

# PANDA Electronics

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Nanjing Panda Electronics Company Limited

# 2017

## Interim Report

(H Share Stock Code : 0 5 5 3 )

(A Share Stock Code : 600775)



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### IMPORTANT NOTICE

1. The board of directors (the "Board"), the supervisory committee and the directors, supervisors and senior management of the Company confirm that the information contained in this interim report is true, accurate and complete without any misrepresentation, misleading statements, or material omissions, and severally and jointly accept legal responsibility for the contents herein.
2. All directors attended the thirteenth meeting of the eighth session of the Board of the Company held on 30 August 2017.
3. The interim financial report of the Company is unaudited.
4. Mr. Xia Dechuan, the corporate representative, Mr. Shen Jianlong, the chief accountant, and Ms. Liu Xianfang, the accounting supervisor (person in charge of accounting matters) of the Company, declared that they confirmed the truthfulness, accuracy and completeness of the financial report contained in this interim report.
5. The Company would not make any profit distribution or capitalization of capital reserve for the first half of 2017.
6. Forward looking statements, including future plans and development strategies, contained in this interim 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 have 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. The Company has elaborated the potential risks in this interim 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 interim report.

## SECTION I DEFINITIONS

### I. Definitions

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

#### Definitions of frequently-used terms

Company	Nanjing Panda Electronics Company Limited (南京熊猫電子股份有限公司)
Group	Nanjing Panda Electronics Company Limited and its subsidiaries
PEGL	Panda Electronics Group Limited (熊猫電子集團有限公司)
PEGL Group	Panda Electronics Group Limited and its subsidiaries
NEIC	Nanjing Electronics Information Industrial Corporation (南京中電熊猫信息產業集團有限公司)
NEIC Group	Nanjing Electronics Information Industrial Corporation and its subsidiaries
CEC	China Electronics Corporation (中國電子信息產業集團有限公司)
CEC Group	China Electronics Corporation and its subsidiaries
Financial Company	China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)
Shenzhen Jinghua	Shenzhen Jinghua Electronics Co., Ltd. (深圳市京華電子股份有限公司)
Electronics Equipment Company	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫電子裝備有限公司)
Information Industry Company	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息產業有限公司)
Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫電子製造有限公司)
Communications Technology Company	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技(有限)公司)
Technology Development Company	Nanjing Panda Electronic Technology Development Company Limited (南京熊猫電子科技發展有限公司)
China Huarong	China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
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

## SECTION II 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 and General Manager)

### II. Contact Persons and Contact Information

	Secretary to the Board	Securities Affairs Representative
Name	Shen Jianlong	Wang Dongdong
Correspondence address	7 Jingtian Road, Nanjing, the People's Republic of China	7 Jingtian Road, Nanjing, the People's Republic of China
Telephone	(86 25) 84801144	(86 25) 84801144
Facsimile	(86 25) 84820729	(86 25) 84820729
Email	dms@panda.cn	dms@panda.cn

### III. Changes in 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 of the Company	<a href="http://www.panda.cn">http://www.panda.cn</a>
Email	dms@panda.cn
Index of changes during the Reporting Period	N/A

### IV. Places for Information Disclosure and Inspection

Designated newspapers for information disclosure	Shanghai Securities News, China Securities Journal
International websites for the publication of the Company's interim 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 interim report	Office of the Secretary to the Board, 7 Jingtian Road, Nanjing, the People's Republic of China
Index of changes during the Reporting Period	N/A

## V. Information of the Company's Shares

Overview of the Company's shares				
Class of shares	Stock exchange on which the shares are listed	Stock abbreviation	Stock code	Stock abbreviation before change
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

N/A

## VII. Major Accounting Data and Financial Indicators of the Company (prepared in accordance with the PRC Accounting Standards for Business Enterprises)(Unaudited)

### (I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	Reporting Period (January–June 2017)	Corresponding period of last year (January–June 2016)	Change from corresponding period of last year (%)
Operating income	<b>1,751,575,928.03</b>	1,519,196,108.29	15.30
Net profit attributable to shareholders of the Company	<b>44,885,550.09</b>	54,654,239.10	-17.87
Net profit attributable to shareholders of the Company after extraordinary items	<b>31,268,811.21</b>	10,166,760.02	207.56
Net cash flow from operating activities	<b>136,865,399.94</b>	81,935,334.93	67.04
	<b>At the end of the Reporting Period (30 June 2017)</b>	At the end of last year (31 December 2016)	Change from corresponding period of last year (%)
Net assets attributable to shareholders of the Company	<b>3,301,203,910.13</b>	3,320,270,553.39	-0.57
Total assets	<b>5,532,486,763.84</b>	5,239,976,417.98	5.58

### (II) Key financial data

Unit: Yuan Currency: RMB

Key financial indicators	Reporting Period (January–June 2017)	Corresponding period of last year (January–June 2016)	Change from corresponding period of last year (%)
Basic earnings per share (RMB/share)	<b>0.0491</b>	0.0598	-17.89
Diluted earnings per share (RMB/share)	<b>0.0491</b>	0.0598	-17.89
Basic earnings per share after extraordinary items (RMB/share)	<b>0.0342</b>	0.0111	208.11
Weighted average return on net assets (%)	<b>1.35</b>	1.67	Decreased by 0.32 percentage points
Weighted average return on net assets after extraordinary items (%)	<b>0.95</b>	0.31	Increased by 0.64 percentage points

Explanation on principal accounting data and financial indicators of the Company:

The increases in net profit and basic earnings per share attributable to shareholders of the Company after extraordinary items are mainly due to the fact that a larger amount of extraordinary items was recorded for the corresponding period of last year as a result of increased non-operating income; the increase in net cash flow from operating activities is mainly attributable to the collection of receivables relating to sales of goods in the current period.

## VIII. Difference between Accounting Data Prepared under Hong Kong and PRC Accounting Standards

N/A

## IX. Extraordinary items and amounts

Unit: Yuan Currency: RMB

Extraordinary items	Amount
Gain/loss on disposal of non-current assets	27,066.49
Government grants counted into the current profit and loss, except for those closely related to the ordinary operation of the Company and received constantly at a fixed amount or quantity according to certain standard based on state policies	10,383,747.98
Profit and loss from entrusting others for investment or asset management	6,678,254.39
Reversal of impairment provision of accounts receivable that have undergone individual impairment tests	398,161.24
Other non-operating , net income and expenses	-185,244.95
Extraordinary profit and loss attributable to minority shareholders	-1,122,646.85
Effect of income tax	-2,562,599.42
Total	13,616,738.88

## SECTION III 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

Principal businesses of the Company involve the intelligent manufacturing equipment segment, industries in relation to smart cities and electronic manufacturing services.

As represented by industrial robots, intelligent manufacturing equipment segment concerns intelligent manufacturing equipment, intelligent factories and solutions to intelligent manufacturing systems. Products thereunder include industrial robots for general purposes, welding robots, handling robots, core components for robots, industrial robot systems, system software and equipment for intelligent factories and the intelligent manufacturing system integration.

Characterized by intelligent information system for urban rail transit and the new generation of information communication system, industries in relation to smart cities include the subway fare clearing system, the AFC system, the subway communication system and other intelligent transit terminal equipment, building intelligent project, digital trunking system, mobile video surveillance system, Mesh ad hoc network communication system, pico-cell base station, time-frequency equipment and specific communication equipment, radio and television broadcast transmission and receipt system as well as consumer electronic products for home intelligent information terminals.

Centered around EMS, electronic manufacturing services of the Company provide design, production and supply chain management services for the relevant electronic products and are concurrently engaged in plastic injection molding, painting, assembling and processing businesses as well as new special polymer material products used for communication.

#### (II) Operating model

Adopting the appropriately diversified operating mode targeted at electronic information sector. The Company applied the appropriately diversified operating mode to its three core business sectors, namely intelligent manufacturing, smart cities and electronic manufacturing services. Capitalizing on the strategy of independent research and development in combination with international cooperation, the Company managed to become a domestic top-notch provider in regard of intelligent manufacturing solutions and core equipment as well as solutions and relevant equipment for smart cities. In addition, the Company continued to consummate the "agile, lean and smart" electronic manufacturing service system and formed a complete EMS manufacturing industrial chain from research and development, supply chain management, manufacturing, quality assurance to worldwide logistics, thereby providing ODM services to global well-known enterprises.

Utilizing the multifaceted operating mode integrating design, production, sale and services. Based on customer demands, the Company has researched and developed, produced and sold a variety of equipment terminal products and consumer electronics products. Over the years, the Company has been upholding the development strategy of technology innovation and vigorously pressing ahead innovation in its core technology of independent intellectual property rights, with a view to transforming from the manufacturing of mostly the terminal products to development of upstream critical components, kernel base technology and system equipment. Meanwhile, the Company kept optimizing the industrial structure and product mix and pioneering the industry field and business varieties, aiming to develop into a full-service provider and an operating service provider from a mere equipment and engineering supplier. Moreover, the Company has established distinctive marketing systems for the clientele based on different product lines so as to phase in the development mode which is bolstered up by general contracting for system engineering and provision of comprehensive solutions for customers.

Practicing the joint venture mode. The Company proactively carried out international cooperation, and has set up joint ventures with international and domestic well-known enterprises. 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 the first half of 2017, the electronic information industry in China manifested a favorable development momentum, maintained a steady growth in the industry-wide production and recorded better results in export as compared with the corresponding period of last year, efficiency status satisfactory in general and high-level growth in fixed asset investment. Manufacturers above designated size achieved value added growth of 13.9%, 4.7 percentage points higher than that of the corresponding period of last year and 7.0 percentage points higher than the growth rate of the entire industries above designated size, and accounted for 7.2% of the industries above designated size. Export increased rapidly and export delivery value increased by 13.4% year-on-year in the first half of the year (the corresponding period of last year: declined by 2.4%). In particular, export delivery increased by 15.4% year on year in June.

#### 1. Intelligent manufacturing equipment

Intelligent manufacturing and robot industry represents the close integration of information technology, intelligent technology and equipment manufacturing technology and momentarily indicates a nation's technological innovativeness and high-end manufacturing standards. China is currently poised to start a new round of technology revolution in the intelligent manufacturing sector. In order to accelerate the economic transformation and upgrade, create new international competitive edges and gain initiatives in development, our government, various associations and enterprises have paced up development in the intelligent manufacturing sector. The government has initiated the overall arrangement on the formulation of technical standards and fostering planning concerning the industry and classed intelligent manufacturing as prior development target in Made in China 2025 (《中國製造2025》), the programmatic document for the strategy of reinvigorating China in virtue of manufacturing. In addition, the Development Planning for Robot Industry (《機器人產業發展規劃》) was also promulgated recently. From the perspective of associations, a considerable number of service platforms and unions in relation to intelligent manufacturing, intelligent equipment, intelligent application and robots were established successively and produced increasingly prominent incentive effects. As for the enterprises, a batch of mainstay enterprises energetically increased investment in research and development and accelerated the implementation of trial projects, whose leading and demonstration role as flagship enterprises is growing increasingly strong. The market size of intelligent manufacturing in China has exceeded RMB1 trillion at present and is expected to reach RMB3 trillion by the end of the "13th Five Year Plan".

In the field of intelligent manufacturing equipment, 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 (熊貓電子裝備園), Panda Electronic Manufacturing Park (熊貓電子製造園) and by continuously perfecting infrastructure for R&D and meeting requirements for industrialization. The Company took the lead in self-development and industrialization of core technology of robotic control system, with its whole set intelligent manufacturing equipment (成套智能製造裝備) employed in projects such as production lines for panel and glass substrate as well as factory automatic equipment in the industry of new type of display. In addition, the Company, as the general contractor, also started to undertake modification projects for intelligent factories of well-known domestic companies. 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.

## 2. Smart cities

In order to solve problems arising during development of cities and maintain urban sustainable development, construction of smart cities has become an irreversible historic trend of city development in the contemporary world. Construction of smart cities has been carried out in many regions in China and abroad and has brought along a range of results.

### (1) *Urban rail transit in smart cities*

During the "13th Five Year Plan" period, the implementation period of the national new urbanization planning, in the face of exacerbating congestion as a result of the expansion of city size, the National New Urbanization Planning (《國家新型城鎮化規劃》) requests for substantial increase in the share of ridership of urban rail transit, which has forcefully boosted the development of urban rail transit. So far, tentative planning for the development of urban rail transit has been put forward in around 100 cities across China. In particular, construction has been commenced in 40 cities, preliminary work such as planning, reconnaissance survey, design and consultation has been carried out in around 60 cities, and the construction is mostly expected to commence during the "13th Five Year Plan" period. Another 100 II-type cities with no such planning in the pipeline are also beset by traffic congestion problems and therefore some of them are also likely to commence construction during the "13th Five Year Plan". It is foreseeable that the pageantry of construction of urban rail transit at the same time in more than 80 cities in the next five years. The subway mileage in China is expected to total 6000 kilometers and the investment amount will be RMB4 trillion by 2020.

The Company has grown into an excellent provider of domestic and overseas rail transit equipment and solutions. In particular, the equipment and system of the Company in respect of automatic fare collection system, fare clearing system and communication assembly system have been applied to the rail transits of many domestic and overseas cities. What's more, in the first half of the year, the Company, in cooperation with Wuxi Metro, introduced check-in by QR code scanning business for the first time in China, which will further promote the development of the rail transit business of the Company. As directed by the industry policies of the government, the Company made attempts on the investment and financing commercial modes including PPP and BOT with a view to enlarging the business scale of the Company in rail transit sector. As driven by the "Belt and Road Initiative" and increasingly strong support of national policies, the Company is in possession of overwhelming advantages in the "Go-global" of rail transit.

### (2) *Communication equipment in smart cities*

With the all-around implementation of "Broadband China" strategy, it has built a new generation of high-speed, mobile, safe and extensive 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. Internet of Everything represents the future development trend.

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. 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 and preempting the head start; in respect of the mobile video monitoring products, the Company made technological breakthroughs in key products, which were well received in certain emergency communication fields. In addition, broadcast and television products developed by the Company have also been applied in some cities. In this regard, the transmitter for broadcast and television of the Company was utilized in Sansha, the southernmost city of China, and transmitted television signals pertaining to China in the South China Sea for the first time. The Company also achieved remarkable results in the construction of intelligent buildings in cities and made breakthroughs in the research and development of smart home-related products.



### 3. Electronic manufacturing services

The Company generalized the lean management and devoted more efforts on intelligent factory transformation aiming for quality and efficiency enhancement. It adopted the customer-centric approaches to serve its customers, most of which are listed on the Fortune Global 500. Moreover, it will further expand its scale so as to generate better benefits for the Company.

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

As at the end of the Reporting Period, total assets of the Company increased by 5.58% over the beginning of the Reporting Period, including an increase of 8.68% in long-term equity investments, a decrease of 2.71% in fixed assets and a decrease of 3.26% in intangible assets respectively as compared with the beginning of the Reporting Period. In addition, the overseas assets amounted to RMB91,570,237.93, representing 1.66% 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

During the Reporting Period, the Company improved its core competitiveness in respect of its kernel management team, key technical professionals, proprietary equipment and other resource factors, which have resulted in beneficial effects to the Company. The Company restructured its organizational framework and instituted preferential policies to attract and recruit excellent talents. The Company launched the project on "Industrialization of Display Panel Package Intelligent System Based on Homemade Robots (基於國產機器人的成套顯示面板製造智能系統產業化)", one of the national technological transformation projects for the electronic information industry, and Electronic Manufacture Company, a subsidiary of the Company, launched the project on "R&D and Industrialization of Intelligent Factories (智能工廠研發與產業化)", a national special project on new type intelligent manufacturing, both of which were expected to substantially level up the technological standards of the proprietary high-tech fixed asset equipment of the Company in the intelligent manufacturing sector.

The Company made new achievements in respect of patents and intellectual property rights. During the Reporting Period, the Company obtained 31 state-licensed new patents including 10 invention patents and presented 14 new patent applications including 6 invention patents. Highly sophisticated technologies were concentrated on the patented technologies for the industrial robot, the multipurpose welding robot and the robot controller in the intelligent manufacturing sector and for the credit payment used in the rail transit automatic fare collection system (which was based on the IMEI-capture technology used in mobile phones), the security pass system and setup methods, the auto-gate based on the automatic payment and transmission device of mobile phones automatic online ticketing machine, the LTE integrated pico-base station, portable satellite terminals and the integrated power combiner for turreted high-power transmitter in the smart city sector. Such patented technologies have had material and positive effects on the improvement of core competitiveness in respect of the businesses with proprietary intellectual property rights and the self-owned brand sectors of the Company.

During the Reporting Period, the Company established the industrial development mode and concentrated its efforts to make decisions on the strategic layout for the two major segments, i.e., the smart city sector mainly comprising the urban rail transit information equipment system, the intelligent building system, broadcast and television transmitter and receiver system and the dedicated urban management communication system, and the intelligent manufacturing sector mainly comprising industrial robots, intelligently-manufactured whole-set equipment system and intelligent factories. The principal industrial layout of the Company was summarized as intelligent manufacturing and smart city sectors and electronic manufacturing services (EMS for short). Meanwhile, the Company also planned to make an attempt on "Internet +", innovations on commercial mode, domestic and overseas takeovers and other sectors. What's more, the Company achieved breakthrough in key technologies concerning intelligent manufacturing and programmed to venture into artificial intelligence and other techno-spheres such as big data and cloud services.

With respect to intelligent manufacturing equipment, smart cities and other sectors, the Company promoted the restructuring of 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. Capitalizing on the strategy of independent research and development in combination with international cooperation, the Company managed to become a domestically top-notch provider in regard of intelligent manufacturing solutions and core equipment as well as solutions and relevant equipment for smart cities.

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). BPR technique has been widely applied in SMT production. 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. Besides, capitalizing on the R&D platform of "Jiangsu LCD module controller and manufacturing process and engineering technology research centre", it provided clients with manufacturing and services in terms of LCD timing controller and backlight products.

## SECTION IV DISCUSSION AND ANALYSIS OF THE OPERATION

### I. Discussion and analysis of the operation

In the first half of 2017, the Company devoted great efforts in structural adjustment and market exploitation, steadily carried forward various works such as quality improvement and efficiency enhancement, scientific research and development, management enhancement, and commendably fulfilled the operation indicators and main tasks assigned by the Board, thus maintaining a sound development momentum. During the Reporting Period, the Company recorded operating income of RMB1,751,575,900, total profit of RMB79,609,300 and net profit attributable to shareholders of the parent company of RMB44,885,600.

#### (I) Analysis of principal operations

##### 1. Analysis of changes in relevant items in the financial statements (Unaudited)

Unit: Yuan Currency: RMB

Item	Amount for current period (January-June 2017)	Amount for corresponding period of last year (January-June 2016)	Change (%)
Operating income	<b>1,751,575,928.03</b>	1,519,196,108.29	15.30
Operating costs	<b>1,501,200,035.86</b>	1,305,905,874.49	14.95
Cost of sales	<b>23,862,747.13</b>	22,239,612.92	7.30
Administrative expenses	<b>182,033,834.58</b>	211,180,446.91	-13.80
Financial expenses	<b>-2,210,703.19</b>	-10,345,705.77	N/A
Net cash flows from operating activities	<b>136,865,399.94</b>	81,935,334.93	67.04
Net cash flows from investment activities	<b>-221,731,235.10</b>	6,671,445.44	-3,423.59
Net cash flows from financing activities	<b>-7,628,731.76</b>	-920,126.73	N/A
R&D expenses	<b>83,028,112.67</b>	94,501,619.24	-12.14
Assets impairment loss	<b>7,105,725.45</b>	-1,392,030.84	N/A
Investment income	<b>38,928,575.85</b>	71,203,413.30	-45.33
Non-operating income	<b>11,051,864.69</b>	46,903,833.37	-76.44
Non-operating expenses	<b>826,295.17</b>	2,762,465.36	-70.09

Reasons for the changes:

- (1) Financial expenses: mainly due to the increase in exchange loss during the period resulting from changes in RMB exchange rate;
- (2) Net cash flows from operating activities: mainly due to recovery of receivables relating to sales of products during the period;
- (3) Net cash flows from investing activities: mainly due to the purchase of wealth management products from banks;
- (4) Net cash flows from financing activities: mainly due to payment of dividends payable to minority shareholders by subsidiaries;
- (5) Assets impairment loss: mainly due to provision for impairment made for the period;
- (6) Investment income: mainly due to the decrease in share of net profit of associates recognized under equity method for the period;
- (7) Non-operating income: mainly due to the decrease in government subsidy recognized according to accounting standards during the period;
- (8) Non-operating expenses: mainly due to the increase in tax arising from disposal of assets for the previous period.

2. Others
- (1) Explanation on material changes in the Company's profit structure or sources: N/A
- (2) Others: N/A

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

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

1. Assets and liabilities

Unit: 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 (%)	Remarks
Bills receivable	201,196,894.84	3.64	312,972,457.59	5.97	-35.71	Mainly due to decrease in account receivables settled by bills during the period
Prepayments	291,367,921.33	5.27	143,140,748.06	2.73	103.55	Mainly represents prepayments for projects, which are not settled since the projects are not completed
Inventories	587,629,521.40	10.62	438,042,391.88	8.36	34.15	Mainly due to increases in inventory items of raw materials and product stock during the period
Other current assets	467,936,947.66	8.46	259,018,893.89	4.94	80.66	Mainly due to increase in purchased wealth management products at the end of the period
Construction in progress	2,155,851.92	0.04	1,502,221.31	0.03	43.51	Mainly due to the assets purchased in the period yet to be transferred to fixed assets
Receipts in advance	205,070,485.58	3.71	132,694,559.25	2.53	54.54	Mainly due to increase in advance receipt of construction payment during the period
Tax payable	32,544,173.38	0.59	46,593,961.13	0.89	-30.15	Mainly due to decrease in VAT payable at the end of the period
Interest payable	56,311.64	0.00	23,835.62	0.00	136.25	Mainly related to interest accrued on short-term borrowings during the period

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 (%)	Remarks
Dividend payable	67,285,832.62	1.22	18,529,612.95	0.35	263.13	Mainly related to dividend payable on ordinary shares
Other current liabilities	15,400,000.00	0.28	9,700,000.00	0.19	58.76	Mainly due to increase in government grants not yet recognized under relevant accounting standards at the end of the period
Deferred income	12,451,368.08	0.23	8,918,416.06	0.17	39.61	Mainly due to receipt of government grants related to income for compensation for expenses of future periods, which was recognized as deferred income

2. Main restrictions on assets as at the end of the Reporting Period: N/A
3. Other explanations: N/A

#### (IV) Analysis of investments

1. Overall analysis of equity investment

In 2017, the Company not only further optimized corporate structure and accelerated business transformation and upgrade, but also disposed inefficient and low-productive assets while ensuring no negative impact on relevant operation and business activities. Nanjing Panda International Telecommunication System Co., Ltd., a holding subsidiary of the Company, has ceased operation after completing the deregistration with the industrial and commercial administration authority in June 2017 as well as the deregistration procedures with the state and local tax authorities on 20 July 2017 and 11 August 2017 respectively. The closedown of the company did not have any material impact on the overall operation and performance of the Company.

- (1) Material equity investment: N/A
- (2) Material non-equity investment: N/A
- (3) Financial assets measured at fair value: N/A

#### (V) Disposal of material assets and equity interest: N/A

## (VI) Analysis of major subsidiaries and investee companies

### 1. Information of major subsidiaries

Unit: 0'000 Currency: RMB

Subsidiary	Major products or services	Registered capital	30 June 2017		January to June 2017	
			Total assets	Net assets	Operating income	Net profit
Electronics Equipment Company	Manufacture and sale of automatic transmission equipment and industrial robots	19,000	78,424.53	31,457.55	24,606.18	261.08
Information Industry Company	Production and sale of AFC and ACC systems and equipment of railway transit, building intellectualization and system integration	USD3,194.6435	114,601.78	33,124.28	42,862.21	1,634.36
Electronic Manufacture Company	EMS services	USD2,000	69,532.76	36,844.33	41,458.61	1,512.61
Communications Technology Company	Manufacture and sale of mobile communication, digital communication and network communication systems and products	10,000	17,825.36	14,330.02	2,450.08	318.30
Nanjing Panda Xinxing Industrial Co., Ltd.	Property and catering services	2,000	5,698.15	3,006.13	5,640.50	172.38
Technology Development Company	Manufacturing of general purpose equipment, software development, and property management	70,000	76,088.00	64,696.48	750.08	-1,266.95
Shenzhen Jinghua	Research and development, manufacturing and sales of communication equipment and digital products	11,507	47,631.86	35,573.88	31,275.02	3,322.78

### 2. Information of major investee companies (January to June 2017)

Unit: 0'000 Currency: RMB

Name of investee company	Operating income	Net profit	Equity interests held by the Company	Investment income received by the Company
Nanjing Ericsson Panda Communication Co., Ltd.	430,702.51	11,047.73	27%	2,982.89
Beijing SE Putian Mobile Communication Co., Ltd.	443,508.73	1,030.03	20%	206.01

## (VII) Structured entities controlled by the Company: N/A

### II. Other Matters

#### (I) Warnings on any potential loss in accumulated net profit for the period from the beginning of the year to the end of next Reporting Period or any material changes from the corresponding period of last year and the explanations thereof:

N/A

## (II) Potential risks

### 1. Technological risk

As the replacement speed of technologies relating to electronic information industry is fast and there is a certain gap between the core technologies of industrial robots of the Company and those of overseas advanced enterprises, the Company is currently lack of leading technology development talents, ingenious proprietary intellectual property rights and core technologies. The Company will continue to increase the R&D efforts, proactively introduce international and domestic high-end talents and enhance the construction of robot R&D center. Further efforts will be exerted to integrate scientific research force and innovate in investment mode, seeking to further improve the core technologies including controllers and servo system drivers and improve the product stability. The Company will speed up research and development of new products, understand the development trend of the industry and keep track of the latest technologies in both domestic and international electronic information industry. 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 technological risk is within the scope of control at present.

### 2. Market risk

Spurred by industry policies, and amid continuously rising market demands, more capital may be injected in 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 a more intense market competition with the further development of intelligent and automation industrial modes. The Company will continue to increase investments in the intelligent manufacturing equipment industry in terms of personnel, finance and property, and, based on the industrial policies, strengthen follow-up study on the needs of customers. It will expedite its speed of response to the corresponding market and enhance properties and quality of product while expanding marketing channels and innovating in marketing mode with a view to seizing market opportunities in advance and provision of well-liked products in line with market trend and customer's needs and with high profitability. In case of failure, the future development and industry position of the Company will be affected. At present, the market risk is within the scope of control.

## (III) Other disclosures

### 1. Liquidity of capital

As shown in the consolidated financial statements of the Company prepared under the PRC Accounting Standards for Business Enterprises, as at 30 June 2017, the Company's gearing ratio (the ratio of total liabilities to total assets) was 36.48%; current liabilities amounted to RMB1,976 million; liquidity ratio was 2.06; quick ratio was 1.76; bank deposits and cash amounted to RMB1,048 million; and short-term bank and other loans amounted to RMB45 million.

During the Reporting Period, the benchmark interest rate on 1-year RMB loans from financial institutions was 4.35%.

### 2. Purchase, sale or redemption of the Company's listed shares

During the Reporting Period, the Group did not purchase, sell or redeem any of the Company's listed shares.

### 3. 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.

### 4. 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 of the Company or any of their spouses or children under 18 to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other corporate bodies.

### 5. Liability insurance for directors, supervisors and senior management members of the Company

During the Reporting Period, the Company purchased liability insurance for its directors, supervisors and senior management in compliance with the requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules").

6. Corporate Governance

During the Reporting Period, the Company has complied with the provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

7. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

During the Reporting Period, the Company adopted the Model Code as set out in Appendix 10 to the Listing Rules regarding securities transactions by the directors. Having made specific enquiries to all directors of the Company, the directors have confirmed that they complied with the Model Code issued by the Hong Kong Stock Exchange.

8. Pursuant to paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirms that the current information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has no material change as compared to the information disclosed in the 2016 Annual Report of the Company.

## SECTION V SIGNIFICANT EVENTS

### I. Overview of General Meetings

Session of the meeting	Date of the meeting	Query index of the designated website where the resolutions were published	Disclosure date of the resolutions
2016 annual general meeting	2017-06-30	www.sse.com.cn	2017-7-1

Description of general meeting:

The 2016 annual general meeting of the Company was held on 30 June 2017, at which the resolutions in relation to the Work Report of the Board of Directors of Nanjing Panda for the Year 2016, the Work Report of the Supervisory Committee of Nanjing Panda for the Year 2016, the Final Financial Report of Nanjing Panda for the Year 2016, the Financial Budget Report of Nanjing Panda for the Year 2017, the Profit Appropriation Plan of Nanjing Panda for the Year 2016, the 2016 Annual Report of Nanjing Panda and Its Summary, the Report of the Independent Directors of Nanjing Panda for the Year 2016, and the Termination of Proceeds Investment Projects and Allocation of the Surplus Amount for Permanent Supplement of Working Capital were considered and approved. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 1 July 2017 and the website of the Hong Kong Stock Exchange on 30 June 2017.

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

#### (I) Plans for profit distribution and capitalization of capital reserve for the first half year

The Company will not make any profit distribution or to convert any capital reserve into share capital for the first half of 2017.

#### (II) Implementation of profit distribution plan or adjustment thereto during the Reporting Period

Pursuant to the Company's profit distribution plan for 2016 which was considered and approved at the eleventh meeting of the eighth session of the Board and the 2016 annual general meeting of the Company, a cash dividend of RMB0.70 (tax inclusive) for every 10 shares was paid to all shareholders of the Company on the basis of a total share capital of 913,838,529 shares as at 31 December 2016, with the total cash dividend distributed amounting to RMB63,968,697.03, and the remaining portion was to be carried forward to next year. The Company would not make any capitalization of capital reserve. As at the date of this report, the implementation of the profit distribution plan was fully completed. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 30 March 2017, 1 July 2017 and 10 July 2017 and the website of the Hong Kong Stock Exchange on 29 March 2017, 30 June 2017 and 7 July 2017, respectively.

### III. Fulfillment of Commitments

#### (i) Undertakings of ultimate controller, shareholders, related parties, acquirers and the Company and other relevant parties made in the Reporting Period or subsisting 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 the 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 directly or indirectly engage in business which constitutes horizontal competition with the principal operations of the Company, nor invest in enterprises or projects which have direct or indirect competition with the principal operations of the Company	Time: 25 April 2012; Term: effective for as long as CEC is the ultimate controller of the Company	Yes	Yes	NA	NA
	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 comply with the 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 interests of the Company and its non-connected shareholders through connected transactions.	Time: 25 April 2012; Term: effective for as long as CEC is the ultimate controller of the Company	Yes	Yes	NA	NA
	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 interests of non-controlling shareholders.	Time: 25 April 2012; Term: effective for as long as CEC is the ultimate controller of the Company	Yes	Yes	NA	NA



Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
Commitments relating to refinancing	Avoidance of horizontal competition	PEGL	<p>(1) PEGL and its subsidiaries have no projects or assets which constitute horizontal competition with the principal operations of the Company.</p> <p>(2) PEGL and its subsidiaries would not engage in the same or similar business as/so that of the Company and its subsidiaries in any form (including such forms as investment, acquisition, operation, merger and entrusted operation inside or outside the PRC).</p> <p>(3) In the event of business competition with the Company and its subsidiaries, PEGL and its subsidiaries would terminate production and operation, or integrate such competing business into the Company, or transfer such competing business to non-related third parties to avoid horizontal competition.</p> <p>(4) If any business opportunity is provided to PEGL and its subsidiaries by third parties or by PEGL and its subsidiaries to third parties, and such business directly or indirectly constitutes competition with the Company, or the Company is able to and 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.</p> <p>(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 and the Company, PEGL and its subsidiaries will timely transfer or terminate such business upon objection by the Company. If the Company further requests to acquire such business, PEGL and its subsidiaries will, unconditionally, transfer the aforesaid business and assets to the Company with priority based on the fair price as audited or appraised by agencies qualified to deal in securities and futures related business.</p> <p>(6) If this letter of commitment proves to be untrue or not observed, PEGL will indemnify the Company and its subsidiaries for all direct and indirect losses.</p> <p>(7) PEGL confirms that each commitment contained in this letter of commitment is separately executable, and any one commitment, if deemed invalid or terminated, shall not affect the validity of other commitments.</p> <p>(8) This letter of commitment takes effect from the date of signing.</p>	Time: 30 November 2012; Term: effective from the date of signing	Yes	Yes	N/A	N/A
	Avoidance of horizontal competition	NEIC	The same contents as that of PEGL for "avoidance of horizontal competition"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A

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
	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, complied with 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 "fair, just and open" and on 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
Other undertakings	Others	CEC	Due to the abnormal fluctuation of the domestic stock market, the Company received declaration documents from CEC as follows:  (1) as a responsible shareholder, CEC will proactively take social responsibilities and will not decrease its shareholding in the listed company during the abnormal fluctuation period in stock markets.  (2) CEC made commitment to actively explore and execute measures including repurchase, increasing shares, etc. within the permitted scope of law and regulations; to increase shareholding of shares in the listed company when the stock price considerably deviates from its share value, in order to protect the benefit of investors.  (3) CEC will continue to improve the quality of the listed company through asset restructuring and capital injection, supporting the economic structural adjustment and industrial transformation and equip the listed company with a upgraded healthy and comprehensive long-term reward mechanism to achieve continuous improvement of the return level of investors	Time: 9 July 2015; Term: effective from the date of signing.	Yes	Yes	NA	NA

As at the date of this report, CEC, NEIC and PEGL had strictly performed their respective undertakings.

#### IV. Appointment and Removal of Auditors

At the 11th meeting of the eighth session of the Board held on 29 March 2017, the resolution in relation to the appointment of the auditors for 2017 was considered and approved, whereby it was proposed that BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) be re-appointed as the Company's international auditor, PRC auditor and internal control auditor for 2017 and it was agreed that the same be submitted to the 2016 annual general meeting of the Company for shareholders' consideration.

BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) had received two notices of administrative penalty (行政處罰書) issued by the CSRC on 20 July 2016 and 23 May 2017, respectively. According to the relevant provisions set out in the Notice of the Adjustment to the Conditions for Applying for Securities Qualifications by Accounting Firms (《關於調整證券資格會計師事務所申請條件的通知》) issued by the Ministry of Finance of the People's Republic of China and the CSRC, BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) is required to carry out a comprehensive rectification starting from 23 May 2017, and cease to undertake new securities business during the rectification period, being the two months from the date of the second administrative penalty. Given that BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) will still remain in the rectification period on the date when the 2016 annual general meeting of the Company is scheduled to be held and has ceased to undertake new securities business, and there is uncertainty on whether the rectification can satisfy the relevant authorities, the aforesaid resolution will not be proposed at the 2016 annual general meeting of the Company for shareholders' consideration.

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 30 March 2017, 13 May 2017 and 15 June 2017 and the website of the Hong Kong Stock Exchange on 29 March 2017, 12 May 2017 and 14 June 2017 respectively. The Company will appoint auditors as soon as possible.

## V. Bankruptcy and restructuring-related matters: N/A

## VI. Material litigation and arbitration

### (I) Litigation and arbitration disclosed in interim announcements with no subsequent developments: N/A

### (II) Information on litigation and arbitration not disclosed in interim announcements or with subsequent developments

Unit: 0'000 Currency: RMB

During the Reporting Period:

Plaintiff (applicant)	Defendant (respondent)	Party with and joint liability	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount involved in 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)
Communications Technology Company	Nanjing Yougte Communication Co., Ltd.	NI Equipment	Litigation	The respondent failed to settle the overdue payment for goods of RMB14,285,000 after Communications Technology Company demanded such payment.	Payment for goods of RMB14,285,000 and relevant liquidated damages	N/A	The period for announcement had expired and the judgment has been effective since then.	The Company won the lawsuit.	The enforcement proceedings have commenced on 17 April 2017

### (III) Other explanations: N/A

## VII. Punishments imposed on the Company, its Directors, Supervisors, Senior Management, Controlling Shareholder, Ultimate Controller and Acquirers and Rectifications thereof:

Mr. Guo Qing, the deputy general manager of the Company was involved in illegal dealing in the A shares of Company during the period from March to November 2016. 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 the Shanghai Stock Exchange on 25 March 2017 and the website of Hong Kong Stock Exchange on 24 March 2017.

On 26 July 2017, Mr. Guo Qing, the deputy general manager of the Company, was served with the Notice of Investigation (No.: Xiangji investigation word 0525#) by the CSRC and has been under investigation for suspected short-swing trading of the Company's shares. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 28 July 2017 and the website of the Hong Kong Stock Exchange on 27 July 2017. The Company will make further disclosure on developments of the investigation in due course.

**VIII. Explanation on the credit standings of the Company, its controlling shareholder and ultimate controller during the Reporting Period: N/A**

**IX. Share incentive scheme of the Company and its impacts: N/A**

**X. Material connected transactions**

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

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

*(1) Connected transactions with Financial Company*

On 12 November 2015, the renewing of the existing continuing connected transactions between the Group and Financial Company and the cap thereof 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 amounted to RMB500 million. The entering into of the Financial Services Agreement was conducted on the principle of openness, fairness and equity and in compliance with relevant state and industry regulations, without prejudice to the interests of the Company and its minority shareholders. Additionally, the Company has developed and perfected the emergency risk management plan for the deposits placed with Financial Company to ensure the safety and liquidity of the funds. Prior consent had been obtained from the independent non-executive directors who together with the audit committee agreed on such continuing connected transactions entered into by the Company and Financial Company and believed that such transactions 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 on 13 November 2015 and 29 December 2015 respectively and H share circular despatched on 11 December 2015.

At the eleventh and thirteenth meetings of the eighth session of the Board of the Company held on 29 March 2017 and 30 August 2017, respectively, the resolutions in relation to the Risk Assessment Reports of China Electronics Financial Co., Ltd. were considered and approved. Pursuant to the reports, the risks relating to the deposits placed with Financial Company were assessed and relevant audit was conducted, and no material deficiency in relation to the risk management of financial statements of Financial Company was found as at 31 December 2016 and 30 June 2017. For details, please refer to the relevant announcements of the Company published on the website of Shanghai Stock Exchange on 30 March 2017 and 31 August 2017 and the website of the Hong Kong Stock Exchange on 29 March 2017 and 30 August 2017, respectively.

As at 30 June 2017, the balance of the Group's loans from Financial Company was RMB0 and the balance of the Group's deposits in Financial Company was RMB443,370,200. As at 29 August 2017, the balance of the Group's loans from Financial Company was RMB0 and the balance of the Group's deposits in Financial Company was RMB493,777,200. 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. 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
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		336.32	0.27			
Shanghai Panda Huring Electronic Technology Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		269.21	0.22			
Shenzhen China Electronics Huaxing Technology Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		182.15	0.15			
Nanjing Zhen Hua Packing Material Plant	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		174.37	0.14			
Shenzhen China Electronics International Information Technology Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		76.76	0.06			
Shenzhen China Electronics Investment Company	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		75.92	0.06			
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		35.95	0.03			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		23.75	0.02			
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		9.53	0.01			
Nanjing China Electronics Panda Appliances Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		6.92	0.01			
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		4.19	0.00			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary of a shareholder	Purchase of goods	Procurement of goods	Market price		3.69	0.00			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Others	Receipt of labor services	Receipt of labor services	Market price		164.07	1.01			
Nanjing Panda Electronics Transportation Company	Subsidiary of a shareholder	Receipt of labor services	Receipt of labor services	Market price		130.93	0.81			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Receipt of labor services	Receipt of labor services	Market price		103.76	0.64			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary of a shareholder	Receipt of labor services	Receipt of labor services	Market price		67.86	0.42			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary of a shareholder	Receipt of labor services	Receipt of labor services	Market price		10.38	0.06			
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Subsidiary of a shareholder	Receipt of labor services	Receipt of labor services	Market price		7.39	0.05			
Nanjing Zhenhua Packing Material Plant	Subsidiary of a shareholder	Receipt of labor services	Receipt of labor services	Market price		5.89	0.04			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary of a shareholder	Receipt of labor services	Receipt of labor services	Market price		2.37	0.01			
China National Electronics Import/Export Corporation	Subsidiary of a shareholder	Receipt of labor services	Receipt of labor services	Market price		1.60	0.01			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Receipt of labor services	Receipt of labor services	Market price		0.43	0.00			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price, cost plus		29,894.42	21.36			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price, cost plus		9,634.88	6.88			
Nanjing Panda HanDa Technology Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price, cost plus		3,316.17	2.37			

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
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price, cost plus		2,871.71	2.05			
Guizhou Zhenhua Advanced Material Co., Ltd.* (贵州振华新材料有限公司)	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price, cost plus		2,061.21	1.47			
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price, cost plus		1,971.46	1.41			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		1,116.10	0.80			
Shenzhen China Electronics Investment Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		666.27	0.48			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Sale of goods	Sale of goods	Market price		450.73	0.32			
Nanjing China Electronics Panda Appliances Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		418.98	0.30			
China Electronics Equipment International Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		341.43	0.24			
IRICO (Hefei) LCD Glass Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		145.30	0.10			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Sale of goods	Sale of goods	Market price		130.68	0.09			
China Greatwall Computer (Shenzhen) Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		100.19	0.07			
Nanjing Sanle Group Co., Ltd. (南京三樂集團有限公司)	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		10.26	0.01			
Nanjing CEC Panda Liquid Crystal Material Technology Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		6.70	0.00			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Sale of goods	Sale of goods	Market price		3.42	0.00			
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		2.39	0.00			
Nanjing Panda Electrics Transportation Company	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		1.92	0.00			
Nanjing China Electronics Panda Real Estate Co., Ltd.	Subsidiary of a shareholder	Sale of goods	Sale of goods	Market price		0.89	0.00			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price, government guidance rate		3,181.57	10.42			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price, government guidance rate		915.32	3.00			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		549.38	1.80			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Rendering of labor services	Rendering of labor services	Market price		333.51	1.09			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		199.63	0.65			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		104.85	0.34			
Nanjing China Electronics Panda Real Estate Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		83.64	0.27			
Wuhan Zhongyuan Electronics Group Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		66.04	0.22			
Nanjing CEC Panda Liquid Crystal Material Technology Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		33.03	0.11			

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	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
							in the amount of transactions of the same type (%)			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Rendering of labor services	Rendering of labor services	Market price		30.33	0.10			
Nanjing China Electronics Panda Information Industry Group Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		17.09	0.06			
Nanjing China Electronics Panda Appliances Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		16.40	0.05			
Dongguan China Electronics Panda Technology Development Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		13.55	0.04			
Nanjing Panda Electronics Material Usage Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		9.40	0.03			
Nanjing Panda Electronics Transportation Company	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		4.34	0.01			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary of a shareholder	Rendering of labor services	Rendering of labor services	Market price		2.64	0.01			
Nanjing China Electronics Panda Appliances Co., Ltd.	Subsidiary of a shareholder	Leasing of assets	Leasing of assets	Market price		2.49	0.05			
Nanjing Panda Electronics Transportation Company	Subsidiary of a shareholder	Leasing of assets	Leasing of assets	Market price		32.82	0.72			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary of a shareholder	Leasing of assets	Leasing of assets	Market price		12.14	0.27			
Nanjing Panda Electronics Transportation Company	Subsidiary of a shareholder	Leasing of assets	Leasing of assets	Market price		41.55	0.91			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Leasing of assets	Leasing of assets	Market price		2.60	0.06			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Others	Leasing of assets	Leasing of assets	Market price		26.88	0.59			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Leasing of assets	Leasing of assets	Market price		4.58	0.10			
Panda Electronic Group Co., Ltd.	Controlling shareholder	Assets leased	Assets leased	Market price		7.67	1.46			
Total	/	/	/	/	/	<u>60,520.00</u>	/	/	/	/

Details on return of bulk sales

N/A.

Explanations on connected transactions

During the Reporting Period, the continuing connected transactions conducted between the Group, NEIIC Group and CEC Group (including Financial Company) (i.e. continuing connected transactions 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 on 13 November 2015 and 29 December 2015 respectively 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.

For details of the continuing connected transactions between the Group and NEIIC Group and CEC Group (including Financial Company), please refer to the section headed "Related party relationship and transactions" in the notes to the financial statements contained in the 2017 interim report of the Company.

- (II) **The Company had no connected transactions relating to acquisition or disposal of assets during the Reporting Period.**
- (III) **The Company had no material connected transactions relating to joint investment during the Reporting Period.**



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

1. Matters not disclosed in interim announcements

Unit: Yuan 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
CEC	Indirect controlling shareholder				34,143,812.21	-117,724.72	34,026,087.49
Panda Electronics Group Limited	Controlling shareholder				6,175,447.72	162,242.17	6,337,689.89
Nanjing Zhongdan Panda Property Management Co., Ltd.	Fellow subsidiary				521,396.27		521,396.27
Nanjing Panda Electronics Transportation Company	Controlled subsidiary of the parent company				12,300.00	267,116.70	279,416.70
China National Electronics Import/Export Corporation	Others				195,539.62		195,539.62
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder				44,600.00	12,549.00	57,149.00
Panda (Beijing) International Information Technology Co., Ltd.	Controlled subsidiary of the parent company				45,588.91		45,588.91
Shanghai Panda Huning Electronic Technology Co., Ltd.	Others				22,907.00		22,907.00
Nanjing Panda Science Park Development Co., Ltd.	Controlled subsidiary of the parent company				20,000.00		20,000.00
Nanjing Panda HanDa Technology Co., Ltd.	Controlled subsidiary of the parent company					12,880.00	12,880.00
Nanjing Panda Electronics Materials Utilization Company	Controlled subsidiary of the parent company					10,000.00	10,000.00
Nanjing Panda DaSheng Electronics Technology Company Limited	Controlled subsidiary of the parent company				200.00		200.00
Thales Panda Transportation System Co., Ltd.	Associate				860,265.92		860,265.92
Total					42,042,057.65	347,063.15	42,389,120.80

Reason of creditor's rights and debts  
Impact of creditor's rights and debts on operating results and financial position of the Company

Business dealings  
There is no material impact of creditor's rights and debts on the operating results and financial position of the Company.

## XI. Material contracts and their execution

### (I) Matters relating to trustee, contracting and lease: N/A

### (II) Guarantees

Unit: 0'000 Currency: RMB

Guarantor	Relationship between guarantor and listed company		Guarantees made by the Company (excluding those in favour of subsidiaries)							Overdue amount	Counter Guarantee available?	Guarantee provided to the related parties?	Related party relationship
	Secured party	Guaranteed Amount	Commencement date of guarantee (Agreement execution date)	Start Date	Termination Date	Type of guarantee	Whether the guarantee has been fulfilled	Overdue?					
Total amount of guarantees during the Reporting Period (excluding those provided to subsidiaries)													0
Total balance of the amount of guarantees at the end of the Reporting Period (A) (excluding those provided to subsidiaries)													0
<b>Guarantees provided by the Company for its subsidiaries</b>													
Total amount of guarantees provided to subsidiaries during the Reporting Period													71,500
Total balance of the amount of guarantees provided to subsidiaries at the end of the Reporting Period (B)													28,792.56
<b>Total amount of guarantees made by the Company (including those in favour of subsidiaries)</b>													
Total amount of guarantees (A+B)													28,792.56
Percentage of total guarantee amount in net assets of the Company (%)													8.72
Including:													
Amount of guarantees provided to shareholders, ultimate controller and their related parties (C)													0
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70% (D)													13,537.09
Amount of total guarantees in excess of 50% of net assets value (E)													0
Total amount of the above three items (C+D+E)													13,537.09
Statement on the contingent joint and several liability in connection with unexpired guarantee													N/A
Explanation on guarantee													

Information Industry Company, which is held as to 82% by the Company and 18% by Galant Limited, a wholly-owned subsidiary of the Company, is a major controlled subsidiary of the Company and its asset-liability ratio was 71.10% as at 30 June 2017. Information Industry Company is engaged in business that forms an important part of the principal operations of the Company. Providing guarantee for its financing would help it to expand its business and undertake projects, which is in line with the interests of the Company as a whole. The guaranteed amount is within the maximum amount considered and approved at the general meeting and the procedures of providing such guarantees are in compliance with relevant requirements. Information Industry Company has provided a counter guarantee with all its assets. Therefore, the risk relating to the guarantees provided for Information Industry Company is low. For details in relation to the guarantees provided by the Company for its subsidiaries, please refer to the sections headed "Guarantee provided for related parties" in the notes to the financial statements contained in the 2017 interim report of the Company.

At the first extraordinary general meeting of 2016 convened on 19 August 2016, the provision of guarantees by the Company to relevant subsidiaries for their financing in an aggregate amount of RMB1,180,000,000 was approved, each with a term expiring on 30 June 2019. At the eighth extraordinary meeting of the Board of the Company held on 19 August 2016, it was considered and approved that the General Manager would be authorized to handle, in his sole discretion, the matters regarding the provision of guarantees for the financing of the subsidiaries, with a term expiring on 30 June 2019.

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

### XII. Poverty alleviation work by the Company: N/A

### XIII. Convertible corporate bonds: N/A

### XIV. Explanations on environmental protection of the companies and their subsidiaries which are the key pollutant discharging units identified by the Environmental Protection Department: N/A

## **XV. Other significant events**

### **(I) Changes in accounting policies, accounting estimates and accounting methods compared with the previous accounting period, reasons thereof and their impact:**

The resolution regarding the change in accounting policy was considered and approved at the 13th meeting of the eighth session of the Board held on 30 August 2017. The Accounting Standards for Business Enterprises No. 16 – Government Grants was revised by the Ministry of Finance of the PRC in 2017. Pursuant to the revised standard which came into effect on 12 June 2017, government grants received prior to 1 January 2017 shall be accounted for prospectively, and government grants received in the period from 1 January 2017 to the effective date shall be adjusted accordingly. Pursuant to the requirements of the standard, the Company is required to change the relevant accounting policy currently adopted, whereby the government grants related to daily business activities of the Company are included in other income instead of non-operating income. The change in the accounting policy has no impact on the shareholders' equity and net profit attributable to the Company for the first half of 2017. The decision-making process regarding the change in accounting policy was in compliance with relevant laws and regulations as well as the articles of association of the Company.

### **(II) Retrospective restatement of major accounting errors during the Reporting Period, the amount affected, reasons thereof and its impact: N/A**

### **(III) Others**

During the Reporting Period, 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, taking into account the actual situation of the Company, the Company continued to refine its corporate governance structure and internal rules and systems, reinforced management of internal control and boosted the standard operation level of the Company. There were no material differences between the actual corporate governance of the Company and the regulative requirements of the Corporate Governance Standards for Listed Companies released by the CSRC. During the Reporting Period, the Company adopted and committed 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.

#### **Audit committee**

The audit committee and the management of the Company have reviewed the accounting principles and accounting standards and methods adopted by the Company, discussed the matters relating to internal control and reviewed the interim results for the Reporting Period. The audit committee is of the opinion that the relevant financial report complies with the applicable accounting standards and laws and that adequate disclosure has been made.

The audit committee convened a meeting on 28 March 2017 to review 2016 financial report of the Company and the summary report on audit work in 2016 performed by BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) and agreed to submit the same to the Board for review. The appointment of BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) as the Company's international, domestic and internal control auditors for 2017 was agreed at the meeting and relevant proposal was submitted to the Board for consideration.

Having reviewed the unaudited financial report of the Company for the six months ended 30 June 2017, the audit committee is of the opinion that the financial report complies with the applicable accounting standards and laws and that adequate disclosure has been made.

## SECTION VI CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### I. Changes in Shares

#### (I) Changes in shares

##### 1. Particulars of changes in shares

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

##### 2. Explanations on changes in shares

As at 30 August 2017, i.e. the latest practicable date prior to the date of this interim report, based on information disclosed by the Company and as far as the directors are aware, the Company has complied with the requirements of the Hong Kong Stock Exchange in relation to sufficiency of public float.

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

### II. Information of shareholders

#### (I) Total number of shareholders

Total number of shareholders as at the end of the Reporting Period (*account*) 36,414 shareholders (including 36,386 A shareholders and 28 H shareholders)

#### (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*

Name of Shareholder (full name)	Increase/ decrease during the Reporting Period	Shareholdings of top ten shareholders		Percentage of shareholding (%)	Number of shares held subject to trading moratorium	Pledged or frozen shares	Nature of shareholders
		Number of shares held as at the end of the Reporting Period	Number of shares held subject to trading moratorium				
HKSCC (Nominee) Limited	10,000	241,397,570	0	26.42	Unknown		Overseas legal person
Panda Electronics Group Limited	0	210,661,444	0	23.05	Unknown		State-owned legal person
China Huarong Asset Management Co., Ltd.	0	82,811,667	0	9.06	Unknown		State-owned legal person
Nanjing Electronics Information Industrial Corporation	0	63,302,611	0	6.93	Unknown		State-owned legal person
China Great Wall Asset Management Corporation	0	14,172,397	0	1.55	Unknown		State-owned legal person
Xi Caixia (奚彩霞)	8,800	4,428,322	0	0.48	Unknown		Domestic natural person
Huang Liangfu (黃亮富)	0	4,148,825	0	0.45	Unknown		Domestic natural person
Li Na (李娜)	92,725	3,578,900	0	0.39	Unknown		Domestic natural person
Bank of Communications Schroder Fund - China Construction Bank - China Life Insurance - China Life Insurance entrusted with Bank of Communications Schroder Fund Management Co. Ltd. Hybrid Portfolio (交銀施羅德基金-建設銀行-中國人壽-中國人壽委託交銀施羅德基金全公司混合型組合)	3,000,000	3,000,000	0	0.33	Unknown		Others
Wu Liping (吳立平)	525,300	2,822,816	0	0.31	Unknown		Domestic natural person

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

Name of Shareholder	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC (Nominees) Limited	241,397,570	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 Overseas listed foreign shares	49,534,611 13,768,000
China Great Wall Asset Management Corporation	14,172,397	RMB ordinary shares	14,172,397
Xi Caixia (奚彩霞)	4,428,322	RMB ordinary shares	4,428,322
Huang Liangfu (黃亮富)	4,148,825	RMB ordinary shares	4,148,825
Li Na (李娜)	3,578,900	RMB ordinary shares	3,578,900
Bank of Communications Schroder Fund – China Construction Bank – China Life Insurance – China Life Insurance entrusted with Bank of Communications Schroder Fund Management Co. Ltd. Hybrid Portfolio (交銀施羅德基金 – 建設銀行 – 中國人壽 – 中國人壽委託交銀施羅德基金公司混合型組合)	3,000,000	RMB ordinary shares	3,000,000
Wu Liping (吳立平)	2,822,816	RMB ordinary shares	2,822,816

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

*Notes:*

- (1) 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. On 17 April 2017, PEGL went through the release procedures of the share pledge registration with China Securities Depository and Clearing Corporation Limited to release the 93,880,000 shares pledged, representing 10.27% of the total share capital of the Company.

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 the Shanghai Stock Exchange on 26 March 2016 and 19 April 2017 and the website of the Hong Kong Stock Exchange on 28 March 2016 and 18 April 2017, respectively.

- (2) HKSCC (Nominees) Limited held 241,397,570 H shares of the Company on behalf of several clients, representing 26.42% of the issued share capital of the Company. The Company is not aware of any individual client holding more than 5% of the issued share capital of the Company.

### III. Change in the controlling shareholder and the de facto controller

During the Reporting Period, there was no change in the controlling shareholder and the de facto controller of the Company, which were still PEGL and CEC, respectively.

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

As at 30 June 2017, so far as the directors, supervisors and senior management 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 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) NEIIC 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. NEIIC held 100% equity interest of PEGL and in total held 273,964,055 shares of the Company which was held as controlled corporate and 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. There was no short position 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 30 June 2017.

## SECTION VII INFORMATION ON PREFERRED SHARES

During the Reporting Period, the Company had no matters relating to preferred shares.

## SECTION VIII PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. Change in shareholdings

#### (I) Current and the resigned directors, supervisors and senior management during the Reporting Period

During the Reporting Period, the shareholdings of directors, supervisors and senior management remained unchanged.

As at 30 June 2017, none of the directors, supervisors or senior management members of the Company or their associates had any interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (a) which were required to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) which were required to be otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules. In addition, none of them had been granted any share incentive. 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, nor had they exercised any such right.

#### (II) Share options granted to directors, supervisors and senior management as incentives during the Reporting Period: N/A

### II. Changes in directors, supervisors and senior management

During the Reporting Period, there was no change in the directors, supervisors and senior management of the Company.

### III. Other explanations

Mr. Guo Qing, the deputy general manager of the Company was involved in illegal dealing in the A shares of Company during the period from March to November 2016. 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 the Shanghai Stock Exchange on 25 March 2017 and the website of Hong Kong Stock Exchange on 24 March 2017.

On 26 July 2017, Mr. Guo Qing, the deputy general manager of the Company, was served with the Notice of Investigation (No.: Xiangji investigation word 0525#) by the CSRC and has been under investigation for suspected short-swing trading of the Company's shares. 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 the Shanghai Stock Exchange on 28 July 2017 and the website of the Hong Kong Stock Exchange on 27 July 2017. The Company will make further disclosure on developments of the investigation in due course.

## SECTION IX INFORMATION ON CORPORATE BONDS

During the Reporting Period, there were no matters relating to the bonds of the Company.

## SECTION X FINANCIAL REPORT

### FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

#### Consolidated Statement of Financial Position

As at 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	30 June 2017	31 December 2016
<b>Current assets:</b>		
Cash and cash equivalents	1,211,843,117.58	1,301,802,896.46
Financial assets at fair value through profit and loss		
Derivative financial assets		
Notes receivable	201,196,894.84	312,972,457.59
Accounts receivable	1,215,476,342.96	1,238,735,984.06
Advances paid	291,367,921.33	143,140,748.06
Interests receivable		5
Dividend receivable		
Other receivables	88,967,304.69	77,676,184.19
Inventories	587,629,521.40	438,042,391.88
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	467,936,947.66	259,018,893.89
<b>Total current assets</b>	<b>4,064,418,050.46</b>	<b>3,771,389,556.13</b>
<b>Non-current Assets:</b>		
Available-for-sale financial assets	3,650,000.00	3,650,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	394,592,438.43	363,076,123.14
Investment property	7,948,780.58	8,469,941.94
Fixed assets	952,475,323.40	978,971,199.52
Construction in progress	2,155,851.92	1,502,221.31
Construction materials		
Fixed and held for disposal		
Bearer biological assets		
Oil and gas assets		
Intangible assets	93,972,251.42	97,142,326.93
Development expenditure		
Goodwill		
Long-term deferred expenses	5,058,406.95	6,995,346.87
Deferred income tax assets	8,215,660.68	8,779,702.14
Other non-current assets		
<b>Total non-current assets</b>	<b>1,468,068,713.38</b>	<b>1,468,586,861.85</b>
<b>Total Assets</b>	<b>5,532,486,763.84</b>	<b>5,239,976,417.98</b>



**Consolidated Statement of Financial Position (Continued)**

As at 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	30 June 2017	31 December 2016
<b>Current Liabilities:</b>		
Short-term borrowings	45,000,000.00	40,000,000.00
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities		
Notes payable	174,402,854.47	143,691,812.27
Accounts payable	1,254,569,077.66	1,108,431,550.84
Advances from customers	205,070,485.58	132,694,559.25
Employee benefits payable	23,314,289.03	32,087,847.95
Tax payable	32,544,173.38	46,593,961.13
Interest payable	56,311.64	23,835.62
Dividends payable	67,285,832.62	18,529,612.95
Other payables	158,535,986.52	156,096,869.24
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities	15,400,000.00	9,700,000.00
<b>Total current liabilities</b>	<b>1,976,179,010.90</b>	<b>1,687,850,049.25</b>
<b>Non-current Liabilities:</b>		
Long-term borrowings		
Bonds payable		
including: preference shares		
perpetual bond		
Long-term payables		
Long-term employee benefits payable	29,495,783.98	32,673,991.19
Special payables		
Estimate liabilities		
Deferred income	12,451,368.08	8,918,416.06
Deferred income tax liabilities	106,501.45	133,560.55
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>42,053,653.51</b>	<b>41,725,967.80</b>
<b>Total liabilities</b>	<b>2,018,232,664.41</b>	<b>1,729,576,017.05</b>

**Consolidated Statement of Financial Position (Continued)**

As at 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	30 June 2017	31 December 2016
<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>1,464,150,323.73</b>	1,464,133,820.05
Less: Treasury shares other comprehensive income Special reserve		
Surplus reserve	<b>251,825,696.34</b>	251,825,696.34
Unappropriated profit	<b>671,389,361.06</b>	690,472,508.00
<b>Total equity attributable to parent company</b>	<b>3,301,203,910.13</b>	3,320,270,553.39
<b>Minority interests</b>	<b>213,050,189.30</b>	190,129,847.54
<b>Total owners' equity (or shareholders' equity)</b>	<b>3,514,254,099.43</b>	3,510,400,400.93
<b>Total liabilities and owners' equity (or shareholders' equity)</b>	<b>5,532,486,763.84</b>	5,239,976,417.98

Corporate representative:

**Dechuan Xia**

Chief Accountant:

**Jianlong Shen**

Accounting Supervisor:

**Xianfang Liu**

## Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	January–June 2017	January–June 2016
<b>I. Total operating revenue</b>	<b>1,751,575,928.03</b>	1,519,196,108.29
<b>II. Total Operating cost</b>		
Including: Operating cost	<b>1,501,200,035.86</b>	1,305,905,874.49
Taxes and surcharges	<b>11,656,357.16</b>	14,190,116.64
Selling and distribution expenses	<b>23,862,747.13</b>	22,239,612.92
Administrative expenses	<b>182,033,834.58</b>	211,180,446.91
Financial expenses	<b>-2,210,703.19</b>	-10,345,705.77
Assets impairment loss	<b>7,105,725.45</b>	-1,392,030.84
Add:		
Gains on changes of fair values (or less: losses)		
Investment income (or less: losses)	<b>38,928,575.85</b>	71,203,413.30
Including: Investment income in associates and joint ventures	<b>32,250,321.46</b>	62,809,824.65
Other income	<b>2,527,179.69</b>	
<b>III. Operating profit</b>	<b>69,383,686.58</b>	48,621,207.24
Add: Non-operating income	<b>11,051,864.69</b>	46,903,833.37
Including: Gains on disposal of non-current assets	<b>109,576.77</b>	45,509.52
Less: Non-operating expenses	<b>826,295.17</b>	2,762,465.36
Including: Losses from disposal of non-current assets	<b>82,510.28</b>	53,712.46
<b>IV. Profit before tax (or less: total loss)</b>	<b>79,609,256.10</b>	92,762,575.25
Less: Income tax expenses	<b>13,975,660.57</b>	15,762,060.19
<b>V. Net profit (or less: net loss)</b>	<b>65,633,595.53</b>	77,000,515.06
Including: Net profit attributable to parent company	<b>44,885,550.09</b>	54,654,239.10
Non-controlling interests	<b>20,748,045.44</b>	22,346,275.96
<b>VI. Other comprehensive income after tax</b>		
Other comprehensive income after tax attributable to parent company		
(I) Other comprehensive income which cannot be reclassified into the profit and loss		
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		
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>65,633,595.53</b>	77,000,515.06
Total comprehensive income attributed to parent company owners	<b>44,885,550.09</b>	54,654,239.10
Total comprehensive income attributable to minority shareholders	<b>20,748,045.44</b>	22,346,275.96
<b>VIII. Earnings per share</b>		
Basic earnings per share	<b>0.0491</b>	0.0598
Diluted earnings per share	<b>0.0491</b>	0.0598

Corporate representative:  
Dechuan Xia

Chief Accountant:  
Jianlong Shen

Accounting Supervisor:  
Xianfang Liu

## Consolidated Cash Flow Statements

For the six months ended 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	January–June 2017	January–June 2016
<b>I. Cash Flows from Operating Activities:</b>		
Cash receipts from the sale of goods and the rendering of services	2,129,010,322.27	1,581,353,290.64
Receipts of tax refund	30,925,898.30	31,547,506.42
Other cash receipts relating to operating activities	131,368,610.42	173,596,199.44
<b>Sub-total of cash inflows from operating activities</b>	<b>2,291,304,830.99</b>	<b>1,786,496,996.50</b>
Cash payments for goods purchased and services received	1,688,004,232.65	1,263,410,097.45
Cash payments to and on behalf of employees	206,149,283.94	198,328,594.71
Payments of taxes	97,960,168.65	78,527,479.87
Other cash payments relating to operating activities	162,325,745.81	164,295,489.54
<b>Sub-total of cash outflows from operating activities</b>	<b>2,154,439,431.05</b>	<b>1,704,561,661.57</b>
<b>Net Cash Flows from Operating Activities</b>	<b>136,865,399.94</b>	<b>81,935,334.93</b>
<b>II. Cash Flows from Investing Activities:</b>		
Cash receipts from disposals and returns of investments		
Cash receipts from returns on investments	6,678,254.39	8,393,588.65
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	121,000.00	93,000.00
Net cash receipts from disposals of subsidiaries and other business units		
Other cash receipts relating to investing activities	1,167,500,000.00	1,156,000,000.00
<b>Sub-total of cash inflows from investing activities</b>	<b>1,174,299,254.39</b>	<b>1,164,486,588.65</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	26,530,489.49	44,515,143.21
Cash payments to acquire investments		300,000.00
Net cash payments for acquisitions of subsidiaries and other business units		
Other cash payments relating to investing activities	1,369,500,000.00	1,113,000,000.00
<b>Sub-total of cash outflows from investing activities</b>	<b>1,396,030,489.49</b>	<b>1,157,815,143.21</b>
<b>Net Cash Flows from Investing Activities</b>	<b>-221,731,235.10</b>	<b>6,671,445.44</b>

**Consolidated Cash Flow Statements** (continued)

For the six months ended 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	January–June 2017	January–June 2016
<b>III. Cash Flows from Financing Activities:</b>		
Cash receipts from investors making investment in the enterprise		
Including: cash receipts from minorities making investment in subsidiaries		
Cash receipts from borrowings	45,000,000.00	20,000,000.00
Other cash receipts relating to financing activities		43
	<u>45,000,000.00</u>	<u>20,000,000.00</u>
<b>Sub-total of cash inflows from financing activities</b>	<b>45,000,000.00</b>	<b>20,000,000.00</b>
Cash repayments of amounts borrowed	40,000,000.00	20,000,000.00
Cash payments for distribution of dividends or profit or interest expenses	12,628,731.76	920,126.73
Including: payments for distribution of dividends or profit to minorities of subsidiaries	12,160,000.00	842,793.40
Other cash payments relating to financing activities		
	<u>52,628,731.76</u>	<u>20,920,126.73</u>
<b>Sub-total of cash outflows from financing activities</b>	<b>52,628,731.76</b>	<b>20,920,126.73</b>
<b>Net Cash Flows from Financing Activities</b>	<b>-7,628,731.76</b>	<b>-920,126.73</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>-1,668,856.91</b>	<b>-2,390,734.16</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>	<b>-94,163,423.83</b>	<b>85,295,919.48</b>
Add: Opening balance of Cash and Cash Equivalents	1,141,683,919.27	853,805,263.06
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b>1,047,520,495.44</b>	<b>939,101,182.54</b>

The following notes is the part of financial statement.

Corporate representative:  
Dechuan Xia

Chief Accountant:  
Jianlong Shen

Accounting Supervisor:  
Xianfang Liu

## Consolidated statement of changes in equity

For the six months ended 30 June 2017  
(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Items	January – June 2017									
	Equity attributable to parent company									
	Other equity instrument				less: Treasury shares		Other comprehensive income		Total owners' equity	
	Paid-in capital (Share capital)	Preference Shares	Perpetual bond	Others	Capital reserve	Surplus reserve	Undistributed profit	Subtotal	Minority interests	Total owners' equity
I. Balance at the end of prior year	913,838,529.00				1,464,133,820.05	251,825,666.34	660,472,508.00	3,320,270,553.39	190,129,847.54	3,510,400,400.93
Add: Changes in accounting policies										
Error correction of prior period										
Others										
II. Balance at the beginning of current year	913,838,529.00				1,464,133,820.05	251,825,666.34	660,472,508.00	3,320,270,553.39	190,129,847.54	3,510,400,400.93
III. Current period increase (or less: decrease)					16,503.68		-19,083,146.94	-19,086,643.26	22,820,341.75	3,633,695.60
(I) Total comprehensive income										
(II) Other comprehensive income										
(III) Changes of equity instrument										
1. Ordinary shares subscribed by owners										
2. Capital contributed by holders of other equity instrument										
3. Amount of share-based payment included in equity										
4. Others										
(IV) Profit distribution										
1. Appropriation of surplus reserve										
2. Distributions to shareholders										
3. Others										
(V) Transfers within the owners' equity										
1. Transfer of capital reserve to capital (or share capital)										
2. Transfer of surplus reserve to capital (or share capital)										
3. Recovery of losses by surplus reserve										
4. Others										
(VI) Appropriation and application of special reserve										
1. Appropriation of special reserve										
2. Application of special reserve										
(VII) Others										
IV. Balance at the end of current year	913,838,529.00				1,464,150,323.73	251,825,666.34	671,389,361.06	3,301,263,910.13	213,050,189.30	3,514,254,094.43

The following notes is the part of financial statement.

Corporate representative:  
**Dechuan Xia**

Chief Accountant:  
**Jianlong Shen**

Accounting Supervisor:  
**Xianfang Liu**

**Consolidated statement of changes in equity (continued)**  
 For the six months ended 30 June 2016  
 (Unless Otherwise Stated, The Amount Denominated in RMB Yuan)

Items	January – June 2016							Total owners' equity	
	Equity attributable to parent company		Other comprehensive income		Special reserve	Surplus reserve	Undistributed profit		Subtotal
	Paid-in capital (Share capital)	Other equity instrument	less: Treasury shares	Other comprehensive income				Capital reserve	
<b>I. Balance at the end of prior year</b>	913,636,529.00	1,464,242,132.28			2,458,811,957.46	639,366,753.93	3,263,279,379.67	196,613,663.63	3,459,893,233.00
Add: Changes in accounting policies									
Error correction of prior period									
Consolidation under the same control									
Others									
<b>II. Balance at the beginning of current year</b>	913,636,529.00	1,464,242,132.28			2,458,811,957.46	639,366,753.93	3,263,279,379.67	196,613,663.63	3,459,893,233.00
<b>III. Current period increase (or less; decrease)</b>									
(I) Total comprehensive income									
(II) Capital contributed or withdrawn by owners									
1. Ordinary shares contributed by owners									
2. Capital contributed by holders of other equity instruments									
3. Amount of state-based payment included in equity									
4. Others									
(III) Profit distribution									
1. Appropriation of surplus reserve									
2. Distributions to shareholders									
3. Others									
(IV) Transfers within the owners' equity									
1. Transfer of capital reserve to capital (or share capital)									
2. Transfer of surplus reserve to capital (or share capital)									
3. Recovery of losses by surplus reserve									
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>	913,636,529.00	1,464,242,132.28			2,458,811,957.46	631,879,973.06	3,255,752,596.80	210,517,236.18	3,466,309,394.98

The following notes is the part of financial statement.

Corporate representative:  
**Dechuan Xia**

Chief Accountant:  
**Jianlong Shen**

Accounting Supervisor:  
**Xianfang Liu**

## Statement of financial position for parent company

As at 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	30 June 2017	31 December 2016
<b>Current assets:</b>		
Cash and cash equivalents	238,552,741.05	335,229,528.49
Financial assets at fair value through profit and loss derivative financial assets		
Notes receivable	9,110,000.00	500,000.00
Accounts receivable	64,129,148.75	82,209,934.77
Advance to supplier	7,032,640.45	1,392,109.95
Interests receivable		
Dividend receivable	973,887.56	973,887.56
Other receivables	255,901,735.55	299,788,984.63
Inventories	25,781,182.85	22,671,565.47
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	363,674,818.01	251,918,151.96
<b>Total current assets</b>	<b>965,156,154.22</b>	<b>994,684,162.83</b>
<b>Non-current Assets:</b>		
Available-for-sale financial assets	3,650,000.00	3,650,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,844,169,727.67	1,812,280,797.69
Investment property		
Fixed assets	339,269,432.25	347,915,255.17
Construction in progress		90,564.10
Construction materials		
Fixed and held for disposal		
Bearer biological assets		
Oil and gas assets		
Intangible assets	13,156,339.55	13,263,376.11
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
<b>Total non-current assets</b>	<b>2,200,245,499.47</b>	<b>2,177,199,993.07</b>
<b>Total Assets</b>	<b>3,165,401,653.69</b>	<b>3,171,884,155.90</b>



**Statement of financial position for parent company (continued)**

As at 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	30 June 2017	31 December 2016
<b>Current Liabilities:</b>		
Short-term borrowings		
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities		
Notes payable	6,505,681.94	7,625,755.82
Accounts payable	36,666,638.12	52,121,083.74
Advances from customers	52,250.00	8,000.00
Employee benefits payable	2,168,362.33	2,369,247.78
Tax payable	13,713,088.08	12,893,940.75
Interest payable		
Dividends payable	63,968,697.03	
Other payables	219,415,485.43	225,378,937.26
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities	900,000.00	900,000.00
<b>Total current liabilities</b>	<b>343,390,202.93</b>	<b>301,296,965.35</b>
<b>Non-current Liabilities:</b>		
Long-term borrowings		
Bonds payable		
Including: preference shares		
Perpetual bond		
Long-term payables		
Long-term employee benefits payable	3,647,075.88	4,079,302.51
Special payables		
Estimate liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>3,647,075.88</b>	<b>4,079,302.51</b>
<b>Total liabilities</b>	<b>347,037,278.81</b>	<b>305,376,267.86</b>

**Statement of financial position for parent company (continued)**

As at 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	30 June 2017	31 December 2016
<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>	251,825,696.34
Unappropriated profit	<b>217,829,315.26</b>	265,972,828.42
	<hr/>	<hr/>
<b>Total owners' equity (or shareholders' equity)</b>	<b>2,818,364,374.88</b>	2,866,507,888.04
	<hr/>	<hr/>
<b>Total liabilities and owners' equity (or shareholders' equity)</b>	<b>3,165,401,653.69</b>	3,171,884,155.90
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The following notes is the part of financial statement.

Corporate representative:  
**Dechuan Xia**Chief Accountant:  
**Jianlong Shen**Accounting Supervisor:  
**Xianfang Liu**

## Income Statement

For the six months ended 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	January–June 2017	January–June 2016
<b>I. Operating income</b>	<b>54,385,837.67</b>	67,369,862.26
Less: Operating costs	<b>30,093,584.43</b>	48,173,911.60
Taxes and surcharges	<b>2,857,871.46</b>	1,126,898.84
Selling and distribution expenses	<b>2,002,994.12</b>	2,352,781.42
Administrative expenses	<b>54,693,815.98</b>	75,790,578.57
Financial expenses	<b>-3,408,353.96</b>	-1,175,427.99
Assets impairment loss	<b>-1,459,520.42</b>	57,629.96
Add: Gains on changes of fair values (or less: losses)		
Investment income (or less: losses)	<b>46,323,991.23</b>	69,350,256.45
Including: Investment income in associates and joint ventures	<b>31,888,929.98</b>	62,517,986.07
Other income		
<b>II. Operating profit</b>	<b>15,929,437.29</b>	10,393,746.31
Add: Non-operating income	<b>88,703.11</b>	41,097.22
Including: Gains on disposal of non-current assets		1,045.05
Less: Non-operating expenses	<b>192,956.53</b>	2,548,950.56
Including: Losses from disposal of non-current assets	<b>132,328.02</b>	53,712.46
<b>III. Total profit</b>	<b>15,825,183.87</b>	7,885,892.97
Less: Income tax expenses		
<b>IV. Net profit</b>	<b>15,825,183.87</b>	7,885,892.97
<b>V. Other comprehensive income after tax</b>		
(I) Other comprehensive income which cannot be reclassified into the profit and loss		
1. Changes in remeasurement on the net defined benefit liability/asset		
2. Items attributable to investees under equity method that will not be reclassified to profit or loss		
(II) Other comprehensive income which will be reclassified subsequently to profit or loss		
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>15,825,183.87</b>	7,885,892.97
<b>VII. Earnings per share</b>	<b>0.0173</b>	0.0086
(I) Basic earnings per share		
(II) Diluted earnings per share		

The following notes is the part of financial statement.

Corporate representative:  
**Dechuan Xia**

Chief Accountant:  
**Jianlong Shen**

Accounting Supervisor:  
**Xianfang Liu**

## Cash Flow Statement

For the six months ended 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	January–June 2017	January–June 2016
<b>I. Cash Flows from Operating Activities:</b>		
Cash receipts from the sale of goods and the rendering of services	54,711,370.16	83,176,167.30
Receipts of tax refund	557,563.18	
Other cash receipts relating to operating activities	31,022,592.88	82,398,649.86
<b>Sub-total of cash inflows from operating activities</b>	<b>86,291,526.22</b>	<b>165,574,817.16</b>
Cash payments for goods purchased and services received	32,756,131.96	36,306,369.64
Cash payments to and on behalf of employees	32,927,580.52	24,985,443.71
Payments of taxes	3,937,031.60	2,058,894.96
Other cash payments relating to operating activities	14,900,368.27	146,524,264.46
<b>Sub-total of cash outflows from operating activities</b>	<b>84,521,112.35</b>	<b>209,874,972.77</b>
<b>Net Cash Flows from Operating Activities</b>	<b>1,770,413.87</b>	<b>-44,300,155.61</b>
<b>II. Cash Flows from Investing Activities:</b>		
Cash receipts from disposals and returns of investments		
Cash receipts from returns on investments	14,435,061.25	6,832,270.38
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	106,000.00	
Net cash receipts from disposals of subsidiaries and other business units		
Other cash receipts relating to investing activities	753,000,000.00	725,000,000.00
<b>Sub-total of cash inflows from investing activities</b>	<b>767,541,061.25</b>	<b>731,832,270.38</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	601,080.00	42,145.30
Cash payments to acquire investments		
Net cash payments for acquisitions of subsidiaries and other business units		
Other cash payments relating to investing activities	865,000,000.00	682,000,000.00
<b>Sub-total of cash outflows from investing activities</b>	<b>865,601,080.00</b>	<b>682,042,145.30</b>
<b>Net Cash Flows from Investing Activities</b>	<b>-98,060,018.75</b>	<b>49,790,125.08</b>

**Cash Flow Statement** (continued)

For the six months ended 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Item	January–June 2017	January–June 2016
<b>III. Cash Flows from Financing Activities:</b>		
Cash receipts from investors making investment in the enterprise		
Cash receipts from borrowings		20,000,000.00
Other cash receipts relating to financing activities		
	<hr/>	<hr/>
<b>Sub-total of cash inflows from financing activities</b>	<b><hr/><hr/></b>	<b><hr/><hr/></b> 20,000,000.00
Cash repayments of amounts borrowed		20,000,000.00
Cash payments for distribution of dividends or profit or interest expenses		77,333.33
Other cash payments relating to financing activities		
	<hr/>	<hr/>
<b>Sub-total of cash outflows from financing activities</b>	<b><hr/><hr/></b>	<b><hr/><hr/></b> 20,077,333.33
<b>Net Cash Flows from Financing Activities</b>	<b><hr/><hr/></b>	<b><hr/><hr/></b> -77,333.33
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>-110.52</b>	<b>-32.45</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>	<b>-96,289,715.40</b>	<b>5,412,603.69</b>
Add: Opening balance of Cash and Cash Equivalents	<b>332,032,352.83</b>	<b>87,859,882.87</b>
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b>235,742,637.43</b>	<b>93,272,486.56</b>

The following notes is the part of financial statement.

Corporate representative:  
Dechuan Xia

Chief Accountant:  
Jianlong Shen

Accounting Supervisor:  
Xianfang Liu

## Statement of Changes in Equity

For the six months ended 30 June 2017

(Unless Otherwise Stated, the Amount Denominated in RMB Yuan)

Items	Other equity instrument					Other comprehensive income	Surplus reserve	Undistributed profit	Total owners' equity
	Paid-in capital (Share capital)	Preference shares	Perpetual bond	Others	Capital reserve				
January - June 2017									
I. Balance at the end of prior year	913,686,529.00				1,434,870,834.28		251,125,896.34	265,372,628.42	2,866,507,888.04
Add: Changes in accounting policies									
Error correction of prior period									
Others									
II. Balance at the beginning of current year	913,686,529.00				1,434,870,834.28		251,125,896.34	265,372,628.42	2,866,507,888.04
III. Current period increase (or less; decrease)									
(I) Total comprehensive income									
(II) Capital contributed or withdrawn 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									
1. Appropriation of surplus reserve									
2. Distributions to shareholders									
3. Others									
(IV) Internal carry-over within equity									
1. Transfer of capital reserves to capital (or share capital)									
2. Transfer of surplus reserve to capital (or share capital)									
3. Recovery of losses by surplus reserve									
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	913,686,529.00				1,434,870,834.28		251,125,896.34	217,820,915.26	2,818,364,374.88

The following notes is the part of financial statement.

Corporate representative:

Dechuan Xia

Chief Accountant:

Jiantong Shen

Accounting Supervisor:

Xianfang Liu

**Statement of Changes in Equity (continued)**

For the six months ended 30 June 2016  
 (Unless Otherwise Stated, The Amount Denominated in RMB Yuan)

Items	Other equity instrument				Capital reserve	less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
	Paid-in capital (Share capital)	Preference shares	Perpetual bond	Others							
<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>											
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of state-based payment included in equity											
4. Others											
(III) Profit distribution											
Including: 1. Appropriation of surplus reserve											
2. Distributions to shareholders											
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. Recovery of losses by surplus reserve											
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	219,915,071.50	2,814,456,392.24

The following notes is the part of financial statement.

Corporate representative:  
**Dechuan Xia**

Chief Accountant:  
**Jianlong Shen**

Accounting Supervisor:  
**Xianfang Liu**

## NOTES TO FINANCIAL STATEMENTS

From 1st January 2017 to 30th June 2017

*(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 on 27 April 1992. 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.

On 18 April 1997, the Company got the legal enterprise business license of Qi Su Ning Zong Fu Zi No. 003947, 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.

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

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, consumer electronic 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 30 June 2017, the company totally issued 91,383,8529 ten thousand 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 30th August 2017.

## (II) Scope of consolidated financial statements

As of 30th June 2017, 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.

## 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 notesIII. (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 to31 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").

## (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.

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 good will 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.

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 acquirer'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.

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.

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 a 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.

## **(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.

### **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.

- (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.



(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).

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 derecognised 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.

#### **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.

## (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 RMB5 million

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

When assessing provision for bad debts separately, if there is objective evidence which can determine the accounts receivable has been impaired, the Company will make 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:

The reason of separate assessment for provision of bad debts: 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.

## (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 practicably 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.

### **(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.

## 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 acquiree 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 in the non-monetary 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.

## 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 are 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 to 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.

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.

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.

## **(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.

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 lessor, 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.

#### (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 depreciation 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.

## **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.

## (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.

### 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.

#### (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 and the intangible assets whose using life is not certain 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 amortised 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.

## (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.

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 re-calculation 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.

### **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.

### 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: The amount of revenue can be measured reliably; It is probable that the economic benefit associated with the transaction will flow to the Company; The percentage of completion of service can be measured reliably and 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.
- (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 criteria

- (1) The Company can meet the criteria of government grants;
- (2) The Company can obtain government grants.

#### 3. Accounting treatment

Government grants related to assets should write down the carrying value of related assets or recognised as deferred income. For the government grants which is recognised as deferred income, it should be transferred into profit or loss in a reasonable and systematic way according to the useful life of related assets (recognised as other income if the government grants are related to daily operations otherwise recognised as non-operating income, similarly in hereafter).

Government grants related to income are used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grants shall be recognised as deferred income, and recognizes in profit or loss or write down the expenses or losses 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.

## (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 amount 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 amortise 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.

## (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 Business Enterprises No. 16 – Government grants.

The Ministry of Finance revised the Accounting Standards for Business Enterprises No. 16 – Government grants in 2017. The revised guidelines came into effect on 12 June 2017. For government grants on 1 January 2017, future applicable method is required to be used, for new government grants from 1 January 2017 to 12 June 2017, also required to adjust in accordance with the revised guidelines. 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
Government grants related to the daily operations of the Company are included in other income and are not included in non-operating income any more	Board of directors	Other income: 2,527,179.69

### 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
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%, 20%, 15%, please refer to note as followed

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%. Export goods are tax free.

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. 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.

### (II) Tax Preference

1. Nanjing Panda Information Industry Co., Ltd, a sub-sub-sidiary 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.
2. 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.
3. Shenzhen Jinghua Information Technology Co., Ltd, a 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.
4. Nanjing Panda Electronic Equipment Co., Ltd, a 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.
5. 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%.

## V. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT

### 1. Monetary Capital

Items	Closing balance	Opening balance
Cash	506,596.44	540,213.61
Bank deposit	1,047,013,899.00	1,141,143,705.66
Other currency	164,322,622.14	160,118,977.19
Total	1,211,843,117.58	1,301,802,896.46
Among: total amount of currency in foreign countries	19,387,198.22	17,006,542.30

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	72,512,595.78	63,361,306.16
The letter of credit deposit	25,460,560.16	22,323,252.24
Guarantee deposit and bid deposit	66,349,466.20	74,434,418.79
	<hr/>	<hr/>
Total	164,322,622.14	160,118,977.19
	<hr/> <hr/>	<hr/> <hr/>

By the end of 30 June 2017, other currency amounting to RMB164,322,622.14 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	201,196,894.84	312,972,457.59
Business acceptance		
	<hr/>	<hr/>
Total	201,196,894.84	312,972,457.59
	<hr/> <hr/>	<hr/> <hr/>

### 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	The amount has been terminated at the end of the period
Bank acceptance	59,797,130.24
Trade acceptance	
	<hr/>
Total	59,797,130.24
	<hr/> <hr/>

### 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	Carrying Amount		Closing balance Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually	1,004,169,079.73	80.99	8,548,140.69	0.85	995,620,939.04
Accounts receivable with individual insignificance but individually accruing bad debt provision	235,773,943.30	19.01	15,918,539.38	6.75	219,855,403.92
<b>Total</b>	<b>1,239,943,023.03</b>		<b>24,466,680.07</b>		<b>1,215,476,342.96</b>

Type	Carrying Amount		Opening balance Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and individually accruing bad debt provision	1,028,790,468.91	81.42	8,952,811.00	0.87	1,019,837,657.91
Accounts receivable with individual insignificance and individually accruing bad debt provision	234,765,702.12	18.58	15,867,375.97	6.76	218,898,326.15
<b>Total</b>	<b>1,263,556,171.03</b>		<b>24,820,186.97</b>		<b>1,238,735,984.06</b>

**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 (%)	
Nanjing CEC Panda FPD Technology Co.,Ltd.	345,919,640.38			Expected to be recovered
Nanjing CEC Panda LCD Technology Co.,Ltd.	69,928,489.49			Expected to be recovered
Nanjing Metro Group Co., Ltd.	62,457,350.60			Expected to be recovered
Nanjing Panda Handa Technology Co., Ltd	58,794,104.77	33,649.21	0.06	Current value of the expected future cash flow is lower than its carrying value
Suzhou Rail Transit Group Co., Ltd	51,480,806.64			Expected to be recovered
Nanjing Sharp Electronics Co. Ltd	29,150,149.75			Expected to be recovered
DaiFu Automatic Handling Equipment (Suzhou) Co., Ltd.	27,702,825.48			Expected to be recovered
CommScope Communication Technology (China) Co.,Ltd	27,511,568.54			Expected to be recovered
Nari Technology Development Limited Company	25,074,531.85			Expected to be recovered
CEC Panda Liquid Crystal Material Technology Co., Ltd.	24,190,109.00			Expected to be recovered
Guizhou Zhenhua E-Chem Co., Ltd	23,999,100.00			Expected to be recovered
Fuzhou Jingdongfang photoelectric Technology Co., Ltd	19,957,717.71			Expected to be recovered
Tata AutoComp Systems Ltd	18,240,993.17			Expected to 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
Xinjiang Press Publications, Radio and Television Bureau	13,518,115.80			Expected to be recovered
Rainbow (Hefei) Liquid Crystal Glass	12,369,200.00			Expected to be recovered
Shanxi Caihong Electronic Glass Co.,Ltd	11,900,000.00			Expected to be recovered
Shanghai Weianshi Trading Co., Ltd.	11,330,434.50			Expected to be recovered
Kunshan Eson Machinery Industrial Co., Ltd.	11,096,131.61			Expected to be recovered
RFS Radio Frequency Systems (Shanghai) Co., Ltd	10,908,101.87			Expected to be recovered
Nanjing Panda Electronics Imp. & Exp. Co., Ltd.	10,374,042.10	695,611.41	6.71	Current value of the expected future cash flow is lower than its carrying value
Xianyang Caihong Optoelectronics Technology Co., Ltd	10,160,000.00			Expected to be recovered
Nanjing City Vocational College	10,000,000.00			Expected to be recovered
Shanghai Amphenol Airwave (SAA) Co. Ltd	9,840,454.06			Expected to be recovered
Shong County Broadcasting and TV Information Network Co., Ltd	9,759,839.00	676,380.07	6.93	Current value of the expected future cash flow is lower than its carrying value
Nanjing zhonggang Electricity Co., Ltd	9,239,889.38			Expected to be recovered
Shenzhen Jinghua Network Marketing Co. Ltd	9,205,260.00			Expected to be recovered
Nanjing Rail Transit Systems Co., Ltd	9,114,307.40			Expected to be recovered
Anhui Province News Press Broadcasting and TV Bureau	8,684,416.00			Expected to be recovered
Nanjing Chaoyuan Communication Equipment Co. Ltd	8,019,700.00			Expected to be recovered
MaJe (Suzhou) Technology Co. Ltd	6,589,763.88			Expected to be recovered
Jiangsu Zhongshi Environment Technology Co. Ltd	6,500,000.00			Expected to be recovered
Jiangsu Wujiang Bulitop Group Co., Ltd	5,816,087.00			Expected to be recovered
Kunshan GVO Co., Ltd	5,447,805.08			Expected to be recovered
China Nuclear Industry Huaxing Construction Co., Ltd	5,244,848.60			Expected to be recovered
Huatai Group Co., Ltd	5,213,958.85			Expected to be recovered
BSH Hausgeräte GmbH Co., Ltd	5,144,337.22			Expected to be recovered
Total	1,004,169,079.73	8,548,140.69	/	/

## 2. The accounts receivable categorised by age

Aging	Carrying amount	Closing balance	
		Bad debt provision	Carrying value
Within one year (including one year)	890,152,714.50	163,836.50	889,988,878.00
One to two years (including two years)	321,744,966.62	12,260,448.57	309,484,518.05
Two to three years (including three years)	18,566,253.55	7,345,799.82	11,220,453.73
Over three years	9,479,088.36	4,696,595.18	4,782,493.18
Total	<u>1,239,943,023.03</u>	<u>24,466,680.07</u>	<u>1,215,476,342.96</u>
		Opening balance	
Aging	Carrying amount	Bad debt provision	Carrying value
Within one year (including one year)	912,372,019.13	37,423.55	912,334,595.58
One to two years (including two years)	278,807,972.22	13,348,967.60	265,459,004.62
Two to three years (including three years)	47,980,643.10	3,054,693.17	44,925,949.93
Over three years	24,395,536.58	8,379,102.65	16,016,433.93
Total	<u>1,263,556,171.03</u>	<u>24,820,186.97</u>	<u>1,238,735,984.06</u>

## 3. 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	2,066.80
Provision for bad debt reversed or received in current period	353,506.90

The significant situation of provision, transfer and recovery of bad debts

Name of debtor	The amount of back or withdraw	The Basis	Reasons	Approach
Nanjing Wulian Sensor Technique Co., Ltd	99,000.00	Specific provision	Receive part of the amount	Cash and Bank
Fujian Jiuding Construction Engineering Co., Ltd	50,000.00	Specific provision	Received	Cash and Bank
Henan Longjiao Trading Co., Ltd	30,000.00	Specific provision	Received	Cash and Bank
Total	<u>179,000.00</u>			

4. **Accounts receivable effectively verified in the period**

Item	The amount incurred in current period
Accounts receivable effectively verified	2,066.80

5. **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.	345,919,640.38	27.90	
Nanjing CEC Panda LCD Technology Co.,Ltd.	69,928,489.49	5.64	
Nanjing Metro Group Co., Ltd.	62,457,350.60	5.04	
Nanjing Panda Handa Technology Co., Ltd	58,794,104.77	4.74	33,649.21
Suzhou Rail Transit Group Co., Ltd	51,480,806.64	4.15	
total	<u>588,580,391.88</u>	<u>47.47</u>	<u>33,649.21</u>

6. **The accounts receivable which is overdue but not impaired**

Aging	Closing balance	Opening balance
Within three months	6,532,451.22	8,001,280.51
Over three months	<u>193,534,489.85</u>	<u>192,486,729.52</u>
Total	<u>200,066,941.07</u>	<u>200,488,010.03</u>

7. **In the current period, the accounts receivable which have not been confirmed due to the transfer of financial assets.**

8. **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. Categorised by age

Aging	Amount	Closing balance Percentage (%)	Bad debt provision
Within one year (including one year)	224,858,136.22	76.27	16,710.00
One to two years (including two years)	58,682,784.43	19.90	704,772.40
Two to three years (including three years)	8,785,022.28	2.98	1,888,120.64
Over three years	2,516,065.67	0.85	864,484.23
Total	<b>294,842,008.60</b>	<b>100.00</b>	<b>3,474,087.27</b>

(cont'd)

Aging	Amount	Opening 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	<b>146,614,835.33</b>	<b>100.00</b>	<b>3,474,087.27</b>

The main significant advance payment with aging over 1 year amounts to RMB42,029,180.45, most of which is construction engineering prepayment. The amount is not settled because the engineering has not been finished.

##### 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
Shanghai Aiji Information Technology Co., Ltd	34,367,382.68	11.66
GuoXin Tendering Group Co., Ltd	33,471,560.00	11.35
Anhui Garments Import & Export Co.,Ltd.	29,261,162.00	9.92
Cosmic Industry Co.,Ltd	8,701,662.81	2.95
Nanjing Keyong Technology Co., Ltd	8,355,553.50	2.83
Total	<b>114,157,320.99</b>	<b>38.71</b>



## 5. Other receivables

### 1. Disclosure of other receivables classified by type:

Items	Carrying amount		Closing balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with individual significance and individually accruing bad debt provision	29,318,874.22	32.25			29,318,874.22
Other receivables without individual significance but individually accruing bad debt provision	61,599,431.54	67.75	1,951,001.07	3.17	59,648,430.47
<b>Total</b>	<b>90,918,305.76</b>		<b>1,951,001.07</b>		<b>88,967,304.69</b>

  

Items	Carrying amount		Opening balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
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
<b>Total</b>	<b>79,590,709.60</b>		<b>1,914,525.41</b>		<b>77,676,184.19</b>

### Other receivables with individual significance and individually accruing bad debt provision

Debtor	Other receivable	Closing balance		Reason
		Bad debt provision	Percentage	
Export tax refund	22,381,874.22			Expected to be recovered
MCT Worldwide LLC Worldwide LLC	6,937,000.00			Expected to be recovered
<b>Total</b>	<b>29,318,874.22</b>			

**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	234,930.00
Return and recovery of bad debt	44,654.34

**3. Other receivables effectively verified in this period**

Item	Verified Amount
Other receivables effectively verified	153,800.00

**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
Deposit	53,397,667.30	46,136,005.78
Export tax Refund	22,381,874.22	20,740,609.98
Others	15,138,764.24	12,714,093.84
Total	<u>90,918,305.76</u>	<u>79,590,709.60</u>

**5. Other receivables with top 5 balances at the end of the period classified by borrowers**

Debtor	Nature	Closing balance	Aging	Closing balance proportion of other receivables (%)	Closing balance of bad debt provision
Tax Bureau (export tax refund)	Export refund	22,381,874.22	Within 1 year	24.62	
MCT Worldwide LLC	Deposit	6,937,000.00	1 – 2 years	7.63	
Chengdu Metro Limited Liability Company	Deposit	3,158,921.00	Within 1 year	3.47	
Wujiang Economic Development Zone Development Co., Ltd	Deposit	1,926,087.00	Within 1 year	2.12	
State Administration of Press · Publication · Radio · Film and Television of the Hunan Province	Deposit	<u>1,844,171.00</u>	Within 1 year	<u>2.03</u>	
Total		<u>36,248,053.22</u>		<u>39.87</u>	

**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.**

## 6. Inventories

### 1. Inventories by category

Item	Remaining carrying amount	Closing balance		Carrying value
		Impairment provision		
Raw materials	146,811,658.47	12,815,709.88		133,995,948.59
Work in progress	295,463,108.05	6,263,097.92		289,200,010.13
Stored commodities	119,292,265.64	17,493,211.76		101,799,053.88
Delivered commodities	30,177,578.15	636,585.52		29,540,992.63
Consigned commodities	30,000,249.52			30,000,249.52
Circulating materials	3,093,266.65			3,093,266.65
<b>Total</b>	<b>624,838,126.48</b>	<b>37,208,605.08</b>		<b>587,629,521.40</b>
Item	Remaining carrying amount	Opening balance		Carrying value
		Impairment provision		
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>

### 2. Provision for inventory impairment

Items	Opening Balance	Increment in this period	Reduction in this period		Closing balance Provided
			Returned	Recovery	
Raw materials	11,426,296.26	1,389,413.62			12,815,709.88
Work in progress	6,370,236.49		107,138.57		6,263,097.92
Stored commodities	15,958,528.76	6,278,007.55	293,392.71	4,449,931.84	17,493,211.76
Delivered commodities	1,656,418.09			1,019,832.57	636,585.52
<b>Total</b>	<b>35,411,479.60</b>	<b>7,667,421.17</b>	<b>400,531.28</b>	<b>5,469,764.41</b>	<b>37,208,605.08</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 impairment 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

## 7. Other current assets

Items	Closing balance	Opening balance
Bank wealth investment products	450,000,000.00	248,000,000.00
Input tax to be deducted	17,936,947.66	10,633,287.31
Enterprise Income Tax paid in advance		385,606.58
	<hr/>	<hr/>
Total	<b>467,936,947.66</b>	259,018,893.89
	<hr/> <hr/>	<hr/> <hr/>

## 8. 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 debt instrument			
Available-for-sale equity instrument	3,650,000.00	-	3,650,000.00
Including: Measured at fair value			
Measured at cost	3,650,000.00	-	3,650,000.00
	<hr/>	<hr/>	<hr/>
Total	<b>3,650,000.00</b>	-	<b>3,650,000.00</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		Opening balance	
Items	Remaining carrying amount	Provision for impairment	Remaining carrying amount
Available-for-sale debt instrument			
Available-for-sale equity instrument	3,650,000.00	-	3,650,000.00
Including: Measured at fair value			
Measured at cost	3,650,000.00	-	3,650,000.00
	<hr/>	<hr/>	<hr/>
Total	<b>3,650,000.00</b>	-	<b>3,650,000.00</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 2. Available-for-sale financial assets measured at cost at the end of the period

Investee	Book balance				provision for impairment				Shareholding ratio in investee (%)	Cash bonus of this period
	Opening balance	Increment in this period	Reduction in this period	Closing balance	Opening balance	Increment in this period	Reduction in this period	Closing balance		
Jiangsu Research and Design Institute Of Urban Rail Transit Co., Ltd	3,650,000.00			3,650,000.00					7.30	
Total	3,650,000.00			3,650,000.00					/	

## 3. There is no change in impairment of available for sale financial assets

## 4. Fair value of available for sale equity instruments did not fall sharply or continuously and there is no sign of impairment

## 9. 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			
<b>Associates</b>										
Nanjing Ericsson Panda Communication Co., Ltd.	236,639,962.00			29,828,867.43				266,468,829.43		
Beijing SE Putian Mobile Communications Co., Ltd	115,542,176.42			2,060,062.55				117,602,238.97		
Nanjing Thales Panda Transportation System Company Limited	9,313,494.30							9,313,494.30		
Shenzhen Jinglin Electronic Co., Ltd.	512,709.34			-7,373.03				505,336.31		
Shenzhen Jinghua Network Marketing Co., Ltd	824,921.06			984,421.74		734,006.17		455,336.63		
Nanjing Huaxian High Technology Co., Ltd	-									
Shenzhen Chebao Information Technology Co., Ltd	242,860.02			4,342.77				247,202.79		
Total	363,076,123.14			32,250,321.46		734,006.17		394,592,438.43		

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.

## 10. Investment property

### 1. Investment properties measured by cost

Items	Housing and buildings	Total
<b>1. Original carrying value</b>		
(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	<b>61,737,767.90</b>	<b>61,737,767.90</b>
<b>2. Accumulated depreciation and accumulated amortisation</b>		
(1) Opening balance	53,267,825.96	53,267,825.96
(2) Increase in the period	521,161.36	521,161.36
– provision or amortization		
(3) Decrease in the period		
– disposal		
(4) Closing balance	<b>53,788,987.32</b>	<b>53,788,987.32</b>
<b>3. Provision for impairment</b>		
(1) Opening balance		
(2) Increase in the period		
– provision		
(3) Increase in the period		
– disposal		
(4) Closing balance		
<b>4. Carrying Value</b>		
(1) Carrying value at the end of the period	<b>7,948,780.58</b>	<b>7,948,780.58</b>
(2) Carrying value in the beginning of the year	8,469,941.94	8,469,941.94

### 2 There are no investment properties without property certificate

## 11. Fixed assets

### 1. Status of fixed assets

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipments	Total
<b>1. Original carrying value</b>						
(1) Opening balance	1,039,252,151.49	377,193,795.32	28,620,333.21	55,347,971.06	53,333,417.94	1,553,747,669.02
(2) Increase in the period	211,538.48	9,260,268.03	1,725,314.99	1,673,173.53	710,782.78	13,581,077.81
– acquired	211,538.48	1,058,035.43	1,725,314.99	1,621,549.58	93,610.56	4,710,049.04
– inventory/fixed assets/ transfer from construction in progress		8,202,232.60		51,623.95	617,172.22	8,871,028.77
– increase in mergers of corporates						
(3) Decrease in the period		953,630.77	1,962,637.58	45,749.44	822,983.35	3,785,001.14
– Disposal		953,630.77	1,962,637.58	45,749.44	822,983.35	3,785,001.14
(4) Closing balance	<b>1,039,463,689.97</b>	<b>385,500,432.58</b>	<b>28,383,010.62</b>	<b>56,975,395.15</b>	<b>53,221,217.37</b>	<b>1,563,543,745.69</b>
<b>2. Accumulated depreciation</b>						
(1) Opening balance	257,968,020.94	244,560,258.38	15,353,252.24	27,233,313.46	29,598,201.82	574,713,046.84
(2) Increase in the period	17,286,137.77	11,567,528.98	2,048,258.86	4,424,960.31	2,920,061.48	38,246,947.40
– Provision	17,286,137.77	11,567,528.98	2,048,258.86	4,424,960.31	2,920,061.48	38,246,947.40
(3) Decrease in the period		45,121.98	1,648,322.40	38,029.00	223,521.23	1,954,994.61
– Disposal or retired		45,121.98	1,648,322.40	38,029.00	223,521.23	1,954,994.61
– Others						
(4) Closing balance	<b>275,254,158.71</b>	<b>256,082,665.38</b>	<b>15,753,188.70</b>	<b>31,620,244.77</b>	<b>32,294,742.07</b>	<b>611,004,999.63</b>
<b>3. Provision for impairment</b>						
(1) Opening balance		10,700.00		52,722.66		63,422.66
(2) Increase in the period						
– Provision						
(3) Decrease in the period						
– Disposal or retired						
(4) Closing balance		<b>10,700.00</b>		<b>52,722.66</b>		<b>63,422.66</b>
<b>4. Carrying Value</b>						
(1) Carrying value at the end of the period	<b>764,209,531.26</b>	<b>129,407,067.20</b>	<b>12,628,821.92</b>	<b>25,302,427.72</b>	<b>20,926,475.30</b>	<b>952,475,323.40</b>
(2) Carrying value in the beginning of the year	781,284,130.55	132,822,836.94	13,267,080.97	28,061,934.94	23,735,216.12	978,971,199.52

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 operating leases**

<b>Items</b>	<b>Carrying value at the end of the year</b>
Housing and buildings	14,576,360.40
Machinery and equipment	<u>2,785,381.05</u>
Total	<u><u>17,361,741.45</u></u>

5. **Fixed assets with unfinished certificate**

<b>Items</b>	<b>Carrying value</b>	<b>Reasons for unfinished certificate</b>
Buildings – Shenzhen Longgang Jinghua Electronic Co., Ltd	20,322,683.98	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	6,656,725.89	The certificate is in progress



## 12. Construction in process

### 1. Status of construction in progress

Items	Closing balance			Opening balance		
	Remaining carrying amount	Provision for impairment	Carrying value	Remaining carrying amount	Provision for impairment	Carrying value
Machinery and Equipment	1,550,066.80		1,550,066.80	805,872.09		805,872.09
Supporting Facilities for Electronic Equipment						
Industry 1st Stage	126,117.19		126,117.19	126,117.19		126,117.19
Network Management System				50,692.31		50,692.31
Others	479,667.93		479,667.93	519,539.72		519,539.72
<b>Total</b>	<b>2,155,851.92</b>		<b>2,155,851.92</b>	<b>1,502,221.31</b>		<b>1,502,221.31</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		Accumulated amount of capitalised interest	Including: capitalised amount if	Rate of capitalisation of interest in the period	Source of funding
							to budget	Progress of construction				
Machinery and Equipment		805,872.09	9,575,351.69	8,831,159.98		1,550,066.80						Owned fund
Supporting Facilities for Electronic Equipment												
Industry 1st Stage	55.00 million	126,117.19				126,117.19	0.23	0.23				Owned fund
Owned fund Project Management System		50,692.31			50,692.31							Owned fund
Others		519,539.72		99,871.79		479,667.93						Owned fund
<b>Total</b>		<b>1,502,221.31</b>	<b>9,575,351.69</b>	<b>8,871,028.77</b>	<b>50,692.31</b>	<b>2,155,851.92</b>						

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

### 13. Intangible assets

#### 1. Status of intangible assets

Items	Land use right	Trademark use rights	Computer software	Patents	Software copyright	Non-patented technology	Total
<b>1. Original carrying value</b>							
(1) Opening balance	85,447,867.71	158,340,000.00	9,052,170.50	25,705.00	2,796,680.01	26,092,547.92	281,754,951.14
(2) Increase in the period					94,017.09	1,025,625.72	1,119,642.81
- acquired					94,017.09	1,025,625.72	1,119,642.81
- internal research and development							
- increase in mergers of corporates							
(3) Decrease in the period							
- Disposal							
- Others							
(4) Closing balance	<b>85,447,867.71</b>	<b>158,340,000.00</b>	<b>9,052,170.50</b>	<b>25,705.00</b>	<b>2,890,677.10</b>	<b>27,118,173.64</b>	<b>282,874,593.95</b>
<b>2. Accumulated amortisation</b>							
(1) Opening balance	11,370,150.43	158,340,000.00	6,526,692.63	17,039.61	1,009,302.86	7,349,238.68	184,612,624.21
(2) Increase in the period	993,158.64		1,417,841.33	1,505.52	279,432.94	1,597,779.89	4,289,718.32
- Provision	993,158.64		1,417,841.33	1,505.52	279,432.94	1,597,779.89	4,289,718.32
(3) Decrease in the period							
- Disposal							
- Others							
(4) Closing balance	<b>12,363,309.07</b>	<b>158,340,000.00</b>	<b>7,944,733.96</b>	<b>18,545.13</b>	<b>1,288,735.80</b>	<b>8,947,018.57</b>	<b>188,902,342.53</b>
<b>3. Provision for impairment</b>							
(1) Opening balance							
(2) Increase in the period							
- Provision							
(3) Decrease in the period							
- Disposal							
- Others							
(4) Closing balance							
<b>4. Carrying value</b>							
(1) Carrying value at the end of the period	<b>73,084,558.64</b>		<b>1,107,436.54</b>	<b>7,159.87</b>	<b>1,601,941.30</b>	<b>18,171,155.07</b>	<b>93,972,251.42</b>
(2) Carrying value in the beginning of the year	74,077,717.28		2,525,277.87	8,665.39	1,797,357.15	18,743,309.24	97,142,326.93

#### 2. There are no land use rights without certificates.

#### 14. 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	2,975,174.76		1,050,061.68		<b>1,925,113.08</b>
Purification Room Renovation Project	1,764,866.75		230,199.96		<b>1,534,666.79</b>
Logo Production for Electronic Equipment Industry 1st Stage	498,971.36		124,742.82		<b>374,228.54</b>
Fencing Wall for Electronics Equipment Industrial Park	583,752.85		145,938.18		<b>437,814.67</b>
Waterproof Insulation Fire Control Project	490,610.78	64,102.56	174,662.34		<b>380,051.00</b>
MCT Building Renovation Project	176,347.95		50,385.12		<b>125,962.83</b>
Other Miscellaneous Project	505,622.42	46,000.00	271,052.38		<b>280,570.04</b>
<b>Total</b>	<b>6,995,346.87</b>	<b>110,102.56</b>	<b>2,047,042.48</b>		<b>5,058,406.95</b>

#### 15. 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	39,660,690.16	5,741,489.74	39,089,091.79	5,796,085.45
Internal offset of unrealised profit				
Salaries payable	14,031,131.33	2,104,669.70	15,979,811.79	2,489,564.64
Accrued expenses	1,478,004.97	369,501.24	2,308,343.66	494,052.05
<b>Total</b>	<b>55,169,826.46</b>	<b>8,215,660.68</b>	<b>57,377,247.24</b>	<b>8,779,702.14</b>

##### 2. Deferred income tax liabilities not yet eliminated

Items	Closing balance		Opening Balance	
	Taxable temporary differences	Taxable income tax liabilities	Deductible temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	609,465.87	91,419.88	739,588.07	110,938.21
Long-term payable	100,543.78	15,081.57	150,815.66	22,622.34
<b>Total</b>	<b>710,009.65</b>	<b>106,501.45</b>	<b>890,403.73</b>	<b>133,560.55</b>

## 16. Short-term borrowings

### 1. Type of short-term borrowings

Items	Closing balance	Opening balance	
Pledged borrowings			
Secured borrowings			
Guaranteed borrowings	45,000,000.00	40,000,000.00	
Unsecured borrowings			
Total	<u>45,000,000.00</u>	<u>40,000,000.00</u>	
<b>Period</b>	<b>Amount</b>	<b>Creditor</b>	<b>Approach</b>
2017.4.1 – 2018.4.1	45,000,000.00	Ping An Bank Nanjing Branch	Guaranteed

### 2. There is no short-term loans expired but not repaid.

## 17. Notes payable

Type	Closing balance	Opening balance
Bank promissory notes	174,402,854.47	143,691,812.27
Commercial promissory notes		
Total	<u>174,402,854.47</u>	<u>143,691,812.27</u>

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

## 18. Accounts payable

### 1. List of Accounts payable

Items	Closing balance	Opening balance
Payment for goods	973,141,936.77	858,241,052.68
Project funds	251,111,768.82	225,407,018.14
Processing and maintenance funds	20,605,038.64	10,949,949.90
Logistics warehousing funds	382,122.60	4,079,273.31
Others	9,328,210.83	9,754,256.81
Total	<u>1,254,569,077.66</u>	<u>1,108,431,550.84</u>

## 2. Accounts payable categorised by age

Aging	Closing balance	Opening balance
Within one year (including one year)	869,635,958.22	831,956,355.53
One to two years (including two years)	329,695,884.39	201,090,928.92
Two to three years (including three years)	39,563,978.29	54,660,157.03
Over three years	15,673,256.76	20,724,109.36
Total	1,254,569,077.66	1,108,431,550.84

## 3. Significant account payables aged over 1 year

Items	Closing balance	Reasons for outstanding or carried forward
NIDEC SANKYO CORPORATION	17,377,372.27	Not settled
Iwasaki Electric Mfg. Co., Ltd	14,073,957.31	Not settled
Nanjing Panda Electronics Imp. & Exp. Co., Ltd.	15,270,520.27	Not settled
Nanjing Changxin Technology Co., Ltd	13,990,350.02	Not settled
Shanghai Okamura Furniture and Logistic System Co., Ltd.	4,823,052.59	Not settled
Suzhou Golden Brain Intelligent System Engineering Co. Ltd	4,825,549.37	Not settled
Nanjing Xunheng Digital Technology Co., Ltd	4,356,654.50	Not settled
Nanjing Gangjia Smart Technology Co., Ltd	4,163,492.00	Not settled
Nanjing Lewei Technology Co., Ltd	3,500,479.19	Not settled
Shanghai Railway Communication Co., Ltd	3,058,023.40	Not settled
Shanghai Chengqi Technology Fuzhou Co., Ltd	2,967,686.17	Not settled
Jiangsu Xinruide System Integration Engineer Co., Ltd	2,920,290.35	Not settled
Shanghai Zhidao Electromechanical Engineering Technology Co., Ltd	2,891,348.90	Not settled
Nanjing Putian Telecommunications Co., Ltd	2,793,838.24	Not settled
Shanghai Huiya Aluminum Alloy Products Co., Ltd.	2,752,868.13	Not settled
Zhejiang Suteng Electronic Co., Ltd	2,544,122.11	Not settled
Nanjing Ke'an Electronics Co., Ltd	2,411,673.45	Not settled
Wuhu Haotong Intelligence Technology Co.,Ltd	2,235,954.49	Not settled
Jiangyin Dingyuan Technology Co., Ltd	2,176,046.90	Not settled
Beijing Gold Barron Radio and TV Technology	2,043,408.48	Not settled
Suqian Wanlong Information Industry Co., Ltd	1,760,883.01	Not settled
Jiangsu Rencheng Electronic Co., Ltd	1,607,615.01	Not settled
Evertchno (Nanjing) Co., Ltd	1,588,024.34	Not settled
Nanjing Huahao Louyu Technology Co. Ltd	1,426,517.00	Not settled
Nanjing Fangji Photoelectric Technology Co., Ltd	1,394,841.30	Not settled
Wuhan Fanghong Energy-saving Technology Co., Ltd	1,334,890.45	Not settled
Nanjing Shenye Smart System Engineering Co., Ltd	1,314,458.59	Not settled
Ma'anshan Bowang District Spring Electronic Operating Department	1,248,000.00	Not settled
Nanjing Panda Handa Technology Co., Ltd	1,232,478.63	Not settled
Yancheng Pengda Computing Co., Ltd	1,198,223.44	Not settled
Nanjing Huahao Louyu Technology Co. Ltd	1,192,867.00	Not settled
Naning Yebang Communication Co., Ltd	1,150,769.24	Not settled
Shenzhen Huamao Smart System Co., Ltd	1,149,315.00	Not settled
Jiangsu Wiscom System Co., Ltd	1,109,996.40	Not settled
Nanjing Maixin Electronic Engineering Co., Ltd	1,093,213.65	Not settled
Nanjing Zhenshe Electronic Technology Co., Ltd	1,086,174.07	Not settled
Zhejiang Digital Communication Network Technology Co., Ltd	1,072,428.84	Not settled
Nanjing Shiguan Smart Technology Co., Ltd	1,064,932.47	Not settled
Total	134,202,316.58	

## 19. Advances received

### 1. List of advances received

Items	Closing balance	Opening balance
Project funds	158,028,440.29	100,569,323.85
Payment for goods	46,242,876.37	30,050,756.80
Others	799,168.92	2,074,478.60
	<hr/>	<hr/>
Total	205,070,485.58	132,694,559.25
	<hr/> <hr/>	<hr/> <hr/>

### 2. Significant advances received aged over 1 year

Items	Closing balance	Reasons for
outstanding or carried forward Nanjing City Vocational College	10,000,000.00	Not settled
Nanjing Military Region Air Command of Chinese People's Liberation Army	4,610,000.00	Not settled
Xuzhou Tongshan District Public Security Bureau	3,894,000.00	Not settled
Nanjing Military Region Information Management Department of Chinese People's Liberation Army	3,628,490.00	Not settled
Urumqi City Construction Investment Co., Ltd	3,430,786.94	Not settled
Jiangsu Shuanggou Distillery Co., Ltd	2,255,606.32	Not settled
Jiangsu Jiangnan Water Co., Ltd	1,900,000.00	Not settled
Chinese People's Liberation Army 9th Division	1,278,000.00	Not settled
Suqian Guofeng Asset Operating Management Co., Ltd	1,259,153.53	Not settled
Chinese People's Liberation Army Certain Division	1,201,000.00	Not settled
Chinasoft International Technology Service Nanjing Co., Ltd	1,185,860.00	Not settled
Nanjing Qiqiao Construction Installation Engineering Co., Ltd	1,020,000.00	Not settled
Jinling Institute of Technology	1,000,660.00	Not settled
	<hr/>	
Total	36,663,556.79	
	<hr/> <hr/>	

## 20. Staff Remuneration Payable

### 1. Staff Remuneration Payable

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term Remuneration	23,829,717.22	189,298,779.91	198,269,725.40	<b>14,858,771.73</b>
Post-employment benefit established withdrawal and deposit scheme	308,272.88	21,275,202.13	21,025,544.29	<b>557,930.72</b>
Termination benefits	7,949,857.85	3,908,177.44	3,960,448.71	<b>7,897,586.58</b>
Other benefits due within 1 year				
Total	<u>32,087,847.95</u>	<u>214,482,159.48</u>	<u>223,255,718.40</u>	<u><b>23,314,289.03</b></u>

### 2. Short-term Remuneration

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
(1) Salary, inducement, allowance and subsidies	17,319,431.11	140,849,450.73	147,595,273.52	<b>10,573,608.32</b>
(2) Employee benefits fee	7,904,183.37	7,904,183.37		
(3) Social insurance fee Including: medical insurance fee	115,557.11	13,506,930.10	13,487,903.43	<b>134,583.78</b>
Work injury insurance fee	108,579.59	9,947,975.79	9,932,008.70	<b>124,546.68</b>
Maternity insurance fee	3,101.11	2,833,395.11	2,833,420.23	<b>3,075.99</b>
(4) Housing provident fund	3,876.41	725,559.20	722,474.50	<b>6,961.11</b>
(5) Staff Union fee and Staff training cost	1,030,369.00	18,295,440.08	18,161,899.08	<b>1,163,910.00</b>
(6) Short-term paid leave	1,563,070.48	2,805,597.90	2,587,284.94	<b>1,781,383.44</b>
(7) Short-term profit sharing scheme	3,318,000.00	660,000.00	3,304,000.00	<b>674,000.00</b>
(8) Labour fee	483,289.52	2,564,478.22	2,564,478.22	<b>483,289.52</b>
(9) Other short-term remuneration		2,712,699.51	2,664,702.84	<b>47,996.67</b>
Total	<u>23,829,717.22</u>	<u>189,298,779.91</u>	<u>198,269,725.40</u>	<u><b>14,858,771.73</b></u>

### 3. Established withdrawal and deposit scheme

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic retirement insurance	290,960.93	20,365,657.48	20,116,831.79	<b>539,786.62</b>
Unemployment insurance fee	17,311.95	850,438.65	852,876.50	<b>14,874.10</b>
Corporate annuity		59,106.00	55,836.00	<b>3,270.00</b>
Total	308,272.88	21,275,202.13	21,025,544.29	<b>557,930.72</b>

### 21. Tax payable

Tax Items	Closing balance	Opening balance
Value-added tax	<b>17,494,982.08</b>	27,700,318.87
Enterprise income tax	<b>9,974,440.55</b>	12,997,920.54
Land use tax	<b>1,316,006.20</b>	440,998.56
Individual income tax	<b>1,260,303.63</b>	1,554,733.26
Property Tax	<b>1,121,946.11</b>	1,609,540.48
Urban maintenance and construction tax	<b>784,930.17</b>	1,161,733.79
Educational Surtax	<b>345,754.39</b>	833,271.08
Others	<b>225,810.25</b>	102,740.73
Business tax		192,703.82
Total	<b>32,544,173.38</b>	46,593,961.13

### 22. 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>56,311.64</b>	23,835.62
Divided into financial liabilities of the preferred		
Total	<b>56,311.64</b>	23,835.62



### 23. Dividend Payable

Items	Closing balance	Opening balance
Ordinary share dividends-minority shareholders	3,317,135.59	18,529,612.95
Ordinary share-A shares	47,028,697.03	
Ordinary share-H shares	16,940,000.00	
	<hr/>	<hr/>
Total	67,285,832.62	18,529,612.95
	<hr/> <hr/>	<hr/> <hr/>

Notes: dividend payable over one year amounts to RMB3,317,135.59.

### 24. Other Payables

#### 1. Other payables by nature

Items	Closing balance	Opening balance
State-owned Capital Management Budget Allocations	34,000,000.00	34,000,000.00
Deposit	48,110,595.08	47,331,218.66
Accounts related to operating activities	31,694,192.30	26,454,324.67
Accounts	13,310,566.12	19,478,729.57
Land-transferring fees	15,578,273.90	15,578,273.90
Others	15,842,359.12	13,254,322.44
	<hr/>	<hr/>
Total	158,535,986.52	156,096,869.24
	<hr/> <hr/>	<hr/> <hr/>

#### 2. Significant other payables aged over 1 year

Creditors	Closing balance	Reasons for outstanding
China Electronics Corporation	34,000,000.00	State capital budget, has not yet been carried forward
Land and Resources Bureau	15,578,273.90	Land value, has not yet been carried forward
Nanjing Economic and Technological Development Zone Administration Committee	4,424,425.48	Deposit, has not yet been carried forward
Nanjing Changxin Technology Co., Ltd.	3,285,257.39	Accounts, has not yet been carried forward
Suqian Wanlong Information Industry Co., Ltd.	1,831,472.22	Deposit, has not yet been carried forward
Anhui Tairan Information technology engineering co., LTD	1,766,659.00	Deposit, has not yet been carried forward
Jiangsu Huimin Auto Parts Manufacturing Co., Ltd.	1,499,498.17	Deposit, has not yet been carried forward
Enbeier Battery (Nanjing) Co., Ltd	1,460,722.60	Accounts, has not yet been carried forward
State Administration of Press, Publication, Radio, Film and Television of the Hunan Province	1,411,781.08	Deposit, has not yet been carried forward
Urumchi Weirui Innovative Information Technology co., LTD	1,259,428.00	Deposit, contract has not yet been expired
Dongying Guanlin Intelligent Technology Co., Ltd.	1,100,000.00	Deposit, has not yet been carried forward
	<hr/>	
Total	67,617,517.84	
	<hr/> <hr/>	

## 25. Other current liabilities

Items	Closing balance	Opening balance
Special fund for new industry development	10,000,000.00	
High localisation rate of industrial robots and intelligent equipment development and industrialisation	3,000,000.00	8,000,000.00
Appropriation due to province technology	1,000,000.00	
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
	<hr/>	<hr/>
Total	15,400,000.00	9,700,000.00
	<hr/> <hr/>	<hr/> <hr/>

## 26. 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	29,495,783.98	32,673,991.19
3. Other long-term employee benefits		
	<hr/>	<hr/>
Total	29,495,783.98	32,673,991.19
	<hr/> <hr/>	<hr/> <hr/>

## 27. Deferred income

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	8,918,416.06	4,000,000.00	467,047.98	12,451,368.08	Related to assets
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	8,918,416.06	4,000,000.00	467,047.98	12,451,368.08	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

## 28. 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

## 29. 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	13,390,013.93	16,503.68		13,406,517.61
Total	1,464,133,820.05	16,503.68		1,464,150,323.73

Note: Share capital has changed due to the disposal of subsidiaries.

## 30. Surplus reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	181,449,055.01			181,449,055.01
Discretionary surplus reserve	70,376,641.33			70,376,641.33
Reserve fund				
Enterprise development fund				
Others				
Total	251,825,696.34			251,825,696.34

## 31. Undistributed profit

Items	Current period	Preceding period
Balance before adjustment at the end of preceding period	690,472,508.00	639,366,753.93
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	690,472,508.00	639,366,753.93
Add: Net profit attributable to owners of the parent company	44,885,550.09	54,654,239.10
Less: Appropriation of statutory surplus reserve		11,029,819.18
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares	63,968,697.03	62,141,019.97
Dividend on ordinary share converted to share capital		
Closing balance	671,389,361.06	631,879,973.06

### 32. Operating revenue and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	1,727,032,908.49	1,479,898,539.08	1,501,637,544.84	1,291,408,802.13
Other operation	24,543,019.54	21,301,496.78	17,558,563.45	14,497,072.36
	<u>1,751,575,928.03</u>	<u>1,501,200,035.86</u>	<u>1,519,196,108.29</u>	<u>1,305,905,874.49</u>

### 33. Taxes and surcharges

Items	Current period	Preceding period
City maintenance and construction tax	4,241,082.53	4,098,891.25
Education surcharge	2,822,194.73	2,908,335.72
Property tax	3,203,883.16	
Land-use tax	800,997.12	
Stamp tax	587,869.62	
Vehicle and vessel use tax	330.00	
Business tax		7,182,889.67
	<u>11,656,357.16</u>	<u>14,190,116.64</u>

### 34. Selling expenses

Items	Current period	Preceding period
Salaries and Benefits	8,039,026.85	8,013,590.17
Transport and storage fees	6,568,061.25	5,575,751.06
Advertising and exhibition fees	3,260,610.58	3,179,375.50
Travelling and transportation fees	1,670,717.16	1,129,078.25
Entertainment expenses	1,338,549.80	1,303,989.51
Handling expenses	701,374.76	
Office expenses	542,540.34	470,611.60
Others	1,741,866.39	2,567,216.83
	<u>23,862,747.13</u>	<u>22,239,612.92</u>

### 35. Administrative expenses

Items	Current period	Preceding period
R&D expenses	83,028,112.67	94,501,619.24
Salaries and benefits	54,497,459.67	66,071,726.93
Depreciation and amortisation	17,701,025.26	16,293,914.57
Entertainment and travelling expenses	5,508,103.23	4,697,567.04
Office, telephone and meeting expenses	5,160,784.89	4,763,171.78
Agent fees	4,047,394.40	4,780,608.71
Labour expenses	3,787,071.66	3,288,437.38
Transport fees	2,736,791.90	2,189,627.62
Leasing fees	1,739,257.42	916,209.39
Decoration and repairing fees	866,689.16	4,075,351.17
Others	2,961,144.32	9,602,213.08
Total	<b>182,033,834.58</b>	211,180,446.91

### 36. Financial expenses

Items	Current period	Preceding period
Interest expenses	525,043.40	77,333.33
Less: interest income	6,138,429.01	5,169,200.01
Exchange gain and loss	1,685,867.93	-5,823,311.08
Handling charges and others	1,716,814.49	569,471.99
Total	<b>-2,210,703.19</b>	-10,345,705.77

### 37. Assets impairment loss

Items	Current period	Preceding period
Bad debts	-161,164.44	-1,651,385.88
Inventory write-down loss	7,266,889.89	259,355.04
Impairment loss of fixed assets		
Impairment loss of intangible assets		
Total	<b>7,105,725.45</b>	-1,392,030.84

### 38. Investment income

Items	Current period	Preceding period
Income from long-term equity investments under equity method	32,250,321.46	62,809,824.65
Gains on disposal of long-term equity investments		
Gains on bank wealth investment products	6,678,254.39	8,393,588.65
Total	38,928,575.85	71,203,413.30

### 39. Other income

Items of government grant	Current period	Preceding period	Related to assets/ Related to income
Immediate refund of VAT	1,769,381.45		Related to income
Allowance of social insurance	757,798.24		Related to income
Total	2,527,179.69		

### 40. Non-operating income

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Gains on disposal of non-current assets	109,576.77	45,509.52	109,576.77
Including: Gains on disposal of fixed assets	109,576.77	45,509.52	109,576.77
Gains on disposal of intangible assets			
Gains on debt restructuring			
Gains on trading of non-cash assets			
Donation received			
Government grants	10,383,747.98	46,057,020.16	10,383,747.98
Others	558,539.94	801,303.69	558,539.94
Total	11,051,864.69	46,903,833.37	11,051,864.69

## Government grants recognised into profit and loss in the current period

Items	Current period	Data source and basis	Related to assets/ related to income
Research and industrialisation of high state-produced industrial robot and intelligent equipment	5,000,000.00	Jiangsu Science Technology Department	Related to income
Subsidies of Finance commission of Shenzhen Municipality – Industry and Design transferring funds	2,390,000.00	Shenzhen Economy and Information Budget Zi [2016] 17	Related to income
Subsidies of attending intelligent exhibition	1,396,000.00	Nanjing Economy and Information Committee	Related to income
Preschool educational subsidy in Nanjing	720,000.00	Measures of issuing about preschool educational voucher in Nanjing province (trial)	Related to income
The project of transfer system industrialisation about the emerging flat-panel display of factory automation	467,047.98	Development and Reform Office High-Tech [2015] No. 1333	Related to assets
2016 funds of Guiding new industry	300,000.00	Ning Economy and Information Investment [2016] No. 376	Related to income
Subsidies of water-saving by Nanjing Water Resources Bureau	60,000.00	Su Water Resource [2015] No. 19	Related to income
Reward of patent and software copyright by Shenzhen Putian District Enterprise Development Service Centre	21,700.00	Shenzhen Putian District Enterprise Development Service Centre	Related to income
Reward of science technology by Nanjing Economy and Development Zone	20,000.00	NZF [2017] No. 14	Related to income
Reward of Jinqiao Engineering project by Nanjing Technology Committee	5,000.00	NKX [2016] No. 107	Related to income
Commission service fee from Nanjing Finance Bureau Science Committee	4,000.00	NKX [2014] No. 86	Related to income
<b>Total</b>	<b>10,383,747.98</b>		
Items	Preceding 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	24,000,000.00	Development and Reform Office High-Tech [2015] No. 1333	Related to income
Special projects of development of intelligent equipment manufacturing	20,000,000.00	Development and Reform Office High-Tech [2014] No. 2558	Related to income
Subsidies of Nanjing social insurance steady post	1,111,620.16	NRS [2015] No. 132	Related to income
Financial support fund	730,000.00	NKWJZ[2001]No. 119	Related to income
Government subsidies of distributing Nanjing children voucher	178,000.00	NJC [2011] No. 8	Related to income
Development funds for small and medium-sized enterprise	20,400.00	SCGM [2013] No. 108	Related to income
Bonus of employment for the disabled	10,000.00	NC[2015]No. 165	Related to income
Funding for project	5,000.00	NKX[2015]No. 88	Related to income
Reward of Nanjing Patent for innovation	1,000.00	NK [2015] No. 260/NCJ [2015] No. 931	Related to income
Reward of innovating patent by Qinhuai Science Bureau	1,000.00	NZF [2012] No. 277	Related to income
<b>Total</b>	<b>46,057,020.16</b>		

#### 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>82,510.28</b>	53,712.46	82,510.28
Including: Loss on disposal of fixed assets	<b>82,510.28</b>	53,712.46	82,510.28
Loss on disposal of intangible assets			
Loss on debt restructuring			
Penalty	<b>41,184.82</b>	117,334.41	41,184.82
Donation to external parties	<b>110,000.00</b>	50,000.00	110,000.00
Others	<b>592,600.07</b>	2,541,418.49	592,600.07
Total	<b>826,295.17</b>	2,762,465.36	826,295.17

#### 42. Income tax expenses

##### 1. List of income tax expenses

Items	Current period	Preceding period
Current income tax	<b>13,419,159.88</b>	15,442,366.42
Deferred income tax	<b>556,500.69</b>	319,693.77
Total	<b>13,975,660.57</b>	15,762,060.19

##### 2. Explain of the relationship of income Tax Expenses and accounting profit

Items	Current period
Total profit	<b>79,609,256.10</b>
Income tax expenses calculated at the applicable tax rate	<b>22,930,812.06</b>
Different tax rate of subsidiaries	<b>-6,029,825.87</b>
Adjustment on previous income tax	
The profit/loss arbitrate to joint venture and associates	<b>-4,783,339.50</b>
Income not subject to tax	
Expenses not deductible for tax purposes	<b>1,858,013.88</b>
Claim additional deduction R&D	
Utilization of previously unrecognised tax losses	
Unrecognised deductible temporary difference and deductible tax loss	
Others	
Total income tax expenses	<b>13,975,660.57</b>



#### 43. Information of cash flow statement

##### 1. Cash Received Relating to Other Operating Activities

Items	Current period	Preceding period
Cash receipts from deposit	104,975,355.58	94,294,900.61
Government grants	16,083,747.98	2,057,020.16
Interest Income	6,138,429.01	5,169,200.01
Accounts	2,025,735.50	5,672,877.19
Others	2,145,342.35	14,002,201.47
Governmental compensation for relocation		52,400,000.00
Total	<u>131,368,610.42</u>	<u>173,596,199.44</u>

##### 2. Cash Paid Relating to Other Operating Activities

Items	Current period	Preceding period
Research & development expenses	73,837,618.41	53,554,790.07
Payment of deposit of commitment	56,492,412.51	81,945,132.27
Transportation fee	5,811,856.94	5,624,948.60
Office expenses	4,473,587.49	3,974,930.67
Travelling expenses	4,465,507.17	3,174,296.06
Labour expenses	3,962,057.01	3,566,094.46
Agent fee	3,892,014.42	3,842,649.95
Entertainment expenses	3,795,662.77	3,762,839.34
Advertising fee	2,890,349.17	2,497,161.94
Others	2,704,679.92	2,352,646.18
Total	<u>162,325,745.81</u>	<u>164,295,489.54</u>

##### 3. Other Cash receipt in Connection with Investment Activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<u>1,167,500,000.00</u>	<u>1,156,000,000.00</u>
Total	<u>1,167,500,000.00</u>	<u>1,156,000,000.00</u>

##### 4. Other Cash paid in Connection with Investment Activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<u>1,369,500,000.00</u>	<u>1,113,000,000.00</u>
Total	<u>1,369,500,000.00</u>	<u>1,113,000,000.00</u>

#### 44. Supplementary information of cash flow statements

##### 1. Supplementary information of cash flow statements

Items	Current period	Preceding period
<b>1.Reconciliation of net profit to cash flow of operating activities</b>		
Net profit	<b>65,633,595.53</b>	77,000,515.06
Add: Provision for assets impairment	<b>7,904,417.97</b>	-1,392,030.84
Depreciation of fixed assets	<b>38,768,108.76</b>	38,224,433.55
Amortisation of intangible assets	<b>4,289,718.32</b>	227,407.33
Amortisation of long-term deferred expenses	<b>2,047,042.48</b>	1,083,797.91
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less: decrease)	<b>-27,066.49</b>	8,202.94
Loss on scrapped fixed assets (or less: decrease)		12,611.44
Loss on change in fair value (or less: decrease)		
Financial expenses (or less: decrease)	<b>-2,210,703.19</b>	2,715,428.24
Investment loss (or less: decrease)	<b>-38,928,575.85</b>	-71,203,413.30
Decrease in deferred tax assets (or less: increase)	<b>564,041.46</b>	507,044.37
Increase in deferred tax liabilities (or less: decrease)	<b>-27,059.10</b>	-93,177.38
Decrease in inventories (or less: increase)	<b>-151,384,255.00</b>	-111,020,917.28
Decrease of operating receivables (or less: increase)	<b>-24,483,089.92</b>	-49,642,049.81
Increase of operating payables (or less: decrease)	<b>234,719,224.97</b>	195,507,482.70
Others		
	<hr/>	<hr/>
Net cash flows from operating activities	<b>136,865,399.94</b>	81,935,334.93
<b>2. Significant investing and financing activities that do not involve cash receipts and payments</b>		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets held under finance leases		
<b>3. Net movement in cash and cash equivalents</b>		
Cash at the end of the period	<b>1,047,520,495.44</b>	939,101,182.54
Less: cash at the beginning of period	<b>1,141,683,919.27</b>	853,805,263.06
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>-94,163,423.83</b>	85,295,919.48
	<hr/> <hr/>	<hr/> <hr/>

**2. The composition of cash and cash equivalents:**

Items	Current period	Preceding period
<b>1. Cash</b>	<b>1,047,520,495.44</b>	1,141,683,919.27
Including: Cash on hand	<b>506,596.44</b>	540,213.61
Bank deposit available for payment at any time	<b>1,047,013,899.00</b>	1,141,143,705.66
Other monetary funds available for payment at any time		
<b>2. Cash equivalents</b>		
Including: Bond investment due in three months		
<b>3. Cash and cash equivalents at the end of the period</b>	<b>1,047,520,495.44</b>	1,141,683,919.27

**45. Notes to the statement of change in equity**

No special adjustments for the opening balance.

**46. Assets with title or use right restrictions**

Items	Closing carrying amount	The reason
cash and bank balances	<u>164,322,622.14</u>	Deposits of acceptance performance, letter of credit
Total	<u><u>164,322,622.14</u></u>	

#### 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	14,202,938.29	6.7744	96,216,385.15
JPY	407,845,510.00	0.0605	24,668,535.67
EURO	191,355.10	7.7496	1,482,925.48
HKD	164,822.26	0.8679	143,049.24
Accounts Receivable			
Including: USD	2,050,739.48	6.7744	13,892,529.53
EURO	4,985.40	7.7496	38,634.86
Advance Payment			
Including: USD	240,039.10	6.7744	1,626,120.88
JPY	261,423,500.00	0.0605	15,812,200.40
Other Receivables			
Including: USD	25,000.00	6.7744	169,360.00
HKD	45,300.00	0.8679	39,315.87
Accounts Payable			
Including: USD	102,650.00	6.7744	695,392.16
JPY	960,738,345.00	0.0605	58,110,258.80
Advances received			
Including: USD	129,968.23	6.7744	880,456.78
EURO	32,896.64	7.7496	254,935.8013
JPY	137,070,640.00	0.0605	8,290,717.66
Other payables			
Including: USD	288,628.28	6.7744	1,955,283.42
HKD	4,896.00	0.8679	4,249.24

## **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.**

Nil

**(V) Other reasons that resulted in changes in the range of consolidation.**

Nil

## 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	Communication 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 Guanghua Electronics Plastic Casings Factory are under the settlement of business written-off registration.
- 0.89% of shareholding in Nanjing Panda Mechanical Engineering Plant is owned by Shimenkan Industrial Co., Ltd, 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.

## 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	20,748,045.44		217,496,227.26

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	Current assets	Non-current assets	Balance at the end of period			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Shenzhen Jinghua Electronics Co., Ltd.	427,563,118.42	48,755,502.93	476,318,621.35	110,884,390.67	9,695,456.89	120,579,847.56

Name of subsidiaries	Current assets	Non-current assets	Balance at the beginning of period			Total liabilities
			Total assets	Current liabilities	Non-current 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	Current period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	312,750,187.79	33,227,767.11	33,227,767.11	83,728,708.84

Name of subsidiaries	Preceding period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	298,962,023.46	35,948,347.67	35,948,347.67	48,613,729.81

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

## 5. The company does not have structured body whose financial statements are consolidated.

(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

#### 1. 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

#### 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	2,512,185,166.38	3,995,265,530.83
Non-current assets	75,678,648.42	347,603,824.02
Total assets	<u>2,587,863,814.80</u>	<u>4,342,869,354.85</u>
Current liabilities	2,072,127,614.16	3,404,259,066.07
Non-current liabilities		
Total liabilities	<u>2,072,127,614.16</u>	<u>3,404,259,066.07</u>
Net assets	<u>515,736,200.64</u>	<u>938,610,288.78</u>
Proportionate share in net assets	103,147,240.13	253,424,777.97
Adjustments		
Carrying amount of investments in associates	<u>117,602,238.97</u>	<u>266,468,829.43</u>
Fair value of equity investments in associates		
Operating income	4,435,087,329.61	4,307,025,119.93
Net profit	<u>10,300,312.77</u>	<u>110,477,286.79</u>
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	<u>10,300,312.77</u>	<u>110,477,286.79</u>
Dividend from associates received		



Items	Opening 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	<u>3,012,463,000.00</u>	<u>5,148,239,000.00</u>
Current liabilities	2,451,977,000.00	4,271,796,000.00
Non-current liabilities		
Total liabilities	<u>2,451,977,000.00</u>	<u>4,271,796,000.00</u>
Net assets	<u>560,486,000.00</u>	<u>876,443,000.00</u>
Proportionate share in net assets	112,097,176.42	236,639,962.00
Adjustments	<u>3,445,000.00</u>	
Carrying amount of investments in associates	<u><u>115,542,176.42</u></u>	<u><u>236,639,962.00</u></u>
Fair value of equity investments in associates		
Operating income	7,202,632,917.53	5,971,274,530.34
Net profit	<u>50,713,181.24</u>	<u>193,982,777.11</u>
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	<u>50,713,181.24</u>	<u>193,982,777.11</u>
Dividend from associates received	<u></u>	<u></u>

*Note:* The adjustment is the amount higher than the share of investee's identifiable net asset fair value compared with initial investment cost.

### 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	10,521,370.03	10,893,984.72
The followings were calculated by		
– Net profit	699,145.74	-123,146.76
– Other comprehensive income		
– Total comprehensive income	699,145.74	-123,146.76

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.

## 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 minimise 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. Besides, the Company monitor the balance of accounts receivable in order to prevent material risk of bad debt. As for the trading settled in other reporting currency, it will be subject to special approval by credit department, otherwise credit trading is not accepted.

## (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.

### (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 does not have long-term liabilities, therefore, will not face the interest rate risk at the current period.

### (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.

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
Monetary capital	96,216,385.15	24,668,535.67
Accounts receivable	13,892,529.53	
Advanced paid	1,626,120.88	15,812,200.40
Other receivables	169,360.00	
Accounts payable	695,392.16	58,110,258.80
Advanced received	880,456.78	8,290,717.66
Other payables	1,955,283.42	
Total	108,373,263.21	-25,920,240.39
Exchange rate increase	5%	5%
Total profit increase/(decrease)	5,418,663.16	-1,296,012.02
shareholders' equity increase/(decrease)	5,418,663.16	-1,296,012.02
Exchange rate decrease	5%	5%
Total profit increase/(decrease)	-5,418,663.16	1,296,012.02
shareholders' equity increase/(decrease)	-5,418,663.16	1,296,012.02

### (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.

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	Closing balance		Total
	Within 1 year	Over 1 year	
Short-term borrowings	45,000,000.00		45,000,000.00
Notes payable	174,402,854.47		174,402,854.47
Accounts payable	1,254,569,077.66		1,254,569,077.66
Interests payable	56,311.64		56,311.64
Dividend payable	67,285,832.62		67,285,832.62
Other payables	158,566,853.31		158,566,853.31
Total	<u>1,699,880,929.70</u>		<u>1,699,880,929.70</u>
		Opening balance	
Items	Within 1 year	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	<u>1,466,773,680.92</u>		<u>1,466,773,680.92</u>

## 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 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.

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 Jinghua Network Marketing Co., Ltd.	Subsidiary's associates





(V) **Related parties transactions**

**1. Purchase and sale of goods, rendering and receiving services in related party transactions**

**Purchase of goods/receiving of service**

<b>Related parties</b>	<b>Type of transaction</b>	<b>Amount for the current period</b>	<b>Amount for the prior period</b>
Nanjing CEC Panda LCD Technology Co., Ltd.	purchase of goods	<b>3,363,169.09</b>	1,071,341.88
Shanghai Panda Huning Electronic Technology Co., Ltd.	purchase of goods	<b>2,692,107.59</b>	593,741.06
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	purchase of goods	<b>1,821,487.18</b>	294,871.80
Nanjing Zhenhua Packing Material Factory	purchase of goods	<b>1,743,722.15</b>	1,283,204.34
Shenzhen China Electronics International Information Technology Co., Ltd	purchase of goods	<b>767,608.00</b>	
Shenzhen China Electronics Investment Co Ltd	purchase of goods	<b>759,212.90</b>	
Nanjing Panda Dasheng Electronics Technology Co., Ltd	purchase of goods	<b>359,487.18</b>	14,534.19
Nanjing Panda Electronics Import/Export Co., Ltd	purchase of goods	<b>237,472.58</b>	8,182,008.68
Nanjing China Electronics Panda Crystal Technology Co., Ltd	purchase of goods	<b>95,355.30</b>	19,548.72
Nanjing China Electronics Panda Appliances Co., Ltd	purchase of goods	<b>69,162.39</b>	6,666.67
Guizhou Zhenhua Hualian Electronics Co., Ltd	purchase of goods	<b>41,914.53</b>	
Nanjing Panda Handa Technology Co., Ltd	purchase of goods	<b>36,879.25</b>	
Beijing China Electronics Guangtong Technology Co., Ltd.	purchase of goods		5,580,932.01
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	purchase of goods		27,500.00
Nanjing Ericsson Panda Communication Co., Ltd.	purchase of goods		26,016.19
Nanjing CEC Panda Illumination Co., Ltd.	purchase of goods		205,390.00
Subtotal		<b>11,987,578.14</b>	17,305,755.54
Shenzhen Jinghua Intelligent Technology Co., Ltd	receipt of services	<b>1,640,729.91</b>	1,854,197.44
Nanjing Panda Electronics Transport Company	receipt of services	<b>1,309,320.96</b>	1,351,890.00
Panda Electronics Group Limited	receipt of services	<b>1,037,641.50</b>	
Nanjing CEC Panda LCD Technology Co., Ltd.	receipt of services	<b>678,628.21</b>	
Nanjing Panda Electronics Import/Export Co., Ltd	receipt of services	<b>103,850.00</b>	
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	receipt of services	<b>73,866.67</b>	134,490.60
Nanjing Zhenhua Packing Material Factory	receipt of services	<b>58,854.90</b>	66,624.28
Nanjing Panda Handa Technology Co., Ltd	receipt of services	<b>23,698.11</b>	10,221.70
China National Electronics Import/Export Corporation	receipt of services	<b>16,000.00</b>	192,890.00
Shenzhen Jinghua Network Marketing Co., Ltd	receipt of services	<b>4,315.89</b>	
Subtotal		<b>4,946,906.15</b>	3,610,314.02



### Sales of goods/rendering the service

related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing CEC Panda Plat Panel Display Technology Co., Ltd.	Sales of goods	298,944,216.16	199,513,380.60
Nanjing CEC Panda LCD Technology Co., Ltd.	Sales of goods	96,348,824.51	110,007,557.18
Nanjing Panda Handa Technology Co., Ltd	Sales of goods	33,161,664.70	45,036,714.88
Xianyang Caihong Optoelectronics Technology Co., Ltd	Sales of goods	28,717,128.21	
Guizhou Zhenhua E-Chem Co., Ltd	Sales of goods	20,512,051.28	
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Sales of goods	19,714,627.00	8,106,568.81
Nanjing Panda Electronics Import/Export Co., Ltd	Sales of goods	11,161,019.31	4,538,808.80
Shenzhen China Electronics Investment Co Ltd	Sales of goods	6,662,745.29	
Shenzhen Jinghua Network Marketing Co., Ltd	Sales of goods	4,507,348.72	102.56
Nanjing China Electronics Panda Appliances Co., Ltd	Sales of goods	4,189,754.05	11,363.40
China Electronics Equipment International Co., Ltd.	Sales of goods	3,414,269.14	
IRICO (Hefei) LCD Glass Co., Ltd.	Sales of goods	1,452,991.46	11,942,640.00
Panda Electronics Group Limited	Sales of goods	1,306,784.11	1,922,162.51
China Great Wall Computer Shenzhen Co., Ltd	Sales of goods	1,001,934.32	
Nanjing Sanle Group Co., Ltd	Sales of goods	102,564.11	
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Sales of goods	66,964.96	17,788,247.64
Nanjing Ericsson Panda Communication Co., Ltd.	Sales of goods	34,209.54	
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Sales of goods	23,865.00	4,605.00
Nanjing Panda Electronics Transport Company	Sales of goods	19,202.58	22,079.86
Nanjing CEC Panda Real Estate Co., Ltd.	Sales of goods	8,888.89	
Shanxi Caihong Electronics Glass Co., Ltd.	Sales of goods		13,076,923.07
Shenzhen China Electronics Frontsurf Information Technology Co., Ltd.	Sales of goods		5,544,473.09
Panda (Beijing) International Information Technology Co., Ltd	Sales of goods		266,666.67
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Sales of goods		156,666.66
Guizhou Zhenhua Hualian Electronics Co., Ltd	Sales of goods		85,555.56
China Great Wall Computer Shenzhen Co., Ltd	Sales of goods		242,649.40
Subtotal		<b>531,351,053.34</b>	<b>418,267,165.69</b>

<b>related parties</b>	<b>Type of transaction</b>	<b>Amount for the current period</b>	Amount for the prior period
Nanjing CEC Panda Plat Panel Display Technology Co., Ltd.	Rendering of services	<b>31,815,676.97</b>	16,323,929.89
Xianyang Caihong Optoelectronics Technology Co., Ltd	Rendering of services	<b>9,153,153.14</b>	
Nanjing CEC Panda LCD Technology Co., Ltd.	Rendering of services	<b>5,493,750.93</b>	6,866,816.24
Panda Electronics Group Limited	Rendering of services	<b>3,335,127.63</b>	3,777,146.77
Nanjing Panda Handa Technology Co., Ltd	Rendering of services	<b>1,996,305.58</b>	
Nanjing Panda Investment Development Co., Ltd	Rendering of services	<b>1,048,487.18</b>	11,939,817.86
Nanjing CEC Panda Real Estate Co., Ltd.	Rendering of services	<b>836,411.37</b>	
Wuhan Zhongyuan Electronics Information Co., Ltd	Rendering of services	<b>660,377.36</b>	
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Rendering of services	<b>330,321.21</b>	562,250.48
Nanjing Ericsson Panda Communication Co., Ltd.	Rendering of services	<b>303,318.90</b>	1,321,370.66
Nanjing Electronics Information Industrial Corporation	Rendering of services	<b>170,916.97</b>	
Nanjing China Electronics Panda Appliances Co., Ltd	Rendering of services	<b>164,035.55</b>	346,923.76
Dongguan CEC Panda Technology Development Co., Ltd	Rendering of services	<b>135,484.96</b>	
Nanjing Panda Electronics Materials Utilisation Company	Rendering of services	<b>94,017.09</b>	119,658.12
Nanjing Panda Electronics Transport Company	Rendering of services	<b>43,353.33</b>	101,250.53
Nanjing Panda Electronics Import/Export Co., Ltd	Rendering of services	<b>26,431.50</b>	85,428.47
Subtotal		<b>55,607,169.67</b>	41,444,592.78

## 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	24,875.70	230,413.24
Nanjing Panda Electronics Transport Company	lease of houses	328,189.20	130,984.54
Nanjing Panda Electronics Import/Export Co., Ltd	lease of houses	121,427.04	90,229.62
Nanjing Panda Electronics Transport Company	lease of cars	415,455.54	477,349.34
Shenzhen Jinghua Network Marketing Co., Ltd	lease of houses	25,990.48	21,220.00
Shenzhen Jinghua Intelligent Technology Co., Ltd	lease of houses	268,827.43	250,905.60
Panda Electronics Group Limited	lease of houses	45,830.20	21,669.72
Total		<b>1,230,595.59</b>	<b>1,222,772.06</b>

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		45,000.00
Panda Electronic Group Co., Ltd.	lease of houses	76,666.67	96,600.00
Total		<b>76,666.67</b>	<b>141,600.00</b>

## 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 (1)	60,000,000.00	2016-9-22	2017-9-21	No
Nanjing Panda Electronics Manufacture Co., Ltd (2)	60,000,000.00	2017-1-19	2017-11-29	No
Nanjing Panda Electronics Equipment Co., Ltd (3)	30,000,000.00	2017-1-29	2017-11-29	No
Nanjing Panda Electronics Equipment Co., Ltd (4)	70,000,000.00	2017-1-20	2018-1-19	No
Nanjing Panda Electronics Manufacture Co., Ltd (5)	15,000,000.00	2017-5-22	2017-11-29	No
Nanjing Panda Information Industry Co, Ltd. (6)	280,000,000.00	2016-5-17	2017-3-28	No
Nanjing Panda Information Industry Co, Ltd. (7)	100,000,000.00	2016-7-1	2018-6-30	No
Nanjing Panda Information Industry Co, Ltd (8)	50,000,000.00	2016-2-26	2016-6-30	No
Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (9)	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 22nd 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 30th June 2017, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB24,315,764.36 of its total comprehensive bank credit, of which RMB22,867,334.01 is guaranteed by the company in the form of bank acceptance bill offered by the company and of which RMB1,448,430.35 is unsecured guarantee.
- Note 2:* The company offers maximum guarantee of RMB60,000,000.00, 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 19th January 2017 to 29th November 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 30th June 2017, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB38,518,109.84 of its total comprehensive bank credit, of which RMB38,518,109.84 is guaranteed by the company in the form of bank acceptance bill.
- Note 3:* 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 bank credit has duration from 20th January 2017 to 29th November 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 30th June 2017, Nanjing Panda Electronic Equipment Co., Ltd has used RMB6,406,324.35 of its total comprehensive bank credit, of which RMB1,811,700.75 is guaranteed by the company in the form of bank acceptance bill and RMB4,594,623.60 is guaranteed by the company in the form of letter of performance guarantee.
- Note 4:* The company offers maximum guarantee of RMB70,000,000.00, which is the comprehensive bank credit amount offered by Ping'an Bank, Nanjing Branch, to Nanjing Panda Electronic Equipment Co., Ltd, sub-subsidiary of the company. The guarantee starts from 20th January and the credit lasts for 1 year from the contract signed. 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 30th June 2017, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB66,583,986.88 of its total comprehensive bank credit, of which RMB45,000,000.00 is guaranteed by the company in the form of secured borrowing, of which RMB8,569,760.00 is guaranteed by the company in the form of letter of performance guarantee, of which RMB6,290,000.00 is guaranteed by the company in the form of bank acceptance bill, of which RMB6,724,226.88 is guaranteed by the company in the form of letter of credit.
- Note 5:* The company offers maximum guarantee of RMB15,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing Branch, Maigao Bridge Branch, to Nanjing Panda Electromechanical Manufacture Co., Ltd, sub-subsidiary of the company. The credit period is from 22th May 2017 to 29th November 2017, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electromechanical Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 30th June 2017, Nanjing Panda Electromechanical Manufacture Co., Ltd has used RMB3,900,000.00 of its total comprehensive bank credit, of which RMB3,900,000.00 is guaranteed by the company in the form of bank acceptance bill.

*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 30th June 2017, Nanjing Panda Information Industry Co., Ltd. has used RMB97,061,285.1 of its total comprehensive bank credit, of which RMB215,965.24 is guaranteed in the form of bank acceptance bill, of which RMB96,845,319.95 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 30th June 2017, Nanjing Panda Information Industry Co., Ltd. has used RMB37,164,255.92 of its total comprehensive bank credit, of which RMB14,277,054.60 is guaranteed in the form of letter of guarantee offered by the company, of which RMB22,887,201.32 is guaranteed in the form of letter of guarantee.

*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 30th June 2017, 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.

*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 30th June 2017, Nanjing Huage Electronic Plastic Industry Co., Ltd. has used RMB12,830,515.94 of its total comprehensive bank credit, of which RMB12,830,515.94 is guaranteed in the form of bank acceptance bill offered by the company to China Merchant Bank, Nanjing Branch, Chengdong Branch.

Conclusively, as of 30th June 2017, total guarantee offered by the company amounting to RMB287,925,575.79, of which RMB100,710,680.38 is for acceptance bill guarantee, RMB134,042,238.18 is for letter of guarantee, RMB45,000,000.00 is for short-term loan guarantee, RMB8,172,657.23 is for letter of credit. (As of 31st December 2016, total guarantee offered by the company amounting RMB156,297,658.50 of which RMB80,609,589.67 is for acceptance bill guarantee, RMB75,613,743.41 is for letter of guarantee, and RMB74,325.42 is for the letter of credit).

#### 4. Other related party transactions

Company name	Type of transaction	Current period		Preceding period	
		Book balance	Bad debt provision	Book balance	Bad debt provision
China Electronics Financial Co., Ltd. (note 1)	Receipt of interests	2,122,953.30		825,834.39	
China Electronics Financial Co., Ltd. (note 1)	Payment of interest				
China Electronics Financial Co., Ltd. (note 1)	Payment of discounted interest	99,901.97			
China Electronics Commercial Financial Leasing Co., Ltd. (note 3)	Payment of factoring service fee				10,821.45

By the end of 30th June 2017, loan balance of the company was RMB0.00, deposit balance was RMB443,370,191.97 in the finance company.

*Note 1:* The Company resigned financial service contract with China Electronics Financial Co., Ltd. in 2015. According to the contract, under the legal circumstance, China Electronics Financial Co., Ltd. can provide domestic financial service including but not limited to wealth and financing consulting, Visa service, other related consulting service, agency service, guarantee, bills acceptance, bills discount, deposits service and the integrated credit should limited to RMB0.6 billion, fund settlement balance should not be over RMB0.5 billion. The valid period is 3 years starting from the contract date. The contract has been approved by first extraordinary general meeting at 28th December 2015.

*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 RMB2.00—5.00 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 31st August 2015, The 8th Board Temporary Meeting approved that Nanjing Panda Electronic Manufacture Co., Ltd., a sub-subsidary 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-subsidary 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.

#### (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	Nanjing CEC Panda Plat Panel Display Technology Co., Ltd.	345,919,640.38		292,164,894.41	
	Nanjing CEC Panda LCD Technology Co., Ltd.	69,928,489.49		87,448,367.30	
	Nanjing Panda Handa Technology Co., Ltd	58,794,104.77	33,649.21	75,822,689.75	33,649.21
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	24,190,109.00		38,551,040.38	
	Guizhou Zhenhua E-Chem Co., Ltd	23,999,100.00			
	IRICO (Hefei) LCD Glass Co., Ltd.	12,369,200.00		10,669,200.00	
	Shanxi Caihong Electronics Glass Co., Ltd.	11,900,000.00		11,900,000.00	
	Nanjing Panda Electronics Import/Export Co., Ltd	10,374,042.10	695,611.41	7,136,508.18	695,611.41
	Shenzhen Jinghua Network Marketing Co., Ltd	9,205,260.00		7,836,395.00	
	CEC Engineering Science New Material Jiangsu Co., Ltd.	4,560,919.96		5,863,419.96	
	Nanjing China Electronics Panda Appliances Co., Ltd	4,259,400.76			
	Panda Electronics Group Limited	820,383.29	146,659.19	12,429,314.88	25,550.00

Items	Related parties	Closing balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	Wuhan Zhongyuan Electronics Information Co., Ltd	700,000.00			
	Nanjing CEC Panda Real Estate Co., Ltd.	625,766.74		165,041.63	
	China Great Wall Computer Shenzhen Co., Ltd	278,949.09		416,282.60	
	Nanjing Ericsson Panda Communication Co., Ltd.	226,270.29		290,332.33	
	Shanghai Panda Huning Electronic Technology Co., Ltd.	163,700.00	163,700.00	163,700.00	163,700.00
	Dongguan CEC Panda Technology Development Co., Ltd	143,614.06			
	Nanjing Sanle Group Co., Ltd	84,000.00			
	Nanjing Electronics Information Industrial Corporation	64,440.00			
	Nanjing THALES Panda Transportation Systems Co., Ltd.	39,086.73	36,156.93	39,086.73	36,156.93
	Nanjing Panda Investment Development Co., Ltd	4,500.02		124,500.00	
	Langfang China Electronics 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		2,227.10	
	Wuhan Zhongyuan Electronics Group Co., Ltd	2,000.00	2,000.00	2,000.00	2,000.00
	Subtotal	<b>578,658,443.78</b>	<b>1,081,016.74</b>	551,028,240.25	959,907.55
Notes receivable	Nanjing CEC Panda Plat Panel Display Technology Co., Ltd.	65,367,931.39		201,680,000.00	
	Nanjing Panda Handa Technology Co., Ltd	49,310,000.00		2,000,000.00	
	Nanjing CEC Panda LCD Technology Co., Ltd.	47,425,927.59		59,000,000.00	
	Nanjing China Electronics Panda Appliances Co., Ltd	648,395.00		2,000,000.00	
	China Great Wall Technology Group Co., Ltd	517,009.26			
	China Great Wall Computer Shenzhen Co., Ltd	98,888.85		120,055.22	
	Subtotal	<b>163,368,152.09</b>		264,800,055.22	
Advance payment	Nanjing CEC Panda LCD Technology Co., Ltd.	1,484,658.96		737,455.80	
	Nanjing China Electronics Panda Appliances Co., Ltd	44,050.00		44,050.00	
	Nanjing Panda Handa Technology Co., Ltd	316,800.00			
	China National Electronics Import/Export Corporation	263,670.44		20,000.00	
	Shanghai Panda Huning Electronic Technology Co., Ltd.			2,448,000.00	
	Shenzhen China Electronics International Information Technology Co., Ltd			548,329.60	
	Nanjing Panda Electronics Import/Export Co., Ltd			13,748.93	
	Subtotal	<b>2,109,179.40</b>		3,811,584.33	

## 2. Payables

Items	Related parties	Closing balance	Opening balance	
Accounts payable	Nanjing Panda Electronics Import/Export Co., Ltd	17,811,077.92	20,433,190.68	
	Panda Electronics Group Limited	2,167,835.57	1,242,569.16	
	Nanjing Zhenhua Packing Material Factory	1,635,219.15	877,790.56	
	Nanjing Panda Handa Technology Co., Ltd	1,251,806.63	316,800.00	
	Beijing China Electronics Guangtong Technology Co., Ltd.	1,102,743.00	1,102,743.00	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	349,333.33		
	Nanjing Panda Electronics Transport Company	279,332.39	314,512.39	
	Shanghai Panda Huning Electronic Technology Co., Ltd.	168,750.00	168,750.00	
	Nanjing China Electronics Panda Appliances Co., Ltd	147,694.40	124,994.40	
	Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	107,200.00		
	Nanjing CEC Panda Illumination Co., Ltd.	88,533.15	98,486.13	
	Guizhou Zhenhua Hualian Electronics Co., Ltd	49,040.00	15,000.00	
	Nanjing China Electronics Panda Crystal Technology Co., Ltd	35,800.68	1,454.28	
	China Zhenhua Group Yunke Electronics Co., Ltd	17,632.00	17,632.00	
	Shenzhen China Electronics Technology Co., Ltd	17,000.00	134,800.00	
	Nanjing THALES Panda Transportation Systems Co., Ltd.	16,410.02	16,410.02	
	Nanjing Panda Material Utilisation Co., Ltd	11,320.00		
	Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	5,230.00	5,230.00	
	Subtotal		<b>25,261,958.24</b>	24,870,362.62



Items	Related parties	Closing balance	Opening balance
Notes payable	Nanjing Zhenhua Packing Material Factory	<b>237,649.21</b>	
	Nanjing Changjiang Electronics Information Industry Group Co., Ltd.		416,915.20
Subtotal		<b>237,649.21</b>	416,915.20
Other payables	China Electronics Corporation	<b>34,026,087.49</b>	34,143,812.21
	Panda Electronics Group Limited	<b>6,337,689.89</b>	6,175,447.72
	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
	Nanjing Panda Electronics Transport Company	<b>279,416.70</b>	12,300.00
	China National Electronics Import/ Export Corporation	<b>195,539.62</b>	195,539.62
	Nanjing Electronics Information Industrial Corporation	<b>57,149.00</b>	44,600.00
	Panda (Beijing) International Information Technology Co., Ltd	<b>45,588.91</b>	45,588.91
	Shanghai Panda Huning Electronic Technology Co., Ltd.	<b>22,907.00</b>	22,907.00
	Nanjing Panda Technology Park Development Company Limited	<b>20,000.00</b>	20,000.00
	Nanjing Panda Handa Technology Co., Ltd	<b>12,880.00</b>	
	Nanjing Panda Electronics Materials Utilisation Company	<b>10,000.00</b>	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	<b>200.00</b>	200.00
Subtotal		<b>42,389,120.80</b>	42,042,057.65
Payment in advance	Xianyang Caihong Optoelectronics Technology Co., Ltd	<b>17,139,520.00</b>	
	Chengdu CEC Panda Display Technology Co., Ltd	<b>8,984,466.30</b>	
	Panda Electronics Import and Export (Hong Kong) Co., Ltd.	<b>2,097,097.30</b>	3,824,207.39
	Nanjing Panda Technology Park Development Company Limited	<b>233,334.00</b>	233,334.00
	Nanjing CEC Panda LCD Technology Co., Ltd.	<b>328,901.43</b>	
	Nanjing CEC Panda Plat Panel Display Technology Co., Ltd.	<b>20,020.00</b>	20,020.00
	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>	1,583.07
	Panda Electronics Group Limited	<b>621.83</b>	621.83
	Soloman Technology (Nanjing) Co., Ltd	<b>550.00</b>	
	Nanjing Panda Electronics Import/ Export Co., Ltd		117,000.00
Subtotal		<b>28,811,600.10</b>	4,202,272.46

## XI. SHARE-BASED PAYMENT

Nil

## 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	5,778,074.25	2,312,790.16
1 – 2 year	3,060,017.92	2,600,392.31
2 – 3 year	1,201,500.00	30,000.00
Total	10,039,592.17	4,943,182.47

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	384,030.00	2,623,826.33
Machinery and Equipment	221,900.00	1,029,491.13
Intangible assets/software		48,157.69
Total	605,930.00	3,501,559.33

### (II) Contingencies

Please refer to X. (V). 3. the Company's guarantee of bank loans for subsidiaries.

There is no other significant contingencies after balance sheet date.

## XIII. EVENTS AFTER BALANCE SHEET DATE

### (I) No significant non-adjusted events at the current period

## 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.

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.

2. 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	661,732,532.39	667,593,887.90	285,519,933.87	106,729,773.87			1,751,575,928.03
Trade income between segments	6,326,359.90	8,075,146.71	20,512.82	29,988,627.66		-44,410,647.09	
Investment income from joint ventures and associated enterprises			961,391.46		31,888,929.98		32,250,321.46
impairment of assets	7,554,334.16	-107,138.57	-451,745.80	-80,000.00	-1,459,520.42	1,649,796.08	7,105,725.45
Depreciation and amortisation expense	9,770,856.72	16,924,904.87	3,076,142.13	2,589,051.98	9,593,962.26		41,968,917.96
Total Profit	21,239,999.20	20,157,450.03	9,614,202.70	27,976,429.05	22,852,673.46	-22,231,488.34	79,609,256.10
Income tax expense	3,200,762.61	1,618,367.42	1,560,039.06	7,596,491.46			13,975,660.57
Net profit	18,039,226.59	18,539,082.61	8,054,163.64	20,379,937.57	22,852,673.46	-22,231,488.34	65,633,595.53
Total assets	911,650,107.69	2,831,869,841.19	304,783,741.35	485,629,468.17	3,117,394,321.77	-2,116,740,717.33	5,532,486,763.84
Total liabilities	531,868,918.28	1,412,662,960.22	176,352,728.55	177,781,090.09	295,418,262.19	-575,851,314.92	2,018,232,694.41
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises			10,521,369.43		384,071,069.00		394,592,438.43
Increase in other non-current assets besides long-term investment	17,860,442.92	29,239,755.01	257,789.40	327,377.21	959,025.39		48,664,389.93

(VII) Other significant events

On 24th 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.

On 17th April 2017, Panda Group has finished the procedure of removing the pledged shares via China Securities Depository and Clearing Corporation Limited. The pledged shares which has been removed at this time are 93,880,000 shares, accounting for 10.27% of total shares. After the removal, Panda holds 210,661,444 common shares of the company, accounting for 23.05% of total shares without limitation. There are no shares pledged after this removal.

## XV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENT

### (I) Accounts Receivable

#### 1. Accounts receivable shown by classification

Type	Carrying Amount		Closing balance Bad debt provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually	36,739,228.76	54.92	676,380.07	1.84	36,062,848.69
Accounts receivable with individual insignificance but individually accruing bad debt provision	30,157,870.99	45.08	2,091,570.93	6.94	28,066,300.06
<b>Total</b>	<b>66,897,099.75</b>		<b>2,767,951.00</b>		<b>64,129,148.75</b>

Type	Carrying Value		Opening balance Bad debt provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and individually accruing bad debt provision	57,168,401.89	67.27	58,660.53	0.10	57,109,741.36
Accounts receivable with individual insignificance and individually accruing bad debt provision	27,809,483.88	32.73	2,709,290.47	9.74	25,100,193.41
<b>Total</b>	<b>84,977,885.77</b>		<b>2,767,951.00</b>		<b>82,209,934.77</b>

Accounts receivable with individual significance and individually accruing bad debt provision at the year-end

Debtor	Account receivable	Closing balance Bad debt provision		Reason
		Bad debt provision	Percentage (%)	
Nanjing Panda Electronics Group Co., Ltd.	10,500,000.00			Expected to be recovered
Sihong County Broadcasting and TV Information Network Co., Ltd	9,759,839.00	676,380.07	6.93	Current value of the expected future cash flow is lower than its carrying value
Nanjing zhonggang Electricity Co., Ltd	9,239,889.38			Expected can be recovered
Nanjing Panda Handa Technology Co., Ltd	7,239,500.38			Expected can be recovered
<b>Total</b>	<b>36,739,228.76</b>	<b>676,380.07</b>		/

#### 2. Provision, transfer and recovery of bad debts in the period

#### 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		Bad debt provision
		Proportion of total account receivable (%)		
Nanjing Panda Electronics Group Co., Ltd.	10,500,000.00	15.70		
Sihong County Broadcasting and TV Information Network Co., Ltd	9,759,839.00	14.59		676,380.07
Nanjing zhonggang Electricity Co., Ltd	9,239,889.38	13.81		
Nanjing Panda Handa Technology Co., Ltd	7,239,500.38	10.82		
Funing County Broadcasting and Television Station	4,093,700.00	6.12		85,323.05
total	40,832,928.76	61.04		761,703.12

#### 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

### (II) Other receivables

#### 1. Disclosure of other receivables classified by type:

Items	Carrying amount		Closing balance		Book value
	Amount	proportion (%)	Amount	proportion (%)	
Other receivables with individual significance and individually accruing bad debt provision	272,837,499.98	93.79	31,889,135.53	11.69	240,948,364.45
Other receivables without individual significance but individually accruing bad debt provision	18,053,099.37	6.21	3,099,728.27	17.17	14,953,371.10
total	290,890,599.35		34,988,863.80		255,901,735.55

Items	Carrying amount		Opening balance		Book value
	Amount	proportion (%)	Amount	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

Other receivables with individual significance and individually accruing bad debt provision

Debtor	Other receivable	Closing balance		Reason
		Bad debt provision	Proportion (%)	
Nanjing Panda Electronic Equipment Co., Ltd	120,061,588.53	9,737,739.19	8.11	Current value of the expected future cash flow is lower than its carrying value
Hong Kong Galant Limited	65,901,500.00			Expected to be recovered
Nanjing Panda Electronic Technology Co., Ltd	54,729,600.00			Expected to be recovered
Nanjing Panda international communications system co., LTD	15,234,936.50	15,234,936.50	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
Nanjing Panda Communication Technology Co., Ltd	7,750,000.00			Expected to be recovered
Total	<u>272,837,499.98</u>	<u>31,889,135.53</u>		

## 2. Provision, transfer and recovery of bad debts in the period

Provision amount for bad debt in current period totals to RMB1,719,930.00; Provision amount for bad debt reversed or received in current period totals to RMB3,221,152.77

## 3. No other receivables effectively verified in this period

## 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	281,967,937.16	333,472,213.18
Relocation compensation		
Others	<u>8,922,662.19</u>	<u>2,806,858.02</u>
Total	<u>290,890,599.35</u>	<u>336,279,071.20</u>

**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 Electronic Equipment Co., Ltd	Current account balance	120,061,588.53	2-3 years	41.27	9,737,739.19
Hong Kong Galant Limited	Current account balance	65,901,500.00	Over 3 years	22.66	
Nanjing Panda Electronic Technology Co., Ltd	Current account balance	54,729,600.00	2-3 years	18.81	
Nanjing Panda International Communications System Co., Ltd	Current account balance	15,234,936.50	Over 3 years	5.24	15,234,936.50
Nanjing Panda Electromechanical Manufacture Co., Ltd	Current account balance	9,159,874.95	2-3 years	3.15	6,916,459.84
Total		<u>265,087,499.98</u>		<u>91.13</u>	<u>31,889,135.53</u>

**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	Book balance	Closing Balance		Book Value
		Impairment Provision		
Investment in subsidiaries	1,467,753,659.27	7,655,000.00		1,460,098,659.27
Investment in associates and joint ventures	<u>384,071,068.40</u>			<u>384,071,068.40</u>
Total	<u>1,851,824,727.67</u>	<u>7,655,000.00</u>		<u>1,844,169,727.67</u>
Items	Book balance	Opening Balance	Impairment Provision	Book balance
Investment in subsidiaries	1,467,753,659.27	7,655,000.00		1,460,098,659.27
Investment in associates and joint ventures	<u>352,182,138.42</u>			<u>352,182,138.42</u>
Total	<u>1,819,935,797.69</u>	<u>7,655,000.00</u>		<u>1,812,280,797.69</u>

## 1. Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Nanjing Panda Mechanical Engineering Plant	30,042,016.46					
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98					
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10					
Nanjing Guanghua Electronics Plastic Casings Factory	8,271,096.45					
Nanjing Panda International Communication Systems Co., Ltd.	7,655,000.00					7,655,000.00
Nanjing Panda Industrial Enterprise Co., Ltd.	20,000,000.00					
Nanjing Panda Electronic Equipment Co., Ltd.	190,000,000.00					
Nanjing Panda Electronic Technology Development Co., Ltd.	700,000,000.00					
Nanjing Panda Communication Technology Co., Ltd.	98,585,734.28					
Shanghai Panda Robot Technology Co., Ltd.	6,000,000.00					
Shenzhen Jinghua Electronics Co., Ltd	119,241,304.00					
Galant Limited						
Total	1,467,753,659.27					7,655,000.00

## 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 or loss recognised under equity method	Adjustments in other comprehensive income	Other changes in equity	Dividends or profits declared			
1. Joint Ventures										
2. Associates										
Nanjing Ericsson Panda Communication Co., Ltd.	236,639,962.00			29,828,867.43				266,468,829.43		
Beijing SF Puffan Mobile Communications Co., Ltd	115,542,178.42			2,060,062.55				117,602,238.97		
Nanjing Huaxian High Technology Co., Ltd										
Total	352,182,138.42			31,888,929.98				384,071,068.40		

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	36,732,835.17	30,076,817.43	62,556,232.21	48,160,029.60
Other business	17,653,002.50	16,767.00	4,813,630.05	13,882.00
Total	54,385,837.67	30,093,584.43	67,369,862.26	48,173,911.60

**(V) Investment income**

Items	Current period	Preceding period
Investment income from long-term equity investments under cost method	9,000,000.00	
Investment income from long-term equity investments under equity method	31,888,929.98	62,517,986.07
Gains on bank wealth investment products	5,435,061.25	6,832,270.38
Total	46,323,991.23	69,350,256.45

**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	27,066.49	
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)	10,383,747.98	
Capital use fee received from non-financial 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	6,678,254.39	
Provision for impairment of assets due to force majeure such as natural disasters		
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		

Items	Amount	Note
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	398,161.24	
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	-185,244.95	
Other items of gain or loss in accordance with the definition of extraordinary profit and loss		
Subtotal	17,301,985.15	
Impact of income tax	2,562,599.42	
Impact of minority shareholders' interests	1,122,646.85	
	<hr/>	
Total	13,616,738.88	
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**(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	1.3547	0.0491	0.0491
Net profit after deducting extraordinary profit and loss attributable to ordinary shareholders of the Company	0.9457	0.0342	0.0342
	<hr/>	<hr/>	<hr/>

## SECTION XI DOCUMENTS AVAILABLE FOR INSPECTION

- I. The financial statements signed and sealed under the hand of the corporate representative, the chief accountant and the accounting supervisor (person in charge of accounting matters) of the Company.
- II. Original copies of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the Reporting Period.
- III. The interim report published on the Hong Kong Stock Exchange.

**Nanjing Panda Electronics Company Limited**

*Chairman: Xu Guofei*

Approved for submission by the Board on: 30 August 2017