

PANDA Electronics

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Nanjing Panda Electronics Company Limited

2017

**Annual
Report**

(H Share Stock Code: 0 5 5 3)

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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 annual 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 the directors of the Company attended the Board meeting.
3. BDO China Shu Lun Pan Certified Public Accountants LLP issued an unqualified auditors' report for the Company. The Company's financial statements for the current year are prepared in accordance with the PRC Accounting Standards for Business Enterprises, and complied with the Hong Kong Companies Ordinance and the disclosure requirements of the Hong Kong Stock Exchange Listing Rules.
4. Mr. Xia Dechuan, the Company 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 annual report.
5. Proposal of profit distribution or capitalization of capital reserves of the Company for the reporting period considered by the Board; to distribute a cash dividend of RMB0.70 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2017, with the total cash dividend to be distributed amounting to RMB63,968,697.03, and the balance to be carried forward to next year. The Company would not make any capitalization of capital reserve.
6. Forward looking statements, including future plans and development strategies, contained in this annual 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. Major risk warning: The Company has elaborated the potential risks in this annual report. For their details and the corresponding countermeasures, please refer to the paragraph headed "Potential Risks" under Section IV "Discussion and Analysis of the Operation" in this annual report.

Definitions

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 (南京熊猫电子股份有限公司)
Group	Nanjing Panda Electronics Company Limited and its subsidiaries
PEGL	Panda Electronics Group Limited (熊猫电子集团有限公司)
PEGL Group	Panda Electronics Group Limited and its subsidiaries
NEIC	Nanjing Electronics Information Industrial Corporation (南京中电熊猫信息产业集团有限公司)
NEIC Group	Nanjing Electronics Information Industrial Corporation and its subsidiaries
CEC	China Electronics Corporation (中国电子信息产业集团有限公司)
CEC Group	China Electronics Corporation and its subsidiaries
Financial Company	China Electronics Financial Co., Ltd. (中国电子财务有限责任公司)
Investment Development Company	Nanjing Panda Investment Development Co., Ltd. (南京熊猫投资发展有限公司)
ENC	Nanjing Ericsson Panda Communication Co., Ltd. (南京爱立信熊猫通信有限公司)
BMC	Beijing SE Putian Mobile Communication Co., Ltd. (北京索爱普天移动通信有限公司)
Shenzhen Jinghua	Shenzhen Jinghua Electronics Co., Ltd. (深圳市京华电子股份有限公司)
Electronics Equipment Company	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫电子装备有限公司)
Information Industry Company	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息产业有限公司)
Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫电子制造有限公司)

Definitions (Continued)

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 (南京熊猫电子科技发展有限公司)
China Huarong	China Huarong Asset Management Co., Ltd. (中国华融资产管理股份有限公司)
CSRC	China Securities Regulatory Commission
the Ministry of Finance	the Ministry of Finance of the People's Republic of China
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
CSRC Jiangsu Bureau	Jiangsu Securities Regulatory Bureau of China Securities Regulatory Commission
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Nanjing Panda Electronics Company Limited
AFC	Auto Fare Collection
ACC	AFC Clearing Center
SMT	Surface Mounted Technology, the most commonly used technology and process in the electronics assembly industry
EMS	Electronic Manufacturing Services
MESH	Mesh Network, a multi-hop network and developed from ad hoc network, representing one of the critical technologies to solve the problem known as "The Last Kilometer"
BPR technique	Bottom Process Recombine is a bottom welding and recombining technique, a through-hole reflow (THR) technique
ODM	Original Design Manufacturer

Definitions *(Continued)*

PPP	Public Private Partnership, various cooperative relationship built between public and private sectors for providing public products or services
BOT	Build Operate Transfer, a way by which private enterprises participate in infrastructure construction and provide social public services
ABS materials	Acrylonitrile Butadiene Styrene, a thermoplastic polymer material structure with high strength and flexibility, which is easy to be processed for moulding, and also known as ABS resin
CDR	China digital radio, a radio and television standard with Chinese characteristics
MES system	Manufacturing Execution System, a management system of information-based production aiming at execution on plant floors of manufacturers

Company Profile and Major Financial Indicators

I. Company Information

Chinese name of the Company	南京熊猫电子股份有限公司
Abbreviation of the Chinese name	南京熊猫
English name of the Company	Nanjing Panda Electronics Company Limited
Abbreviation of the English name	NPEC
Legal representative of the Company	Xia Dechuan (Executive Director 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) 8480 1144	(86 25) 8480 1144
Facsimile	(86 25) 8482 0729	(86 25) 8482 0729
Email	dms@panda.cn	dms@panda.cn

III. Basic Information

Registered address	Level 1–2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, the People's Republic of China
Postal code of the registered address	210032
Office address	7 Jingtian Road, Nanjing, the People's Republic of China
Postal code of the office address	210033
Website of the Company	http://www.panda.cn
Email	dms@panda.cn

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 annual report and information disclosure	Shanghai Stock Exchange: http://www.sse.com.cn Hong Kong Stock Exchange: http://www.hkex.com.hk
Place for inspection of the Company's annual report	Office of the Secretary to the Board, 7 Jingtian Road, Nanjing, the People's Republic of China

Company Profile and Major Financial Indicators (Continued)

V. Information of the Company's Shares

Overview of the Company's shares

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

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

Company Profile and Major Financial Indicators (Continued)

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

(I) Principle accounting data

Unit: Yuan Currency: RMB

Principle accounting data	2017	2016	Year-on-year increase/decrease (%)	2015	2014	2013 (restated)
Operating income	4,191,928,908.95	3,702,763,356.54	13.21	3,613,482,935.50	3,487,641,068.94	4,136,214,822.97
Net profit attributable to shareholders of the Company	107,382,077.64	119,240,512.92	-9.94	143,836,663.39	153,230,139.40	184,820,911.32
Net profit attributable to shareholders of the Company after extraordinary items	72,409,859.11	40,497,347.32	78.80	109,123,429.37	99,280,829.13	48,046,324.59
Net cash flow from operating activities	157,549,565.01	53,146,796.65	196.44	108,995,230.11	44,034,013.77	8,714,863.42

	As of the end of 2017	As of the end of 2016	year-on-year increase/decrease (%)	As of the end of 2015	As of the end of 2014	As of the end of 2013 (restated)
Net assets attributable to shareholders of the Company	3,363,593,136.77	3,320,270,553.39	1.30	3,263,279,379.67	3,178,952,959.93	3,136,035,617.70
Total assets	5,665,503,486.59	5,239,976,417.98	8.12	4,891,799,403.91	4,624,124,678.17	4,481,026,625.01
Total liabilities	2,093,859,733.16	1,729,576,017.05	21.06	1,431,906,170.61	1,240,663,274.04	1,150,103,197.10

Company Profile and Major Financial Indicators (Continued)

(II) Key financial indicators

Key financial indicators	2017	2016	Year-on-year increase/ decrease (%)	2015	2014	2013 (restated)
Basic earnings per share (RMB/share)	0.1175	0.1305	-9.96	0.1574	0.1667	0.2356
Diluted earnings per share (RMB/share)	0.1175	0.1305	-9.96	0.1574	0.1667	0.2356
Basic earnings per share after extraordinary items (RMB/share)	0.0792	0.0443	78.86	0.1194	0.1086	0.0526
Weighted average return on net assets (%)	3.20	3.67	-0.47	4.46	4.82	7.66
Weighted average return on net assets after extraordinary items (%)	2.17	1.25	0.92	3.39	3.12	1.99

Explanations on major accounting data and financial indicators as at the end of the Reporting Period:

As the amount of government grants included in gains and losses for the period decreased, the “net profit attributable to shareholders of the Company after extraordinary items” increased by 78.80% over the same period of last year, so did basic earnings per share after extraordinary items.

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

- (I) Differences in the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed under the International Accounting Standards and the PRC GAAP: N/A
- (II) Difference in the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed under the foreign accounting standards and the PRC GAAP: N/A
- (III) Explanations on differences under the foreign and domestic accounting standards: N/A

Company Profile and Major Financial Indicators (Continued)

IX. Major quarterly accounting data in 2017

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating Revenue	857,996,924.18	893,579,003.85	1,111,548,491.10	1,328,804,489.82
Net profit attributable to shareholders of the Company	10,733,614.87	34,151,935.22	6,305,125.25	56,191,402.30
Net profit attributable to shareholders of the Company after extraordinary items	2,770,847.78	28,497,963.43	-915,796.88	42,056,844.78
Net cash flows from operating activities	167,124,080.65	-30,258,680.71	31,505,965.45	-10,821,800.38

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

X. Extraordinary items and amounts

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2017	Amount for 2016	Amount for 2015
Gains and losses from disposal of non-current assets	-158,158.23	-1,563,807.88	-265,807.73
Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) included in gains and losses for the period	7,508,662.35	50,281,786.59	6,256,600.00
Gains and losses from entrusted investment	16,441,470.67	13,225,725.95	21,779,294.79
Reversal of impairment of receivables provided by specific provision	10,928,999.33	12,780,323.64	6,577,958.38
Other non-operating income and expenses other than the aforesaid items	2,962,795.75	13,438,076.41	2,510,668.66
Affected minority interests	-1,795,913.82	-2,460,045.53	-736,717.14
Affected income tax amount	-915,637.52	-6,958,893.58	-1,408,762.94
Total	34,972,218.53	78,743,165.60	34,713,234.02

Note: As the amount of government subsidies items included in gains and losses for the period decreased by 85.07% over the same period of last year, the extraordinary item also decreased by 55.59% in the same period.

An Overview of Company's Business

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

(I) Principal activities

The Company takes smart manufacturing, smart city and electronic manufacturing services as main business, to focus on smart manufacturing core equipment and smart factory system integration businesses in the smart manufacturing field; to focus on four core smart city businesses, namely, smart transportation, safe city, smart building and information network equipment in the smart cities field; and to focus on electronic manufacturing services business which has first rate supply chain management capabilities and is capable of realizing smart, flexible, and lean manufacturing in the electronic manufacturing services field.

(II) Operating model

Guided by market demands and driven by technological innovation, the Company promotes its business development. Pursuing the customer-oriented concept constantly, the Company strengthens its performance of social responsibility and promotes green development. The Company implements a cooperative sharing model and strengthens cooperation with world-class companies to jointly create an ecological chain for the electronic information industry.

(III) Industry overview

In 2017, China's electronic information industry showed a good development trend, the production maintained a relatively rapid growth, the export achieved better results than in the same period of last year, the performance of the industry continued to improve, and investment in fixed assets maintained rapid growth. In 2017, the added value of electronic information manufacturing industries above designated size increased by 13.8% year-on-year, whose growth rate was 4.5 percentage points faster than last year and faster than that of all above-scale industries by 7.1 percentage points, accounting for 7.5% of the added value of the industries above designated size. Exports grew steadily and export delivery value increased by 13.7% year-on-year.

Smart equipment manufacturing industry is a strategic industry that directly provides technical equipment for China's industrial production system and various sectors of the national economy. It features high industrial correlation, intensive technology and capital, and is an important safeguard for industrial upgrading and technological advancement in all industries, intensively reflecting the comprehensive strength of China. In order to speed up the transformation and upgrading of the economy, build new advantages in international competition, and grasp the initiative for development, Chinese government, associations, and enterprises have accelerated the development of the smart manufacturing field. In 2017, the China industrial robot market has more than 120,000 sets robots, and the entire smart manufacturing market hits a trillion sets. After terminating the technological monopoly of foreign enterprises on high generation LCD panels and glass production line transmission systems in the smart manufacturing field, the Company has the ability to undertake equipment system of new display production line. Through international industry-university-research cooperation, the Company mastered the core controller technology of industrial robots and greatly improved the localization rate of this product.

An Overview of Company's Business (Continued)

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

(III) Industry overview (Continued)

With the gradual acceleration of urbanization, China's urban rail transit construction has entered into a golden period of development. Under the guidance and support of China's macroeconomic policies, during the "13th Five-Year Plan" period, about 3,000 kilometers of urban rail transit will be newly build and put into operation across the country, and China's urban rail transit will enter another booming period. As at 31 December 2017, 171 rail transit lines in 35 cities, including Beijing, Shanghai, and Guangzhou, have put into operation with a total mileage of 5,083.45 kilometers and 3,269 stations. Investment in and construction of urban rail transit has gradually extended to third-tier cities and below. During the "13th Five-Year Plan" period, it is expected that the investment in urban rail transit will exceed RMB2 trillion. By 2020, the mileage of China's rail transit in operation will exceed 7,000 kilometers. The Company has strong R&D and production capabilities in the achieving rail transit's informatization and is a major supplier of fare clearing system, automatic fare collection system and communication system in China.

China is currently the world's major manufacturing base for electronic information products. China has become the global supply chain center for electronic information products. The Company has strong R&D and production capabilities in the surface mounting, plastic injection molding and final assembly of electronic products.

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

As at 31 December 2017, total assets of the Company was RMB5,665,503,500, total liabilities of the Company was RMB2,093,859,700 and asset-liability ratio of the Company was 36.96%. Compared with those of 31 December 2016, total assets represent an increase of 8.12%, asset-liability ratio increased by 3.95 percentage points. Overall, these figures remained stable without any material change, of which the overseas assets amounted to RMB159,130,100, representing 2.81% 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

The Company actively promoted scientific and technological innovation, constantly adjusted its product structure, and achieved key breakthroughs with the focus on superior resources. With these efforts, the scientific and technological capabilities of the Company have been remarkably enhanced. Focusing on industries of intelligent manufacturing equipment, smart city, electronic manufacturing service and other sectors, the Company restructured its industrial strategic layout through construction of Panda Electronic Equipment Industrial Park and Panda Electronic Manufacturing Park and successfully realized industrial transformation and upgrading. The Company aims to build itself into a nationally leading and internationally renowned electronic information enterprise.

In 2017, the Company had 13 research projects awarded as provincial level technological results and undertook 8 national, provincial and ministerial level major scientific research projects. The Company made great efforts to push forward the intellectual property rights strategy, which increased the proportion of basic patents and core patents. The Company developed into a national leading supplier of whole set of production equipment, industrial robot, rail transit automatic ticket vending and automatic fare collection and special communications equipment.

An Overview of Company's Business (Continued)

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

With respect to industrial robot and industrial automation equipment in intelligent manufacturing factory, the Company was accredited as the "Engineering and Technology Research Center for Industrial Robot of Jiangsu Province" and the "Technology Center for Electronic Equipment Enterprises of Jiangsu Province". The Company had independently developed the high-precision motion trajectory control technology, ultra-high-speed motion performance technology, multi-axis coordinated motion control technology, axis group expansion control technology, demonstrator technology and system engineering application technology, and mastered the lightweight structure design and high-precision drive technology and industrial robot production and testing technology. The Company's industrial robot and whole-set transmission and storage system for factory cleaning were officially identified as a pilot project for intelligent manufacturing. Accordingly, the Company has become one of the few manufacturers in China which are able to provide solutions for the automatic transmission system for factory cleaning and our technology in this regard is leading and pioneering domestically.

With respect to information-based system and equipment in rail transit, the Company has been accredited as the "AFC System Engineering and Technology Research Center of Jiangsu Province" and possesses the core technologies in rail transit such as automatic fare clearing center system and automatic fare collection system in place, evolving into a complete industrial chain from module to equipment, from applications to system software, from ACC system to AFC terminal equipment, from self-development to manufacture which helped it develop into a major supplier of overall solution for automatic fare collection system in domestic urban railway transit and dedicated accessories. Domestically, the Company took the initiative in building a QR code payment platform, mobile terminal app and background system in metro operation; developed a communication reader, by holding a handset near which, you can quickly read the mobile phone number and thus conduct online and offline data authentication with operators; and achieved access control identification or billing by number of use and travel distance, enabling settlement with operators through data clearing platforms. Furthermore, the Company has won bidding for rail transit projects in over 20 cities at home and abroad, and its special equipment including automatic ticket vending machine, semi-automatic ticket vending machine, automatic fare collection machine, portable ticket checking machine, automatic recharging machine, standard card reader with built-in ticketing process for metros developed and manufactured by the Company have been successfully used at metros in Nanjing, Shenzhen, Beijing, Wuhan, Suzhou, Wuxi, Shijiazhuang and Hefei. The Company's automatic ticket vending and automatic fare collection products are also exported to overseas, providing Taiwan, Hong Kong, India, Thailand, Venezuela and United Arab Emirates with supporting equipment of metro systems.

With respect to communications equipment, the Company has successively completed researches in a wide range of military-civilian communications equipment products in terms of MESH ad-hoc network communication system (自組網通信系統), miniaturized access gateway for broadband mobile data (寬帶移動數據小型化接入網關), pico-cell base station (微微蜂窩基站), digital trunking (數字集群), wireless video transmission (無線視頻傳輸), system terminal for Beidou Navigation Satellite System (北斗導航系統終端), portable satellite terminal (衛星移動終端), Internet of Things (物聯網) and related products. It also engaged in a range of important activities regarding communication security such as Nanjing Youth Olympic Games (南京青奧會), military parade of the 70th anniversary of the Anti-Japanese War (抗戰勝利70周年閱兵).

An Overview of Company's Business (Continued)

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

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

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

Discussion and Analysis of the Operation

I. Discussion and analysis of the operation

In 2017, faced with a variety of significant challenges arising from the new normal of the economic development in China, the accelerating supersedure of emerging technologies and the greater difficulty in market exploration, the Company further consolidated and reorganized its existing businesses and optimized resource allocation to set focus on three principal operations, namely intelligent manufacturing, smart city and electronic manufacturing services, in line with the strategic arrangements under the “13th Five-Year Plan”. In addition, the Company exerted great efforts in seeking breakthroughs in key technologies, implemented meticulous management and innovated in business modes to promote the industry up the value chain. With all such efforts, the Company made significant progress in principal activities, accomplished various operating indicators and key tasks satisfactorily and maintained a stable and healthy development momentum.

In 2017, the Company recorded better performance and results. According to the Accounting Standards for Business Enterprises of the PRC, the Company’s operating income for 2017 amounted to RMB4,191,928,900, with a total profit of RMB186,289,300 and a net profit of RMB156,171,300.

In 2017, the Company added a new chapter titled “Party Committee” and relevant articles in the Articles of Association with a view to unifying the strengthening of Party’s leadership with the improvement of corporate governance.

In 2017, the Company updated the “13th Five-Year Plan” of the Company under the guidance of the policy documents such as “Made in China 2025” and the “Outline of the National Strategy of Innovation-Driven Development” and with a focus on such key aspects as development plans and objectives, core industries and technologies as well as specific supporting measures, to specify the Company’s overall development strategy to be implemented next centered on intelligent manufacturing, smart city and electronic manufacturing services.

In 2017, the Company, in line with the overall planning for industrial layout and with consideration of its actual needs in the course of operation, relentlessly explored innovative technologies and stepped up the research and development of new products, by virtue of which it had won a number of important awards in science and technology, including the Third Prize in Progress for Science and Technology in Jiangsu Province for the “key technology for the internet-based operation of the toll system for rail transportation”, the Third Prize in Progress for Science and Technology granted by Chinese Institute of Electronics for the “research and development and industrialization of composite materials and products like the outer covers of RF antenna” and the “research and development and industrialization of large-size UHD time series control modules”, and the First Prize in Technical Invention of Shanghai for the “development of multi-phase synergistic modified polymer composite materials and products based on interface compatibilization”. The Company places great emphasis on the application of patented technologies. In 2017, the Company applied for 106 patents, including 55 invention patents, and obtained 101 patents, including 31 invention patents. The Company also won the Outstanding Patent Award of Nanjing in 2017 for the “structure for tickets and changes of automatic ticket selling machine” (自動售票機的取票找零口結構).

In 2017, the Company continuously improved its talent team, accelerated the cultivation of reserve talents, carried out targeted and classified trainings, strengthened the selection and recruitment of valuable external talents, and introduced 106 talents with a bachelor degree or above. The Company strengthened the performance appraisal and incentive mechanism, and strictly carried out performance evaluation for the middle management members and technical cadres of the Company. According to the evaluation results and with consideration of the work status and actual performance of every middle management member, the Company made promotions and post adjustments to the middle management members accordingly.

Discussion and Analysis of the Operation (Continued)

I. Discussion and analysis of the operation (Continued)

In 2017, the Company further improved its risk management and internal control mechanism. According to laws and regulations, changes in operating environment and actual operating needs, the Company revised 84 systems, including 12 newly-added systems and 35 amended systems. The Company continued to promote lean management and enhanced quality and efficiency to solidify the foundation for development. The Company built and implemented the “intelligent manufacturing industry collaboration system” to further integrate the products and services for intelligent manufacturing, so as to facilitate intelligence-based transformation and upgrade. The Company formulated the work plan for the special governance on accounts receivable and inventory, and exerted great efforts on the basic work for financial accounting to reduce the occupation of corporate fund. The Company also carried out special clearing activities for long-term receivables and long-term backlog, as a result of which, the overall accounts receivable turnover rate and inventory turnover rate of the Company were improved. The Company advanced the program on cost and expense reduction, made more efforts on cost reduction and efficiency enhancement, and put into practice the concepts of improving management, expanding source of income and cutting expenses and steadily increasing efficiency among all the staff and in all the aspects and the whole process of scientific research, production and management, to further enhance the management ability of the Company, practically standardize the operation mechanism of the Company, and effectively eliminate the weak links in the course of management.

In 2017, the Company actively developed new business modes and external markets, and strengthened brand marketing and promotion to continuously promote brand image and industry influence. The Company also actively participated in various exhibitions and economic and trade activities, with its products displayed in a number of large well-known exhibitions such as the CES, Cuba Havana Electronic Exhibition, Spring and Autumn Canton Fair, Shenzhen High-Tech Fair, Hong Kong Electronics Fair, CCBN Exhibition, China International Information Communication Technology Exhibition, Nanjing Software Product and Information Service Trade Fair, Shanghai Industry Fair, World Intelligent Manufacturing Summit and Essen Exhibition, which had enabled the Company to win extensive attention and widespread recognition from the market and the public, and played an active role in exploring domestic and foreign customers and promoting the corporate image.

In 2017, the Company adhered to the concepts of safe development and scientific development, and assigned the safety production responsibilities level by level by continuously strengthening system construction and perfecting system management. The Company improved the safety production management level through strengthening the construction of the safety production standardization system and the occupational health and safety management system, enhanced the safety awareness of managers and employees through perfecting the system construction, carrying out all-staff safety education activities and advocating safety culture, and maintained safe and smooth production through strengthening safety inspection and investigating and rectifying hidden problems. The Company attaches great importance to environmental protection and social responsibility, and has established canteen sewage treatment and spraying sewage treatment projects, developed and implemented energy conservation and emission reduction measures, and completed the construction of the rooftop photovoltaic power station in Panda Electronic Equipment Park.

In 2017, the Company generally maintained a stable development momentum in respect of production and operation, but also faced many challenges in multiple aspects: there was a remarkable difference between the industrial scale and efficiency of the Company and those as expected; the exploration of external market is not as satisfactory as expected, and the Company still fell behind the industry average in respect of production promotion; the ability to innovate in scientific research needed to be further improved, especially that the progress made in the research and development of core proprietary intellectual property rights was not enough to support the industrial development of the Company in the future; the innovation in management was not sufficient to enable the Company to adapt to the new trend and the new mechanism, and the management efficiency still needed to be improved; the cultivation and construction of talent team in such fields as scientific research and marketing needed to be further strengthened, and more efforts needed to be exerted on the cultivation and introduction of the talents with innovating, leading and professional capabilities.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period

In 2017, the Company continuously paid close attention to the development and change trends in the industry segments in which the Company carries out its principal operations, optimized industrial layout, and further integrated existing business to optimize resource allocation, so that our principal operations maintained rapid momentum of development, stable profitability, and made our core business more prominent. The scale of the Company's assets had been increased, and the gearing ratio had remained at a relatively low level. We effectively controlled the related risks through the implementation of special governance for account receivables and inventory as well as cost engineering. The Company cautiously promoted each investment in accordance with the capital expenditure budget and actual operating conditions. The Company promoted the introduction and implementation of industrial planning, strengthened the standard management and assessment on our subsidiaries, as a result, all of our major subsidiaries achieved good results. The Company strive to mobilize resources, strengthened management and coordination to support the development of its joint ventures with all energy. However, the performance of the joint ventures continued to decline year by year due to various factors, which had certain impacts on the Company's investment income.

(I) Analysis of principal operations

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

Unit: Yuan Currency: RMB

Item	Amount for the period	Amount for the same period last year	Change (%)
Operating income	4,191,928,908.95	3,702,763,356.54	13.21
Operating cost	3,595,891,091.43	3,167,855,950.93	13.51
Selling expenses	56,106,658.38	48,349,962.41	16.04
Administrative expenses	422,578,779.59	426,803,729.36	-0.99
Financial expenses	-5,138,469.04	-5,417,075.71	N/A
Net cash flows from operating activities	157,549,565.01	53,146,796.65	196.44
Net cash flows from investment activities	-173,171,773.17	298,123,951.29	-158.09
Net cash flows from financing activities	66,600,876.99	-63,655,192.26	N/A
R&D expenses	205,100,860.95	187,722,209.17	9.26
Assets impairment loss	16,134,214.69	9,471,735.56	70.34
Assets disposal gains	-669,559.13	-1,846,134.67	N/A
Non-operating income	11,159,641.38	68,378,105.04	-83.68
Non-operating expenses	688,183.28	3,117,949.14	-77.93

Discussion and Analysis of the Operation *(Continued)*

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

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

Analysis of changes in related items in the income statement and cash flow statement *(Continued)*

Notes :

Increase of assets impairment loss: mainly due to provision for impairment made for the period;

Increase of assets disposal gains: mainly due to the increase of losses from disposal of non-current assets for the previous period;

Decrease of non-operating income: mainly due to the decrease in government subsidy recognized according to accounting standards during the period;

Decrease of non-operating expenses: mainly due to the increase in tax arising from disposal of assets for the previous period.

1. Analysis on revenue and cost

Under the guidance of relevant national industry policies and industry development plans, the Company captured the historic opportunities arising from the decisions of the government to develop the intelligent manufacturing industry and vigorously promote the construction of smart cities, and divided the principal operations of the Company into intelligent manufacturing, smart city and electronic manufacturing services with consideration of its own strategic objectives and development plans. Intelligent manufacturing service mainly comprises the core equipment for intelligent manufacturing and the system integration for intelligent factories, while the smart city service mainly comprises intelligent transportation, safe city, intelligent building and information network equipment.

During the reporting period, the Company's operating income amounted to RMB4,191,928,900, increased by 13.21% over the previous period, of which the income from principal operations was RMB4,128,410,700, increased by 13.46% over the previous period, and the income from the intelligent manufacturing industry and the electronic manufacturing service-related products and business increased by 33.06% and 15.61% over the previous period, respectively.

During the reporting period, the Company's operating cost amounted to RMB3,595,891,100, increased by 13.51% over the previous period, of which, the cost of principal operations amounted to RMB3,536,764,200, increased by 13.00% over the previous period. The increases in operating cost and the cost of principal operations were basically in line with those in operating income and the income from principal operations, and the overall profit margin of the Company's business remained stable.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

1. Analysis on revenue and cost (Continued)

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

Unit: 0'000 Yuan Currency: RMB

Principal operations by business sector

By sector	Operating income	Operating cost	Gross profit Margin (%)	Increase/ decrease in operating income from the same period last year (%)	Increase/ decrease in operating cost from the same period last year (%)	Increase/ decrease in gross profit margin from the same period last year (%)
Smart manufacturing	80,845.57	70,046.36	13.36	33.06	22.57	Increased by 7.42 percentage points
Smart city	187,220.39	160,013.29	14.53	5.36	5.56	Decreased by 0.16 percentage points
Electronic manufacturing services	142,737.75	121,553.03	14.84	15.61	18.58	Decreased by 2.13 percentage points
Others	2,037.36	2,063.74	-1.29	5.14	17.18	Decreased by 10.41 percentage points

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

1. Analysis on revenue and cost (Continued)

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

Principal operations by product

By Product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income from the same period last year (%)	Increase/decrease in operating cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Industrial robots	4,350.96	3,974.59	8.65	-10.58	-13.89	Increased by 3.52 percentage points
Intelligent factories and systems	64,046.36	54,539.95	14.84	53.66	37.64	Increased by 9.91 percentage points
Core components of smart manufacturing	12,448.25	11,531.82	7.36	-12.43	-10.67	Decreased by 1.82 percentage points
Intelligent transportation	39,433.15	30,910.23	21.61	15.09	13.14	Increased by 1.35 percentage points
Intelligent buildings	56,945.66	53,116.02	6.73	30.13	34.90	Decreased by 3.30 percentage points
Safe city and communication equipment	8,212.99	3,676.11	55.24	6.34	27.34	Decreased by 7.38 percentage points
Information network equipment and consumer electronic products	82,628.59	72,310.94	12.49	-10.14	-11.82	Increased by 1.66 percentage points
Electronic manufacturing services	125,172.69	111,803.27	10.68	17.31	19.09	Decreased by 1.34 percentage points
Modern service industry	17,565.06	9,749.75	44.49	4.80	12.98	Decreased by 4.02 percentage points
Others	2,037.36	2,063.74	-1.29	5.14	17.18	Decreased by 10.41 percentage points

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

1. Analysis on revenue and cost (Continued)

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

Principal operations by geographical regions

By geographical regions	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income from the same period last year (%)	Increase/decrease in operating cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Nanjing	335,997.76	292,212.74	13.03	20.33	19.84	Increased by 0.36 percentage points
Shenzhen	76,843.31	61,463.68	20.01	-9.21	-11.13	Increased by 1.73 percentage points

Explanation on principal operations by business sector, product and geographical regions

The Company's principal subsidiaries are all in smart manufacturing, smart traffic, smart buildings, electronic manufacturing services and related industries. The operating income from smart manufacturing increased by 33.06% over the same period of last year as a result of the commencement of the construction of new projects. The operating income from electronic manufacturing services increased by 15.61% over the same period of the previous year due to the increase in business volume of major customers and the introduction of new customers.

The operating income from the smart factories and system engineering (one of the Company's main products) increased by 53.66% over the same period of the previous year as new projects were successfully developed and completed. The operating income from the smart buildings increased by 30.13% over the same period of last year as more smart factory projects were completed by the Company.

The principal operations of the Company was primarily distributed in Nanjing and Shenzhen. During the reporting period, the operating income in Nanjing recorded an increase of 20.33% compared with the same period of last year due to the growth of smart manufacturing, smart buildings and electronic manufacturing services businesses, while the operating income in Shenzhen recorded a decrease of 9.21% compared with the same period of last year due to decreased business volume caused by fierce competition in the consumer electronics market.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

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

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

Principal products	Production		Stock	Increase/ decrease in production output from the same period last year	Increase/ decrease in sales volume output from the same period last year	Increase/ decrease in stock from the same period last year
	output	Sales volume		(%)	(%)	(%)
Surface mounting (10 thousand points)	113,249.72	113,249.72		15.75	15.75	
Set-top boxes	532,036	498,321	201,544	96.46	327.15	20.09
Automatic ticket vending machine	583	587	62	14.99	-36.47	-6.06
Automatic fare collection machine	3,004	2,921	358	360.03	90.17	30.18
Tablet computer	1,446,789	1,468,441	31,760	-15.61	-12.11	-40.54
Voice recorder	361,259	377,435	15,660	21.10	30.58	-50.81
Smart phone	2,704	3,404	32,615	-94.28	-92.85	-2.10
Automobile data recorder	234,902	229,939	10,289	282.48	257.67	93.18

Explanation on the volume of production and sales

During the reporting period, the Company recorded significant increases in the production and sales volume of set-top boxes as compared with the same period last year attributable to the increased orders. For the automatic fare collection machines, the Company recorded significant increases in the production and sales volume as compared with the same period last year attributable to increased orders resulting from the smooth progress of 21 projects including Nanjing Metro Line 4, Suzhou Metro Line 4, Hefei Metro Line 2 and Chengdu Metro Line 7. For the automatic ticket vending machines, the Company recorded a decrease in the sales volume as compared with the same period last year due to the decreased sales orders settled during the period and an increase in the production volume as compared with the same period last year due to the production carried out by the Company in preparation for the orders to be delivered in and after 2018. For the smart phones, the Company recorded significant decreases in the production and sales volume as compared with the same period last year due to the decreased orders resulting from the increasingly intensified market competition. For the voice recorders and automobile data recorders, the Company recorded significant increases in production and sales volume as compared with the same period last year attributable to the higher market demand.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

1. Analysis on revenue and cost (Continued)

(3) Cost analysis

Unit: 0'000 Currency: RMB

By business sector

By sector	Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
Smart manufacturing	Material cost	58,284.83	83.21	46,179.82	80.80	26.21	
	Labor cost	3,643.11	5.20	3,037.44	5.32	19.94	
	Manufacturing costs	8,118.42	11.59	7,932.81	13.88	2.34	
Smart city	Material cost	145,566.99	90.97	136,076.47	89.77	6.97	
	Labor cost	9,673.07	6.05	8,778.69	5.79	10.19	
	Manufacturing costs	4,773.23	2.98	6,725.84	4.44	-29.03	
Electronic manufacturing services	Material cost	84,181.89	69.26	67,409.40	65.76	24.88	
	Labor cost	9,624.99	7.91	9,012.35	8.79	6.80	
	Manufacturing costs	27,746.15	22.83	26,085.14	25.45	6.37	
Others	Material cost	449.32	21.77	549.52	31.21	-18.23	
	Labor cost	92.82	4.50	193.59	10.99	-52.06	
	Other expenses	1,521.60	73.73	1,018.01	57.80	49.47	

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

1. Analysis on revenue and cost (Continued)

(3) Cost analysis (Continued)

By product

By product	Composition of cost	Amount for the period	As a percentage of total cost for the period (%)	Amount for the same period last year	Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
Industrial robots	Material cost	3,643.81	91.68	4,284.08	92.81	-14.95	
	Labor cost	61.71	1.55	69.70	1.51	-11.47	
	Manufacturing costs	269.07	6.77	262.19	5.68	2.63	
Intelligent factories and systems	Material cost	49,842.71	91.39	36,306.09	91.63	37.28	
	Labor cost	942.80	1.73	873.50	2.20	7.93	
	Manufacturing costs	3,754.45	6.88	2,444.77	6.17	53.57	
Core components of smart manufacturing	Material cost	5,525.51	47.92	5,606.46	43.43	-1.44	
	Labor cost	2,329.37	20.20	2,089.13	16.18	11.50	
	Manufacturing costs	3,676.94	31.89	5,214.15	40.39	-29.48	
Intelligent transportation	Material cost	29,501.21	95.44	26,218.28	95.97	12.52	
	Labor cost	141.73	0.46	537.31	1.96	-73.62	
	Manufacturing costs	1,267.28	4.10	564.32	2.07	124.57	
Intelligent building	Material cost	43,595.57	82.08	32,952.55	83.69	32.30	
	Labor cost	9,183.84	17.29	6,021.95	15.29	52.51	
	Manufacturing costs	336.61	0.63	400.05	1.02	-15.86	
Safe city and communication equipment	Material cost	3,483.36	94.76	2,691.49	93.23	29.42	
	Labor cost	-	-	-	-	-	
	Manufacturing costs	192.75	5.24	195.45	6.77	-1.38	
Information network equipment and consumer electronic products	Material cost	68,518.30	94.76	73,935.03	90.17	-7.33	
	Labor cost	939.68	1.30	2,377.17	2.90	-60.47	
	Manufacturing costs	2,852.96	3.94	5,687.40	6.93	-49.84	
Electronic manufacturing services	Material cost	84,767.56	75.82	68,102.20	72.54	24.47	
	Labor cost	4,850.96	4.34	4,692.22	5.00	3.38	
	Other expenses	22,184.75	19.84	21,083.03	22.46	5.23	
Modern service industry	Material cost	1,214.37	12.46	1,052.02	12.19	15.43	
	Labor cost	3,792.14	38.89	3,344.17	38.75	13.40	
	Other expenses	4,743.24	48.65	4,233.25	49.06	12.05	
Others	Material cost	449.32	21.77	549.52	31.21	-18.23	
	Labor cost	92.82	4.49	193.59	10.99	-52.06	
	Other expenses	1,521.60	73.73	1,018.01	57.80	49.47	

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

1. Analysis on revenue and cost (Continued)

(3) Cost analysis (Continued)

Explanation on the others of cost analysis

During the reporting period, the material cost, labor cost and manufacturing cost (other expenses) accounted for 81.57%, 6.51% and 11.92% of the cost of the principal operations of the Company, respectively, reflecting no material change in the cost structure as compared with the same period last year.

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

During the reporting period, sales to the top five customers amounted to RMB1,100,411,000, representing 26.25% of the total sales in 2017, of which sales to connected parties amounted to RMB849,142,500, representing 20.26% of the total sales in 2017.

During the reporting period, the aggregate amount of purchase from the top five suppliers of the Company amounted to RMB411,158,300, accounting for 12.22% of the total amount of purchase made by the Company in 2017. There were no connected parties in the top five suppliers.

2. Expenses

During the reporting period, the selling expenses, administrative expenses, and financial expenses of the Company have generally remained stable. The selling expenses increased by RMB7,756,700 over the same period of the previous year, representing an increase of 16.04%, mainly due to the increase in transportation and handling charges of the Company caused by the relocation of some customers and the increase in advertising and exhibition fees as the Company participated in more exhibitions.

3. R&D expenses

Particulars of R&D expenses

Unit: Yuan Currency: RMB

R&D expenses for the period	205,100,860.95
Capitalized R&D expenses for the period	0.00
Total R&D expenses	205,100,860.95
The percentage of total R&D expenses over operating income (%)	4.89
The number of R&D personnel	669
The percentage of R&D personnel over total number of staff (%)	17.46
The percentage of capitalized R&D expenses (%)	0.00

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

3. R&D expenses (Continued)

Explanations:

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

In 2017, the Company steadily promoted research and innovation in the areas of smart manufacturing, smart buildings, safe cities, communications equipment, information network equipment and consumer electronics. It focused on input for and output from scientific research, paid attention to the quality and management of research results, and coordinated reporting and assesses activities for research results conducted by various subsidiaries. The Company has received a number of important science and technology awards during this year.

Major subsidiaries of the Company attained admirable scientific research achievements in their respective fields, with smooth progress made in 6 material and 14 key scientific research projects including the 0.6m high-speed and high-precision robot of the Electronics Equipment Company, the intelligent cloud turnstile of the Information Industry Company based on biometric payment, the mobile access system of the Communications Technology Company based on portable satellite station and the digital radio and emergency broadcasting system of the broadcast and television business department.

The Company will further strengthen the construction of the scientific research management system and the incentive system for scientific research personnel, to develop a scientific research management and guarantee mechanism where the Company's headquarters and subsidiaries connect with and supplement each other, so as to ensure that the scientific and technological resources are concentrated towards the core industry. The Company will further increase the investment in scientific research, cultivate and improve the independent innovation capability of scientific research institutions at all levels, and deploy and coordinate the scientific research forces across the Company to build a collaborative innovation platform, strive for breakthroughs in the key common technologies and thus improve the core competitiveness of the Company.

4. Cash flow

During the reporting period, the increase in the net cash flow from operating activities was mainly due to the increase in net cash resulting from purchases and sales of commodities and business accumulation for the period; the decrease in the net cash flow from investment activities was mainly due to the increase in bank wealth management products that had not yet expired at the end of the period as compared with the beginning of the period; the increase in net cash flow from financing activities was mainly due to the cash from discounted notes for the period.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

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

(III) Analysis of assets and liabilities

1. Assets and liabilities

Unit: 0'000 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 (%)	Explanation
Prepayments	24,848.86	4.39	14,314.07	2.73	73.60	Mainly due to the advance payment for project not been carried forward as the project is not yet completed
Inventory	59,101.86	10.43	43,804.24	8.36	34.92	Mainly due to the increase in inventories of raw materials and work in progress for the period
Held-for-sale assets	7,838.78	1.38				Due to No.54 building classified as assets held for sale in accordance with the accounting standards
Other current assets	46,541.05	8.21	25,901.89	4.94	79.68	Mainly due to the increase in bank wealth Management products not yet due at the end of the period
Construction in progress	5,065.99	0.89	150.22	0.03	3,272.33	Mainly due to Industrial robots digital Manufacturing factory Project under construction
Long-term deferred expenses	360.28	0.06	699.53	0.13	-48.50	Mainly due to amortization of the long-term deferred items on a monthly basis
Interest payable			2.38	0.00	-100.00	The amount of the last period was mainly interests payable on short-term bank loans
Advances from customers	24,276.77	4.29	13,269.46	2.53	82.95	Mainly due to the increase in advances received for project for the period

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

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

(III) Analysis of assets and liabilities

1. Assets and liabilities

Unit: 0'000 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 (%)	Explanation
Tax payable	2,945.08	0.52	4,659.40	0.89	-36.79	Mainly due to decrease of payable value added tax at the end of the period
Other current liabilities	2,710.00	0.48	970.00	0.19	179.38	Mainly due to the increase in government subsidies not been inspected during the R & D period at the end of the period
Deferred income tax liabilities	7.98	0.00	13.36	0.00	-40.27	Mainly due to decrease of taxable temporary difference recognized in the period

Discussion and Analysis of the Operation (*Continued*)

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

(III) Analysis of assets and liabilities

2. Main restrictions on assets as at the end of the reporting period: N/A

(IV) Analysis of industry operational information

1. Intelligent manufacturing equipment

For the implementation of the Outline of the 13th Five-Year Plan for the Economic and Social Development of the People's Republic of China and "Made in China 2025", the Ministry of Industry and Information Technology and the Ministry of Finance compiled and published the Development Plan for Intelligent Manufacturing (2016–2020) (the "Plan"). According to the Plan, the guiding ideology for the development of intelligent manufacturing is to firmly establish the development concepts of innovation, coordination, green, openness and sharing, comprehensively put into practice and implement the "Made in China 2025" and advance the supply-side structural reform, take intelligent manufacturing as a long-term strategic task to provide guidance by category and level and continuously promote the accomplishment thereof industry by industry and step by step, achieve the popularization of digital manufacturing and the demonstrative and leading role of intelligent manufacturing during the 13th Five-Year Plan period, and take the building of a new manufacturing system as the objective and the implementation of intelligent manufacturing engineering as the key driver to strive to improve the safety controllability of key technical equipment, strengthen the basic supporting capability in terms of software and standards, improve the level of integrated application, explore and develop new modes and create a good development environment, so as to lay a solid foundation for developing new drivers for economic growth, creating new competitive advantages for the manufacturing industry in China and building China into a manufacturing power.

It is stated in the Development Plan for Robot Industry (2016–2020) that the specific objectives for 2020 are as follows: industry scale shall grow continuously; the annual output of autonomous industrial robots shall reach 100,000, and the annual output of industrial robots with six or more axes shall exceed 50,000; more than 3 leading enterprises with international competitiveness shall be cultivated and more than 5 robot supporting industrial clusters shall be developed; the technical level shall be remarkably improved; the main technical indexes of industrial robots, such as speed, load, precision and payload-weight ratio, shall reach the same level with the same type of products overseas; breakthroughs shall be made in the new generation of robot technology, and innovative application shall be achieved for intelligent robots; significant breakthroughs shall be made in key components; the precise speed reducer, servo motor, driver and controller for robot use shall reach the same level with the same type of products overseas in terms of performance, precision and reliability; and significant achievements shall be made in integrated application.

Discussion and Analysis of the Operation *(Continued)*

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

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

1. Intelligent manufacturing equipment *(Continued)*

With the rapid development of the domestic intelligent manufacturing industry, many enterprises have accomplished technical breakthroughs and brand building. The “Made in China 2025” has determined intelligent manufacturing as the main direction, and digital factory workshops and industrial robots have thus been under the spotlight in the market. The governments, associations and enterprises in China have accelerated the pace of development in the field of intelligent manufacturing. Governmental departments have begun to make comprehensive arrangements for the development of the technical standards as well as the planning and cultivation of relevant industries. At the level of associations, a large number of intelligent manufacturing, intelligent equipment, intelligent application and robots-related service platforms and alliances have been established successively, thus generating an increasingly obvious promoting effect. At the level of enterprises, a group of pillar enterprises are actively increasing the investment in R&D and accelerating pilot projects, with the leading and demonstrative role continuously enhanced.

In 2017, the number of industrial robots in the domestic market exceeded 120,000, and the total value of the entire intelligent manufacturing market exceeded trillion. Aiming to become an leading enterprise for intelligent manufacturing equipment and robots with international competitiveness, the Company increased the investment in the industrial chain for intelligent manufacturing, cultivated and developed the independent research and development and production capabilities for the solutions as well as core equipment and key components of intelligent manufacturing system, promoted the organic integration of industrial robots, automatic equipment and information system, and completed the construction and renovation of digital and intelligent factories, as a result of which the industry scale and efficiency was improved.

Discussion and Analysis of the Operation *(Continued)*

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

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

2. Smart urban rail transit

With the development of economy, and the increasing urbanization speed, especially the increasing urbanization rate of the eastern coastal regions, the size of urban area is becoming larger and larger, and the changes in the administrative mechanism of certain cities have also caused the size of such cities to grow larger and larger, which results in the increasing demand for urban rail transit. The scope and the extended mileage of urban rail transit planning have covered most areas of cities and towns, thus injecting new dynamics into the development of urban rail transit. The urban rail transit does not only focus on metro now, and the addition of urban light rails has accelerated the construction speed. With the progress of science and technology, different types of rail transit are also developing simultaneously, thus presenting a diversified development momentum, and in the meanwhile, importance has also been attached to the coordinated development of rail transit and urban environment.

In certain regions where the economy is particularly well developed, such as the Pearl River Delta, the Yangtze River Delta and the Beijing-Tianjin-Hebei Economic Zone, the urban rail transit has begun to expand to inter-city rail transit, and the plans are being formulated for the development and construction of the inter-city rail transit in such three regions based on the concepts of urban rail transit, thus creating a vaster space for the development of urban rail transit.

The Company has maintained the leading advantages in the technologies in the fields of AFC\ACC and special communication system for rail transit, and become a major provider of special equipment and solutions for rail transit in China. The Company has determined to take smart city as the main direction while integrating various technologies such as face recognition and mobile payment, and has completed the construction of typical cases and demonstration projects for intelligent cities and the transformation from a product supplier of a single business to a general contractor of electromechanical system with multi-business collaboration. The Company will explore the investment and financing business mode such as PPP according to direction of the national industrial policy, expand the business scale of the Company in the field of rail transit, and promote the rapid and healthy development of the Company's rail transit business.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

3. Information communication

In order to make up for the “digital divide” in such aspects as urban and rural communication infrastructure and application, improve the per capita network resources and application level, promote the construction of modern Internet industry system and meet the needs of national economy and for social development, the government has promulgated the Development Plan for Information Communication Industry (2016-2020) (the “Plan”) and the Specific Plan for Internet of Things under the Development Plan for Information Communication Industry (2016-2020). It is specified in the Plan that, by 2020, the overall scale of the industry shall be further expanded, and the comprehensive development level shall be greatly enhanced, thus laying a solid foundation for building China with a powerful network. On the basis of the overall objective, specific objectives are specified in seven aspects, namely “network infrastructure, Internet facilities and resource capacity, Internet industry system, capability of controlling information communication technologies, capability of assuring the network and information security, ecological civilization construction and quality of service quality”. At the same time, in order to measure the development level of the information communication industry in China in a comprehensive way, 19 quantitative indexes were specified in five aspects with respect to the overall objective and specific objectives. The determination of quantitative index highlights the new situation and new characteristics of industry development, which appropriately lowers traditional telecommunication service development index such as the number of fixed-line telephone users, and greatly uplifts Internet-related indexes such as the number of domain names, the number of websites, the application scale of App, the number of M2M connections and the prosperity index, in order to measure the development of Internet infrastructure resource and application level. During the “13th Five-Year Plan” period, with the in-depth implementation of the “Internet Plus” strategy, all areas of the society will be integrated with the Internet in depth, and the Internet resource capacity and application scale in China will be greatly promoted, with the indexes such as the number of websites, the scale of App application and the number of M2M connections growing at a rate higher than 50%. During the “13th Five-Year Plan” period, with the enhanced construction of information communication infrastructure, the key ICT indexes in China such as broadband penetration rate and international export bandwidth will rise significantly, and the international ranking in terms of ICT development indexes will ascend significantly.

In 2017, the overall size of China’s information communication industry further expanded, the comprehensive development level was greatly improved, the information infrastructure was evolving towards high velocity, full coverage and intelligence at a higher speed, the number of 4G users broke 1 billion, and 5G tests entered a new stage. The development of Internet of Things presented a new landscape, with new connections, new calculations, new platforms and new ecosystems coming into being and the global penetration and ecosystem construction of industrial Internet carried out, both at a faster speed. With the vigorous development of emerging business type and integrated applications, actual effect was seen from the speed-raising and fees lowering initiatives, the ability of the information communication industry to support the economic and social development was fully strengthened, thus playing a more prominent role in promoting the quality and efficiency enhancement of the economy social progress, laying a solid foundation for building China with a powerful network. In 2017, the size of China’s ICT market in a broad sense exceeded RMB4 trillion, with an annual growth rate of 7.1%.

The Company pays close attention to the cutting-edge technologies in the information communication industry, has a professional and efficient research and development team, and conducts the research and development of various series of products and overcome the difficulties in various projects under the support of the Mobile Engineering Research Center of Jiangsu Province independently owned by it. The Company has completed the development of the prototype for the small base station system oriented to 5G ultra-dense networking technology and passed the appraisal at the provincial level.

Discussion and Analysis of the Operation *(Continued)*

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

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

4. Electronic manufacturing services

With more global electronic manufacturing bases gradually moving to China, many EMS providers have made investments to construct factories and established operations and manufacturing bases in China. Currently, a relatively complete electronic industrial cluster has been developed in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim, and the upstream and downstream supporting industrial chain centered on such industries as consumer electronics, communication equipment, computer and network equipment has produced an industrial cluster effect.

The launch of national strategies such as “The Belt and Road Initiative” (一帶一路) and “Yangtze River Economic Belt” (長江經濟帶) injected new dynamics into the development of manufacturing industry in eastern China, Yangtze Delta and other regions. The collaboration between the brand owners and EMS providers along the supply chain was continuously solidified and deepened and entered a stage of synergic development. The “EMS/ODM” penetration rate still showed a trend of rising. The EMS took on diversity in terms of industries and fields served thereby with an emerging trend of “small batch and multiple product categories”.

Aiming to build itself into a first-class ODM of electronics with high production, R&D, aftersales and supply chain management, the Company accelerated the application of high-end and advanced processes, equipment and systems for EMS and the construction of intelligent factories, and exerted great efforts in improving the electronic manufacturing service capability with high intelligence and flexibility, to expand its coverage from the core electronic manufacturing bases within the electronic system in China to the high-end customers in the industry worldwide.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

5. Broadcast and television products

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

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

The Company has established the broadcast and television business department to vigorously expand the broadcast and television business, and followed the directions of the industry, including smart community, smart home, satellite communication, digital audio broadcasting, emergency broadcasting, flight simulator, comprehensive terrestrial digital television system, systematic integration of products, to strive for development by virtue of the core capabilities, and thus improve the industrial capacity and the profitability. The Company recorded satisfactory performance in respect of traditional set-top box business, especially the “Hu Hu Tong (戶戶通)” projects in Anhui and Tibet. The Company successfully completed the research and development of the CDR digital radios and won the bids in Henan, Zhejiang, etc. The Company customized the transmitter products according to the needs of the users and improved the functions to make them smaller with stronger heat dissipation capacity and better three-proof performances and more suitable for outdoor work. At the same time, the Company carried out the research and development of small-power transmitters to expand the product line.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(V) Analysis of investment

1. Overall analysis of external investment

In 2017, the Company cautiously made investments in fixed assets and relevant projects in accordance with the operating plan and the capital expenditure budget, and established 1 subsidiary to meet the needs for business development.

(1) Material equity investment

During the reporting period, as considered at the extraordinary meeting of the 8th Session of the Board of the Company, it was approved to establish a wholly-owned subsidiary named Chengdu Panda Electronic Technology Co., Ltd. (成都熊貓電子科技有限公司) in Chengdu with a registered capital of RMB20,000,000, which is mainly engaged in the manufacturing of digital video and audio products, communication system, rail transit, industrial automation; and to invest in and obtain the minority equity of Wuxi Eight Dimension Rail Transit Payment Co., Ltd. (無錫八維軌道交通支付有限公司) and Nanjing Smart Agriculture Institute Co., Ltd. (南京智慧農業研究院有限公司). As at the reporting date, the Company has completed the incorporation and relevant matters of and obtained the business license for Chengdu Panda Electronic Technology Co., Ltd.

(2) Substantial non-equity investment

Having obtained approval from the CSRC and other relevant ministries and committees, the Company issued 258,823,529 A shares by way of non-public issuance in June 2013 and raised proceeds of RMB1,320,000,000. During the reporting period, the Company used the raised proceeds pursuant to the provisions and requirements of the relevant laws, regulations and normative documents, mainly including: using the raised proceeds in proceeds investment projects, using temporary idle raised proceeds to purchase banks' wealth management products with capital guarantee, using the remaining raised proceeds to permanently replenish the working capital etc. For details, please refer to the 2017 Specific Report on the Deposit and the Actual Use of Proceeds Raised by Nanjing Panda (Lin 2018-012) (《南京熊貓2017年度募集資金存放與實際使用情況的專項報告》(臨2018-012)) published by the Company in China Securities Journal and Shanghai Securities News and on the websites of Shanghai Stock Exchange on 30 March 2018 and of the Hong Kong Stock Exchange on 29 March 2018.

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

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

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

(VII) Analysis of major invested companies

1. Analysis of major subsidiaries

In 2017, for the purpose of further optimization of corporate structure · on the premises that relevant operation and business are unaffected, the Company disposed ineffective and low-efficiency assets. Nanjing Panda International Communication System Co., Ltd. (南京熊猫國際通信系統有限公司) (the holding subsidiary of the Company) and Shenzhen Jinghua Audiovisual Marketing Co., Ltd. (深圳市京華視聽營銷有限公司) (a third-tier subsidiary of the Company) have completed procedure of business deregistration. The Company established a wholly-owned subsidiary Chengdu Panda Electronic Technology Co., Ltd. (成都熊猫電子科技有限公司) according to the need of business development. The deregistered companies have ceased operations and the newly established company is in the phase of preparation for land acquisition, which have not affected the Company's overall production, operation and performance. The overview of major subsidiaries is set out below:

Unit: 0'000 Currency: RMB

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Principal operating revenue	Principal operating profit	Net profit
Electronics Equipment Company	Manufacturing and sales of automatic transmission equipment and industrial robot	19,000	105,401.85	33,595.38	81,944.84	10,908.16	2,344.08
Information Industry Company	Manufacturing and sales of railway transit AFC and ACC system, equipment, building intellectualization products and system integration	USD3194.6435	108,500.88	34,372.46	103,898.26	12,842.58	3,775.07
Electronic Manufacture Company	EMS services	USD2,000	83,983.21	39,879.47	126,172.05	13,523.14	4,261.58
Communications Technology Company	Manufacture and sales mobile communications, digital communications and network communications systems and products	10,000	20,489.88	14,847.62	8,684.88	4,558.51	835.89
Technology Development Company	Manufacture of general purpose equipment, software development, and property management	70,000	74,312.26	63,427.16	1,500.59	-495.03	-2,536.28
Shenzhen Jingwah	Research and development, manufacture and sales of communications equipments and digital products	11,507	49,734.75	33,529.45	76,844.00	15,380.32	7,031.72
Nanjing Panda Xinxing Industrial Co., Ltd.	Supply of property management and catering services	2,000	6,529.83	3,191.36	13,091.99	1,038.58	357.61

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

1. Analysis of major subsidiaries (Continued)

Changes in net profit of major subsidiaries are as follows:

Unit: 0'000 Currency: RMB

Subsidiary	Net profit		Change (%)
	2017	2016	
Electronics Equipment Company	2,344.08	726.63	222.60
Information Industry Company	3,775.07	4,004.76	-5.74
Electronic Manufacture Company	4,261.58	3,017.89	41.21
Communications Technology Company	835.89	684.26	22.16
Technology Development Company	-2,536.28	-1,914.60	N/A
Shenzhen Jinghua	7,031.72	7,806.67	-9.93
Nanjing Panda Xinxing Industrial Co., Ltd.	357.61	350.82	1.94

Description of changes:

Due to the successful development and completion of new projects, Electronics Equipment Company's main operating revenue increased by 34.20% compared with the same period of last year; and its net profit increased by 222.60% compared with the same period of last year due to the combined effects of revenue growth and expenses reduction during the period. Electronic Manufacture Company increased its main operating income by 16.25% over the same period of last year due to the increase in business volume of major customers and the introduction of new customers; and its net profit increased by 41.21% compared with the same period of last year due to the effect of economies of scale, etc.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

2. Analysis of major invested companies

(1) Nanjing Ericsson Panda Communication Co., Ltd. (ENC)

ENC was set up on 15 September 1992 with a total investment of US\$40,880,000 and a registered capital of US\$20,900,000. ENC is held as to 27% by the Company, 51% by Ericsson (China) Company Limited, 20% by China Potevio Co., Ltd., and 2% by Yung Shing Enterprise, Hong Kong. ENC mainly engages in production of mobile telecommunication system equipment and network communications system equipment, etc. As the biggest production and supply center of Ericsson in the world, ENC is now mainly in charge of the industrialization and mass production of the products that Ericsson Company Limited developed and provides delivery and shipment to customers worldwide.

Operating income of ENC for 2017 amounted to RMB7,885,127,000, representing a year-on-year decrease of 22.41%; net profit amounted to RMB201,768,000, representing a year-on-year decrease of 7.29%. Reason(s) for changes in the main indicators: more fierce competition in the domestic and foreign markets resulted in the decrease in operating revenue and net profit over the same period of last year.

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

BMC was set up on 8 August 1995 with a total investment of US\$90,000,000 and a registered capital of US\$30,000,000. BMC is held as to 20% by the Company, 27% by China Potevio Co., Ltd., 26% by Sony Mobile Communications (China) Limited (索尼移動通信產品(中國)有限公司), 25% by Sony Mobile Communications Limited (索尼移動通信有限公司) and 2% by Yung Shing Enterprise, Hong Kong. BMC mainly engages in the manufacture of Sony mobile terminals (mobile phones) and is the principal production base and supply centre of Sony mobile phones.

Operating income of BMC in 2017 amounted to RMB7,130,399,300 representing a year-on-year decrease of 49.22%; net profit was RMB92,206,800, representing a year-on-year decrease of 48.80%. Reason(s) for changes in the main indicators: the export orders significantly declined and the operating income and net profit of the products decreased year-on-year due to the severe competition in the smart phone market.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

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

During the reporting period, the Company's investment income amounted to RMB90,442,700. The investment income of major invested companies is as follows:

Unit: 0'000 Currency: RMB

Invested companies	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
ENC	788,512.70	20,176.80	27%	5,447.76
BMC	713,039.93	9,220.68	20%	1,844.14

(VIII) Structured entities controlled by the Company

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

Discussion and Analysis of the Operation (Continued)

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

(I) Industrial landscape and trend

Under the strategic guidance of the 13th Five-Year Plan, the Company adheres to the principle of quality first and efficiency in priority, exerts concentrated efforts on quality and efficiency enhancement, focuses on reform and innovation, deepens the lean management, promotes development quality, and steps up the efforts in promoting the expansion of the principal operations, the industrial transformation and upgrade and the enhancement of the management level of the Company, so as to lay a solid foundation for the accomplishment of the objectives set by the Company for the 13th Five-Year Plan period in all aspects. 2018 is a critical year for the Company to implement its plans for the 13th Five-Year Plan period, and the Company will complete all the major tasks of the Company for 2018 in all aspects, in order to achieve the development objectives of the Company for the 13th Five-Year Plan period and make new contributions for the new development of "Panda" in the new era.

In 2018, the economic growth in China will steadily slow down, making it a year that will witness the most sophisticated and challenging economic situation in China, a critical year for the real optimization and adjustment of the economic structure in China, and an important year for the reshuffle of the real economy in China. Positive fiscal policies and prudent monetary policies will be implemented continually in China to prevent and mitigate financial risks, reduce debt ratio of the enterprises and strictly control the financing of the enterprises with a high debt ratio. With the increasing difficulty for financing, it will be a normal that financing will be difficult and expensive for enterprises. Therefore, companies will face higher operating pressure as well as various difficulties and challenges in the course of operation.

China's economy has changed from a high-speed growth stage to a high-quality development stage. It will be a general trend to exert great efforts on the development of the new intelligent manufacturing production mode based on the deep integration of the new generation of information communication technology and advanced manufacturing technology and promote digit, network and intelligence-based transformation and upgrade, so as to promote the high-quality development of the industry, cultivate and develop new driving forces and further the upgrade of quality and efficiency enhancement. The development of intelligent manufacturing can help manufacturers meet the diversified needs of users and make quick response to the individual needs of consumers, optimize the supply structure of the manufacturing industry, improve the supply quality, and drive the industry to ascend to the middle or high position of the value chain. The intelligent manufacturing can also improve the comprehensive production efficiency of the industry, accelerate specialized work division and cooperation, promote the effective agglomeration and optimal allocation of the production elements, and enable companies to improve production efficiency, reduce operating costs, shorten the product development period, reduce the ratio of defective products and improve the energy utilization rate.

Since the implementation of "Made in China 2025", in order to adapt to the new round of technological revolution and the trend of industrial reform, the enterprises in the industry have taken intelligent manufacturing as the breakthrough point and the main direction for the integration of informatization and industrialization, and an important driver for transformation and upgrade. The overall level of intelligent manufacturing in China has been remarkably improved, the key indexes of industrial enterprises such as numerical control rate of key processes and the network connection rate of digital production equipment have been improved year by year, and the competitive advantages of enterprises in supply chain coordination, lean management, precise manufacturing and rapid market response are constantly enhanced, thus laying an important foundation for the high-quality development of the industry.

Discussion and Analysis of the Operation (*Continued*)

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

(I) Industrial landscape and trend (Continued)

On the other hand, the development of the intelligent manufacturing industry is restricted in three aspects: firstly, the infrastructure for intelligent manufacturing is relatively weak, the digital and informationized level of part of small and medium-sized enterprises is not high; the self-supporting capability for intelligent manufacturing is not strong, the intelligent equipment, controlling software and system software applied during the intelligent transformation of enterprises are restricted, and compared with the advanced level of the world, there is still a large gap in the key technology, the core equipment, the basic parts and the high-end industrial software for intelligent manufacturing. Secondly, the overall solution supply ability of the system is weak, with a lack of service providers that have independent innovation ability and can provide intelligent manufacturing system solutions, and the level of the Internet cloud platform enterprises which support the industry development has to be improved. Thirdly, the emphasis and research on the application of advanced technology to intelligent manufacturing are not enough, and the standardized research on intelligent manufacturing cannot keep up with development requirements. At present, developed countries have begun to apply new technologies such as artificial intelligence, augmented reality and virtual reality to the R&D design, production and manufacturing and after-sales services of the enterprises, showing that China still falls behind in this regard.

In 2017, the electronic information industry in which the Company operates took on the same trend as the macro-economy did in China. The macro environment in China was improving continuously, domestic demand was stably recovering, external demand gradually recovered, the structural adjustment and the transformation and upgrade pace was accelerated, and the production and operation environment of enterprises was obviously improved. With the rapid growth of electronic information manufacturing industry, the growth of production and investment was in the leading level in all industries, the export situation was significantly improved, and the efficiency and quality were continuously promoted. As a strategic, fundamental and leading pillar industry of national economy, the electronic information industry has become an important supporting force for the transformation and upgrade of the manufacturing industry in China. The production maintained a fast growth, and the export situation was improved. The production and export of the communication equipment industry grew rapidly; the production and export of computer industry were remarkably improved; the domestic audio-visual industry experienced a sustained downturn, and the export growth was accelerated; the production of electronic components industry was rising steadily, and the export growth was accelerated; the electronic device industry recorded rapid growth in production and export; the efficiency of the industry was continuously rising, and the operation quality was further improved; the investment in fixed assets maintained a high-speed growth; the increases in the investments in the communication equipment and electronics industries were eye-catching; the investments by domestic enterprises grew at a high speed; and the investment growth in the western region was the highest, and the investment in the north-east region has obviously improved.

Same with all the other peers across the industry, the Company has a relatively high degree of external reliance, relatively weak innovation ability and industrial base, the three principal in operation divided according to the new plan still need to be further integrated, and the market share needs to be improved. With the implementation of the relevant industrialization projects of the Company, the further optimization and adjustment of the industrial structure and the further enrichment and extension of the business mode, the Company's market competitiveness will be further improved, which is beneficial to the Company's steady development momentum.

Discussion and Analysis of the Operation *(Continued)*

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

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

In line with the plans and arrangements for the "13th Five-Year Plan" period, the Company further consolidated and reorganized the existing business, scientifically allocated the existing resources of the Company, and increased the investment in the main business to highlight the three core industries. The Company also specified the next-step overall development strategy centered on intelligent manufacturing, smart city and electronic manufacturing services. Firstly, aiming to become a leading enterprise for intelligent manufacturing equipment and robot with international competitiveness, the Company increased the investment in the intelligent manufacturing industrial chain, cultivated and developed the solutions for intelligent manufacturing system, the independent research and development and production capabilities for the core equipment and key components, promoted the organic integration of industrial robot, automatic equipment and information system, and completed the construction and renovation of digital and intelligent factories, thus improving the industrial scale and efficiency. Secondly, the Company determined to take intelligent transportation, safe city, intelligent building and broadcast and television information network as the main direction and take the provision of system solutions and terminals for realizing the modernization of the cities as the objective, and attach importance to the cultivation of new economic growth points for the intelligent city industry, and consolidated and set up the broadcast and Television business department, built the big data platform for smart city with intelligent transportation as the core, completed the construction of typical case and demonstration projects for intelligent cities, and accomplished the transformation from a product supplier with a single business to the general contractor with multi-business coordination. Thirdly, aiming to build itself into a first-class electronic ODM with high production, R&D, after-sales and supply chain management levels, the Company sped up the application of the high-end advanced EMS processes, equipment and systems to accelerate the construction of intelligent factories, vigorously strengthen the electronic manufacturing service capability with high intelligence and flexibility, and expand its coverage from the core electronic manufacturing bases within the electronic system in China to the high-end customers in the industry worldwide.

(II) Development strategies of the Company

1. Development strategies

The Company aims to build itself into a domestic top-notch leading enterprise in electronic information industry, which can control the proprietary key technologies; constantly increase its brand value and overall enterprise value; continually enhancing abilities to generate investment returns; and provide the industry-leading core equipment and system solution to smart manufacturing, and core product and system solution for smart cities.

Discussion and Analysis of the Operation (*Continued*)

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

(II) Development strategies of the Company (Continued)

2. Industrial development plan

(1) Intelligent manufacturing industry

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

(2) Smart city industry

① Intelligent transportation industry: the Company will transform from a supplier of a single system to a general contractor for mechatronic system, and undertake PPP projects to set foot on inter-city rail and high-speed rail business. The Company will also build a big data platform for smart cities with intelligent transportation as the core, and complete the construction of relevant demonstration projects to achieve the industrialization of the payment systems, technologies and products based on the "Internet Plus", and strive to develop the Company into a national leading and international famous professional provider specialized in R&D and manufacturing of urban rail traffic information equipment and intelligent traffic solutions and system integration services.

② Safe city industry: the Company will expand and strengthen the businesses of time-frequency system, small base station, dedicated communication system for regional broadband and mobile video product line and the scale of existing products such as portable city management smart terminals; in the meantime, we will give priority to make breakthroughs in 5G technology, new generation of satellite mobile communication technology and the integration and emergency communication general technology covering communication technologies of satellite, unmanned aerial vehicle and ground monitoring station. We are devoted to becoming a technology-leading solution and equipment supplier for the military-civilian-integrated private communication network, providing first-class services to safe city and customers of other industries.

Discussion and Analysis of the Operation *(Continued)*

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

(II) Development strategies of the Company (Continued)

2. Industrial development plan (Continued)

(2) Smart city industry (Continued)

③ Information network industry: the Company will focus on promoting the R&D and application of the next generation of broadcast and television transmission and terminal equipment, provide systematic solutions and equipment for the broadcast and television network from the transmitting terminal to the receiving terminal via the transmission coverage, and exert great efforts on the development of the industries such as connected smart communities, smart home and intelligent terminal with multi-network connections, thus striving to become a major player in the new generation of broadcast and television equipment and consumer electronics sectors in China.

④ Intelligent building industry: the Company will integrate modern communication technology, information technology, computer network technology and monitoring technology, etc., and master the automatic detection and optimization control technology related to the intelligence of buildings, to realize the intelligent control over the buildings and the optimal management on information resources, build its own intelligent building system and equipment integrated maintenance and management platform, and become a first-class domestic supplier of systematic solutions for intelligent buildings with various outstanding qualifications and a contractor for related construction projects and operation and maintenance management projects.

(3) Electronic manufacturing service

The Company will build an advanced EMS manufacturing system and develop a full range of electronic manufacturing service ranging from R&D, supply chain management, manufacturing, quality guarantee and global logistics, with a view to providing systemized, flexible and competitive solutions to clients. The Company will particularly enhance supply chain management, complete electronic machine design, manufacturing technique and capabilities to develop advanced manufacturing with high intelligence and flexibility, thus becoming an important manufacturing base for its own electronic information products and a top-notch electronics ODM that provide services all over the world.

Discussion and Analysis of the Operation *(Continued)*

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

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

3. About business model

The Company will integrate the "Internet Plus" in depth and strengthen the integrated development of military and civil products by means of structural adjustment, quality and efficiency enhancement, consolidation and reorganization and asset-backed securitization, etc. to develop synergies and economies of scale as soon as practicable, promote the transformation and upgrade of intelligent manufacturing and smart city industries and achieve leap-forward development, which will be implemented mainly under the following models.

(1) Promote transformation of our business model

we are transforming from a supplier merely providing equipment and engineering to a modern enterprise with providing whole products, large system and general operating service provider, from researching and manufacturing of terminal products to R&D structure with researching and manufacturing of key components, core underlying technologies and system equipment in the upstream. We are about to conduct lean manufacturing based on big data analysis under the intelligent factory model which will gradually replace the traditional manufacture and operation model relying on orders. We will transform our marketing model from sales of single unit/set of or auxiliary hardware products to sales of software and hardware products as well as comprehensive solutions with our proprietary intellectual properties; transform our operational model from subsidiaries fighting alone to cooperative engagement of all subsidiaries by integrating our internal resources and aggregating our overall advantages; transform our profit-making method from undertaking single project to mainly undertaking system engineering as a general contractor.

(2) Promote the "Internet Plus" concept

We will further increase our presence in the "Internet Plus" market, will fully utilize the "Internet Plus" concept in optimizing our production organization, resource allocation, product forms and business model, and facilitate the deep fusion between the Internet technologies and our research and design, production control, supply chain management and marketing of electronic products. We will focus on the following four aspects: the synergy of research and design, the intellectualized upgrading of traditional factories, the application of Internet marketing model and the industrial innovation in the field of the "Internet Plus". The Company will deepen the cooperation with the top-notch internet and communication operators and professional operators in China, focus on integrating the internet technology as well as other technologies such as intelligent perception, visual identity, intelligent analysis, intelligent control into smart city-related products such as intelligent transportation, intelligent home, intelligent terminal and dedicated communication systems with multi-network connections and 5G ultra-dense network products.

Discussion and Analysis of the Operation *(Continued)*

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

(III) Business plan

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

In 2017, the domestic economy has entered a new normal, faced with the complex international economy and the fierce competitions in intelligent manufacture, the Company pressed ahead with industrial transformation and upgrading by taking the principal business as its development direction and innovation as its driving force, and maintained its stable development momentum via carrying out R&D efforts in new products based on the market-oriented approach, improving the product quality and management, and enhancing the internal control and the talents team building.

The operating targets of the Company in 2017 were to achieve a revenue of RMB4,000,000,000 and total profit of RMB150,000,000. Based on the audited financial report, the operating revenue of the Company in 2017 was RMB4,191,928,900 and total profit was RMB186,289,300.

2. 2018 operating plan

(1) Endeavour to achieve the operating targets. The operating targets of the Company in 2018 are to achieve a revenue of RMB4,500,000,000 and total profit of RMB180,000,000. In 2018, the Board has formulated relatively objective and pragmatic business objectives based on the overall economic situation at home and abroad, taking into full account the developments of the industry segments in which the Company operates and the actual conditions of the Company. Although the Company may be subject to many uncertainties in its daily course of operations, it will insist on pragmatic approaches and seek progress while maintaining stability in an effort to achieve its business objectives.

(2) Focus on innovation-driven development and further promote transformation and upgrade. The Company will continue to concentrate on the optimization of resource allocation to accelerate the innovation in the operation mechanism and the management and control system, improve the work efficiency and the resource utilization ratio, carry out resource consolidation and reorganization, eliminate outdated production capacity, strive to make breakthroughs in key technologies, expand the effective and high-end supply, and drive the Company's core industries to jump to the high end of the value chain. Guided by the market and oriented to the customers, the Company will further adjust the operation philosophy and change the operating strategy, accelerate the research and development of key technologies and the adjustment of product structure, innovate in the way of market exploration and the mode of business cooperation, explore highly effective incentive means and team building methods, constantly look for new economic growth points and new development drivers to develop synergies and economies of scale as soon as possible and achieve high quality and leap-forward development.

Discussion and Analysis of the Operation (Continued)

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

(III) Business plan (Continued)

2. 2018 operating plan (Continued)
 - (3) Implement the development planning, and refine the plans and specific measures for the implementation thereof. The Company will guide the subsidiaries that assume the specific obligations for the implementation of the industrial planning to further develop and improve their own development planning, further clarify their own development objectives, key products and key technologies, and further refine their own implementation plans and measures. With consideration of their actual conditions, the subsidiaries will break down the planning requirements and objectives and include them into their annual operation plan, and clarify the division of responsibilities and the relevant time points, to ensure that the relevant planning is effectively implemented.
 - (4) Deepen the lean management and further enhance the quality and efficiency. The Company will promote the implementation of lean management in a comprehensive way, rationalize the management system and mechanism through institutionalization, programming, streamlining, standardization and data-orientation, improve the whole process, achieve systematic advancement, ensure that the management duties are specified, clarified and professional, and strengthen effective supervision and performance appraisal to ensure that every link of corporate management is precise, efficient and synergic and promote the Company to reduce costs, improve efficiency and profitability. The Company will comprehensively upgrade the traditional manufacturing mode of the Company by applying intelligence thereto, aim to build customized manufacturing systems with high quality, high efficiency and a short delivery period, focus on the implementation of the upgrading and renovating projects in the intelligent electronic manufacturing industry to realize the information-based and automatic management during the whole production process, and streamline and re-optimize the whole process including R&D, production, storage and transportation to greatly improve the production efficiency, market share and corporate competitiveness of the Company. The Company will also explore in depth the potential of its existing information-based system, comprehensively improve the informatization level of its operation management, and optimize and upgrade the existing information-based system according to the actual needs of the Company to provide a safe, reliable and efficient fundamental support for the information-based applications of the Company.
 - (5) Strengthen the scientific and technological R&D to further enhance the core competitiveness. The Company will improve the scientific research management mechanism, strengthen the construction of the two-level scientific research management system of the Company and the scientific research personnel incentive system, focus on the guidance on the industrial direction, and strengthen the support for the strategic projects; at the subsidiary level, the Company will focus on the organization and management of project implementation to develop a scientific research management and guarantee mechanism where the Company's headquarters and subsidiaries connect with and supplement each other, so as to ensure that the scientific and technological resources are concentrated towards the core industry. The Company will also improve the innovation ability for scientific research, increase the investment in technical research to cultivate and improve the independent innovation ability of all types of scientific research centers at all levels, coordinate the scientific research strength of each subsidiary, build an interconnection channel and a coordination and innovation platform, spare no effort to make breakthroughs in the key common technologies, accelerate the marketization and industrialization of scientific research achievements, and improve the core corporate competitiveness.

Discussion and Analysis of the Operation *(Continued)*

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

(III) Business plan *(Continued)*

2. 2018 operating plan *(Continued)*

- (6) Optimize talent structure and further strengthen the capability of sustained development. With the development and cultivation system for innovative talents as the core and the introduction and training of high-level talents and the talents urgently needed by principal operations as the focal point, the Company will speed up the adjustment of the talent structure, increase the investment in talent guarantee, perfect the talent incentive mechanism, and give full play to the strategic and fundamental role of leading and professional talents, thus providing a strong talent guarantee for the Company's development. The Company will vigorously promote the building of the four teams for R&D, management, skills and party building, strengthen the cultivation of the existing backup backbones of the Company according to their conditions, and strengthen the performance appraisal and care for humanities, to maximize the vitality, motivation and creativity of the talents and build first-class teams with strong competitiveness.
- (7) Accelerate market exploration and further enhance the brand influence. The Company will participate in representative exhibitions and trade fairs to keep abreast of the dynamics of first-class enterprises in the industry, and maintain close relationship with major project contractors at home and abroad and strive to become their partners or specialized suppliers. The Company will positively respond to "The Belt and Road Initiative" and strive to make breakthroughs in overseas markets in the fields of emergency communication system, automatic ticket checking and communication system for urban rail transit, intelligent factory system, intelligent building system, broadcast and television wireless transmission and satellite-based ground receiving system. The Company will coordinate and advance the shaping and communication of the "Panda" brand image by the Company and its subsidiaries, and consolidate the advertising resources in such aspects as advertisement publication, exhibition and display and public relations maintenance, to provide a strong support for the promotion of the Company's products and improve the influence of "Panda".

Discussion and Analysis of the Operation (Continued)

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

(IV) Potential Risks

1. Market risk

Spurred by industry policies, and amid continuously rising market demands, more capital may enter the electronic information industry in the future, especially the industry segments where the Company operates. The intelligent manufacturing equipment industry, represented by industrial robots, has seen rapid development and promising market prospect. As such, the Company will face a more intense market competition with the further development of intelligent and automation industrial modes. Were the Company unable to maintain its edges in respect of technological R&D, quality control and product category, its development and industrial position in the future would be limited to a certain extent. The Company continues to increase investments into the intelligent manufacturing equipment industry and relevant products and explore and develop the marketing channels based on the industrial policies and the needs of clients, making an active response to market changes. At present, the market risk is within the scope of control.

2. Risk associated with development of technology

As the replacement speed of technologies relating to electronic information industry is fast and the core technologies of industrial robots are controlled by overseas enterprises, our industrial robots products at current phase are mainly for the teaching demonstration in colleges and universities due to their low industrialized application percentage. The Company will increase the R&D efforts and enhance the construction of robot R&D center, seeking to further improve the core technologies including controllers and servo system drivers, focus on new product R&D, improve the product stability, constantly keep track of the latest technologies in both domestic and international electronic information industry and obtain updates on customers' latest demands. In case of failure, the Company will be faced with an adverse situation of loss in the core capacity, higher production cost and lower product competitiveness. The Company will reinforce investments to explore the integration and adjustment made to the R&D capability, and innovate in models of contribution, so as to maintain growth in the R&D capability in respect of the intelligent manufacturing equipment. Risk associated with development of technology is within the scope of control at present.

3. Risks associated with transformation and upgrade

The "Made in China 2025" has taken the promotion of the overall competitiveness of the manufacturing industry in China through intelligence as the main object and the "new generation of information technology" as the first priority among the ten areas to be developed in priority. The economy in China has changed from the fast growth stage to the high-quality development stage, and the Company is currently in a key stage to adjust industrial structure, change development mode, optimize system and mechanism and improve development quality. Facing the new era and the new development, the Company must seize up the situation and capture the opportunities, further increase the investment in scientific and technological innovation, enhance the comprehensive strength of the Company as soon as practicable, maintain the leading position in China in terms of the technical level in such aspects as industrial robot, automatic equipment for intelligent manufacturing factory and electronic transportation equipment, and accelerate the expansion of the scale of the Company's intelligent manufacturing, smart city and electronic manufacturing service industries to narrow the gap with leading international enterprises, so as to further improve the competitiveness of the Company in the international and domestic markets instead of elimination by the market.

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

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures

(I) Information on Board meetings

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolutions	Date of disclosure
11th meeting of the 8th session of the Board	2017-3-29	China Securities Journal, Shanghai Securities News	The resolutions in relation to the following matters were considered and approved: the 2016 annual report of the Company and its summary, the 2016 work report of the Board, work report of General Manager, final financial report, profit distribution plan, specific report on the deposit and the actual use of proceeds, remuneration packages for directors and senior management, work report of independent directors, performance report of the Audit Committee, social responsibility report and internal control evaluation report, the risk assessment report of the Financial Company, the 2017 financial budget report, capital expenditure project budget draft, the appointment of auditor for 2017, change of accounting policies for the Company, the termination of certain proceeds investment projects and allocation of the surplus amount for permanent supplement of working capital, and the convening of 2016 annual general meeting.	2017-3-30
12th meeting of the 8th session of the Board	2017-4-28	/	The 2017 first quarterly report of the Company was considered and approved.	/
Extraordinary meeting of the 8th session of the Board	2017-7-11	China Securities Journal, Shanghai Securities News	The proposal of Using Idle Funds for Cash Management was considered and approved.	2017-7-12
13th meeting of the 8th session of the Board	2017-8-30	China Securities Journal, Shanghai Securities News	The 2017 interim report of the Company and its summary, the specific report on the deposit and the actual use of proceeds for the first half of 2017, change of accounting policies for the Company, and the risk assessment report of the Financial Company were considered and approved.	2017-8-31
Extraordinary meeting of the 8th session of the Board	2017-9-12		The proposal of Investment in and setting up Chengdu Panda Electronics Technology Co., Ltd. was considered and approved.	
Extraordinary meeting of the 8th session of the Board	2017-9-21	China Securities Journal, Shanghai Securities News	The proposal of Connected Transaction of Disposal of Building 54 on Zhongshan Road East No.301 was considered and approved.	2017-9-22
Extraordinary meeting of the 8th session of the Board	2017-10-13	China Securities Journal, Shanghai Securities News	The proposal of Engagement of Auditor for 2017 was considered and approved.	2017-10-14

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures

(I) Information on Board meetings (Continued)

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolutions	Date of disclosure
14th meeting of the 8th session of the Board	2017-10-30		The 2017 third quarterly report of the Company was considered and approved.	
Extraordinary meeting of the 8th session of the Board	2017-11-10	China Securities Journal, Shanghai Securities News	The proposals of Amendment of Nanjing Panda's Articles of Association, Amendment of Rules of Procedure of Shareholders Meeting of the Company and Amendment of Rules of Procedure of Board Meeting of the Company were considered and approved.	2017-11-11
Extraordinary meeting of the 8th session of the Board	2017-12-22		The proposal of Investment in the Shares of Wuxi 8-dimensional Rail Transit Payment Co., Ltd. (無錫八維軌道交通支付有限公司) was considered and approved.	
Extraordinary meeting of the 8th session of the Board	2017-12-22		The proposal of Investment in the Shares of Nanjing Wisdom Agriculture Research Institute Co., Ltd. (南京智慧農業研究院有限公司) was considered and approved.	

(II) Liquidity of Capital

In accordance with the Accounting Standards for Business Enterprises of China, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 36.96%, RMB2,057,758,200, 2.09 and 1.46 respectively as at 31 December 2017 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB1,191,597,100 as at 31 December 2017 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans and other loans amounted to RMB45,000,000 as at 31 December 2017 as shown in the consolidated financial statements of the Company.

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

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

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

Discussion and Analysis of the Operation *(Continued)*

V. Other Disclosures (Continued)

(IV) Pre-emptive Rights

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

(V) Highest Paid Individuals

The five highest paid individuals of the Company during the year were operators of the Company's subsidiaries, details are provided in the notes to the financial statements prepared in accordance with the accounting standards of PRC enterprises.

(VI) Arrangements for Purchase of Shares or Debentures by Directors, Supervisors and Senior Management Staff

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

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

At no time during the year had the Group entered into any contract of significance in which a Director, Supervisor or senior management staff of the Company was materially interested. None of Directors, Supervisors, and Senior Management Staff of the Company has engaged in the operating activities which compete with the business of our Group.

(VIII) Directors' and Supervisors' Service Agreements

During the year, the executive Directors were Xu Guofei, Chen Kuanyi and Xia Dechuan, respectively, the non-executive Directors were Lu Qing, Deng Weiming and Gao Gan, respectively, and the independent non-executive Directors were Du Jie, Chu Wai Tsun and Zhang Chun, respectively. The members of the Supervisory Committee were Tu Changbai, Song Yunfeng and Zhou Yuxin, respectively. For the main work experience, remuneration and shareholding in the Company of the Directors and Supervisors of the Company, please refer to "Section VII Profiles of Directors, Supervisors, Senior Management and Staff" in the report for details.

Each of the Directors and Supervisors has entered into service agreements with the Company for a term of three years. None of the Directors or Supervisors has entered into any contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures (Continued)

(IX) Liability insurance for its directors, supervisors and senior management

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

(X) Privileges of Directors, Supervisors and Senior Management Staff

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

(XI) Interested Relations with Suppliers and Customers

Nanjing China Electronics Panda Panel Display Technology Co., Ltd., Chengdu China Electronics Panda Display Technology Co., Ltd. and Xianyang Caihong Optoelectronics Technology Co.,Ltd. are the connected legal persons of the Company. And they are listed as the top five customers of the Company in 2017.

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

(XII) Contracts of Significance

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

Discussion and Analysis of the Operation *(Continued)*

V. Other Disclosures (Continued)

(XIII) Enter into Material Contracts

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

(XIV) Convertible Securities, Options, Warrants or Similar Rights

The Company had not issued or granted any convertible securities, options, warrants or similar rights as at 31 December 2017.

(XV) Pension Scheme

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

(XVI) Management Contracts

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

(XVII) Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2017 are set out in the notes to the financial statements prepared under the PRC accounting standards.

(XVIII) Changes in Owners' Equity

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

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures (Continued)

(XIX) Fixed Assets

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

(XX) Subsidiaries

Information on the subsidiaries of the Company is set out in the notes to the financial statements prepared under the PRC accounting standards.

(XXI) The Company's Code of Corporate Governance and Model Code

During the reporting period, the Company has adopted and complied with the Corporate Governance Code as set out in Appendix 14 and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. Please refer to the relevant paragraphs under section VIII "Corporate Governance" of this annual report for details.

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

The Independent Non-executive Directors of the Company, within their scope of duties, have reviewed the "Related party relationship and transactions" set out in the notes to the financial statements of the Company for 2017 prepared under the Accounting Standards for Business Enterprises of China, as well as the relevant letter of the auditors, and confirmed that:

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

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

Discussion and Analysis of the Operation (*Continued*)

V. Other Disclosures (Continued)

(XXIII) Contingencies

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

(XXIV) Environmental, Social and Governance Report

The Group is committed to supporting the sustainable development of the environment and is subject to various national laws and regulations in relation to environmental protection promulgated by the PRC. The Group has set up compliance procedures to ensure compliance with relevant laws, rules and regulations in relation to environmental protection. In addition, the employees and operating units concerned have paid attention to changes in relevant laws, rules and regulations from time to time. The Group has always been devoted to maintaining well-observed standards regarding environmental protection and the society and safeguarding the sustainable development of our business.

During the period of the reporting, in accordance with the requirements under the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules, the Company has prepared an Annual Social Responsibility Report covering corporate governance, environmental protection, employee care, community investment, product quality management and other aspects. In preparation of the report, the Company followed the reporting principles of materiality, quantitative, balance and consistency to the greatest possible extent. The report, which has been considered and approved by the 15th meeting of the 8th session of the Board, gives an account of the management approach, objectives, measures and results achieved in respect of environmental, social and governance areas of the Company and its subsidiaries during the period from 1 January 2017 to 31 December 2017. The report is also in compliance with the requirements of the Guidelines for the Preparation of the Report on the Performance of Corporate Social Responsibility (《<公司履行社會責任的報告>編制指引》) and the Notice on Further Improving the Information Disclosure of Listed Companies on Poverty Alleviation (《關於進一步完善上市公司扶貧工作信息披露的通知》) issued by Shanghai Stock Exchange. The 2017 Social Responsibility Report of the Company was published on the websites of Hong Kong Stock Exchange and Shanghai Stock Exchange on 27 April and 30 March 2018, respectively.

Discussion and Analysis of the Operation (*Continued*)

V. Other Disclosures (*Continued*)

(XXV) Others

1. For the principal operations of the Group, please refer to “Section III An Overview of Company’s Business” in this report for details.
2. The Board of the Company considered and approved the profit distribution proposal to distribute cash dividend for 2017, the details of which are set out in “Section V Significant Events” in this report.
3. For the taxation policies applicable to the shareholders in respect of the cash dividend received for the shares held by them in the Company, please refer to the relevant announcement published by the Company on the website of Hong Kong Stock Exchange on 22 June 2017 and the relevant announcements published by the Company on China Securities Journal and Shanghai Securities News as well as the website of Shanghai Stock Exchange on 8 July 2017.
4. As at the date of this report, based on the information announced by the Company and within the knowledge of the Directors, the Company has complied with the continuous requirements of Hong Kong Stock Exchange in relation to the sufficiency of public float.
5. During the year, the connected transaction in relation to the disposal of the Building No. 54 erected on No. 301 Zhongshan East Road was considered and approved at the first extraordinary general meeting of the Company in 2017, the details of which are set out in “Section V Significant Events” in this report.
6. During the year, the Company donated RMB70,000 to support impoverished families and help the children of school age to go to school.

(XXVI) Annual General Meeting

The Board proposes to convene the 2017 annual general meeting of the Company before 30 June 2018, the announcement of which will be made separately.

By order of the Board
Xu Guofei
Chairman

Nanjing, the PRC, 29 March 2018

Significant Events

I. Plan for Profit Distribution of Ordinary Shares or Capitalization of Capital Reserve

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

Pursuant to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) promulgated by the CSRC and the Guidelines on Cash Dividends Distribution of Listed Companies (《上市公司現金分紅指引》) published by the Shanghai Stock Exchange, proposals on the decision-making procedures and policy of profit distribution in the Articles of Association were considered and approved on the extraordinary meeting of the seventh session of the Board on 22 January 2014 and on the first extraordinary general meeting in 2014 on 12 March 2014, respectively. The amended profit distribution policy is in line with the requirements of the Articles of Association and the consideration procedures, legitimate rights and interests of minority investors were adequately protected and independent directors expressed their consent. The profit distribution criteria and distribution ratios were clarified and conditions and procedures of adjustment or changes in profit distribution policy were in compliance in regulations and transparent. Cash dividend policy and related matters are the key contents of decision-making process and policy changes and improved cash dividend policy are in line with the requirements of the Articles of Association and the resolutions at the general meeting. The dividend criteria and ratios are clear and distinct and the relevant decision-making procedures and mechanism are complete. Independent directors discharged their duty and played their due role, the opportunity for minority shareholders to fully express their views and aspirations are guaranteed, and the legitimate rights and interests of minority shareholders are adequately protected.

On 21 March 2016, the “Shareholders’ Return Plan of Nanjing Panda Electronics Company Limited (2016–2018)” (《南京熊猫電子股份有限公司股東回報規劃(2016–2018)》) was considered and approved at the fourth meeting of the eighth session of the Board of the Company. The revised Shareholders’ Return Plan maintains continuity and stability of the profit distribution policy and relevant decision-making procedures of profit distribution are in line with the requirement of relevant laws, regulations and the Articles of Association. The contents reflect the reasonable return to investors, fully safeguards the legitimate interests of minority shareholders and maintain the sustainable development of the Company. The amendments refined the decision-making procedures and supervision mechanism for profit distribution, clarified the priority of cash dividend in the way of profit distribution, put forward differentiated cash dividend policies, and the opinions and demands of independent directors and minority shareholders were fully listened to by the Board in making decisions on dividend distribution to further strengthen the rationality, stability and transparency of cash dividend policies.

During the reporting period, the Company did not adjust the profit distribution policy for ordinary shares. The Company strictly performed the decision making procedures for profit distribution and profit distribution policies in accordance with the relevant requirements of the CSRC and the Shanghai Stock Exchange and the relevant provisions under the Articles of Association.

Significant Events (Continued)

I. Plan for Profit Distribution of Ordinary Shares or Capitalization of Capital Reserve (Continued)

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

In 2017, the Company achieved a net profit of RMB31,699,400 (as parent company) and appropriated surplus reserves of RMB3,169,900. Given the cash dividend of RMB63,968,700 distributed in 2016, and the undistributed profit at the beginning of the period of RMB265,972,800, the actual distributable profit to shareholders this year amounted to RMB230,533,600. In accordance with the Articles of Association and the relevant requirements of Shanghai Stock Exchange, it was proposed to distribute a cash dividend of RMB0.70 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2017, with the total cash dividend to be distributed amounting to RMB63,968,697.03, and the remaining part to be carried forward to next year. The Company will not transfer capital reserve into share capital. This proposal was considered and approved at the fifteenth meeting of the eighth session of the Board of the Company, and was agreed to submit to the annual general meeting for consideration.

The proposal for distribution of cash dividend is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on or before 30 June 2018 and the dividend is expected to be paid to the shareholders of H Shares of the Company on or before 10 August 2018. The Company will announce in due course the date of the AGM and the closure of its register of members in relation to the right to attend and vote at the AGM. The Company will announce the record date for the distribution of H Share dividend, and the closure date of its register of members in due course.

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

Unit: yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax included) (RMB)	Number of shares transferred for every 10 shares (share)	Amount of cash dividends (tax included)	Net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement (%)
2017	-	0.70	-	63,968,697.03	107,382,077.64	59.57
2016	-	0.70	-	63,968,697.03	119,240,512.92	53.65
2015	-	0.68	-	62,141,019.97	143,836,663.39	43.20

Significant Events (Continued)

I. Plan for Profit Distribution of Ordinary Shares or Capitalization of Capital Reserve (Continued)

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

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

II. Fulfillment of Commitments

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

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

Significant Events (Continued)

II. Fulfillment of Commitments (Continued)

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

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

Significant Events (Continued)

II. Fulfillment of Commitments (Continued)

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

Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
	Standardization and avoidance of connected transactions	PEGL	(1) As long as PEGL is a shareholder of the Company, PEGL and its subsidiaries shall try to reduce and standardize connected transactions with the Company. (2) As for the connected transactions that cannot be avoided, PEGL shall enter into agreements with the Company in compliance and in accordance with relevant laws, regulations, regulatory documents and the articles of association of the Company, perform relevant approval procedures and the information disclosure obligation in accordance with statutory procedures, and refrain or abstain from voting at board meetings and/or general meetings, so as to procure such connected transaction can be conducted in compliance with the principle of "fairness, justice and openness" and non-normal commercial terms and conditions, and ensure such connected transactions will not harm the legitimate interests and rights of the Company and other shareholders.	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
	Standardization and avoidance of connected transactions	NEIC	The same contents as that of PEGL for "standardization and avoidance of connected transactions"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
Other undertakings	Others	CEC	Due to the abnormal fluctuation of the domestic stock market, the Company received declaration documents from CEC as follows: (1) as a responsible shareholder, CEC will proactively take social responsibilities and will not decrease its shareholding in the listed company during the abnormal fluctuation period in stock markets. (2) CEC made commitment to actively explore and execute measures including repurchase, increasing shares, etc. within the permitted scope of law and regulations; to increase shareholding of shares in the listed company when the stock price considerably deviates from its share value, in order to protect the benefit of investors. (3) CEC will continue to improve the quality of the listed company through asset restructuring and capital injection, supporting the economic structural adjustment and industrial transformation and equip the listed company with an upgraded healthy and comprehensive long-term reward mechanism to achieve continuous improvement of the return level of investors.	Time: 9 July 2015; Term: effective from the date of signing.	Yes	Yes	N/A	N/A

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

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

Significant Events (Continued)

III. Appropriation of Funds and Repayment of Debt during the Reporting Period: N/A

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

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

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

1. The resolution on the change in accounting policies was considered and approved at the eleventh meeting of the eighth session of the Board of the Company on 29 March 2017. The Ministry of Finance of the PRC issued the “Regulations on Value Added Tax Accounting Treatment” (《增值稅會計處理規定》) in 2016, setting out new requirements for the accounting treatment of value added taxes. The Company has changed its accounting policies pursuant to the above document, and adjusted the reported amounts of the relevant items presented in the financial statements for the year according to the relevant requirements set out in the document. The decision-making process for this change in accounting policies is in compliance with the relevant laws, regulations and the Articles of Association. For details of the change in accounting policies, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2017-019) published on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 30 March 2017 and on the website of the Hong Kong Stock Exchange on 29 March 2017. The change of the accounting policies affects only the reported amounts of certain items of the financial statements and has no impact on the equity and net profit attributable to owners of the Company.
2. The resolution on the change in accounting policies was considered and approved at the thirteenth meeting of the eighth session of the Board of the Company on 30 August 2017. In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 16 – Government Grants and stipulated that the revised standards would be implemented since 12 June 2017. The government grant existing on 1 January 2017 shall be handled with prospective application method; and the new government grant from 1 January 2017 to the date of the implementation shall also be adjusted according to the revised standard. According to the requirements of the standard, the Company will make changes to the relevant accounting policies. The government grants related to the daily business activities of the Company will be included in other income and will not be included in non-operating income. The decision-making process for this change in accounting policies is in compliance with the relevant laws and regulations and the Articles of Association. For details of the change in accounting policies, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2017-044) published on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 31 August 2017 and on the website of the Hong Kong Exchange on 30 August 2017. The change of the accounting policies affects only the reported amounts of certain items of the financial statements and has no impact on the equity and net profit attributable to owners of the Company for 2017.

Significant Events (Continued)

V. Analysis and Explanation of the Company on the Reasons and Impact of the Change in Accounting Policy, Accounting Estimation or the Correction to Material Accounting Errors (Continued)

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

3. The resolution on the change in the Company's accounting policies and the related matters was considered and approved at the fifteenth meeting of the eighth session of the Board of the Company on 29 March 2018. In 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42–Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation, which took effect on 28 May 2017. Non-current assets and disposal groups held for sale and termination of business operation existing on the date of the implementation shall be handled with prospective application method. The Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (《財政部關於修訂印發一般企業財務報表格式的通知》) in 2017, and has revised the format of financial statements for general enterprises, which is applicable to the financial statements for the year 2017 and subsequent periods. In accordance with the requirements of the above accounting standards and the Notice, the Company changed the relevant accounting policies and implemented the above standards and the Notice according to the stipulated implementation date. The decision-making process for this change in accounting policies is in compliance with the relevant laws and regulations and the Articles of Association. For details of the change in accounting policies, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2018–013) published on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 30 March 2018 and of the Hong Kong Stock Exchange on 29 March 2018. The change in accounting policies only affects the presentation of the items in the Company's financial statement, but has no impact on the Company's total assets, net assets, profit or loss, nor does it involve retrospective adjustments in prior years.

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

(III) Communication with the Previous Accounting Firm: N/A

Significant Events (Continued)

VI. Appointment and Dismissal of Accounting Firms

Unit: 0'000 Currency: RMB

Currently appointed	
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration for the domestic accounting firm	162
Audit years of the domestic accounting firm	2 year
Name of the overseas accounting firm	N/A
Remuneration for the overseas accounting firm	N/A
Audit years of the overseas accounting firm	N/A

Unit: 0'000 Currency: RMB

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

Explanations on appointment and dismissal of accounting firms:

The eleventh meeting of the eighth session of the Board of the Company on 29 March 2017 considered and approved the resolution on the reappointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's international auditor, PRC auditor and internal control auditor for 2017 and on the determination of the auditor's remuneration within the limit of the total amount of RMB2,100,000. The meeting also agreed to submit the resolution for consideration and approval at the 2016 annual general meeting held on 30 June 2017.

As BDO China Shu Lun Pan Certified Public Accountants LLP received two administrative penalty decisions (Administrative Punishment Decision [2016] No. 89, Administrative Punishment Decision [2017] No. 55) issued by the China Securities Regulatory Commission 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》) (Cai Kuai [2012] No. 2) issued by the Ministry of Finance and the China Securities Regulatory Commission, BDO China Shu Lun Pan Certified Public Accountants LLP 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 LLP still remained in the rectification period on the date when the 2016 annual general meeting of the Company was held and has ceased to undertake new securities business, there is uncertainty on whether the rectification can pass the checking of the relevant authorities, thus the consideration and approval of the aforesaid resolution was cancelled at the 2016 annual general meeting of the Company.

Significant Events (Continued)

VI. Appointment and Dismissal of Accounting Firms (Continued)

According to the Notice on Checking and Handling Decisions on the Rectification of BDO China Shu Lun Pan Certified Public Accountants LLP (《關於立信會計師事務所(特殊普通合夥)整改工作核查情況及處理決定的通知》) (Cai Kuai Bian [2017] No. 38) issued by the Ministry of Finance, the Ministry of Finance and the China Securities Regulatory Commission agreed that BDO China Shu Lun Pan Certified Public Accountants LLP can resume to conduct new securities business from 10 August 2017. In light of the above, and given the performance of the team of BDO China Shu Lun Pan Certified Public Accountants LLP in charge of the Company in providing the Company with audit services during 2016, and in order to maintain the continuity of the Company's external audit work, the extraordinary meeting of the eighth session of the Board of the Company on 13 October 2017 and the first extraordinary general meeting of the Company for 2017 on 30 November 2017 respectively considered and approved the resolution on the reappointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's international auditor, PRC auditor and internal control auditor for 2017 and on the determination of the auditor's remuneration within the limit of the total amount of RMB2,100,000.

Explanations on change of appointment accounting firms during the audit period: N/A

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

VIII. Possible delisting and reason therefor: N/A

IX. Bankruptcy and restructuring related matter: N/A

X. Material Litigation and Arbitration

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

Significant Events (Continued)

X. Material Litigation and Arbitration (Continued)

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

Unit: 0'000 Currency: RMB

During the reporting period:

Suitor (sue)	Defendant (being sued)	Party with joint liability	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Nanjing Panda Communications Technology Company	Nanjing Yougete Communication Equipment Co., Ltd.	Nil	Litigation	The party being sued owed Communications Technology Company payment of goods of RMB14,285,000 and subsequent demand thereof failed.	Payment of goods of RMB14,285,000 and relevant liquidated damages	N/A	The period for announcement has expired thus the judgment has been effective since then.	The Company won the lawsuit.	Relevant ruling is pending execution.

XI. Punishment and rectification to the listed Company, its directors, supervisors, senior management, controlling shareholder, ultimate controller and acquirers

During the period from March 2016 to November 2016, Guo Qing, a deputy general manager of the Company, conducted several transactions in trading the Company's stocks, which violated Rule 47 of the Securities Law and Rule 11 and Rule 13 of The Guidelines on Management of Holding and Dealing in the Shares of Listed Companies by Its Directors, Supervisors and Senior Management (《上市公司董事、監事和高級管理人員所持本公司股份及其變動管理規則》). The Shanghai Stock Exchange criticized Guo Qing in a circulated notice for the situation above, while Hunan Supervision Bureau of CSRC issued a warning to Guo Qing and imposed a fine of RMB30,000 for the same. Guo Qing has delivered the gains from irregular trading of the Company's stocks to the Company and has paid the fines to designated accounts in accordance with relevant regulations. Guo Qing has been deeply aware of the seriousness of his violation and has sincerely apologized to investors for this violation. The Company has further prompted its directors, supervisors and senior management personnel to study the relevant laws and regulations, and urged relevant personnel to strictly abide by relevant laws and regulations to avoid such incidents.

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

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

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

Significant Events (Continued)

XIV. Material Connected Transactions

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

1. Matters disclosed in interim announcements with no progress or change in the follow-up implementation: N/A
2. Matters disclosed in interim announcements with progress or change in the follow-up implementation

On 12 November 2015, the renewing of the existing continuing connected transactions and the cap between the Group and Financial Company was considered and approved at the extraordinary meeting of the eighth session of the Board, at which it was approved that the Company (on behalf of the Group) and Financial Company enter into the Financial Services Agreement. It was stipulated that the cap for the comprehensive credit balance to be provided by Financial Company to the Company amounted to RMB600,000,000 and the cap for the fund settlement balance with Financial Company amount to RMB500,000,000. The entering into of the Financial Services Agreement was conducted on the principle of openness, fairness and justice and in compliance with relevant state and industry regulations, without prejudice to the interest of the Company and minority shareholders of the Company. Additionally, the Company has made and perfected the Emergency Risk Management Plan for the Deposits Placed with Financial Company which guaranteed the safety and liquidity of the funds. The prior consent of the independent non-executive directors, who together with the Audit committee agreed to such continuing connected transactions entered into by the Company and Financial Company believed that such were in the best interests of the Company and its shareholders as a whole. The Financial Services Agreement was considered and approved at the 2015 first extraordinary general meeting of the Company on 28 December 2015 and with a term of three years effective from obtaining approval of independent shareholders at the extraordinary general meeting. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange respectively on 13 November and 29 December 2015 and H share circular despatched on 11 December 2015.

On 30 August 2017 and on 29 March 2018, the eighth session of the Board of the Company held the thirteenth meeting and the fifteenth meeting respectively, where it considered and approved the resolution in relation to the Risk Assessment Reports of China Electronics Financial Co., Ltd. to assess the deposit risk in the Financial Company. After auditing, no material deficiency in relation to the risk management of financial statements was found to exist as of 30 June 2017 and 31 December 2017. Please refer to the relevant announcement published on the website of Shanghai Stock Exchange on 31 August 2017 and 30 March 2018 and on the website of the Hong Kong Stock Exchange on 30 August 2017 and 29 March 2018 for more details.

As at 31 December 2017, the balance of the Company's loans from Financial Company was RMB22,490,000 and the balance of the Company's deposits in Financial Company was RMB497,720,000. As at 28 March 2018, the balance of the Company's loans and other credit financing services from Financial Company was RMB14,540,000 and the balance of the Company's deposits in Financial Company was RMB271,120,000. 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.

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of the same type of transactions (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Panda LCD Technology (Hong Kong) Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				892.92	0.29			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				862.93	0.28			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				496.85	0.16			
Nanjing Zhen Hua Packing Material Plant	Subsidiary owned by shareholders	Purchase of goods				415.90	0.14			
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				269.21	0.09			
Shenzhen China Electronics Huaxing Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				227.28	0.07			
Shenzhen China Electronic International Information Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				528.86	0.17			
Shenzhen China Electronics Investment Co., Ltd.	Subsidiary owned by shareholders	Purchase of good				198.52	0.06			
China Electronics Import/Export Corporation	Subsidiary owned by shareholders	Purchase of goods				157.38	0.05			
Nanjing China Electronics Panda Panel Display Technology	Subsidiary owned by shareholders	Sale of goods				80.38	0.03			
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				43.13	0.01			
Nanjing Panda Dasheng Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				59.10	0.02			
Guizhou Zhenhua Hualian Electrical Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				27.67	0.01			
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd.	Subsidiary owned by shareholders	Purchase of goods				17.96	0.01			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				15.71	0.01			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

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 the same type of transactions (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				14.27	0.00			
Nanjing Huadong Electronic Information Technology	Subsidiary owned by shareholders	Purchase of goods				5.08	0.00			
Nanjing Panda HanDa Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				3.69	0.00			
Nanjing China Electronics Panda Lighting Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				2.56	0.00			
Panda Electronics Group Limited	Controlling shareholder	Purchase of goods				54.14	0.02			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Associate	Receipt of services				414.04	1.53			
Panda Electronics Group Limited	Controlling shareholder	Receipt of services				161.68	0.60			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Receipt of services				270.83	1.00			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				131.59	0.49			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				18.51	0.07			
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				17.47	0.06			
CECexpo	Subsidiary owned by shareholders	Receipt of services				14.64	0.05			
Nanjing Zhenhua packing material factory	Subsidiary owned by shareholders	Receipt of services				6.16	0.02			
Nanjing Huadong Electronic Information Technology	Subsidiary owned by shareholders	Receipt of services				5.08	0.02			
Nanjing Panda Technology Park Development Company Limited	Subsidiary owned by shareholders	Receipt of services				21.02	0.08			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

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 the same transaction type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				1.10	0.00			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				0.15	0.00			
Nanjing China Electronics Panda Panel Display Technology	Subsidiary owned by shareholders	Sale of goods				54,711.10	16.28			
Chengdu China Electronics Panda Display Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				19,266.09	5.73			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				10,937.06	3.25			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				9,863.55	2.94			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				6,739.22	2.01			
Shenzhen China Electronics Investment Company	Subsidiary owned by shareholders	Sale of goods				6,646.60	1.98			
Guizhou Zhenhua Yilong New Materials Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				5,059.64	1.51			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				3,690.14	1.10			
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				3,099.95	0.92			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Sale of goods				2,911.34	0.87			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				886.96	0.26			
China Electronics Equipment International Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				523.40	0.16			
China Greatwall Technology Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				187.11	0.06			
IRICO (Hefei) LCD Glass Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				157.78	0.05			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing	Trading price of the connected transaction	Amount of the connected transaction	Proportion	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
				principle of the connected transaction			in the amount of Transactions of the same type (%)			
Panda Electronics Group Limited	Controlling shareholder	Sale of goods				140.03	0.04			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				39.02	0.01			
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				21.13	0.01			
Nanjing Sanle Electronic Information Industry Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				10.26	0.00			
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				4.61	0.00			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Sale of goods				3.42	0.00			
Nanjing Panda Dasheng Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				3.28	0.00			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Sale of goods				3.09	0.00			
Panda (Beijing) International Information Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2.74	0.00			
Nanjing CEC Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				0.89	0.00			
Solomon Systech (Nanjing) Limited	Subsidiary owned by shareholders	Sale of goods				0.05	0.00			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				5,604.82	7.45			
CEC Panda Flat Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				4,450.30	5.91			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				2,987.21	3.97			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

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 the 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 owned by shareholders	Rendering of services				1,406.75	1.87			
Panda Electronics Group Limited	Controlling shareholder	Rendering of services				1,016.53	1.35			
Liyang Bamboo Garden Hotel	Subsidiary owned by shareholders	Rendering of services				386.46	0.51			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				373.61	0.50			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				139.35	0.19			
Nanjing CEC Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				83.64	0.11			
China Electronics Science and Industry New Materials Jiangsu Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				83.06	0.11			
China National Software & Service Company Limited	Subsidiary owned by shareholders	Rendering of services				73.88	0.10			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Rendering of services				69.65	0.09			
Wuhan Zhongyuan Electronics Group Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				66.04	0.09			
Nanjing Electronics Information Industrial Corporation	Controlling shareholder	Rendering of services				40.47	0.05			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				37.60	0.05			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Rendering of services				19.64	0.03			
China Tongguang Electronics Company	Subsidiary owned by shareholders	Rendering of services				20.75	0.03			
Nanjing China Electronics Panda Modern Service Industry Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				18.49	0.02			
Nanjing Panda Electronics Materials Utilization Company	Subsidiary owned by shareholders	Rendering of services				14.53	0.02			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

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 the same transaction type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Dongguan China Electronics Panda Technology Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				13.55	0.02			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				13.47	0.02			
China Electronic Material Suzhe Company	Subsidiary owned by shareholders	Rendering of services				12.92	0.02			
Chengdu China Electronics Panda Display Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				2.49	0.00			
Nanjing China Electronics Panda Trade Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				1.23	0.00			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Rendering of services				0.77	0.00			
Nanjing Huadong Electronic Information Technology	Subsidiary owned by shareholders	Rendering of services				0.30	0.00			
Nanjing Hua Dong Electronics Information Technology Holdings Limited	Subsidiary owned by shareholders	Rendering of services				0.21	0.00			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Leasing of assets				86.13	1.17			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				65.64	0.89			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Associate	Leasing of assets				53.77	0.73			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				24.29	0.33			
Panda Electronics Group Limited	Controlling shareholder	Leasing of assets				5.13	0.07			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Leasing of assets				4.98	0.07			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Leasing of assets				4.95	0.07			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

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 the same type of Transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Panda Electronics Group Limited	Controlling shareholder	Leasing of assets				4.04	0.05			
Panda Electronics Group Limited	Controlling shareholder	Assets leased				18.40	1.11			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Trademark licensing				47.61	33.54			
Total			/	/	/	147,596.93	/	/	/	
Details on return of bulk sales			N/A							
Explanation on connected transactions			<p>During the reporting period, the continuing connected transactions conducted between the Group, NEIC Group, CEC Group (including Financial Company) (the continuing connected transactions which were conducted in the usual course of business and on normal commercial terms) were considered and approved at the extraordinary meeting of the eighth session of the Board of the Company and were approved by independent shareholders at the first extraordinary general meeting of 2015, the procedures of which were in compliance with relevant requirements. For details please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange respectively on 13 November and 29 December 2015 and the H share circular dispatched on 11 December 2015.</p> <p>All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.</p> <p>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.</p>							

Significant Events *(Continued)*

XIV. Material Connected Transactions *(Continued)*

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

3. Matters not disclosed in interim announcements *(Continued)*

For details of the continuing connected transactions between the Group and NEIC Group and CEC Group (including Financial Company) during the reporting period, please refer to the section headed "Related party relationship and transactions" in the notes to the financial statements of 2017 of the Company, summaries of which are as follows:

Unit: 0'000 Currency: RMB

Serial No.	Categories of the Continuing Connected Transaction	Pricing Principle	Actual Amount
(A)	Provision of sub-contracting services and composite services by the Group to the CEC Group	Market price, government guidance rate	16,867
(B)	Provision of sub-contracting services and composite services by the CEC Group to the Group	Market price, government guidance rate	648
(C)	Sale of materials, components and parts by the Group to the CEC Group	Market price, Cost plus	121,993
(D)	Purchase of materials, components and parts by the Group from the CEC Group	Market price	4,374
(E)	Lease of premises and relevant equipment by the Group to the CEC Group	Market price	190
(F)	Lease of premises and relevant equipment by the CEC Group to the Group	Market price	18
(G)	Licensing of PANDA Trademark by the Group to the CEC Group	Market price	48
(H)	Deposit balances with a financial Institution in the CEC Group	Market price	49,772
(I)	Provision of loan and other credit financing services by a financial Institution in the CEC Group to the Group	Market price	2,249

Notes: (H), (I) were the balances of deposit and comprehensive credit of the Group with the Financial Company under CEC as at 31 December 2017. During the reporting period, both of the balances of deposit and comprehensive credit of the Group with the Financial Company did not exceed the relevant annual caps.

Significant Events (*Continued*)

XIV. Material Connected Transactions (*Continued*)

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

3. Matters not disclosed in interim announcements (*Continued*)

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

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

Except for the “Related party relationship and transactions” as set out in notes to the financial statements and the connected transactions disclosed below, which constituted connected transactions and/or continuing connected transactions under the Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, no other transactions constituted “connected transaction” or “continuing connected transaction” under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The Company has complied with relevant requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

- (a) the material related party transactions entered into between the Group and the intermediate holding company, the Group and the immediate holding company and between the Group and fellow subsidiaries; and
- (b) as at 31 December 2017, the Group’s deposits of RMB497,720,000 with a fellow subsidiary of the Company, being a financial institution in the PRC, and the balance of the loans and other credit financing services provided by the fellow subsidiary to the Group was RMB22,490,000.

Significant Events *(Continued)*

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

The auditors of the Company were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have issued the letter containing the work result in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Main Board Listing Rules, a copy of which has been provided to the Hong Kong Stock Exchange.

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

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

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

(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
China Electronics Corporation	Ultimate controller			34,143,812.21	-103,812.21	34,040,000.00	
Panda Electronics Group Limited	Group company			6,175,447.72	1,922,775.47	8,098,223.19	
Liyang City Panda Bamboo Garden Hotel	Subsidiary of the Group				1,976,818.17	1,976,818.17	
Nanjing Thales Panda Transportation System Company Limited	An associate of a subsidiary			860,265.92		860,265.92	
China Electronics Import/Export Corporation	Ultimately controlled by the same party			195,539.62	-1,000.00	194,539.62	
Nanjing Panda Electronics Transportation Company	Intergroup company			12,300.00	75,055.14	87,355.14	
Nanjing Electronics Information Industrial Corporation	Ultimately controlled by the same party			44,600.00	10,600.00	55,200.00	
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party			22,907.00		22,907.00	
Nanjing Panda Technology Park Development Company Limited	Subsidiary of the Group			20,000.00		20,000.00	
Nanjing Panda Electronic Materials Utilization Co., Ltd.	Subsidiary of the Group				10,000.00	10,000.00	
Nanjing China Panda Real Estate Co., Ltd.	Ultimately controlled by the same party				5,000.00	5,000.00	
Nanjing Panda DaSheng Electronics Technology Company Limited.	Subsidiary of the Group			200.00		200.00	
Nanjing CEC-China Electronics Property Management Co., Ltd.	Ultimately controlled by the same party			521,396.27	-521,396.27		
Panda (Beijing) International Information Technology Co., Ltd.	Subsidiary of the Group			45,588.91	-45,588.91		
Total				42,042,057.65	3,328,451.39	45,370,509.04	
Reason of creditor's rights and debts							
Influence of creditor's rights and debts to the Company							

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

(V) Others

1. The connected transaction regarding the disposal of the No.54 building on No. 301 Zhongshan East Road

According to the development planning of the Nanjing government, No. 301 land lot at Zhongshan East Road, Nanjing (the "Land Lot 301") will be developed into a science and technology new park to serve as a hub for modern electronic information industry, and the development project of the Land Lot 301 has been listed as a key construction project of Nanjing. The Land Lot 301 will be developed and constructed by PEGL and its wholly-owned subsidiary Investment Development Company. The No.54 building, together its ancillary facilities and structures (the "No.54 building") owned by the Company is situated on the Land Lot 301.

According to the planning requirements of the Nanjing government, the Company assisted the overall development of the Land Lot 301. In order to safeguard the interests of the Company and its shareholders as a whole, upon arm's length negotiations with PEGL and Investment Development Company, the Company intended to dispose the No.54 building to PEGL. As a consideration, PEGL delivered the housing of corresponding areas in building A of the research center of Project 1 on Land Lot 301 (with an estimated total area of 29,547.05 square meters, including the first floor to the fourth floors (including 1 mezzanine floor) and the fourteenth to the seventeenth floors in the building A of the research center (the "Compensation Properties") developed and constructed by its wholly-owned subsidiary Investment Development Company to the Company.

With reference to the valuation reports, the parties confirmed that the transaction price of the No.54 building was RMB671,540,000, and the transaction price of the Compensation Properties was RMB691,698,297 and the shortfall is to be paid in cash. As the area for each of the Compensation Properties is an estimate and is subject to the area stated in the Property Ownership Certificate issued by relevant real estate department in the future, the price of the Compensation Properties is thus subject to adjustment. It is estimated that the corresponding shortfall shall be payable by the Company to Investment Development Company and the parties agreed that the maximum amount of such shortfall shall not exceed RMB30,000,000. The above values and prices are all tax exclusive, and taxes and fees arising from the asset disposal therein shall be paid/settled in accordance with the requirements of relevant laws and regulations of the PRC. On 21 September 2017, the Company signed an Asset Disposal Agreement with PEGL and Investment Development Company on the disposal of related assets.

PEGL is the controlling shareholder of the Company, and Investment Development Company is a wholly-owned subsidiary of the Company's controlling shareholder, hence, according to the relevant requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, PEGL and Investment Development Company are connected parties of the Company, and the transaction constitutes a connected transaction of the Company. This connected transaction does not constitute a material asset reorganization as stipulated in the Administrative Measures for the Material Asset Reorganization of Listed Companies (《上市公司重大資產重組管理辦法》).

Significant Events (*Continued*)

XIV. Material Connected Transactions (*Continued*)

(V) Others (*Continued*)

1. The connected transaction regarding the disposal of the No.54 building on No. 301 Zhongshan East Road (*Continued*)

The exchange of the No.54 building and housing in Building A of the research center of project 1 on Land Lot 301 at Zhongshan East Road is an exchange of non-monetary assets of no commercial substances. The book value of the No.54 building, together with relevant taxes payable, will be taken as the cost for housing in Building A of the research center of project 1 on Land Lot 301 at Zhongshan East Road, and no income and gain or loss will be recognized in respect of the exchange as cash will be paid only for the relevant taxes and the shortfall. Therefore, there will be no material impact on the financial position of the Company. The No.54 building was used by the Company for plant, research and office purposes. At present, the No.54 building is not used for production and office purposes, nor leased out. The disposal of the No.54 building to PEGL will not cause any disruption to the operations of the Company, nor will it have a material impact on the Company's main business.

The extraordinary meeting of the eighth session of the Board of the Company on 21 September 2017 considered and approved the resolution on the Connected Transaction on the Disposal of the No. 54 building on No. 301 Zhongshan East Road and agreed to the matter of disposal of the assets and agreed to and authorized the general manager to sign the asset disposal agreement and other relevant legal documents and dealt with related matters. Connected directors abstained from voting at the meeting of the Board. Non-connected directors and independent non-executive directors approved this connected party transaction. The disposal of the asset was approved by independent shareholders at the Company's first extraordinary general meeting of 2017 on 30 November 2017, and the procedures were in compliance with relevant regulations.

For details, please refer to the relevant announcements published by the Company on the website of the Hong Kong Stock Exchange on 21 September 2017 and 30 November 2017, on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 22 September and 1 December of 2017, and information of the Company's first extraordinary general meeting of 2017 on the website of the Shanghai Stock Exchange on 23 November 2017, and the Circular regarding H shares on 13 October 2017.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing Securities on the Hong Kong Stock Exchange ("Listing Rules") in so far as they are applicable in respect of the aforesaid connected transactions and continuing connected transactions.

Significant Events (Continued)

XV. Material Contracts and Their Execution

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

(II) Guarantees

Unit: 0'000 Currency: RMB

Guarantor	Relationship between guarantor and the listed company	Secured party	Guaranteed amount	Guarantees made by the Company (excluding those in favour of subsidiaries)						Overdue amount	Counter guarantee available	Guarantee provided to the related parties	Relationship
				Date of guarantee (agreement execution date)	Commencement date	Expiry date	Type of guarantee	Whether the guarantee has been fulfilled	Overdue				
Total amount of guarantees during the reporting period (excluding those in favour of subsidiaries)												0	
Total balance of the amount of guarantees at the end of the reporting period (A) (excluding those provided to subsidiaries)												0	
Guarantees in favour of subsidiaries provided by the Company and its subsidiaries													
Total amount of guarantees provided to subsidiaries during the reporting period												104,500.00	
Total balance of the amount of guarantees provided to subsidiaries at the end of the reporting period (B)												29,821.89	
Total amount of guarantees made by the Company (including those in favour of subsidiaries)													
Total amount of guarantees (A+B)												29,821.89	
Percentage of total guarantee amount in net assets of the Company (%)												8.87	
Including:													
Amount of guarantees provided to shareholders, de facto controller and other related parties (C)												0	
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70% (D)												0	
Amount of total guarantees in excess of 50% of net assets value (E)												0	
Total amount of the above three items (C+D+E)												0	
Statement on the contingent joint and several liability in connection with unexpired guarantee													
Statement on guarantee													

The said guarantees totaling RMB298,218,900, representing 8.87% of the Company's net assets, are provided by the Company to its subsidiaries. The gearing ratio of the above subsidiaries receiving guarantees was below 70%. The Company did not provide any guarantee to any independent third parties other than its subsidiaries, nor to its controlling shareholder, de facto controller or their connected parties. For details about the guarantees provided by the Company to its subsidiaries, please refer to "Provision of guarantees" in notes to the financial statements of 2017.

On 19 August 2016, the Company convened the first extraordinary general meeting of 2016, at which it was approved that the Company could provide a guarantee for the financing amount of no more than RMB1,185,000,000 in total for the relevant subsidiaries, with effective term until 30 June 2019. On 19 August 2016, the Company convened an extraordinary meeting of the eighth session of the Board. At the meeting, it was considered and approved that the General Manager would be authorized to handle the matter, with full authority, regarding the provision of a guarantee for the financing of the subsidiaries, with effective term until 30 June 2019.

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(II) Guarantees (Continued)

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

(III) Entrusted cash assets management

1. Entrusted wealth management
 - (1) Overall condition of entrusted wealth management

Unit: 0'000 Currency: RMB

Type	Source of Funds	Amount Incurred	Balance not yet due	Amount Overdue but yet to recover
Wealth management products of banks	Internal funds	50,000	45,000	0
Wealth management products of banks	Raised proceeds	22,000	0	0

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(1) Overall condition of entrusted wealth management (Continued)

Other conditions:

① Cash management by using temporarily idle raised proceeds

At the extraordinary meeting of the Eighth Session of the Board of the Company convened on 14 September 2016, the resolution concerning the Use of Idle Proceeds by the Company for Cash Management (《關於公司使用閒置資金進行現金管理的議案》) was considered and approved. It was approved that within one year from the date of approval by the Board, temporarily idle raised proceeds in the maximum amount of not more than RMB220,000,000 be used for cash management to invest in highly safe and liquid products with principal-guaranteed terms, to ensure that the investment plan of raised proceeds was not affected. The General Manager shall be authorized to deal with relevant matters within the amount limit and during the effective term of the resolution. The Company's independent directors, board of supervisors and sponsors separately expressed their consent to this. For details, please refer to the Announcement on Use of Idle fund for Cash Management of Nanjing Panda Electronics Company Limited (Lin. 2016-052) (《南京熊猫關於使用閒置資金進行現金管理的公告》(臨2016-052)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 15 September 2016 and the website of the Hong Kong Stock Exchange on 14 September 2016.

At the eleventh meeting of the eighth session of the Board of the Company convened on 29 March 2017, the resolution concerning Termination of Proceeds Investment Projects and Allocation of Surplus Amount for Permanently Supplemental of Working Capital (《關於募集資金投資項目結項並將節餘募集資金永久補充流動資金》) was considered and approved. It was agreed that the remaining raised proceeds totaling RMB203,066,400 from the "automation equipment industrialization project" and "communications equipment industrialization project" (excluding unexpired wealth management product earnings, outstanding interest on current account and handling fees) could be used to permanently replenish the working capital. The Company's independent directors, board of supervisors and sponsors separately expressed their consent to this. The matter was reviewed and approved at the Company's 2016 annual general meeting held on 30 June 2017 and the procedures were in compliance with relevant regulations.

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(1) Overall condition of entrusted wealth management (Continued)

Other conditions: (Continued)

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

During the reporting period, the balance used to purchase the wealth management products of banks with temporarily idle raised proceeds by the Group (Investing entities act as implementing entities for proceeds investment projects) was within the limit approved by the Board. After the resolution concerning Termination of Proceeds Investment Projects and Allocation of Surplus Amount for Permanently Supplemental of Working Capital (關於募集資金投資項目結項並將於《關於募集資金投資項目結項並將節餘募集資金永久補充流動資金》) was considered and approved at the Company's 2016 annual general meeting held on 30 June 2017, the Company ceased to use the temporarily idle raised proceeds for cash management. When the wealth management products of banks purchased with the temporarily idle raised proceeds expired before the holding of Company's 2016 annual general meeting on 30 June 2017, the Company transferred the principal and financing income into the internal fund account. As of the reporting date, the Company closed all special accounts of raised proceeds.

② Cash management by using internal temporarily idle fund

At the eighth meeting of the eighth session of the Board of the Company convened on 30 June 2016, the resolution concerning the Use of Internal Temporarily Idle Fund for Cash Management was considered and approved. It was agreed that the internal idle fund of no more than RMB200,000,000 (inclusive) could be used to purchase low-risk wealth management products with principal-guaranteed terms for a term not exceeding 12 months, so as to achieve higher return. The resolution would remain effective for one year from the date of approval by the Board. On 14 September 2016, the Company convened an extraordinary meeting of the eighth session of the Board of the Company, at which it was agreed that additional RMB100,000,000 of internal idle funds could be used for cash management of the Group. Upon the increase, the maximum investment amount could be used for such purpose will be not more than RMB300,000,000 (inclusive) in total with an effective term until 29 June 2017. During the effective term, the aforesaid amount can be used for investment on cyclic and rolling basis.

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(1) Overall condition of entrusted wealth management (Continued)

② Cash management by using internal temporarily idle fund (Continued)

At the extraordinary meeting of the eighth session of the Board of the Company convened on 11 July 2017, the resolution concerning the Use of Temporarily Idle Fund for Cash Management was considered and approved. It was agreed that the internal periodically idle fund of no more than RMB500,000,000 (inclusive) could be used to invest in low-risk wealth management products with principal-guaranteed terms for a term not exceeding 12 months. The resolution would remain effective for one year from the date of approval by the Board. During the effective term of the resolution, the aforesaid amount can be used for investment on cyclic and rolling basis. The General Manager shall be authorized to deal with relevant matters within the amount limit and during the effective term of the resolution. For details, please refer to the Announcement on Use of Internal fund for Cash Management of Nanjing Panda Electronics Company Limited (Lin. 2017-032) (《南京熊猫關於使用自有資金進行現金管理的公告》(臨2017-032)) published on China Securities Journal, Shanghai Securities News and the websites of the Shanghai Stock Exchange on 12 July 2017 and of the Hong Kong Stock Exchange on 11 July 2017.

During the reporting period, the balance used to purchase the wealth management products of banks with temporarily idle raised proceeds by the Group was within the limit approved by the Board. As at 31 December 2017, the balance used to purchase wealth management products with internal temporarily idle fund by the Group amounted to RMB450,000,000 and as at 29 March 2018, the balance thereof amounted to RMB500,000,000.

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(2) Single entrusted wealth management

Unit: 0'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted Wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual Income obtained	Actual amount of principal recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
Bank of Communications Company Limited	Principal guaranteed with floating returns	5,000.00	2016.1.21	2017.1.16				1.95-3.25		61.59	2,200.00	rate	Yes	N/A
Bank of Communications Company Limited	Returns guaranteed	5,600.00	2016.10.26	2017.01.25	Raised proceeds			3.05%		39.73	5,600.00		Yes	N/A
China Construction Bank Co., Ltd.	Principal guaranteed	12,000.00	2016.11.30	2017.01.11	Raised proceeds			3.20%		41.68	12,000.00		Yes	N/A
Hua Xia Bank Co., Ltd.	Principal strategy protected	14,300.00	2017.1.18	2017.4.20	Raised proceeds			4.15%		141.11	14,300.00		Yes	N/A
Bank of Communications Company Limited	Returns guaranteed	5,600.00	2017.1.26	2017.2.28	Raised proceeds			3.50%		16.72	5,600.00		Yes	N/A
Bank of Communications Company Limited	Returns guaranteed	5,600.00	2017.3.2	2017.4.7	Raised proceeds			4.10%		21.36	5,600.00		Yes	N/A
Industrial Bank Co., Ltd.	Principal guaranteed	5,700.00	2017.4.14	2017.7.13	Raised proceeds			4.20%		56.31	5,700.00		Yes	N/A
China Electronics Financial Co., Ltd.	Principal guaranteed	14,300.00	2017.4.27	2017.7.26	Raised proceeds			4.20%		139.71	14,300.00		Yes	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	5,000.00	2016.12.27	2017.3.27				3.75%		43.61	5,000.00		Yes	N/A
Bank of Communications Company Limited	Returns guaranteed	8,000.00	2017.1.10	2017.4.10				3.50%		65.13	8,000.00		Yes	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	7,000.00	2017.1.13	2017.2.10				3.20%		17.18	7,000.00		Yes	N/A
Industrial Bank Co., Ltd.	Principal guaranteed	10,000.00	2017.2.16	2017.5.17				4.10%		95.37	10,000.00		Yes	N/A
Industrial Bank Co., Ltd.	Principal guaranteed	3,000.00	2017.4.14	2017.7.14				4.20%		29.64	3,000.00		Yes	N/A
China Electronics Financial Co., Ltd.	Principal guaranteed	3,000.00	2017.4.27	2017.7.26				4.20%		29.31	3,000.00		Yes	N/A
Industrial Bank Co., Ltd.	Principal guaranteed	10,000.00	2017.5.18	2017.8.18				4.50%		109.33	10,000.00		Yes	N/A
Industrial Bank Co., Ltd.	Principal guaranteed	6,000.00	2017.7.19	2017.10.19				4.50%		64.20	6,000.00		Yes	N/A
China Electronics Financial Co., Ltd.	Principal and return guaranteed	21,000.00	2017.8.17	2017.11.15				4.40%		214.94	21,000.00		Yes	N/A
China Electronics Financial Co., Ltd.	Principal and return guaranteed	10,000.00	2017.8.24	2017.11.22				4.30%		100.03	10,000.00		Yes	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	4,000.00	2017.9.01	2017.12.01				4.40%		41.40	4,000.00		Yes	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	10,000.00	2017.10.20	2018.01.19				4.35%			10,000.00		Yes	N/A
China Electronics Financial Co., Ltd.	Principal guaranteed	21,000.00	2017.11.17	2018.2.22				4.70%			21,000.00		Yes	N/A
Industrial Bank Co., Ltd.	Principal guaranteed	10,000.00	2017.11.24	2018.2.24				4.70%			10,000.00		Yes	N/A
Ping An Bank Co., Ltd.	Principal guaranteed	4,000.00	2017.12.19	2018.3.20				4.70%			4,000.00		Yes	N/A

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(2) Single entrusted wealth management (Continued)

Trustee	Type of entrusted wealth management	Amount of entrusted Wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual Income obtained	Actual amount of principal recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	4,000.00	2017.1.19	2017.4.21					3.60%	36.00	4,000.00	Yes		N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	2,000.00	2017.3.31	2017.6.29					4.20%	20.53	2,000.00	Yes		N/A
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed	4,000.00	2017.4.27	2017.7.27					4.00%	39.56	4,000.00	Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	5,000.00	2017.4.12	2017.7.13					3.90%	45.86	5,000.00	Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	4,000.00	2017.7.17	2017.10.17					4.10%	39.00	4,000.00	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	3,000.00	2017.1.1	2017.1.31					2.67%	6.81	3,000.00	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	3,000.00	2017.2.1	2017.2.28					3.21%	7.40	3,000.00	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000.00	2017.3.1	2017.3.31					3.48%	14.79	5,000.00	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000.00	2017.4.1	2017.4.30					3.24%	13.32	5,000.00	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000.00	2017.5.1	2017.5.31					3.37%	14.30	5,000.00	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000.00	2017.6.1	2017.6.30					3.48%	14.30	5,000.00	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	4,000.00	2017.7.19	2017.10.17					3.54%	35.29	4,000.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	1,000.00	2017.7.19	2017.12.13					3.37%	11.69	1,000.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	500.00	2017.1.9	2017.6.5					2.29%	4.32	500.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	400.00	2017.1.10	2017.6.28					2.31%	4.04	400.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	200.00	2017.1.19	2017.2.14					1.97%	0.28	200.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	400.00	2017.5.26	2017.6.5					2.10%	0.22	400.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	500.00	2017.8.15	2.17.8.30					2.70%	0.52	500.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	100.00	2017.1.19	2017.4.25					2.25%	0.56	100.00	Yes		N/A

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(2) Single entrusted wealth management (Continued)

Trustee	Type of entrusted wealth management	Amount of entrusted Wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual Income obtained	Actual amount of principal recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
China Merchants Bank Co., Ltd.	Principal guaranteed	300.00	2017.1.19	2017.4.25				2.25%		1.67	300.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	800.00	2017.3.06	2017.3.13				1.90%		0.28	800.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	800.00	2017.3.08	2017.3.10				1.80%		0.07	800.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	500.00	2017.4.10	2017.4.24				2.00%		0.29	500.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	100.00	2017.4.10	2017.4.25				2.00%		0.08	100.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	400.00	2017.4.10	2017.4.24				2.00%		0.36	400.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	1,500.00	2017.5.02	2017.5.04				1.80%		0.14	1,500.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	500.00	2017.5.10	2017.5.18				1.90%		0.20	500.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	500.00	2017.5.10	2017.5.18				1.90%		0.20	500.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	500.00	2017.5.10	2017.5.22				2.10%		0.30	500.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	500.00	2017.5.10	2017.5.24				2.10%		0.38	500.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	1,000.00	2017.5.10	2017.6.15				2.30%		2.10	1,000.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	300.00	2017.5.26	2017.6.12				2.20%		0.29	300.00	Yes		N/A
China Merchants Bank Co., Ltd.	Principal guaranteed	1,500.00	2017.6.20	2017.6.28				2.10%		0.65	1,500.00	Yes		N/A
Total	/	261,400.00	/	/	/			/		1,644.15	258,600.00	/		/
Principal and accumulated returns overdue but yet to recover (RMB)										0				
Explanations on entrust wealth management														

Note: The maturity of the wealth management product is not fixed. In 2016, the Company redeemed a principal of RMB28,000,000. On 16 January 2017, the Company redeemed the remaining principal of RMB22,000,000 and received the corresponding return of wealth management.

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)
 - (2) Single entrusted wealth management (Continued)

Others:

- ① Wealth management products purchased by the Financial Company under the Company's entrustment

During the reporting period, the Company entered into the following entrusted investment agreements with the Financial Company to further increase capital usage efficiency and obtain high expected maximum annual rate of return. The accumulated amount of entrusted investment is RMB693,000,000, all invested in principal-guaranteed wealth management products. Details are as follows:

Unit: 0'000 Currency: RMB

No.	Date of signing of entrusted investment agreement	Amount of entrusted investment	Source of funding	Maturity date of wealth management products
1	26 April 2017	14,300	Raised proceeds	26 July 2017
2	26 April 2017	3,000	Internal fund	26 July 2017
3	16 August 2017	21,000	Internal fund	14 November 2017
4	23 August 2017	10,000	Internal fund	22 November 2017
5	16 November 2017	21,000	Internal fund	22 February 2018
Total		69,300		

As at 31 December 2017 and the reporting date, balance of wealth management products purchased by the Financial Company under the Company's entrustment was RMB210,000,000 and RMB15,000,000, respectively. As approved at the 2015 first extraordinary general meeting, the cap for the integrated credit balance to be provided by Financial Company to the Group amounted to RMB600,000,000 and the cap for the fund settlement balance with Financial Company amounted to RMB500,000,000. The fund settlement balance of purchasing wealth management products by the Finance Company under the Company's entrustment fell within the cap approved at the general meetings.

Significant Events (*Continued*)

XV. Material Contracts and Their Execution (*Continued*)

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

1. Entrusted wealth management (*Continued*)

(2) Single entrusted wealth management (*Continued*)

② Other explanations

Save for the wealth management products purchased by the Financial Company under the Company's entrustment, the entrusted wealth management products purchased by the Group with the temporarily idle raised proceeds and internal fund were considered and approved by the Board. Such entrusted wealth management products and purchases did not constitute connected transactions, did not involve litigation, and there was no failure of recovery of principal when due.

As at 31 December 2017, save for the wealth management products not yet due, the Company recovered the raised proceeds and internal fund that were used to purchase wealth management products and the respective return thereof as scheduled. For the wealth management products which remain to be due, principal and returns were recovered as scheduled on the due dates.

(3) Provision for the impairment of entrusted wealth management: N/A

2. Entrusted loans: N/A

(IV) Other material contracts

The Company did not enter into other contracts with large amount except for the contracts concerning provision of financing guarantee to subsidiaries and wealth management investment with idle fund, which were disclosed and announced in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange and the website of the Hong Kong Stock Exchange.

XVI. Other Material Events

(I) Tax policies

After the high-tech enterprise certificate of the Company expired in 2016, the Company did not obtain the certificate again during the current period, and now the Company cannot enjoy the relevant tax preference which has no effect on the Company's financial statements. The tax preference for subsidiaries registered in Hong Kong is subject to local laws and regulations. On 31 December 2017, details of the tax preferences of the Company and its subsidiaries are set out in the notes to the financial statements prepared in accordance with the accounting standards of PRC enterprises.

Significant Events (Continued)

XVI. Other Material Events (Continued)

(II) Basic medical insurance for employees

The Company acted pursuant to the Provisional Regulations on Basic Medical Insurance for Employees in Nanjing Municipality and implemented a basic medical insurance for its employees since 1 January 2001. The Company pays the premiums for such basic medical insurance and the premiums are equivalent to 9% of the verified fee of all of the existing employees of the Company.

(III) Shareholding reduction plan for shareholders holding more than 5% equity interests and related matters

During the reporting period, the Company received written documents on the shareholding reduction plan from China Huarong on 21 March and 23 October 2017, respectively. The specific shareholding reduction plan, its implementation and shareholding reduction results are shown in the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 22 March, 15 July, 14 October and 24 October 2017 and 13 February 2018 and on the website of the Hong Kong Stock Exchange on 21 March, 14 July, 13 October and 23 October 2017 and 12 February 2018 by the Company.

XVII. Fulfillment of Social Responsibilities

(I) Poverty alleviation of the Company

1. The targeted measures poverty alleviation plan

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

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

In 2017, according to the requirements of targeted measures poverty alleviation, the Company organized three visits to the impoverished villages it paired up in Gaochun District and took relevant measures to provide help upon on-site investigation and research. Over the year, the Company has made donation amounting to RMB60,000, assisting poverty-stricken households. The Company also donated RMB10,000 to help school-age children go to school in Autumn.

Significant Events *(Continued)*

XVII. Fulfillment of Social Responsibilities *(Continued)*

(I) Poverty alleviation of the Company *(Continued)*

3. Results of the targeted poverty alleviation

Unit: 0'000 Currency: RMB

Items	Amount and relevant implementations
I. General information	
of which: 1. Capital	7.00
2. Supplies converted to cash	
3. Number of registered poor people lifted out of poverty <i>(person)</i>	
II. Injection by project	
1. Poverty alleviation through industrial development	N/A
2. Poverty alleviation through transferring the form of employment	N/A
3. Poverty alleviation through relocation	N/A
4. Poverty alleviation through education	
of which: 4.1 Capital injected to subsidize poor students	1.00
4.2 Number of poor students subsidized <i>(person)</i>	10
4.3 Capital injected to improve educational resources in poor areas	
5. Poverty alleviation through improving health	N/A
6. Poverty alleviation through ecological protection	N/A
7. Basic protection	N/A
8. Poverty alleviation in the society	N/A
9. Other projects	
of which: 9.1. Number of projects	1
9.2. Capital injected	6.00
9.3. Number of registered poor people out of poverty <i>(person)</i>	
9.4. Details about other projects	Assistance to 60 poverty-stricken households in the pair-up village
III. Awards and its level	N/A

Significant Events (Continued)

XVII. Fulfillment of Social Responsibilities (Continued)

(I) Poverty alleviation of the Company (Continued)

4. Subsequent plan for targeted measures poverty alleviation

In 2018, in compliance with the requirements of the municipality committee and government for development of undeveloped rural villages and income improvement and poverty alleviation of certain peasants, as well as the action target of Ending Poverty and Raising Standard of Living of Nanjing municipality in the “13th Five-Year Plan” period, the Company will further carry out work concerning poverty alleviation in weak economy villages of Gaochun District and earnestly implement various tasks. The specific measures thereof are as follows:

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

(II) Overview of social responsibility

The Company considered and approved the 2017 Social Responsibility Report at the fifteenth meeting of the eighth session of the Board on 29 March 2018, the full text of which was published on the websites of the Shanghai Stock Exchange on 30 March 2018 and on the website of the Hong Kong Stock Exchange on 27 April 2018.

(III) Environmental information

1. Statement on the environmental protection practice of companies and their major subsidiaries belonging to key pollutant discharging units published by national environmental protection authorities: N/A

Significant Events *(Continued)*

XVII. Fulfillment of Social Responsibilities *(Continued)*

(III) Environmental information *(Continued)*

2. Companies other than key pollutant discharging units

The Company and its subsidiaries do not belong to the key pollutant discharging units published by national environmental protection authorities. The Company practices the development concept of harmonious coexistence between human and nature, and actively responds to the national green development and the call of “protecting green hills and clear waters and building beautiful China”, to create green products, green park and green industry and promote green, low-carbon and returnable industrial structure adjustment. The Company has tried its best endeavour to comply with Environmental Protection Law, Air Pollution Prevention and Control Law, Water Pollution Prevention and Control Law, Energy Conservation Law and other relevant PRC laws and regulations, the Company and its subsidiaries were subject to no penalties for violations of laws and regulations during the reporting period. In combination with its own business situation, the Company promoted the construction of environmental management system, formulated corresponding environmental management measures, and will continuously improve and implement them.

In accordance with relevant regulations, the Company has made special disclosures on emission reduction, waste management, energy management and water resources management. The specific details are shown in the 2017 Social Responsibility Report published by the Company on the website of the Shanghai Stock Exchange on 30 March 2018 and on the website of the Hong Kong Stock Exchange on 27 April 2018.

3. Other explanations: N/A

XVIII. Convertible Bonds: N/A

Changes in Ordinary Shares and Information of Shareholders

I. Changes in Shareholdings

(I) Table for changes in shareholdings

1. Table for changes in shareholdings

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

As at 29 March 2018, the latest practicable and recent date prior to the date of announcement of the annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the requirements of the Hong Kong Stock Exchange in relation to sufficiency of public float.

2. Explanations on changes in shareholdings: N/A

3. Impact of changes in ordinary shares on the earnings per share, net asset value per share and other financial indicators in the last year and period (if any): N/A

4. Other contents that the Company deems necessary and the securities regulatory agencies require to disclose: N/A

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

II. Securities in Issue and Listings

(I) Issue of securities during the reporting period

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

(II) Changes in the total number of shares and shareholding structure of the Company and changes in the structure of assets and liabilities of the Company: N/A

(III) Existing internal employee's shares: N/A

III. Shareholders and Actual Controller

(I) Total number of shareholders

Total number of shareholders as at the end of the reporting period	38,116 shareholders including 38,087 A shareholders and 29 H shareholders
Total number of shareholders at the end of last month prior to the disclosure of this annual report	37,238 shareholders including 37,209 A shareholders and 29 H shareholders

Changes in Ordinary Shares and Information of Shareholders (Continued)

III. Shareholders and Actual Controller (Continued)

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

Unit: share

Shareholdings of top ten shareholders of the Company

Name of Shareholder	Increase/Decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage of Shareholding (%)	Number of shares held subject to trading moratorium	Pledged or locked up		Type of shareholders
					Status of shares	Number of shares	
HKSCC (Nominees) Limited	1,589,146	242,976,716	26.59	0	Unknown		Overseas legal person
Panda Electronics Group Limited	0	210,661,444	23.05	0	Unknown		State-owned legal person
China Huarong Asset Management Co., Ltd.	-453,800	82,357,867	9.01	0	Unknown		State-owned legal person
Nanjing Electronics Information Industrial Corporation	0	63,302,611	6.93	0	Unknown		State-owned legal person
China Great Wall Asset Management Corporation	0	14,172,397	1.55	0	Unknown		State-owned legal person
Huang Liangfu (黄亮富)	0	4,148,825	0.45	0	Unknown		Domestic natural person
Xi Caixia (奚彩霞)	-439,522	3,980,000	0.44	0	Unknown		Domestic natural person
YuanYonglin (袁永林)	3,148,600	3,148,600	0.34	0	Unknown		Domestic natural person
Hua Wei (华炜)	2,530,821	2,530,821	0.28	0	Unknown		Domestic natural person
Wu Liping (吴立平)	56,384	2,353,900	0.26	0	Unknown		Domestic natural person

Changes in Ordinary Shares and Information of Shareholders (Continued)

III. Shareholders and Actual Controller (Continued)

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

Shareholdings of the top 10 holders of shares not subject to trading moratorium

Name of Shareholder	Number of shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC (Nominees) Limited	242,976,716	Overseas listed foreign shares	241,435,570
		RMB ordinary shares	1,541,146
Panda Electronics Group Limited	210,661,444	RMB ordinary shares	210,661,444
China Huarong Asset Management Co., Ltd.	82,357,867	RMB ordinary shares	82,357,867
Nanjing Electronics Information Industrial Corporation	63,302,611	RMB ordinary shares	49,534,611
		Overseas listed foreign shares	13,768,000
China Great Wall Asset Management Corporation	14,172,397	RMB ordinary shares	14,172,397
Huang Liangfu (黄亮富)	4,148,825	RMB ordinary shares	4,148,825
Xi Caixia (奚彩霞)	3,980,000	RMB ordinary shares	3,980,000
Yuan Yonglin (袁永林)	3,148,600	RMB ordinary shares	3,148,600
Hua Wei (华焯)	2,530,821	RMB ordinary shares	2,530,821
Wu Liping (吴立平)	2,353,900	RMB ordinary shares	2,353,900
Details for the connected relationship or party acting in concert among the aforesaid shareholders		NEIC holds 100% equity interests of PEG, 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 PEG, representing 23.05% of the total number of shares. In total, NEIC holds 29.98% equity interests of the Company. Save as the above, the Company is not aware of any connected relationship or party acting in concert among the aforesaid shareholders.	

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

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

III. Shareholders and Actual Controller *(Continued)*

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

Shareholdings of the top 10 holders of shares not subject to trading moratorium *(Continued)*

Note:

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

2. HKSCC (Nominees) Limited held 242,976,716 shares (including 241,435,570 H shares and 1,541,146 A shares) of the Company, representing 26.59% of the issued share capital of the Company, on behalf of several clients. The Company is not aware of any individual client holding more than 5% of the issued share capital of the Company.

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

Changes in Ordinary Shares and Information of Shareholders (Continued)

IV. Controlling Shareholders and the de facto Controllers of the Company

(I) Controlling shareholder

1. Legal person

Name	Panda Electronics Group Limited
The person in charge of the entity or legal representative	Xu Guofei
Date of establishment	5 December 1990
Principal business	Development, manufacture, sales and maintenance of various kinds of communication equipment, home appliance products, electronic equipment, electronic intelligent equipment, computer and other electronic equipment, radio and television equipment, video and audio equipment, electronic devices and components, environment protection equipment, social public service and other special equipment, electronics and electrical machinery equipment, instruments and meters, office machinery, general finance/tax control equipment; development of computers and IT software, system integration equipment and services; real estate development property management.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	As at 31 December 2017, apart from the Company, equity interests of the following listed companies were held: <ol style="list-style-type: none"> (1) Shanghai Bailian (600827), 91,013 shares; (2) Jiangsu Expressway (600377), 500,000 shares; (3) Bank of Communications (601328), 1,257,029 shares; (4) Bank of Nanjing (601009), 9,698,353 shares; (5) Nanjing Xinbai (600682), 1,006,500 shares; (6) Nanjing Securities (833868), 20,222,964 shares. (7) Guotai Junan (601211), 1,436,858 shares.

Other explanations

Changes in Ordinary Shares and Information of Shareholders (Continued)

IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

(I) Controlling shareholder (Continued)

1. Legal person (Continued)

NEIC held 100% of PEG's total share capital, which is the controlling shareholder of the Company. NEIC held 6.93% of the Company's total share capital directly and through the asset management plan and indirectly held 23.05% of the Company's total share capital through PEG, collectively held 29.98% of the Company's total share capital. Main information of NEIC is as follows:

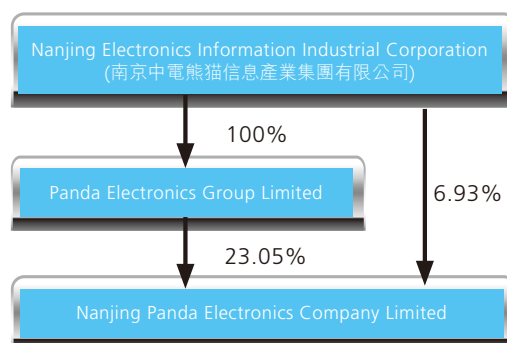
Name	Nanjing Electronics Information Industrial Corporation
The person in charge of the entity or legal representative	Xu Guofei
Date of establishment	11 May 2007
Principal business	Research and development, services and transfer of electronic information technology; research and development, manufacture, sales and related services of electronic products; design, construction and related services in electronic engineering; real estate investment; property management; industrial investment and asset management services.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	As at 31 December 2017, other than its equity interests in the Company, NEIC held 24.51% equity interests of Huadong Technology (000727).

Changes in Ordinary Shares and Information of Shareholders (Continued)

IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

(I) Controlling shareholder (Continued)

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



Changes in Ordinary Shares and Information of Shareholders (Continued)

IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

(II) De facto controllers

1. Legal person	
Name	CEC
The person in charge of the entity or legal representative	Rui Xiaowu
Date of establishment	26 May 1989
Principal business	Research, development, design, and manufacture of electronic raw materials, electronic devices and components, electronic instruments and meters, complete sets of electronic products, electronic application products and systems, special electronic equipment, auxiliary products and software as well as sales of complete sets of relevant products; general contracting, organization and management of electronic application system projects, communication projects, and water treatment projects; development, promotion and application of environment protection and energy saving technologies; development and operation of real estate; sales of automobiles, auto parts, hardware and electrical equipment, photographic apparatus, construction materials, decorative materials and apparel; exhibition management; house repairing business; consulting services, technical services and transfer; maintenance and sales of home appliances.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	Details seen as follows.
Other explanations	

Changes in Ordinary Shares and Information of Shareholders (Continued)

IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

(II) De facto controllers (Continued)

1. Legal person (Continued)

As at 31 December 2017, equities of other domestic and overseas listed companies (other than the Company) in which the de facto controller held controlling shares or shares were as follows:

No.	Abbreviation of listed company	Securities code	Percentage of CEC's shareholding ^{Note}
1	Shanghai Beiling	600171	25.47%
2	Shenzhen SEDA	000032	58.27%
3	Kaifa	000021	44.51%
4	China Great Wall	000066	41.12%
5	China Software	600536	45.13%
6	Huadong Technology	000727	28.13%
7	Zhenhua Science & Technology	000733	36.13%
8	Irico Display	600707	24.64%
9	China Electronics Huada Technology	00085HK	59.42%
10	TPV Technology	00903HK	37.05%
11	Solomon Systech	02878HK	28.50%
12	IRICO New Energy	00438HK	71.74%
13	China Electronics Optics Valley	00798HK	33.06%

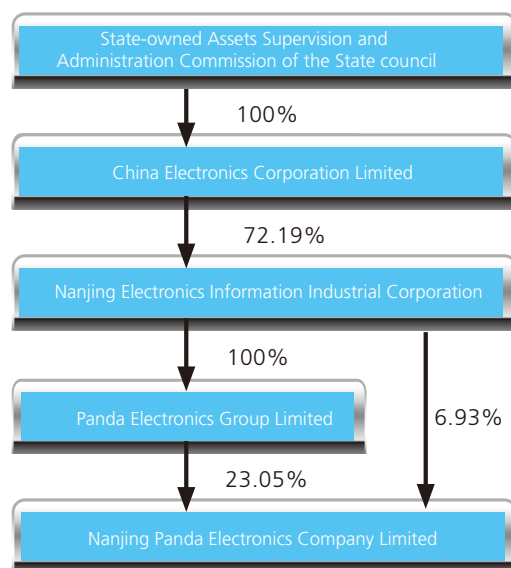
Note: Percentage of CEC's shareholding represents the aggregate of the shareholdings held through relevant connected parties or party acting in concert among the shareholders of listed companies.

Changes in Ordinary Shares and Information of Shareholders (Continued)

IV. Controlling Shareholders and the de facto Controllers of the Company (Continued)

(II) De facto controllers (Continued)

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



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

V. Other Legal Person Shareholders Holding 10% or More of Shares of the Company

HKSCC (Nominees) Limited held 242,976,716 shares of the Company (including 241,435,570 H shares and 1,541,146 A shares), representing 26.59% of the issued share capital of the Company, on behalf of several clients. The Company is not aware of any individual client holding more than 5% of the issued share capital of the Company. Besides, as at 31 December 2017, there is no other legal person shareholders holding 10% or more of shares of the Company.

VI. Limitation on the Reduction of Shareholding: N/A

VII. Substantial Shareholders' Interests and Short Positions in the Shares or Underlying Shares of the Company

Changes in Ordinary Shares and Information of Shareholders (Continued)

As at 31 December 2017, so far as the Directors, Supervisors and senior management staff of the Company were aware, long positions in shares or underlying shares of the Company held by substantial shareholders (exclusive of Directors, Supervisors and senior management staff of the Company) which were required to be filed with the register as pursuant to section 336 of the Securities and Futures Ordinance (“SFO”) of the Hong Kong Stock Exchange were as follows: (1) PEGL held 210,661,444 domestic shares, accounting for approximately 31.36% of domestic shares in issue and approximately 23.05% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (2) NEIC held 49,534,611 domestic shares, accounting for approximately 7.37% of domestic shares in issue and approximately 5.42% of the total shares in issue and held 13,768,000 H shares, accounting for approximately 5.69% of H shares in issue and approximately 1.51% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. NEIC held 100% equity interest of PEGL and in total held 273,964,055 shares in the Company which was held as corporate interest or in the capacity of beneficial owner, accounting for approximately 29.98% of the total shares in issue. (3) China Huarong held 82,357,867 domestic shares, accounting for approximately 12.26% of domestic shares in issue and approximately 9.01% 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.

The Company disclosed the shareholding reduction plan of the Company by China Huarong on 24 October 2017. During the reporting period, China Huarong reduced its shareholdings in the Company by 453,800 domestic shares, representing an approximate percentage of 0.07% of the issued domestic shares and an approximate percentage of 0.05% of the issued total shares. 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 24 October 2017 and 13 February 2018 and on the website of the Hong Kong Stock Exchange on 23 October 2017 and 12 February 2018 by the Company. In addition, no short positions were found in any shares held by other substantial shareholders.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2017.

Profiles of Directors, Supervisors, Senior Management and Staff

I. Change in Shareholdings and Remuneration

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

As of 31 December 2017, interests of the Directors, Supervisors and senior management staff of the Company in the domestic shares of the Company which were recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (Chapter 571) (“SFO”) or notified to the Company or Hong Kong Stock Exchange according to the “Model Code for Securities Transactions by Directors of Listed Issuers” under Appendix X to the Listing Rules are as follows (the nature of such interests is personal interest):

Name	Position	Gender	Age	Effective date of appointment	Expire date of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in the number of shares held in the year	Reason for the change	Total remuneration received from the Company during the reporting period (before tax) (RMB'000)	Remuneration received from the connected parties of the Company
Xu Guofei	Chairman, Executive Director	M	56	2016-06-30	2018-06-30	2,546	2,546	0		0	YES
Chen Kuanyi	Vice Chairman, Executive Director	M	56	2016-06-30	2018-06-30	0	0	0		0	YES
Lu Qing	Non-executive Director	M	53	2006-06-30	2018-06-30	0	0	0		0	YES
Deng Weiming	Non-executive Director	M	54	2010-05-28	2018-06-30	0	0	0		0	YES
Xia Dechuan	Executive Director General Manager	M	48	2015-06-30	2018-06-30	0	0	0		-	NO
Gao Gan	Non-executive Director	M	51	2016-06-30	2018-06-30	0	0	0		0	NO
Du Jie	Independent Non-executive Director	F	63	2015-06-30	2018-06-30	0	0	0		8	NO
Chu Wai Tsun, Vincent	Independent Non-executive Director	M	44	2012-03-06	2018-06-30	0	0	0		8	NO
Zhang Chun	Independent Non-executive Director	M	39	2015-06-30	2018-06-30	0	0	0		8	NO
Tu Changbai	Chairman of the Supervisory Committee	M	50	2016-06-30	2018-06-30	0	0	0		0	YES
Song Yunfeng	Secretary of the Party Committee Employee Representative Supervisor	M	54	2016-06-03	2018-06-30	0	0	0		53.87	NO
Zhou Yuxin	Employee Representative Supervisor	M	54	2008-10-28	2018-06-30	0	0	0		25.66	NO
Xia Dechuan	Executive Director General Manager	M	48	2011-10-24	2018-06-30	0	0	0		60.94	NO
Liu Kun	Deputy General Manager	M	52	2002-08-14	2018-06-30	0	0	0		52.77	NO
Shen Jianlong	Chief Accountant, secretary to the Board, Company Secretary	M	55	2006-04-20	2018-06-30	0	0	0		51.47	NO
Guo Qing	Deputy General Manager	M	56	2013-07-24	2018-06-30	0	0	0		54.31	NO
Hu Huichun	Deputy General Manager	M	45	2016-05-23	2018-06-30	0	0	0		53.03	NO
Shao Bo	Deputy General Manager	M	38	2016-05-23	2018-06-30	0	0	0		50.00	NO
Total						2,546	2,546	0		426.05	

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

I. Change in Shareholdings and Remuneration (Continued)

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

1. In 2017, the total remunerations of Directors, supervisors and senior management members were RMB4,260,500, which was within the range approved by the general meeting. Of such total remunerations, RMB3,465,200 was for the Directors and senior management, and RMB795,300 was for the supervisors. The above remunerations did not include contributions to the pension scheme for the Directors and supervisors. The pension scheme applicable to relevant Directors and supervisors has been included in the scope of the pension scheme for employees of the Company, with no other special arrangement. Save as above, the Company did not pay any other remuneration, allowance or bonus to the Directors and supervisors, and each of the Directors and supervisors was remunerated within RMB650,000 for the year.
2. In 2017, Independent Non-executive Directors Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun received remuneration from the Company up to RMB240,000. They did not receive remuneration from shareholder entities or other related entities.

Save as disclosed above, as of 31 December 2017, none of the Directors, Supervisors and senior management staff of the Company or their associates had any interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”)), (a) which were required to be notified to the Company or the Stock Exchange under Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were regarded or deemed to have pursuant to such provisions of the SFO); or (b) which were required to be recorded in the register required to be kept by the Company under such provision of Section 352 of SFO; or (c) which were required to be separately notified to the Company or the Stock Exchange according to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix X to the Listing Rules. None of the Directors or Supervisors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

(II) Profiles

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

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Profiles (Continued)

1. Executive Directors

Mr. XU Guofei, born in 1962, is a senior post-graduate engineer and holds a master's degree in business administration from the Southeast University. Mr. Xu has served as standing Deputy Manager of the Communication Equipment Department and General Manager of the Military Communications Department of PEGE, Deputy General Manager of PEGE and Deputy General Manager and General Manager of NEIC etc. Mr. Xu has been the General Manager of PEGE since November 2004, the General Manager of NEIC from July 2010 to March 2016, assistant to the General Manager of CEC since June 2013, chairman of NEIC since January 2016, and Communist Party Committee Secretary of NEIC and PEGE since March 2016. Mr. Xu was appointed as the Executive Director and Chairman of the Nanjing Panda Electronics Company Limited in June 2016. Mr. Xu has engaged in the work of development and management of communication technology for a long period and has extensive knowledge of electronics technology and experience in operation management.

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

Mr. XIA Dechuan, born in 1970, is a senior engineer at researcher level, graduated from Xidian University with a bachelor's degree in Electronic Mechanics and holds a master's degree in business administration from the Southeast University. Mr. Xia has served as Deputy Head and Head of the NFC Design Institute under PEGE, a standing Deputy General Manager of Nanjing Panda Information Industry Co., Ltd.. He also served as a Deputy General Manager of the Company from July 2008 to September 2011 and a General Manager of Nanjing Panda Information Industry Co., Ltd. from July 2008 to July 2013. He has been the General Manager of the Company since October 2011, and he was concurrently the Communist Party Committee Secretary of the Company from October 2011 to February 2015. Mr. Xia was appointed as an executive Director of the Company in June 2015. He has long been engaged in the management of information technology industries, and has extensive professional knowledge and experience in operation and management with full responsibility for the operation and management of the Company.

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Profiles (Continued)

2. Non-executive directors

Mr. Lu Qing, born in 1965, is a senior engineer at researcher level and holds a master's degree. Mr. Lu has served in PEGL as Deputy Head and Head of the Quality Inspection Department of the NFC Production Department, Head of the Quality Inspection Department and the Quality Inspection Department (Second Division) of the Communications Equipment Department, Deputy General Manager, Standing Deputy General Manager and General Manager of the Military Communications Department, and Assistant General Manager of PEGL etc. He has been the General Manager of Nanjing Panda Handa Technology Co., Ltd. from August 2004 to May 2016. He has been the Deputy General Manager of PEGL since January 2009 and the Deputy General Manager of NEIC since March 2016. Mr. Lu Qing has engaged in the development and management of communication technology for a long period and has extensive knowledge of electronics profession and experience in operation management.

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

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

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Profiles (Continued)

3. Independent non-executive directors

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

Mr. Chu Wai Tsun, Vincent, born in 1974, is a Certified Public Accountant in Australia. He obtained a master's degree in finance at the University of New South Wales in 2002. Mr. Chu Wai Tsun, Vincent served as the Audit Manager in PricewaterhouseCoopers from April 2005 to December 2008, and Senior Audit Manager in Baker Tilly Hong Kong Limited from January 2009 to June 2010 and has been appointed as the Financial Controller of Eternal Optical & Perfumery (Far East) Limited since July 2010. Mr. Chu Wai Tsun, Vincent has engaged in auditing and finance work for a long period and has extensive experience in financial management.

Mr. Zhang Chun, born in 1979, is a bachelor's degree holder. He served as a law teacher of Jinling Institute of Technology from June 2000 to April 2004, and works for Jiangsu Liu Hong Law Firm as a full-time lawyer from May 2004 to August 2017. He works for Jiangsu Jieren Law Firm since September 2017. Mr. Zhang Chun has worked for several enterprises and public institutions as a legal adviser for years and has extensive practical experience in legal practice related to corporate operation and management.

4. Supervisors

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

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Profiles (Continued)

4. Supervisors (Continued)

Mr. Song Yunfeng, born in 1964, is a senior political work specialist with a bachelor's degree. He has successively served as the Vice Chairman of the Labour Union, Deputy Head of Human Resources Department and Head of Personnel Division, and Office Director, an assistant to the General Manager and head of the Administrative and Legal Department of PEGL, Deputy Head of the Party-Mass Work Department (a temporary post) of China Electronics Corporation, etc.. He has served as Deputy Secretary of the Party Committee and Secretary of the Discipline Inspection Committee of the Company from November 2010 to March 2015 and as Secretary of the Party Committee of the Company since March 2015 and Secretary of the Discipline Inspection Committee of the Company from November 2010 to November 2016. He was elected as employee Supervisors of the Company since June 2016. Mr. Song Yunfeng has long been engaged in enterprise management and Party affairs and has extensive experience in operation and management and Party affairs.

Mr. Zhou Yuxin, born in 1964, is a senior political work specialist and holds a bachelor degree. Mr. Zhou has served as Deputy Manager, Manager and Office Head of the labour union of Nanjing Zhenhua Audio Equipment Factory. He is now the Vice Chairman of the labour union and a Supervisor of Nanjing Panda Electronics Company Limited. Mr. Zhou has engaged in the work of corporate management for a long period, has extensive knowledge of and experience in corporate management and is now mainly in charge of matter with respect to the Labor Union of Nanjing Panda Electronics Company Limited.

5. Senior management

Mr. Xia Dechuan, born in 1970, is a senior engineer at researcher level, graduated from Xidian University with a bachelor's degree in Electronic Mechanics and holds a master's degree in business administration from the Southeast University. Mr. Xia has served as Deputy Head and Head of the NFC Design Institute under PEGL, a standing Deputy General Manager of Nanjing Panda Information Industry Co., Ltd.. He also served as a Deputy General Manager of Nanjing Panda Electronics Company Limited from July 2008 to September 2011 and a General Manager of Nanjing Panda Information Industry Co, Ltd. from July 2008 to July 2013. He has been the General Manager of Nanjing Panda Electronics Company Limited since October 2011, and he was concurrently the Communist Party Committee Secretary of the Company from October 2011 to February 2015. Mr. Xia was appointed as an executive Director of the Company in June 2015. He has long been engaged in the management of information technology industries, and has extensive professional knowledge and experience in operation and management with full responsibility for the operation and management of Nanjing Panda Electronics Company Limited.

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Profiles (Continued)

5. Senior management (Continued)

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

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

Mr. Guo Qing, born in 1962, is a senior engineer and holds a bachelor's degree. Mr. Guo has served as the Deputy Chief Engineer of PEGE and Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. etc. He was the Deputy Chief Engineer of the Company, Deputy General Manager of Nanjing Panda Information Industry Co., Ltd. and General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. from December 2008 to January 2012. Mr. Guo has been the Deputy Chief Engineer of the Company, General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd., General Manager of Nanjing Panda Electromechanical Instruments Technology Co., Ltd. from January 2012 to July 2013. He also has been the Deputy General Manager of Nanjing Panda Electronics Company Limited and the General Manager of Nanjing Panda Information Industry Co., Ltd. since July 2013. He was the Deputy Chief Engineer of the Company and General Manager of Nanjing PANDA Mechatronics Instrument Technology Co., Ltd. from July 2013 to January 2014. Mr. Guo has long been engaged in business management in the industry of information technology, has extensive experience in management and professional knowledge and is now mainly in charge of the overall operating of information industry segment.

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Profiles (Continued)

5. Senior management (Continued)

Mr. Hu Huichun, born in 1973, graduated with a master degree from the Party School of the Central Committee of CPC majoring in economic management and is an economist. He successively served as the Deputy Head of the office of PEGL and the General Manager of the production company of Panda Electronic Industry Group (熊貓電子製造產業集團製造公司). He has served as the Deputy General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊貓電子製造有限公司) from December 2008 to May 2016. He has been the Deputy General Manager of the Company and the General Manager of Nanjing Panda Electronic Manufacture Co., Ltd. since May 2016. Mr. Hu has been engaged in the management in the electronic industry for a long period with extensive experience in operation and management and mainly responsible for the production and operation of Electronic Manufacture Company.

Mr. Shao Bo, born in 1980, has a bachelor's degree in finance from School of Finance of Shandong University of Finance and Economics and has a master degree and doctorate degree in politics and economics from Economics School of Jilin University. He is an economist. He successively served as the Head of Capital Operation Division of Asset Operation Department, the Deputy Head of Production and Operation Division of Production and Operation Department of China Electronics Corporation (中國電子資訊產業集團有限公司) and Secretary of the Board of IRICO Group (彩虹集團公司), etc. He has served as Deputy Head of Production and Operation Division of Production and Operation Department of China Electronics Corporation from October 2013 to May 2016 and has served as Secretary of the Board of IRICO Group from December 2013 to March 2016. He has also been the Deputy General Manager of Nanjing Panda Electronics Company Limited. since May 2016. Mr. Shao Bo has been engaged in the management of asset operation and production and operation of state-owned enterprises for a long period with profound professional knowledge in finance and extensive experience in operation and management, mainly responsible for economic operation and information construction of the Company.

(III) Share Incentive Scheme Granted to Directors, Supervisors and Senior Management during the reporting period: N/A

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

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

(I) Positions in shareholder entities

Name	Name of shareholder entity	Position(s)	Effective date of appointment	Expire date of appointment
Xu Guofei	PEGL	General Manager	November 2004	
Deng Weiming	PEGL	Deputy General Manager	July 1999	
Lu Qing	PEGL	Deputy General Manager	January 2009	
Explanations for holding positions in shareholder entities	N/A			

(II) Positions in other entities

Name	Name of entity	Position(s)	Start date of term of office	Expiration date of term of office
Xu Guofei	CEC	Assistant to the General Manager	June 2013	
	NEIC	Chairman	March 2016	
	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Chairman	May 2016	November 2018
Chen Kuanyi	NEIC	General Manager	March 2016	
	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Vice Chairman	May 2016	November 2018
Tu Changbai	NEIC	Chief Accountant	May 2011	
Lu Qing	NEIC	Deputy General Manager	May 2016	
Deng Weiming	Nanjing CEC-Panda Home Appliances Co., Ltd.	General Manager	June 2009	
	Nanjing Panda Electronics Import and Export Company	General Manager	January 2011	
Gao Gan	Equity Business Department of China Huarong Asset Management Co., Ltd.	General Manager	June 2012	
Xia Dechuan	Nanjing Ericsson Panda Communication Co., Ltd.	Vice Chairman	April 2016	
	Beijing SE Putian Mobile Communication Co., Ltd.	Vice Chairman	November 2012	
Explanations for Positions in other entities	N/A			

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

III. Remunerations of the Directors, Supervisors and Senior Management

Decision making process of remuneration of Directors, Supervisors and Senior Management	According to relevant requirements of the Articles of Association and the Rules of Procedure of the Remuneration and Appraisal Committee, and based on the operating results, scope of work, main duties and other information, the Remuneration and Appraisal Committee shall appraise the actual performance of the Directors and senior management and submit the appraisal result to the Board for consideration. The remuneration of Directors and supervisors shall be determined by general meetings while that of senior management by the Board.
Basis for determination of remuneration of Directors, Supervisors and Senior Management	Basis for determination of remuneration includes: achievement status of major financial indicators and operational targets of the Company, scope of work and main duties of senior management, completion of indicators contained in the position based on performance appraisal system for Directors and senior management, operational performance in respect of business innovation capability and profit making capability of Directors and senior management, and proposed remuneration distribution plan and distribution method based on the Company's performance.
Actual payment of remuneration of Directors, Supervisors and Senior Management	Since the 2017 annual performance appraisal for the senior management of the Company has not been completed yet, the performance payment for 2017 was excluded from the remuneration during the reporting period, whereas the annual performance payment for 2016 was included.
Total remuneration of Directors, Supervisors and Senior Management received at the end of the reporting period	During the reporting period, the total actual remuneration of all Directors, supervisors and senior management was RMB4,260,500 (before tax).

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

IV. Changes in Directors, Supervisors and Senior Management: N/A

V. Punishment by Securities Regulatory Authorities in the Last Three Years

During the reporting period, Mr. Guo Qing, the deputy general manager of the Company, was subject to administrative penalties (a warning and a fine of RMB30,000) imposed by the Hunan Supervision Bureau of the China Securities Regulatory Commission. For further 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, 21 December and 27 December 2017 on the website of the Hong Kong Stock Exchange on 27 July 2017, 20 December 2017 and 27 December 2017 by the Company.

VI. Details of Staff of the Company and Major Subsidiaries

(I) Details of staff

Number of on-the-job employees of the Company	312
Number of on-the-job employees of major subsidiaries	3,519
Total number of on-the-job employees	3,831
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	3,022

Composition of professions

Type of profession	Number of persons
Production staff	1,576
Sales staff	303
Technical staff	1,429
Financial staff	201
Administrative staff	322
Total	3,831

Educational Background

Education level	Number of persons
Masters or above	183
Bachelors	838
Associate degree	1,104
Other	1,706
Total	3,831

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

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

(II) Remuneration policies

In order to effectively mobilize the enthusiasm, initiative and creativity of the staff, the Company formulated the Administrative Measures for Salary Distribution (《工資分配管理辦法》) which has definitely and clearly specified the salary management and salary distribution. The Company implements a position-based remuneration determination policy and enforces varied remuneration systems based on position-based performance salary and the nature of different positions. In particular, an annual salary system is implemented for persons in charge of operating units; position based performance salary system for administrative and managerial staff; a combination of position based performance salary and project-based salary system (distribution of allowances or royalties by project) for scientific research staff; base salary plus commission or position-based performance salary system for sales staff; and piece-rate salary or position-based performance salary system for production staff.

(III) Training plan

The Company formulated the Job Training Regulations for Staff (《員工崗位培訓條例》) which has specified that, the Company shall organize surveys on the training demand on a yearly basis, and, based on the survey result, formulate the training plan, which will be implemented upon approval by division leaders and will be targeted at all the staff with focus on the scientific research staff, key personnel in respect of operation, management and production.

(IV) Labor outsourcing

Total hours of labor outsourcing (Hour)	2,631,995.29
Total remuneration paid to labor outsourcing (RMB0'000)	5,592.99

VII. Others

In 2017, there were no changes in the core technical team or key technical staff (other than the Directors, supervisors and senior management) of the Company which have great impact on the core competitiveness of the Company.

Corporate Governance

I. Explanations on Corporate Governance

In 2017, the Company complied with the relevant laws and regulations including the Company Law and the Securities Law. In accordance with the requirements relating to corporate governance and proper operation issued by the CSRC and the SFC and the requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, in view of its own actual situation, the Company continued to further refine its corporate governance structure and internal rules and systems, reinforced management of internal control, optimized the risk management and internal control system and boosted the standard operation level of the Company. There were no material differences between the actual corporate governance of the Company and the regulative requirements of the Corporate Governance Standards for Listed Companies released by the CSRC. During the reporting period, the Company adopted and tried its best endeavour to comply with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

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

The Company established risk management and internal control systems with its own features based on its production and operation circumstance. Catering to management and operation in accordance with laws and regulations, asset safety, the true and complete financial report and relevant information, improving operating efficiency and results and boosting the achievement of corporate development strategies, the Company formulated the risk detection and assessment standards from quantitative and qualitative perspectives and deemed such as identifying standards for internal control defects. For details of identifying standards, please refer to the 2017 Internal Control Evaluation Report of Nanjing Panda Electronics Company Limited published by the Company on the websites of Shanghai Stock Exchange on 30 March 2018.

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

Corporate Governance (Continued)

I. Explanations on Corporate Governance (Continued)

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

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

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

Corporate Governance (Continued)

I. Explanations on Corporate Governance (Continued)

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

As directed by relevant industry policies and industrial development plans of the PRC, the Company grasped the historical opportunity that the PRC strived to develop intelligent manufacturing industry, promote the construction of smart cities and implement the strategies of "Internet Plus", military-civilian integration and transformation & development of the information communication industry in order to fully drive the industrial strategic transformation and management innovation. Focusing on its principal operations in intelligent manufacturing, smart city and electronic manufacturing services, the Company performed optimization of the corporate resource allocation and adjustment of the factor input structure to increase investments in major construction works and key projects and gradually scale down products of excessive competition and non-strategic industries. The Company also made efforts to develop its capacities in breakthroughs of key core technologies, highly-intelligent manufacturing and marketing & service for industry users. After years of development, the Company has achieved significant improvement in its self-supporting capability, maintained stable gross profit margin, and improved and increased the major financial indicators and operational targets year after year. During the reporting period, there was no material deficiency or failure in relation to management and control systems of the Company.

Corporate Governance (Continued)

I. Explanations on Corporate Governance (Continued)

To implement the CPC Central Committee's spirits of upholding the Party's leadership, strengthening the Party's building and incorporating the requirements for the Party's building work into the Articles of Associations in deepening the reform of state-owned enterprises as a move to confirm the statutory status of the Party organization in the corporate governance structure, and in accordance with the relevant requirements of the "Notice regarding the Promotion of Incorporation of Requirements for Party Building Work into the Articles of Associations of State-owned Enterprises" (Zu Tong Zi [2017] No. 11) (《關於紮實推動國有企業黨建工作要求寫入公司章程的通知(組通字[2017]11號)》) and the "Notice on the Relevant Matters concerning Accelerating the Inclusion of the General Provisions for Party Building Work into the Articles of Associations of Central Level State-Owned Enterprises" (Guo Zi Dang Wei Dang Jian [2017] No. 1) (《關於加快推進中央企業黨建工作總體要求納入公司章程有關事項的通知(國資黨委黨建[2017]1號)》), the Company added a Chapter "The Party Committee" and the relevant provisions to its Articles of Association to combine reinforcement of the Party's leadership with improvement of the corporate governance. For the purpose of further improving the standardized operation of the Company and safeguarding the legitimate rights and interests of minority Shareholders, the Company also amended the relevant provisions of its Articles of Association in accordance with the relevant requirements of the Company Law of the PRC and the Guidelines for the Articles of Association of Listed Companies and by taking into consideration the actual situations of the Company. According to the aforesaid amendments to the Articles of Association of the Company, the Company amended its Procedural Rules of General Meetings and the Procedural Rules of the Board of Directors accordingly. For details on the above amendments, please refer to the related announcements and meeting materials published by the Company on the website of the Shanghai Stock Exchange on 14 October 2017, 23 November 2017 and 1 December 2017 and the announcements published on the website of the Hong Kong Stock Exchange on 10 November 2017 and 30 November 2017 and the Circular of 14 November 2017. The amended Articles of Association of the Company has been published on the websites of the Company, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

II. Overview of General Meetings

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

Session of the meeting	Date of the meeting	Query index of the designated website where the resolutions were published	Disclosure date of the resolutions
2016 annual general meeting	30 June 2017	http://www.sse.com.cn http://www.hkex.com.hk	1 July 2017
The first extraordinary general meeting of 2017	30 November 2017	http://www.sse.com.cn http://www.hkex.com.hk	1 December 2017

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

Corporate Governance (Continued)

II. Overview of General Meetings (Continued)

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

III. Performance of Duties by Directors

The eighth session of the Board of the Company was elected at the Company's 2014 annual general meeting held on 30 June 2015 to hold office for a term of three years. During the period, according to the actual changes, some Directors were elected and appointed at the Company's 2015 annual general meeting held on 30 June 2016. The eighth session of the Board now consist of nine Directors, three of whom are independent Non-executive Directors (including a certified public accountant). The current Executive Directors of the eighth session of the Board are Xu Guofei, Chen Kuanyi and Xia Dechuan, among whom Xu Guofei is Chairman. The Non-executive Directors are Lu Qing, Deng Weiming and Gao Gan; and the Independent Non-executive Directors are Du Jie, Chu Wai Tsun, Vincent and Zhang Chun. Please refer to the biographies of serving Directors set out in Section VII headed "Profiles of Directors, Supervisors, Senior Management and Staff" of this report for details.

The Board is collectively responsible for the management of business and affairs of the Group with the objective of enhancing shareholders' value. The Board is accountable to the general meeting. Its duties mainly include: convening general meetings and reporting the work thereto; implementing resolutions passed at the general meeting; deciding on the operation plans and investment proposals of the Company; appointing and relieving General Manager and senior management of the Company (details are set out in the Article 134 of Chapter 10 of the Articles of Association). During the reporting period, the Board strictly carried out the resolutions approved at the general meetings, and in line with the principle of integrity and diligence, will continue to earnestly work for the best interest of the Company and its shareholders.

The Board is responsible for performing the corporate governance functions set out in Article D.3.1 of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange. During the reporting period, the Board reviewed the corporate governance policies and practices of the Company; monitored the training and continuous professional development of the Directors and senior management and regularly arranged for them to take part in training or follow-up training; reviewed and monitored the Company's policies and practices for compliance with the statutory and regulatory requirements; monitored the Directors' compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange; and reviewed the Company's compliance with the Corporate Governance Code and disclosure requirements in the Corporate Governance Report.

During the reporting period, the Company adopted and applied the Model Code for Securities Transactions by Directors. Having made specific enquiry to all Directors of the Company, all Directors have expressed that they have complied with the Model Codes stipulated by the Hong Kong Stock Exchange and all Directors have confirmed that during the reporting period, they participated in continuous professional development to develop and refresh their knowledge and skills in relation to their contribution to the Board.

Corporate Governance (Continued)

III. Performance of Duties by Directors (Continued)

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

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

Name of director	Independent director or not	Required attendance at Board meetings	Attendance at Board meetings					Absence in person from the Board meetings for two consecutive times	Attendance at general meetings
			Attendance in person	Attendance by way of communications	Attendance by proxy	Absence			
Xu Guofei	No	11	11	10	0	0	No	2	
Chen Kuanyi	No	11	11	10	0	0	No	0	
Lu Qing	No	11	11	10	0	0	No	1	
Deng Weiming	No	11	11	10	0	0	No	2	
Xia Dechuan	No	11	11	10	0	0	No	2	
Gao Gan	No	11	11	10	0	0	No	0	
Du Jie	Yes	11	11	10	0	0	No	1	
Chu Wai Tsun, Vincent	Yes	11	11	10	0	0	No	1	
Zhang Chun	Yes	11	11	10	0	0	No	2	

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

Number of Board meetings held in the year	11
Of which: Number of on-site meetings	1
Number of meetings held by way of communication	10
Number of on-site meetings combined with the communication means	0

Corporate Governance (Continued)

III. Performance of Duties by Directors (Continued)

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

In 2017, the Independent Non-executive Directors of the Company did not raise any objection to the resolutions of the Board and other meetings.

In 2017, pursuant to the requirements of the Company Law, the Securities Law, and provisions under the Articles of Association, the System for the Independent Directors of the Company, the independent non-executive directors of the Company diligently and faithfully performed their duties, proactively and carefully attended meetings, prudently and properly exercised their rights to express fair and objective opinions, and fully brought into play their experiences and expertise, devoting much to the improvement of corporate governance and major decisions of the Company, which practically safeguarded the interest of the Company and its shareholders as a whole. For details of performance, please refer to the Report of the Independent Directors of Nanjing Panda Electronics Company Limited for the Year 2017 published on the websites of Shanghai Stock Exchange on 30 March 2018.

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

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

(I) Audit Committee

The Audit Committee is mainly responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and recommendation to the Board. The Rules of Procedure of the Audit Committee were published on the websites of the Company and the Hong Kong Stock Exchange. The Audit Committee of the eighth session of the Board consisted of Mr. Lu Qing, Mr. Deng Weiming, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and was chaired by Ms. Du Jie. During the reporting period, the Audit Committee convened seven meetings:

1. The first meeting of 2017 was convened on 28 March 2017 and all members attended the meeting. At the meeting, the committee reviewed the 2016 financial report and agreed to submit such report to the Board for consideration; agreed to re-appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the Company's auditor for 2017 and to submit the same to the Board for consideration; reviewed and approved the Resolution related to the Change of the Company's Accounting Policy, and agreed to submit the same to the Board for consideration. (According to the requirements of the Regulations on Value Added Tax Accounting Treatment issued by the Ministry of Finance of the PRC in 2016, the Company has changed its relevant accounting policies; and adjusted the reported amounts of the relevant items presented in the financial statements for 2016 according to the relevant requirements set out in the document.)

Corporate Governance (Continued)

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

(I) Audit Committee (Continued)

2. The second meeting of 2017 was convened on 28 April 2017. All members of the Audit Committee attended the meeting to review the 2017 first quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.
3. On 30 August 2017, the third meeting of 2017 was convened and all committee members attended the meeting. At the meeting, half-yearly financial report for 2017 of the Company was examined and verified. Upon agreement, such was submitted to the Board to be considered. In addition, the committee reviewed and approved the Resolution related to the Change of the Company's Accounting Policy of the Company and agreed to submit the same to the Board for consideration. (According to the requirements of the Accounting Standards for Business Enterprises No. 16 – Government Grants revised by the Ministry of Finance of the PRC in 2017, the Company is required to change the relevant accounting policy, whereby the government grants related to daily business activities of the Company are included in other income instead of non-operating income.)
4. An extraordinary meeting of the Audit Committee was convened on 21 September 2017 and all members attended the meeting. At the meeting, the Resolution on the Connected Transaction regarding the Disposal of the No.54 Building on No. 301 Zhongshan East Road as well as the related matters were reviewed and approved. The Company would dispose of the No.54 Building on No. 301 Zhongshan East Road, together with its ancillary facilities and structures to PEG. As a consideration, PEG needed to deliver the housing with the corresponding area, in the Building A of the Research Center of Project 1 on the Land Lot 301 on No. 301 Zhongshan East Road, developed and constructed by its wholly-owned subsidiary, Investment Development Company to the Company. Such Resolution is in the interests of the Company and all its shareholders. In addition, the provisions of the Asset Disposal Agreement are fair, reasonable with fair pricing. The approval procedures were performed in accordance with the relevant requirements. This connected transaction followed the principle of openness, fairness and justice. An assets assessment agency with securities and futures related professional qualifications and meeting professional competency requirements was appointed to issue a special asset assessment report. The assessment basis and assumptions and use restrictions were reasonable and compliant; the assessment method and process were reasonable and fair; the assessed value of the assets was reasonable and fair; and there was no prejudice to the interests of the Company and minority Stockholders. The committee members Mr. Lu Qing and Mr. Deng Weiming, both affiliated Directors, gave up their voting rights at the meeting.

Corporate Governance (Continued)

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

(I) Audit Committee (Continued)

5. An extraordinary meeting of the Audit Committee was convened on 13 October 2017 and all members attended the meeting. At the meeting, the Resolution on Appointment of the Auditors for 2017 was considered and approved. According to the Notice on Checking and Handling Decisions on the Rectification of BDO China Shu Lun Pan Certified Public Accountants LLP (《關於立信會計師事務所(特殊普通合夥)整改工作核查情況及處理決定的通知》) (Cai Kuai Bian [2017] No. 38) issued by the Ministry of Finance, the Ministry of Finance and the China Securities Regulatory Commission agreed that BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) can resume to conduct new securities business from 10 August 2017. Upon review, BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) was qualified to undertake new securities business and met the requirements for serving as financial auditor and internal control auditor of listed companies. The committee agreed to appoint it as the Company's auditor for 2017 and to submit such appointment to the Board for consideration.
6. The fourth meeting for 2017 was convened on 30 October 2017 and all members attended the meeting. At the meeting, the committee reviewed the 2017 third quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.
7. A special meeting on the work regarding Company's 2017 annual report was convened on 30 November 2017 and all members attended the meeting. The main contents are as follows:
 - (1) At the meeting, the Audit Committee heard the reports of: the audit work plan for the 2017 annual report and the relevant conditions. The Audit Committee required the accountant firm to have sufficient auditing capacity to complete the auditing of the annual report within the scheduled time frame, with high quality and according to the relevant regulations of CSRC; and to enhance testing on key operations and timely report major issues encountered during the auditing process to the Audit Committee. The Audit Committee also required the Company to try its best to coordinate with the accountant firm to conduct annual report audit, internal control audit and the relevant work; and to maintain communication with the accountant firm for auditing the annual report and forecast the operating results in accordance with the relevant requirements.

Corporate Governance (Continued)

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

(I) Audit Committee (Continued)

7. (Continued)

- (2) At the meeting, the Audit Committee heard the reports of: the production & operation and the progresses of material matters from January to November 2017 and the assets and financial statuses as of 31 October 2017. The Audit Committee required the management to: pay close attention to the implementation of the Company's development strategies; focus on the development of self-owned products and invest more on R&D; actively exploit the market; strengthen cost control and risk management; keep refining the governance structure and strengthen the standardized operation to level up the corporate governance; fully utilize the capital market to enlarge and strengthen the Company's principal operations; and further enhance the Company's image and achieve sound and rapid development. The Audit Committee also required the Company to: strengthen risk management and internal control; try its best to complete basic work of financial accounting; attach importance to and enhance control of accounts receivable and inventory to improve the capital usage efficiency; preferentially develop and increase investments in the main operations and control the overall scale of the operations with lower gross margins; strictly enforce the revenue and expenditure system; further improve and clarify the Company's credit and work policies, determine a reasonable amount of guarantee provided for the subsidiary and maintain the credit scale at a reasonable level; and conduct disclosure of connected transactions in a good manner.
- (3) At the meeting, the Audit Committee heard the reports of: 2017 internal control audit work and progress. The Audit Committee required the registered accountant for internal control audit to: timely communicate with the Company on the issues raised and provide specific suggestions or opinions for these issues; focus on the approval procedures and information disclosure of key audit matters; and provide guidance to the Company on enforcing a new accounting standard. The Audit Committee also required the internal audit department and the relevant persons in charge shall maintain communication with the registered accountant for internal control audit, provide full support for the internal control audit work and issue audit report; track and implement the matters submitted for attention; and propose and carry out rectification measures.
- (4) At the meeting, the Audit Committee heard the reports of: 2017 internal control evaluation work plan and the relevant conditions. The Audit Committee also provided guidelines on the internal audit work and required the internal audit department of the Company to: conduct supervision and assessment on risks and internal control management of important units, operations and projects; and supervise and urge the rectification of major issues, and timely report to the Audit Committee should a major issue arise.

Corporate Governance (*Continued*)

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

(I) Audit Committee (*Continued*)

7. (Continued)

In addition, during the process of preparing and disclosing the 2017 Annual Report of the Company, the audit committee conducted various communication with the Company's management, person in charge of finance and the registered accountant for annual audit in accordance with the "Audit Committee's Work Regulation Regarding Annual Report" (《審核委員會年報工作規程》) and received the report on the preparation of 2017 annual report and met with the registered accountant for annual audit. The Audit Committee reviewed audit reports and financial statements and communicated on issues found during the audit process. It emphatically reviewed the key audit matters, accounting policy changes, the consolidated scope and changes and important matters related to connected transactions. The Company and the registered accountant for annual audit were required to seriously study all the latest provisions of the CSRC and of the relevant annual report as released by the local stock exchange where the Company was listed. The audit and disclosure of annual report were required to be conducted in a good manner.

(II) Nomination Committee

The Nomination Committee is mainly responsible for reviewing and making recommendations as to the candidates and selection criteria & procedures for Directors and senior management members of the Company. The Rules of Procedure of the Nomination Committee have been published on the websites of the Company and the Hong Kong Stock Exchange. The Nomination Committee of the eighth session of the Board currently consists of Mr. Xu Guofei, Mr. Chen Kuanyi, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and is chaired by Mr. Chu Wai Tsun, Vincent. The Nomination Committee convened its first meeting for 2017 on 28 March 2017 and all members attended the meeting. The following resolutions were passed at the meeting:

1. The structure, size and composition of the Board (including skills, knowledge and experience) basically matched the Company's operational activities, assets scale, equity structure, etc. It was suggested to further improve the corporate governance structure and increase the performance efficiency and capability according to the relevant national regulations and the Company's actual operational needs.
2. The Independent Non-executive Directors of the Company were in compliance with the independence-related requirements of CSRC, SFC, Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.
3. The senior management members of the Company had the necessary professional skills to perform their duties.
4. All Directors and senior management members should conscientiously study the relevant regulations of the regulators on trading Company's stocks to ensure compliance of the procedures and full disclosure of information.

Corporate Governance (Continued)

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

(III) Strategy Committee

The Strategy Committee is mainly responsible for reviewing the Company's long-term development strategies and major investment decisions and making recommendations. The Rules of Procedure of the Strategy Committee have been published on the website of the Company. The Strategy Committee of the eighth session of the Board currently consists of Mr. Xu Guofei, Mr. Chen Kuanyi, Mr. Lu Qing, Mr. Xia Dechuan and Mr. Chu Wai Tsun, Vincent and is chaired by Mr. Xu Guofei. The Strategy Committee convened its first meeting for 2017 on 28 March 2017 and all members attended the meeting. The following resolutions were passed at the meeting:

1. Optimize the industrial structure. To investment more resources in profitable segments and make good use of the existing scientific research, financing and management platforms, with a view to pushing ahead with the internal reform and reorganizing the existing product categories.
2. Expedite the market expansion. To keep a close watch on the markets specified in our internal system and secure more orders in terms of the intelligent factory construction; to expand the domestic and overseas markets by exerting the advantages of being a central enterprise and in line with the national initiative of "The Belt and Road Initiative"; and to proactively participate in the bidding for the national PPP projects.
3. Continue to increase investments in scientific research. To develop 2017 R&D plans in a scientific way, so as to speed up R&D of new technologies and the industrialization process in the fields of industrial robots, railway transit and communications; and to reinforce our abilities to introduce, absorb and digest technologies to form our own core technologies.
4. Enhance the scale of our core businesses. To energetically explore various paths and actively expand the core businesses via the combination of organic growth and external acquisition and make them bigger and stronger through cooperation with the leading enterprises at home and abroad; to increase brand awareness efforts, improve the quality of both products and services, and promote the marketing of Panda products in the industrial manufacturing market and the terminal consumer market.
5. Strengthen the building of talents team, and perfect the remuneration structure and system. In line with the development plan of the Company, to accelerate the talents structure adjustment, enhance the development of young key staff and increase the percentage of high-caliber talents; and to facilitate the construction of the professional system for scientific and technological talents, so as to establish and perfect the career promotion channel for scientific and technological talents and highly skilled personnel. To perfect the remuneration structure and system and explore the medium and long-term incentive mechanisms based on the actual situations of the Company.
6. Thoroughly implement measures designed for improving quality and efficiency. To keep on elevating the management level of expenses and costs and improve the cost accounting system; to enhance energy saving, cost control and budget management during day-to-day operation, with a view to reducing various costs from the source; and to promote the craftsman's spirits and increase the efficiencies of R&D, production and management.

Corporate Governance (Continued)

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

(IV) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee is mainly responsible for formulating and reviewing remuneration policies and plans for Directors and senior management of the Company; and developing evaluation standards for them and conducting such evaluation. The Rules of Procedure of the Remuneration and Appraisal Committee have been published on the websites of the Company and the Hong Kong Stock Exchange. The Remuneration and Appraisal Committee of the eighth session of the Board currently consists of Mr. Xia Dechuan, Mr. Gao Gan, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and is chaired by Mr. Zhang Chun. The Remuneration and Appraisal Committee convened its first meeting for 2017 on 28 March 2017 and all members attended the meeting. At the meeting, the existing remuneration policy for Directors and senior management of the Company was discussed and performance of duties by the current Directors and senior management was evaluated. According to the evaluation result, the annual remuneration of the Directors and senior management during the reporting period was preliminarily determined.

V. Details for the risks identified by the Supervisory Committee: N/A

VI. Independence of Business, Staff, Assets, Organization and Finance between the Company and its Controlling Shareholder and Capability of Independent Operation: N/A

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

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

Corporate Governance (Continued)

VI. Independence of Business, Staff, Assets, Organization and Finance between the Company and its Controlling Shareholder and Capability of Independent Operation: N/A (Continued)

5. Finance: The Company has set up its own finance department, accounting system, financial management system and its own bank accounts.

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

The Company conducted a comprehensive appraisal of the senior management based on their duties, positions and performance. Incentive rewards were granted according to the results of the appraisal. The Remuneration and Evaluation Committee is responsible for formulating and reviewing the remuneration policies and plans for the senior management of the Company, and setting up the evaluation criteria for the senior management of the Company and implementing the evaluation.

The “Measures Regarding Remuneration Composition of Senior Management Officers of Nanjing Panda Electronics Company Limited” (《南京熊猫高级管理人員薪酬管理辦法》) was formulated by the Company, whereby the matters concerning the remuneration composition, basis for confirmation, contents for verification, calculation method and encashment procedures and others were further defined, senior management officers were encouraged to take initiatives and the Company’s development was facilitated. The amended “Measures Regarding Remuneration Composition of Senior Management Officers of Nanjing Panda Electronics Company Limited” was considered and approved at the fifteenth meeting of the eighth session of the Board of the Company on 29 March 2018.

VIII. Disclose Self-assessment Report on the Internal Control or not

According to the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Content and Format of Annual Reports (Revision 2017) (《公開發行證券的公司信息披露內容與格式準則第2號—年度報告的內容與格式(2017年修訂)》) of the CSRC and the Notice on the Preparation of 2017 Annual Reports by Listed Companies (《關於做好上市公司2017年年度報告披露工作的通知》) issued by the Shanghai Stock Exchange, the Board of the Company has prepared the Self-assessment Report on the Internal Control of the Company for 2017, which was disclosed along with the 2017 annual report. For details, please refer to the relevant announcement published on the websites of the Shanghai Stock Exchange on 30 March 2018 and on the website of the Hong Kong Stock Exchange on 29 March 2018. There was no significant deficiency in internal control in relation to financial report of the Company, nor was any significant deficiency in internal control in relation to non-financial report identified.

IX. Auditors’ Report on Internal Control

The Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP to audit the effectiveness of the internal control relating to the financial report of the Company, which issued the auditors’ report with standard unqualified audit opinions. The auditor’s report was disclosed along with the 2017 annual report. For details, please refer to the relevant announcement published on the websites of the Shanghai Stock Exchange on 30 March 2018 and on the website of the Hong Kong Stock Exchange on 29 March 2018.

Corporate Governance (Continued)

X. Others

(I) Chairman and Chief Executive Officer

The main duties of Chairman of the Board are to preside over the shareholders' meeting and convene the Board meetings, and to inspect the actual implementation of resolutions passed by the Board (Details are set out in Article 143 of Chapter 10 of the Articles of Association). Mr. Xu Guofei was elected the Chairman of the Board of the Company at the eighth meeting of the eighth Session of the Board held on 30 June 2016.

The General Manager (Chief Executive Officer) is responsible to the Board. His principal duties include presiding over the production, operation and management of the Company, to organize the implementation of resolutions of the Board, to organize the implementation of the annual operation plan and investment proposal (Details are set out in Article 161 of Chapter 12 of the Articles of Association). Mr. Xia Dechuan was re-appointed as the General Manager of the Company at the first meeting of the eighth Board on 30 June 2015.

(II) Auditors' remuneration

BDO China Shu Lun Pan Certified Public Accountants LLP was engaged as the Company's international auditor, PRC auditor and internal control auditor for 2017. Remuneration paid by the Company for its audit services for the annual report (including the internal control audit service) was RMB2,100,000, among which RMB1,620,000 was paid to international and PRC auditors and RMB480,000 to the internal control auditor.

(III) Communications with Shareholders and Investor Relations

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

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

Corporate Governance (Continued)

X. Others (Continued)

(IV) Shareholders Rights

In accordance with Clause 76, Chapter VIII of Articles of Association, shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the Board the convening of the extraordinary general meeting, provided that such proposal shall be made in writing. The Board shall provide written feedbacks on agreeing or disagreeing to convene extraordinary general meeting within 10 days after receiving such proposal according to the provisions of the applicable laws, administrative regulations and Articles of Associations.

In the event that the Board agrees to convene the extraordinary general meeting, the notice of the general meeting shall be issued within 5 days after the resolution of Board is made. Any changes to the original proposal made in the notice shall require prior approval of the shareholders concerned.

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

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

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

Shareholders may send their enquiries to the Board by addressing them to the Secretary of the Board. Contact details of the Secretary of the Board are set out on page 5 of this report.

Corporate Governance (Continued)

X. Others (Continued)

(V) Inside Information Management and the Relevant Situation

In order to further implement inside information management and prevention of insider trading, according to the requirements of the CSRC, the “Insiders Management System of NPEC” was formulated by the Company and considered and approved by the Board, which specifies the scope and confidentiality management of inside information, as well as the scope, registration and filing of the insiders. The “Significant Information Internal Report System of NPEC” (《南京熊猫重大信息内部报告制度》) was formulated by the Company and considered and approved by the Board, which specifies the reporting scope, division of responsibilities, procedures and formats, confidentiality obligations and legal liabilities in respect of the material information. The Company delivered to the controlling shareholder and the ultimate controller the “Opinions on the Implementation of Strengthened Inside Information Management of State-owned and controlled Listed Companies” (《關於加強國有控股上市公司內幕信息管理工作的實施意見》) (Su Guo Zi [2012] No. 54) jointly issued by State-Owned Assets Supervision and Administration Commission of Jiangsu Provincial Government and the CSRC Jiangsu Bureau. Moreover, the Company strictly followed the regulations on insider registration and management in respect of the preparation of regular reports, and other significant events in accordance with the requirements under the aforesaid administrative documents.

(VI) Establishment and Implementation of the Accountability System for Major Disclosure Errors in Annual Report

In order to enhance the quality of information disclosure and ensure the truthfulness, accuracy and completeness of the information disclosed in the annual report, the Company established the Accountability System for Major Disclosure Errors in Annual Report. The Board of the Company would impose administrative or financial penalties on relevant responsible persons according to the seriousness of the matter, e.g. correction of major accounting errors and supplementation of omitted major information and correction of results prediction, which take place in the information disclosure in the annual report. There was no major error found in information disclosure in the 2017 annual report. During the reporting period, there was no correction of major accounting errors and supplementation of omitted major information and correction of results prediction.

Financial Report

This 2017 Financial Report of the Company was audited by BDO China Shu Lun Pan Certified Public Accountants LLP pursuant to Accounting Standard for Business Enterprises, and standard unqualified audit report was issued.

Auditors' Report

Xin Kuai Shi Bao Zi [2018] No. ZG10411

To the shareholders of Nanjing Panda Electronics Company Limited:

I. Audits' opinion

We have audited the accompanying financial statements of Nanjing Panda Electronics Company Limited (hereinafter as the "Nanjing Panda"), which comprise the consolidated and company balance sheets as at 31st December 2017, the consolidated and company income statements, the consolidated and company cash flow statements, and the consolidated and company statements of changes in shareholders' equity for the year of 2017 then ended, as well as notes to financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Nanjing Panda as at 31st December 2017 and of its consolidated and company operating results and cash flows for 2017.

II. Basis of auditors' opinion

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

Auditors' Report (Continued)

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. We regard the matters below as the key audit matters should be communicated in the auditors' report.

Key audit matters	Audit reaction
<p>Recognition of the revenue</p> <p>Please Refer to Note III. (XXV) and Note V.33.</p> <p>For the period of 2017, the consolidated main operation revenue of Nanjing Panda amounting to RMB4.128 billion is the significant component of the consolidated income statement. It is likely that there is material misstatement risk in the field of sales revenue due to the nature of products and clients diversification. Therefore, we regard the truthfulness and cut-off of sales revenue as the key audit matters.</p>	<p>As for the sales revenue, we understood and evaluated the internal control of sales cycle designed by management from approval of self-sales to recognition of revenue, and we tested the effectiveness of implementing key controls.</p> <p>We analysed and evaluated the significant risks and rewards related to the recognition of revenue through sampling inspection and interviewing with management in order to evaluate the recognition of the revenue policy of Nanjing Panda.</p> <p>Additionally, we also implemented audit procedures below through sampling to test the recognition of revenue:</p> <ul style="list-style-type: none">• checked the supportive document of revenue recognition, including sales contracts, order for goods, sales invoice, delivery order, shipping documents, signature forms, goods receipt, export documents and etc.;• checked the shipping, signature and other supportive documents for the revenue recognition near the balance sheet date in order to evaluate the cut-off of the sales revenue.

Auditors' Report *(Continued)*

IV. Other information

The management of Nanjing Panda (hereinafter as the "management") is responsible for the other information which comprises all the information in the annual report other than the financial statements and this auditors' report.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In conjunction with our audit to the financial statements, our responsibility is to read the other information. During the process, we considered whether there is material inconsistency or there is likely material misstatement between the other information and the financial statements or the information we obtained during the audit.

As we have performed the work on the other information obtained before the date of our auditors' report, we shall report if we confirmed there was a material misstatement among the other information. We have nothing needed to be reported on this case.

V. Responsibilities of the management and governing bodies for the financial statements

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

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

The governing bodies are responsible for overseeing the financial reporting process of Nanjing Panda.

VI. Responsibilities of CPA for the audit of the financial statements

Our objective is to obtain reasonable assurance of the financial statements as a whole whether there is a material misstatement due to fraud or error and to issue an audit report containing audit opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that audits carried out in accordance with the audit criteria will always be found in the presence of a material misstatement. Misstatements may be caused by fraud or error, and it is generally considered that the misstatement is material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also performed the following works:

- (1) to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditors' Report (Continued)

- (2) to understand the internal control related to the audit to design the appropriate audit procedures.
- (3) to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) to draw conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Nanjing Panda to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Nanjing Panda to cease to continue as a going concern.
- (5) to evaluate the overall presentation, structure and content (including disclosure) of the financial statements and to assess whether the financial statements reflect the relevant transactions and events fairly.
- (6) to obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of the Nanjing Panda in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

We communicated with the governing bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that they identify during the audit.

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

From the matters we had discussed with the governing bodies, we confirmed which matters were most important the audit of the financial statements for the current period and thus constituted the key audit matters. We set out these matters in the auditors' report. Unless the disclosure of these matters are forbidden by the laws and regulations, or, in rare cases, if it is reasonably expected that the negative impacts caused by discussing certain matters in the auditors' report would be larger than the benefits for public interest, We shall not disclose the matters in the auditors' reports under such circumstances.

BDO China Shu Lun Pan
Certified Public Accountants LLP
Shanghai • China

Certified Public Accountant: **Zhao Bin**
(Project Partner)

Certified Public Accountant: **Meng Qingxiang**

29th March 2018

Consolidated Balance Sheet

As at 31st December, 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Asset	Note V.	Closing balance	Opening balance
Current assets :			
Monetary capital	1	1,328,745,296.50	1,301,802,896.46
Settlement reserve			
Due from banks and other financial institutions			
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable	2	232,310,149.59	312,972,457.59
Accounts receivable	3	1,282,404,740.23	1,238,735,984.06
Advances paid	4	248,488,640.75	143,140,748.06
Premium receivable			
Reinsurance premium receivable			
Reserve receivable for reinsurance			
Interest receivable			
Dividends receivable			
Other receivables	5	79,788,515.23	77,676,184.19
Securities purchased under agreements to resell			
Inventory	6	591,018,560.71	438,042,391.88
Held-for-sale assets	7	78,387,788.27	
Current portion of non-current asset			
Other current assets	8	465,410,493.64	259,018,893.89
Total current assets		4,306,554,184.92	3,771,389,556.13
Non-current assets:			
Loans and advances			
Available-for-sale financial assets	9	3,650,000.00	3,650,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	10	332,625,534.79	363,076,123.14
Investment property	11	8,314,534.74	8,469,941.94
Fixed assets	12	853,555,020.10	978,971,199.52
Construction in progress	13	50,659,931.64	1,502,221.31
Construction materials			
Fixed assets pending for disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets	14	97,307,446.15	97,142,326.93
Development expenditure			
Goodwill			
Long-term expenses to be amortised	15	3,602,788.29	6,995,346.87
Deferred income tax assets	16	9,234,045.96	8,779,702.14
Other non-current assets			
Total non-current assets		1,358,949,301.67	1,468,586,861.85
Total assets		5,665,503,486.59	5,239,976,417.98

Consolidated Balance Sheet (Continued)

As at 31st December, 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note V	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	17	45,000,000.00	40,000,000.00
Borrowings from central bank			
Deposits and placements from other financial institutions			
Deposit and placements from other financial institutions			
Financial liabilities measured at fair value through profit and loss			
Derivative financial liabilities			
Notes payable	18	183,557,608.11	143,691,812.27
Accounts payable	19	1,342,953,782.55	1,108,431,550.84
Advances received	20	242,767,679.91	132,694,559.25
Securities sold under agreement to repurchase			
Fees and commissions payable			
Staff remuneration payable	21	30,808,648.21	32,087,847.95
Tax payable	22	29,450,814.25	46,593,961.13
Interest payable	23		23,835.62
Dividends payable	24	3,742,966.79	18,529,612.95
Other payables	25	152,376,660.44	156,096,869.24
Reinsurance amount payable			
Reserve for insurance contracts			
Securities brokering			
Securities underwriting			
Held-for-sale liabilities			
Current portion of Non-current liabilities			
Other current liabilities	26	27,100,000.00	9,700,000.00
Total current liabilities		2,057,758,160.26	1,687,850,049.25
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including : preferred stock perpetual debt			
Long-term payables			
Long-term employee benefits payable	27	28,037,472.50	32,673,991.19
Special payables			
Estimate liabilities			
Deferred income	28	7,984,320.10	8,918,416.06
Deferred income tax liabilities	16	79,780.30	133,560.55
Other non-current liabilities			
Total non-current liabilities		36,101,572.90	41,725,967.80
Total liabilities		2,093,859,733.16	1,729,576,017.05

Consolidated Balance Sheet (Continued)

As at 31st December, 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note V	Closing balance	Opening balance
Owners' equity:			
Paid-in capital (share capital)	29	913,838,529.00	913,838,529.00
Other equity instruments			
Including : preferred stock			
perpetual debt			
Capital reserve	30	1,464,043,022.82	1,464,133,820.05
Less: treasury shares			
Other comprehensive income			
Specialised reserve			
Surplus reserve	31	254,995,636.63	251,825,696.34
General risk reserve			
Undistributed profit	32	730,715,948.32	690,472,508.00
Equity attributable to parent company		<u>3,363,593,136.77</u>	<u>3,320,270,553.39</u>
Minority interests		<u>208,050,616.66</u>	<u>190,129,847.54</u>
Total owners' equity		<u>3,571,643,753.43</u>	<u>3,510,400,400.93</u>
Total liabilities and owners' equity		<u>5,665,503,486.59</u>	<u>5,239,976,417.98</u>

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of the financial department:
Liu Xianfang

Balance Sheet

As at 31st December, 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Asset	Note XVI.	Closing balance	Opening balance
Current assets:			
Monetary capital		172,698,117.78	335,229,528.49
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		10,440,000.00	500,000.00
Accounts receivable	(I)	72,990,484.10	82,209,934.77
Advances paid		2,793,993.19	1,392,109.95
Interest receivable			
Dividends receivable		973,887.56	973,887.56
Other receivables	(II)	250,940,596.42	299,788,984.63
Inventory		23,223,302.05	22,671,565.47
Held-for-sale assets		78,387,788.27	
Current portion of non-current asset			
Other current assets		450,000,000.00	251,918,151.96
Total current assets		1,062,448,169.37	994,684,162.83
Non-current assets:			
Available-for-sale financial assets		3,650,000.00	3,650,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	(III)	1,782,505,983.43	1,812,280,797.69
Investment property			
Fixed assets		253,254,688.19	347,915,255.17
Construction in progress		1,539,752.37	90,564.10
Construction materials			
Fixed assets pending for disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets		11,830,656.32	13,263,376.11
Development expenditure			
Goodwill			
Long-term expenses to be amortised			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		2,052,781,080.31	2,177,199,993.07
Total assets		3,115,229,249.68	3,171,884,155.90

Balance Sheet (Continued)

As at 31st December, 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note XVI.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable		3,261,041.54	7,625,755.82
Accounts payable		45,649,307.29	52,121,083.74
Advances received		563,650.00	8,000.00
Staff remuneration payable		2,075,743.65	2,369,247.78
Tax payable		9,345,731.70	12,893,940.75
Interest payable			
Dividends payable			
Other payables		216,846,128.21	225,378,937.26
Held-for-sale liabilities			
Current portion of Non-current liabilities			
Other current liabilities			900,000.00
Total current liabilities		277,741,602.39	301,296,965.35
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including : preferred stock perpetual debt			
Long-term payables			
Long-term employee benefits payable		3,249,053.43	4,079,302.51
Special payables			
Estimate liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		3,249,053.43	4,079,302.51
Total liabilities		280,990,655.82	305,376,267.86

Balance Sheet (Continued)

As at 31st December, 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note XVI.	Closing balance	Opening balance
Owners' equity:			
Paid-in capital (share capital)		913,838,529.00	913,838,529.00
Other equity instruments			
Including : preferred stock			
perpetual debt			
Capital reserve		1,434,870,834.28	1,434,870,834.28
Less: treasury shares			
Other comprehensive income			
Specialised reserve			
Surplus reserve		254,995,636.63	251,825,696.34
Undistributed profit		230,533,593.95	265,972,828.42
Total owners' equity		2,834,238,593.86	2,866,507,888.04
Total liabilities and owners' equity		3,115,229,249.68	3,171,884,155.90

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Consolidated Income Statement

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note V.	Current period	Preceding period
I. Total operating revenue		4,191,928,908.95	3,702,763,356.54
Including: Operating revenue	33	4,191,928,908.95	3,702,763,356.54
II. Total operating cost		4,110,185,883.37	3,672,354,844.96
Including: Operating cost	33	3,595,891,091.43	3,167,855,950.93
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance contract reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	34	24,613,608.32	25,290,542.41
Selling expenses	35	56,106,658.38	48,349,962.41
Administrative expenses	36	422,578,779.59	426,803,729.36
Finance expenses	37	-5,138,469.04	-5,417,075.71
Impairment on assets	38	16,134,214.69	9,471,735.56
Add: Gain from fair-value changes (or less: losses)			
Investment income(or less: losses) Including: Investment incomes in associates and joint ventures	39	90,442,743.59	108,566,100.29
		73,489,872.02	95,058,047.55
Gains on disposal of assets (or less: losses)	40	-669,559.13	-1,846,134.67
Foreign exchange gains (or less: losses)			
Other incomes	41	4,301,606.40	
III. Operating profit(or less: losses)		175,817,816.44	137,128,477.20
Add: Non-operating income	42	11,159,641.38	68,378,105.04
Less: Non-operating expenses	43	688,183.28	3,117,949.14
IV. Profit before tax (or less: total loss)		186,289,274.54	202,388,633.10
Less: Income tax expenses	44	30,118,010.21	33,378,971.45
V. Net profit(or less: net loss)		156,171,264.33	169,009,661.65
(I) Classification of business operation			
1. Continuous operation profit (or less: losses)		156,171,264.33	169,009,661.65
2. Termination of business operating profit(or less: losses)			
(II) Classification of ownership			
1. Net income attributable to minority shareholders		48,789,186.69	49,769,148.73
2. Net income attributable to parent company owners		107,382,077.64	119,240,512.92

Consolidated Income Statement (Continued)

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note V.	Current period	Preceding period
VI. Other comprehensive income after tax			
Other comprehensive income after tax attributable to parent company owners			
(I) Other comprehensive income which cannot be reclassified subsequently to profit or 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			
Other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		156,171,264.33	169,009,661.65
Total comprehensive income attributed to parent company owners		107,382,077.64	119,240,512.92
Total comprehensive income attributable to minority shareholders		48,789,186.69	49,769,148.73
VIII. Earnings per share			
(I) Basic earnings per share (RMB/share)		0.1175	0.1305
(II) Diluted earnings per share (RMB/share)		0.1175	0.1305

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Income Statement

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note XVI.	Current period	Preceding period
I. Total operating revenue	(IV)	177,717,842.21	162,052,757.96
Less: Operating cost	(IV)	129,349,517.92	99,010,797.01
Taxes and surcharges		5,763,367.06	4,236,189.84
Selling expenses		4,365,245.68	4,760,895.81
Administrative expenses		132,424,181.61	151,206,664.27
Finance expenses		-695,333.35	-6,718,044.58
Impairment on assets		-4,342,509.66	4,583,174.65
Add: Gain from fair-value changes (or less: losses)			
Investment income (or less: losses)	(V)	120,138,609.60	140,216,848.83
Including: Investment incomes in associates and joint ventures		72,918,930.00	94,783,916.42
Gains on disposal of assets (or less: losses)			
Other incomes			
II. Operating profit (or less: losses)		30,991,982.55	45,189,929.79
Add: Non-operating income		1,046,604.99	17,305,266.66
Less: Non-operating expenses		339,184.69	2,557,807.68
III. Profit before tax (or less: total loss)		31,699,402.85	59,937,388.77
Less: Income tax expenses			
IV. Net profit (or less: net loss)		31,699,402.85	59,937,388.77
(I) Continuous operation profit (or less: losses)		31,699,402.85	59,937,388.77
(II) Termination of business operating profit (or less: losses)			

Income Statement (Continued)

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note XVI.	Current period	Preceding period
V. Other comprehensive income after tax			
(I) Other comprehensive income which cannot be reclassified subsequently to profit or 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			
VI. Total comprehensive income		31,699,402.85	59,937,388.77
VII. Earnings per share			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Consolidated Cash Flow Statement

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Item	Note V.	Current period	Preceding period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		4,921,811,943.76	3,723,723,306.31
Receipts of tax refund		70,366,170.66	92,920,359.07
Other cash receipts relating to operating activities	45	169,980,976.65	153,528,898.86
Sub-total of cash inflows from operating activities		5,162,159,091.07	3,970,172,564.24
Cash payments for goods purchased and services received		4,124,031,405.27	3,047,270,117.99
Cash payments to and on behalf of employees		496,916,088.95	488,955,616.16
Payments of taxes		171,680,524.43	161,842,503.27
Other cash payments relating to operating activities	45	211,981,507.41	218,957,530.17
Sub-total of cash outflows from operating activities		5,004,609,526.06	3,917,025,767.59
Net Cash Flows from Operating Activities		157,549,565.01	53,146,796.65
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and returns of investments			193,201,343.95
Cash receipts from returns on investments		119,920,138.73	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,227,610.89	1,133,687.22
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	45	2,046,000,000.00	2,505,000,000.00
Sub-total of cash inflows from investing activities		2,167,147,749.62	2,699,335,031.17
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		92,319,522.79	103,988,134.12
Cash payments to acquire investments			300,000.00
Net increase from pledged loan			
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities	45	2,248,000,000.00	2,296,922,945.76
Sub-total of cash outflows from investing activities		2,340,319,522.79	2,401,211,079.88
Net Cash Flows from Investing Activities		-173,171,773.17	298,123,951.29

Consolidated Cash Flow Statement (Continued)

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Item	Note V.	Current period	Preceding period
III. Cash Flows from Financing Activities:			
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	380,000,000.00
Cash receipts from insurance of bonds			
Other cash receipts relating to financing activities	45	176,288,070.47	
Sub-total of cash inflows from financing activities		221,288,070.47	380,000,000.00
Cash repayments of amounts borrowed		40,000,000.00	340,000,000.00
Cash payments for distribution of dividends or profit or interest expenses		113,444,538.52	103,655,192.26
Including: payments for distribution of dividends or profit to minorities of subsidiaries		47,384,382.66	41,057,422.29
Other cash payments relating to financing activities	45	1,242,654.96	
Sub-total of cash outflows from financing activities		154,687,193.48	443,655,192.26
Net Cash Flows from Financing Activities		66,600,876.99	-63,655,192.26
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		-1,065,472.37	263,100.53
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash Equivalents		49,913,196.46	287,878,656.21
		1,141,683,919.27	853,805,263.06
VI. Closing Balance of Cash and Cash Equivalents			
		1,191,597,115.73	1,141,683,919.27

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Cash Flow Statement

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Item	Note	Current period	Preceding period
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		179,769,825.34	145,796,306.31
Receipts of tax refund			
Other cash receipts relating to operating activities		147,693,141.55	112,335,577.10
Sub-total of cash inflows from operating activities		327,462,966.89	258,131,883.41
Cash payments for goods purchased and services received		141,251,250.81	94,781,560.85
Cash payments to and on behalf of employees		69,751,887.63	67,572,531.60
Payments of taxes		10,263,219.66	10,163,446.36
Other cash payments relating to operating activities		189,948,980.06	204,846,753.50
Sub-total of cash outflows from operating activities		411,215,338.16	377,364,292.31
Net Cash Flows from Operating Activities		-83,752,371.27	-119,232,408.90
II. Cash Flows from Investing Activities			
Cash receipts from disposals and returns of investments			
Cash receipts from returns on investments		149,913,423.86	233,431,853.90
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			8,500.00
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities		1,574,000,000.00	1,781,000,000.00
Sub-total of cash inflows from investing activities		1,723,913,423.86	2,014,440,353.90
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		2,038,516.83	901,870.06
Cash payments to acquire investments			5,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities		1,735,000,000.00	1,582,000,000.00
Sub-total of cash outflows from investing activities		1,737,038,516.83	1,587,901,870.06
Net Cash Flows from Investing Activities		-13,125,092.97	426,538,483.84

Cash Flow Statement (*Continued*)

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Item	Note	Current period	Preceding period
III. Cash Flows from Financing Activities:			
Cash receipts from investors making investment in the enterprise			
Cash receipts from borrowings			340,000,000.00
Cash receipts from insurance of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities			340,000,000.00
Cash repayments of amounts borrowed			340,000,000.00
Cash payments for distribution of dividends or profit or interest expenses		64,191,030.36	63,133,604.98
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		64,191,030.36	403,133,604.98
Net Cash Flows from Financing Activities		-64,191,030.36	-63,133,604.98
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		72,156.10	
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash Equivalents		-160,996,338.50	244,172,469.96
		332,032,352.83	87,859,882.87
VI. Closing Balance of Cash and Cash Equivalents			
		171,036,014.33	332,032,352.83

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Consolidated Statement of Changes in Equity

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Current period													Total owners' equity
	Equity attributable to parent company													
	Share capital	Other equity instrument			Capital reserve	Less:		Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests		
Preference shares		Perpetual bond	Others	treasury shares		Other comprehensive								
I. Balance at the end of prior year	913,838,529.00				1,464,133,820.05				251,825,696.34		690,472,508.00	190,129,847.54	3,510,400,400.93	
Add: Changes in accounting policies														
Error correction of prior period														
Business combination involving entities under common control														
Others														
II. Balance at the beginning of current year	913,838,529.00				1,464,133,820.05				251,825,696.34		690,472,508.00	190,129,847.54	3,510,400,400.93	
III. Current period increase (or less: decrease)					-90,797.23				3,169,940.29		40,243,440.32	17,920,769.12	61,243,352.50	
(I) Total comprehensive income											107,382,077.64	48,789,186.69	156,171,264.33	
(II) Capital contributed or withdrew by owners					-90,797.23							1,729,318.93	1,638,521.70	
1. Ordinary shares contributed by owners														
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment included														
4. Others					-90,797.23							1,729,318.93	1,638,521.70	
(III) Profit distribution									3,169,940.29		-67,138,637.32	-32,597,736.50	-96,566,433.53	
1. Appropriation of surplus reserve									3,169,940.29		-3,169,940.29			
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners														
4. Others														
(IV) Internal carry-over within equity														
1. Transfer of capital reserve to capital (or share capital)														
2. Transfer of surplus reserve to capital (or share capital)														
3. Surplus reserve to cover losses														
4. Others														
(V) Appropriation and application of special reserve														
1. Appropriation of special reserve														
2. Application of special reserve														
(VI) Others														
IV. Balance at the end of current year	913,838,529.00				1,464,043,022.82				254,995,636.63		730,715,948.32	208,050,616.66	3,571,643,753.43	

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Preceding period													Total owners' equity
	Equity attributable to parent company													
	Share capital	Other equity instrument			Capital reserve	Less:		Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests		
Preference shares		Perpetual bond	Others	treasury shares		Other comprehensive								
I. Balance at the end of prior year	913,838,529.00				1,464,242,139.28				245,831,957.46		639,366,753.93	196,613,853.63	3,459,893,233.30	
Add: Changes in accounting policies														
Error correction of prior period														
Business combination involving entities under common control														
Others														
II. Balance at the beginning of current year	913,838,529.00				1,464,242,139.28				245,831,957.46		639,366,753.93	196,613,853.63	3,459,893,233.30	
III. Current period increase (or less: decrease)														
(I) Total comprehensive income					-108,319.23				5,993,738.88		51,105,754.07	-6,484,006.09	50,507,167.63	
(II) Capital contributed or withdrew by owners					-108,319.23							-847,664.92	-955,984.15	
1. Ordinary shares contributed by owners														
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment included														
4. Others					-108,319.23							-847,664.92	-955,984.15	
(III) Profit distribution									5,993,738.88		-68,134,758.85	-55,405,489.90	-117,546,509.87	
1. Appropriation of surplus reserve									5,993,738.88		-5,993,738.88			
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners											-62,141,019.97	-55,405,489.90	-117,546,509.87	
4. Others														
(IV) Internal carry-over within equity														
1. Transfer of capital reserve to capital (or share capital)														
2. Transfer of surplus reserve to capital (or share capital)														
3. Surplus reserve to cover losses														
4. Others														
(V) Appropriation and application of special reserve														
1. Appropriation of special reserve														
2. Application of special reserve														
(VI) Others														
IV. Balance at the end of current year	913,838,529.00				1,464,133,820.05				251,825,696.34		690,472,508.00	190,129,847.54	3,510,400,400.93	

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Statement of changes in equity

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Current period										
	Share capital	Other equity instrument			Capital reserve	Less:		Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bond	Others		treasury shares	Other comprehensive				
I. Balance at the end of prior year	913,838,529.00				1,434,870,834.28				251,825,696.34	265,972,828.42	2,866,507,888.04
Add: Changes in accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	913,838,529.00				1,434,870,834.28				251,825,696.34	265,972,828.42	2,866,507,888.04
III. Current period increase (or less: decrease)									3,169,940.29	-35,439,234.47	-32,269,294.18
(I) Total comprehensive income										31,699,402.85	31,699,402.85
(II) Capital contributed or withdrew by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included											
4. Others											
(III) Profit distribution									3,169,940.29	-67,138,637.32	-63,968,697.03
1. Appropriation of surplus reserve									3,169,940.29	-3,169,940.29	
2. Appropriation of profit to owners										-63,968,697.03	-63,968,697.03
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover losses											
4. Others											
(V) Appropriation and application of special reserve											
1. Appropriation of special reserve											
2. Application of special reserve											
(VI) Others											
IV. Balance at the end of current year	913,838,529.00				1,434,870,834.28				254,995,636.63	230,533,593.95	2,834,238,593.86

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Statement of changes in equity (Continued)

For the year ended 31st December 2017 (Unless otherwise stated, all amounts are denominated in RMB)

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

The following notes is the part of financial statement.

Legal Representative:
Xia Dechuan

Financial controller:
Shen Jianlong

Head of financial department:
Liu Xianfang

Notes to the 2017 Financial Statements

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

I. Information about the company

(I) Company profile

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

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

After obtaining the special approval of general meeting, board of directors was fully authorised to spilt 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. The Company finished the share issue on 29 April 1996 and listed 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 30 October 1996, the Company issued 23,000,000 normal shares to the public and the issue price was RMB5.10 per share. The Company got the entire fund on 14 November 1996 and listed on the Stock Exchange of Shanghai on 18 November 1996. 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 the year of 1999.

Notes to the 2017 Financial Statements (Continued)

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

I. Information about the company (Continued)

(I) Company profile (Continued)

The Company got the legal enterprise business license of Qi Su Ning Zong Fu Zi No. 003947 on 18 April 1997. The registered capital was RMB655,015,000 and the approved businesses were development, manufacture, sales of communication equipment products, computer products and 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; financial and tax control equipment products; power products; molding 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 "NEIC").

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

Notes to the 2017 Financial Statements (Continued)

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

I. Information about the company (Continued)

(I) Company profile (Continued)

On 19 April 2013, according to China Securities Regulatory Commission's approval (Zheng Jian Xu Ke [2013] No. 332), the Company was authorised to issue 258,823,529 ordinary shares (A shares) in RMB to no more than 10 specific investors including Nanjing Electronic Information Industrial Corporation ("NEIIC") at a nominal value of RMB1.00 per share and a selling price RMB5.10 per share. The financed net value amounts to RMB1, 294,403,712.55, including an increase of share capital of RMB258, 823,529.00, an increase of capital reserve, RMB1, 035,580,183.55. The raised fund has been verified by Baker Tilly China Certified Public Accountants (Baker Tilly China) and the capital verification report Tian Zhi Hu QJ [2013] No.1907 was issued.

The company had finished the change of business registration, and the capital had been changed to RMB913,838,529.00 on 26 November 2013.

Prior to the non-public offering, Panda Group, the controlling shareholder of the Company, held 334,715,000 of the Company's shares, with a shareholding ratio of 51.10%. After the non-public offering, Panda Group, that held 36.63% of the total shares, remains to be the controlling shareholder of the Company. CEC, via holding 70.00% shares of NEIIC, remains the actual controller of the Company by holding 56.85% of the shares. After the non-public offering, controlling shareholder and actual controller's positions have not been changed.

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

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

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

From 17 July 2015 to 31 December 2015, NEIIC increased its shareholdings in the Company by a total of 10,318,925 A shares under the Custody of Specific Asset Scheme, representing 1.13% of the total share capital of the Company. The accumulated shareholdings of the Company is 13,768,000 H shares, representing 1.51% of the total share capital of the Company. After the increase, NEIIC held 49,534,611 A shares of the Company, representing 5.42% of the total share capital, and held 13,768,000 H shares of the Company, representing 1.51% of the total share capital. NEIIC held the 23.05% of the Company through the subsidiary of Panda Group and the shareholding of the Company was 29.98% in total. The ultra-controller of NEIIC was still CEC.

Notes to the 2017 Financial Statements (Continued)

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

I. Information about the company (Continued)

(I) Company profile (Continued)

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

By the end of 31 December 2017, the company totally issued 913,838,529 shares; registered capital is RMB913,838,529.00. 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 wireless broadcast television transmitting equipment, together with the after service and technology service; developing, manufacturing and sale of communication equipment, computer and other electronics devices; instruments, apparatus and office machine; electronic apparatus and equipment; plastic products; draught fan, weighing apparatus, package equipment and general equipment; processing equipment of chemical engineering, wood and non-metal; PTD and control equipment; environment-friendly, social public security products and etc.; financial and tax-control devices; power products; modelling; computing industry, software industry, system integration; property management; together with the after service and technology service. (As for the items approved legally, the Company can operate the business after the approval of related department). The Parent of the Company is Panda Electronics Group Co., Ltd.

The financial statements were approved for submission by the board of directors on 29th March 2018.

(II) Scope of consolidated financial statements

As of December 31, 2017, the significant subsidiaries in the company scope of consolidated financial statements 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
Chengdu Panda Electronics Technology Co., Ltd
Nanjing Panda Electronic Equipment Co., Ltd
Nanjing Panda Industrial Enterprise Co., Ltd
Nanjing Panda Electronic Technology Development Co., Ltd
Galant Limited
Shanghai Panda Robot Technology Co., Ltd.

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

Notes to the 2017 Financial Statements (Continued)

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

II. Basis of preparation of financial statements

(I) Preparation of basis

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

(II) Going concern

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

III. Significant accounting policies, accounting estimates

Notes to specific accounting policies and accounting estimates:

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

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

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

(II) Accounting period

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

(III) Operating Cycle

The Company's operating cycle is 12 months.

(IV) Reporting currency

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

Notes to the 2017 Financial Statements (*Continued*)

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

III. Significant accounting policies, accounting estimates (Continued)

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

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

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

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

(VI) Preparation of consolidated financial statements

1 Scope of consolidation

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

2 Consolidation method

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

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

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(VI) Preparation of consolidated financial statements (Continued)

2 Consolidation method (Continued)

The 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 acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(VI) Preparation of consolidated financial statements *(Continued)*

2 Consolidation method *(Continued)*

(2) Disposal of subsidiaries or business

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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(VI) Preparation of consolidated financial statements *(Continued)*

2 Consolidation method *(Continued)*

(2) Disposal of subsidiaries or business *(Continued)*

2. Disposal of subsidiary achieved by stages

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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(VI) Preparation of consolidated financial statements *(Continued)*

2 Consolidation method *(Continued)*

(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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(X) Financial instruments *(Continued)*

2. Recognition and measurement of financial instruments *(Continued)*

(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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(X) Financial instruments *(Continued)*

3. Recognition and measurement of transfer of financial assets

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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(X) Financial instruments *(Continued)*

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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(X) Financial instruments *(Continued)*

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

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

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

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

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

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

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

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XI) Provision for bad debt of the accounts receivable

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

Bases for making judgment and standard for calculation the amount for the accounts receivable that are individually significant, the amount of accounts receivable of more than 5%, or more than RMB5.00 million (including RMB5.00 million);

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

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

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

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

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

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

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(XII) Inventories

1. Category of inventory

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

2. Determination of cost

Cost of inventories is determined using the weighted average method.

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

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

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

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(XII) Inventories *(Continued)*

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 assets are highly likely to be sold, that is to say, the Company has been offered a resolution with disposition of the assets. The Company has entered into agreement on irrevocable transfer with the transferee and the transfer will be completed within 1 year. If regulation needs to be approved by shareholders, it has approved by the general meeting of shareholders or relevant authority.

(XIV) Long-term equity investments

1. Joint control or significant influence criterion

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

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

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(XIV) Long-term equity investments *(Continued)*

2. Determination of initial investment cost

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

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

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

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

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

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

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the initial cost of investment of a long-term equity investment received the 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.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XIV) Long-term equity investments (Continued)

3. Subsequent measurement and recognition of profit or loss

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

Long-term equity investment in subsidiaries of the Company is accounted for by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognised as the Company' 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 or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments; The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

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

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 "III.(V) Accounting method for business combination involving enterprises under common control and not under common control" and Note III(VI)" Preparation of consolidated financial statements".

Notes to the 2017 Financial Statements (*Continued*)

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

III. Significant accounting policies, accounting estimates (*Continued*)

(XIV) Long-term equity investments (*Continued*)

3. Subsequent measurement and recognition of profit or loss (*Continued*)

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

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.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XIV) Long-term equity investments (Continued)

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

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.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XVI) Fixed assets (Continued)

2. Method for depreciation

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 lesser, assets under finance lease will be recognised:

- (1) upon the expiry of lease, the ownership of the leased asset is transferred to the Company;
- (2) the Company has the option to purchase the leased asset, the purchase consideration entered into is expected to be far less than the fair value of the leased asset upon the exercise of the option;
- (3) the lease term accounts for the majority of the useful life of the leased asset;
- (4) the present value of the minimum lease payment upon the commencement of the lease is substantially the same as the fair value of the leased asset.

On the commencement of the lease, the leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognised finance charge.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(XVII) Construction in progress

Criteria and time point for construction in progress being transferred to the fixed asset
Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

(XVIII) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs refers to the borrowing interests, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalized and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalisation are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs begins when the following three conditions are fully satisfied:

- (1) expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalisation) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

Notes to the 2017 Financial Statements (*Continued*)

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

III. Significant accounting policies, accounting estimates (*Continued*)

(XVIII) Borrowing costs (*Continued*)

2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalisation of borrowing costs, excluding the period in which capitalisation of borrowing costs is temporarily suspended.

Capitalisation of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalisation of borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

3. Suspension of capitalisation period

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognised as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalisation of borrowing costs commences.

4. Calculation of capitalisation rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalisation, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

General borrowings for the acquisition, construction or production of assets qualified for capitalisation, the to-be-capitalized amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalisation rate of the general borrowing used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(XIX) Intangible assets

1. Valuation method of intangible assets

(1) Intangible assets are initially measured at cost upon acquisition

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included in the profit or loss for the current period.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognised.

(2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition. As for intangible assets with a finite useful life, they are amortized using the straight-line method over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortised.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XIX) Intangible assets (Continued)

2. Estimated useful lives for the intangible assets with finite useful life:

Item	Estimated useful lives (year(s))
Land use rights	16.75–50
Trademark rights	10
Computer software	5–10
patents	10
Software copyright	10
Non-patented technology	5

For an intangible asset with a finite useful life, review on its useful life and amortization method is performed at each year-end.

Upon review, useful life and amortization method for the intangible assets are no different from the previous estimate at the end of this period.

3. Specific criteria for the division of research phase and development phase

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially-improved materials, devices, products, etc.

4. Specific criteria for capitalisation at development phase

Expenses arising from development phase shall be recognised as intangible assets under all criteria and otherwise expenses shall be recognised in profits and losses.

Development phase is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XX) Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, projects under construction, intangible assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment test to goodwill shall be carried out at least at the end of each year.

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. When the carrying value of goodwill is allocated to the related asset group or sets of asset group, the allocation shall be made based on the proportion of the fair value of each asset groups or sets of asset groups to the total fair value of the relevant assets groups or sets of asset group. If there is difficulty for the fair value to be reliably measured, the allocation shall be made based on the proportion of the carrying value of each asset groups or sets of asset groups to the total carrying value of the relevant assets groups or sets of asset groups.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill. Once the above asset impairment loss is recognised, it will not be reversed in the subsequent accounting periods.

(XXI) Long-term expenses to be amortised

Long-term expenses to be amortised are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods.

The long-term expenses to be amortised of the Company take the price according to the actual cost and average amortization based on the expected benefit period, for the Long-term expenses to be amortised which cannot make the benefit of the future accounting period, in the determination of the project's amortised value shall be included in the current profit and loss.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(XXII) Employee Remuneration

1. Method of accounting treatment for short-term remuneration

During the accounting period when the staff provides service, the Company will recognize the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

The Company will pay social insurance and housing funds, and will make provision of trade union funds and staff education costs in accordance with the requirements. During the accounting period when the staff provides service, the Group will determine the relevant amount of employee benefits in accordance with the required provision basis and provision ratios.

Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

2. Method of accounting treatment for retirement benefit plan

(1) Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognised as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

In addition to basic pension insurance, the company also established the enterprise annuity payment system enterprise annuity scheme according to relevant policy of national enterprise annuity system. The Company makes payment to local social insurance agencies/annuity scheme based on a certain proportion of total staff remunerations. Corresponding expenditure is included in the profit or loss for the current period or costs of related assets.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXII) Employee Remuneration (Continued)

2. Method of accounting treatment for retirement benefit plan (Continued)

(2) Defined benefit scheme

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.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(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.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXIV) Share-based payment

The Company's share-based payment represents transactions in which the Company receives services from employee by granting equity instruments or incurring liabilities that are based on the price of the equity instruments to the employee or other suppliers. The Company's share-based payments included equity-settled share-based payments and cash-settled share-based payments.

1. Equity-settled share-based payment and equity instrument

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the Company make the share-based payment by restricted shares, employees will subscribe the share but those shares shall not be listed on the market or transferred before it fulfill the unlocking condition and unlocked. If the unlocking conditions stipulated in the equity incentive scheme cannot be fulfilled eventually, the Company will repurchase those shares based on the predetermined price. Upon obtaining the payment for subscribing restricted shares made by the employees, the Company will recognized the share capital and capital reserve (share capital premium) according to the payment it received, while fully recognize a liability for its repurchasing obligation as well as its treasury shares. On each balance sheet date within the vesting period, the Company will make the best estimation of the number of vested equity instruments based on the subsequent information such as the updated changes in the number of executives and the achievement of performance standard. Based on the above results, the services received in the current period will be included in the relevant cost or expense based on the fair value on the date of grant, and the capital reserve will be increased accordingly. The recognized cost or expense and owners' interest will not be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant will be included in the relevant cost or expense based on its fair value on the date of grant, and the capital reserve will be increased accordingly.

For the share-based payments that are not vested eventually, no cost or expense will be recognised, except the vesting condition is market condition or non-exercisable condition. Under such circumstances, no matter whether the market condition or non-exercisable condition can be fulfilled, the share-based payment will be deemed as vested as long as all the non-market conditions in the vesting condition are fulfilled.

If the terms of the equity-settled share-based payment are amended, the Company shall recognize the services received at least based on the situation before the amendment was made. In addition, any amendment resulting in the increase of the fair value of the equity instrument granted or changes that are beneficial to the staff on the amendment date, will be recognised as an increase in the service received.

If the equity-settled share-based payment is cancelled, it will be accounted for as accelerated exercise on the cancellation date and the unrecognised amount will be recognized immediately. Employees and other parties are able to satisfy the non-vesting conditions. If the conditions are not fulfilled during the vesting period, the equity settled share-based payment will be deemed as cancelled. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to cancelled equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument.

Notes to the 2017 Financial Statements (*Continued*)

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

III. Significant accounting policies, accounting estimates (*Continued*)

(XXIV) Share-based payment (*Continued*)

2. Cash-settled share-based payments and equity instrument

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. It is initially measured at fair value on the date of grant, taking account into the terms and conditions of the equity instrument granted. If the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured and the changes will be included in the profit or loss for the current period.

(XXV) 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.

Notes to the 2017 Financial Statements (*Continued*)

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

III. Significant accounting policies, accounting estimates (*Continued*)

(XXV) Revenue (*Continued*)

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. 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.

(XXVI) Government grant

1. Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the company at no consideration, and are classified into government grant related to asset and government grant related to income.

Government grants related to assets is obtained by the Company for the purposes of constructing or forming long-term assets in other ways including funds allocation for purchase of fixed assets or intangible assets, financial discount of special loans for fixed assets. Government grants related to revenue refer to the government grants other than those related to assets.

2. Recognition time point

Government grants related to revenue is recognised when the grant is received.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(XXVI) Government grant *(Continued)*

3. Accounting treatment

Government grants related to assets should be presented as deferred income. Government grants are recognised in profit or loss on a systematic basis over the periods (recognised as other income when related to operating activities; and recognised as non-operating income when not related to operating activities).

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognised as deferred income, and recognised as other income for daily operating activities and non-operating income for non-operating activities 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, alternatively, they are deducted in reporting the related expense.

The Company receives the loan interest with policy reference and treats in different ways in accordance with two situations below:

- (1) If the interest grants paid to the bank and then the bank provides bank loans to company with interest rate in preferential policy, the Company will regard the borrowing amount received as the initial value and calculate the principle of borrowing and borrowing costs based on the interest rate in preferential policy.
- (2) If the interest grants paid directly to the Company, the Company will deduct the interest grants from borrowing costs.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXVII) 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.

(XXVIII) 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 amortize the net amount over the lease term.

Notes to the 2017 Financial Statements *(Continued)*

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

III. Significant accounting policies, accounting estimates *(Continued)*

(XXVIII) Leases *(Continued)*

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.

(XXIX) 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.

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXX) The change in significant accounting policies and accounting estimates

1. The change in significant accounting policies

Implementing accounting regulation of "Accounting Standards for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation", "Accounting Standards for Business Enterprises No. 16 – Government Subsidies" and "Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises".

Ministry of Finance of the People's Republic of China has enacted "Accounting Standards for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation" in the year of 2017. The standard started to be implemented since 28th May 2017. Therefore, for the held-for-sale non-current assets and disposal group and termination of operation existing on the implementation date, the prospective application method shall be applied for accounting treatment.

Ministry of Finance of the People's Republic of China revised "Accounting Standards for Business Enterprises No. 16 – Government Subsidies" in the year of 2017, the revised standard started to be implemented since 12nd June 2017. For the government subsidies that were already occurred on 1st January 2017, the prospective application method shall be applied for the accounting treatment; for the government subsidies occurred between 1st January 2017 and the implementation date, should be adjusted in line with the new standards.

Ministry of Finance of the People's Republic of China issued "Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises", revising the format of financial statements of general enterprises which shall be applied for the financial statement of the year of 2017 and afterwards.

The content and reasons of changes in accounting policies	Procedure for approval	The items and amount which will be affected
(1) "Continuous operating profit and loss" and "Termination of business profit and loss" shall be listed in income statement and comparative figures are adjusted accordingly.	Approved by Board of Directors	The amount of "continuous operating profit and loss" is RMB156,171,264.33, the amount of "termination of business profit and loss" is RMB0.00 for the year of 2017; the amount of "continuous operating profit and loss" is RMB169,009,661.65, the amount of "termination of business profit and loss" is RMB0.00 for the year of 2016.
(2) The government subsidies which related to daily operating activities should be listed in other income instead of non-operating income and the comparative figures are not adjusted	Approved by Board of Directors	Other income: RMB4,301,606.40
(3) New item of "gains on disposal of assets" shall be added in the income statement. Part of gains on disposal of assets which listed in non-operating profit/loss shall be reclassified in the item of "gains on disposal of assets". comparative figures are adjusted accordingly.	Approved by Board of Directors	The non-operating profit/loss of RMB -669,559.13 and RMB-1,846,134.67 for the current period and preceding period is reclassified to the item of "gains on disposal of assets".

Notes to the 2017 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXX) The change in significant accounting policies and accounting estimates (Continued)

2. The change in significant accounting estimates

There is no change in significant accounting estimates for the period.

IV. Taxation

(I) Main types of taxes and corresponding rates

Tax Type	Tax basis	Tax rate
Value-added Tax ("VAT")	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	17%, 11%, 7%, 6%, 5%, 3%
City maintenance and construction tax	Based on business tax paid, VAT and sale tax	7%, 5%
Enterprise income tax	Based on taxable profits	25%, 15% more details as followed

Companies subject to different income tax rates are disclosed as follows:

Name of the companies	Income tax rate
Galant Limited	16.50%
Hong Kong China Electronic Jiahua Trading Co., Ltd	16.50%
Nanjing Panda Electronic Manufacture Co., Ltd.	15.00%
Nanjing Panda Communication Technology Co., Ltd.	15.00%
Nanjing Huage Electronics Plastic Industry Co., Ltd	15.00%
Nanjing Panda Information Industry Co., Ltd.	15.00%
Nanjing Panda Electromechanical Instrument Technology Co., Ltd	15.00%
Shenzhen Jinghua Information Technology Co., Ltd	15.00%
Nanjing Panda Electronic Equipment Co., Ltd.	15.00%
Shanghai Panda Robot Technology Co., Ltd.	20.00%
Shenzhen Jingjia Property Management Co., Ltd	20.00%

Notes to the 2017 Financial Statements *(Continued)*

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

IV. Taxation (Continued)

(II) Tax Preference

1. Nanjing Panda Electronic Manufacture Co., Ltd, a subsidiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission and other commission on 7 December 2017, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201732003580). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2017 to 31 December 2019.
2. Nanjing Panda Communication Technology Co., Ltd, a subsidiary of the Company, is recognised as a high-tech enterprise by Jiangsu Science & Technology Commission and other commission on 7 December 2017, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201732003313). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2017 to 31 December 2019.
3. Nanjing Huage Appliance and Plastic Industrial Co., Ltd, a sub-sub-sidiary of the Company, is recognised as a high-tech enterprise by Jiangsu Science & Technology Commission on 7 December 2017, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201732002602). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2017 to 31 December 2019.
4. Nanjing Panda Information Industry Co., Ltd, a subsidiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission on 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.
5. Nanjing Panda Electromechanical Instrument Technology 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. GR201532002564). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2015 to 31 December 2017.
6. Shenzhen Jinghua Information Technology Co., Ltd, a sub-sub-sidiary 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.
7. Nanjing Panda Electronic Equipment Co., Ltd, a sub-sub-sidiary 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.

Notes to the 2017 Financial Statements *(Continued)*

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

IV. Taxation (Continued)

(II) Tax Preference (Continued)

8. Shanghai Panda Robot Technology Co., Ltd., a subsidiary of the Company was regarded as small low-profit enterprise in 2015. The tax basis is as the 50% of the taxable income, the applicable rate is 20% from 1 October 2015 to 31 December 2017.
9. Shenzhen Jingjia Property Management Co., Ltd, a sub-sub-subsubsidiary of the Company was regarded as small low-profit enterprise. The tax basis is as the 50% of the taxable income, the applicable rate is 20%.
10. According to "Taxation on Value-added Tax Policies for Software Products" (Cai Shui [2011] No. 110), 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%.
11. According to Article 30 of "Enterprise Income Tax Law of the People's Republic of China" and Article 95 of "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China" and the income tax preference of R&D expenses deduction in 2017, 150% of the actual costs of the R&D expenses shall be deducted before tax payment.
12. The high-tech enterprise certificate of the Company has been expired in the year of 2016. The Company did not apply for new certificate and therefore not enjoy the tax preference. There is no influence of the tax preference on the financial statement.

The subsidiaries registered in Hong Kong applies the local tax rate in the local.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement

1. Monetary Capital

Items	Closing balance	Opening balance
Cash	348,203.19	540,213.61
Bank deposit	1,191,248,912.54	1,141,143,705.66
Other currency	137,148,180.77	160,118,977.19
Total	1,328,745,296.50	1,301,802,896.46
Among: total amount of currency in foreign countries	18,638,048.69	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	74,808,590.86	63,361,306.16
The letter of credit deposit	9,692,195.77	22,323,252.24
Guarantee deposit	52,647,394.14	74,434,418.79
Total	137,148,180.77	160,118,977.19

By the end of 31 December 2017, other currency amounting to RMB137,148,180.77 includes the deposits of bank's acceptance of bill as well as unconditional and irrevocable letter of guarantee and etc.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

2. Notes receivable

2.1. Notes receivable shown as classification

Type	Closing balance	Opening balance
Bank acceptance	232,310,149.59	312,972,457.59
Business acceptance		
Total	232,310,149.59	312,972,457.59

2.2. There is no notes receivable which was pledged

2.3. 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	The amount has not been terminated at the end of the period
Bank acceptance	55,724,669.01	89,370,916.88
Trade acceptance		
Total	55,724,669.01	89,370,916.88

2.4. There is no notes receivable turning into accounts receivable due to issuer's default at the year end.

2.5. The notes receivable at the end of the year all will be expired within 6 months.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Accounts receivable

3.1. Accounts receivable shown by aging

Aging	Closing balance				
	Carrying Amount		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Within 1 year (including 1 year)	963,777,005.59	73.28	373,982.71	0.04	963,403,022.88
1-2 years	198,065,358.99	15.06	3,255,903.86	1.64	194,809,455.13
2-3 years	129,609,977.66	9.85	20,265,749.86	15.64	109,344,227.80
Over 3 years	23,818,267.70	1.81	8,970,233.28	37.66	14,848,034.42
Total	1,315,270,609.94	/	32,865,869.71	/	1,282,404,740.23

Aging	Opening balance				
	Carrying Amount		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Within 1 year (including 1 year)	912,372,019.13	72.20	37,423.55		912,334,595.58
1-2 years	278,807,972.22	22.07	13,348,967.60	4.79	265,459,004.62
2-3 years	47,980,643.10	3.80	3,054,693.17	6.37	44,925,949.93
Over 3 years	24,395,536.58	1.93	8,379,102.65	34.35	16,016,433.93
Total	1,263,556,171.03	/	24,820,186.97	/	1,238,735,984.06

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Accounts receivable (Continued)

3.1. Accounts receivable shown by aging (Continued)

Accounts receivable shown by classification

Type	Closing balance				
	Carrying Amount		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually	1,062,822,027.01	80.81	17,932,520.29	1.69	1,044,889,506.72
Accounts receivable with individual insignificance but individually accruing bad debt provision	252,448,582.93	19.19	14,933,349.42	5.92	237,515,233.51
Total	1,315,270,609.94	/	32,865,869.71	/	1,282,404,740.23

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

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Accounts receivable (Continued)

3.1. Accounts receivable shown by aging (Continued)

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

Debtor	Closing balance			Reason
	Account receivable	Bad debt provision	Percentage (%)	
Nanjing CEC Panda FPD Technology Co., Ltd.	219,638,080.32			Expected to be recovered
Xi'an Cai Hong Optoelectronics Technology Co., Ltd	90,396,976.00			Expected to be recovered
DaiFuKu Automatic Handling Equipment (Suzhou) Co., Ltd.	72,777,879.60			Expected to be recovered
Nanjing Panda Handa Technology Co., Ltd	59,736,132.38	33,649.21	0.06	Current value of the expected future cash flow is lower than its carrying value
Nari Technology Development Limited Company	50,673,973.53	312,997.32	0.62	Current value of the expected future cash flow is lower than its carrying value
SOUTHERN TELECOM INC.	48,026,488.66			Expected to be recovered
Nanjing Metro Group Co., Ltd.	46,751,567.51			Expected to be recovered
Nanjing Tieda Supply Chain Management Co., Ltd	43,234,323.46			Expected to be recovered
Nanjing Panda Investment Co., Ltd	35,559,458.86			Expected to be recovered
CommScope Communication Technology (China) Co., Ltd	30,943,996.84			Expected to be recovered
Guizhou Zhenhua E-Chem Co., Ltd	30,198,680.00			Expected to be recovered
Nanjing Panda Electronics Imp. & Exp. Co., Ltd.	25,146,791.34	695,611.41	2.77	Current value of the expected future cash flow is lower than its carrying value
Nanjing CEC Panda LCD Technology Co., Ltd.	21,338,913.06			Expected to be recovered
Nanjing Hongfuxia Precision Electronics Co., Ltd	18,694,495.37			Expected to be recovered
Suzhou Rail Transit Group Co., Ltd	16,376,057.39			Expected to be recovered
Nanjing Yougete Communication Equipment Co., Ltd.	14,285,000.00	14,285,000.00	100.00	Current value of the expected future cash flow is lower than its carrying value
Nanjing Tata AutoComp Systems Ltd	14,284,278.94	32,922.95	0.23	Current value of the expected future cash flow is lower than its carrying value

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Accounts receivable (Continued)

3.1. Accounts receivable shown by aging (Continued)

Debtor	Closing balance			Reason
	Account receivable	Bad debt provision	Percentage (%)	
CEC Panda Liquid Crystal Material Technology Co., Ltd.	13,709,014.18			Expected to be recovered
Xinjiang Uygur Autonomous Region Press and Publications Bureau of Radio and Television	13,564,150.80			Expected to be recovered
Shanghai Weienshi Trading Co., Ltd.	11,330,434.50	1,922,339.40	16.97	Current value of the expected future cash flow is lower than its carrying value
Shenzhen Jinghua Network Marketing Co. Ltd	11,266,800.00			Expected to be recovered
Shanxi Cai Hong Electronic Glass Co., Ltd	10,898,078.00			Expected to be recovered
Shanghai Amphenol Airwave (SAA) Co. Ltd	10,301,786.52			Expected to be recovered
Radio Frequency Systems (Suzhou) Co. Ltd	9,166,657.63			Expected to be recovered
Nanjing Rail Transit Systems Co., Ltd	9,114,307.40			Expected to be recovered
Foxconn Industry (Shenzhen) Co., Ltd	7,893,923.53			Expected to be recovered
Jiangsu Cable Network Development Co. Ltd Sihong Branch	7,644,000.00			Expected to be recovered
Fuzhou Jingdongfang photoelectric Technology Co., Ltd	7,592,535.99			Expected to be recovered
Rainbow (Hefei) Liquid Crystal Glass	7,415,200.00			Expected to be recovered
Chengdu Guoheng Technology Engineering Co., Ltd	7,020,000.00			Expected to be recovered
Kunshan Govisionox Optoelectronics Co., Ltd	6,943,281.00			Expected to be recovered
China Construction First Building (Group) Corporation Limited	6,555,925.75			Expected to be recovered
Jiangsu Zhongshi Environment Technology Co. Ltd	6,500,000.00	650,000.00	10.00	Current value of the expected future cash flow is lower than its carrying value
Majie (Suzhou) Technology Co. Ltd	6,133,699.59			Expected to be recovered
Xiamen Jiuhua Communication Equipment Factory	6,080,000.00			Expected to be recovered

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Accounts receivable (Continued)

3.1. Accounts receivable shown by aging (Continued)

Debtor	Closing balance			Reason
	Account receivable	Bad debt provision	Percentage (%)	
Xiaotang Technology (Shanghai) Co., Ltd	5,991,500.00			Expected to be recovered
Jingmen Wanda Plaza Investment Co., Ltd	5,954,645.09			Expected to be recovered
Kunshan Eson Machinery Industrial Co., Ltd.	5,893,049.35			Expected to be recovered
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	5,540,835.20			Expected to be recovered
Anhui Province Press and Publications Bureau of Radio and Television	5,540,608.00			Expected to be recovered
Hangzhou Amphenol Phoenix Telecom Parts Co., Ltd	5,509,929.27			Expected to be recovered
Xuzhou Wanda Plaza Co., Ltd	5,346,108.43			Expected to be recovered
Kunshan Weitieke Optoelectronic Device Co., Ltd	5,281,514.79			Expected to be recovered
Huatai Group Co., Ltd	5,213,958.85			Expected to be recovered
BSH Hausgeräte GmbH	5,172,124.83			Expected to be recovered
Zhejiang Inigma Rail Transport Engineering Co., Ltd	5,094,051.40			Expected to be recovered
ACEGAME S.A/ACETEK	5,090,813.65			Expected to be recovered
Total	1,062,822,027.01	17,932,520.29	/ /	

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

The amount of provision for bad debt incurred in current period is RMB14,279,799.22 and the amount of provision for bad debt reversed or received in current period is RMB4,401,827.14.

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 Drum Tower Hospital	1,313,521.02	Specific provision	The amount has been received	Cash and Bank

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Accounts receivable (Continued)

3.3. Accounts receivable effectively verified in the period

Item	The amount incurred in current period
Accounts receivable effectively verified	1,832,289.34

The significant situation of effectively verification in the period

Debtor	Nature	Verified amount	Reason	Approved approach	Whether caused by related party transaction
Ningxia Hui Zu Autonomous Region Press and Publications Bureau of Radio and Television	Payment of goods	1,749,813.00	Expected not to be recovered	Approved by Board of Directors	No

3.4. The top five debtors of accounts receivable at the end of the year

Debtor	Closing balance		Bad debt provision
	Amount	Proportion of total account receivable (%)	
Nanjing CEC Panda FPD Technology Co., Ltd.	219,638,080.32	16.70	
Xi'an Cai Hong Optoelectronics Technology Co., Ltd	90,396,976.00	6.87	
DaiFuKu Automatic Handling Equipment (Suzhou) Co., Ltd.	72,777,879.60	5.53	
Nanjing Panda Handa Technology Co., Ltd	59,736,132.38	4.54	33,649.21
Nari Technology Development Limited Company	50,673,973.53	3.85	312,997.32
Total	493,223,041.83	37.49	346,646.53

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

3.6. At the end of the period, there is no transfer of accounts receivable and continue to be involved in for form to assets and liabilities' situations.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Accounts receivable (Continued)

3.7. The situation of overdue accounts receivable

Item	Closing balance
Accounts receivable not overdue and not impaired	831,408,331.93
Accounts receivable overdue and not impaired – within 3 months	127,191,873.47
Accounts receivable overdue and not impaired – over 3 months	<u>323,804,534.83</u>
Total	<u><u>1,282,404,740.23</u></u>

3.8. Notes to accounts receivable

When selling large products or providing construction project service, the Company normally asked the clients deposit or progress payment. Quality guarantee deposit is between 5% and 10% of the total sales and the guarantee period is 1 to 2 years.

As to other products sales, the transaction terms signed between the Company and clients are mainly based on credit. The company normally requires new clients to pay in advance or cash on delivery. The credit period is usually in 3 months and the period can be extended up to 6 months for main clients. The Company strictly takes control of accounts receivable which has not been recovered and introduces credit control police in order to minimise the credit risk. Executives check the overdue balance of accounts receivable regularly. Additionally, accounts receivables are formed in different industries and due to the clients diversification, the Company does not suffer from material and centralised credit risk. The accounts receivable do not accrual interest.

The largest credit risk of The Company's accounts receivable is the carrying value of accounts receivable in the consolidated financial statement. Due to the top five debtors of accounts receivable occupying 37.49% and 44.94% of total accounts receivable in consolidated financial statement for the year of 2017 and 2016 respectively, The Company does not suffer from material and centralised credit risk.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

4. Advances paid

4.1. Categorised by age

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year (including one year)	202,239,960.73	81.39	126,596,153.39	88.44
One to two years (including two years)	32,629,089.81	13.13	10,512,150.10	7.34
Two to three years (including three years)	8,929,239.77	3.59	4,834,196.64	3.38
Over three years	4,690,350.44	1.89	1,198,247.93	0.84
Total	248,488,640.75	100.00	143,140,748.06	100.00

The main significant advance payment with aging over 1 year amounts to RMB40,497,258.56, most of which is goods and projects payment and not settled due to transportation and projects not finished.

4.2. 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	29,892,838.20	12.03
Cosmic Industry Co., Ltd	14,473,214.41	5.82
Anhui Province Costume Import and Export Co., Ltd	13,260,434.00	5.34
Customs of the People's Republic of China (Chengdu)	11,151,967.48	4.49
Nanjing Aoming Jiatong Construction Material Trading Co., Ltd	10,722,381.44	4.32
Total	79,500,835.53	32.00

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

5. Other receivables

5.1. Disclosure of other receivables classified by type:

Items	Closing balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	proportion (%)	Amount	proportion (%)	
Other receivables with individual significance and individually accruing bad debt provision	35,405,171.27	42.44	1,295,900.00	3.66	34,109,271.27
Other receivables without individual significance but individually accruing bad debt provision	48,014,406.76	57.56	2,335,162.80	4.86	45,679,243.96
Total	83,419,578.03		3,631,062.80		79,788,515.23

Items	Opening balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	proportion (%)	Amount	proportion (%)	
Other receivables with individual significance and individually accruing bad debt provision	27,677,609.98	34.77			27,677,609.98
Other receivables without individual significance but individually accruing bad debt provision	51,913,099.62	65.23	1,914,525.41	3.69	49,998,574.21
Total	79,590,709.60		1,914,525.41		77,676,184.19

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

5. Other receivables (Continued)

5.1. Disclosure of other receivables classified by type: (Continued)

Other receivables with individual significance and individually accruing bad debt provision

Debtor	Closing balance			
	Other receivable	Bad debt provision	Proportion (%)	Reason
State Administration of Taxation	18,992,849.27			Expected to be recovered
Jinling Customs deposit	9,475,322.00			Expected to be recovered
MCT Worldwide LLC	6,937,000.00	1,295,900.00	18.68	Current value of the expected future cash flow is lower than its carrying value
Total	<u>35,405,171.27</u>	<u>1,295,900.00</u>		

5.2. Provision, return and recovery of bad debts in this period

Items	Opening balance	Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Other receivables effectively verified	Closing balance
Other receivables	1,914,525.41	1,742,759.81	24,124.77	2,097.65	3,631,062.80

5.3. Other receivables effectively verified in this period

Item	Verified Amount
Other receivables effectively verified	2,097.65

There is no significant situation of other receivables effectively verified in this period.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

5. Other receivables (Continued)

5.4. 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	63,058,801.80	46,136,005.78
Export Refund	18,992,849.27	20,740,609.98
Others	1,367,926.96	12,714,093.84
Total	83,419,578.03	79,590,709.60

5.5. 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
State Administration of Taxation	Export refund	18,992,849.27	Within 1 year	22.77	
Jinling Customs deposit	Deposit	9,475,322.00	Within 1 year	11.36	
MCT Worldwide LLC	Deposit	6,937,000.00	2-3 years	8.32	1,295,900.00
Chengdu Metro Limited Liability Company	Deposit	3,158,921.00	1-2 years	3.79	
Tibet Autonomous Region Press and Publications Bureau of Radio and Television	Deposit	2,310,890.00	1-4 years	2.77	
Total		40,874,982.27		49.01	1,295,900.00

5.6. There are no other receivables related to government grants at the current period

5.7. There is no situation of derecognition of other receivables due to the transferring of financial assets.

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

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

6. Inventories

6.1. Inventories by category

Item	Closing balance			Opening balance		
	Remaining carrying amount	Provision for depreciation	Carrying value	Remaining carrying amount	Provision for depreciation	Carrying value
Raw materials	142,623,119.28	6,824,171.02	135,798,948.26	100,981,220.11	11,426,296.26	89,554,923.85
Materials in transit						
Circulating materials	990,723.42		990,723.42	2,636,811.12		2,636,811.12
Consigned commodities	19,563,377.91		19,563,377.91	4,767,877.01		4,767,877.01
Work in progress	294,276,933.15	2,727,459.62	291,549,473.53	230,376,875.54	6,370,236.49	224,006,639.05
Stored commodities	130,555,358.81	12,514,493.42	118,040,865.39	124,327,512.41	15,958,528.76	108,368,983.65
Delivered commodities	25,641,624.11	566,451.91	25,075,172.20	10,363,575.29	1,656,418.09	8,707,157.20
Total	613,651,136.68	22,632,575.97	591,018,560.71	473,453,871.48	35,411,479.60	438,042,391.88

6.2. Provision for inventory depreciation

Items	Opening Balance	Increment in this period		Reduction in this period		Closing balance
		Provision	Other	Returned	Recovery	
Raw materials	11,426,296.26	1,763,671.78		4,030,405.48	2,335,391.54	6,824,171.02
Materials in transit						
Circulating materials						
Consigned commodities						
Work in progress	6,370,236.49			247,373.00	3,395,403.87	2,727,459.62
Stored commodities	15,958,528.76	7,854,986.75		533,967.09	10,765,055.00	12,514,493.42
Delivered commodities	1,656,418.09			70,133.61	1,019,832.57	566,451.91
Total	35,411,479.60	9,618,658.53		4,881,879.18	17,515,682.98	22,632,575.97

The provision for inventory depreciation is due to the situation that net realised value is lower than carrying value, and at the same time the provision return for inventory depreciation is due to the fact that the bad signals affecting net realised value to be lower than carrying value has been improved/disappeared.

6.3. No capitalised borrowing cost in closing balance

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

7. Held-for-sale assets

7.1. Assets which is classified as held-for-sale assets

Item	Closing balance			Fair value	Expected disposal expenses	Expected disposal date	Disposal approach	Reason	Department
	Carrying amount	Provision for impairment loss	Carrying value						
Housing and building	78,387,788.27		78,387,788.27	671,540,000.00	160,000,000.00	2018	Non-monetary asset exchange	Replacement of asset	Other
Total	<u>78,387,788.27</u>		<u>78,387,788.27</u>	<u>671,540,000.00</u>	<u>160,000,000.00</u>				

According to the assets disposal agreement of G17091618 signed among the Company, Panda Electronics Group Co., Ltd and Nanjing Panda Investment and Development Co., Ltd, the Company disposed the No. 54 Building and Appurtenances located at No. 301 Zhongshan East Road to Panda Electronics Group Co., Ltd. In exchange, Panda Electronics Group Co., Ltd make use of the building with the equivalent square which is owned by its wholly-owned subsidiary Nanjing Panda Investment and Development Co., Ltd to exchange the No. 54 Building and Appurtenances. The non-monetary asset exchange is approved by the 8th temporary Board Meeting and 1st temporary shareholders Meeting in 2017.

8. 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, Input tax to be credited and Input tax to be certified	11,476,211.21	10,633,287.31
Enterprise Income Tax paid in advance	3,728,262.73	385,606.58
Other tax paid in advance	206,019.70	
Total	<u>465,410,493.64</u>	<u>259,018,893.89</u>

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

9. Available-for-sale financial assets

9.1. Available-for-sale financial assets

Items	Closing balance			Opening balance		
	Remaining carrying amount	Provision for impairment	Carrying Value	Remaining carrying amount	Provision for impairment	Carrying Value
Available-for-sale debt instrument						
Available-for-sale equity instrument	3,650,000.00	-	3,650,000.00	3,650,000.00	-	3,650,000.00
Include: measured at fair value						
Measured at cost	3,650,000.00	-	3,650,000.00	3,650,000.00	-	3,650,000.00
Total	<u>3,650,000.00</u>	<u>-</u>	<u>3,650,000.00</u>	<u>3,650,000.00</u>	<u>-</u>	<u>3,650,000.00</u>

9.2. There is no available-for-sale financial assets measured at fair value at the end of the period

9.3. 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		
Jiangsu Research and Design Institute Of Urban Rail Transit Co., Ltd	3,650,000.00			3,650,000.00				7.30	
Total	<u>3,650,000.00</u>			<u>3,650,000.00</u>					

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

10. Long-term equity investments

Investee	Opening balance	The current period changes							Closing balance	Impairment provision at the end of the year
		Increase	Decrease	Under the equity method to confirm the investment profit and loss	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits	Others		
1. Joint Ventures										
Nil										
Subtotal										
2. Associates										
Nanjing Ericsson Panda Communication Co., Ltd.	236,639,962.00			54,477,564.00			-65,490,442.00		225,627,084.00	
Beijing SE Putian Mobile Communications Co., Ltd.	115,542,176.42			18,441,366.00			-37,203,302.26		96,780,240.16	
Nanjing Thales Panda Transportation System Company Limited	9,313,494.30								9,313,494.30	
Shenzhen Jing'in Electronic Co., Ltd.	512,709.34		-512,709.34							
Shenzhen Jinghua Network Marketing Co., Ltd.	824,921.06	276,000.00	-263,858.87	562,662.75			-746,147.90		653,577.04	
Shenzhen Chebao Information Technology Co., Ltd.	242,860.02	244,022.45	-244,022.45	8,279.27					251,139.29	
Nanjing Huaxian High Technology Co., Ltd.										
Subtotal	363,076,123.14	520,022.45	-1,020,590.66	73,489,872.02			-103,439,892.16		332,625,534.79	
Total	363,076,123.14	520,022.45	-1,020,590.66	73,489,872.02			-103,439,892.16		332,625,534.79	

Note: Nanjing Huaxian High Technology Company is the associates of the Company, the carrying value of the long-term equity investment has decreased to zero. Nanjing Thales Panda Transportation System Company Limited is under the procedure of written-off.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

11. Investment property

11.1. Investment properties measured by cost

Items	Housing and buildings	Land-use right	Construction in progress	Total
1. Original carrying value				
(1) Opening balance	61,737,767.90			61,737,767.90
(2) Increase in the period	5,539,986.04			5,539,986.04
– acquired				
– inventory/fixed assets transferred from construction in progress	5,539,986.04			5,539,986.04
– increase in mergers of corporates				
– others				
(3) Decrease in the period				
– disposal				
– others				
(4) Closing balance	<u>67,277,753.94</u>			<u>67,277,753.94</u>
2. Accumulated depreciation and accumulated amortisation				
(1) Opening balance	53,267,825.96			53,267,825.96
(2) Increase in the period	5,695,393.24			5,695,393.24
– provision or amortisation	1,218,191.96			1,218,191.96
– transferred in	4,477,201.28			4,477,201.28
(3) Decrease in the period				
– disposal				
– others				
(4) Closing balance	<u>58,963,219.20</u>			<u>58,963,219.20</u>
3. Provision for impairment				
(1) Opening balance				
(2) Increase in the period				
– provision				
– others				
(3) Decrease in the period				
– disposal				
– others				
(4) Closing balance				
4. Carrying Value				
(1) Carrying value at the end of the period	8,314,534.74			8,314,534.74
(2) Carrying value in the beginning of the year	<u>8,469,941.94</u>			<u>8,469,941.94</u>

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

11. Investment property (Continued)

11.2. There are no investment properties without property certificate

11.3. The investment properties of the Company are all landed in China Mainland and leased for office-use in a short-term (within 10 years).

12. Fixed assets

12.1. Status of fixed assets

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
1. Original carrying value						
(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		23,144,269.14	2,862,713.29	5,708,072.85	1,239,674.06	32,954,729.34
– acquired		10,568,805.54	2,862,713.29	5,554,878.47	1,239,674.06	20,226,071.36
– inventory/ fixed assets transferred from construction in progress		12,575,463.60		153,194.38		12,728,657.98
– increase in mergers of corporates						
– transferred in						
(3) Decrease in the period	199,282,551.47	6,520,020.99	2,419,390.52	1,743,330.24	1,581,861.58	211,547,154.80
– disposal		6,520,020.99	2,419,390.52	1,743,330.24	1,581,861.58	12,264,603.33
– transferred out	199,282,551.47					199,282,551.47
(4) Closing balance	839,969,600.02	393,818,043.47	29,063,655.98	59,312,713.67	52,991,230.42	1,375,155,243.56
2. Accumulated depreciation						
(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	32,493,109.12	26,958,780.14	3,721,511.75	9,629,164.21	4,857,983.74	77,660,548.96
– provision	32,493,109.12	26,958,780.14	3,721,511.75	9,629,164.21	4,857,983.74	77,660,548.96
– transferred in						
(3) Decrease in the period	120,723,480.44	5,847,099.57	1,986,763.33	1,361,769.88	917,681.78	130,836,795.00
– disposal or retired		5,847,099.57	1,986,763.33	1,361,769.88	917,681.78	10,113,314.56
– others	120,723,480.44					120,723,480.44
(4) Closing balance	169,737,649.62	265,671,938.95	17,088,000.66	35,500,707.79	33,538,503.78	521,536,800.80

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

12. Fixed assets (Continued)

12.1. Status of fixed assets (Continued)

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
3. Provision for impairment						
(1) Opening balance		10,700.00		52,722.66		63,422.66
(2) Increase in the period						
– provision						
– transferred in						
(3) Decrease in the period						
– disposal or retired						
– others						
(4) Closing balance		10,700.00		52,722.66		63,422.66
4. Carrying Value						
(1) Carrying value at the end of the period	670,231,950.40	128,135,404.52	11,975,655.32	23,759,283.22	19,452,726.64	853,555,020.10
(2) Carrying value in the beginning of the year	781,284,130.55	132,622,836.94	13,267,080.97	28,061,934.94	23,735,216.12	978,971,199.52

Note: the amount of depreciation increased in this year is RMB77,660,548.96 and recorded in profit and loss in accordance with beneficiaries. The original carrying value transferred out is due to the transferring from fixed assets to held-for assets, investment properties.

12.2. No temporary idle fixed assets at the end of the period

12.3. No finance leased fixed assets at the end of the period

12.4. Fixed assets operating leased through operating leases

Items	Carrying value at the end of the year
Housing and buildings	28,802,281.93
Machinery and equipment	2,498,704.53
Total	31,300,986.46

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

12. Fixed assets (Continued)

12.5. Fixed assets with unfinished certificate

Items	Carrying value	Reasons for unfinished certificate
Housing and building (Shenzhen Longgang Jinghua Electronic Co., Ltd)	19,352,773.60	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	6,519,048.80	The certificate is in progress

12.6. Notes to fixed asset

The situation of fixed assets used in China mainland:

Period	Closing balance	Opening balance
Medium-term (10–50 years)	670,231,950.40	781,284,130.55
Short-term (within 10 years)	183,323,069.70	197,687,068.97

13. Construction in process

13.1. 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
Digitalised factory of industrial robot manufacturing project	47,344,635.98		47,344,635.98			
SAP-ERP System	1,539,752.37		1,539,752.37			
Machinery and Equipment	1,162,963.30		1,162,963.30	805,872.09		805,872.09
The First Phase of Electronic Equipment Industry	126,117.19		126,117.19	126,117.19		126,117.19
Network management system	50,692.31		50,692.31	50,692.31		
Others	486,462.80		486,462.80	519,539.72		519,539.72
Total	50,659,931.64		50,659,931.64	1,502,221.31		1,502,221.31

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

13. Construction in process (Continued)

13.2. Changes in key construction in progress

Project	Budget	Opening balance	Increase in the period	Amount	Other	Closing balance	Ratio of	Progress of construction	Accumulated amount of capitalised interest	Including: capitalised amount if	Rate of	Source of funding
				transfer to fixed assets in the period	decreased amount in the period		accumulated contribution to the construction to budget (%)				capitalisation of interest in the period (%)	
Machinery and Equipment		805,872.09	12,996,267.39	12,639,176.18		1,162,963.30						Owned fund
The First Phase of Electronic Equipment Industry	0.55 billion	126,117.19				126,117.19	23.00	23.00%				Owned fund
Network management system		50,692.31			50,692.31			100.00%				Owned fund
Others		519,539.72	56,404.88	89,481.80		486,462.80						Owned fund
SAP-ERP System			1,539,752.37			1,539,752.37						Owned fund
Digitalised factory of industrial robot manufacturing project	0.55 billion		47,344,635.98			47,344,635.98	87.00	88.00%				Owned fund
Total		1,502,221.31	61,937,060.62	12,728,657.98	50,692.31	50,659,931.64						

Note: all the unfinished construction in progress project is in the stage of implementation. The budget of the first phase of electronic equipment industry includes the value of land

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

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

14. Intangible assets

14.1. Status of intangible assets

Items	Land use right	Trademark use rights	Computer software	Patents	Software copyright	Non-patented technology	Total
1. Original carrying value							
(1) Opening balance	85,447,867.71	158,340,000.00	9,052,170.50	25,705.00	2,796,660.01	26,092,547.92	281,754,951.14
(2) Increase in the period	8,557,035.19		1,040,228.28	4,400.00	94,017.09		9,695,680.56
– acquired	8,557,035.19		989,535.97	4,400.00	94,017.09		9,644,988.25
– internal research and development							
– increase in mergers of corporates							
– transferred in			50,692.31				50,692.31
(3) Decrease in the period	2,097,551.00					4,102.56	2,101,653.56
– disposal							
– others	2,097,551.00					4,102.56	2,101,653.56
(4) Closing balance	<u>91,907,351.90</u>	<u>158,340,000.00</u>	<u>10,092,398.78</u>	<u>30,105.00</u>	<u>2,890,677.10</u>	<u>26,088,445.36</u>	<u>289,348,978.14</u>
2. Accumulated amortisation							
(1) Opening balance	11,370,150.43	158,340,000.00	6,526,892.63	17,039.61	1,009,302.86	7,349,238.68	184,612,624.21
(2) Increase in the period	2,002,163.64		981,151.26	3,927.73	561,996.80	5,085,717.35	8,634,956.78
– provision	2,002,163.64		981,151.26	3,927.73	561,996.80	5,085,717.35	8,634,956.78
– transferred in							
(3) Decrease in the period	1,206,049.00						1,206,049.00
– disposal							
– transferred out	1,206,049.00						1,206,049.00
(4) Closing balance	<u>12,166,265.07</u>	<u>158,340,000.00</u>	<u>7,508,043.89</u>	<u>20,967.34</u>	<u>1,571,299.66</u>	<u>12,434,956.03</u>	<u>192,041,531.99</u>
3. Provision for impairment							
(1) Opening balance							
(2) Increase in the period							
– provision							
– others							
(3) Decrease in the period							
– disposal							
– others							
(4) Closing balance							
4. Carrying value							
(1) Carrying value at the end of the period	79,741,086.83		2,584,354.89	9,137.66	1,319,377.44	13,653,489.33	97,307,446.15
(2) Carrying value in the beginning of the year	<u>74,077,717.28</u>		<u>2,525,277.87</u>	<u>8,665.39</u>	<u>1,787,357.15</u>	<u>18,743,309.24</u>	<u>97,142,326.93</u>

Note: the intangible assets which are formed by the internal research and development occupies for 0.00% of the total intangible assets. The amortization of intangible assets is RMB8,634,956.78 and recorded in the profits and losses.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

14. Intangible assets (Continued)

14.2. The situation of land use rights without certificates

Item	Carrying value	Reasons for unfinished certificate
Land for dormitory (No.2017GY21)	8,541,188.83	The certificate is in progress
Total	<u>8,541,188.83</u>	

14.3. Notes for intangible assets

The situation of intangible assets used in China mainland

Period	Closing balance	Opening balance
Long-term (within 50 years)	55,671,492.20	56,910,901.64
Short-term (10–50 years)	41,635,953.95	40,231,425.29

There is no land-use right pledged for loans in the year of 2016 and 2017.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement

15. Long-term expenses to be amortised

Items	Opening balance	Increase in the period	Amortised in the period	Other decreased amount	Closing balance
Afforest for Electronic Equipment Industry	2,975,174.76		2,100,123.36		875,051.40
Purification Room Renovation Project	1,764,866.75		460,399.92		1,304,466.83
Fencing Wall for Electronics Equipment Industrial Park	583,752.85		291,876.36		291,876.49
Logo Production for Electronic Equipment Industry	498,971.36		249,485.64		249,485.72
Waterproof Insulation Fire Control Project	490,610.78		194,459.76		296,151.02
MCT Building Renovation Project	176,347.95		100,770.24		75,577.71
Other Miscellaneous Project	505,622.42	511,402.56	506,845.86		510,179.12
Total	6,995,346.87	511,402.56	3,903,961.14		3,602,788.29

16. Deferred income tax assets and deferred income tax liabilities

16.1. 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	34,553,125.48	5,310,269.88	39,089,091.79	5,796,085.45
Internal offset of unrealised profit	3,911,824.80	977,956.20		
Accrued expenses	3,722,072.26	828,547.34	2,308,343.66	494,052.05
Salaries payable	14,115,150.24	2,117,272.54	15,979,811.79	2,489,564.64
Total	56,302,172.78	9,234,045.96	57,377,247.24	8,779,702.14

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

16. Deferred income tax assets and deferred income tax liabilities (Continued)

16.2. Deferred income tax liabilities not yet eliminated

Items	Closing balance		Opening Balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	531,868.69	79,780.30	739,588.07	110,938.21
Long-term payable			150,815.66	22,622.34
Total	<u>531,868.69</u>	<u>79,780.30</u>	<u>890,403.73</u>	<u>133,560.55</u>

16.3. Breakdown of unrecognised deferred income tax

Items	Closing balance	Opening balance
Deductible temporary difference	83,817,308.06	129,044,542.21
Deductible losses	<u>111,781,469.93</u>	<u>99,078,636.06</u>
Total	<u>195,598,777.99</u>	<u>228,123,178.27</u>

16.4. Deductible loss of unrecognised deferred income tax assets due next year :

Year	Closing balance	Opening balance	Notes
2017		2,748,293.93	
2018	11,834,295.44	13,893,110.15	
2019	881,467.70	4,671,803.81	
2020	42,623,909.96	54,084,242.94	
2021	30,155,592.87	23,681,185.23	
2022	<u>26,286,203.96</u>		
Total	<u>111,781,469.93</u>	<u>99,078,636.06</u>	

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

17. Short-term borrowings

17.1. 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>

17.2. There is no short term loans expired but not repaid.

17.3. Details of short-term borrowings

Period	Amount	Creditor	Approach
12months (2017/4/1–2018/4/1)	45,000,000.00	Ping An Bank Nanjing Branch	Guaranteed

The bank interest rate is applied with benchmark interest rate for loan 4.35% plus 5.00 percentage.

18. Notes payable

Type	Closing balance	Opening balance
Bank promissory notes	183,557,608.11	143,691,812.27
Commercial promissory notes		
Total	<u>183,557,608.11</u>	<u>143,691,812.27</u>

Note: There is no bills payable expired but not repaid. The above notes will be expired within one year.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

19. Accounts payable

19.1. List of accounts payable

Classified by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	1,048,824,443.59	831,956,355.53
1-2 years	164,119,320.61	201,090,928.92
2-3 years	79,250,265.58	54,660,157.03
Over 3 years	50,759,752.77	20,724,109.36
Total	<u>1,342,953,782.55</u>	<u>1,108,431,550.84</u>

Classified by nature

Items	Closing balance	Opening balance
Payment for goods	1,027,943,892.19	858,241,052.68
Project funds	282,555,339.45	225,407,018.14
Processing and maintenance funds	17,250,252.72	10,949,949.90
Logistics warehousing funds	6,354,302.33	4,079,273.31
Others	8,849,995.86	9,754,256.81
Total	<u>1,342,953,782.55</u>	<u>1,108,431,550.84</u>

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

19. Accounts payable (Continued)

19.2. Significant account payables aged over 1 year

Items	Closing balance	Reasons for outstanding or carried forward
Nanjing Panda Electronics Imp. & Exp. Co., Ltd.	26,006,028.14	Not settled
Jiangsu Bodyyuan Electronics Technology Co., Ltd	7,032,043.87	Not settled
Nanjing Sun Asia Electronics Co., Ltd	6,079,201.90	Not settled
Shanghai Railway Communication Co., Ltd	5,467,145.40	Not settled
Suzhou Golden Brain Intelligent System Engineering Co. Ltd	4,856,260.92	Not settled
Nantong Simao Trading Co., Ltd	4,621,153.84	Not settled
Kunshan Judong Photoelectricity Equipment Co., Ltd	4,158,180.00	Not settled
Jiangsu Hongsheng Construction Engineering Group Co., Ltd	3,652,815.68	Not settled
Shanghai Okamura Furniture and Logistic System Co., Ltd.	2,934,477.19	Not settled
Haitian Construction Group Co., Ltd	2,709,508.55	Not settled
Nanjing Ke'an Electronics Co., Ltd	2,411,673.45	Not settled
Panda Electronics Group Co., Ltd.	2,320,179.89	Not settled
Beijing Gold Barron Radio and TV Technology	2,043,408.48	Not settled
Total	<u>74,292,077.31</u>	

20. Advances received

20.1. List of advances received

Items	Closing balance	Opening balance
Project funds	139,717,628.57	100,569,323.85
Payment for goods	102,298,453.34	30,050,756.80
Others	751,598.00	2,074,478.60
Total	<u>242,767,679.91</u>	<u>132,694,559.25</u>

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

20. Advances received (Continued)

20.2. Significant advances received aged over 1 year

Items	Closing balance	Reasons for outstanding or carried forward
V-TECHNOLOGY CO., LTD.	12,394,147.14	Not settled
Liberation Army Nanjing Military Region Certain Department Office	4,610,000.00	Not settled
Xuzhou Tongshan District Public Security Bureau Traffic Patrolling Department	4,094,000.00	Not settled
Jiangsu Shuanggou Distillery Co., Ltd	2,255,606.32	Not settled
Chinese People's Liberation Army Certain Unit 1	1,278,000.00	Not settled
Chinese People's Liberation Army Certain Unit 2	1,201,000.00	Not settled
Nanjing Qiqiao Construction and Installation Engineering Co., Ltd.	1,020,000.00	Not settled
Jinling Technology College	1,000,660.00	Not settled
Total	<u>27,853,413.46</u>	/

21. Staff Remuneration Payable

21.1. Staff Remuneration Payable

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term Remuneration	23,829,717.22	431,031,364.49	431,751,762.84	23,109,318.87
Post-employment benefit established withdrawal and deposit scheme	308,272.88	38,110,455.78	38,227,856.49	190,872.17
Termination benefits	7,949,857.85	8,805,337.44	9,246,738.12	7,508,457.17
Other benefits due within 1 year				
Total	<u>32,087,847.95</u>	<u>477,947,157.71</u>	<u>479,226,357.45</u>	<u>30,808,648.21</u>

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

21. Staff Remuneration Payable (Continued)

21.2. 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	312,593,440.00	311,924,670.31	17,988,200.80
(2) Employee benefits fee		36,968,791.87	36,968,791.87	
(3) Social insurance fee	115,557.11	19,401,347.29	19,432,478.67	84,425.73
Inc.: medical insurance fee	108,579.59	16,727,450.50	16,759,784.63	76,245.46
work injury insurance fee	3,101.11	1,193,253.80	1,193,628.17	2,726.74
maternity insurance fee	3,876.41	1,480,642.99	1,479,065.87	5,453.53
(4) Housing provident fund	1,030,369.00	25,906,976.64	25,844,244.64	1,093,101.00
(5) Staff Union fee and Staff training cost	1,563,070.48	5,083,917.75	5,377,593.80	1,269,394.43
(6) Short-term paid leave				
(7) Short-term profit sharing scheme	3,318,000.00	2,000,000.00	3,088,000.00	2,230,000.00
(8) Labour fee	483,289.52	28,883,463.94	28,922,556.55	444,196.91
(9) Other short-term remuneration		193,427.00	193,427.00	
Total	23,829,717.22	431,031,364.49	431,751,762.84	23,109,318.87

21.3. Established withdrawal and deposit scheme

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic retirement insurance	290,960.93	36,443,597.49	36,550,503.20	184,055.22
Unemployment insurance fee	17,311.95	1,248,724.29	1,259,219.29	6,816.95
Corporate annuity		418,134.00	418,134.00	
Total	308,272.88	38,110,455.78	38,227,856.49	190,872.17

21.4. Notes to staff remuneration payable

The main amount of closing balance is the salary which has not been paid. There is no indication that the Company delays to pay for the staff maliciously.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

22. Tax payable

Tax Items	Closing balance	Opening balance
Value-added tax	12,418,217.69	27,700,318.87
Enterprise income tax	10,802,460.36	12,997,920.54
Individual income tax	2,527,124.51	1,554,733.26
Property Tax	1,955,249.94	1,609,540.48
Urban maintenance and construction tax	696,233.23	1,161,733.79
Land use tax	440,998.56	440,998.56
Educational surtax	349,000.20	662,982.56
Local educational surtax	144,670.33	170,288.52
Stamp tax	106,235.87	98,883.72
Business tax		192,703.82
Others	10,623.56	3,857.01
Total	29,450,814.25	46,593,961.13

23. Interest payable

Items	Closing balance	Opening balance
Interests for long-term borrowings repayable with interests accrued in instalments		
Interests of corporate bond		
Interests payable of short-term borrowings		23,835.62
Divided into equity instruments of the preferred stock dividend/sustainable debt		
Total		23,835.62

There is no significant interest payable which is overdue but not paid.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

24. Dividend Payable

Items	Closing balance	Opening balance
Ordinary share dividends-minority shareholders Divided into equity instruments of the preferred stock dividend/sustainable debt	3,742,966.79	18,529,612.95
Total	3,742,966.79	18,529,612.95

Notes: dividend payable over one year amounts to RMB3,317,135.59 because the shareholders did not ask for payment.

25. Other Payables

25.1. Other payables by nature

Items	Closing balance	Opening balance
State-owned capital management budget allocations	34,000,000.00	34,000,000.00
Deposit	45,670,131.06	47,331,218.66
Accounts with operating Accounts	29,216,928.52	26,454,324.67
Land-transferring fees	12,892,092.18	19,478,729.57
Others	15,578,273.90	15,578,273.90
	15,019,234.78	13,254,322.44
Total	152,376,660.44	156,096,869.24

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

25. Other Payables (Continued)

25.2. Significant other payables aged over 1 year

Creditors	Closing balance	Reasons for outstanding
China Electronics Corporation	34,040,000.00	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
Panda Electronic Group Co., Ltd.	8,098,223.19	Has not yet been carried forward
Nanjing Economic and Technological Development Zone Administration Committee	4,424,425.48	Has not yet been carried forward
Nanjing Changxin Technology Co., Ltd.	3,471,256.39	Deposit, has not yet been carried forward
Liyang Panda Cuizhuyuan Hotel Co., Ltd	1,976,818.17	Has not yet been carried forward
Nanjing Baixia District Bureau of Finance	1,958,386.67	Has not yet been carried forward
Jiangsu Wanlong Information Technology Co., Ltd	1,831,472.22	Deposit, has not yet been carried forward
Jiangsu Huimin Traffic Facility Co., Ltd	1,499,498.17	Deposit, has not yet been carried forward
Dongying Guanlin Intelligent Technology Co., Ltd.	1,100,000.00	Deposit, contract has not yet been expired

26. Other current liabilities

Items	Closing balance	Opening balance
Jiangsu Province new industrial development special fund	10,000,000.00	
Key research on UHD virtual reality based on eye tracking human-computer interaction	4,000,000.00	
High localization rate of industrial robots and intelligent equipment development and industrialisation	7,120,000.00	8,000,000.00
Leading fund for emerging industries development		300,000.00
Allocation for new model project	5,000,000.00	
Intelligent manufacturing project	480,000.00	
Low energy consumption high frequency/ultra-high frequency double frequency RFID Chip and application demonstration		900,000.00
Metro automatic ticket machine domestication	500,000.00	500,000.00
Total	27,100,000.00	9,700,000.00

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

27. Long-term employee benefits payables

27.1. List of long-term employee benefits payables

Items	Closing balance	Opening balance
1. Post-employment benefits		
2. Termination benefits	28,037,472.50	32,673,991.19
3. Other long-term employee benefits		
Total	<u>28,037,472.50</u>	<u>32,673,991.19</u>

28. Deferred income

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	8,918,416.06		934,095.96	7,984,320.10	Note
Total	<u>8,918,416.06</u>		<u>934,095.96</u>	<u>7,984,320.10</u>	

Note: Fa Gai Ban Gao Ji [2015] No. 1333 "About the project of promoting electronic information industry and transforming technology in the year of 2015" issued by National Development and Reform Commission General Office

The project related to government grants:

Project	Opening balance	The government grants given in the year	The amount recorded in profits and losses	Other variation	Closing balance	Related to assets/profit and losses
Auto-transferring system industrialisation of new panel display industry	8,918,416.06		934,095.96		7,984,320.10	Related to assets
Total	<u>8,918,416.06</u>		<u>934,095.96</u>		<u>7,984,320.10</u>	

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

29. Share capital

Item	Opening balance	Changes during the period (increase(+), decrease (-))				Sub-total	Closing balance
		Issue new shares	Bonus shares	Conversion of the accumulation funds into shares	Others		
Total shares	913,838,529.00						913,838,529.00

30. Capital reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital surplus (share premium)	1,450,743,806.12			1,450,743,806.12
Other capital surplus	13,390,013.93		90,797.23	13,299,216.70
Total	1,464,133,820.05		90,797.23	1,464,043,022.82

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

31. Surplus reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	181,449,055.01	3,169,940.29		184,618,995.30
Discretionary surplus reserve	70,376,641.33			70,376,641.33
Reserve fund				
Enterprise development fund				
Others				
Total	251,825,696.34	3,169,940.29		254,995,636.63

Note: According to "the Company Law of the PRC", the Company's Articles of Association, the Company appropriates 10% of net profits of the year to statutory surplus reserve. The Company shall not appropriate statutory surplus reserve when it reaches above 50% of the total share capital. The statutory surplus reserve could be used to recover loss or increase share capital after approval. Based on resolution at the Board of Directors, the Company appropriates 10% of net profits of the year to statutory surplus reserve.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

32. 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	107,382,077.64	119,240,512.92
Less: Appropriation of statutory surplus reserve	3,169,940.29	5,993,738.88
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	<u>730,715,948.32</u>	<u>690,472,508.00</u>

The closing balance includes surplus reserve of subsidiaries attributing to parent company.

33. Operating revenue and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	4,128,410,742.87	3,536,764,209.61	3,638,592,773.01	3,129,990,758.74
Other operation	63,518,166.08	59,126,881.82	64,170,583.53	37,865,192.19
Total	<u>4,191,928,908.95</u>	<u>3,595,891,091.43</u>	<u>3,702,763,356.54</u>	<u>3,167,855,950.93</u>

Operation revenue based on region	Current period
China Mainland	3,684,430,965.99
Other regions	507,497,942.96

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

34. Taxes and surcharges

Items	Current period	Preceding period
City maintenance and construction tax	8,672,891.03	7,746,044.37
Education surcharge	6,191,944.66	5,541,322.69
Property tax	6,155,552.61	3,301,965.77
Land-use tax	2,142,904.64	1,201,495.66
Stamp tax	1,422,960.39	1,230,202.96
Business tax		6,255,170.96
Others	27,354.99	14,340.00
Total	24,613,608.32	25,290,542.41

35. Selling expenses

Items	Current period	Preceding period
Salaries and Benefits	16,860,500.52	16,446,142.81
Transport fee	14,603,590.39	11,300,373.99
Advertising and exhibition fee	9,701,896.53	6,537,610.79
Travelling expenses	2,860,896.30	2,353,911.71
Entertainment expenses	2,575,453.65	1,795,403.12
Office expenses	2,414,741.52	2,289,049.93
Storage expenses	2,131,886.82	2,286,572.30
Labour expenses	457,199.98	761,268.92
Repairing expenses	159,959.17	1,018,175.67
Others	4,340,533.50	3,561,453.17
Total	56,106,658.38	48,349,962.41

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

36. Administrative expenses

Items	Current period	Preceding period
R&D expenses	205,100,860.95	187,722,209.17
Salaries and benefits	129,269,348.60	151,847,484.89
Depreciation and amortization	35,299,600.90	32,792,228.33
Entertainment and Travel expenses	12,591,474.34	9,590,087.72
Office, telephone, meeting expenses	10,073,498.46	12,476,237.18
Agent fee	8,039,303.25	6,495,974.23
Labour expenses	6,506,445.14	6,300,023.67
Maintenance expenses	2,269,574.04	4,421,219.39
Taxation expenses		2,351,891.40
Utilities expenses	2,034,355.24	1,823,145.84
Audit fee	1,981,132.08	1,792,452.83
Others	9,413,186.59	9,190,774.71
Total	422,578,779.59	426,803,729.36

37. Financial expenses

Items	Current period	Preceding period
Interest expenses	1,597,287.02	480,585.62
Less: interest income	12,220,157.80	10,431,637.66
Exchange gain and loss	1,065,472.37	2,032,434.70
Handling charges and others	4,418,929.37	2,501,541.63
Total	-5,138,469.04	-5,417,075.71

The interest expenses are all caused by bank loan interest from short-term borrowings.

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

38. Assets impairment loss

Items	Current period	Preceding period
Bad debts	11,397,435.34	484,433.06
Inventory write-down loss	4,736,779.35	8,987,302.50
Total	16,134,214.69	9,471,735.56

39. Investment income

Items	Current period	Preceding period
Income from long-term equity investments under equity method	73,489,872.02	95,058,047.55
Gains on disposal of long-term equity investments	511,400.90	282,326.79
Gains on bank wealth investment products	16,441,470.67	13,225,725.95
Total	90,442,743.59	108,566,100.29

40. Gains on disposal of assets

Item	Current period	Preceding period	The amount recorded in profits and losses
Disposal of assets	-669,559.13	-1,846,134.67	-669,559.13
Total	-669,559.13	-1,846,134.67	-669,559.13

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

41. Other income

Grants items	Current period	Preceding period	Related to assets/income
Tax returns	2,118,053.88		Related to income
Steady post subsidies	1,249,456.56		Related to income
Auto-transferring system industrialisation of new panel display industry	934,095.96		Related to assets
Total	4,301,606.40		

Notes: tax return refers to Note "IV. Taxation". Auto-transferring system industrialisation of new panel display industry refers to Note "V.28."

42. Non-operating income

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Gains on debt restructuring			
Donation received	1,470,000.00	1,390,500.00	1,470,000.00
Government grants	7,508,662.35	51,822,079.49	7,508,662.35
Gains on check			
Compensations		9,878,200.00	
Others	2,180,979.03	5,287,325.55	2,180,979.03
Total	11,159,641.38	68,378,105.04	11,159,641.38

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

42. Non-operating income (Continued)

Government grants recorded into profit and loss

Items	Current period	Related to assets/ related to income
Finance Commission of Shenzhen Municipality subsidy (Economic, Trade and Information Commission of Shenzhen Municipality "Grants program of Shenzhen industrial design application")	2,390,000.00	Related to income
Research and industrialisation of high nationalisation robot and intelligent equipment sets	1,880,000.00	Related to income
Special fund for guidance of new industry (development zone)	1,000,000.00	Related to income
Low-energy high/super high frequency RFID chains and application demonstration	900,000.00	Related to income
Subsidy of participating in intelligence exhibition	396,000.00	Related to income
guidance of new industry in Qinhui District in 2016	300,000.00	Related to income
Special fund for business development in 2017	266,300.00	Related to income
Special fund for industry transformation and updating	100,000.00	Related to income
Grants from Nanjing water bureau	60,000.00	Related to income
Sponsor for High-Tec overseas talent	40,000.00	Related to income
Shenzhen private, small and medium size enterprise development funds ("small and medium development fund for domestic market development plan in 2017" issued by Shenzhen small and medium enterprise office)	32,670.00	Related to income
Sponsor for patent policy in 2016	26,000.00	Related to income
Reward for patent and copyright (Futian district industry development special fund of technology and science innovation section for enterprise and project to be supported" issued by Shenzhen Futian district development centre)	21,700.00	Related to income
Science and technology reward in the year of 2016	20,000.00	Related to income
Allowance of producing environment-friendly	20,000.00	Related to income
Sponsor for patent policy in 2016	18,500.00	Related to income
Unemployment fee ("Notice of steady post subsidies with unemployment insurance" (Shen Ren She Gui [2016] No.1)	13,892.35	Related to income
Golden bridge project reward in the year of 2016	5,000.00	Related to income
Special fund subsidies in the year of 2016	4,000.00	Related to income
Science lecture hall delegation fee	4,000.00	Related to income
China association for science and technology delegation fee	4,000.00	Related to income
Subsidies of patent for innovation in the year of 2016	2,000.00	Related to income
Application for patent fund ("Notice of Shenzhen first round application for patent fund in 2017" issued by Market and quality supervision commission of Shenzhen Municipality)	2,000.00	Related to income
Subsidies of patent	2,000.00	Related to income

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

42. Non-operating income (Continued)

Government grants recorded into profit and loss (Continued)

Items	Current period	Related to assets/ related to income
Subsidies of computer patent ("Notice of Shenzhen first round application for computer patent fund list in 2017" issued by Market and quality supervision commission of Shenzhen Municipality)	600.00	Related to income
Auto-transferring system industrialisation of new panel display industry	21,081,583.94	related to income/assets
Special projects of development of intelligent equipment manufacturing in 2016	20,000,000.00	related to income
Special subsidies due to transformation and upgrading of province industry and information industry in 2016	1,500,000.00	related to income
Subsidies of key technology, research and application demonstration about PDA & TD-SCDMA communication system	1,356,600.00	related to income
The scientific research funds of innovation of science and technology committee	1,302,000.00	related to income
Steady post subsidies in 2015	1,146,472.65	related to income
VAT Refund-upon-collection	1,540,292.90	related to income
Preschool educational subsidy in Nanjing	907,000.00	related to income
Key project benefits of software enterprising-municipal software special project in 2016	800,000.00	related to income
Financial support fund	730,000.00	related to income
Project of the combination of informatisation and industrialisation at high level	500,000.00	related to income
Special funds for provincial commercial development in 2016	300,000.00	related to income
Grant for masters in electronics manufacturing skills	200,000.00	related to income
Development special funds for private and small enterprise of Shenzhen	159,770.00	related to income
The subsidies for platform and key technology under network control with multiple cooperating terminal network	139,360.00	related to income
Subsidies of application for provincial engineering and technology in 2015	50,000.00	related to income
Patent subsidy of management committee	27,000.00	related to income
Special funds for International Business and Economics in 2016	26,600.00	related to income
Development funds for small and medium-sized enterprise in 2014	15,000.00	related to income
Bonus of employment for the disabled	10,000.00	related to income
"Talk about ideal, make contribution" characteristic project subsidy by municipal bureau of finance in 2016	10,000.00	related to income
Subsidies of application for patent	7,000.00	related to income
Development funds for small and medium-sized enterprise in 2012	5,400.00	related to income
Funding for project	5,000.00	related to income
The invention authorisation subsidies at municipal level by Nanjing Qinhuai science and technology department	3,000.00	related to income

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

43. Non-operating expenses

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Loss on debt restructuring			
Donation to external parties	195,000.00	50,000.00	195,000.00
Non-recurring losses			
Inventory shortages			
Others	493,183.28	3,067,949.14	493,183.28
Total	688,183.28	3,117,949.14	688,183.28

44. Income tax expenses

44.1. List of income tax expenses

Items	Current period	Preceding period
Current income tax	30,626,134.28	35,450,554.86
Deferred income tax	-508,124.07	-2,071,583.41
Total	30,118,010.21	33,378,971.45

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

44. Income tax expenses (Continued)

44.2. Explain of the relationship of income Tax Expenses and accounting profit

Items	Current period
Total profit	186,289,274.54
Income tax expenses calculated at the applicable tax rate	46,572,318.63
Different tax rate of subsidiaries	-3,282,986.36
Adjustment on previous income tax	-1,765,312.26
Income not subject to tax	-4,466,222.14
Expenses not deductible for tax purposes	1,191,312.41
Utilisation of previously unrecognised tax losses	-5,043,287.51
Unrecognised deductible temporary difference and deductible tax loss	6,571,550.99
Effect of additional deducible cost under tax law	-9,659,363.55
Total income tax expenses	<u>30,118,010.21</u>

45. Information of cash flow statement

45.1. Cash received relating to other operating activities

Items	Current period	Preceding period
Governmental compensation for relocation		62,278,200.00
Cash receipts from acceptance deposit & Commitment deposit	122,755,376.43	45,538,132.96
Government grants	31,356,172.79	28,805,792.44
Interest Income	12,220,157.80	10,431,637.66
Others	3,649,269.63	6,475,135.80
Total	<u>169,980,976.65</u>	<u>153,528,898.86</u>

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

45. Information of cash flow statement (Continued)

45.2. Cash paid relating to other operating activities

Items	Current period	Preceding period
Expenses	<u>211,981,507.41</u>	<u>218,957,530.17</u>
Total	<u>211,981,507.41</u>	<u>218,957,530.17</u>

45.3. Other cash receipt in connection with investment activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<u>2,046,000,000.00</u>	<u>2,505,000,000.00</u>
Total	<u>2,046,000,000.00</u>	<u>2,505,000,000.00</u>

45.4. Other cash paid in connection with investment activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<u>2,248,000,000.00</u>	<u>2,296,000,000.00</u>
Net payment for disposing subsidiaries		<u>922,945.76</u>
Total	<u>2,248,000,000.00</u>	<u>2,296,922,945.76</u>

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

45. Information of cash flow statement (Continued)

45.5. Other cash received in connection with financing activities

Items	Current period	Preceding period
Cash received from notes discounted	<u>176,288,070.47</u>	_____
Total	<u>176,288,070.47</u>	=====

45.6. Other cash paid in connection with financing activities

Items	Current period	Preceding period
Interests from notes discounted	<u>1,242,654.96</u>	_____
Total	<u>1,242,654.96</u>	=====

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

46. Supplementary information of cash flow statements

46.1. Supplementary information of cash flow statements

Items	Current period	Preceding period
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	156,171,264.33	169,009,661.65
Add: Provision for assets impairment	16,134,214.69	9,471,735.56
Depreciation of fixed assets	83,355,942.20	84,334,255.92
Depreciation of productive biological asset		
Depreciation of oil and gas assets		
Amortisation of intangible assets	8,634,956.78	8,612,329.83
Amortisation of long-term deferred expenses	3,903,961.14	3,582,035.78
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less: decrease)	669,559.13	1,846,134.67
Loss on scrapped fixed assets (or less: decrease)		
Loss on change in fair value (or less: decrease)		
Financial expenses (or less: decrease)	2,839,941.98	480,585.62
Investment loss (or less: decrease)	-90,442,743.59	-108,566,100.29
Decrease in deferred tax assets(or less: increase)	-454,343.82	-1,979,006.45
Increase in deferred tax liabilities (or less: decrease)	-53,780.25	-92,576.96
Decrease in inventories (or less: increase)	-140,197,265.20	-12,434,858.70
Decrease of operating receivables (or less: increase)	-244,088,080.21	-329,191,577.49
Increase of operating payables (or less: decrease)	361,075,937.83	228,074,177.51
Others		
Net cash flows from operating activities	157,549,565.01	53,146,796.65
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	1,191,597,115.73	1,141,683,919.27
Less: cash at the beginning of period	1,141,683,919.27	853,805,263.06
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	49,913,196.46	287,878,656.21

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

46. Supplementary information of cash flow statements (Continued)

46.2. No cash paid for disposal of subsidiaries during the period

46.3. No cash received for disposal of subsidiaries during the period

46.4. The composition of cash and cash equivalents:

Items	Current period	Preceding period
1. Cash	1,191,597,115.73	1,141,683,919.27
Inc.: Cash on hand	348,203.19	540,213.61
Bank deposit available for payment at any time	1,191,248,912.54	1,141,143,705.66
Other monetary funds available for payment at any time		
Deposits in central banks available for payment		
Deposits from banks		
Deposits from interbank		
2. Cash equivalents		
Including: Bond investment due in three months		
3. Cash and cash equivalents at the end of the period	<u>1,191,597,115.73</u>	<u>1,141,683,919.27</u>

47. Notes to the statement of change in equity

No special adjustments for the opening balance

48. Assets with title or use right restrictions

Items	Closing carrying amount	The reason
Cash and bank balances	<u>137,148,180.77</u>	Deposits of acceptance performance, letter of credit
Total	<u>137,148,180.77</u>	

Notes to the 2017 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

49. Foreign currency monetary items

49.1. 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			
Inc.: USD	11,996,027.65	6.5342	78,384,443.87
Euro	413,536.47	7.8023	3,226,535.60
HKD	270,121.61	0.8359	225,794.65
JYP	156,372,860.00	0.0579	9,053,988.59
Accounts receivable			
Inc.: USD	10,401,636.42	6.5342	67,966,372.70
Euro	15,386.90	7.8023	120,053.21
Other receivables			
Inc.: USD	25,000.00	6.5342	163,355.00
HKD	45,300.00	0.8359	37,866.27
Accounts payable			
Inc.: USD	17,350,322.56	6.5342	113,370,477.67
JYP	1,390,573,571.11	0.0579	80,514,209.77
Other payables			
Inc.: USD	285,240.78	6.5342	1,863,820.30
HKD	5,345.20	0.8359	4,468.05

Notes to the 2017 Financial Statements *(Continued)*

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

VI. Changes in consolidated scope

(I) Business combination not involving enterprises under common control

Nil.

(II) Business combination involving enterprises under common control

Nil

(III) Reversed Purchase

Nil

(IV) Disposal of subsidiaries in the current period

Nil

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

The Company wrote off the subsidiary of Nanjing Panda International Communication System Co., Ltd, Shenzhen Jinghua Audio-visual Products Distribution Co., Ltd. Before the settlement of whiten-off, the companies above were consolidated in the Company's consolidated financial statements.

The Company established new subsidiary of Chengdu Panda Electronic Technology Co., Ltd.

Notes to the 2017 Financial Statements (Continued)

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

VII. Interests in other entities

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		
				Direct	Indirect	Way of procurement
Nanjing Panda Electronic Manufacture Co., Ltd.	Nanjing	Nanjing	Manufacturing	75.00	25.00	Establishment
Nanjing Guanghua Electronics Plastic Casings Factory	Nanjing	Nanjing	Service	100.00		Establishment
Nanjing Panda Mechanical Engineering Plant	Nanjing	Nanjing	Service	99.11		Business combination under common control
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing	Nanjing	Service	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
Chengdu Panda Electronic Technology Co., Ltd.	Chengdu	Chengdu	Manufacturing	100.00		Establishment
Shenzhen Jinghua Electronics Co., Ltd	Shenzhen	Shenzhen	Manufacturing	43.34		Business combination under common control

Note:

1. Nanjing Guanghua Electronics Plastic Casings Factory and Nanjing Panda Mechanical Engineering Plant are under the settlement of business written-off registration.
2. 0.89% of shareholding in Nanjing Panda Mechanical Engineering Plant is owned by Shimenkan Industry 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.
3. The type of subsidiaries: Nanjing Guanghua Electronics Plastic Casings Factory is in the type of collective ownership, Nanjing Panda Mechanical Engineering Plant is in the type of associate, Shenzhen Jinghua Electronics Co., Ltd is in the type of company limited (unlisted). Other subsidiaries are in the type of Limited liability company.

Notes to the 2017 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(I) Interests in subsidiaries (Continued)

2. Significant non-wholly owned subsidiaries

Name of subsidiaries	Proportion of Minority shareholdings	Loss attributable to minority interests in the current period	Dividend attributable to minority interests in the current period	Balance of minority interests at the end of period
Shenzhen Jinghua Electronics Co., Ltd.	56.66%	44,321,445.69	32,597,736.50	207,984,065.02

Note: The Company recommended 4 candidates out of 7 board of directors, therefore, the Company holds 57.14% right to vote.

3. Key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Balance at the end of period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Jinghua Electronics Co., Ltd.	452,159,932.53	45,187,533.36	497,347,465.89	157,390,419.17	4,662,584.44	162,053,003.61

Name of subsidiaries	Balance at the beginning of period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Jinghua Electronics Co., Ltd.	420,943,269.77	54,438,709.97	475,381,979.74	149,624,339.25	5,435,433.81	155,059,773.06

Notes to the 2017 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(I) Interests in subsidiaries (Continued)

3. Key financial information of significant non-wholly owned subsidiaries (Continued)

Name of subsidiaries	Current period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	777,580,654.96	70,317,234.60	70,317,234.60	103,836,050.94

Name of subsidiaries	Preceding period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	851,295,532.19	78,066,713.65	78,066,713.65	62,298,725.69

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

The type of business above is limited liability company (Sino-foreign joint venture).

Notes to the 2017 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(III) Significant joint ventures or associates (Continued)

2. Key financial information of significant associates

Items	Closing balance/current period	
	Beijing SE Putian Mobile Communications Co., Ltd	Nanjing Ericsson Panda Communication Co., Ltd.
Current assets	1,311,976,023.46	1,773,901,000.00
Non-current assets	117,163,906.63	1,952,287,000.00
Total assets	1,429,139,930.09	3,726,188,000.00
Current liabilities	962,460,641.15	2,890,534,000.00
Non-current liabilities		
Total liabilities	962,460,641.15	2,890,534,000.00
Net assets	466,679,288.94	835,654,000.00
Proportionate share in net assets	93,335,857.79	225,626,580.00
Adjustments	3,445,000.00	
Carrying amount of investments in joint ventures	96,780,240.16	225,627,084.00
Fair value of equity investments in joint ventures		
Operating income	7,130,399,309.82	7,885,127,000.00
Net profit	92,206,829.67	201,768,000.00
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	92,206,829.67	201,768,000.00
Dividend from joint ventures received	37,203,302.26	65,490,442.00

Notes to the 2017 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(III) Significant joint ventures or associates (Continued)

2. Key financial information of significant associates (Continued)

Items	Opening balance/Proceeding 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 joint ventures	<u>115,542,176.42</u>	<u>236,639,962.00</u>
Fair value of equity investments in joint ventures		
Operating income	14,043,068,000.00	10,162,137,000.00
Net profit	<u>180,102,882.08</u>	<u>217,642,000.00</u>
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	<u>180,102,882.08</u>	<u>217,642,000.00</u>
Dividend from joint ventures received	<u>108,972,000.00</u>	<u>70,823,618.00</u>

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

Notes to the 2017 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(III) Significant joint ventures or associates (Continued)

3. Combined financial information of immaterial joint ventures and associates

	Closing balance/ current period	Opening balance/ preceding period
Associates:		
Total carrying amount of investment	10,218,210.63	10,893,984.72
The followings were calculated by		
– Net profit	570,942.01	797,919.94
– Other comprehensive income		
– Total comprehensive income	570,942.01	797,919.94

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.

(V) The Company does not have structured body whose financial statements are not consolidated.

Notes to the 2017 Financial Statements (Continued)

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

VIII. Risk associated with financial instruments

The Company faces various financial risks in the course of its business: credit risk, market risk and liquidity risk. The Board of Directors is responsible for the overall risk management objectives and policies and assumes ultimate responsibility for risk management objectives and policies. The Board of Directors checks the effectiveness of the procedures which have been implemented and the reasonability of the overall risk management objectives and policies. The internal auditors also audit the risk management objectives and policies and record the results to the audit committee.

The objective of the Company's overall risk management is to strike a proper balance between risk and profit, to minimise the negative impact of risk on operating results.

(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 and check the credit risk of the new customer. Additionally, the Company monitors the closing balance of accounts receivable constantly in order the Company prevent material risk of bad debt. As for the transaction with the company whose recording currency is not RMB, the Company refuses the credit transactions without special approval from credit control department.

The financial assets which are identified in specific provision without impairment are as follows:

Items	Total	Not overdue and not impaired	Overdue but not impaired	
			Within 3 months	Over 3 months
Monetary capital	1,328,745,296.50	1,328,745,296.50		
Notes receivable	232,310,149.59	232,310,149.59		
Other receivable	79,788,515.23	79,788,515.23		
Other current assets	465,410,493.64	465,410,493.64		

The credit risk exposure of the Company's accounts receivable refers to "Note V. 3."

By the end of 31st December 2017, the accounts receivable which is overdue but not impaired is formed by the companies have good transaction record with the Company. According to previous experience, as the credit quality has not changed dramatically, the accounts receivable is expected to be recovered and therefore the Company does not make provision for the bad debt.

Notes to the 2017 Financial Statements (Continued)

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

VIII. Risk associated with financial instruments (Continued)

(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. Due to no long-term liability, the Company does not suffer from interest rate risk at present.

(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	The current period		
	Exchange increase/decrease	Total profit increase/decrease	Shareholder equity increase/decrease
Depreciation of RMB against USD	5%	1,563,993.68	1,563,993.68
Appreciation of RMB against USD	5%	-1,563,993.68	-1,563,993.68
Depreciation of RMB against JPY	5%	-3,571,961.99	-3,571,961.99
Appreciation of RMB against JPY	5%	3,571,961.99	3,571,961.99

Items	The preceding period		
	Exchange increase/decrease	Total profit increase/decrease	Shareholder equity increase/decrease
Depreciation of RMB against USD	5%	4,509,249.91	4,509,249.91
Appreciation of RMB against USD	5%	-4,509,249.91	-4,509,249.91
Depreciation of RMB against JPY	5%	-1,609,129.46	-1,609,129.46
Appreciation of RMB against JPY	5%	1,609,129.46	1,609,129.46

(3) Price risks for investments in equity instruments

Since the company holds no equity security investments, the company exposes to no price risks for investments in equity instruments.

Notes to the 2017 Financial Statements (Continued)

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

VIII. Risk associated with financial instruments (Continued)

(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		
	Within 1 year	Over 1 year	Total
Short-term borrowings	45,000,000.00		45,000,000.00
Notes payable	183,557,608.11		183,557,608.11
Accounts payable	1,342,953,782.55		1,342,953,782.55
Dividend payable	3,742,966.79		3,742,966.79
Other payables	152,376,660.44		152,376,660.44
Total	1,727,631,017.89		1,727,631,017.89

Items	Opening balance		
	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
Dividend payable	18,529,612.95		18,529,612.95
Other payables	156,096,869.24		156,096,869.24
Total	1,466,749,845.30	-	1,466,749,845.30

Notes to the 2017 Financial Statements (Continued)

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

IX. Fair value disclosure

The inputs used to measure fair value are categorised into three hierarchies:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level of fair value measurement is determined by the lowest level inputs that are significant to the fair value measurement as a whole.

Since financial assets and financial liabilities of the company only include cash, accounts receivable and accounts payable, etc., of which fair values are equal to their carrying amounts, currently none of the 3 levels of input above are used in the measurement of fair value.

X. Related party relationship and transactions

(I). Details of parent company

Name of parent company	Place of registration	Business nature	Registered Capital (ten thousand)	Holding proportion over the Company (%)	Voting right Proportion over the Company (%)
Panda Electronics Group Limited	Nanjing	Manufacturing	163,297	23.05	55.56

Ultimately controlled by : China Electronics Corporation

Registered place: Beijing China

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.

The type of company: limited company.

(II). Details on the Company's subsidiaries

Please refer to (I). Interests in subsidiaries under Note VII. 'Interests in other entities' for details on the Company's subsidiaries.

(III). Detail is on the Company's joint ventures and associates

Please refer to (II). Interests in joint arrangement or associates under Note VII. Interests in other entities for details on the Company's significant joint ventures and associates.

Notes to the 2017 Financial Statements *(Continued)*

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

X. Related party relationship and transactions *(Continued)*

(III). Detail is on the Company's joint ventures and associates *(Continued)*

Information of the Company's other joint ventures or associates, that had transactions with the company in current period, or balances resulted from transactions with the Company in the prior period is as follows:

The name of joint ventures or associates	The Company's relationship with Joint venture or associate
Nanjing Ericsson Panda Communication Co., Ltd.	Subsidiary's associates
Beijing SE Putian Mobile Communications Co., Ltd	Subsidiary's associates
Nanjing Thales Panda Transportation System Company Limited	Subsidiary's associates
Shenzhen Jinghua Network Marketing Co., Ltd.	Subsidiary's associates

(IV). Details on other related parties

Other related parties Name	The Company relationships with other related party
Nanjing Electronics Information Industrial Corporation	Ultimately controlled by the same party
China Zhenhua Group Yunke Electronics Co., Ltd	Ultimately controlled by the same party
China Great Wall Technology Group Co., Ltd	Ultimately controlled by the same party
China Tongguang Electronics Co., Ltd	Ultimately controlled by the same party
China Software and Technology Service Co., Ltd	Ultimately controlled by the same party
N CEC Materials Suzhe Corporation	Ultimately controlled by the same party
China Electronics Equipment International Co., Ltd.	Ultimately controlled by the same party
China Electronics Import and Export Co., Ltd	Ultimately controlled by the same party
China Electronics International Exhibition Advertising Co., Ltd	Ultimately controlled by the same party
CEC Engineering Science New Material Jiangsu Co., Ltd.	Ultimately controlled by the same party
Panda LCD Materials Technology (Hong Kong) Co., Ltd.	Ultimately controlled by the same party
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Ultimately controlled by the same party
Wuhan Zhongyuan Electronics Group Co., Ltd	Ultimately controlled by the same party
Shenzhen China Electronics Investment Company	Ultimately controlled by the same party
Shenzhen China Electronics Frontsurf Information Technology Co., Ltd.	Ultimately controlled by the same party
Shenzhen China Electronics International Information Technology Co., Ltd	Ultimately controlled by the same party
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Ultimately controlled by the same party
Shenzhen China Electronics Technology Co., Ltd	Ultimately controlled by the same party
Nanjing CEC Panda Real Estate Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Ultimately controlled by the same party

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(IV). Details on other related parties (Continued)

Other related parties Name	The Company relationships with other related party
Nanjing China Electronics Modern Service Industry Co., Ltd	Ultimately controlled by the same party
Nanjing China Electronics Panda Property Management Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Ultimately controlled by the same party
Nanjing Panda Jinling Hotel Co., Ltd	Ultimately controlled by the same party
Langfang China Electronics Panda Crystal Technology Co., Ltd.	Ultimately controlled by the same party
Solomon Systech (Shenzhen) Co., Ltd	Ultimately controlled by the same party
Solomon Systech Nanjing Co., Ltd	Ultimately controlled by the same party
Guizhou Zunyi Hualong New Material Co., Ltd	Ultimately controlled by the same party
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Ultimately controlled by the same party
Guizhou Zhenhua Hualian Electronics Co., Ltd	Ultimately controlled by the same party
Beijing China Electronics Guangtong Technology Co., Ltd.	Ultimately controlled by the same party
China Electronics Finance Co., Ltd.	Ultimately controlled by the same party
Wuhan Zhongyuan Electronics Information Co., Ltd	Ultimately controlled by the same party
Nanjing CEC Panda Illumination Co., Ltd.	Ultimately controlled by the same party
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing China Electronics Panda Trade Development Co., Ltd	Ultimately controlled by the same party
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Ultimately controlled by the same party
Nanjing Sanle Electronic Information Co., Ltd	Ultimately controlled by the same party
Dongguan China Electronics Panda Technology Development Co., Ltd	Ultimately controlled by the same party
Nanjing Huadong Electronic Information Technology Co., Ltd	Ultimately controlled by the same party
Nanjing CEC Panda LCD Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing Huadong Electronics Group Co., Ltd	Ultimately controlled by the same party
Xianyang Caihong Optoelectronics Technology Co., Ltd	Ultimately controlled by the same party
Shanxi Caihong Electronics Glass Co., Ltd.	Ultimately controlled by the same party
Chengdu China Electronic Panda Display Technology Co., Ltd	Ultimately controlled by the same party
IRICO (Hefei) LCD Glass Co., Ltd.	Ultimately controlled by the same party
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary of the Group
Panda (Beijing) International Information Technology Co., Ltd	Subsidiary of the Group
Nanjing Panda Handa Technology Co., Ltd	Subsidiary of the Group

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(IV). Details on other related parties (Continued)

Other related parties Name	The Company relationships with other related party
Nanjing Panda Electronics Materials Utilization Company	Subsidiary of the Group
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Subsidiary of the Group
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Subsidiary of the Group
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary of the Group
Nanjing Zhenhua Packing Material Factory	Subsidiary of the Group
Nanjing Panda Transport Co., Ltd	Subsidiary of the Group
Nanjing Panda Investment Development Co., Ltd	Subsidiary of the Group
Nanjing Panda Technology Park Development Company Limited	Subsidiary of the Group
Shenzhen Jinghua Intelligent Technology Co., Ltd	Other related party

(V). Related parties transactions

- Purchase and sale of goods, rendering and receipting services in related party transactions

Purchase of goods/receiving of service

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Panda LCD Materials Technology (Hong Kong) Co., Ltd.	Purchase of goods	8,929,216.73	5,110,316.41
Nanjing Panda Electronics Import/Export Co., Ltd	Purchase of goods	8,629,309.15	11,344,343.50
Shenzhen China Electronics International Information Technology Co., Ltd	Purchase of goods	5,288,591.02	2,258,835.68
Nanjing CEC Panda LCD Technology Co., Ltd.	Purchase of goods	4,968,496.79	1,967,780.51
Nanjing Zhenhua Packing Material Factory	Purchase of goods	4,158,964.19	1,779,296.71
Shanghai Panda Huning Electronic Technology Co., Ltd.	Purchase of goods	2,692,107.59	12,956,682.93
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Purchase of goods	2,272,769.23	594,871.80

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Purchase of goods/receiving of service (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Shenzhen China Electronics Investment Company	Purchase of goods	1,985,207.80	
China Electronics Import and Export Co., Ltd	Purchase of goods	1,573,836.87	
Nanjing CEC panda flat panel display technology Co., Ltd.	Purchase of goods	803,827.58	34,899.26
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Purchase of goods	590,995.66	14,534.19
Panda Electronic Group Co., Ltd.	Purchase of goods	541,438.58	465,263.50
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Purchase of goods	431,315.52	53,735.78
Guizhou Zhenhua Hualian Electronics Co., Ltd	Purchase of goods	276,747.16	405,302.55
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Purchase of goods	179,550.00	27,500.00
Nanjing China Electronics Panda Appliances Co., Ltd	Purchase of goods	157,094.01	311,161.46
Shenzhen China Electronics Technology Co., Ltd	Purchase of goods	142,735.04	
Nanjing Huadong Electronic Information Technology Co., Ltd	Purchase of goods	50,769.23	
Nanjing Panda Handa Technology Co., Ltd	Purchase of goods	36,879.25	270,085.47
Nanjing CEC Panda illumination Co., Ltd.	Purchase of goods	25,625.63	791,815.00
Beijing China Electronics Guangtong Technology Co., Ltd.	Purchase of goods		6,527,430.00
N CEC Materials Suzhe Corporation	Purchase of goods		2,180,988.11
Nanjing Ericsson Panda Communication Co., Ltd.	Purchase of goods		30,662.40
Shenzhen Jinghua Intelligent Technology Co., Ltd	Receipt of services	4,140,360.68	6,996,538.03
Nanjing Panda Transport Co., Ltd	Receipt of services	2,708,289.91	1,663,500.00
Panda Electronic Group Co., Ltd.	Receipt of services	1,616,818.09	291,300.74
Nanjing CEC Panda LCD Technology Co., Ltd.	Receipt of services	1,315,935.90	

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

1. Purchase and sale of goods, rendering and receipting services in related party transactions (Continued)

Purchase of goods/receiving of service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Panda Technology Park Development Company Limited	Receipt of services	210,210.81	
Nanjing Panda Electronics Import/Export Co., Ltd	Receipt of services	185,060.98	722,011.68
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Receipt of services	174,721.37	410,456.37
China Electronics International Exhibition Advertising Co., Ltd	Receipt of services	146,370.00	
Nanjing Zhenhua Packing Material Factory	Receipt of services	61,575.50	299,987.78
Nanjing Huadong Electronic Information Technology Co., Ltd	Receipt of services	50,769.23	
Nanjing Panda Handa Technology Co., Ltd	Receipt of services	11,039.62	77,953.77
Nanjing China Electronics Panda Appliances Co., Ltd	Receipt of services	1,538.04	
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Receipt of services		2,188.03
China Electronics Import and Export Co., Ltd	Receipt of services		404,914.06

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Sales of goods/rendering the service:

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Sales of goods	547,111,013.55	489,702,144.24
Chengdu China Electronic Panda Display Technology Co., Ltd	Sales of goods	192,660,883.24	
Xianyang Caihong Optoelectronics Technology Co., Ltd	Sales of goods	109,370,564.09	
Nanjing CEC Panda LCD Technology Co., Ltd.	Sales of goods	98,635,453.94	233,472,203.19
Nanjing Panda Handa Technology Co., Ltd	Sales of goods	67,392,238.55	84,367,019.44
Shenzhen China Electronics Investment Company	Sales of goods	66,465,992.59	
Guizhou Zunyi Hualong New Material Co., Ltd	Sales of goods	50,596,393.16	
Nanjing Panda Electronics Import/Export Co., Ltd	Sales of goods	36,901,444.50	10,724,144.10
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Sales of goods	30,999,508.72	9,287,658.03
Shenzhen Jinghua Network Marketing Co., Ltd	Sales of goods	29,113,423.07	23,545,665.81
Nanjing China Electronics Panda Appliances Co., Ltd	Sales of goods	8,869,647.46	11,363.40
China Electronics Equipment International Co., Ltd.	Sales of goods	5,233,952.20	16,095,359.92
China Great Wall Technology Group Co., Ltd	Sales of goods	1,871,108.31	1,446,894.90

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receipting services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
IRICO (Hefei) LCD Glass Co., Ltd.	Sales of goods	1,577,777.78	25,015,384.62
Panda Electronic Group Co., Ltd.	Sales of goods	1,400,256.47	2,065,033.05
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Sales of goods	390,182.05	17,845,783.20
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Sales of goods	211,345.92	
Nanjing Sanle Electronic Information Co., Ltd	Sales of goods	102,564.11	
Panda (Beijing) International Information Technology Co., Ltd	Sales of goods	27,350.43	268,516.24
Shenzhen China Electronics Technology Co., Ltd	Sales of goods	46,132.40	46,500.00
Nanjing Ericsson Panda Communication Co., Ltd.	Sales of goods	34,209.54	
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Sales of goods	32,803.42	156,666.66
Nanjing Panda Transport Co., Ltd	Sales of goods	30,909.46	22,079.86
Nanjing CEC Panda Real Estate Co., Ltd.	Sales of goods	8,888.89	13,961.54
Solomon Systech Nanjing Co., Ltd	Sales of goods	470.09	
Shanxi Caihong Electronics Glass Co., Ltd.	Sales of goods		14,529,914.52
Shenzhen China Electronics Frontsurf Information Technology Co., Ltd.	Sales of goods		5,544,473.09
Solomon Systech (Shenzhen) Limited	Sales of goods		9,923.08
Guizhou Zhenhua Hualian Electronics Co., Ltd	Sales of goods		85,555.56
Nanjing Panda Technology Park Development Company Limited	Sales of goods		42,041.44
Nanjing Panda Electronics Materials Utilization Company	Sales of goods		4,444.45
Nanjing Panda Investment Development Co., Ltd	Rendering of services	56,048,193.74	20,531,869.80

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Rendering of services	44,503,035.19	48,997,510.60
Xianyang Caihong Optoelectronics Technology Co., Ltd	Rendering of services	29,872,072.04	
Nanjing CEC Panda LCD Technology Co., Ltd.	Rendering of services	14,067,450.63	13,162,331.46
Panda Electronic Group Co., Ltd.	Rendering of services	10,165,259.75	35,093,236.43
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Rendering of services	3,864,585.49	
Nanjing Panda Handa Technology Co., Ltd	Rendering of services	3,736,092.47	1,688,649.35
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Rendering of services	1,393,506.75	1,326,670.02
Nanjing CEC Panda Real Estate Co., Ltd.	Rendering of services	836,411.37	368,794.82
CEC Engineering Science New Material Jiangsu Co., Ltd.	Rendering of services	830,597.57	
China Software and Technology Service Co., Ltd	Rendering of services	738,792.45	
Nanjing Ericsson Panda Communication Co., Ltd.	Rendering of services	696,547.66	1,500,890.54
Wuhan Zhongyuan Electronics Information Co., Ltd	Rendering of services	660,377.36	
Nanjing Electronics Information Industrial Corporation	Rendering of services	404,732.06	327,429.04
Nanjing China Electronics Panda Appliances Co., Ltd	Rendering of services	376,038.67	641,231.06
China Tongguang Electronics Co., Ltd	Rendering of services	207,507.00	
Nanjing Panda Transport Co., Ltd	Rendering of services	196,392.75	179,783.94
Nanjing China Electronics Modern Service Industry Co., Ltd	Rendering of services	184,860.38	101,593.11
Nanjing Panda Electronics Materials Utilization Company	Rendering of services	145,299.14	205,128.20

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receipting services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Dongguan China Electronics Panda Technology Development Co., Ltd	Rendering of services	135,484.96	
Nanjing Panda Electronics Import/Export Co., Ltd	Rendering of services	134,691.78	221,525.03
N CEC Materials Suzhe Corporation	Rendering of services	129,235.93	566.04
Chengdu China Electronic Panda Display Technology Co., Ltd	Rendering of services	24,862.26	30,900.96
Nanjing China Electronics Panda Trade Development Co., Ltd	Rendering of services	12,254.72	1,811.32
Shenzhen Jinghua Network Marketing Co., Ltd	Rendering of services	7,655.65	
Nanjing Huadong Electronic Information Technology Co., Ltd	Rendering of services	2,954.72	3,242.46
Nanjing Huadong Electronics Group Co., Ltd	Rendering of services	2,075.47	
China Electronics Corporation	Rendering of services		20,000,000.00
Nanjing Panda Jinling Hotel Co., Ltd	Rendering of services		44,542.07
Nanjing CEC Panda Illumination Co., Ltd.	Rendering of services		4,031.66
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Rendering of services		3,149.06
Nanjing China Electronics Panda Property Management Co., Ltd.	Rendering of services		8,102,546.46

- Entrusted management/contract and delegated management/contract with related party

Nil

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

3. 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 Panda Electronics Transport Company	Lease of cars	861,310.66	941,882.41
Nanjing China Electronics Panda Appliances Co., Ltd	Lease of houses	656,378.40	467,323.13
Shenzhen Jinghua Intelligent Technology Co., Ltd	Lease of houses	537,654.86	530,986.67
Nanjing Panda Electronics Import/Export Co., Ltd	Lease of houses	242,854.08	174,294.48
Panda Electronic Group Co., Ltd.	Lease of cars	51,282.06	
Nanjing Panda Transport Co., Ltd	Lease of houses	49,751.40	148,206.16
Shenzhen Jinghua Network Marketing Co., Ltd.	Lease of houses	49,502.19	42,333.33
Panda Electronic Group Co., Ltd.	Lease of houses	40,378.35	41,858.88

Assets leased from related parties

Name of lessee	Types of leased assets	Rental income recognised in this period	Rental income recognised in prior period
Panda Electronic Group Co., Ltd.	Lease of houses	184,000.01	188,600.00
Shenzhen China Electronics Property Management Co., Ltd.	Lease of houses		172,358.49

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

4. 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 Information Industry Co, Ltd. (1)	280,000,000.00	2017-07-24	2018-06-16	No
Nanjing Panda Information Industry Co, Ltd. (2)	50,000,000.00	2017-11-28	2018-11-27	No
Nanjing Panda Information Industry Co, Ltd. (3)	100,000,000.00	2016-07-01	2018-06-30	No
Nanjing Panda Electronics Equipment Co., Ltd. (4)	170,000,000.00	2017-08-24	2018-08-23	No
Nanjing Panda Electronics Equipment Co., Ltd. (5)	30,000,000.00	2017-12-14	2018-11-30	No
Nanjing Panda Electronics Equipment Co., Ltd. (6)	100,000,000.00	2017-07-12	2018-07-12	No
Nanjing Panda Electronics Equipment Co., Ltd. (7)	40,000,000.00	2017-07-24	2018-06-16	No
Nanjing Panda Electronic Manufacture Co., Ltd (8)	60,000,000.00	2017-11-1	2018-10-31	No
Nanjing Panda Electronic Manufacture Co., Ltd (9)	60,000,000.00	2017-1-19	2017-11-29	Yes
Nanjing Panda Electronic Manufacture Co., Ltd (10)	40,000,000.00	2017-7-24	2018-6-16	No
Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (11)	50,000,000.00	2017-07-24	2018-06-16	No
Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (12)	50,000,000.00	2017-09-05	2018-07-12	No
Nanjing Panda Machine Electricity Manufacturing Co., Ltd (13)	15,000,000.00	2017-05-22	2017-11-29	Yes

Note 1: 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., subsidiary of The Company. The guarantee has a period from 24th July, 2017 to 16th June, 2018 and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Information Industry Co., Ltd. has used RMB72,772,152.57 of its total comprehensive bank credit, of which RMB72,772,152.57 is guaranteed by The Company in the form of letter of guarantee.

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

4. Guarantee in related party transactions (Continued)

Note 2: 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 28th November, 2017 to 27th November, 2018. The guarantee has a period from the date the guarantee is signed to the due date of each loan or to other financing agreements or the due date of received account receivables by Chengdong Branch, or advance in cash plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly plus 2 years. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Information Industry Co., Ltd. has used RMB1,386,534.00 of its total comprehensive bank credit, of which RMB1,386,534.00 is guaranteed in the form of letter of guarantee offered by The Company to China Merchant Bank, Nanjing Branch, Chengdong Branch.

Note 3: 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., subsidiary of The Company. The guarantee has a period from 1st July 2016 to 30th June 2018. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Information Industry Co., Ltd. has used RMB6,297,690.66 of its total comprehensive bank credit, of which RMB6,297,690.66 is guaranteed in the form of letter of guarantee offered by The Company.

Note 4: The Company offers maximum guarantee of RMB170,000,000.00, which is the comprehensive bank credit amount offered by Pingan Bank, Nanjing Branch to Nanjing Panda Electronic Equipment Co., Ltd, subsidiary of The Company. The credit has a period from 24th August 2017 to 23rd August 2018. The credit lasts for 1 year from the contract signed and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Electronic Equipment Co., Ltd. has used RMB104,256,659.98 of its total comprehensive bank credit, of which RMB5,998,832.00 is guaranteed by The Company in the form of letter of guarantee, RMB4,610,928.87 is guaranteed in the form of bank acceptance bill, RMB45,000,000.00 is guaranteed by credit loans and RMB48,646,899.11 in the form of letter of credit (the original amount is JPY 840,435,000.00 and the converted amount is RMB48,646,899.11, the exchange rate is 100JPY/RMB5.7883 with intermedium price in interbank foreign exchange).

Note 5: 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, subsidiary of The Company. The credit has a period from 14th December 2017 to 30th November 2018. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Electronic Equipment Co., Ltd has used RMB27,148,853.21 of its total comprehensive bank credit, of which RMB5,384,136.10 is guaranteed by The Company in the form of letter of guarantee offered by The Company, RMB21,764,717.11 is guaranteed in the form of bank acceptance bill.

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

4. Guarantee in related party transactions (Continued)

Note 6: The Company offers maximum guarantee of RMB100,000,000, which is the comprehensive bank credit amount offered by China Electronics Finance Co., Ltd, to Nanjing Panda Electronic Equipment Co., Ltd, a subsidiary of The Company. The bank credit has duration from 12nd July, 2017 to 12nd July, 2018 and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Electronic Equipment Co., Ltd has used RMB13,278,087.04 of its total comprehensive bank credit, of which RMB3,479,104.00 is guaranteed by The Company in the form of letter of guarantee offered by The Company, RMB9,798,983.04 is guaranteed in the form of bank acceptance bill.

Note 7: The Company offers maximum guarantee of RMB40,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Equipment Co., Ltd, subsidiary of The Company. The bank credit has duration from 24th July 2017 to 16th June 2018, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Electronic Equipment Co., Ltd has used RMB0.00 of its total comprehensive bank credit.

Note 8: 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., a subsidiary of The Company. The credit has a period from 1st November 2017 to 31st October 2018. The guarantee has a period from the date the guarantee is signed to the due date of each loan or to other financing agreements or the due date of received account receivables by China Merchant Bank, Nanjing Branch, or advance in cash, plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB36,712,619.40 of its total comprehensive bank credit, of which RMB36,712,619.40 is guaranteed by The Company in the form of bank acceptance bill offered by The Company.

Note 9: 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., 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 31st December 2017, Nanjing Panda Electronic Manufacture Co., Ltd has used RMB19,953,459.49 of its total comprehensive bank credit, of which RMB19,953,459.49 is guaranteed by The Company in the form of bank acceptance bill offered by The Company.

Note 10: The Company offers maximum guarantee of RMB40,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Manufacture Co., Ltd, subsidiary of The Company. The bank credit has duration from 24th July 2017 to 16th June 2018, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Electronic Equipment Co., Ltd has used RMB0.00 of its total comprehensive bank credit.

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

4. Guarantee in related party transactions (Continued)

*Note 11:*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-subsidiary of The Company. The guarantee has a period from 24th July, 2017 to 16th June, 2018. The guarantee lasts for 2 years from the deadline of performance of the debtor. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Huage Electronic Plastic Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Huage Electronic Plastic Industry Co., Ltd. has used RMB5,943,215.36 of its total comprehensive bank credit, of which RMB5,943,215.36 is guaranteed in the form of bank acceptance bill offered by The Company.

*Note 12:*The Company offers irrevocable maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by China Electronics Finance Co., Ltd to Nanjing Huage Electronic Plastic Industry Co., Ltd., sub-subsidiary of The Company. The guarantee has a period from 5th September, 2017 to 12th July, 2018. The guarantee lasts for 2 years from the deadline of performance of the debtor. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Huage Electronic Plastic Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Huage Electronic Plastic Industry Co., Ltd. has used RMB9,209,587.33 of its total comprehensive bank credit, of which RMB9,209,587.33 is guaranteed in the form of bank acceptance bill offered by The Company.

*Note 13:*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 Machine Electricity Manufacturing Co., Ltd, a sub-subsidiary of The Company. The guarantee has a period from 22nd May 2017 to 29th November 2017. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Machine Electricity Manufacturing Co., Ltd offers its total assets as counter guarantee. As of 31st December 2017, Nanjing Panda Machine Electricity Manufacturing Co., Ltd has used RMB1,260,000.00 of its total comprehensive bank credit, of which RMB1,260,000.00 is guaranteed by The Company in the form of bank acceptance bill offered by The Company.

Conclusively, as of 31st December 2017, total guarantee offered by The Company amounting to RMB298,218,859.04, of which RMB109,253,510.60 is for acceptance bill guarantee, RMB95,318,449.33 is for letter of guarantee, and RMB45,000,000.00 is for credit loan guarantee, RMB48,646,899.11 for letter of credit. (As of 31st December 2016, total guarantee offered by The Company amounting RMB254,658,354.69 of which RMB76,477,158.47 is for acceptance bill guarantee, and RMB138,181,196.22 is for letter of guarantee and RMB40,000,000.00 for short-term borrowings).

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

5. Capital borrowing and lending with related party

Nil

6. Other related party transactions

Company name	Type of transaction	Current period	Preceding period
China Electronics Finance Co., Ltd.	Receipt of interests	2,384,350.67	1,796,080.34
China Electronics Finance Co., Ltd.	Payment of discounted interest	1,242,654.96	
Nanjing China Electronics Panda Furniture Company Limited	Trademark licensing	476,066.04	480,667.92
China Electronics Commercial Financial Leasing Co., Ltd.	Payment of factoring service fee		10,821.45

By the end of December 31, 2017, loan balance of the company was RMB0.00, deposit balance was RMB287,719,726.48 in the China Electronics Finance Co., Ltd.

The Company entrusts China Electronics Finance Co., Ltd manage finance freely. The wealth investment is principle guaranteed and the period is 3 months. The amount is 0.69 billion in the year of 2017. The income from investment is 4.84 million. The amount of 0.21 billion of wealth investment product has not been expired.

The notes receivable of the Company which have been discounted to China Electronics Finance Co., Ltd but has not been terminated amounting to RMB89,370,916.88.

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

6. Other related party transactions (Continued)

Note 1: The Company resigned “financial service agreement (hereafter referring as agreement)” with Financial Company. According to the agreement, under the circumstance of national laws and regulations as well as financial institutions operating principles, Financial Company provides financial services not only include financial consulting, credit visa service, other related consulting, agency service, offering for guarantee, notes bills, notes discounted, deposit service and other financial services. The ceiling for the integrated credit balance to be provided by Financial Company to the Company amounted to RMB600.00 million and the ceiling for the fund settlement balance with Financial Company amounted to RMB500.0 million. The valid period is 3 years from the effective date of the contract. The above agreement had been approved at the first extraordinary general meeting.

Note 2: The pricing strategy in which related parties are allowed to use the company’s trademark: for every color TV set sold by related parties, the company charges RMB2–5 as license. Considering that entering market overseas is more costly and recourse consuming, if products manufactured and sold are used for export purposes or these businesses encounter losses, license fee that the company charges will be allowed to decrease.

7. Remuneration of key management

Item	Current period	Preceding period
Remuneration of key management	5.20 million	4.59 million

The key management includes directors, supervisor, general manager, vice manager and secretary of the board, totally to 17 and 11 of which is paid from the Company.

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

7. Remuneration of key management (Continued)

The remuneration of directors and supervisor:

Current period (RMB ten thousand)					
Name	Director's fee	Salary and allowance	Pension scheme	Others	Total
Directors					
Guofei XU					–
Kuanyi CHEN					–
Qing LU					–
Weiming DENG					–
Dechuan XIA		60.94	3.99		64.93
Gan GAO					–
Jie DU	8.00				8.00
Weixun ZHU	8.00				8.00
Chun ZHANG	8.00				8.00
Supervisors					
Changbai TU					–
Yunfeng SONG		53.87	3.99		57.86
Yuxin ZHOU		25.66	3.99		29.65

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

7. Remuneration of key management (Continued)

Name	Preceding period (RMB ten thousand)				Total
	Director's fee	Salary and allowance	Pension scheme	Others	
Directors					
Guofei XU					–
Kuanyi CHEN					–
Qing LU					–
Weiming DENG					–
Dechuan XIA		57.97	3.83		61.80
Gan GAO					–
Jie DU	8.00				8.00
Weixun ZHU	8.00				8.00
Chun ZHANG	8.00				8.00
Supervisors					
Changbai TU					–
Yunfeng SONG		49.78	3.83		53.61
Yuxin ZHOU		23.19	3.83		27.02

Note 1: Guofei XU, Gan GAO, Changbai TU and Yunfeng SONG are elected at 30th June 2016.

Note 2: Weide LAI was the former chairman of directors and resigned on 30th March 2016 and with no compensation. Yanqiu YU was the former directors and resigned on 3rd June 2016 and with no compensation. Yinqian ZHANG was former chairman of supervisor and resigned on 3rd June 2016 with no compensation. Yuanyua FU was former employee supervisor and resigned on 3rd June 2016 with the compensation of RMB0.28 million.

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V). Related parties transactions (Continued)

7. Remuneration of key management (Continued)

The remuneration of top five:

No directors are in the list of top five who got the highest remuneration in the year of 2016 and 2017. The details of top five who got the highest remuneration are as follows:

Item	RMB ten thousand	RMB ten thousand
Salary and allowance	438.00	414.00
Pension scheme	19.95	19.15
Others		
Total	457.95	433.15

Salary range	Number of people	
	Current period	Preceding period
Between RMB0.00 and RMB1,000,000.00	4	5
Over RMB1,000,000.00	1	

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI). Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	219,638,080.32		292,164,894.41	
	Xianyang Caihong Optoelectronics Technology Co., Ltd	90,396,976.00			
	Nanjing Panda Handa Technology Co., Ltd	59,736,132.38	33,649.21	75,822,689.75	33,649.21
	Nanjing Panda Investment Development Co., Ltd	35,559,458.86		124,500.00	
	Guizhou Zunyi Hualong New Material Co., Ltd	30,198,680.00			
	Nanjing Panda Electronics Import/Export Co., Ltd	25,146,791.34	695,611.41	7,136,508.18	695,611.41
	Nanjing CEC Panda LCD Technology Co., Ltd.	21,338,913.06		87,448,367.30	
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	13,709,014.18		38,551,040.38	
	Shenzhen Jinghua Network Marketing Co., Ltd	11,266,800.00		7,836,395.00	
	Shanxi Caihong Electronics Glass Co., Ltd.	10,898,078.00		11,900,000.00	
	IRICO (Hefei) LCD Glass Co., Ltd.	7,415,200.00		10,669,200.00	
	Nanjing China Electronics Panda Appliances Co., Ltd	1,903,780.00			
	China Great Wall Technology Group Co., Ltd	347,183.89		416,282.60	
	Nanjing Ericsson Panda Communication Co., Ltd.	225,460.13	1,404.00	290,332.33	
	Panda Electronic Group Co., Ltd.	212,539.44	146,659.19	12,429,314.88	25,550.00
	Liyang Panda Cuizhuyuan Hotel Co., Ltd	170,226.00			
	Shanghai Panda Huning Electronic Technology Co., Ltd.	163,700.00	163,700.00	163,700.00	163,700.00
	Nanjing CEC Panda Real Estate Co., Ltd.	158,803.63		165,041.63	
	Nanjing Electronics Information Industrial Corporation	90,342.00			
	Nanjing Sanle Electronic Information Co., Ltd	84,000.00			
Nanjing Thales Panda Transportation System Co., Ltd	39,086.73	39,086.73	39,086.73	36,156.93	
Nanjing Panda Dasheng Electronics Technology Co., Ltd	38,380.00				
Panda (Beijing) International Information Technology Co., Ltd	32,000.00				
China Electronics Equipment International Co., Ltd.	9,093.25				

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI). Balance due to or from related parties (Continued)

1. Balance due from related parties (Continued)

Items	Related parties	Closing balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	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
	CEC Engineering Science New Material Jiangsu Co., Ltd.			5,863,419.96	
Notes receivable	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	158,405,779.47		201,680,000.00	
	Nanjing Panda Handa Technology Co., Ltd	34,390,000.00		2,000,000.00	
	Guizhou Zunyi Hualong New Material Co., Ltd	5,000,000.00			
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	4,000,000.00			
	Chengdu China Electronic Panda Display Technology Co., Ltd	2,000,000.00			
	Nanjing China Electronics Panda Appliances Co., Ltd	1,122,830.00		2,000,000.00	
	Nanjing Panda Electronics Import/Export Co., Ltd	235,500.00			
	China Great Wall Technology Group Co., Ltd			120,055.22	
	Nanjing CEC Panda LCD Technology Co., Ltd.			59,000,000.00	
Advance payment	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	1,567,461.60			
	China Electronics Import and Export Co., Ltd	1,069,955.20		20,000.00	
	Nanjing Panda Electronics Import/Export Co., Ltd	134,202.95		13,748.93	
	Nanjing CEC Panda LCD Technology Co., Ltd.	89,640.59		737,455.80	
	Panda Electronic Group Co., Ltd.	69,921.75			
	Xianyang Caihong Optoelectronics Technology Co., Ltd	44,060.00			
	Nanjing China Electronics Panda Appliances Co., Ltd	44,050.00		44,050.00	
	Shanghai Panda Huning Electronic Technology Co., Ltd.			2,448,000.00	
	Shenzhen China Electronics International Information Technology Co., Ltd			548,329.60	

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI). Balance due to or from related parties (Continued)

2. Payables

Items	Related parties	Closing balance	Opening balance	
Accounts payable	Nanjing Panda Electronics Import/Export Co., Ltd	26,006,028.14	20,433,190.68	
	Panda Electronic Group Co., Ltd.	2,320,179.89	1,242,569.16	
	Nanjing Zhenhua Packing Material Factory	2,606,418.25	877,790.56	
	Beijing China Electronics Guangtong Technology Co., Ltd.	1,102,743.00	1,102,743.00	
	Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	403,200.00		
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	366,722.94		
	Guizhou Zhenhua Hualian Electronics Co., Ltd	313,991.00	15,000.00	
	Nanjing Panda Transport Co., Ltd	297,102.39	314,512.39	
	Nanjing China Electronics Panda Crystal Technology Co., Ltd	221,440.58	1,454.28	
	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	
	Nanjing CEC Panda illumination Co., Ltd.	88,533.15	98,486.13	
	Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	53,950.00		
	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 System Co., Ltd	16,410.02	16,410.02	
	Nanjing Panda Handa Technology Co., Ltd	5,536.00	316,800.00	
	Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	5,230.00	5,230.00	
	Notes payable	Nanjing Changjiang Electronics Information Industry Group Co., Ltd.		416,915.20

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI). Balance due to or from related parties (Continued)

2. Payables (Continued)

Items	Related parties	Closing balance	Opening balance	
Other payables	China Electronics Corporation	34,040,000.00	34,143,812.21	
	Panda Electronic Group Co., Ltd.	8,098,223.19	6,175,447.72	
	Liyang Panda Cuizhuyuan Hotel Co., Ltd	1,976,818.17		
	Nanjing Thales Panda Transportation System Co., Ltd	860,265.92	860,265.92	
	China Electronics Import and Export Co., Ltd	194,539.62	195,539.62	
	Nanjing Panda Transport Co., Ltd	87,355.14	12,300.00	
	Nanjing Electronics Information Industrial Corporation	55,200.00	44,600.00	
	Shanghai Panda Huning Electronic Technology Co., Ltd.	22,907.00	22,907.00	
	Nanjing Panda Technology Park Development Company Limited	20,000.00	20,000.00	
	Nanjing Panda Electronics Materials Utilisation Company	10,000.00		
	Nanjing CEC Panda Real Estate Co., Ltd.	5,000.00		
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	200.00	200.00	
	Nanjing China Electronics Panda Property Management Co., Ltd.		521,396.27	
	Panda (Beijing) International Information Technology Co., Ltd		45,588.91	
	Advances received	Chengdu China Electronic Panda Display Technology Co., Ltd	73,659,273.76	
		Panda Electronics Import and Export (Hong Kong) Co., Ltd.	5,224,740.87	3,824,207.39
		Nanjing CEC Panda LCD Technology Co., Ltd.	311,301.42	
Nanjing China Electronics Panda Appliances Co., Ltd		5,518.67	5,506.17	
Nanjing Panda Transport Co., Ltd		1,583.07	1,583.07	
Panda Electronic Group Co., Ltd.		621.83	621.83	
Nanjing Panda Technology Park Development Company Limited			233,334.00	
Nanjing Panda Electronics Import/Export Co., Ltd			117,000.00	
Nanjing CEC panda flat panel display technology Co., Ltd.			20,020.00	

Notes to the 2017 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VII). Related party commitment

The assets disposal agreement signed among the Company, Panda Electronics Group Co., Ltd and Nanjing Panda Investment and Development Co., Ltd refers to Note "V.7".

XI. Share-based payment

Nil

XII. Government grants

(I). Government grants related to assets

Item	Amount	Account in the balance sheet	Amount recorded in the profits and losses or deducted related costs		Account recorded in the profits and losses or deducted related costs
			Current period	Proceeding period	
Auto-transferring system industrialisation of new panel display industry	9,853,333.12	Deferred income	934,095.96	934,917.06	Other income

(II). Government grants related to income

Item	Amount	Amount recorded in the profits and losses or deducted related costs		Amount recorded in the profits and losses or deducted related costs
		Current period	Proceeding period	
Tax return	2,118,053.88	2,118,053.88		Other income
Post steady subsidies	1,249,456.56	1,249,456.56		Other income
Jiangsu Province new industry development fund	10,000,000.00			
Research and industrialisation of high nationalisation robot and intelligent equipment sets	7,120,000.00			
New model project	5,000,000.00			
Key research on ultra HD virtual reality human-computer interaction based on eye tracking	4,000,000.00			
Intelligent Manufacturing project	480,000.00			
Subway automatic check-in system	500,000.00			

Notes to the 2017 Financial Statements (Continued)

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

XII. Government grants (Continued)

(II). Government grants related to income (Continued)

Item	Amount	Amount recorded in the profits and losses or deducted related costs		Amount recorded in the profits and losses or deducted related costs
		Current period	Proceeding period	
Finance Commission of Shenzhen Municipality subsidy (Economic, Trade and Information Commission of Shenzhen Municipality "Grants program of Shenzhen industrial design application")	2,390,000.00	2,390,000.00		Non-operating income
Jiangsu Province Technology transforming fund project	1,880,000.00	1,880,000.00		Non-operating income
Special fund for guidance of new industry (development zone)	1,000,000.00	1,000,000.00		Non-operating income
Low-energy high/super high frequency RFID chains and application demonstration	900,000.00	900,000.00		Non-operating income
Subsidy of participating in intelligence exhibition	396,000.00	396,000.00		Non-operating income
Guidance of new industry in Qinhuai District in 2016	300,000.00	300,000.00		Non-operating income
Special fund for business development in 2017	266,300.00	266,300.00		Non-operating income
Special fund for industry transformation and updating	100,000.00	100,000.00		Non-operating income
Grants from Nanjing water bureau	60,000.00	60,000.00		Non-operating income
Sponsor for High-Tec overseas talent	40,000.00	40,000.00		Non-operating income
Shenzhen private, small and medium size enterprise development funds ("small and medium development fund for domestic market development plan" issued by Shenzhen small and medium enterprise office)	32,670.00	32,670.00		Non-operating income
Sponsor for patent policy in 2016	26,000.00	26,000.00		Non-operating income
Reward for patent and copyright (Futian district special fund of technology and science for enterprise and project to be supported" issued by Shenzhen Futian district development centre)	21,700.00	21,700.00		Non-operating income
Science and technology reward in the year of 2016	20,000.00	20,000.00		Non-operating income

Notes to the 2017 Financial Statements (Continued)

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

XII. Government grants (Continued)

(II). Government grants related to income (Continued)

Item	Amount	Amount recorded in the profits and losses or deducted related costs		Amount recorded in the profits and losses or deducted related costs
		Current period	Preceding period	
Allowance of producing environment-friendly	20,000.00	20,000.00		Non-operating income
Sponsor for patent policy in 2016	18,500.00	18,500.00		Non-operating income
Unemployment fee ("Notice of steady post subsidies with unemployment insurance" (Shen Ren She Gui [2016] No.1)	13,892.35	13,892.35		Non-operating income
Golden bridge project reward in the year of 2016	5,000.00	5,000.00		Non-operating income
Special fund subsidies in the year of 2016	4,000.00	4,000.00		Non-operating income
Science lecture hall delegation fee	4,000.00	4,000.00		Non-operating income
China association for science and technology delegation fee	4,000.00	4,000.00		Non-operating income
Subsidies of patent for innovation in the year of 2016	2,000.00	2,000.00		Non-operating income
Application for patent fund ("Notice of Shenzhen first round application for patent fund in 2017" issued by Market and quality supervision commission of Shenzhen Municipality)	2,000.00	2,000.00		Non-operating income
Subsidies of patent	2,000.00	2,000.00		Non-operating income
Subsidies of computer patent ("Notice of Shenzhen first round application for computer patent fund list in 2017" issued by Market and quality supervision commission of Shenzhen Municipality)	600.00	600.00		Non-operating income

Notes to the 2017 Financial Statements (Continued)

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

XIII. 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	9,543,103.38	2,312,790.16
1-2 year	3,933,515.38	2,600,392.31
2-3 year	210,000.00	30,000.00
Total	13,686,618.76	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		1,029,491.13
Intangible assets/software		48,157.69
Total	384,030.00	3,701,475.15

The unconfirmed commitment with related parties refers to Note "X. Related party relationship and transactions". The unconfirmed commitment with joint venture investment refers to Note "VII. Interests in other entities".

Notes to the 2017 Financial Statements *(Continued)*

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

XIII. Commitments and contingencies *(Continued)*

(II). Contingencies

1. Significant contingencies on balance sheet day

Please refer to Note "VII Other interest entities" for contingent liability related to joint venture and associates.

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

XIV. Events after balance sheet date

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

(II). Profit distribution

After the passing of the profit distribution proposal for 2017 at the 8th Board meeting of the fifteenth section of Board of Directors, the company decided to distribute dividend based on the share capital of 913,838,529.00 shares at the end of the financial reporting period. The cash dividend per 10 share was RMB0.70 (including tax) and RMB63,968,697.03 in total. The profit distribution proposal has been approved by the shareholders meeting and implemented.

(III). Sales return

There is no significant sales return after balance sheet date

(IV). No held-for-sales assets and asset portfolios which have not been disclosed

(V). No other notes about events after balance sheet date

Notes to the 2017 Financial Statements *(Continued)*

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

XV. Other significant events

- (I). No accounting error correction of prior period
- (II). No events related to exchanging non-monetary assets during the current period.
- (III). 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.

- (IV). No events related to termination of business at the end of the period.

(V). 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 intelligent city industry, electronic manufacturing service, intelligent manufacturing industry 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.

Non-current assets are divided into different areas and the non-current assets do not include available-for-sale financial assets and deferred income tax assets. All the non-current assets of the Company are located in the China Mainland.

Notes to the 2017 Financial Statements (Continued)

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

XV. Other significant events (Continued)

(V). Segment reports (Continued)

2. Financial information of the reported segment

Item	Intelligent city industry	Electronic manufacturing service	Intelligent manufacturing industry	Other products	Undistributed	Eliminations among segments	Total
Trade income from third party	1,872,741,344.47	1,482,562,456.97	812,518,300.30	24,106,807.21			4,191,928,908.95
Trade income between segments	121,815,228.55	70,561,576.84	32,196,949.62	34,981,086.22		259,554,841.23	-
Investment income from joint ventures and associated enterprises	-	-	-	570,942.02	72,918,930.00		73,489,872.02
Impairment of assets	6,138,660.58	7,072,383.41	781,443.04	1,407,373.09	-5,230,511.25	-5,964,865.82	16,134,214.69
Depreciation and amortisation expense	7,696,793.95	28,534,107.10	4,870,421.96	32,505,982.34	19,086,225.65		92,693,531.00
Total Profit	104,244,674.74	109,439,446.83	26,639,548.45	-41,016,884.36	37,722,766.23	50,740,277.35	186,289,274.54
Income tax expense	6,339,215.15	20,358,415.68	3,165,287.02	1,233,048.56	977,956.20		30,118,010.21
Net profit	97,905,459.59	89,081,031.15	23,474,261.43	-42,249,932.92	37,722,766.23	49,762,321.15	156,171,264.33
Total assets	1,678,363,516.94	1,354,317,697.09	1,124,926,474.02	858,502,538.65	3,057,576,910.81	2,408,183,650.92	5,665,503,486.59
Total liabilities	1,145,885,646.30	596,828,935.83	734,941,670.67	190,722,765.97	132,410,108.91	706,929,394.52	2,093,859,733.16
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises	-	904,716.33	9,313,494.30	322,407,324.16	-		332,625,534.79
Increase in other non-current assets besides long-term investment	-3,305,284.99	-3,690,438.19	44,133,234.76	-23,058,206.09	-94,993,028.57	1,726,751.25	-82,640,474.33

(VI). No other significant matters which will have influence on the investors

(VII). Other events

The accounting standards which have been revised but not implemented:

Ministry of Finance of People's Republic of China revised and issued "the Accounting Standards for Business Enterprises No. 14—Revenue" in the year of 2017. The revised standard will be implemented on 1st January 2018.

Ministry of Finance of People's Republic of China revised and issued "the Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments", "the Accounting Standards for Business Enterprises No.23—Transfer of Financial Assets" and "the Accounting Standards for Business Enterprises No. 24—Hedge Accounting". The revised standards will be implemented on 1st January 2018.

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement

(I). Accounts Receivable

1. Accounts receivable shown by classification

Type	Closing balance				Carrying Value
	Carrying Amount		Bad debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually	47,710,581.05	61.57			47,710,581.05
Accounts receivable with individual insignificance but individually accruing bad debt provision	29,785,060.33	38.43	4,505,157.28	15.13	25,279,903.05
Total	77,495,641.38	/	4,505,157.28	/	72,990,484.10

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

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I). Accounts Receivable (Continued)

1. Accounts receivable shown by classification (Continued)

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

Debtor	Closing balance			Reason
	Account receivable	Bad debt provision	Percentage (%)	
Nanjing Panda Information Industry Co., Ltd	19,571,958.25			Expected to be recovered
Nanjing Panda Handa Technology Co., Ltd	14,953,787.60			Expected to be recovered
Jiangsu Cable Network Development Co. Ltd Sihong Branch	7,644,000.00			Expected to be recovered
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	5,540,835.20			Expected to be recovered
Total	<u>47,710,581.05</u>	<u></u>	<u></u>	

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I). Accounts Receivable (Continued)

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

	Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Accounts receivable effectively verified	Closing balance
Opening balance				
	2,767,951.00	2,493,707.07	756,500.79	4,505,157.28

3. No accounts receivable effectively verified in the period.

4. The top five debtors of accounts receivable at the end of the year

Debtor	Closing balance		Bad debt provision
	Amount	Proportion of total account receivable (%)	
Nanjing Panda Information Industry Co., Ltd	19,571,958.25	25.26	
Nanjing Panda Handa Technology Co., Ltd	14,953,787.60	19.30	
Jiangsu Cable Network Development Co. Ltd Sihong Branch	7,644,000.00	9.86	
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	5,540,835.20	7.15	
Diehl Controls (Nanjing) Co., Ltd	3,980,210.46	5.14	
Total	<u>51,690,791.51</u>	<u>66.71</u>	

5. No accounts receivable to be derecognised due to the transfer of financial assets in the period

6. No transferred accounts receivable in which the company continued to involve and relevant assets or liabilities formed.

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(II). Other receivables

1. Disclosure of other receivables classified by type:

Type	Closing balance				
	Carrying Amount		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with individual significance and individually accruing bad debt provision	262,775,963.48	98.42	14,597,614.14	5.56	248,178,349.34
Other receivables without individual significance but individually accruing bad debt provision	4,212,974.34	1.58	1,450,727.26	34.43	2,762,247.08
Total	266,988,937.82	/	16,048,341.40	/	250,940,596.42

Type	Opening balance				
	Carrying Amount		Bad debt Provision		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
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

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(II). Other receivables (Continued)

1. Disclosure of other receivables classified by type: (Continued)

Other receivables with individual significance and individually accruing bad debt provision

Debtor	Closing balance			Reason
	Other receivable	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
Galant Limited	62,074,900.00			Expected to be recovered
Nanjing Panda Electronic Technology Development Co., Ltd.	54,729,600.00			Expected to be recovered
Nanjing Panda Machine Electricity Manufacturing Co., Ltd	9,159,874.95	4,409,874.95	48.14	Current value of the expected future cash flow is lower than its carrying value
Nanjing Huage Electronics Plastic Industry Co., Ltd	9,000,000.00	450,000.00	5.00	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda International Communication Technology Co., Ltd.	7,750,000.00			Expected to be recovered
Total	<u>262,775,963.48</u>	<u>14,597,614.14</u>		

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(II). Other receivables (Continued)

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

	Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Accounts receivable effectively verified	Closing balance
Opening balance				
	36,490,086.57	339,009.81	5,545,818.48	15,234,936.50
				16,048,341.40

3. Other receivables effectively verified in this period

Item	Verified Amount
Other receivables effectively verified	15,234,936.50

The significant situation of effectively verification in the period

Debtor	Nature	Verified amount	Reason	Approved approach	Whether caused by related party transaction
Nanjing Panda International Communications Technology Co., Ltd	Accounts	15,234,936.50	Written-off	Approved by Board of Directors	Yes
Total		15,234,936.50			

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
Related party accounts	264,661,891.74	333,472,213.18
Others	2,327,046.08	2,806,858.02
Total	266,988,937.82	336,279,071.20

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(II). Other receivables (Continued)

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.	Accounts	120,061,588.53	2-5 years	44.97	9,737,739.19
Galant Limited	Accounts	62,074,900.00	1-5 years	23.25	
Nanjing Panda Electronic Technology Development Co., Ltd.	Accounts	54,729,600.00	1-3 years	20.50	
Nanjing Panda Machine Electricity Manufacturing Co., Ltd	Accounts	9,159,874.95	2-5 years	3.43	4,409,874.95
Nanjing Huage Electronics Plastic Industry Co., Ltd	Accounts	9,000,000.00	Within 1 year	3.37	450,000.00
Total		<u>255,025,963.48</u>		<u>95.52</u>	<u>14,597,614.14</u>

6. No account receivable refer to the government grants 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.

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(III). Long-term equity investment

Items	Closing Balance		
	Book balance	Impairment Provision	Book Value
Investment in subsidiaries	1,460,098,659.27		1,460,098,659.27
Investment in associates and joint ventures	322,407,324.16		322,407,324.16
Total	<u>1,782,505,983.43</u>		<u>1,782,505,983.43</u>

Items	Opening Balance		
	Book balance	Impairment Provision	Book Value
Investment in subsidiaries	1,467,753,659.27	7,655,000.00	1,460,098,659.27
Investment in associates and joint ventures	352,182,138.42		352,182,138.42
Total	<u>1,819,935,797.69</u>	<u>7,655,000.00</u>	<u>1,812,280,797.69</u>

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(III). Long-term equity investment (Continued)

1. Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	losing balance of provision for impairment
Nanjing Panda Mechanical Engineering Plant	30,042,016.46			30,042,016.46		
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98			176,736,513.98		
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10			111,221,994.10		
Nanjing Guanghua Electronics Plastic Casings Factory	8,271,096.45			8,271,096.45		
Nanjing Panda International Communication Technology Co., Ltd.	7,655,000.00		7,655,000.00			
Nanjing Panda Industrial Enterprise Co., Ltd.	20,000,000.00			20,000,000.00		
Nanjing Panda Electronic Equipment Co., Ltd.	190,000,000.00			190,000,000.00		
Nanjing Panda Electronic Technology Development Co., Ltd.	700,000,000.00			700,000,000.00		
Nanjing Panda Communication Technology Co., Ltd.	98,585,734.28			98,585,734.28		
Shanghai Panda Robot Technology Co., Ltd.	6,000,000.00			6,000,000.00		
Shenzhen Jinghua Electronics Co., Ltd	119,241,304.00			119,241,304.00		
Galant Limited						
Chengdu Panda Electronic Technology Co., Ltd.						
Total	1,467,753,659.27		7,655,000.00	1,460,098,659.27		

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(III). Long-term equity investment (Continued)

2. Investment in associates and joint ventures

Investee	Opening balance	Increase/Decrease							Others	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
		Investments		Investment income or loss recognised under equity method	Adjustments in other comprehensive income	Other changes in equity	Dividends or profits declared	Others				
		increased	decreased									
1. Joint Ventures												
Nil												
Subtotal												
2. Associates												
Beijing SE Putian Mobile Communications Co., Ltd	115,542,176.42			18,441,366.00				-37,203,302.26		96,780,240.16		
Nanjing Ericsson Panda Communication Co., Ltd.	236,639,962.00			54,477,564.00				-65,490,442.00		225,627,084.00		
Nanjing Huaxian High Technology Co., Ltd												
Subtotal	352,182,138.42			72,918,930.00				-102,693,744.26		322,407,324.16		
Total	352,182,138.42			72,918,930.00				-102,693,744.26		322,407,324.16		

(IV). Operating income and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	153,969,095.60	129,295,431.22	133,464,018.86	98,992,266.47
Other operation	23,748,746.61	54,086.70	28,588,739.10	18,530.54
Total	177,717,842.21	129,349,517.92	162,052,757.96	99,010,797.01

Notes to the 2017 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(V). Investment income

Items	Current period	Preceding period
Investment income from long-term equity investments under cost method	33,936,042.50	34,632,739.01
Investment income from long-term equity investments under equity method	72,918,930.00	94,783,916.42
Gains on bank wealth investment products	13,283,637.10	10,800,193.40
Total	120,138,609.60	140,216,848.83

XVII. Supplementary information

(I). Breakdown of extraordinary profit and loss for the period

Items	Amount	Note
Gain or loss on disposal of non-current assets	-158,158.23	
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)	7,508,662.35	
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	16,441,470.67	
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		

Notes to the 2017 Financial Statements (Continued)

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

XVII. Supplementary information (Continued)

(I). Breakdown of extraordinary profit and loss for the period (Continued)

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	10,928,999.33	
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	2,962,795.75	
Other items of gain or loss in accordance with the definition of extraordinary profit and loss		
Impact of income tax	-915,637.52	
Impact of minority shareholders' interests	-1,795,913.82	
Total	<u>34,972,218.53</u>	

Notes to the 2017 Financial Statements (Continued)

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

XVII. Supplementary information (Continued)

(II). Return on net assets and earnings per share:

Profits of the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	3.2029	0.1175	0.1175
Net profit after deducting extraordinary profit and loss attributable to ordinary shareholders of the Company	2.1711	0.0792	0.0792

(III). No other matters

Nanjing Panda Electronics Company Limited
Company Stamp
29th March 2018

Documents Available for Inspection

1. Original financial statements signed and sealed under the hand of the Head of the Company, the Chief Accountant and the Head of the Accounting Department (person in charge of accounting matters).
2. Original auditors' report, with the auditing firm's chop affixed, signed and sealed by certified public accountants.
3. Original copies of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the reporting period.
4. This annual report is prepared in Chinese and English. In case of any discrepancies in interpretation, the Chinese version shall prevail.

Nanjing Panda Electronics Company Limited

Chairman: Xu Guofei

Date of approval by the Board for submission: 29 March 2018