets

##### (1) Intangible assets are initially measured at cost upon acquisition

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included in the profit or loss for the current period.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognised.

##### (2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition. As for intangible assets with a finite useful life, they are amortized using the straight-line method over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortised.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XIX) Intangible assets (continued)

2. Estimated useful lives for the intangible assets with finite useful life:

Item	Estimated useful lives (year(s))
Land use rights	16.75–50
Trademark rights	10
Computer software	5–10
Patents	10
Software copyright	10
Non-patented technology	5

For an intangible asset with a finite useful life, review on its useful life and amortization method is performed at each year-end.

Upon review, useful life and amortization method for the intangible assets are no different from the previous estimate at the end of this period.

3. Specific criteria for the division of research phase and development phase

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially-improved materials, devices, products, etc.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XX) Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, projects under construction, intangible assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment test to goodwill shall be carried out at least at the end of each year.

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. When the carrying value of goodwill is allocated to the related asset group or sets of asset group, the allocation shall be made based on the proportion of the fair value of each asset groups or sets of asset groups to the total fair value of the relevant assets groups or sets of asset group. If there is difficulty for the fair value to be reliably measured, the allocation shall be made based on the proportion of the carrying value of each asset groups or sets of asset groups to the total carrying value of the relevant assets groups or sets of asset groups.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill. Once the above asset impairment loss is recognised, it will not be reversed in the subsequent accounting periods.

### (XXI) Long-term prepaid expenses

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods.

The long term prepaid expenses of the Company take the price according to the actual cost and average amortization based on the expected benefit period, for the long-term prepaid items which cannot make the benefit of the future accounting period, in the determination of the project's amortized value shall be included in the current profit and loss.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXII) Employee Remuneration

#### 1. Method of accounting treatment for short-term remuneration

During the accounting period when the staff provides service, the Company will recognize the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

The Company will pay social insurance and housing funds, and will make provision of trade union funds and staff education costs in accordance with the requirements. During the accounting period when the staff provides service, the Group will determine the relevant amount of employee benefits in accordance with the required provision basis and provision ratios.

Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

#### 2. Method of accounting treatment for retirement benefit plan

##### (1) Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognised as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

In addition to basic pension insurance, the company also established the enterprise annuity payment system enterprise annuity scheme according to relevant policy of national enterprise annuity system. The Company makes payment to local social insurance agencies/annuity scheme based on a certain proportion of total staff remunerations. Corresponding expenditure is included in the profit or loss for the current period or costs of related assets.

##### (2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognised as net liabilities or net assets. When the defined benefit scheme has surplus, the company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXII) Employee Remuneration (continued)

#### 2. Method of accounting treatment for retirement benefit plan (continued)

##### (2) Defined benefit scheme (continued)

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, were discounted based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged into the current profits and loss or relevant costs of assets. The changes generated from the recalculation of the net liabilities or net assets of the defined benefit scheme would be included in the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period. When the defined benefit scheme is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

#### 3. Method of accounting treatment for termination benefits

The Company will pay termination benefits when the group can no longer withdraw the offer of termination plan or layoff proposal or when the Group recognizes costs for restructuring which involving the payment of termination benefits (whichever the earliest). The remuneration incurred by the termination benefits will be recognised as liabilities which would be charged into current profits and loss.

### (XXIII) Estimated liabilities

#### 1. Recognition criteria for estimated liabilities

The Company shall recognise the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, restructuring as estimated liabilities, when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the group;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXIII) Estimated liabilities (continued)

#### 2. Method of measuring the various estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognised as an asset when it is virtually certain that the reimbursement will be received. The amount recognised for the reimbursement is limited to the carrying amount of the liability recognised.

### (XXIV) Revenue

#### 1. Revenue from sales of goods:

- (1) Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- (2) The Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the sold goods;
- (3) the amount of revenue can be reliably measured;
- (4) it is probable that the economic benefits associated will flow to the Company;
- (5) the relevant amount of costs incurred or to be incurred can be measured reliably.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXIV) Revenue (continued)

#### 2. Revenue from the rendering of services

On the balance sheet date, when the outcome of rendering of services could be measured reliably, (the outcome of rendering of services can be measured reliably when all of the following conditions are met: 1 The amount of revenue can be measured reliably; 2 It is probable that the economic benefit associated with the transaction will flow to the Company; 3 The percentage of completion of service can be measured reliably 4 The cost incurred and to be incurred for rendering the service can be measured reliably.) related revenue from rendering of services is recognised according to the percentage of completion. The progress of the service transactions is determined by the actual labour cost already incurred divided by the total estimate costs. When the outcome of rendering of services could not be measured reliably, when the costs incurred are expected to be recovered, revenues are recognised to the extent that the costs incurred that are expected to be recovered, and an equivalent amount is charged to profit or loss as service cost; when the costs incurred are not expected to be recovered, the costs incurred are recognised in profit or loss and no service revenue is recognised.

#### 3. Transfer of assets

Transfer of assets can be measured reliably when all of the following: It is probable that the economic benefit associated with the transaction will flow to the Company, the amount of revenue can be measured reliably, recognition of income from the transfer of the right to use assets. Interest income shall be determined in accordance with the time and the effective interest rate of the company's monetary funds used by others.

#### 4. Construction Contract

(1) On the balance sheet date, when the outcome of construction contracts could be measured reliably, related revenue and cost for the construction contract is recognised according to the percentage of completion. When the outcome of a construction contract could not be measured reliably, but the contract cost incurred is recoverable, revenues are recognised to the extent that the actual costs incurred that are expected to be recovered, and an equivalent amount is charged to profit or loss as contract cost; when the costs incurred are not recoverable, the costs incurred are recognised in profit or loss and no contract revenue is recognised.

(2) A fixed price contract satisfying the following conditions show that the results can be reliably estimated: the total contract revenue can be measured reliably; the economic benefits associated with the contract are likely to flow into the actual contract costs incurred can be clearly distinguished and measured in a reliable way; the contract completion progress and to complete the contract can be reliably cost metering. The cost plus contract also satisfies the following conditions to show that the results can be reliably estimated: the economic benefits associated with the contract are likely to flow, the actual cost of the contract can be clearly identified and measured reliably.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXIV) Revenue (continued)

#### 4. Construction Contract (continued)

- (3) The method of determining the progress of the contract is the proportion of the total amount of contract work that has been completed to the total amount of the contract.
- (4) The balance sheet date, the total cost of the contract is expected to exceed the total contract revenue, the expected loss is recognised as current expense. In the implementation of the construction contract, in accordance with the difference between the provision for the decline in inventory reserves; the loss of the contract to be implemented, according to the difference between the estimated liabilities.

#### 5. Specific principles

The revenue of the company comes from electronic manufacturing, electronic equipment, consumer electronics and other products. The electronic products to the customer to confirm the statement as revenue recognition point; equipment of electronic equipment products to the customer to confirm the receipt as revenue recognition point, the progress of the project certificate of engineering supervision units and with reference to the project management company to provide confirmation of the project income; consumer electronic products to domestic customers receipt, export processing after the customs formalities and offshore as revenue recognition basis; the other applies to rent, property management, according to the contract terms of income confirmation.

### (XXV) Government grant

#### 1. Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the company at no consideration, and are classified into government grant related to asset and government grant related to income.

Government grants related to assets is obtained by the Company for the purposes of constructing or forming long-term assets in other ways including funds allocation for purchase of fixed assets or intangible assets, financial discount of special loans for fixed assets. Government grants related to revenue refer to the government grants other than those related to assets.

#### 2. Recognition time point

Government grants related to revenue is recognised when the grant is received;

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXV) Government grant (continued)

#### 3. Accounting treatment

Government grants related to assets should be presented as deferred income and recognised as non-operating income evenly over the useful life of the assets constructed or procured:

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognised as deferred income, and recognised in non-operating income over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred by the Company, the grant shall be recognised immediately in profit or loss for the current period.

### (XXVI) Deferred income tax assets and liabilities

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognised to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save as the exceptions, deferred income tax liabilities shall be recognised for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Group, at the same time, the net amount after offsetting its current income tax assets and current income tax liabilities shall be recorded.

The Group was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Group records the net amount after offsetting its current income tax assets and current income tax liabilities.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXVII) Leases

#### 1. Accounting of operating lease

- (1) As the lessee of operating leases, rental payments under operating leases are recognised as costs or expenses on a straight line basis over the lease term (including rent free periods). Initial direct costs that are attributable to an operating lease incurred by the Company are charged to current profit and loss.

When the lesser bears the lease related expenses which should be undertaken by the Company, the Company shall deduct this part of expense from the rent and amortize the net amount over the lease term.

- (2) Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and recognised as leasing income. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses; if the mount is significant, it shall be capitalized and charged to current income evenly on the same basis as the leasing income is recognised over the lease term.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct this part of expense from the rent income, and amortize the net amount over the lease term.

#### 2. Accounting of finance lease

- (1) When the Company is a lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the beginning of the lease period. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortized using the effective interest method over the period of the lease. The Company, by means of the real interest method, amortizes the unacknowledged financial charges during the lease term of the assets and includes them into financing expenses. Initial direct cost incurred by the Company will be included in the leased asset value.
- (2) When the Company is a lesser, the difference between the recorded amount of the leased asset and the minimum lease receivables is accounted for as unrecognised finance income and is recognised as rental income over the period of the lease at the beginning of the lease period. Initial direct costs shall be included in the initial accounting of the lease payment receivables and deduct by the revenue recognised over the lease term.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXVIII) Discontinued operation

A discontinued operation is a component that either has been disposed of or is classified as held for sale by the company, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions:

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

### (XXIX) The change in significant accounting policies and accounting estimates

#### 1. The change in significant accounting policies

- (1) Implementing accounting regulation on Value-added tax.

Ministry of Finance of the People's Republic of China has enacted the value added tax accounting treatment regulation (finance and accounting [2016] No.22,)at 3 December 2016 and all the relative trades should apply to this treatment since 1 May,2016. The main effects of the company's implementing this treatment are as follows:

The content and reasons of the change of accounting policies	Procedure for approval	The items and amount which will be affected
(1) "Sales tax and surcharges" in the statement of comprehensive income is adjusted as "Taxes and surcharges"	approved by board of directors	Taxes and surcharges
(2) VAT related transactions occurred after 1 May 2016 affecting assets or liabilities etc. should be adjusted according to this regulation. The property tax, land use tax, car and boat usage tax and stamp duty which was previously included in administrative expenses is now included in "Tax and surcharges" after 1 May 2016. According to the regulation, comparative figures (for the year 2015) are not adjusted.	approved by board of directors	Increase taxes and surcharges amounting to RMB5,748,004.39 and decreasing administrative cost amounting to RMB5,748,004.39.
(3) The closing balance of debit account of VAT payable, unpaid VAT, Input Tax to Be Deducted, Income of Excess VAT Paid should be classified to the item of other current asset (or non-current assets). Comparative figures (for the year 2015) are not adjusted.	approved by board of directors	Increase the closing balance of other current asset amounting to RMB10,633,287.31 and decrease the closing balance of taxes and surcharges payable amounting RMB10,633,287.31.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## III. Significant accounting policies, accounting estimates (continued)

### (XXIX) The change in significant accounting policies and accounting estimates (continued)

#### 2. The change in significant accounting estimates

There is no change in significant accounting estimates for the period.

## IV. Taxation

### (I) Main types of taxes and corresponding rates

Tax Type	Tax basis	Tax rate
Value-added Tax (“VAT”)	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	17%, 13%, 6%, 3%, 2%, duty free
Business tax	Based on taxable operating revenue	3%, 5%
City maintenance and construction tax	Based on business tax paid, VAT and sale tax	7%, 5%
Real Estate Tax	Rental income from the property 70% of the original value of the property	12% 1.2%
Enterprise income tax	Based on taxable profits	25%, 15%

Note:

#### 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%. 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. According to the "Notice of the Taxation on Value-added Tax Policies for Software Products" (Cai Shui No. 100 [2011]), if general VAT taxpayers sell self-developed and produced software products, after VAT has been collected at a tax rate of 17%, the refund-upon-collection policy shall be applied to the part of actual VAT burden in excess of 3%.

According to "Notice of the Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner" (Cai Shui No. [2016] 36), the rate for life services is 6%, the rate for modern services is 6%, 11% and the rate for construction services is 11% since 1 May 2016.

#### 2. Business Tax

According to "Notice of the Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner" (Cai Shui No. [2016] 36), the pilot program of replacing business tax with Value-Added Tax (VAT) shall be implemented across the country and the rate of leasing properties and construction and installation before 1 May 2016 is 5% and 3% respectively.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## IV. Taxation (continued)

### (I) Main types of taxes and corresponding rates (continued)

Note: (continued)

3. Urban development tax and education surcharge

The Company's urban development tax and education surcharge are calculated on the basis of the assessable amount of value-added tax and sales tax. The applicable tax rates are 7% (urban area) and 5% (county and town) respectively.

4. Enterprise income tax

Name of the companies	Income tax rate
Galant Limited	16.50%
Hong Kong Jiahua Trading Co., Ltd	16.50%
Nanjing Panda Electronic Manufacture Co., Ltd	15.00%
Nanjing Panda Appliance & Apparatus Co., Ltd	15.00%
Nanjing Panda Communication Development Co., Ltd	15.00%
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	15.00%
Nanjing Panda Information Industry Co.,Ltd	15.00%
Nanjing Panda Mechatronics Instrument Technology Co., Ltd	15.00%
Nanjing Jiahua Information Technology Co., Ltd	15.00%
Nanjing Panda Electronic equipment Co., Ltd	15.00%
Shenzhen Jinghua Audio and Video Sales Co., Ltd.	20.00%
Shenzhen Jinghua Property Management Co., Ltd.	20.00%

### (II) Tax Preference

- The Company is recognised 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.
- Nanjing Panda Electronic Manufacture Co., Ltd, a sub-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 recognised 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.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## IV. Taxation (continued)

### (II) Tax Preference (continued)

4. Nanjing Panda Communication Technology Co., Ltd, a sub-sub-subsidiary of the Company, is recognised 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.
5. Nanjing Huage Appliance and Plastic Industrial Co., Ltd, a sub-sub-subsidiary of the Company, is recognised 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. Shenzhen Jinghua Audio-visual 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 recognised as small low-profit enterprises, the basis is as the 50% of the taxable income, the applicable rate is 20%.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement

### 1. Monetary Capital

Items	Closing balance	Opening balance
Cash	540,213.61	654,078.59
Bank deposit	1,141,143,705.66	853,147,900.68
Other currency	160,118,977.19	108,420,147.67
Total	1,301,802,896.46	962,222,126.94
Among: total amount of currency in foreign countries	17,006,542.30	9,656,548.31

The monetary capital which was limited to use by mortgage, pledge, and frozen, or limited to remit to China in foreign countries are as following:

Items	Closing balance	Opening balance
The bank acceptance deposit	63,361,306.16	39,308,908.49
The letter of credit deposit	22,323,252.24	20,708,580.47
Guarantee deposit	74,434,418.79	48,399,374.92
Total	160,118,977.19	108,416,863.88

By the end of 31 December 2016, other currency amounting to RMB160,118,977.19 includes the deposits of bank's acceptance of bill as well as unconditional and irrevocable letter of guarantee.

### 2. Notes receivable

#### 1. Notes receivable shown as classification

Type	Closing balance	Opening balance
Bank acceptance	312,972,457.59	196,107,157.14
Business acceptance		
Total	312,972,457.59	196,107,157.14

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 2. Notes receivable (continued)

2. There is no notes receivable which was pledged
3. The notes receivable that have been endorsed or discounted at the end of the period and have not yet expired at the balance sheet date

Items	Amount derecognized at the end of the period	Unrecognized amount at the end of the period
Bank acceptance	80,633,996.43	
Trade acceptance		
Total	<u>80,633,996.43</u>	

4. There is no notes receivable turning into accounts receivable due to issuer's default at the year end.

### 3. Accounts receivable

1. Accounts receivable shown by classification

Type	Closing balance				
	Carrying Amount		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually	1,028,790,468.91	81.42	8,952,811.00	0.87	1,019,837,657.91
Accounts receivable with individual insignificance but individually accruing bad debt provision	<u>234,765,702.12</u>	<u>18.58</u>	<u>15,867,375.97</u>	<u>6.76</u>	<u>218,898,326.15</u>
Total	<u>1,263,556,171.03</u>	/	<u>24,820,186.97</u>	/	<u>1,238,735,984.06</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 3. Accounts receivable (continued)

#### 1. Accounts receivable shown by classification (continued)

Type	Opening balance				
	Carrying Value		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and individually accruing bad debt provision	869,863,905.59	81.12	11,977,468.11	1.38	857,886,437.48
Accounts receivable with individual insignificance and individually accruing bad debt provision	202,500,856.99	18.88	16,918,568.24	8.35	185,582,288.75
<b>Total</b>	<b>1,072,364,762.58</b>	<b>/</b>	<b>28,896,036.35</b>	<b>/</b>	<b>1,043,468,726.23</b>

Accounts receivable with individual significance and individually accruing bad debt provision at the year-end

Debtor	Closing balance			
	Account receivable	Bad debt provision	Percentage (%)	Reason
Nanjing CEC Panda FPD Technology Co.,Ltd.	292,164,894.41	-	-	Expected can be recovered
Nanjing CEC Panda LCD Technology Co.,Ltd.	87,448,367.30	-	-	Expected can be recovered
Nanjing Panda Handa Technology Co., Ltd	75,822,689.75	33,649.21	0.04	Current value of the expected future cash flow is lower than its carrying value
Nanjing Metro Group Co., Ltd.	59,539,307.16	-	-	Expected can be recovered
SOUTHERNTELECOMINC.	52,908,102.76	-	-	Expected can be recovered
CEC Panda Liquid Crystal Material Technology Co., Ltd.	38,551,040.38	-	-	Expected can be recovered
Nari Technology Development Limited Company	31,770,151.52	981,522.52	3.09	Current value of the expected future cash flow is lower than its carrying value
CommScope Communication Technology (China) Co.,Ltd	24,722,453.08	-	-	Expected can be recovered
Binhai Radio and Television Bureau	19,913,100.00	-	-	Expected can be recovered
Fuzhou Jingdongfang photoelectric Technology Co., Ltd	19,244,183.94	-	-	Expected can be recovered
Jiangsu Jinmao Robot Technology Co. Ltd	19,160,000.12	-	-	Expected can be recovered

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 3. Accounts receivable (continued)

#### 1. Accounts receivable shown by classification (continued)

Debtor	Closing balance			
	Account receivable	Bad debt provision	Percentage (%)	Reason
DaiFuKu Automatic Handling Equipment (Suzhou) Co., Ltd.	15,769,565.25	-	-	Expected can be recovered
Nanjing Yougete Communication Equipment Co., Ltd.	14,285,000.00	7,142,500.00	50.00	Current value of the expected future cash flow is lower than its carrying value
Tata AutoComp Systems Ltd	14,239,500.01	-	-	Expected can be recovered
Shijiazhuang Metro Transportation Co., Ltd	14,022,172.90	-	-	Expected can be recovered
Shanghai Weianshi Trading Co., Ltd.	13,521,552.00	-	-	Expected can be recovered
Xinjiang Press Publications, Radio and Television Bureau	13,518,115.80	-	-	Expected can be recovered
Suzhou Rail Transit Group Co., Ltd	12,279,207.58	-	-	Expected can be recovered
PANDA Electronics Group Co., Ltd.	12,429,314.88	25,550.00	0.21	Current value of the expected future cash flow is lower than its carrying value
Shanxi Caihong Electronic Glass Co.,Ltd	11,900,000.00	-	-	Expected can be recovered
Nanjing Sharp Electronics Co. Ltd	11,430,869.84	15,317.33	0.13	Current value of the expected future cash flow is lower than its carrying value
Nanjing Municipal Communist Party	10,785,869.87	-	-	Expected can be recovered
Rainbow (Hefei) Liquid Crystal Glass	10,669,200.00	-	-	Expected can be recovered
RFS Radio Frequency Systems (Shanghai) Co., Ltd	10,173,734.68	-	-	Expected can be recovered
Shanghai Amphenol Airwave (SAA) Co. Ltd	10,014,361.77	-	-	Expected can be recovered
Jiangsu Cable Network Development Co. Ltd Sihong Branch	9,354,000.00	-	-	Expected can be recovered
Nanjing Rail Transit Systems Co., Ltd	9,114,307.40	-	-	Expected can be recovered
Nanjing Chaoyuan Communication Equipment Co. Ltd	8,019,700.00	-	-	Expected can be recovered
Kunshan Eson Machinery Industrial Co., Ltd.	7,994,041.75	-	-	Expected can be recovered
Shenzhen Jinghua Network Marketing Co. Ltd	7,836,395.00	-	-	Expected can be recovered
Nanjing Panda Electronics Imp. & Exp. Co., Ltd.	7,136,508.18	695,611.41	9.75	Current value of the expected future cash flow is lower than its carrying value
Nanjing zhonggang Electricity Co., Ltd	6,920,590.09	-	-	Expected can be recovered
MultilaserIndustrialSA	6,910,090.68	-	-	Expected can be recovered
Jiangsu Zhongshi Environment Technology Co. Ltd	6,500,000.00	-	-	Expected can be recovered
Huatai Group Co., Ltd	6,463,958.85	-	-	Expected can be recovered

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 3. Accounts receivable (continued)

#### 1. Accounts receivable shown by classification (continued)

Debtor	Closing balance			
	Account receivable	Bad debt provision	Percentage (%)	Reason
Majie(Suzhou) Technology Co. Ltd	6,444,225.59	-	-	Expected can be recovered
Nanjing Metro Operation Co., Ltd.	5,957,720.36	-	-	Expected can be recovered
Nanjing Huaying Electronic Technology Co., Ltd	5,865,000.00	-	-	Expected can be recovered
China Electronics Science and Industry New Materials Jiangsu Co., Ltd.	5,863,419.96	-	-	Expected can be recovered
The Second Hospital of Nanjing	5,837,208.00	-	-	Expected can be recovered
Hunan Province Press and Publications Bureau of Radio and Television	5,744,726.00	-	-	Expected can be recovered
Jingjiang Tianyuan AiErRi Electronic Science Technology Co., Ltd	5,274,000.00	-	-	Expected can be recovered
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	5,115,711.80	58,660.53	1.15	Current value of the expected future cash flow is lower than its carrying value
Nanjing Hexi Conference and Exhibition Co., Ltd	5,107,491.73	-	-	Expected can be recovered
Xuzhou Suning Real Estate Co., Ltd	5,048,618.52	-	-	Expected can be recovered
Total	<u>1,028,790,468.91</u>	<u>8,952,811.00</u>	/	/

#### 2. Provision, transfer and recovery of bad debts in the period

Items	The amount incurred in current period
Provision for bad debt incurred in current period	8,465,719.00
Provision for bad debt reversed or received in current period	12,404,574.89

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 3. Accounts receivable (continued)

#### 2. Provision, transfer and recovery of bad debts in the period (continued)

The significant situation of provision, transfer and recovery of bad debts

Name of debtor	The amount of back or withdraw	The Basis	Reasons	Approach
Ningxia Radio, Film & Television Bureau	4,461,113.20	Specific provision	"Receive part of the amount"	Cash and Bank
Binhai Radio and Television Bureau	2,415,018.84	Specific provision		Cash and Bank
Nari Technology Development Limited Company	1,922,567.66	Specific provision	Received	Cash and Bank
Nanjing Jiangning District Finance Bureau	1,683,435.31	Specific provision	Received	Cash and Bank
Sheyang County Broadcasters	1,195,225.52	Specific provision	Received	Cash and Bank
Total	<u>11,677,360.53</u>			

#### 3. Accounts receivable effectively verified in the period

Item	The amount incurred in current period
Accounts receivable effectively verified	136,993.49

#### 4. The top five debtors of accounts receivable at the end of the year

Debtor	Amount	Closing balance Proportion of total account receivable (%)	Bad debt provision
Nanjing CEC Panda FPD Technology Co.,Ltd.	<b>292,164,894.41</b>	<b>23.12</b>	
Nanjing CEC Panda LCD Technology Co.,Ltd.	<b>87,448,367.30</b>	<b>6.92</b>	
Nanjing Panda Handa Technology Co., Ltd	<b>75,822,689.75</b>	<b>6.00</b>	<b>33,649.21</b>
Nanjing Metro Group Co., Ltd.	<b>59,539,307.16</b>	<b>4.71</b>	
SOUTHERNTELECOMINC.	<b>52,908,102.76</b>	<b>4.19</b>	
Total	<u><b>567,883,361.38</b></u>	<u><b>44.94</b></u>	<u><b>33,649.21</b></u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 3. Accounts receivable (continued)

5. In the current period, the accounts receivable which have not been confirmed due to the transfer of financial assets.
6. At the end of the period, there is no transfer of accounts receivable and continue to be involved in for form to assets and liabilities' situations.

### 4. Advances paid

1. Categorized by age

Aging	Amount	Closing balance	
		Percentage (%)	Bad debt provision
Within one year (including one year)	127,388,614.84	86.89	792,461.45
One to two years (including two years)	11,417,194.63	7.79	905,044.53
Two to three years (including three years)	5,430,647.78	3.70	596,451.14
Over three years	2,378,378.08	1.62	1,180,130.15
Total	146,614,835.33	100.00	3,474,087.27

(cont'd)

Aging	Amount	Opening balance	
		Percentage (%)	Bad debt provision
Within one year (including one year)	113,059,958.62	86.09	17,533.44
One to two years (including two years)	7,177,083.16	5.47	439,985.59
Two to three years (including three years)	2,536,209.73	1.93	545,850.25
Over three years	8,551,978.10	6.51	1,765,595.49
Total	131,325,229.61	100.00	2,768,964.77

The main significant advance payment with aging over 1 year amounts to RMB11,417,920, most of which is stock payment and not settled due to transportation.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 4. Advances paid (continued)

2. Advances paid with top 5 balances at the end of the period classified by receivers

Receivers of advances	Closing balance	Attributed shares in aggregate closing balance
GuoXin Tendearing Group Co., Ltd	33,471,560.00	22.83
Anhui Garments Import & Esport Co.,Ltd.	20,627,203.80	14.07
Shanghai Aiji Information technology co., LTD	19,176,879.29	13.08
Joc International Technical Engineering co.,Ltd.	6,522,974.55	4.45
Nanjing Keyong Technology co., LTD	6,008,732.28	4.10
Total	85,807,349.92	58.53

### 5. Interest receivable

1. Disclosure by types of interests receivable

Items	Closing balance	Opening balance
Term deposits		994,401.51
Total		994,401.51

2. There is no significant overdue interests receivable.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 6. Other receivables

1. Disclosure of other receivables classified by type:

Items	Closing balance				Carrying value
	Carrying amount		Carrying amount		
	Amount	proportion (%)	Amount	proportion (%)	
Other receivables with individual significance and individually accruing bad debt provision	27,677,609.98	34.77	-	-	27,677,609.98
Other receivables without individual significance but individually accruing bad debt provision	51,913,099.62	65.23	1,914,525.41	3.69	49,998,574.21
Total	79,590,709.60	/	1,914,525.41	/	77,676,184.19

Items	Opening balance				Carrying value
	Carrying amount		Carrying amount		
	Amount	proportion (%)	Amount	proportion (%)	
Other receivables with individual significance and individually accruing bad debt provision	72,332,869.38	69.18	-	-	72,332,869.38
Other receivables without individual significance but individually accruing bad debt provision	32,228,587.49	30.82	1,962,999.29	6.09	30,265,588.20
Total	104,561,456.87	/	1,962,999.29	/	102,598,457.58

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 6. Other receivables (continued)

#### 1. Disclosure of other receivables classified by type: (continued)

Other receivables with individual significance and individually accruing bad debt provision

Debtor	Closing balance			
	Other receivable	Bad debt provision	Proportion (%)	Reason
MCT Worldwide LLC	6,937,000.00			Expected can be recovered
Tax Bureau (tax rebating)	20,740,609.98			Expected can be recovered
Total	27,677,609.98			

#### 2. Provision, return and recovery of bad debts in this period

Item	The amount incurred in current period
Provision for bad debt incurred in current period	3,848,841.14
Return and recovery of bad debt	150,462.63

#### 3. Other receivables effectively verified in this period

Item	Verified Amount
Other receivables effectively verified	3,746,852.39

Significant situation of other receivables effectively verified in this period

Debtor	Nature	Verified Amount	Reason	Procedure	Whether the related party transaction
Nanjing Panda Power Technology Co.,Ltd	Current account balance	3,599,912.67	Verified by the Company	Approved by the board of directors	yes
Total	/	3,599,912.67	/	/	/

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 6. Other receivables (continued)

#### 4. Other receivables classified by nature

Nature of receivables	Carrying amount at the end of the period	Carrying amount in the beginning of the year
Relocation compensation	–	52,400,000.00
Deposit	<b>46,136,005.78</b>	25,575,077.23
Export Refund	<b>20,740,609.98</b>	19,932,869.38
Others	<b>12,714,093.84</b>	6,653,510.26
Total	<b>79,590,709.60</b>	104,561,456.87

#### 5. Other receivables with top 5 balances at the end of the period classified by borrowers

Debtor	Nature	Closing balance	Aging	Proportion (%)	Closing balance of bad debt provision
Tax Bureau (export refund)	Export refund	20,740,609.98	Within 1 year	26.06	
MCT Worldwide LLC	Deposit	6,937,000.00	Within 1 year	8.72	
Linquan County Jinyuan Investment Development Co., Ltd.	Deposit	3,125,318.00	Within 1 year	3.93	
Chengdu Metro Limited Liability Company	Deposit	3,108,921.00	Within 1 year	3.91	
SPEECH PROCESSING SOLUTIONS GMBH	Deposit	2,286,435.20	Within 1 year	2.87	
Total		<b>36,198,284.18</b>	/	<b>45.49</b>	

6. There are no other receivables related to government grants at the current period.

7. There is no situation of derecognition of other receivables due to the transferring of financial assets.

8. 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 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 7. Inventories

#### 1. Inventories by category

Item	Remaining carrying amount	Closing balance Provision for depreciation	Carrying value
Raw materials	100,981,220.11	11,426,296.26	89,554,923.85
Work in progress	230,376,875.54	6,370,236.49	224,006,639.05
Stored commodities	124,327,512.41	15,958,528.76	108,368,983.65
Delivered commodities	10,363,575.29	1,656,418.09	8,707,157.20
Consigned commodities	4,767,877.01		4,767,877.01
Circulating materials	2,636,811.12		2,636,811.12
<b>Total</b>	<b>473,453,871.48</b>	<b>35,411,479.60</b>	<b>438,042,391.88</b>

Item	Remaining carrying amount	Opening balance Provision for depreciation	Carrying value
Raw materials	138,696,815.57	10,460,421.22	128,236,394.35
Work in progress	179,253,690.26	6,407,708.43	172,845,981.83
Stored commodities	78,427,428.12	15,279,561.89	63,147,866.23
Delivered commodities	43,072,374.54	1,941,683.39	41,130,691.15
Consigned commodities	20,277,781.02		20,277,781.02
Circulating materials	1,290,923.27		1,290,923.27
<b>Total</b>	<b>461,019,012.78</b>	<b>34,089,374.93</b>	<b>426,929,637.85</b>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 7. Inventories (continued)

#### 2. Provision for inventory depreciation

Items	Opening Balance	Increment in this period	Reduction in this period		Closing balance
		Provided	returned	Recovery	
Raw materials	10,460,421.22	2,058,571.90	1,092,696.86		11,426,296.26
Work in progress	6,407,708.43	1,685,504.81	388,269.84	1,334,706.91	6,370,236.49
Stored commodities	15,279,561.89	7,918,675.45	909,217.66	6,330,490.92	15,958,528.76
Delivered commodities	1,941,683.39	70,133.61	355,398.91		1,656,418.09
<b>Total</b>	<b>34,089,374.93</b>	<b>11,732,885.77</b>	<b>2,745,583.27</b>	<b>7,665,197.83</b>	<b>35,411,479.60</b>

Note: The provision for inventory depreciation is due to the situation that net realised value is lower than carrying value, and at the same time the provision return for inventory depreciation is due to the fact that the bad signals affecting net realised value to be lower than carrying value has been improved/disappeared.

#### 3. No capitalised borrowing cost in closing balance

### 8. Other current assets

Items	Closing balance	Opening balance
Bank wealth investment products	<b>248,000,000.00</b>	457,000,000.00
Input tax to be deducted	<b>10,633,287.31</b>	
Enterprise Income Tax paid in advance	<b>385,606.58</b>	
<b>Total</b>	<b>259,018,893.89</b>	<b>457,000,000.00</b>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 9. Available-for-sale financial assets

#### 1. Available-for-sale financial assets

Items	Remaining carrying amount	Closing balance	
		Provision for impairment	Carrying Value
Available-for-sale equity instrument	3,650,000.00	–	3,650,000.00
Include: measured at fair value			
Measured at cost	<u>3,650,000.00</u>	<u>–</u>	<u>3,650,000.00</u>
Total	<u>3,650,000.00</u>	<u>–</u>	<u>3,650,000.00</u>

Items	Remaining carrying amount	Opening balance	
		Provision for impairment	Carrying Value
Available-for-sale equity instrument	3,650,000.00	–	3,650,000.00
Include: measured at fair value			
Measured at cost	<u>3,650,000.00</u>	<u>–</u>	<u>3,650,000.00</u>
Total	<u>3,650,000.00</u>	<u>–</u>	<u>3,650,000.00</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 9. Available-for-sale financial assets (continued)

2. Available-for-sale financial assets measured at cost at the end of the period

Investee	Book balance			Closing balance	provision for impairment			Closing balance	Shareholding ratio in investee (%)	Cash bonus of this period
	Opening balance	Increment in this period	Reduction in this period		Opening balance	Increment in this period	Reduction in this period			
Jiangsu Research And Design Institute Of Urban Rail Transit Co., Ltd	3,650,000.00		3,650,000.00						7.30	
<b>Total</b>	<b>3,650,000.00</b>		<b>3,650,000.00</b>						<b>/</b>	

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.

### 10. Long-term equity investments

Investee	Opening balance	The current period changes							Closing balance	provision for impairment loss	Impairment provision at the end of the year
		Increasing	Decreasing	Under the equity method to confirm the investment profit and loss	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits	Others			
<b>Associates</b>											
Nanjing Ericsson Panda Communication Co., Ltd.	248,700,240.00			58,763,340.00				70,823,618.00		236,639,962.00	
Beijing SE Putian Mobile Communications Co., Ltd	188,493,600.00			36,020,576.42				108,972,000.00		115,542,176.42	
Nanjing Thales Panda Transportation System Company Limited	9,313,494.30									9,313,494.30	-
Shenzhen Jing'in Electronic Co., Ltd.	719,299.64			-26,590.30				180,000.00		512,709.34	
Shenzhen Jinghua Network Marketing Co., Ltd	467,059.65			357,861.41						824,921.06	
Nanjing Huaxian High Technology Co.,Ltd										-	-
Shenzhen Chebao Information Technology Co.,Ltd		300,000.00		-57,139.98						242,860.02	
<b>Total</b>	<b>447,693,693.59</b>	<b>300,000.00</b>	<b>-</b>	<b>95,058,047.55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179,975,618.00</b>	<b>-</b>	<b>363,076,123.14</b>	

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. Nanjing Thales Panda Transportation System Company Limited is under the procedure of written-off.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 11. Investment property

#### 1. Investment properties measured by cost

Items	Housing and buildings	Total
1. Original carrying value		
(1) Opening balance	61,737,767.90	61,737,767.90
(2) Increase in the period		
– acquired		
– inventory/fixed assets/transfer from construction in progress increase in mergers of corporates		
(3) Decrease in the period		
– Disposal		
(4) Closing balance	61,737,767.90	61,737,767.90
2. Accumulated depreciation and accumulated amortisation		
(1) Opening balance	52,225,066.87	52,225,066.87
(2) Increase in the period	1,042,759.09	1,042,759.09
– provision or amortization	1,042,759.09	1,042,759.09
(3) Decrease in the period		
– Disposal		
(4) Closing balance	53,267,825.96	53,267,825.96
3. Provision for impairment		
(1) Opening balance		
(2) Increase in the period		
– Provision		
(3) Increase in the period		
– Disposal		
(4) Closing balance		
4. Carrying Value		
(1) Carrying value at the end of the period	8,469,941.94	8,469,941.94
(2) Carrying value in the beginning of the year	9,512,701.03	9,512,701.03

#### 2. There are no investment properties without property certificate

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 12. Fixed assets

#### 1. Status of fixed assets

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipments	Total
1. Original carrying value						
(1) Opening 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
(2) Increase in the period	10,790,762.44	41,469,553.46	648,433.62	20,310,970.99	10,740,670.11	83,960,390.62
– acquired	4,185,668.70	33,202,430.73	648,433.62	3,582,691.68	3,871,691.16	45,490,915.89
– inventory/fixed assets/transfer from construction in progress	6,605,093.74	8,267,122.73	–	16,728,279.31	6,868,978.95	38,469,474.73
increase in mergers of corporates	–	–	–	–	–	–
(3) Decrease in the period	–	38,428,924.25	1,019,651.64	11,733,693.26	2,099,935.20	53,282,204.35
– Disposal	–	37,210,993.30	1,019,651.64	11,228,265.26	2,099,935.20	51,558,845.40
(4) Closing balance	–	1,217,930.95	–	505,428.00	–	1,723,358.95
1. Original carrying value	<u>1,039,252,151.49</u>	<u>377,193,795.32</u>	<u>28,620,333.21</u>	<u>55,347,971.06</u>	<u>53,333,417.94</u>	<u>1,553,747,669.02</u>
2. Accumulated depreciation						–
(1) Opening 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
(2) Increase in the period	33,466,096.25	35,516,101.01	2,687,403.87	4,446,810.64	7,175,085.06	83,291,496.83
– Provision	33,466,096.25	35,516,101.01	2,687,403.87	4,446,810.64	7,175,085.06	83,291,496.83
(3) Decrease in the period	–	31,242,044.17	906,055.62	8,498,170.84	1,889,034.13	42,535,304.76
– Disposal or retired	–	30,123,638.76	906,055.62	8,018,014.25	1,889,034.13	40,936,742.76
– Others	–	1,118,405.41	–	480,156.59	–	1,598,562.00
(4) Closing balance	<u>257,968,020.94</u>	<u>244,560,258.38</u>	<u>15,353,252.24</u>	<u>27,233,313.46</u>	<u>29,598,201.82</u>	<u>574,713,046.84</u>
3. Provision for impairment						–
(1) Opening balance	–	110,225.54	–	77,994.07	–	188,219.61
(2) Increase in the period	–	–	–	–	–	–
– Provision	–	–	–	–	–	–
(3) Decrease in the period	–	99,525.54	–	25,271.41	–	124,796.95
– Disposal or retired	–	99,525.54	–	25,271.41	–	124,796.95
(4) Closing balance	–	<u>10,700.00</u>	–	<u>52,722.66</u>	–	<u>63,422.66</u>
4. Carrying Value						–
(1) Carrying value at the end of the period	781,284,130.55	132,622,836.94	13,267,080.97	28,061,934.94	23,735,216.12	978,971,199.52
(2) Carrying value in the beginning of the year	<u>803,959,464.36</u>	<u>133,756,739.03</u>	<u>15,419,647.24</u>	<u>15,408,025.60</u>	<u>20,380,532.14</u>	<u>988,924,408.37</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 12. Fixed assets (continued)

2. No temporary idle fixed assets at the end of the period
3. No finance leased fixed assets at the end of the period
4. Fixed assets operating leased through finance leases

Items	Carrying value at the end of the year
Housing and buildings	44,934,608.91
Machinery and equipment	3,654,860.81
Total	48,589,469.72

5. Fixed assets with unfinished certificate

Items	Carrying value	Reasons for unfinished certificate
Electronic Equipment industrial park	436,660,383.62	The certificate is in progress
Buildings – Shenzhen Longgang Jinghua Electronic Co., Ltd	21,777,549.55	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	6,796,013.03	The certificate is in progress

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 13. Construction in process

#### 1. Status of construction in progress

Items	Remaining carrying amount	Closing balance		Remaining carrying amount	Opening balance	
		Provision for impairment	Carrying value		Provision for impairment	Carrying value
Machinery and Equipment	805,872.09		805,872.09	3,301,097.15		3,301,097.15
Cloud Desktop System			-	713,192.30		713,192.30
The First Phase of Electronic Equipment Industry			-	391,684.00		391,684.00
Supporting Facilities for Electronic Equipment Industry	126,117.19		126,117.19	126,117.19		126,117.19
Engineering of Xingang Network management system	50,692.31		50,692.31	111,435.90		111,435.90
Others	519,539.72		519,539.72			-
<b>Total</b>	<b>1,502,221.31</b>	<b>-</b>	<b>1,502,221.31</b>	<b>4,643,526.54</b>		<b>4,643,526.54</b>

#### 2. Changes in key construction in progress

Project	Budget	Opening balance	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	Closing balance	Ratio of accumulated contribution to the construction to budget	Progress of construction	Accumulated amount of capitalised interest	Including: capitalised amount if	Rate of capitalisation of interest in the period (%)	Source of funding
The First Phase of Electronic Equipment Industry	0.56 billion	391,684.00	30,602,656.08	30,994,340.08		-	99.85	100.00				Placement/ owned fund
Machinery and Equipment		3,301,097.15	3,673,235.80	6,168,460.86		805,872.09						Owned fund
Supporting Facilities for Electronic Equipment Industry	0.06 billion	126,117.19				126,117.19	0.23	0.23				Owned fund
Engineering of Xingang Project Management System	0.8 million	111,435.90	289,214.73	400,650.63		-	48.00	100.00				Owned fund
Cloud Desktop System		713,192.30	178,149.57	891,341.87		50,692.31						Owned fund
Others	2.6 million		534,221.01	14,681.29		519,539.72	34.28	100.00				Owned fund
<b>Total</b>		<b>4,643,526.54</b>	<b>35,328,169.50</b>	<b>38,469,474.73</b>		<b>1,502,221.31</b>	<b>/</b>	<b>/</b>				

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

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 13. Construction in process (continued)

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

### 14. Intangible assets

1. Status of intangible assets

Items	Land use right	Trademark use rights	Computer software	Patents	Software copyright	Non-patented technology	Total
1. Original carrying value							
(1) Opening balance	85,417,937.71	158,640,000.00	8,463,771.36	25,705.00	2,760,578.81	25,390,608.56	280,698,601.44
(2) Increase in the period	29,930.00	-	595,299.14	-	36,081.20	701,939.36	1,363,249.70
- acquired	29,930.00	-	595,299.14	-	36,081.20	701,939.36	1,363,249.70
- internal research and development	-	-	-	-	-	-	-
- Increase in mergers of corporates	-	-	-	-	-	-	-
Decrease in the period	-	300,000.00	6,900.00	-	-	-	306,900.00
- Disposal	-	-	-	-	-	-	-
- Others	-	300,000.00	6,900.00	-	-	-	306,900.00
(4) Closing balance	85,447,867.71	158,340,000.00	9,052,170.50	25,705.00	2,796,660.01	26,092,547.92	281,754,951.14
2. Accumulated amortisation							
(1) Opening balance	9,384,374.85	158,430,000.00	5,925,499.04	14,029.11	227,407.33	2,115,884.05	176,097,194.38
(2) Increase in the period	1,985,775.58	-	608,293.59	3,010.50	781,895.53	5,233,354.63	8,612,329.83
- Provision	1,985,775.58	-	608,293.59	3,010.50	781,895.53	5,233,354.63	8,612,329.83
3) Decrease in the period	-	90,000.00	6,900.00	-	-	-	96,900.00
- Disposal	-	-	-	-	-	-	-
- Others	-	90,000.00	6,900.00	-	-	-	96,900.00
(4) Closing balance	11,370,150.43	158,340,000.00	6,526,892.63	17,039.61	1,009,302.86	7,349,238.68	184,612,624.21

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 14. Intangible assets (continued)

#### 1. Status of intangible assets (continued)

Items	Land use right	Trademark use rights	Computer software	Patents	Software copyright	Non-patented technology	Total
3. Provision for impairment							-
(1) Opening balance		210,000.00					210,000.00
(2) Increase in the period	-	-	-	-	-	-	-
- Provision							-
3) Decrease in the period	-	210,000.00	-	-	-	-	210,000.00
- Disposal							-
- Others		210,000.00					210,000.00
(4) Closing balance	-	-	-	-	-	-	-
4. Carrying value							-
(1) Carrying value at the end of the period	74,077,717.28	-	2,525,277.87	8,665.39	1,787,357.15	18,743,309.24	97,142,326.93
(2) Carrying value in the beginning of the year	76,033,562.86	-	2,538,272.32	11,675.89	2,533,171.48	23,274,724.51	104,391,407.06

2. There are no land use rights without certificates.

### 15. Long-term expenses to be amortised

Items	Opening balance	Increase in the period	Amortised in the period	Other decreased amount	Closing balance
Afforest for Electronic Equipment Industry	3,559,094.32	993,374.90	1,577,294.46		2,975,174.76
Purification Room Renovation Project	2,225,266.67		460,399.92		1,764,866.75
Logo Production for Electronic Equipment Industry	761,457.00		262,485.64		498,971.36
Fencing wall for electronics equipment Industrial Park		875,629.21	291,876.36		583,752.85
Waterproof Insulation Fire Control Project	748,611.31	311,379.00	569,379.53		490,610.78
MCT Building Renovation Project	277,118.19		100,770.24		176,347.95
Other Miscellaneous Project	734,652.05	90,800.00	319,829.63		505,622.42
Total	8,306,199.54	2,271,183.11	3,582,035.78	-	6,995,346.87

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 16. Deferred income tax assets and deferred income tax liabilities

#### 1. Deferred income tax assets not yet eliminated

Items	Closing balance		Opening Balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
impairment of assets	39,089,091.79	5,796,085.45	36,475,218.78	5,873,304.72
Internal offset of unrealised profit			161,469.00	40,367.25
Salaries payable	15,979,811.79	2,489,564.64	2,075,384.53	311,307.68
Accrued expenses	2,308,343.66	494,052.05	3,009,864.17	575,716.04
Total	<u>57,377,247.24</u>	<u>8,779,702.14</u>	<u>41,721,936.48</u>	<u>6,800,695.69</u>

#### 2. Deferred income tax liabilities not yet eliminated

Items	Closing balance		Opening Balance	
	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	739,588.07	110,938.21	999,832.49	149,974.87
Long-term payable	150,815.66	22,622.34	507,750.93	76,162.64
Total	<u>890,403.73</u>	<u>133,560.55</u>	<u>1,507,583.42</u>	<u>226,137.51</u>

#### 3. Breakdown of unrecognised deferred income tax

Items	Closing balance	Opening balance
Deductible temporary difference	129,044,542.21	186,934,652.18
Deductible loss	99,078,636.06	106,682,147.16
Total	<u>228,123,178.27</u>	<u>293,616,799.34</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 16. Deferred income tax assets and deferred income tax liabilities (continued)

4. Deductible loss of unrecognised deferred income tax assets due next year:

Year	Closing balance	Opening balance	Notes
2016		2,031,821.03	
2017	<b>2,748,293.93</b>	5,013,739.25	
2018	<b>13,893,110.15</b>	30,446,038.60	
2019	<b>4,671,803.81</b>	13,316,706.83	
2020	<b>54,084,242.94</b>	55,873,841.45	
2021	<b>23,681,185.23</b>		
Total	<b>99,078,636.06</b>	106,682,147.16	

### 17. Short-term borrowings

1. Type of short-term borrowings

Items	Closing balance	Opening balance
Pledged borrowings		
Secured borrowings		
Guaranteed borrowings	<b>40,000,000.00</b>	
Unsecured borrowings		
Total	<b>40,000,000.00</b>	

Period	Amount	Creditor	Approach
12 months (2016/12/26– 2017/12/26)	<b>40,000,000.00</b>	Shanghai pudong development bank Nanjing branch	Guaranteed



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 17. Short-term borrowings (continued)

2. There is no short term loans expired but not repaid.

### 18. Notes payable

Type	Closing balance	Opening balance
Bank promissory notes	143,691,812.27	93,283,710.62
Commercial promissory notes		
Total	<u>143,691,812.27</u>	<u>93,283,710.62</u>

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

### 19. Accounts payable

1. List of Accounts payable

Items	Closing balance	Opening balance
Payment for goods	858,241,052.68	609,551,699.67
Project funds	225,407,018.14	274,260,678.85
Processing and maintenance funds	10,949,949.90	11,455,233.11
Logistics warehousing funds	4,079,273.31	5,643,227.05
Others	9,754,256.81	9,788,371.80
Total	<u>1,108,431,550.84</u>	<u>910,699,210.48</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 19. Accounts payable (continued)

#### 2. Significant account payables aged over 1 year

Items	Closing balance	Reasons for outstanding or carried forward
NIDEC SANKYO CORPORATION	<b>26,479,504.73</b>	Not settled
Iwasaki Electric Mfg.Co., Ltd	<b>20,836,579.24</b>	Not settled
Nanjing Panda Electronics Imp. & Exp. Co., Ltd.	<b>20,433,190.68</b>	Not settled
Nanjing Xunheng Digital Technology Co., Ltd	<b>7,272,582.50</b>	Not settled
DAIFUKU CO, LTD	<b>6,430,419.25</b>	Not settled
Shanghai Okamura Furniture and Logistic System Co.,Ltd.	<b>4,847,771.09</b>	Not settled
Suzhou Golden Brain Interlligent System Engineering Co. Ltd	<b>4,498,130.58</b>	Not settled
Jiangsu Hongsheng Construction Engineering Group Co., Ltd	<b>3,652,815.68</b>	Not settled
Wuhu Haotong Intelligence Technology Co.,Ltd	<b>2,983,214.88</b>	Not settled
Shanghai Zhidao electromechanical Engineering Technology Co.,Ltd	<b>2,891,348.90</b>	Not settled
Shanghai Huiya Aluminum Alloy Products Co., Ltd.	<b>2,752,868.13</b>	Not settled
Haitian Construction Group Co.,Ltd	<b>2,709,508.55</b>	Not settled
NGINX, Inc.	<b>2,667,594.14</b>	Not settled
Beijing Gold Barron Radio and TV Technology Co., Ltd.	<b>2,043,408.48</b>	Not settled
	<b>2,462,477.00</b>	Not settled
Nanjing Huahao Louyu Technology Co. Ltd	<b>2,425,517.00</b>	Not settled
Nanjing Defei Technology Co. Ltd	<b>1,911,050.50</b>	Not settled
Sbs Science & Technology Co., Ltd.	<b>1,610,000.00</b>	Not settled
Total	<b>118,907,981.33</b>	/

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 20. Advances received

#### 1. List of advances received

Items	Closing balance	Opening balance
Project funds	100,569,323.85	101,701,842.28
Payment for goods	30,050,756.80	36,124,998.94
Others	2,074,478.60	1,813,820.42
Total	132,694,559.25	139,640,661.64

#### 2. Significant advances received aged over 1 year:

Items	Closing balance	Reasons for outstanding or carried forward
Xuzhou Tongshan District Public Security Bureau	3,594,000.00	Not settled
Nanjing Public Security Bureau Xiaguan Branch	3,266,980.15	Not settled
Chinese People's Liberation Army	1,201,000.00	Not settled
Nanjing Qiqiao Construction and Installation Engineering Co., Ltd.	1,020,000.00	Not settled
Total	9,081,980.15	/

### 21. Staff Remuneration Payable

#### 1. Staff Remuneration Payable

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term Remuneration	23,880,470.44	423,150,856.66	423,201,609.88	23,829,717.22
Post-employment benefit established withdrawal and deposit scheme	90,361.61	49,384,973.78	49,167,062.51	308,272.88
Termination benefits	6,905,560.98	8,975,088.16	7,930,791.29	7,949,857.85
Other benefits due within 1 year				-
Total	30,876,393.03	481,510,918.60	480,299,463.68	32,087,847.95

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 21. Staff Remuneration Payable (continued)

#### 2. Short-term Remuneration

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
(1) Salary, inducement, allowance and subsidies	14,602,614.19	302,012,183.18	299,295,366.26	<b>17,319,431.11</b>
(2) Employee benefits fee		21,211,737.58	21,211,737.58	-
(3) Social insurance fee	36,544.44	21,906,027.01	21,827,014.34	<b>115,557.11</b>
Including: medical insurance fee	33,534.44	19,601,070.05	19,526,024.90	<b>108,579.59</b>
Work injury insurance fee	1,504.99	1,243,200.29	1,241,604.17	<b>3,101.11</b>
Maternity insurance fee	1,505.01	1,061,756.67	1,059,385.27	<b>3,876.41</b>
(4) Housing provident fund	748,420.42	38,205,415.03	37,923,466.45	<b>1,030,369.00</b>
(5) Staff Union fee and Staff training cost	1,973,287.52	4,558,678.05	4,968,895.09	<b>1,563,070.48</b>
(6) Short-term paid leave				-
(7) Short-term profit sharing scheme	3,606,000.00	2,595,700.00	2,883,700.00	<b>3,318,000.00</b>
(8) Labour fee	2,913,603.87	31,512,487.31	33,942,801.66	<b>483,289.52</b>
(9) Other short-term remuneration		1,148,628.50	1,148,628.50	-
Total	<u>23,880,470.44</u>	<u>423,150,856.66</u>	<u>423,201,609.88</u>	<u><b>23,829,717.22</b></u>

#### 3. Established withdrawal and deposit scheme

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic retirement Insurance	84,369.52	46,173,291.43	45,966,700.02	<b>290,960.93</b>
Unemployment insurance fee	5,992.09	2,598,696.35	2,587,376.49	<b>17,311.95</b>
Corporate annuity	-	612,986.00	612,986.00	-
Total	<u>90,361.61</u>	<u>49,384,973.78</u>	<u>49,167,062.51</u>	<u><b>308,272.88</b></u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 22. Tax payable

Tax Items	Closing balance	Opening balance
Value-added tax	<b>27,700,318.87</b>	11,194,560.94
Enterprise income tax	<b>12,997,920.54</b>	9,289,157.12
Property Tax	<b>1,609,540.48</b>	1,456,882.00
Individual income tax	<b>1,554,733.26</b>	1,721,716.70
Urban maintenance and construction tax	<b>1,161,733.79</b>	1,000,174.06
Educational Surtax	<b>833,271.08</b>	726,305.26
Land use tax	<b>440,998.56</b>	218,387.86
Business tax	<b>192,703.82</b>	2,271,394.58
Others	<b>102,740.73</b>	101,757.10
Total	<b>46,593,961.13</b>	27,980,335.62

### 23. Interest payable

Items	Closing balance	Opening balance
Interests for long-term borrowings repayable with interests accrued in instalments		
Interests of corporate bond		
Interests payable of short-term borrowings	<b>23,835.62</b>	
Total	<b>23,835.62</b>	

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 24. Dividend Payable

Items	Closing balance	Opening balance
Ordinary share dividends-minority shareholders Divided into equity instruments of the preferred stock dividend/sustainable debt	<b>18,529,612.95</b>	4,181,545.34
Total	<b>18,529,612.95</b>	4,181,545.34

Notes: dividend payable over one year amounts to RMB3,329,612.95.

### 25. Other Payables

#### 1. Other payables by nature

Items	Closing balance	Opening balance
State-owned Capital Management Budget Allocations	<b>34,000,000.00</b>	34,000,000.00
Deposit	<b>47,331,218.66</b>	48,942,991.67
Accounts with operating Payables	<b>26,454,324.67</b>	22,088,599.24
Land-transferring fees	<b>19,478,729.57</b>	21,899,871.41
Others	<b>15,578,273.90</b>	15,578,273.90
	<b>13,254,322.44</b>	15,475,775.56
Total	<b>156,096,869.24</b>	157,985,511.78

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 25. Other Payables (continued)

#### 2. Significant other payables aged over 1 year

Creditors	Closing balance	Reasons for outstanding
China Electronics Corporation	<b>34,143,812.21</b>	state capital budget, has not yet been carried forward
Land and Resources Bureau	<b>15,578,273.90</b>	Land value, has not yet been carried forward
Nanjing Changxin Technology Co., Ltd.	<b>6,158,098.35</b>	Deposit, has not yet been carried forward
Panda Electronic Group Co., Ltd.	<b>6,175,447.72</b>	Accounts, has not yet been carried forward
Nanjing Chuangzhu Intelligent Technology co., Ltd.	<b>4,861,492.00</b>	Deposit, has not yet been carried forward
Nanjing Economic and Technological Development Zone Administration Committee	<b>4,424,425.48</b>	Deposit, has not yet been carried forward
Anhui Tairan Information technology engineering co.,LTD	<b>3,329,318.00</b>	Deposit, has not yet been carried forward
State Administration of Press · Publication · Radio · Film and Television of the Hunan Province	<b>2,040,834.80</b>	Deposit, has not yet been carried forward
Suqian Wanlong Information Industry Co., Ltd.	<b>1,831,472.22</b>	Deposit, has not yet been carried forward
Shenzhen Lichang Industrial co., LTD	<b>1,530,026.00</b>	Deposit, contract has not yet been expired
Jiangsu Huimin Auto Parts Manufacturing Co., Ltd.	<b>1,499,498.17</b>	Deposit, has not yet been carried forward
Urumchi Weirui Innovative Information Technology co., LTD	<b>1,490,000.00</b>	Deposit, has not yet been carried forward
Shanghai Sanle Digital Technology co., LTD	<b>1,230,000.00</b>	Deposit, has not yet been carried forward
Dongying Guanlin Intelligent Technology Co., Ltd.	<b>1,100,000.00</b>	Deposit, has not yet been carried forward
Total	<b>85,392,698.85</b>	

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 26. Other current liabilities

Items	Closing balance	Opening balance
High localization rate of industrial robots and intelligent equipment development and industrialisation	8,000,000.00	8,000,000.00
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
Leading fund for emerging industries development	300,000.00	
New-type flat panel display factory automation transfer system industrialisation		30,000,000.00
Police Digital Trunking (PDT and TD-SCDMA) Digital trunking terminal equipment research and development		1,356,600.00
Total	<u>9,700,000.00</u>	<u>40,756,600.00</u>

### 27. Long-term employee benefits payables

#### 1. List of long-term employee benefits payables

Items	Closing balance	Opening balance
1. Post-employment benefits		
2. Termination benefits	32,673,991.19	26,276,064.59
3. Other long-term employee benefits		
Total	<u>32,673,991.19</u>	<u>26,276,064.59</u>



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 28. Deferred income

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants		9,853,333.12	934,917.06	8,918,416.06	Related to assets
Total	—	9,853,333.12	934,917.06	8,918,416.06	/

### 29. Share capital

Item	Opening balance	Changes during the period (increase(+), decrease (-))				Sub-total	Closing balance
		Issue new shares	Bonus shares	Conversion of the accumulation funds into shares	Others		
Total shares	913,838,529.00						913,838,529.00

### 30. Capital reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital surplus (share premium)	1,450,743,806.12			1,450,743,806.12
Other capital surplus	13,498,333.16		108,319.23	13,390,013.93
Total	1,464,242,139.28		108,319.23	1,464,133,820.05

Note: Share capital has changed due to the disposal of subsidiaries.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 31. Surplus reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	175,455,316.13	5,993,738.88		181,449,055.01
Discretionary surplus reserve	70,376,641.33			70,376,641.33
Reserve fund				
Enterprise development fund				
Others				
Total	245,831,957.46	5,993,738.88	-	251,825,696.34

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 appropriates 10% of net profits of the year to statutory surplus reserve.

### 32. Undistributed profit

Items	Current period	Preceding period
Balance before adjustment at the end of preceding period	639,366,753.93	566,873,252.64
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	639,366,753.93	566,873,252.64
Add: Net profit attributable to owners of the parent company	119,240,512.92	143,836,663.39
Less: Appropriation of statutory surplus reserve	5,993,738.88	11,029,819.18
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares	62,141,019.97	60,313,342.92
Dividend on ordinary share converted to share capital		
Closing balance	690,472,508.00	639,366,753.93

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 33. Operating revenue and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	3,638,592,773.01	3,129,990,758.74	3,573,955,363.07	<b>3,050,435,763.10</b>
Other operation	64,170,583.53	37,865,192.19	39,527,572.43	<b>30,265,511.06</b>
Total	<u>3,702,763,356.54</u>	<u>3,167,855,950.93</u>	<u>3,613,482,935.50</u>	<u><b>3,080,701,274.16</b></u>

### 34. Taxes and surcharges

Items	Current period	Preceding period
City maintenance and construction tax	<b>7,746,044.37</b>	8,863,513.32
Business tax	<b>6,255,170.96</b>	19,854,948.03
Education surcharge	<b>5,541,322.69</b>	6,347,070.02
Property tax	<b>3,301,965.77</b>	
Stamp tax	<b>1,230,202.96</b>	
Land-use tax	<b>1,201,495.66</b>	
Vehicle and vessel use tax	<b>14,340.00</b>	
Others		9,592.31
Total	<u><b>25,290,542.41</b></u>	<u>35,075,123.68</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 35. Selling expenses

Items	Current period	Preceding period
Salaries and Benefits	<b>16,446,142.81</b>	19,089,477.06
Transport fee	<b>11,300,373.99</b>	11,696,999.58
Advertising fee	<b>6,537,610.79</b>	6,749,053.87
Travelling expenses	<b>2,353,911.71</b>	2,466,732.19
Office expenses	<b>2,289,049.93</b>	2,965,111.90
Storage expenses	<b>2,286,572.30</b>	
Entertainment expenses	<b>1,795,403.12</b>	2,205,720.31
Repairing expenses	<b>1,018,175.67</b>	611,101.79
Labour expenses	<b>761,268.92</b>	3,127,454.95
Trademark license fee		1,813,764.35
Others	<b>3,561,453.17</b>	2,262,384.34
Total	<b>48,349,962.41</b>	52,987,800.34

### 36. Administrative expenses

Items	Current period	Preceding period
R&D expenses	<b>187,722,209.17</b>	183,181,739.52
Salaries and benefits	<b>151,847,484.89</b>	138,059,348.52
Depreciation and amortization	<b>32,792,228.33</b>	28,563,705.28
Office, telephone, meeting expenses	<b>12,476,237.18</b>	12,853,789.52
Entertainment and Travel expenses	<b>9,590,087.72</b>	10,427,338.07
Agent fee	<b>8,288,427.06</b>	12,261,420.78
Labour expenses	<b>6,300,023.67</b>	7,730,397.70
Maintenance expenses	<b>4,421,219.39</b>	6,255,727.40
Taxation expenses	<b>2,351,891.40</b>	7,914,350.41
Utilities expenses	<b>1,823,145.84</b>	1,944,446.16
Others	<b>9,190,774.71</b>	17,214,355.12
Total	<b>426,803,729.36</b>	426,406,618.48

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 37. Financial expenses

Items	Current period	Preceding period
Interest expenses	480,585.62	3,951,166.65
Less: interest income	10,431,637.66	13,235,109.85
Exchange gain and loss	2,032,434.70	-5,082,143.85
Handling charges and others	2,501,541.63	2,566,060.85
Total	<u>-5,417,075.71</u>	<u>-11,800,026.20</u>

### 38. Assets impairment loss

Items	Current period	Preceding period
Bad debts	484,433.06	8,527,431.75
Inventory write-down loss	8,987,302.50	17,828,554.01
Impairment loss of fixed assets		69,447.70
Impairment loss of intangible assets		
Total	<u>9,471,735.56</u>	<u>26,425,433.46</u>

### 39. Investment income

Items	Current period	Preceding period
Income from long-term equity investments under equity method	95,058,047.55	185,177,439.42
Gains on disposal of long-term equity investments	282,326.79	
Gains on bank wealth investment products	13,225,725.95	21,779,294.79
Total	<u>108,566,100.29</u>	<u>206,956,734.21</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 40. Non-operating income

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Gains on disposal of non-current assets	<b>752,051.21</b>	852,255.19	752,051.21
Including: Gains on disposal of fixed assets	<b>752,051.21</b>	852,255.19	752,051.21
Gains on disposal of intangible assets			
Gains on debt restructuring			
Gains on trading of non-cash assets			
Donation received	<b>1,390,500.00</b>		1,390,500.00
Government grants	<b>51,822,079.49</b>	9,858,675.64	51,822,079.49
Compensations	<b>9,878,200.00</b>		9,878,200.00
Others	<b>5,287,325.55</b>	3,447,808.13	5,287,325.55
Total	<b>69,130,156.25</b>	14,158,738.96	69,130,156.25

Government grants recognised into profit and loss in the current period

Items	Current period	Data source and basis	Related to assets/related to income
The project of transfer system industrialisation about the emerging flat-panel display of factory automation	21,081,583.94	Development and Reform Office High-Tech [2015] No.1333	related to income/assets
Special projects of development of intelligent equipment manufacturing	20,000,000.00	Development and Reform Office High-Tech [2014] No.2558	related to income
Special subsidies due to transformation and upgrading of province industry and information industry in 2016	1,500,000.00	notice about the result of quality tackle in the key field in Jiangsu province	related to income
Subsidies of key technology, research and application demonstration about PDA & TD-SCDMA communication system	1,356,600.00	GKGBH[2016] No.221	related to income
The scientific research funds of innovation of science and technology committee	1,302,000.00	"several measures to improve the scientific and technological innovation" SF[2012] No.137	related to income
Steady post subsidies in 2015	1,146,472.65	NRS[2015] No.132	related to income
The Software Products VAT Refund	1,540,292.90	Preferential Policies of Software Industry and Development of Integrated Circuit Industry	related to income

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 40. Non-operating income (continued)

Items	Current period	Data source and basis	Related to assets/related to income
Preschool educational subsidy in Nanjing	907,000.00	Measures of issuing about preschool educational voucher in Nanjing province(trial)	related to income
Key project benefits of software enterprising-municipal software special project in 2016	800,000.00	Key project benefits of software enterprising-municipal software special project in 2016	related to income
Financial support fund	730,000.00	NKWJZ[2001] No.119	related to income
Project of the combination of informatisation and industrialisation at high level	500,000.00	Nanjing economic and information commission	related to income
Special funds for provincial commercial development in 2016	300,000.00	SCGM[2016] No.37	related to income
Grant for skilled master in Nanjing panda electronics manufacturing Co., Ltd	200,000.00	SRS[2016] No.323	related to income
Development funds for small and medium-sized enterprise in Shenzhen	159,770.00	Shenzhen Futian detailed rules for the implementation of special fund for the industry development to support innovation of science and technology	related to income
The subsidies for platform and key technology under network control with multiple cooperating terminal network	139,360.00	Nanjing University of Posts and Telecommunications	related to income
Subsidies of application for provincial engineering and technology in 2015	50,000.00	NKTH[2015] No. 196	related to income
Patent subsidy of management committee	27,000.00	NQZZ[2013] No. 235	related to income
Special funds for International Business and Economics in 2016	26,600.00	NSC[2015] No. 855	related to income
Development funds for small and medium-sized enterprise in 2014	15,000.00	NSC[2015] No. 165	related to income
Bonus of employment for the disabled	10,000.00	NC[2015] No. 165	related to income
“Talk about ideal, make contribution” characteristic project subsidy by municipal bureau of finance in 2016	10,000.00	NKX[2016] No. 107	related to income
Subsidies of application for patent	7,000.00	SKWKZ[2014] No. 52	related to income
Development funds for small and medium-sized enterprise in 2012	5,400.00	SCGM[2013] No.108	related to income
Funding for project	5,000.00	NKX[2015] No. 88	related to income
The invention authorisation subsidies at municipal level by Nanjing Qinhuai science and technology department	3,000.00	NK[2015] No. 165	related to income
Total	51,822,079.49	/	

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 40. Non-operating income (continued)

Items	Current period	Data source and basis	Related to assets/related to income
Multi mobile Internet information security audit system research and development and industrialisation	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	related to income
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	<u>9,858,675.64</u>	/	



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 41. Non-operating expenses

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Total loss on disposal of non-current assets	<b>2,598,185.88</b>	1,118,062.92	2,598,185.88
Including: Loss on disposal of fixed assets	<b>2,598,185.88</b>	1,118,062.92	2,598,185.88
Loss on disposal of intangible assets			
Loss on debt restructuring	–		–
Loss on trading of non-cash assets	–		–
Donation to external parties	<b>50,000.00</b>	50,000.00	50,000.00
Others	<b>3,067,949.14</b>	887,139.47	3,067,949.14
Total	<b>5,716,135.02</b>	2,055,202.39	5,716,135.02

### 42. Income tax expenses

#### 1. List of income tax expenses

Items	Current period	Preceding period
Current income tax	<b>35,450,554.86</b>	33,596,834.88
Deferred income tax	<b>-2,071,583.41</b>	30,989.63
Total	<b>33,378,971.45</b>	33,627,824.51

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 42. Income tax expenses (continued)

2. Explain the relationship of income Tax Expenses and accounting profit

Items	Current period
Total profit	202,388,633.10
Income tax expenses calculated at the applicable tax rate	30,358,294.97
Different tax rate of subsidiaries	5,044,052.90
Adjustment on previous income tax	373,374.51
Income not subject to tax	-14,217,587.47
Expenses not deductible for tax purposes	2,259,438.92
Claim additional deduction R&D	-6,692,305.65
Utilization of previously unrecognised tax losses	-1,765,769.93
Unrecognised deductible temporary difference and deductible tax loss	18,019,473.20
Others	
Total income tax expenses	<u>33,378,971.45</u>

### 43. Information of cash flow statement

1. Cash Received Relating to Other Operating Activities

Items	Current period	Preceding period
Governmental compensation for relocation	62,278,200.00	39,423,000.00
Cash receipts from Acceptance deposit & Commitment deposit	45,538,132.96	18,632,625.51
Government grants	28,805,792.44	41,544,600.00
Interest Income	10,431,637.66	12,288,594.89
Others	6,475,135.80	2,987,937.14
Total	<u>153,528,898.86</u>	<u>114,876,757.54</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 43. Information of cash flow statement (continued)

#### 2. Cash Paid Relating to Other Operating Activities

Items	Current period	Preceding period
Research & development expenses	<b>120,142,213.87</b>	115,876,662.38
Payment of deposit of commitment	<b>27,261,527.41</b>	14,754,697.47
Office expenses	<b>15,106,348.77</b>	15,818,901.42
Transportation fee	<b>12,461,792.43</b>	11,696,999.58
Travelling expenses	<b>8,913,637.62</b>	8,035,313.52
Agent fee	<b>8,288,427.06</b>	10,468,967.95
Labour expenses	<b>7,061,292.59</b>	10,857,852.65
Advertising fee	<b>6,537,610.79</b>	6,749,053.87
Entertainment expenses	<b>6,168,553.72</b>	6,939,401.35
Others	<b>7,016,125.91</b>	5,455,410.44
Total	<b><u>218,957,530.17</u></b>	<u>206,653,260.63</u>

#### 3. Other Cash receipt in Connection with Investment Activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<b><u>2,505,000,000.00</u></b>	<u>2,596,000,000.00</u>
Total	<b><u>2,505,000,000.00</u></b>	<u>2,596,000,000.00</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 43. Information of cash flow statement (continued)

#### 4. Other Cash paid in Connection with Investment Activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<b>2,296,000,000.00</b>	2,503,000,000.00
Net payment for disposing subsidiaries	<b>922,945.76</b>	
Total	<b><u>2,296,922,945.76</u></b>	<u>2,503,000,000.00</u>

#### 5. Other related to the financing activities of cash received

Items	Current period	Preceding period
Accounts received		4,415,000.00
Total		<u>4,415,000.00</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 44. Supplementary information of cash flow statements

#### 1. Supplementary information of cash flow statements

Items	Current period	Preceding period
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	<b>169,009,661.65</b>	189,119,157.85
Add: Provision for assets impairment	<b>9,471,735.56</b>	26,425,433.46
Depreciation of fixed assets	<b>84,334,255.92</b>	73,205,010.55
Amortisation of intangible assets	<b>8,612,329.83</b>	5,112,624.16
Amortisation of long-term deferred expenses	<b>3,582,035.78</b>	2,893,734.83
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less: decrease)	<b>1,846,134.67</b>	266,626.33
Loss on scrapped fixed assets (or less: decrease)		
Loss on change in fair value (or less: decrease)		
Financial expenses (or less: decrease)	<b>480,585.62</b>	3,817,118.50
Investment loss (or less: decrease)	<b>-108,566,100.29</b>	-206,956,734.21
Decrease in deferred tax assets (or less: increase)	<b>-1,979,006.45</b>	-40,465.99
Increase in deferred tax liabilities (or less: decrease)	<b>-92,576.96</b>	71,455.62
Decrease in inventories (or less: increase)	<b>-12,434,858.70</b>	65,812,128.11
Decrease of operating receivables (or less: increase)	<b>-329,191,577.49</b>	-272,213,456.45
Increase of operating payables (or less: decrease)	<b>228,074,177.51</b>	221,482,597.35
Others		
Net cash flows from operating activities	<b>53,146,796.65</b>	108,995,230.11
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	<b>1,141,683,919.27</b>	853,805,263.06
Less: cash at the beginning of period	<b>853,805,263.06</b>	712,357,169.28
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	<b>287,878,656.21</b>	141,448,093.78

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 44. Supplementary information of cash flow statements (continued)

#### 2. Net cash received for disposal of subsidiaries during the period

Items	Amount
Cash and cash equivalents received from disposal of subsidiaries for the period	<b>1,191,325.63</b>
Including: Shenzhen Jialihua Electronics Co., Ltd.	<b>91,325.63</b>
Dongguan XingJinghua PlasticProducts Co., Ltd.	<b>550,000.00</b>
Shenzhen XingJinghua Packing Products Co., Ltd.	<b>550,000.00</b>
Less: cash and cash equivalents held by subsidiaries at the date of loss of control	<b>2,114,271.39</b>
Including: Dongguan Xingjinghua Plastic Products Co., Ltd	<b>1,204,687.50</b>
Senzhen XingJinghua Packing Products Co., Ltd.	<b>909,583.89</b>
Add: Cash and cash equivalents received for disposal of subsidiaries in the prior period	
Net cash received for disposal of subsidiaries	<b>-922,945.76</b>

#### 3. The composition of cash and cash equivalents:

Items	Current period	Preceding period
1. Cash	<b>1,141,683,919.27</b>	853,805,263.06
Including: Cash on hand	<b>540,213.61</b>	654,078.59
Bank deposit available for payment at any time	<b>1,141,143,705.66</b>	853,147,900.68
Other monetary funds available for payment at any time		3,283.79
2. Cash equivalents		
Including: Bond investment due in three months		
3. Cash and cash equivalents at the end of the period	<b>1,141,683,919.27</b>	853,805,263.06

### 45. Notes to the statement of change in equity

No special adjustments for the opening balance

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## V. Notes to key items in consolidated financial statement (continued)

### 46. Assets with title or use right restrictions

Items	Closing carrying amount	The reason
Cash and bank balances	<b>160,118,977.19</b>	Deposits of acceptance performance, letter of credit
Total	<b>160,118,977.19</b>	

### 47. Foreign currency monetary items

#### 1. Foreign currency monetary items

Items	Foreign currency at the end of the year	Exchange rate	Converted into RMB at the end of the period
Cash on hand			
Including: USD	<b>6,885,934.27</b>	6.9370	47,767,726.03
JYP	<b>374,624,647.00</b>	0.0596	22,327,628.96
Euro	<b>157,603.10</b>	7.3068	1,151,574.33
HKD	<b>235,658.45</b>	0.8945	210,796.48
Accounts Receivable			
Including: USD	<b>15,395,311.14</b>	6.9370	106,797,273.38
Euro	<b>28,357.12</b>	7.3068	207,199.80
Accounts Payable			
Including: USD	<b>9,280,669.04</b>	6.9370	64,380,001.13
Euro	<b>453.00</b>	7.3068	3,309.98
JYP	<b>914,600,977.32</b>	0.0596	54,510,218.25

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VI. Changes in consolidated scope

### (I) Business combination not involving enterprises under common control

Nil.

### (II) Business combination involving enterprises under common control

Nil

### (III) Reversed Purchase

Nil

### (IV) Disposal of subsidiaries in the current period in current period.

In May 2016, the Company's subsidiary disposed 55.00% shareholding of the company's sub-sub-subsidiary Dongguan Xingjinghua Plastic Products co., Ltd. at the price of RMB550, 000 and will not hold any shares of this company after disposal.

### (V) Other reasons that resulted in changes in the range of consolidation.

The Company wrote off the subsidiary of Nanjing Panda Precise Machine Co., Ltd, Nanjing Panda Machine Co., Ltd, Nanjing Panda Power Technology Co.,Ltd, Shenzhen Jialihua Electronic Co.,Ltd and Senzhen XingJinghua Packing Products Co., Ltd. Before the settlement of whiten-off, the companies above were consolidated in the Company's consolidated financial statements.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VII. Interests in other entities

### (I) Interests in subsidiaries

#### 1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Way of procurement
				Direct	Indirect	
Nanjing Panda International Communication Systems Co., Ltd.	Nanjing	Nanjing	Manufacturing	71.77		Establishment
Nanjing Panda Electronic Manufacture Co., Ltd.	Nanjing	Nanjing	Manufacturing	75.00	25.00	Establishment
Nanjing Guanghua Electronics Plastic Casings Factory	Nanjing	Nanjing	Manufacturing	100.00		Establishment
Nanjing Panda Mechanical Engineering Plant	Nanjing	Nanjing	Manufacturing	99.11		Business combination under common control
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing	Nanjing	Manufacturing	100.00		Establishment
Nanjing Panda Electronic Equipment Co., Ltd.	Nanjing	Nanjing	Manufacturing	100.00		Establishment
Galant Limited	Hong Kong	Hong Kong	Communications industry research and development, investment holding	100.00		Establishment
Nanjing Panda Information Industry Co., Ltd.	Nanjing	Nanjing	Manufacturing	82.00	18.00	Establishment
Nanjing Panda Communication Technology Co., Ltd.	Nanjing	Nanjing	Manufacturing	100.00		Business combination under common control
Nanjing Panda Electronic Technology Development Co., Ltd.	Nanjing	Nanjing	Manufacturing	100.00		Establishment
Shanghai Panda Robot Technology Co., Ltd.	Shanghai	Shanghai	Researching and developing	100.00		Establishment
Shenzhen Jinghua Electronics Co., Ltd	Shenzhen	Shenzhen	Manufacturing	43.34		Business combination under common control

Note:

- Nanjing Guanghua Electronics Plastic Casings Factory has finished the settlement of business written-off and the written-off registration of tax is in process.
- Nanjing Panda Mechanical Engineering Plant and Nanjing Panda International Communication Systems Co., Ltd. are under the settlement of business written-off registration.
- 0.89% of shareholding in Nanjing Panda Mechanical Engineering Plant is owned by Shimenkan town industrial company, which does not participate in Nanjing Panda Mechanical Engineering Plant's daily operations and business decisions. Thus, the Company holds 100% of the voting rights.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VII. Interests in other entities (continued)

### (I) Interests in subsidiaries (continued)

#### 2. Significant non-wholly owned subsidiaries

Name of subsidiaries	Proportion of Minority shareholdings	Loss attributable to minority interests in the current period	Dividend attributable to minority interests in the current period	Balance of minority interests at the end of period
Shenzhen Jinghua Electronics Co., Ltd.	56.66	49,770,742.16	55,405,489.90	194,566,534.51

Note: The Company recommend 4 candidates out of 7 board of directors, therefore, the Company holds 57.14% right to vote.

#### 3. Key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Balance at the end of period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Jinghua Electronics Co., Ltd.	420,943,269.77	54,438,709.97	475,381,979.74	149,624,339.25	5,435,433.81	155,059,773.06

Name of subsidiaries	Balance at the beginning of period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Jinghua Electronics Co., Ltd.	381,207,497.75	64,724,261.20	445,931,758.95	116,561,499.85	5,926,625.94	122,488,125.79

Name of subsidiaries	Current period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	851,295,532.19	78,066,713.65	78,066,713.65	62,008,725.69

Name of subsidiaries	Preceding period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	784,110,317.00	70,638,001.13	70,638,001.13	65,010,143.28

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VII. Interests in other entities (continued)

### (I) Interests in subsidiaries (continued)

- There are no significant restrictions on usage of company assets and payment of company debts in current period.
- The company does not have structured body whose financial statements are consolidated.

### (II) The company does not have changes in equity of the subsidiary's share of owners and still control of the subsidiary.

### (III) Significant joint ventures or associates

- Significant joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Business nature	Proportion of shareholding (%)		Accounting treatment for investment in joint ventures or associates
				Direct	Indirect	
Beijing SE Putian Mobile Communications Co., Ltd.	Beijing	Beijing	Manufacturing	20.00		Equity method
Nanjing Ericsson Panda Communication Co., Ltd.	Nanjing	Nanjing	Manufacturing	27.00		Equity method

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VII. Interests in other entities (continued)

### (III) Significant joint ventures or associates (continued)

#### 2. Key financial information of significant associates

Items	Closing balance/current period	
	Beijing SE Putian Mobile Communications Co., Ltd	Nanjing Ericsson Panda Communication Co., Ltd.
Current assets	2,859,204,000.00	3,248,064,000.00
Non-current assets	153,259,000.00	1,900,175,000.00
Total assets	3,012,463,000.00	5,148,239,000.00
Current liabilities	2,451,977,000.00	4,271,796,000.00
Non-current liabilities		
Total liabilities	2,451,977,000.00	4,271,796,000.00
Net assets	560,486,000.00	876,443,000.00
Proportionate share in net assets	112,097,176.42	236,639,962.00
Adjustments	3,445,000.00	
Carrying amount of investments in joint ventures	115,542,176.42	236,639,962.00
Fair value of equity investments in joint ventures		
Operating income	14,043,068,000.00	10,162,137,000.00
Net profit	180,102,882.08	217,642,000.00
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	180,102,882.08	217,642,000.00
Dividend from joint ventures received	108,972,000.00	70,823,618.00

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VII. Interests in other entities (continued)

### (III) Significant joint ventures or associates (continued)

#### 2. Key financial information of significant associates (continued)

Items	Closing balance/current period	
	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
Proportionate share in net assets	185,048,600.00	248,700,240.00
Adjustments	3,445,000.00	
Carrying amount of investments in joint ventures	188,493,600.00	248,700,240.00
Fair value of equity investments in joint ventures		
Operating income	22,865,917,000.00	12,708,102,000.00
Net profit	510,100,000.00	306,513,000.00
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	510,100,000.00	306,513,000.00
Dividend from joint ventures received	130,966,000.00	108,000,000.00

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 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VII. Interests in other entities (continued)

### (III) Significant joint ventures or associates (continued)

3. Combined financial information of immaterial joint ventures and associates

Items	Closing balance/ current period	Opening balance/ preceding period
Associates:		
Total carrying amount of investment	<b>10,893,984.72</b>	10,499,853.59
The followings were calculated by		
– Net profit	<b>797,919.94</b>	-41,365,354.18
– Other comprehensive income		
– Total comprehensive income	<b>797,919.94</b>	-41,365,354.18

4. There are no significant restrictions imposed on the company's associates in terms of the ability to transfer funds.
5. There are no excess losses of the company's joint ventures and associates.
6. There are no unconfirmed commitments of joint ventures.
7. There are no contingency liabilities of joint ventures about investment activities.

### (IV) Significant joint operation

The Company has no significant joint operation in current period

### (V) The Company does not have structured body whose financial statements are not consolidated.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VIII. Risk associated with financial instruments

The Company faces various financial risks in the course of its business: credit risk, market risk and liquidity risk. The Board of Directors is responsible for the overall risk management objectives and policies and assumes ultimate responsibility for risk management objectives and policies. The objective of the Company's risk management is to strike a proper balance between risk and profit, to minimize the negative impact of risk on operating results and to maximise the benefits of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Company's risk management is to identify and analyse the risks faced by the Company, to establish appropriate risk to bear the bottom line and to carry out risk management, and to monitor the risks in a timely and reliable manner, within the limits.

### (I) Credit risks

Credit risk refers to the risk that the party of a financial instrument does not fulfil its obligations and creates financial losses on the other side. The Company is mainly faced with credit risk caused by credit sales. Prior to signing the new contract, the Company will assess the credit risk of the new customer, including the external credit rating and, in some cases, the bank credit certificate (when this information is available). The company has set a credit limit for each customer, which is the maximum amount that does not require additional approval.

The company ensures that the company's overall credit risk is within a manageable range through quarterly audits of existing customer credit ratings and monthly reviews of accounts receivable aging analysis. In monitoring the customer's credit risk, according to the customer's credit characteristics of its grouping. Customers who are rated as "high risk" will be placed on the restricted customer list and the company will be able to credit it in the next period, subject to additional approval, otherwise it must be required to pay the corresponding payment in advance.

### (II) Market risks

The market risk of financial instruments refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market prices, including foreign exchange risk and interest rate risk. Company management believes that December 31, 2016, the company's major financial instruments do not exist significant market risk exposure, but the management will always monitor the risks.

#### (1) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market interest rates. The Company's interest rate risk arises from interest-bearing debt such as bank borrowings and bonds payable. Floating rate of financial liabilities to the company facing cash flow interest rate risk, fixed rate of financial liabilities to the company facing the fair value of interest rate risk. The Company determines the relative proportion of fixed rate and floating rate contracts based on the prevailing market environment. The Company's risk of changes in the cash flow of financial instruments due to changes in interest rates is mainly related to floating interest rate bank borrowings. The Company's policy is to maintain the floating rate of these borrowings to eliminate the fair value of interest rate changes

#### (2) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in foreign exchange rates. The company tries to match the revenue and cost in foreign currencies in order to reduce the exchange rate risk. The company does not sign any contract of forward exchange agreement and currency swap agreement.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VIII. Risk associated with financial instruments (continued)

### (II) Market risks (continued)

#### (2) Foreign exchange risk (continued)

The main foreign exchange risk is the financial assets and financial liabilities with USD, JPY. The amount of the financial assets and liabilities in foreign currencies converted into RMB is as follows:

Items	Closing balance	
	USD	JPY
Cash and Bank	47,767,726.03	22,327,628.96
Accounts receivable	106,797,273.38	
Other receivables		
Accounts payable	64,380,001.13	54,510,218.25
Total	90,184,998.28	-32,182,589.29
Exchange rate increase	5%	5%
Total profit increase/(decrease) shareholders' equity increase/(decrease)	4,509,249.91	-1,609,129.46
Exchange rate decrease	5%	5%
Total profit increase/(decrease) shareholders' equity increase/(decrease)	-4,509,249.91	1,609,129.46

#### (3) Price risks for investments in equity instruments

Since the company holds no equity security investments, the company exposes to no price risks for investments in equity instruments.

### (III) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## VIII. Risk associated with financial instruments (continued)

### (III) Liquidity risk (continued)

The maturity profile of the Company's financial assets and financial liabilities at each balance sheet date based on contractual undiscounted payments is analysed below:

Items	Within 1 year	Closing balance Over 1 year	Total
Short-term borrowings	40,000,000.00		40,000,000.00
Notes payable	143,691,812.27		143,691,812.27
Accounts payable	1,108,431,550.84		1,108,431,550.84
Interests payable	23,835.62		23,835.62
Dividend payable	18,529,612.95		18,529,612.95
Other payables	156,096,869.24		156,096,869.24
Total	1,466,773,680.92	–	1,466,773,680.92

Items	Within 1 year	Opening balance Over 1 year	Total
Short-term borrowings	–		–
Notes payable	93,283,710.62		93,283,710.62
Accounts payable	910,699,210.48		910,699,210.48
Interests payable	–		–
Dividend payable	4,181,545.34		4,181,545.34
Other payables	157,985,511.78		157,985,511.78
Total	1,166,149,978.22	–	1,166,149,978.22

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## IX. Fair value disclosure

The inputs used to measure fair value are categorized into three hierarchies:

- Level 1 inputs are quoted prices (unadjusted) 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 the asset or liability.

The level of fair value measurement is determined by the lowest level inputs that are significant to the fair value measurement as a whole.

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.

## X. Related party relationship and transactions

### (I) Details of parent company

Name of parent company	Place of registration	Business nature	Registered Capital (ten thousand)	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
Panda Electronics Group Limited	Nanjing	Manufacturing	163,297	23.05	55.56

Ultimately controlled by: China Electronics Corporation

Note: the voting right proportion of Company's parent company higher than the proportion of shareholdings is due to the situation that 5 of 9 board of directors are recommended by the parent company.

### (II) Details on the Company's subsidiaries

Please refer to (I). Interests in subsidiaries under Note VII. "Interests in other entities" for details on the Company's subsidiaries.

### (III) Detail is on the Company's joint ventures and associates

Please refer to (II). Interests in joint arrangement or associates under Note VII. Interests in other entities for details on the Company's significant joint ventures and associates.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (III) Detail is on the Company's joint ventures and associates (continued)

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:

The name of joint ventures or associates	The Company's relationship with Joint venture or associate
Nanjing Thales Panda Transportation System Company Limited	Subsidiary's associates
Shenzhen Jing'in Electronic Co., Ltd.	Subsidiary's associates
Shenzhen Jinhua Network Marketing Co., Ltd.	Subsidiary's associates

### (IV) Details on other related parties

Other related parties Name	The Company relationships with other related party
China Electronics Corporation	Ultimate controlling party
Panda Electronics Group Limited	parent company
Nanjing CEC panda flat panel display technology Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda LCD Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Ultimately controlled by the same party
CEC Engineering Science New Material Jiangsu Co., Ltd.	Ultimately controlled by the same party
China Electronics Financial Co., Ltd.	Ultimately controlled by the same party
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda Real Estate Co., Ltd.	Ultimately controlled by the same party
Nanjing Electronics Information Industrial Corporation	Ultimately controlled by the same party
Langfang China Electronics Panda Crystal Technology Co., Ltd.	Ultimately controlled by the same party
Guanjie investment Co., Ltd.	Ultimately controlled by the same party
China Great Wall Computer Shenzhen Company Limited	Ultimately controlled by the same party
Shenzhen Sangda Electronics Equipment Co., Ltd	Ultimately controlled by the same party
Wuhan Zhongyuan Electronics Group Co., Ltd	Ultimately controlled by the same party
Panda LCD Materials Technology (Hong Kong) Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda illumination Co., Ltd.	Ultimately controlled by the same party
China National Electronics Import/Export Corporation	Ultimately controlled by the same party
Nanjing China Electronics Panda Property Management Co., Ltd.	Ultimately controlled by the same party
Beijing China Electronics Guangtong Technology Co., Ltd.	Ultimately controlled by the same party
Dongguan China Electronics Panda Technology Development Co., Ltd	Ultimately controlled by the same party

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (IV) Details on other related parties (continued)

Other related parties Name	The Company relationships with other related party
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Ultimately controlled by the same party
China Electronics Equipment International Co., Ltd.	Ultimately controlled by the same party
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Ultimately controlled by the same party
Guizhou Zhenhua Hualian Electronics Co., Ltd	Ultimately controlled by the same party
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Ultimately controlled by the same party
China Zhenhua Group Yunke Electronics Co., Ltd	Ultimately controlled by the same party
China Electronic Appliance Corporation	Ultimately controlled by the same party
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Ultimately controlled by the same party
Shaanxi Caihong Electronics Glass Co., Ltd.	Ultimately controlled by the same party
IRICO (Hefei) LCD Glass Co., Ltd.	Ultimately controlled by the same party
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Ultimately controlled by the same party
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Ultimately controlled by the same party
Shenzhen China Electronics International Information Technology Co., Ltd	Ultimately controlled by the same party
China Electronics Technology Development Co., Ltd	Ultimately controlled by the same party
China Electronics Equipment Corporation	Ultimately controlled by the same party
N CEC Materials Suzhe Corporation	Ultimately controlled by the same party
Shenzhen China Electronics Frontsurf Information Technology Co., Ltd.	Ultimately controlled by the same party
China Electronics Commercial Financial Leasing Co., Ltd.	Ultimately controlled by the same party
Shenzhen China Electronics Investment Company	Ultimately controlled by the same party
Solomon Systech (Shenzhen) Limited	Ultimately controlled by the same party
Nanjing Panda Jinling Hotel Co., Ltd	Ultimately controlled by the same party
Panda Electronics (Kunshan) Co., Ltd <sup>Note</sup>	Ultimately controlled by the same party
Nanjing Panda Handa Technology Co., Ltd	Subsidiary of the Group
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary of the Group
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary of the Group
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Subsidiary of the Group
Nanjing Zhenhua packing material factory	Subsidiary of the Group
Nanjing Panda Investment Development Co., Ltd	Subsidiary of the Group
Nanjing Panda Electronics Transport Company	Subsidiary of the Group
Nanjing Panda Technology Park Development Company Limited	Subsidiary of the Group
Panda (Beijing) International Information Technology Co., Ltd	Subsidiary of the Group
Nanjing Panda Electronics Materials Utilization Company	Subsidiary of the Group

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (IV) Details on other related parties (continued)

Other related parties Name	The Company relationships with other related party
New Deweier Technology Development Co., Ltd	Other related party
Shenzhen Jinghua Intelligent Technology Co., Ltd	Other related party
Nanjing Ericsson Panda Communication Co., Ltd.	Other related party
Nanjing Panda Communication development Co., Ltd.	Other related party

Note: Panda Electronics (Kunshan) Co., Ltd has been written off on April 26, 2016.

### (V) Related parties transactions

- Purchase and sale of goods, rendering and receipting services in related party transactions

Purchase of goods/receiving of service:

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Shanghai Panda Huning Electronic Technology Co., Ltd.	purchase of goods	<b>12,956,682.93</b>	
Nanjing Panda Electronics Import/Export Co., Ltd	purchase of goods	<b>11,344,343.50</b>	17,989,602.53
Beijing China Electronics Guangtong Technology Co., Ltd.	purchase of goods	<b>6,527,430.00</b>	854,700.85
Panda LCD Materials Technology (Hong Kong) Co., Ltd.	purchase of goods	<b>5,110,316.41</b>	13,828,813.86
Shenzhen China Electronics International Information Technology Co., Ltd	purchase of goods	<b>2,258,835.68</b>	60,196.58
CEC Materials Suzhe Corporation	purchase of goods	<b>2,180,988.11</b>	
Nanjing CEC Panda LCD Technology Co., Ltd.	purchase of goods	<b>1,967,780.51</b>	8,168,682.10
Nanjing Zhenhua packing material factory	purchase of goods	<b>1,779,296.71</b>	2,455,982.96
Nanjing CEC Panda illumination Co., Ltd.	purchase of goods	<b>791,815.00</b>	
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	purchase of goods	<b>594,871.80</b>	251,794.87

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

1. Purchase and sale of goods, rendering and receiving services in related party transactions (continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Guizhou Zhenhua Hualian Electronics Co., Ltd	purchase of goods	<b>405,302.55</b>	113,606.83
Nanjing China Electronics Panda Appliances Co., Ltd	purchase of goods	<b>311,161.46</b>	
Nanjing Panda Handa Technology Co., Ltd	purchase of goods	<b>270,085.47</b>	5,008.55
Nanjing China Electronics Panda Crystal Technology Co., Ltd	purchase of goods	<b>53,735.78</b>	81,718.11
Panda Electronic Group Co., Ltd.	purchase of goods	<b>465,263.50</b>	632,015.32
CEC Panda Flat Panel Display Technology Co., Ltd.	purchase of goods	<b>34,899.26</b>	210,210.43
Nanjing Ericsson Panda Communication Co., Ltd.	purchase of goods	<b>30,662.40</b>	279,866.98
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	purchase of goods	<b>27,500.00</b>	315,726.50
Nanjing Panda Dasheng Electronics Technology Co., Ltd	purchase of goods	<b>14,534.19</b>	117,461.54
New Deweier Technology Development Co., Ltd	purchase of goods		4,638,566.38
Shenzhen Jing'in Electronic Co., Ltd.	purchase of goods		1,430,878.81
China Electronic Appliance Corporation	purchase of goods		326.92
Shenzhen Jinghua Intelligent Technology Co., Ltd	receipt of services	<b>6,996,538.03</b>	5,543,933.46
Nanjing Panda Electronics Transport Company	receipt of services	<b>1,663,500.00</b>	1,870,359.00
Nanjing Panda Electronics Import/Export Co., Ltd	receipt of services	<b>722,011.68</b>	

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

1. Purchase and sale of goods, rendering and receiving services in related party transactions (continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	receipt of services	410,456.37	54,020.65
China National Electronics Import/Export Corporation	receipt of services	404,914.06	177,289.72
Nanjing Zhenhua packing material factory	receipt of services	299,987.78	494,726.89
Panda Electronic Group Co., Ltd.	receipt of services	291,300.74	320,359.03
Nanjing Panda Handa Technology Co., Ltd	receipt of services	77,953.77	131,684.91
Nanjing China Electronics Panda Crystal Technology Co., Ltd	receipt of services	2,188.03	
China Electronic Appliance Corporation	receipt of services		300,372.65

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (continued)

Sales of goods/rendering the service:

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
CEC Panda Flat Panel Display Technology Co., Ltd.	Sales of goods	<b>489,702,144.24</b>	488,330,224.32
Nanjing CEC Panda LCD Technology Co., Ltd.	Sales of goods	<b>233,472,203.19</b>	352,952,447.56
Nanjing Panda Handa Technology Co., Ltd.	Sales of goods	<b>84,367,019.44</b>	63,032,638.94
IRICO (Hefei) LCD Glass Co., Ltd.	Sales of goods	<b>25,015,384.62</b>	
Shenzhen Jinghua Network Marketing Ltd.	Sales of goods	<b>23,545,665.81</b>	24,051,736.56
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Sales of goods	<b>17,845,783.20</b>	437,936.17
China Electronics Equipment International Co., Ltd.	Sales of goods	<b>16,095,359.92</b>	
Shaanxi Caihong Electronics Glass Co., Ltd.	Sales of goods	<b>14,529,914.52</b>	
Nanjing Panda Electronics Import/Export Co., Ltd.	Sales of goods	<b>10,724,144.10</b>	12,012,886.09
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Sales of goods	<b>9,287,658.03</b>	17,889,498.47
Shenzhen China Electronics Frontsurf Information Technology Co., Ltd.	Sales of goods	<b>5,544,473.09</b>	23,516,134.36
Panda Electronic Group Co., Ltd.	Sales of goods	<b>2,065,033.05</b>	6,277,454.51
China Great Wall Computer Shenzhen Company Limited	Sales of goods	<b>1,446,894.90</b>	2,107,234.76
Panda (Beijing) International Information Technology Co., Ltd.	Sales of goods	<b>268,516.24</b>	



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

- Purchase and sale of goods, rendering and receipting services in related party transactions (continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Sales of goods	<b>156,666.66</b>	
Guizhou Zhenhua Hualian Electronics Co., Ltd	Sales of goods	<b>85,555.56</b>	
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Sales of goods	<b>46,500.00</b>	27,816.24
Nanjing Panda Technology Park Development Company Limited	Sales of goods	<b>42,041.44</b>	9,433.96
Nanjing Panda Electronics Transport Company	Sales of goods	<b>22,079.86</b>	64,842.49
Nanjing CEC Panda Real Estate Co., Ltd.	Sales of goods	<b>13,961.54</b>	39,092.31
Nanjing China Electronics Panda Appliances Co., Ltd	Sales of goods	<b>11,363.40</b>	30,029.89
Solomon Systech (Shenzhen) Limited	Sales of goods	<b>9,923.08</b>	
Nanjing Panda Electronics Materials Utilization Company	Sales of goods	<b>4,444.45</b>	
CEC Engineering Science New Material Jiangsu Co., Ltd.	Sales of goods		73,826,376.92
New Deweier Technology Development Co., Ltd	Sales of goods		56,065,686.85
Nanjing Panda Electronics Transport Company	Sales of goods		44,208,883.47
Guanjie investment Co., Ltd.	Sales of goods		36,371,431.14
Nanjing Ericsson Panda Communication Co., Ltd.	Sales of goods		2,217,203.01
Nanjing Panda Investment Development Co., Ltd.	Sales of goods		55,956.00
Shenzhen Jing'in Electronic Co., Ltd.	Sales of goods		50,596.24

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Electronics Information Industrial Corporation	Sales of goods		29,059.00
CEC Materials Suzhe Corporation	Sales of goods		2,000.00
CEC Panda Flat Panel Display Technology Co., Ltd.	Rendering of services	<b>48,997,510.60</b>	41,758,385.94
Panda Electronic Group Co., Ltd.	Rendering of services	<b>35,093,236.43</b>	16,668,971.23
Nanjing Panda Investment Development Co., Ltd.	Rendering of services	<b>20,531,869.80</b>	
China Electronics Corporation	Rendering of services	<b>20,000,000.00</b>	
Nanjing CEC Panda LCD Technology Co., Ltd.	Rendering of services	<b>13,162,331.46</b>	14,825,833.94
Nanjing China Electronics Panda Property Management Co., Ltd.	Rendering of services	<b>8,102,546.46</b>	
Nanjing Panda Handa Technology Co., Ltd.	Rendering of services	<b>1,688,649.35</b>	8,558,665.66
Nanjing Ericsson Panda Communication Co., Ltd.	Rendering of services	<b>1,500,890.54</b>	18,748,793.47
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Rendering of services	<b>1,326,670.02</b>	1,170,635.15
Nanjing China Electronics Panda Appliances Co., Ltd.	Rendering of services	<b>641,231.06</b>	181,662.00
Nanjing CEC Panda Real Estate Co., Ltd.	Rendering of services	<b>368,794.82</b>	2,025,837.16
Nanjing Electronics Information Industrial Corporation	Rendering of services	<b>327,429.04</b>	246,260.00
Nanjing Panda Electronics Import/Export Co., Ltd.	Rendering of services	<b>221,525.03</b>	179,057.00

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

- Purchase and sale of goods, rendering and receipting services in related party transactions (continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Panda Electronics Materials Utilization Company	Rendering of services	<b>205,128.20</b>	170,940.17
Nanjing Panda Electronics Transport Company	Rendering of services	<b>179,783.94</b>	313,532.00
Nanjing China Electronics Panda Modern Service Industry Co., Ltd	Rendering of services	<b>101,593.11</b>	
Nanjing Panda Jinling Hotel Co., Ltd	Rendering of services	<b>44,542.07</b>	
Chengdu China Electronics Panda Display Technology Co., Ltd	Rendering of services	<b>30,900.96</b>	
Nanjing CEC Panda illumination Co., Ltd.	Rendering of services	<b>4,031.66</b>	
Nanjing Huadong Electronic Information Technology Co., Ltd	Rendering of services	<b>3,242.46</b>	
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Rendering of services	<b>3,149.06</b>	
Nanjing China Electronics Panda Trade Development Co., Ltd	Rendering of services	<b>1,811.32</b>	
CEC Materials Suzhe Corporation	Rendering of services	<b>566.04</b>	
Shenzhen Jinghua Network Marketing Ltd.	Rendering of services		2,235.00
Dongguan China Electronics Panda Technology Development Co., Ltd	Rendering of services		235,810.49
Nanjing Panda Technology Park Development Company Limited	Rendering of services		9,800.00
New Deweier Technology Development Co., Ltd	Rendering of services		4,535.00

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

#### 2. Leases in related party transactions

Asset leased to related parties

Name of lessee	Types of leased assets	Rental income recognised in this period	Rental income recognised in prior period
Nanjing China Electronics Panda Appliances Co., Ltd	lease of houses	<b>467,323.13</b>	160,944.00
Nanjing Panda Electronics Transport Company	lease of houses	<b>148,206.16</b>	488,232.00
Nanjing Panda Electronics Import/Export Co., Ltd	lease of houses	<b>174,294.48</b>	15,552.00
Nanjing Panda Electronics Transport Company	lease of cars	<b>941,882.41</b>	1,039,707.09
Shenzhen Jinghua Network Marketing Ltd.	lease of houses	<b>42,333.33</b>	81,281.00
Shenzhen Jinghua Intelligent Technology Co., Ltd	lease of houses	<b>530,986.67</b>	721,353.00
Panda Electronic Group Co., Ltd.	lease of houses	<b>41,858.88</b>	37,350.00

Assets leased from related parties

Name of lessee	Types of leased assets	Rental income recognised in this period	Rental income recognised in prior period
Shenzhen China Electronics Estate Management Co., Ltd.	lease of houses	<b>172,358.49</b>	180,000.00
Panda Electronic Group Co., Ltd.	lease of houses	<b>188,600.00</b>	32,200.00

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

#### 3. Guarantee in related party transactions

Guarantee provided to related parties

Secured party	Guarantee amount	Guarantee start date	Expiry date	Whether the guarantee has been fulfilled
Nanjing Panda Electronics Manufacture Co., Ltd. <sup>(1)</sup>	60,000,000.00	2016-9-22	2017-9-21	No
Nanjing Panda Electronics Manufacture Co., Ltd. <sup>(2)</sup>	50,000,000.00	2016-2-1	2017-1-6	No
Nanjing Panda Electronics Equipment Co., Ltd. <sup>(3)</sup>	40,000,000.00	2016-7-28	2017-3-28	No
Nanjing Panda Electronics Equipment Co., Ltd. <sup>(4)</sup>	30,000,000.00	2016-4-11	2017-1-6	No
Nanjing Panda Electronics Equipment Co., Ltd. <sup>(5)</sup>	70,000,000.00	2015-10-23	2016-10-22	No
Nanjing Panda Information Industry Co, Ltd. <sup>(6)</sup>	280,000,000.00	2016-5-17	2017-3-28	No
Nanjing Panda Information Industry Co, Ltd. <sup>(7)</sup>	100,000,000.00	2016-7-1	2018-6-30	No
Nanjing Panda Information Industry Co, Ltd <sup>(8)</sup>	50,000,000.00	2016-2-26	2016-6-30	No
Nanjing Huage Appliance and Plastic Industrial Co., Ltd. <sup>(9)</sup>	50,000,000.00	2016-4-27	2017-3-28	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, Chengdong Branch, to Nanjing Panda Electronic Manufacture Co., Ltd., sub-subsidiary of the company. The guarantee has a period from 22th September 2016 to 21st September 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, or advance in cash, plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2016, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB22, 229,457.51 of its total comprehensive bank credit, of which RMB22, 229,457.51 is guaranteed by the company in the form of bank acceptance bill offered by the company.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

#### 3. Guarantee in related party transactions (continued)

##### Guarantee provided to related parties (continued)

*Note 2:* The company offers maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing Branch, Maigao Bridge Branch, to Nanjing Panda Electronic Manufacture Co., Ltd., sub-subsidiary of the company. The guarantee has a period from 1st February, 2016 to 6th January, 2016. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2016, Nanjing Panda Electronic Manufacture Co., Ltd has used RMB41,465,897.10 of its total comprehensive bank credit, of which RMB41,465,897.10 is guaranteed by the company in the form of bank acceptance bill offered by the company.

*Note 3:* The company offers maximum guarantee of RMB40,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Equipment Co., Ltd, sub-subsidiary of the company. The bank credit has duration from 28th July 2016 to 28th March 2017, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd offers its total assets as counter guarantee. As of 31st Dec. 2016, Nanjing Panda Electronic Equipment Co., Ltd has used RMB0.00 of its total comprehensive bank credit

*Note 4:* The company offers maximum guarantee of RMB30,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing Branch, Maigao Bridge Branch, to Nanjing Panda Electronic Equipment Co., Ltd, sub-subsidiary of the company. The guarantee has a period from 11th April, 2016 to 6th January 2017. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2016, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB9,130,946.11 of its total comprehensive bank credit, of which RMB2,657,387.60 is guaranteed by the company in the form of letter of guarantee offered by the company, RMB6,473,558.51 is guaranteed in the form of bank acceptance bill.

*Note 5:* The company offers maximum guarantee of RMB70,000,000.00, which is the comprehensive bank credit amount offered by Pingan Bank, Nanjing Branch, business department, to Nanjing Panda Electronic Equipment Co., Ltd, sub-subsidiary of the company. This contract signed on 23th October, 2015, the credit lasts for 1 year from the contract signed, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2016, Nanjing Panda Electronic Equipment Co., Ltd. has used RMB0.00 of its total comprehensive bank credit.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

#### 3. Guarantee in related party transactions (continued)

##### Guarantee provided to related parties (continued)

Note 6: The company offers irrevocable maximum guarantee of RMB280,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Information Industry Co., Ltd., sub-subsidiary of the company. The guarantee has a period from 17th May, 2016 to 28th March, 2017. 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 2016, Nanjing Panda Information Industry Co., Ltd. has used RMB155,360,902.86 of its total comprehensive bank credit, of which RMB40,000,000.00 is guaranteed by the company in the form of short-term loan guarantee, RMB600,000.00 is guaranteed in the form of bank acceptance bill and RMB114,760,902.86 is guaranteed in the form of letter of guarantee.

Note 7: The company offers irrevocable maximum guarantee of RMB100,000,000.00, which is the comprehensive bank credit amount offered by Bank of Ningbo, Nanjing Branch, to Nanjing Panda Information Industry Co., Ltd., sub-subsidiary of the company.

The guarantee has a period from 1st July, 2016 to 30th August, 2018. 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 2016, Nanjing Panda Information Industry Co., Ltd. has used RMB19,617,572.45 of its total comprehensive bank credit, of which RMB19,617,572.45 is guaranteed in the form of letter of guarantee offered by the company.

Note 8: 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, Chengdong Branch, to Nanjing Panda Information Industry Co., Ltd., sub-subsidiary of the company. The guarantee has a period from 26th February, 2016 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 Chengdong Branch, or advance in cash, plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2016, Nanjing Panda Information Industry Co., Ltd. has used RMB1,145,333.31 of its total comprehensive bank credit, of which RMB1,145,333.31 is guaranteed in the form of letter of guarantee offered by the company to China Merchant Bank, Nanjing Branch, Chengdong Branch.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

#### 3. Guarantee in related party transactions (continued)

Guarantee provided to related parties (continued)

Note 9: 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 Electronic Plastic Industry Co., Ltd., sub-sub-subsidiary of the company. The guarantee has a period from 27th April, 2016 to 28th March, 2017. The guarantee lasts for 2 years from the deadline of performance of the debtor. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Huage Electronic Plastic Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2016, Nanjing Huage Electronic Plastic Industry Co., Ltd. has used RMB5,708,245.35 of its total comprehensive bank credit, of which RMB5,708,245.35 is guaranteed in the form of bank acceptance bill offered by the company to China Merchant Bank, Nanjing Branch, Chengdong Branch.

Conclusively, as of 31st December 2016, total guarantee offered by the company amounting to RMB254,658,354.69, of which RMB76,477,158.47 is for acceptance bill guarantee, RMB138,181,196.22 is for letter of guarantee, and RMB40,000,000.00 is for short-term loan guarantee. (As of 31st December 2015, total guarantee offered by the company amounting RMB114,892,219.15 of which RMB52,174,656.62 is for acceptance bill guarantee, and RMB62,717,562.53 is for letter of guarantee).

#### 4. Remuneration of key management

Item	Current period	Preceding period
Remuneration of key management	<u>4,592,600.00</u>	<u>3,345,600.00</u>



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (V) Related parties transactions (continued)

#### 5. Other related party transactions

Company name	Type of transaction	Current period	Preceding period
China Electronics Financial Co., Ltd. (note 1)	Receipt of interests	<b>1,796,080.34</b>	2,983,038.82
China Electronics Financial Co., Ltd. (note 1)	Payment of interest	<b>290,000.00</b>	2,785,777.78
China Electronics Financial Co., Ltd. (note 1)	Payment of discounted interest		651,713.22
Nanjing China Electronics Panda Furniture Company Limited (note 2)	Trademark licensing	<b>480,667.92</b>	566,504.72
China Electronics Commercial Financial Leasing Co., Ltd. (note 3)	Payment of factoring service fee	<b>10,821.45</b>	44,964.00

By the end of December 31, 2016, loan balance of the company was RMB0.00, deposit balance was RMB497,862,807.41 in the finance company.

Note 1: 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 RMB600.00 million and the cap for the fund settlement balance with Financial Company amounted to RMB500.0 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.

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. During 2016, Nanjing Panda Electronic Manufacture Co., Ltd., a sub-subsidiary of the company de-recognised account receivables at an amount of RMB21,642,898.28 due to this transfer of financial assets, and factoring service fee amounted RMB10,821.45, this contract of factoring has been expired on 31 August 2016.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (VI) Balance due to or from related parties

#### 1. Balance due from related parties

Items	related parties	Closing balance		Beginning balance	
		book balance	bad debt provision	book balance	bad debt provision
Accounts receivable	CEC Panda Flat Panel Display Technology Co., Ltd.	292,164,894.41		268,900,418.83	
	Nanjing CEC Panda LCD Technology Co., Ltd.	87,448,367.30		49,954,646.16	
	Nanjing Panda Handa Technology Co., Ltd.	75,822,689.75	33,649.21	64,876,655.26	33,649.21
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	38,551,040.38		36,761,773.78	
	Panda Electronic Group Co., Ltd.	12,429,314.88	25,550.00	2,565,108.96	25,550.00
	Shaanxi Caihong Electronics Glass Co., Ltd.	11,900,000.00			
	IRICO (Hefei) LCD Glass Co., Ltd.	10,669,200.00			
	Shenzhen Jinghua Network Marketing Ltd.	7,836,395.00		7,762,342.00	
	Nanjing Panda Electronics Import/Export Co., Ltd.	7,136,508.18	695,611.41	6,012,740.91	889,816.33
	CEC Engineering Science New Material Jiangsu Co., Ltd.	5,863,419.96		8,315,576.46	
	China Great Wall Computer Shenzhen Company Limited	416,282.60		570,628.29	
	Nanjing Ericsson Panda Communication Co., Ltd.	290,332.33		1,811,861.02	
	Nanjing CEC Panda Real Estate Co., Ltd.	165,041.63		165,041.63	
	Shanghai Panda Huning Electronic Technology Co., Ltd.	163,700.00	163,700.00	1,317,000.00	1,317,000.00
	Nanjing Panda Investment Development Co., Ltd.	124,500.00		8,801.00	
	Nanjing THALES Panda Transportation Systems Co., Ltd.	39,086.73	36,156.93	39,086.73	36,156.93
	Langfang CEC Panda Crystal Technology Co., Ltd.	3,240.00	3,240.00	3,240.00	3,240.00
	Nanjing Panda Jinling Hotel Co., Ltd.	2,227.10			
	Wuhan Zhongyuan Electronics Group Co., Ltd.	2,000.00	2,000.00	2,000.00	2,000.00
	Guanjie investment Co., Ltd.			4,488,376.32	
	Nanjing China Electronics Panda Appliances Co., Ltd.			600,495.00	
	Dongguan China Electronics Panda Technology Development Co., Ltd.			135,810.49	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd.			108,750.00	
	Nanjing Zhenhua packing material factory			12,600.00	
	Nanjing Electronics Information Industrial Corporation			8,994.00	
	Nanjing Panda Electronics Transport Company			3,216.93	

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (VI) Balance due to or from related parties (continued)

#### 1. Balance due from related parties (continued)

Items	related parties	Closing balance		Beginning balance	
		book balance	bad debt provision	book balance	bad debt provision
Notes receivable	CEC Panda Flat Panel Display Technology Co., Ltd.	201,680,000.00		5,000,000.00	
	Nanjing CEC Panda LCD Technology Co., Ltd.	59,000,000.00			
	Nanjing Panda Handa Technology Co., Ltd	2,000,000.00		1,000,000.00	
	Nanjing China Electronics Panda Appliances Co., Ltd	2,000,000.00			
	China Great Wall Computer Shenzhen Company Limited	120,055.22		460,541.70	
	China Electronics Commercial Financial Leasing Co., Ltd.			89,883,046.06	
advance payment	Shanghai Panda Huning Electronic Technology Co., Ltd.	2,448,000.00		336,000.00	
	Shenzhen China Electronics International Information Technology Co., Ltd	548,329.60			
	Nanjing CEC Panda LCD Technology Co., Ltd.	737,455.80		15,000.00	
	Nanjing China Electronics Panda Appliances Co., Ltd	44,050.00			
	Nanjing Panda Electronics Import/Export Co., Ltd	13,748.93		2,992,002.90	
	China National Electronics Import/Export Corporation	20,000.00		73,758.00	
	Nanjing CEC Panda illumination Co., Ltd.			104,695.20	
	Panda LCD Materials Technology (Hong Kong) Co., Ltd.			774,056.68	
	CEC Panda Flat Panel Display Technology Co., Ltd.			9,600.00	

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (VI) Balance due to or from related parties (continued)

#### 2. Payables

Items	related parties	Closing balance	Opening balance
Accounts payable	Nanjing Panda Electronics Import/Export Co., Ltd	<b>20,433,190.68</b>	37,397,836.26
	Panda Electronic Group Co., Ltd.	<b>1,242,569.16</b>	3,754,117.21
	Beijing China Electronics Guangtong Technology Co., Ltd.	<b>1,102,743.00</b>	450,000.00
	Nanjing Zhenhua packing material factory	<b>877,790.56</b>	1,334,967.96
	Nanjing Panda Handa Technology Co., Ltd	<b>316,800.00</b>	14,466.00
	Nanjing Panda Electronics Transport Company	<b>314,512.39</b>	254,912.39
	Shanghai Panda Huning Electronic Technology Co., Ltd.	<b>168,750.00</b>	
	Shenzhen China Electronics Electricity Power Technology Co., Ltd.	<b>134,800.00</b>	67,400.00
	Nanjing China Electronics Panda Appliances Co., Ltd	<b>124,994.40</b>	335,038.57
	Nanjing CEC Panda illumination Co., Ltd.	<b>98,486.13</b>	275,851.71
	China Zhenhua Group Yunke Electronics Co., Ltd	<b>17,632.00</b>	17,632.00
	Nanjing THALES Panda Transportation Systems Co., Ltd.	<b>16,410.02</b>	16,410.02
	Guizhou Zhenhua Hualian Electronics Co., Ltd	<b>15,000.00</b>	32,340.00
	Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	<b>5,230.00</b>	77,730.00
	Nanjing China Electronics Panda Crystal Technology Co., Ltd	<b>1,454.28</b>	25,649.88
	Nanjing China Electronics Panda Property Management Co., Ltd.		853,111.86
	Nanjing Ericsson Panda Communication Co., Ltd.		12,000.36
Notes payable	Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	<b>416,915.20</b>	
	Guizhou Zhenhua Hualian Electronics Co., Ltd		92,400.00
	Nanjing Zhenhua packing material factory		36,510.40

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## X. Related party relationship and transactions (continued)

### (VI) Balance due to or from related parties (continued)

#### 2. Payables (continued)

Items	related parties	Closing balance	Opening balance	
Other payables	China Electronics Corporation	<b>34,143,812.21</b>	34,000,000.00	
	Panda Electronic Group Co., Ltd.	<b>6,175,447.72</b>	9,789,918.95	
	Nanjing THALES Panda Transportation Systems Co., Ltd.	<b>860,265.92</b>	860,265.92	
	Nanjing China Electronics Panda Property Management Co., Ltd.	<b>521,396.27</b>	521,396.27	
	China National Electronics Import/Export Corporation	<b>195,539.62</b>	10,000.00	
	Panda (Beijing) International Information Technology Co., Ltd	<b>45,588.91</b>	45,588.91	
	Nanjing Electronics Information Industrial Corporation	<b>44,600.00</b>	74,600.00	
	Shanghai Panda Huning Electronic Technology Co., Ltd.	<b>22,907.00</b>		
	Nanjing Panda Technology Park Development Company Limited	<b>20,000.00</b>	20,000.00	
	Nanjing Panda Electronics Transport Company	<b>12,300.00</b>	130,495.47	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	<b>200.00</b>	200.00	
	Panda Electronics (Kunshan) Co., Ltd		300,000.00	
	Panda Electronics Import and Export (Hong Kong) Co., Ltd.	<b>3,824,207.39</b>	1,790,975.80	
	Payment in advance	Nanjing Panda Technology Park Development Company Limited	<b>233,334.00</b>	233,334.00
		Nanjing Panda Electronics Import/Export Co., Ltd	<b>117,000.00</b>	
		CEC Panda Flat Panel Display Technology Co., Ltd.	<b>20,020.00</b>	
Nanjing China Electronics Panda Appliances Co., Ltd		<b>5,506.17</b>	5,506.17	
Nanjing Panda Electronics Transport Company		<b>1,583.07</b>		
Panda Electronic Group Co., Ltd.		<b>621.83</b>	31,340.85	
Shaanxi Caihong Electronics Glass Co., Ltd.			5,100,000.00	
IRICO (Hefei) LCD Glass Co., Ltd.			4,190,400.00	
Nanjing Panda Handa Technology Co., Ltd			188,679.25	
Nanjing CEC Panda illumination Co., Ltd.			7,020.00	

## XI. Share-based payment

Nil

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. Commitments and contingencies

### (I) Significant commitments

#### 1. Significant commitments at the balance sheet date

The total minimum lease payment according to irrevocable operating lease contracts signed by the company is summarised below:

Item	Closing balance	Opening balance
Within 1 year	<b>2,312,790.16</b>	3,613,117.21
1-2 year	<b>2,600,392.31</b>	1,168,568.89
2-3 year	<b>30,000.00</b>	188,084.95
Total	<b>4,943,182.47</b>	4,969,771.05

At financial statement 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
Housing and building	<b>2,623,826.33</b>	2,926,971.73
Machinery and Equipment	<b>1,029,491.13</b>	1,029,491.13
Intangible assets/software	<b>48,157.69</b>	
Total	<b>3,501,559.33</b>	3,956,462.86

### (II) Contingencies

Please refer to X. (V).3. the Company's guarantee of bank loans for subsidiaries.

Here is no other significant contingencies after balance sheet date.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XIII. Events after balance sheet date

(I) No significant non-adjusted events at the current period

(II) Profit distribution

After the passing of the profit distribution proposal for 2016 at the 8th Board meeting of the eleventh section of Board of Directors, the company decided to distribute dividend based on the share capital of 913,838,539 shares at the end of the financial reporting period. The cash dividend per 10 share was RMB0.70(including tax) and RMB63,998,697.03 in total. The profit distribution proposal should be carried out after the approval of the shareholders meeting.

## XIV. Other significant events

(I) No accounting error correction of prior period

(II) No events related to debt restructuring during the current period.

(III) No events related to exchanging non-monetary assets during the current period.

(IV) 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.

(V) No events related to termination of business at the end of the period.

(VI) Segment reports

1. The basis of determination accounting policy for segment information

The company established 4 parts of segment reports on the basis of the internal organisational structure, management requirement, and internal report system. They are electronic manufacturing products, electronic equipment products, consumer electronics and others. Each segment provides different products and service, or activities from different areas. Due to the different demands of each segment applying for different technology and marketing strategy, the company's management control the different segments of business activities separately, and evaluate the operating results on a regular basis in order to allocate resources and evaluate its performance.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XIV. Other significant events (continued)

### (VI) Segment reports (continued)

- The basis of determination accounting policy for segment information (continued)

The transfer price between different segment is based on the market value, and the joint cost which should belong to each segment is allocated in accordance of the corresponding proportion. Assets are allocated in accordance of business performance and location. Liabilities includes the liabilities caused by business activities which belongs to its own segment. If the costs related to a joint liability, the liability would be allocated to different segments at the proportion.

- Financial information of the reported segment

Item	Electronic manufacturing products	Electronic equipment products	consumer electronics products	Other products	Undistributed	Eliminations among segments	Total
Trade income from third party	1,112,582,105.61	1,486,803,721.67	846,594,882.43	256,782,646.83			3,702,763,356.54
Trade income between segments	27,012,457.68	126,884,792.76	30,984,379.13	59,695,757.44		-244,577,387.01	-
Investment income from joint ventures and associated enterprises			300,721.43	94,757,326.12			95,058,047.55
impairment of assets	6,268,958.72	7,881,423.72	-8,213,514.15	226,344.76	8,273,706.01	-4,965,183.50	9,471,735.56
Depreciation and amortisation expense	27,890,298.27	34,261,918.59	6,762,055.44	5,671,753.20	21,942,596.00		96,528,621.50
Total Profit	34,917,703.31	64,072,900.77	18,063,581.75	66,800,043.97	62,740,423.62	-44,206,020.32	202,388,633.10
Income tax expense	4,196,759.65	5,791,209.68	6,086,625.50	16,559,599.09	-	744,777.53	33,378,971.45
Net profit	30,720,943.66	58,281,691.09	11,976,956.25	50,240,444.88	62,740,423.62	-44,950,797.85	169,009,661.65
Total assets	940,202,278.13	2,660,931,973.35	399,955,010.78	454,292,861.00	3,045,198,438.88	-2,260,604,144.16	5,239,976,417.98
Total liabilities	489,643,698.73	1,196,373,757.19	275,400,207.43	183,075,832.32	172,505,555.52	-587,423,034.14	1,729,576,017.05
Other non-cash expense beside							
Depreciation and amortisation expense							-
Long term investment for joint ventures and associated enterprises			10,381,275.38	512,709.34	352,182,138.42		363,076,123.14
Increase in other non-current assets besides long-term investment	3,713,519.64	31,199,356.26	256,958.53	1,659,864.87	127,817.71		36,957,517.01

### (VII) Other significant events

On 24 March 2016, controller of the company, Panda Group, provides its 93,880,000 normal shares of the company (all non-restricted shares, amounted to 10.27% of total shares of the company) as pledge against the RMB1, 000,000,000 loan lend by Nanjing Panda HanDa Technology Co., Ltd. (a fully owned subsidiary of Panda Group) from a syndication represented by Bank of Communications, Jiangsu Branch.



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement

### (I) Accounts Receivable

#### 1. Accounts receivable shown by classification

Type	Closing balance				
	Carrying Amount		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually	57,168,401.89	67.27	58,660.53	0.10	57,109,741.36
Accounts receivable with individual insignificance but individually accruing bad debt provision	27,809,483.88	32.73	2,709,290.47	9.74	25,100,193.41
Total	84,977,885.77	/	2,767,951.00	/	82,209,934.77

Type	Opening balance				
	Carrying Amount		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and individually accruing bad debt provision	74,579,162.05	82.30	4,827,759.04	6.47	69,751,403.01
Accounts receivable with individual insignificance and individually accruing bad debt provision	16,043,222.75	17.70	1,566,670.98	9.77	14,476,551.77
Total	90,622,384.80	/	6,394,430.02	/	84,227,954.78

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (I) Accounts Receivable (continued)

#### 1. Accounts receivable shown by classification (continued)

Accounts receivable with individual significance and individually accruing bad debt provision at the year-end

Debtor	Account receivable	Closing balance		Reason
		Bad debt provision	Percentage (%)	
Binhai Radio and Television Bureau	19,913,100.00			Expected can be recovered
PANDA Electronics Group Co., Ltd.	10,000,000.00			Expected can be recovered
Jiangsu Cable Network Development Co. Ltd sihong Branch	9,354,000.00			Expected can be recovered
Nanjing zhonggang Electricity Co., Lt	6,920,590.09			Expected can be recovered
Nanjing Huaying Electronic Technology Co., Ltd	5,865,000.00			Expected can be recovered
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	5,115,711.80	58,660.53	1.15	Current value of the expected future cash flow is lower than its carrying value
Total	<u>57,168,401.89</u>	<u>58,660.53</u>	<u>/ /</u>	

#### 2. Provision, transfer and recovery of bad debts in the period

Provision amount for bad debt in current period totalled RMB0.00;

Provision amount for bad debt reversed or received in current period totalled RMB3,626,479.02.

The significant situation of provision, transfer and recovery of bad debts

Name of debtor	The amount of back or withdraw	The Basis	Approach	Reasons
Sheyang County Broadcasters	1,195,225.52	Specific provision	Cash and Bank	Received
Binhai Radio and Television Bureau	2,415,018.84	Specific provision	Cash and Bank	Received
Total	<u>3,610,244.36</u>			

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (I) Accounts Receivable (continued)

3. No accounts receivable effectively verified in the period.
4. The top five debtors of accounts receivable at the end of the year

Debtor	Amount	Closing balance Proportion of total account receivable (%)	Bad debt provision
Binhai Radio and Television Bureau	19,913,100.00	23.43	
PANDA Electronics Group Co., Ltd.	10,000,000.00	11.77	
Jiangsu Cable Network Development Co. Ltd Sihong Branch	9,354,000.00	11.01	
Nanjing Zhonggang Electricity Co., Ltd	6,920,590.09	8.14	
Nanjing Huaying Electronic Technology Co., Ltd	5,865,000.00	6.90	
Total	<u>52,052,690.09</u>	<u>61.25</u>	

5. No accounts receivable to be derecognised due to the transfer of financial assets in the period.
6. No transferred accounts receivable in which the company continued to involve and relevant assets or liabilities formed.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (II) Other receivables

1. Disclosure of other receivables classified by type:

Items	Carrying amount		Closing balance		Book value
	Amount	proportion (%)	Amount	Bad debt provision proportion (%)	
Other receivables with individual significance and individually accruing bad debt provision	330,137,608.77	98.17	35,189,244.32	10.66	294,948,364.45
Other receivables without individual significance but individually accruing bad debt provision	6,141,462.43	1.83	1,300,842.25	21.18	4,840,620.18
Total	336,279,071.20	/	36,490,086.57	/	299,788,984.63

Items	Carrying amount		Closing balance		Book value
	Amount	proportion (%)	Amount	Bad debt provision proportion (%)	
Other receivables with individual significance and individually accruing bad debt provision	303,915,666.11	97.27	27,181,051.51	8.94	276,734,614.60
Other receivables without individual significance but individually accruing bad debt provision	8,542,424.77	2.73	2,493,339.34	29.19	6,049,085.43
Total	312,458,090.88	/	29,674,390.85	/	282,783,700.03

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (II) Other receivables (continued)

#### 1. Disclosure of other receivables classified by type: (continued)

Other receivables with individual significance and individually accruing bad debt provision

Debtor	other receivable	closing balance		reason
		bad debt provision	(%) proportion	
Nanjing panda handa technology co., Ltd	135,061,588.53	10,487,739.19	7.77	Current value of the expected future cash flow is lower than its carrying value
Hongkong Jiaheng Industrial Co. Ltd.	65,901,500.00		–	Expected can be recovered
Nanjing panda electronic technology co., Ltd	54,729,600.00		–	Expected can be recovered
Nanjing Huage Electric Plastic Co., Ltd.	50,000,000.00	2,500,000.00	5.00	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda international communications system co., LTD	15,285,045.29	15,285,045.29	100.00	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda Machinery Manufacture co., LTD	9,159,874.95	6,916,459.84	75.51	Current value of the expected future cash flow is lower than its carrying value
Total	<u>330,137,608.77</u>	<u>35,189,244.32</u>		

#### 2. Provision, transfer and recovery of bad debts in the period

Provision amount for bad debt in current period totalled RMB9,038,879.37; Provision amount for bad debt reversed or received in current period totalled RMB765,173.36.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (II) Other receivables (continued)

3. Other receivables effectively verified in this period

Item	Verified Amount
Other receivables effectively verified	1,458,010.29

4. Other receivables classified by nature

Nature of receivables	Carrying amount at the end of the period	Carrying amount in the beginning of the year
Current account balance	333,472,213.18	256,348,222.09
Relocation compensation		52,400,000.00
Others	2,806,858.02	3,709,868.79
Total	336,279,071.20	312,458,090.88

5. Other receivables with top 5 balances at the end of the period classified by borrowers

Debtor	Nature	Closing balance	Aging	Proportion (%)	Closing balance of bad debt provision
Nanjing panda handa technology co., Ltd	Current account balance	135,061,588.53	1-5years	40.16	10,487,739.19
Hongkong Jiaheng Industrial Co. Ltd.	Current account balance	65,901,500.00	1-4 years	19.60	
Nanjing panda electronic technology co., Ltd	Current account balance	54,729,600.00	1-2 years	16.28	
Nanjing Huage Electric Plastic Co., Ltd.	Current account balance	50,000,000.00	1-4 years	14.87	2,500,000.00
Nanjing Panda international communications system co., LTD	Current account balance	15,285,045.29	3-4 years	4.55	15,285,045.29
Total	/	320,977,733.82	/	95.46	28,272,784.48

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (II) Other receivables (continued)

6. No account receivable refer to the government subsidy in the period.
7. No accounts receivable to be derecognised due to the transfer of financial assets in the period.
8. No transferred accounts receivable in which the company continued to involve and relevant assets or liabilities formed.

### (III) Long-term equity investment

Items	Closing Balance		
	Book balance	Impairment Provision	Book Value
Investment in subsidiaries	1,467,753,659.27	7,655,000.00	1,460,098,659.27
Investment in associates and joint ventures	352,182,138.42		352,182,138.42
Total	<u>1,819,935,797.69</u>	<u>7,655,000.00</u>	<u>1,812,280,797.69</u>

Items	Opening Balance		
	Book balance	Impairment Provision	Book balance
Investment in subsidiaries	1,479,713,784.42	16,405,000.00	1,463,308,784.42
Investment in associates and joint ventures	437,193,840.00		437,193,840.00
Total	<u>1,916,907,624.42</u>	<u>16,405,000.00</u>	<u>1,900,502,624.42</u>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (III) Long-term equity investment (continued)

#### 1. Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	losing balance of provision for impairment
Nanjing Panda Precise Machine Co., Ltd	5,627,934.12		5,627,934.12	-		
Nanjing Panda Machine Co., Ltd	2,582,191.03		2,582,191.03	-		
Nanjing Panda Mechanical Engineering Plant	30,042,016.46			30,042,016.46		
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98			176,736,513.98		
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10			111,221,994.10		
Nanjing Panda Power Technology Co., Ltd.	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.	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.	700,000,000.00			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	5,000,000.00		6,000,000.00		
Shenzhen Jinghua Electronics Co., Ltd	119,241,304.00			119,241,304.00		
Galant Limited				-		
<b>Total</b>	<b>1,479,713,784.42</b>	<b>5,000,000.00</b>	<b>16,960,125.15</b>	<b>1,467,753,659.27</b>		<b>7,655,000.00</b>



# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (III) Long-term equity investment (continued)

#### 2. Investment in associates and joint ventures

Investee	Opening balance	Increase/Decrease							Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
		Investments increased	Investments decreased	Investment income increased or loss recognised under equity method	Adjustments in other comprehensive income	Other changes in equity	Dividends or profits declared	others			
1. Joint Ventures											
2. Associates											
Nanjing Ericsson Panda Communication Co., Ltd.	248,700,240.00			58,763,340.00			70,823,618.00			236,639,962.00	
Beijing SE Putian Mobile Communications Co., Ltd	188,493,600.00			36,020,576.42			108,972,000.00			115,542,176.42	
Nanjing Huaxian High Technology Co., Ltd											
<b>Total</b>	<b>437,193,840.00</b>	<b>-</b>	<b>-</b>	<b>94,783,916.42</b>	<b>-</b>	<b>-</b>	<b>179,795,618.00</b>	<b>-</b>	<b>-</b>	<b>352,182,138.42</b>	<b>-</b>

Note: The book value of Nanjing Huaxian High Technology Co., Ltd has been to RMB0.00

### (IV) Operating income and operating cost

Items	Current period		Preceding period	
	income	Cost	income	Cost
Principal business	<b>133,464,018.86</b>	<b>98,992,266.47</b>	62,162,918.39	47,570,602.30
Other business	<b>28,588,739.10</b>	<b>18,530.54</b>	15,038,164.24	591,201.42
<b>Total</b>	<b>162,052,757.96</b>	<b>99,010,797.01</b>	<b>77,201,082.63</b>	<b>48,161,803.72</b>

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XV. Notes to items of parent company financial statement (continued)

### (V) Investment income

Items	Current period	Preceding period
Investment income from long-term equity investments under cost method	34,632,739.01	48,299,221.00
Investment income from long-term equity investments under equity method	94,783,916.42	184,778,510.00
Gains on bank wealth investment products	10,800,193.40	19,547,414.19
Total	140,216,848.83	252,625,145.19

## XVI. Supplementary information

### (I) Breakdown of extraordinary profit and loss for the period

Items	Amount	Note
Gain or loss on disposal of non-current assets	-1,563,807.88	
Tax refund or exemption with unauthorised approval or no formal approval document		
Government grants included in profits or losses (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	50,281,786.59	Note
Capital use fee received from nonfinancial enterprises recognised as gain or loss for the period		
Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee's identifiable net assets, where investment cost is less than the share of the fair value		
Gains or losses on exchange of non-monetary assets		
Gains or losses on entrusted investment or management of assets	13,225,725.95	
Provision for impairment of assets due to force majeure such as natural disasters		

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XVI. Supplementary information (continued)

### (I) Breakdown of extraordinary profit and loss for the period (continued)

Items	Amount	Note
Gains or losses on debt restructuring		
Expenses for reorganization such as expenditure for staffing and integration expenses, etc.		
Gains or losses on the excess beyond fair value in the transaction with unfair price		
Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net		
Gains or losses on contingencies that is in no connection with the normal operation of the Company		
Gain or loss on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale		
Reversal of provisions for impairment of trade receivables individually subjected to impairment test	12,780,323.64	
Profit or losses from external entrusted loans		
Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value		
Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for current period		
Trustee fee income from entrusted operations		
Other non-operating income and expenses other than the aforementioned items	13,438,076.41	
Other items of gain or loss in accordance with the definition of extraordinary profit and loss		
subtotal	88,162,104.71	
Impact of income tax	6,958,893.58	
Impact of minority shareholders' interests	2,460,045.53	
Total	78,743,165.60	

Note: According to regulations of "Notice on Value Added Tax Policy for Software Products" (Cai Shui [2011] No. 100), when ordinary VAT payers sell products that are self-developed or products that are imported but modified to meet localised 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. As the income of software tax refund is related to principal business and this amount of government subsidiary is being accounted for through profit or loss as an ordinary profit or loss item.

# Notes to the 2016 Financial Statements (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

## XVI. Supplementary information (continued)

### (II). Return on net assets and earnings per Share:

Profits of the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	3.6662	0.1305	0.1305
Net profit after deducting extraordinary profit and loss attributable to ordinary shareholders of the Company	<u>1.2451</u>	<u>0.0443</u>	<u>0.0443</u>

# Documents Available for Inspection

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1. Original financial statements signed and sealed under the hand of the Head of the Company, the Chief Accountant and the Head of the Accounting Department (person in charge of accounting matters).
2. Original auditors' report, with the auditing firm's 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: Xu Guofei*

Date of approval by the Board for submission: 29 March 2017