

PANDA Electronics

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Nanjing Panda Electronics Company Limited

2018

Interim 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, the directors, supervisors and senior management of the Company confirm that the information in this interim report is true, accurate and complete and does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the contents herein.
2. All directors of the Company attended the second meeting of the ninth session of the Board of the Company held on 30 August 2018.
3. The interim financial report of the Company is unaudited.
4. Mr. Xia Dechuan, the Company representative, Mr. Shen Jianlong, the chief accountant, and Ms. Liu Xianfang, the head of accounting department (person in charge of accounting matters), declared that they confirmed the truthfulness, accuracy and completeness of the financial report contained in this interim report.
5. The Company would not make any profit distribution or capitalization of capital reserve for the first half of 2018.
6. Forward looking statements, including future plans and development strategies, contained in this interim report do not constitute a substantive commitment to investors by the Company. Investors are advised to pay attention to investment risks.
7. Neither the Company's controlling shareholder nor any of its related parties have misappropriated the Company's funds for non-operating purposes.
8. The Company did not provide external guarantees in violation of any specified decision-making procedures.
9. The Company has elaborated the potential risks in this interim report. For their details and the corresponding countermeasures, please refer to the paragraph headed "Potential Risks" under Section IV "Discussion and Analysis of the Operation" in this interim report.

SECTION I DEFINITIONS

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

Company/NPEC	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)
Electronics Equipment Company	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫电子装备有限公司)
Information Industry Company	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息产业有限公司)
Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫电子制造有限公司)
Communications Technology Company	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司)
Huage Plastic	Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (南京华格电塑业有限公司)
the Ministry of Finance	the Ministry of Finance of the People's Republic of China
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Nanjing Panda Electronics Company Limited

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

I. Company Information

Chinese name of the Company	南京熊猫电子股份有限公司
Abbreviation of the Chinese name	南京熊猫
English name of the Company	Nanjing Panda Electronics Company Limited
Abbreviation of the English name	NPEC
Legal representative of the Company	Xia Dechuan (Executive director and General Manager)

II. Contact Persons and Contact Information

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

III. Basic Information and Relevant Changes

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
Query index on changes in the reporting period	N/A

IV. Places for Information Disclosure and Inspection and Relevant Changes

Designated newspapers for information disclosure	Shanghai Securities News, China Securities Journal
International websites for the publication of the Company's interim report and information disclosure	Shanghai Stock Exchange: http://www.sse.com.cn Hong Kong Stock Exchange: http://www.hkex.com.hk
Place for inspection of the Company's interim report	Office of the Secretary to the Board, 7 Jingtian Road, Nanjing, the People's Republic of China
Query index on changes in the reporting period	N/A

V. Information of the Company's Shares

Class of shares	Overview of the Company's shares			Stock abbreviation before change
	Stock exchange on which the shares are listed	Stock abbreviation	Stock code	
A shares	Shanghai Stock Exchange	Nanjing Panda	600775	N/A
H shares	Hong Kong Stock Exchange	Nanjing Panda	00553	N/A

VI. Other Relevant Information

N/A

VII. Major Accounting Data and Financial Indicators (Prepared in accordance with the PRC Accounting Standards of Business Enterprises)

(I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	Reporting period	Corresponding period	Change during
	(January–June 2018)	(January–June 2017)	the reporting period from corresponding period of last year (%)
Operating income	1,993,629,769.74	1,751,575,928.03	13.82
Net profit attributable to shareholders of the Company	51,019,460.71	44,885,550.09	13.67
Net profit attributable to shareholders of the Company after extraordinary items	42,239,537.95	31,268,811.21	35.09
Net cash flow from operating activities	-132,738,177.15	136,865,399.94	-196.98
	At the end of the reporting period	At the end of last year	Change at the end of the reporting period from the end of last year (%)
	(30 June 2018)	(31 December 2017)	
Net assets attributable to shareholders of the Company	3,350,643,900.45	3,363,593,136.77	-0.38
Total assets	6,086,728,066.45	5,665,503,486.59	7.43
Total liabilities	2,503,009,961.61	2,093,859,733.16	19.54

(II) Key financial indicators

Unit: Yuan Currency: RMB

Key financial indicators	Reporting period	Corresponding period	Change during the
	(January–June 2018)	(January–June 2017)	reporting period from corresponding period of last year (%)
Basic earnings per share (RMB/share)	0.0558	0.0491	13.65
Diluted earnings per share (RMB/share)	0.0558	0.0491	13.65
Basic earnings per share after extraordinary items (RMB/share)	0.0462	0.0342	35.09
Weighted average return on net assets (%)	1.51	1.35	Increased by 0.16 percentage point
Weighted average return on net assets after extraordinary items (%)	1.25	0.95	Increased by 0.30 percentage point

Explanations on major accounting information and financial indicators of the Company:

The increases in net profit attributable to shareholders of the Company after extraordinary items and basic earnings per share were mainly due to the high level of extraordinary gains and losses as a result of the relative large amount of government grants included in gains and losses for the previous period; the decrease in net cash flow from operating activities was mainly due to the payment for purchase of goods during the reporting period.

VIII. Differences between Accounting Data Prepared under Overseas and Domestic Accounting Standards

N/A

IX. Extraordinary Items and Amounts

Unit: Yuan Currency: RMB

Extraordinary items	Amount
Gains and losses from disposal of non-current assets	-178,452.31
Government grants counted into the current profit and loss, except for those closely related to the ordinary operation of the Company and received constantly at a fixed amount or quantity according to certain standard based on state policies	2,102,100.00
Profit and loss from entrusting others for investment or asset management	10,024,098.81
Reversal of impairment provision of accounts receivable that have undergone individual impairment tests	307,207.91
Other net non-operating income and expenses other than the aforesaid items	231,492.32
Extraordinary profit and loss attributable to minority shareholders	-831,525.28
Effect of income tax	-2,874,998.69
Total	8,779,922.76

SECTION III OVERVIEW OF COMPANY'S BUSINESS

I. Information on principal activities, operating model and industry overview during the reporting period

(I) Principal products and activities

The Company takes smart manufacturing, smart city and electronic manufacturing services as main businesses, 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 the first half of 2018, under the circumstances of complicated and ever-changing global economy and trade and the consistent progress of domestic supply-side structural reform, China's electronic information industry maintained steady growth in the volatile environment, innovative development in the emerging sectors continued to gain momentum and key enterprises were accelerating their pace of capitalization and innovative development. Notwithstanding, with the qualitative changes in China-US political and economic relationship, the reverse globalization and trade and investment protectionism were intensifying and the common consensus and foundation of global economic and trading specialization and cooperation began to break down. Under such domestic and overseas changes in the development environment of the industry, the information industry supply chain safety systems shall be established at a higher rate and breakthroughs shall be made in respect of the basic core technologies in the electronic information sector so as to reshape the international competition landscape of the industry with "concentrated outgoing development efforts", give play to the potential momentum of synergic innovation of the industry-university research cooperation, form new industrial competitive advantages and create new development approaches.

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 the first half of 2018 China's cumulative output of industrial robots amounted to 73,849 sets, representing a year-on-year increase of 23.9%. 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.

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. New record was set in the mileage of rail transit newly put into operation across the country. Construction in progress and investment continued to grow. New construction of rail transit was mainly carried out in the third-tier or fourth-tier cities with heavy transportation pressure or those with strategic significance, whereas new investment still gathered in first-tier cities or non-capital cities with strong economy. With the successive investment and construction in cities the plans for which had been approved in the future, the urban rail transit will continue the fast growing momentum. The "13th Five-Year Plan" put forward that the development of urban rail transit shall be accelerated and the network of urban rail transit in cities with a population of more than 3 million shall be formed at a higher speed. 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. The Company will further expand services for the electronic manufacturing and reach out to other industries such as emerging industries including consumer electronics, automobile electronics, smart household appliances, etc.

II. Explanation on substantial changes of major assets of the Company during the reporting period

As at the end of the reporting period, total assets of the Company increased by 7.43% over the beginning of the reporting period, mainly resulting from the increase of 80.33% in inventories over the beginning of the reporting period; short-term loans and notes and accounts payable increased by 111.11% and 21.75%, respectively, over the beginning of the reporting period. Save for the foregoing, there was no substantial changes in the Company's major assets, of which, overseas assets amounted to RMB118,868,224.09, accounting for 1.95% of the total assets.

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 completed 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.

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).

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

With respect to electronics manufacturing services (EMS), the Company has breakthrough in key technologies in terms of high polymer special materials and high-end communication equipment accessories and it has also tackled technical difficulties resulting from high performance material and product contained in antenna of mobile communication base station in terms of heat resistance (耐熱), ultraviolet resistance (耐紫外光), low dielectric-loss (低介電損耗), low crosstalk (低串擾), among which, "key technology of preparation of organic of inorganic particles modified polymer composite materials" (有機化無機顆粒改性聚合物複合材料製備關鍵技術) 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.

SECTION IV DISCUSSION AND ANALYSIS OF THE OPERATION

I. The discussion and analysis of the operation

In the first half of 2018, the Company strived to deepen structural reform, promote mechanism innovation and boost industry transformation and upgrading in response to the actual business development and external environment. In addition, the Company was committed to fully implementing development plan, developing a detailed roadmap and proceeding it in an orderly way. Moreover, the Company believed in strengthening lean management and improving quality and efficiency. As a result, the Company accomplished the operating targets and key tasks assigned by the Board, and maintained a sound momentum of development. During the reporting period, the Company recorded operating income of RMB1,993,629,800, total profit of RMB90,205,200 and net profit attributable to shareholders of the parent company of RMB51,019,500.

(I) Analysis of principal operations

1. Analysis of changes in relevant items in the financial statements

Unit: Yuan Currency: RMB

Item	Amount for the period	Amount for the corresponding period of last year	Change (%)
Operating income	1,993,629,769.74	1,751,575,928.03	13.82
Operating costs	1,703,793,649.19	1,501,200,035.86	13.50
Cost of sales	24,842,746.83	23,862,747.13	4.11
Administrative expenses	99,945,852.85	99,005,721.91	0.95
Financial expenses	370,226.01	-2,210,703.19	N/A
Net cash flows from operating activities	-132,738,177.15	136,865,399.94	-196.98
Net cash flows from investment activities	-19,187,056.26	-221,731,235.10	N/A
Net cash flows from financing activities	87,423,327.93	-7,628,731.76	N/A
R&D expenses	103,166,097.03	83,028,112.67	24.25
Assets impairment loss	-238,867.43	7,105,725.45	-103.36
Credit impairment loss	1,018,592.09	-	N/A
Other income	1,268,248.20	2,527,179.69	-49.82
Gain from the disposal of assets	-178,452.31	27,066.49	-759.31
Non-operating income	2,910,814.51	10,942,287.92	-73.40

Reasons for the changes:

- (1) Financial expenses: Mainly due to the increase in interest expense of short-term bank borrowings;
- (2) Net cash flows from operating activities: Mainly due to cash paid for purchasing of goods during the period;
- (3) Net cash flows from investment activities: Mainly due to expiration of wealth management products purchased from banks;
- (4) Net cash flows from financing activities: Mainly due to the short-term bank borrowings obtained and proceeds from discount;
- (5) Assets impairment loss: Mainly due to the decrease in provision for impairment of inventories in the period;
- (6) Credit impairment loss: The reclassification of impairment loss of financial instruments into this item to comply with new standards for financial instruments;
- (7) Other income: Mainly due to the decrease in refunds of taxes in the period;
- (8) Gain from the disposal of assets: Mainly due to the decrease in gain from the disposal of non-current assets in the period;
- (9) Non-operating income: Mainly due to the decrease in government subsidy recognized under relevant accounting standards in the period.

2. Others

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

(2) Others: N/A

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

(III) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Remarks
Notes receivable and accounts receivable	756,259,003.02	12.42	1,514,714,889.82	26.74	-50.07	Due to the reclassification of eligible receivables into contract assets to comply with new revenue standards
Other receivables	106,889,225.11	1.76	79,788,515.23	1.41	33.94	Mainly due to the increase in deposit paid in the period
Inventories	1,065,806,599.60	17.51	591,018,560.71	10.43	80.33	Mainly due to the increase in inventory of raw materials
Contract assets	649,979,334.72	10.68			N/A	Due to the reclassification of eligible receivables into contract assets to comply with new revenue standards
Available-for-sale financial assets	-	-	3,650,000.00	0.06	-100.00	Due to the reclassification of financial instruments originally accounted as available-for-sale financial assets into other non-current financial liabilities to comply with new standards for financial instruments
Other non-current financial assets	3,650,000.00	0.06	-	-	N/A	Due to the reclassification of financial instruments originally accounted as available-for-sale financial assets into other non-current financial liabilities to comply with new standards for financial instruments
Long-term deferred expenses	2,042,525.98	0.03	3,602,788.29	0.06	-43.31	Mainly due to the amortization of long-term deferred expenses on a monthly basis
Short-term loans	95,000,000.00	1.56	45,000,000.00	0.79	111.11	Mainly due to the increase in short-term bank borrowings
Receipts in advance	-	-	242,767,679.91	4.29	-100.00	Due to the reclassification of eligible receipts in advance into contract liabilities to comply with new revenue standards
Contract liabilities	184,446,949.47	3.03	-	-	N/A	Due to the reclassification of eligible receipts in advance into contract liabilities to comply with new revenue standards

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Remarks
Staff Salaries payable	16,961,824.11	0.28	30,808,648.21	0.54	-44.94	Mainly due to salaries and related cost paid during the period
Other payables	228,338,235.46	3.75	156,119,627.23	2.76	46.26	Mainly due to the distribution of ordinary share dividends in the period
Other current liabilities	56,600,000.00	0.93	27,100,000.00	0.48	108.86	Mainly due to increase in government subsidy not yet recognized under relevant accounting standards at the end of the period

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

3. Other explanations: N/A

(IV) Analysis of investments

1. Overall analysis of equity investment

In the first half of 2018, the Company cautiously made investments in fixed assets and relevant projects in accordance with the operating plan and the capital expenditure budget. To meet the needs for business development, the Company further optimized its corporate structure and accelerated industry transformation and upgrading. On the premises that relevant operation and business are unaffected, the Company disposed ineffective and low-efficiency assets. Nanjing Guanghua Electronics Plastic Casings Factory and Nanjing Panda Mechanical Engineering Plant, two controlling subsidiaries of the Company, have completed procedure of business deregistration. The deregistered companies have ceased operations, which have no significant effect on the Company's overall production, operation and performance.

(1) Material equity investment: N/A

(2) Material non-equity investment: N/A

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

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

(VI) Analysis of major subsidiaries and investee companies

1. Information of major subsidiaries

Unit: 0'000 Currency: RMB

Subsidiary	Major products or services	Registered capital	30 June 2018		January to June 2018	
			Total assets	Net assets	Operating income	Net profit
Electronics Equipment Company	Manufacture and sale of automatic transmission equipment and industrial robots	19,000	122,294.74	39,359.37	43,384.79	1,266.88
Information Industry Company	Production and sale of AFC and ACC systems and equipment of railway transit, building intellectualization and system integration	USD3,194.6435	128,071.35	36,772.51	51,009.57	635.40
Electronic Manufacture Company	EMS services	USD2,000	89,362.95	42,163.54	60,843.89	2,284.06
Communications Technology Company	Manufacture and sale of mobile communication, digital communication and network communication systems and products	10,000	19,781.96	14,918.11	2,931.65	70.49
Nanjing Panda Xinxing Industrial Co., Ltd.	Property and catering services	2,000	6,602.74	3,406.64	7,013.73	215.28
Nanjing Panda Electronic Technology Development Company Limited	Manufacturing of general purpose equipment, software development, and property management	70,000	72,158.56	62,094.46	736.60	-1,332.70
Shenzhen Jinghua Electronics Co., Ltd.	Research and development, manufacturing and sales of communication equipment and digital products	11,507	51,419.22	37,437.42	34,802.62	3,907.97

2. Information of major investee companies (January to June 2018)

Unit: 0'000 Currency: RMB

Name of investee company	Operating income	Net Profit	Equity interests held by the Company	Investment Income received by the Company
Nanjing Ericsson Panda Communication Co., Ltd.	359,644.49	8,258.03	27%	2,229.67
Beijing SE Putian Mobile Communication Co., Ltd.	92,451.63	1,378.38	20%	275.68

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

II. Other Matters

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

N/A

(II) Potential risks

1. Technological risk

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

2. Market risk

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

(III) Other disclosures

1. Liquidity of capital

As shown in the consolidated financial statements of the Company prepared under the PRC Accounting Standards for Business Enterprises, as at 30 June 2018, the Company's gearing ratio (the ratio of total liabilities to total assets) was 41.12%; current liabilities amounted to RMB2,469 million; liquidity ratio was 1.92; quick ratio was 1.45; bank deposits and cash amounted to RMB1,127 million; and short-term bank and other loans amounted to RMB95 million.

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

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

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

3. Pre-emptive rights

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

4. Arrangements for purchase of shares or debentures by directors, supervisors and senior management staff

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

5. Liability insurance for 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 relevant requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

6. During the reporting period, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules regarding securities transactions by the directors. Having made specific enquiries to all directors of the Company, the directors have confirmed that they complied with the Model Code issued by the Hong Kong Stock Exchange.
7. Pursuant to paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirms that the current information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has no material change as compared to the information disclosed in the 2017 Annual Report of the Company.
8. Audit committee

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

The audit committee convened a meeting on 28 March 2018 to review 2017 financial report of the Company and the summary report on audit work in 2017 performed by BDO China Shu Lun Pan Certified Public Accountants LLP and agreed to submit the same to the Board for review. The appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's international, domestic and internal control auditors for 2018 was agreed at the meeting and relevant proposal was submitted to the Board for consideration.

Having reviewed the unaudited financial report of the Company for the six months ended 30 June 2018, the audit committee is of the opinion that the financial report complies with the applicable accounting standards and laws and that adequate disclosure has been made.

SECTION V SIGNIFICANT EVENTS

I. Overview of General Meetings

Session of the meeting	Date of the meeting	Query index of the designated website where the resolutions were published	Disclosure date of the resolutions
2017 annual general meeting	2018-06-29	www.sse.com.cn	2018-06-30

Description of general meeting:

The 2017 annual general meeting of the Company was held on 29 June 2018, at which the resolutions in relation to the following matters were considered and approved: the Work Report of the Board of Directors of the Company for the Year 2017, the Work Report of the Supervisory Committee of the Company for the Year 2017, the Audited Financial Reports of the Company for the Year 2017, the Financial Budget Report of the Company for the Year 2018, the Profit Appropriation Plan of the Company for the Year 2017, the resolution on the limit on the annual remuneration of senior management members of the Company, the resolution on the appointment of the auditor for the year 2018, the 2017 Annual Report of the Company and its Summary, the Report of the Independent Directors of the Company for the Year 2017, the resolutions in relation to election of directors of the ninth session of the Board, the resolutions in relation to election of independent non-executive directors of the ninth session of the Board and the resolution in relation to election of non-employee supervisor of the ninth session of the supervisory committee of the Company. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 30 June 2018 and on the website of the Hong Kong Stock Exchange on 29 June 2018, respectively.

II. Plan for Profit Distribution or Capitalization of Capital Reserve

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

The Company will not make any profit distribution or to convert any capital reserve into share capital for the first half of 2018.

(II) Implementation of profit distribution plan or adjustment thereto during the reporting period

Pursuant to the Company's profit distribution plan for 2017 which was considered and approved at the fifteenth meeting of the eighth session of the Board and the 2017 annual general meeting of the Company, a cash dividend of RMB0.70 (tax inclusive) for every 10 shares was paid to all shareholders of the Company on the basis of a total share capital of 913,838,529 shares as at 31 December 2017, with the total cash dividend distributed amounting to RMB63,968,697.03, and the remaining portion was to be carried forward to next year. The Company would not make any capitalization of capital reserve. As at the date of this report, the implementation of the profit distribution plan was fully completed. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 30 March, 30 June and 9 July 2018 and on the website of the Hong Kong Stock Exchange on 29 March 2018, 29 June 2018 and 6 July 2018, respectively.

III. Fulfillment of Undertakings

(I) Undertakings 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 than", 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;	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

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 in the business which 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; Yes Term: effective from the date of signing.	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; Yes Term: effective from the date of signing.	Yes	N/A	N/A	

Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
	Standardization and avoidance of connected transactions	PEGL	<p>(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.</p> <p>(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, comply with approval procedures and the information disclosure obligation in accordance with statutory procedures, and refrain or abstain from voting at board meetings and/or general meetings, so as to procure such connected transaction can be conducted in compliance with the principle of "fairness, justice and openness" and on normal commercial terms and conditions, and ensure such connected transactions will not harm the legitimate interests and rights of the Company and other shareholders.</p>	Time: 30 November 2012; Yes 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; Yes Term: effective from the date of signing.	Yes	Yes	N/A	N/A
Other undertakings	Others	CEC	<p>Due to the abnormal fluctuation of the domestic stock market, the Company received declaration documents from CEC as follows:</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	Time: 9 July 2015; Term: Yes effective from the date of signing.	Yes	Yes	N/A	N/A

As of the reporting date, CEC, NEIC and PEGL had strictly fulfilled their respective undertakings.

IV. Appointment and Removal of Auditors

At the 15th meeting of the eighth session of the Board, the resolution in relation to the appointment of the auditors for 2018 was considered and approved, whereby it was proposed that BDO China Shu Lun Pan Certified Public Accountants LLP be re-appointed as the Company's international auditor, PRC auditor and internal control auditor for 2018 and that their remuneration be determined within the limit of RMB2.10 million and it was agreed that the same be submitted to the 2017 annual general meeting of the Company for shareholders' consideration.

The 2017 annual general meeting of the Company considered and approved 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 2018, and authorized the Board to determine their remuneration within the limit of RMB2.10 million.

For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 30 March 2018 and 30 June 2018 and on the website of the Hong Kong Stock Exchange on 29 March 2018 and 29 June 2018, respectively.

V. Bankruptcy and restructuring related matter: N/A

VI. Material Litigation and Arbitration

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

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

Unit: 0'000 Currency: RMB

During the reporting period:

Plaintiff (applicant)	Defendant (respondent)	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 defendant owed 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.
Jiangsu Jinling Cellulose and Fibre Co., Ltd. (江苏金铃纖維素纖維有限公司)	Nanjing Panda Electronics Equipment Co., Ltd.	Nil	Litigation	The applicant requested the court give an order to rescind the cooperation agreement with the Electronics Equipment Company and return a paid amount of RMB9,873,000.	RMB9,873,000		Under trial		
Guangdong Zhicheng Guanjun Group Co., Ltd. (廣東志成冠軍集團有限公司)	Nanjing Panda Electronics Company Limited	Nil	Litigation	The applicant required the Company to undertake compensation responsibilities as the responsible party for the liquidation for the losses caused to the creditors during the liquidation of Nanjing Panda Power Technology Co., Ltd.	RMB7,746,800		Under trial		

(III) Other explanations: N/A

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

Huage Plastic, a third-tier wholly-owned subsidiary of the Company, failed to collect and store the activated carbon wastes from paint spraying during the renovation of the treatment facilities for recycling wastewater, which was in violation of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. Nanjing Environmental Protection Bureau required the behaviour in violation of environmental law be immediately corrected and a fine of RMB62,000. Huage Plastic has corrected its behavior and paid the fine to the designated account. The production and operation activities of the Company and Huage Plastic are not materially affected by the matter. The Company has requested the Company and relevant subsidiaries to further strengthen study of laws and regulations on environmental protection and conduct operations in strict accordance with relevant procedures to prevent similar events.

For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 26 April 2018 and on the website of the Hong Kong Stock Exchange on 25 April 2018, respectively.

VIII. Explanation on credibility status of the Company, its controlling shareholder and ultimate controller during the reporting period: N/A

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

X. 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 and believed that such transactions were in the best interests of the Company and its shareholders as a whole. The Financial Services Agreement was considered and approved at the 2015 first extraordinary general meeting of the Company on 28 December 2015 and with a term of three years effective from obtaining approval of independent shareholders at the extraordinary general meeting. For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange respectively on 13 November and 29 December 2015 and H share circular despatched on 11 December 2015.

On 30 August 2018, the ninth session of the Board of the Company held the second meeting, at which the resolution in relation to the Risk Assessment Reports of China Electronics Financial Co., Ltd. was considered and approved to assess the deposit risk in the Financial Company. After reviewing, no material deficiency in relation to the risk management of financial statements of the Financial Company was found to exist as of 30 June 2018. Please refer to the relevant announcement published on the website of Shanghai Stock Exchange on 31 August 2018 and on the website of the Hong Kong Stock Exchange on 30 August 2018 for more details.

As at 30 June 2018, the balance of the Group's loans and other credit financing services from Financial Company was RMB50,000,000 and the balance of the Group's deposits in Financial Company was RMB314,304,800. As at 29 August 2018, the balance of the Group's loans and other credit financing services from Financial Company was RMB50,000,000 and the balance of the Group's deposits in Financial Company was RMB340,659,300. 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.

3. Matters not disclosed in interim announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of Transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				2,357.25	1.68			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				609.12	0.43			
Shenzhen China Electronics Investment Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				227.47	0.16			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				203.26	0.14			
Nanjing Zhenhua Packing Material Plant	Subsidiary owned by shareholders	Purchase of goods				178.13	0.13			
China Electronics Import/Export Corporation	Subsidiary owned by shareholders	Purchase of goods				47.31	0.03			
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				46.36	0.03			
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				16.21	0.01			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				6.38	0.00			
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				2.84	0.00			
Nanjing Panda Dasheng Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				0.31	0.00			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Others	Receipt of services				395.72	1.36			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				189.92	0.65			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				113.71	0.39			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				7.31	0.03			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				4.16	0.02			
China Electronics Import/Export Corporation	Subsidiary owned by shareholders	Receipt of services				3.05	0.01			
Panda Electronics Group Limited	Controlling shareholder	Receipt of services				2.56	0.01			
Chengdu China Electronics Panda Display Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				23,061.51	14.09			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				18,327.22	11.20			
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				4,740.56	2.90			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				3,881.37	2.37			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				3,704.24	2.26			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2,494.22	1.52			
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2,293.08	1.40			

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 (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Sale of goods				1,180.61	0.72			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				393.63	0.24			
Panda Electronics Group Limited	Controlling shareholder	Sale of goods				123.07	0.08			
China Greatwall Technology Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				107.35	0.07			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				96.44	0.06			
Nanjing Ericsson Panda Communication Co., Ltd.	Associate	Sale of goods				49.66	0.03			
China Electronic Material Suzhe Company	Subsidiary owned by shareholders	Sale of goods				36.85	0.02			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				26.97	0.02			
Nanjing Huadong Electronic Information Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				18.32	0.01			
Nanjing Panda Technology Park Development Company Limited	Subsidiary owned by shareholders	Sale of goods				18.02	0.01			
Nanjing Electronics Information Industrial Corporation	Subsidiary owned by shareholders	Sale of goods				17.96	0.01			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				9.05	0.01			
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				5.74	0.01			
Shenzhen China Electronics Electricity Power Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				2.30	0.00			
Nanjing China Electronics Panda Modern Service Industry Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1.72	0.00			
Nanjing China Electronics Panda Trade Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				0.33	0.00			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				3,530.76	11.09			
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				531.67	1.67			
Liyang Bamboo Garden Hotel Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				495.43	1.56			
Xianyang Cahong Optoelectronics Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				435.36	1.37			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				385.75	1.21			
Panda Electronics Group Limited	Controlling shareholder	Rendering of services				138.12	0.43			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				34.13	0.11			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				15.48	0.05			
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				3.31	0.01			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				2.60	0.01			

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of Transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				2.59	0.01			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Rendering of services				0.45	0.00			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				39.36	1.04			
Nanjing CEC Panda Home Appliances Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				32.92	0.87			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Others	Leasing of assets				26.88	0.71			
Nanjing Panda Electronics Import/Export Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				12.18	0.32			
Panda Electronics Group Limited	Controlling shareholder	Leasing of assets				2.56	0.07			
Nanjing Panda Transport Co., Ltd.	Subsidiary owned by shareholders	Leasing of assets				2.50	0.07			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Leasing of assets				2.48	0.07			
Panda Electronics Group Limited	Controlling shareholder	Leasing of assets				2.03	0.05			
Total	/	/	/	/	/	<u>70,697.85</u>	/	/	/	

Details on return of bulk sales

N/A.

Explanation on connected transactions

During the reporting period, the continuing connected transactions conducted between the Group and NEIC Group, CEC Group (including Financial Company) (the continuing connected transactions which were conducted in the usual course of business and on normal commercial terms) were considered and approved at the extraordinary meeting of the eighth session of the Board of the Company and were approved by independent shareholders at the first extraordinary general meeting of 2015, the procedures of which were in compliance with relevant requirements. For details please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange respectively on 13 November and 29 December 2015 and the H share circular dispatched on 11 December 2015. All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.

These continuing connected transactions can provide the Group with a stable source of income and reliable supply of high quality services, materials, components and parts, which is conducive to the stability of the Group's production and operation. In addition, all of these continuing connected transactions were conducted on normal commercial terms and were fair and reasonable with justice pricing and had performed approval procedures in accordance with relevant requirements and were in the benefit of the Company and the shareholders as a whole.

For details of the continuing connected transactions between the Group and NEIC Group and CEC Group (including Financial Company), please refer to the section headed "Related party relationship and transactions" in the notes to the financial statements contained in the 2018 interim report of the Company.

- (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.**

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

1. Matters not disclosed in interim announcements

Unit: Yuan Currency: RMB

Connected party	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				34,040,000.00	-15,052.49	34,024,947.51
Panda Electronics Group Limited	Group company				8,098,223.19	-936,822.77	7,161,400.42
Liyang Panda Bamboo Garden Hotel Co., Ltd.	Subsidiary of the Group				1,976,818.17	4,808.00	1,981,626.17
Nanjing Thaies 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				194,539.62	1,000.00	195,539.62
Nanjing Panda Transport Co., Ltd.	Subsidiary of the Group				87,355.14	83,197.21	170,552.35
Nanjing Electronics Information Industrial Corporation	Ultimately controlled by the same party				55,200.00	-14,200.00	41,000.00
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 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 Panda Electronic Materials Utilization Co., Ltd.	Subsidiary of the Group				10,000.00	-10,000.00	
Total					45,370,509.04	-867,070.05	44,483,438.99

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

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

(V) Other material connected transactions: N/A

XI. Material Contracts and Their Execution

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

(II) Guarantees

Unit: 0'000 Currency: RMB

Guarantees made by the Company (excluding those in favour of subsidiaries)												
Relationship between guarantor and the listed Guarantor company	Secured party	Guaranteed amount	Date of guarantee (agreement execution date)	Commencement date	Expiry date	Type of guarantee	Whether the guarantee has been fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to the related parties	Relationship
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 provided by the Company for 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)											32,831.04	
Total amount of guarantees made by the Company (including those in favour of subsidiaries)												
Total amount of guarantees (A+B)											32,831.04	
Percentage of total guarantee amount in net assets of the Company (%)											9.80	
Including:												
Amount of guarantees provided to shareholders, de facto controller and their related parties (C)											0	
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70% (D)											26,966.82	
Amount of total guarantees in excess of 50% of net assets value (E)											0	
Total amount of the above three items (C+D+E)											26,966.82	
Statement on the contingent joint and several liability in connection with unexpired guarantee											N/A	
Statement on guarantee												

The said guarantees are provided by the Company to its subsidiaries. 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 in relation to the guarantees provided by the Company for its subsidiaries, please refer to the sections headed "Guarantee in related party transactions" in the notes to the financial statements contained in the 2018 interim report of the Company.

Information Industry Company, which is held as to 82% by the Company and 18% by Galant Limited, a wholly-owned subsidiary of the Company, and Electronics Equipment Company, which is held as to 100% by the Company, are major subsidiaries of the Company. As at 30 June 2018, the asset-liability ratio of Information Industry Company and Electronics Equipment Company was 70.89% and 70.46%, respectively. Information Industry Company and Electronics Equipment Company are engaged in businesses that form an important part of the principal operations of the Company. Providing guarantee for their financing would help them to expand their businesses and undertake projects, which is in line with the interests of the Company as a whole. The guaranteed amount is within the maximum amount considered and approved at the general meeting and the procedures of providing such guarantees are in compliance with relevant requirements. Information Industry Company and Electronics Equipment Company have provided counter guarantees with all their assets. Therefore, the risk relating to the guarantees provided for Information Industry Company and Electronics Equipment Company is low. Except for Information Industry Company and Electronics Equipment Company, the asset-liability ratio of the remaining secured parties was no higher than 70%.

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 RMB1,180,000,000 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.

The independent directors of the Company have expressed their independent opinions on the above external guarantees as follows: all the above-mentioned guarantees had been considered and approved by the Board and approved by shareholders at general meetings, and relevant procedures were in compliance with applicable rules. Other than its subsidiaries, the Company and its subsidiaries did not provide any guarantee to any independent third parties nor to its controlling shareholder, 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) Other material contracts

Besides the daily business, the provision of guarantee for loans granted to its subsidiaries and wealth management with idle funds, the Company did not enter into other material contracts. Contracts for provision of guarantee for loans granted to its subsidiaries or for wealth management with idle funds had been published on China Securities Journal, Shanghai Securities News and the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

XII. Poverty Alleviation of the Company

(I) The targeted poverty alleviation plan

In recent years, according to the plan for Ending Poverty and Raising Standard of Living of Nanjing Municipality in the "13th Five-Year Plan" period, the Company actively participated in the Hundreds of Enterprises Assisting Hundreds of Villages by Pairing ("百企掛鉤幫百村") campaign carried out by the Nanjing Municipal Government. It proactively carried through the requirements of the Nanjing Municipal Party Committee and Municipal Government on targeted poverty alleviation, and devised schemes for assisting the poverty-stricken households. The Company also fully implemented the measures on poverty alleviation of its counterpart village to achieve the goals of targeted poverty alleviation set by Nanjing Municipal Party Committee and Municipal Government through a variety of means including the financial aid programs and donation to the poverty-stricken households.

(II) Summary of the targeted poverty alleviation during the reporting period

In 2018, according to the requirements of the Nanjing Municipal Government on targeted poverty alleviation, the Company organized visits to an undeveloped village it paired up in Gaochun District, Nanjing City and took relevant measures to provide help upon on-site investigation and research. In August 2018, the Company visited the village and gave away subsidies to three college students from poverty-stricken households and donated school supplies such as school bags and stationery as well as subsidies to nine primary school and middle school students from poverty-stricken households through the financial aid programs. The Company will donate additional RMB60,000 to provide financial assistance to 60 poor families in the village in the year.

(III) Results of the targeted poverty alleviation

Unit: 0'000 Currency: RMB

Items	Amount and relevant implementations
I. General information	
of which: 1. Capital	7.50
2. Supplies converted to cash	0.16
3. Number of registered poor people lifted out of poverty (person)	
II. Injection by project	
1. Poverty alleviation through industrial development	N/A
2. Poverty alleviation through transferring the form of employment	N/A
3. Poverty alleviation through relocation	N/A
4. Poverty alleviation through education	
of which: 4.1 Capital injected to subsidize poor students	1.66
4.2 Number of poor students subsidized (person)	12
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 lifted out of poverty (person)	
	Assistance to 60 poverty-stricken households in the pair-up village
9.4. Details about other projects	N/A
III. Awards and its level	

(IV) Interim progress on performance of social responsibilities of targeted poverty alleviation: N/A

(V) Subsequent plan for targeted poverty alleviation

In compliance with the requirements of the Municipal Party Committee and Municipal Government for development of undeveloped 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 devote more efforts in poverty alleviation of the undeveloped village in Gaochun District. The specific measures thereof are as follows:

- (1) Go to the impoverished village and take initiatives to visit and console the poverty-stricken households and make specific consolation.
- (2) The Company will uphold the concept of poverty alleviation internally and encourage communist party members, league members and all employees to participate in the action thereof by way of pairing up and other means.
- (3) In light of the actual situation of the pair-up village, the Company will carry out in-depth investigation and research to understand the real needs of the poverty-stricken households so as to specifically implement its "targeted poverty alleviation" work.

XIII. Convertible Corporate Bonds: N/A

XIV. Environmental Information

(I) Statement on the environmental protection practice of companies and their major subsidiaries belonging to key pollutant discharging units published by national environmental protection authorities

According to the Notice on Issuing the List of Key Pollutant Discharging Units in Nanjing in 2018 (Ning Huan Ban [2018] No. 75) (《關於印發2018年南京市重點排污單位名錄的通知》(寧環辦[2018]75號)) issued by Nanjing Environmental Protection Bureau, Huage Plastic, a third-tier wholly-owned subsidiary of the Company, was included in the list in terms of the atmosphere.

1. Information on emission of pollutants

Huage Plastic has three exhaust gas outlets on the roof of Block 5 Plant, No. 1 Hengtong Avenue, Nanjing Economic and Technological Development Zone, which intermittently emit toluene, xylene and non-methane hydrocarbon in compliance with the Grade II standard under "Emission Standards for Air Pollutants" (《大氣污染物綜合排放標準》) (GB16297-1996). With the approved pollutant emission of 0.757 tons/year for toluene, 0.759 tons/year for xylene, and 4.436 tons/year for non-methane hydrocarbon, it had no excessive emission.

2. Construction and operation of pollution prevention and control facilities

Exhaust gas from automatic production lines is treated by the combination of activated carbon adsorption and catalytic combustion. Construction of the device has been completed and it is currently under trial operation. Exhaust gas from manual production lines is treated by activated carbon adsorption, and the device is expected to be upgraded to operate through regenerative catalytic combustion by the end of the year.

3. Environmental impact assessment of construction projects and other administrative licenses of environmental protection

(1) *Environmental impact assessment (EIA)*

Project name: Precision Injection Molding and Mold Making Relocation and Reconstruction Project of Nanjing Huage Appliance and Plastic Industrial Co., Ltd.; document number and time for EIA approval: Ning Huan Biao Fu [2012] No. 006, and 8 February 2012; acceptance time and number: 22 October 2012, and Ning Huan Yan [2012] No. 121.

(2) *Pollutant emission license*

License No.: 320101-2013-200074, validity period: from 1 April 2016 to 30 March 2019.

4. Emergency plan for emergency environmental incidents

A third-party has been engaged to draft the plan which is expected to be finalized and reviewed by experts for filing in October.

5. Environmental self-monitoring plan

A third-party has been engaged to carry out annual environmental monitoring.

6. Other discloseable environmental information

The information on hazardous wastes has been disclosed on the website of Huage Plastic (<http://www.njhuage.com/>) as required by the environmental protection department.

(II) Description of the follow-up progress or changes in the environmental information disclosed during the reporting period

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. 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.

For details of the environmental information disclosed by the Company during the reporting period, please refer to the sub-section VII of this section.

XV. Other Material Events

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

1. 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 Held for Sale, Disposal Groups and Termination of Business Operation, which took effect on 28 May 2017. Non-current assets held for sale, disposal groups 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 the relevant announcement published on the website 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.
2. The resolution on the change in the Company's accounting policies and the related matters was considered and approved at the second meeting of the ninth session of the Board of the Company on 30 August 2018. In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 14–Revenue, 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, the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting, the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments, pursuant which, the enterprises concurrently listed on domestic and foreign stock exchanges shall adopt such accounting standards with effect from 1 January 2018. On 15 June 2018, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018 (《財政部關於修訂印發2018年度一般企業財務報表格式的通知》) (Cai Kuai [2018] No. 15), and has revised the format of financial statements for general enterprises. In accordance with the requirements of the above accounting standards and notice, the Company changed relevant accounting policies and implemented the above standards and notice according to the stipulated implementation date. The Company has prepared the interim financial statements for 2018 according to such format as prescribed in the notice Cai Kuai [2018] No. 15 and changed the presentation of relevant financial statements with retrospective application method. The change in accounting policies only affects the presentation of the relevant items in the Company's financial statement, but has no material impact on the Company's financial positions, operating results and cash flow for the period. The change in accounting policies was made on reasonable basis according to the relevant requirements of the Ministry of Finance, which was in line with the relevant regulations and the actual situation of the Company. The decision-making process for this change in accounting policies is in compliance with relevant laws and regulations and the Articles of Association. For details, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2018–033) published by the Company on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 31 August 2018 and the relevant announcement published on the website of the Hong Kong Stock Exchange on 30 August 2018.

(II) In case retrospective restatement is required for major accounting errors during the reporting period, the Company shall give explanations on the situation, amount affected, reasons thereof and its impact: N/A

(III) Others

During the reporting period, the Company complied with the relevant laws and regulations including the Company Law and the Securities Law. In accordance with the requirements relating to corporate governance and proper operation issued by the CSRC and the SFC and the requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, 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 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 had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

I. Changes in Shares

(I) Changes in Shares

1. Particulars for changes in shareholdings

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

2. Explanations on changes in shareholdings:

As at 30 August 2018, the latest practicable and recent date prior to the date of this interim report, based on information that is publicly available to the Company and within the knowledge of the directors, the Company has complied with the requirements of the Hong Kong Stock Exchange in relation to sufficiency of public float.

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

II. Shareholders

(I) Total number of shareholders

Total number of ordinary shareholders as at the end of the reporting period 36,510 shareholders
(including 36,482 A shareholders and 28 H shareholders)

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

Unit: share

Name of shareholder (full name)	Shareholdings of top ten shareholders of the Company						
	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	Status of shares	Pledged or locked up Number of shares	Type of shareholders
HKSCC (Nominees) Limited	42,793	243,019,509	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.	0	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
Hua Wei (華偉)	1,869,950	4,400,771	0.48	0	Unknown		Domestic natural person
Huang Liangfu (黃亮富)	0	4,148,825	0.45	0	Unknown		Domestic natural person
Xi Caixia (奚彩霞)	-465,000	3,515,000	0.38	0	Unknown		Domestic natural person
YuanYonglin (袁永林)	-418,600	2,730,000	0.30	0	Unknown		Domestic natural person
Zhou Donghua (周東華)	520,000	1,900,000	0.21	0	Unknown		Domestic natural person

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

Name of shareholder	Shares held not subject to trading moratorium		Class and number of shares	
			Class	Number
HKSCC (Nominees) Limited	243,019,509		Overseas listed foreign shares	241,437,570
			RMB ordinary shares	1,581,939
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
Hua Wei (華緯)	4,400,771		RMB ordinary shares	4,400,771
Huang Liangfu (黃亮富)	4,148,825		RMB ordinary shares	4,148,825
Xi Caixia (奚彩霞)	3,515,000		RMB ordinary shares	3,515,000
Yuan Yonglin (袁永林)	2,730,000		RMB ordinary shares	2,730,000
Zhou Donghua (周東華)	1,900,000		RMB ordinary shares	1,900,000

Details for the connected relationship or party acting in concert among the aforesaid shareholders

NEIIC holds 100% equity interests of PEGL, the controlling shareholder of the Company. NEIIC 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. NEIIC indirectly holds 210,661,444 A shares of the Company through PEGL, representing 23.05% of the total number of shares. In total, NEIIC 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.

Note:

HKSCC (Nominees) Limited held 243,019,509 shares (including 241,437,570 H shares and 1,581,939 A shares) of the Company, representing 26.59% of the issued share capital of the Company, on behalf of several clients, which included 13,768,000 H shares of the Company held by NEIIC. Save as disclosed above, the Company is not aware of any individual client holding more than 5% of the issued share capital of the Company.

III. Changes of Controlling Shareholders and the de facto Controllers of the Company

During the reporting period, there was no change in the controlling shareholders and the de facto controllers of the Company, being PEGL and CEC, respectively.

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

As at 30 June 2018, 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 Asset Management Co., Ltd. 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. No short positions were found in any shares held by the above substantial shareholders.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2018.

SECTION VII INFORMATION ON PREFERRED SHARES

The Company did not have any matters in relation to the preferred shares during the reporting period.

SECTION VIII PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Change in shareholdings

(I) Changes in shareholdings of current and the resigned directors, supervisors and senior management during the reporting period

During the reporting period, the shareholdings of directors, supervisors and senior management remained unchanged.

As of 30 June 2018, none of the directors, supervisors and senior management staff of the Company or their associates had any interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")), (a) which were required to be notified to the Company or the Stock Exchange under Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were regarded or deemed to have pursuant to such provisions of the SFO); or (b) which were required to be recorded in the register required to be kept by the Company under such provision of Section 352 of SFO; or (c) which were required to be separately notified to the Company or the Stock Exchange according to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") under Appendix 10 to the Listing Rules. No share incentive scheme was granted to them. 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) Share options granted to directors, supervisors and senior management staff as incentives during the reporting period: N/A

II. Changes in directors, supervisors and senior management staff

Name	Position	Change
Xu Guofei	Chairman, executive director	Election
Chen Kuanyi	Vice chairman, executive director	Election
Lu Qing	Non-executive director	Election
Deng Weiming	Non-executive director	Election
Xia Dechuan	Executive director	Election
Gao Gan	Non-executive director	Election
Du Jie	Independent non-executive director	Election
Zhang Chun	Independent non-executive director	Election
Gao Yajun	Independent non-executive director	Election
Tu Changbai	Chairman of the Supervisory Committee	Election
Song Yunfeng	Employee representative supervisor	Election
Zhou Yuxin	Employee representative supervisor	Election
Xia Dechuan	General manager	Appointment
Liu Kun	Deputy general manager	Appointment
Shen Jianlong	Chief accountant, secretary to the Board, Company secretary	Appointment
Guo Qing	Deputy general manager	Appointment
Hu Huichun	Deputy general manager	Appointment
Shao Bo	Deputy general manager	Appointment
Chu Wai Tsun, Vincent	Independent non-executive director	Retirement

Explanations on the changes in directors, supervisors and senior management staff of the Company:

- On 24 May 2018, the nominations of Mr. Xu Guofei, Mr. Chen Kuanyi, Mr. Xia Dechuan as candidates for executive directors of the 9th session of the Board of the Company; Mr. Lu Qing, Mr. Deng Weiming and Mr. Gao Gan as candidates for non-executive directors of the 9th session of the Board of the Company; and Ms. Du Jie, Mr. Zhang Chun, Mr. Gao Yajun as candidates for independent non-executive directors of the 9th session of the Board of the Company were considered and approved at the 17th meeting of the eighth session of the Board of the Company. The above candidates were elected and appointed at the 2017 annual general meeting of the Company convened on 29 June 2018 and their terms of office are three years.
- On 24 May 2018, the nomination of Mr. Tu Changbai as a candidate for the non-employee representative supervisor of the 9th session of the Supervisory Committee of the Company was considered and approved, and Mr. Song Yunfeng and Mr. Zhou Yuxin as employee representative supervisors were confirmed at the 16th meeting of the 8th session of the Supervisory Committee of the Company. Mr. Tu Changbai was elected and appointed at the 2017 annual general meeting of the Company convened on 29 June 2018 for a term of three years, who, together with Mr. Song Yunfeng and Mr. Zhou Yuxin, both being employee representative supervisors, form the 9th session of Supervisory Committee of the Company.

For particulars of the above matters, please refer to the announcements of the Company published on the website of Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 25 May 2018 and 30 June 2018, and on the website of Hong Kong Stock Exchange on 24 May 2018 and 29 June 2018.

3. On 29 June 2018, the Company held the first meeting of the 9th session of the Board, at which,
- (1) Mr. Xu Guofei was elected as the chairman of the Company and Mr. Chen Kuanyi was elected as the vice chairman of the Company.
 - (2) Mr. Xu Guofei (chairman of the Company), Mr. Chen Kuanyi (vice-chairman of the Company), Mr. Lu Qing(a director) and Mr. Xia Dechuan(a director), and Mr. Gao Yajun(an independent director) were elected as members of the Strategy Committee, with Mr. Xu Guofei as the chairman of the Strategy Committee; Mr. Lu Qing(a director) and Mr. Deng Weiming (a director), Ms. Du Jie (an independent director), Mr. Zhang Chun (an independent director) and Mr. Gao Yajun (an independent director) were elected as members of the Audit Committee, with Ms. Du Jie as the chairman of the Audit Committee; Mr. Xu Guofei(chairman of the Company), Mr. Chen Kuanyi(vice-chairman of the Company), Ms. Du Jie (an independent director), Mr. Zhang Chun (an independent director) and Mr. Gao Yajun (an independent director) were elected as members of the Nomination Committee, with Mr. Gao Yajun as the chairman of the Nomination Committee; and Mr. Xia Dechuan(a director) and Mr. Gao Gan(a director) and Ms. Du Jie (an independent director), Mr. Zhang Chun (an independent director) and Mr. Gao Yajun (an independent director) were elected as members of the Remuneration and Evaluation Committee, with Mr. Zhang Chun as the chairman of the Remuneration and Evaluation Committee.
 - (3) Mr. Xia Dechuan was appointed as the general manager of the Company; Mr. Liu Kun, Mr. Guo Qing, Mr. Hu Huichun and Mr. Shao Bo were appointed as the deputy general managers of the Company; and Mr. Shen Jianlong was appointed as the chief accountant and the secretary to the Board of the Company, each for a term of three years, which is in line with the term of the 9th session of the Board of the Company.
4. On 29 June 2018, the Company held the first meeting of the 9th session of Supervisory Committee, at which Mr. Tu Changbai was elected as the chairman of the Supervisory Committee.
- For particulars of the above matters, please refer to the announcements of the Company published on the website of Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 30 June 2018, and on the website of Hong Kong Stock Exchange on 29 June 2018.
5. Mr. Chu Wai Tsun, Vincent, a former independent non-executive director retired from his position as a director of the Company due to expiry of his term of office.

SECTION IX INFORMATION ON CORPORATE BONDS

During the reporting period, there were no matters relating to the bonds of the Company.

SECTION X FINANCIAL REPORT

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

Consolidated Balance Sheet

30 June 2018

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB Yuan

Assets	Closing balance	Opening balance
Current assets:		
Cash and cash equivalents	1,236,030,059.02	1,328,745,296.50
Settlement provisions		
Placement		
Financial assets measured at fair value through profit and loss		
Financial assets held for trading		
Derivative financial assets		
Notes receivable and accounts receivable	756,259,003.02	1,514,714,889.82
Advance to suppliers	314,975,696.87	248,488,640.75
Premiums receivable		
Reinsurance receivable		
Reinsurance contract reserve receivable		
Other receivables	106,869,225.11	79,788,515.23
Financial assets purchased for resale		
Inventories	1,065,806,599.60	591,018,560.71
Contract assets	649,979,334.72	
Held-for-sale assets	78,387,788.27	78,387,788.27
Non-current assets due within one year		
Other current assets	521,050,556.23	465,410,493.64
Total current assets	4,729,358,262.84	4,306,554,184.92
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets		3,650,000.00
Held-to-maturity investments		
Debenture investments		
Other debenture investments		
Long-term receivables		
Long-term equity investments	358,308,042.35	332,625,534.79
Other investments in equity instruments		
Other non-current financial assets	3,650,000.00	
Investment properties	7,638,293.76	8,314,534.74
Fixed assets	832,940,346.38	853,555,020.10
Construction in progress	49,532,665.55	50,659,931.64
Biological assets for production		
Fuel assets		
Intangible assets	94,130,726.55	97,307,446.15
Development expenses	-	
Goodwill		
Long-term deferred expenses	2,042,525.98	3,602,788.29
Deferred income tax assets	9,127,203.04	9,234,045.96
Other non-current assets		
Total non-current assets	1,357,369,803.61	1,358,949,301.67
Total assets	6,086,728,066.45	5,665,503,486.59

Consolidated Balance Sheet (Continued)

30 June 2018

Liabilities and owners' equity	Closing balance	Opening balance
Current liabilities:		
Short-term loans	95,000,000.00	45,000,000.00
Borrowing from PBOC		
Customer and interbank deposits		
Borrowing from interbank		
Financial liabilities measured at fair value through profit and loss		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable and accounts payable	1,858,571,918.59	1,526,511,390.66
Advances from customers		242,767,679.91
Contract liabilities	184,446,949.47	
Financial assets sold under repurchase agreements		
Bank charges and commissions due		
Salaries payable	16,961,824.11	30,808,648.21
Taxes payable	29,480,920.39	29,450,814.25
Other payables	228,338,235.46	156,119,627.23
Reinsurers due		
Insurance contract reserves		
Customers' deposits held for securities brokerage		
Securities underwriting		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities	56,600,000.00	27,100,000.00
Total current liabilities	2,469,399,848.02	2,057,758,160.26
Non-current liabilities:		
Long-term loans	-	
Bonds payables	-	
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term staff salaries payable	26,016,831.57	28,037,472.50
Accrued liabilities		
Deferred income	7,517,272.12	7,984,320.10
Deferred income tax liabilities	76,009.90	79,780.30
Other non-current liabilities		
Total non-current liabilities	33,610,113.59	36,101,572.90
Total liabilities	2,503,009,961.61	2,093,859,733.16

Consolidated Balance Sheet (Continued)

30 June 2018

Liabilities and owners' equity	Closing balance	Opening balance
Owners' equity:		
Share capital	913,838,529.00	913,838,529.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	1,464,043,022.82	1,464,043,022.82
Less: treasury share		
Other comprehensive income		
Special reserve		
Surplus reserve	254,995,636.63	254,995,636.63
General risk reserve		
Undistributed profits	717,766,712.00	730,715,948.32
Subtotal of the equity attributable to the shareholders of the parent company	3,350,643,900.45	3,363,593,136.77
Minority interests	233,074,204.39	208,050,616.66
Total owners' equity	3,583,718,104.84	3,571,643,753.43
Total liabilities and owners' equity	6,086,728,066.45	5,665,503,486.59

Legal representative :
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Consolidated Income Statement

January–June 2018

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB Yuan

Items	Amount for the current period	Amount for the prior period
1. Total operating income	1,993,629,769.74	1,751,575,928.03
Include: Operating income	1,993,629,769.74	1,751,575,928.03
Interests income		
Premiums earned		
Income from bank charges and commissions		
2. Total operating cost	1,942,308,699.04	1,723,647,996.99
Include: Operating cost	1,703,793,649.19	1,501,200,035.86
Interests expenses		
Bank charges and commissions expenses		
Insurance withdrawal payment		
Net payment from indemnity		
Net provisions for insurance contract		
Insurance policy dividend paid		
Reinsurance cost		
Business taxes and surcharge	9,410,402.47	11,656,357.16
Selling expenses	24,842,746.83	23,862,747.13
Administrative expenses	99,945,852.85	99,005,721.91
R&D costs	103,166,097.03	83,028,112.67
Financial expenses	370,226.01	-2,210,703.19
Including: Interest expense	1,489,974.74	525,043.40
Interest incomes	-5,522,060.92	-6,138,429.01
Loss in assets impairment	-238,867.43	7,105,725.45
Loss in credit impairment	1,018,592.09	
Add: Other incomes	1,268,248.20	2,527,179.69
Investment income		
(losses are represented by "-")	35,460,772.49	38,928,575.85
Include: Investment income of associates and joint ventures	25,682,507.56	32,250,321.46
Income on hedging the net exposure (losses are represented by "-")		
Income from change in fair value (losses are represented by "-")		
Gains on disposal of assets (losses are represented by "-")	-178,452.31	27,066.49
Exchange gain (losses are represented by "-")	-	
3. Operating profit (losses are represented by "-")	87,871,639.08	69,410,753.07
Add: Non-operating income	2,910,814.51	10,942,287.92
Less: Non-operating expenses	577,222.19	743,784.89
4. Total profit (total losses are represented by "-")	90,205,231.40	79,609,256.10
Less: Income tax expense	14,162,182.96	13,975,660.57
5. Net profit (net losses are represented by "-")	76,043,048.44	65,633,595.53
(1) Classified by the business continuity		
1. Net profit for going concern (net losses are represented by "-")	76,043,048.44	65,633,595.53
2. Net profit for discontinued operation (net losses are represented by "-")		
(2) Classified by the attribution of the ownership		
1. Minority interests	25,023,587.73	20,748,045.44
2. Net Profit attributable to the equity shareholders of the parent company	51,019,460.71	44,885,550.09

Consolidated Income Statement (Continued)

January–June 2018

Items	Amount for the current period	Amount for the prior period
6. Net other comprehensive income after tax		
Net other comprehensive income after tax attributable to owners of the parent company		
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss		
1. Changes as a result of remeasurement of defined benefit plan		
2. Other comprehensive income accounted for using equity method which will not be reclassified to profit and loss		
3. Changes in fair value of other equity instruments investment		
4. Changes in fair value of the enterprise's own credit risk		
(2) Other comprehensive income which will be reclassified to profit and loss		
1. Other comprehensive income accounted for using equity method which will be reclassified to profit and loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets		
4. Changes in fair value of other equity instruments investment		
5. Amount of financial assets reclassified to other comprehensive income		
6. Provision for credit impairment of other bonds investment		
7. Cash flow hedging reserve		
8. Translation difference of financial statements in foreign currencies		
9. Others		
Net other comprehensive income after tax attributable to minority interests		
7. Total comprehensive income	76,043,048.44	65,633,595.53
Total comprehensive income attributable to the equity holders of the parent company	51,019,460.71	44,885,550.09
Total comprehensive income attributable to minority shareholders	25,023,587.73	20,748,045.44
8. Earnings per share:		
(1) Basic earnings per share (RMB/share)	0.0558	0.0491
(2) Diluted earnings per share (RMB/share)	0.0558	0.0491

Legal representative :

Xia Dechuan

Chief Accountant:

Shen Jianlong

Head of the Accounting Department:

Liu Xianfang

Consolidated Cash flow statement

January–June 2018

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB Yuan

Items	Amount for the current period	Amount for the prior period
1. Cash flows from operating activities		
Cash received from the sale of goods and rendering of services	2,051,599,065.88	2,129,010,322.27
Net increase in deposits and placements from financial institutions		
Net increase in borrowings due to central bank		
Net increase in loans from banks and other financial institutions		
Cash received from premiums of original insurance contract		
Net amount of reinsurance business		
Net increase in deposits of the insured and investment		
Net increase in disposal of financial assets at fair value through profit or loss		
Cash received from interests, fees and commissions		
Net increase in placements from banks and other financial institutions		
Net increase in repurchasing		
Refunds of taxes	36,957,849.05	30,925,898.30
Cash received relating to other operating activities	124,685,674.31	131,368,610.42
Sub-total of cash inflows from operating activities	2,213,242,589.24	2,291,304,830.99
Cash paid on purchase of goods and services received	1,848,536,201.20	1,688,004,232.65
Net increase in loans and advances		
Net increase in deposits in the Central Bank and other financial institutions		
Cash paid for claim settlements on original insurance contract		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	240,655,958.39	206,149,283.94
Cash paid for all types of taxes	115,249,064.91	97,960,168.65
Cash paid relating to other operating activities	141,539,541.89	162,325,745.81
Sub-total of cash outflows from operating activities	2,345,980,766.39	2,154,439,431.05
Net cash flows from operating activities	-132,738,177.15	136,865,399.94
2. Cash flows from investing activities:		
Cash received from disposal and returns of investments	-	-
Cash received from return on investments	10,024,098.81	6,678,254.39
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	106,399.35	121,000.00
Net cash received from disposal of subsidiaries and other operating entities	-	-
Cash received relating to other investment activities	950,000,000.00	1,167,500,000.00
Sub-total of cash inflows from investing activities	960,130,498.16	1,174,299,254.39
Cash paid on purchase of fixed assets, intangible assets and other long term assets	19,317,554.42	26,530,489.49
Cash paid for investments	-	-
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities	-	-
Cash paid relating to other investment activities	960,000,000.00	1,369,500,000.00
Sub-total of cash outflows from investing activities	979,317,554.42	1,396,030,489.49
Net cash flows from investing activities	-19,187,056.26	-221,731,235.10

Consolidated Cash flow statement (Continued)

January-June 2018

Items	Amount for the current period	Amount for the prior period
3. Cash flows from financing activities		
Cash received from investment	-	-
Including: cash received by subsidiaries from minority shareholders' investment	-	-
Cash received from borrowings	95,000,000.00	45,000,000.00
Cash received from issuing bonds		
Cash received from other financing activities	39,198,666.76	-
	<hr/>	<hr/>
Sub-total of cash inflows from financing activities	134,198,666.76	45,000,000.00
	<hr/> <hr/>	<hr/> <hr/>
Cash paid on repayment of borrowings	45,000,000.00	40,000,000.00
Cash paid on distribution of dividends or profits, or interests expenses	1,489,974.74	12,628,731.76
Including: bonus and profit paid to minority shareholders by subsidiaries	-	12,160,000.00
Cash paid on other financing activities	285,364.09	-
	<hr/>	<hr/>
Sub-total of cash outflows from financing activities	46,775,338.83	52,628,731.76
	<hr/> <hr/>	<hr/> <hr/>
Net cash flows from financing activities	87,423,327.93	-7,628,731.76
	<hr/> <hr/>	<hr/> <hr/>
4. Effect of fluctuations in exchange rates on cash and cash equivalents	-100,015.82	-1,668,856.91
5. Net increase in cash and cash equivalents	-64,601,921.30	-94,163,423.83
Add: balance of cash and cash equivalents at the beginning of the period	1,191,597,115.73	1,141,683,919.27
6. Balance of cash and cash equivalents at the end of the period	1,126,995,194.43	1,047,520,495.44

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Consolidated Statement of changes in equity
January-June 2018

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB Yuan

Items	Equity attributable to parent company										Total owners' equity			
	Other equity instrument					Current period								
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	comprehensive income	Other income	General risk reserve	Surplus reserve		Special reserve	Undistributed profit	Minority interests
I. Balance at the end of prior year	913,888,520.00	-	-	-	1,464,043,022.82	-	-	-	254,995,686.63	-	-	730,715,948.32	208,050,616.66	3,571,643,753.43
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	913,888,520.00	-	-	-	1,464,043,022.82	-	-	-	254,995,686.63	-	-	730,715,948.32	208,050,616.66	3,571,643,753.43
III. Changes of current year (decreases are represented by "-")	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(II) Share capital contributed or withdrawn by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Share capital contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of state-used payment included	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve to cover losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Change in defined benefit plan carried over to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried over to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Appropriation and application of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Application of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	913,888,520.00	-	-	-	1,464,043,022.82	-	-	-	254,995,686.63	-	-	717,766,712.00	203,074,904.39	3,583,718,104.84

Legal Representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfeng

Consolidated Statement of changes in equity (Continued)

January–June 2018

Items	Preceding period										
	Equity attributable to parent company					Other comprehensive income					
	Other equity instrument		Less: treasury shares		Capital reserve	Social reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	Total owners' equity
Share capital	Preference shares	Perpetual bonds	Others	Share capital							
I. Balance at the end of prior year	913,885,529.00	-	-	-	1,464,133,820.05	-	251,825,686.34	-	690,472,598.00	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	913,885,529.00	-	-	-	1,464,133,820.05	-	251,825,686.34	-	690,472,598.00	190,129,847.54	3,510,400,400.93
III. Changes of current year (decrease are represented by "-")											
(i) Total comprehensive income	-	-	-	-	16,503.88	-	-	-	-19,083,146.94	22,920,341.76	3,683,695.50
(ii) Share capital contributed or withdrawn by owners	-	-	-	-	-	-	-	-	44,885,550.09	20,148,045.44	65,033,595.53
1. Share capital contributed by owners	-	-	-	-	16,503.88	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	2,172,296.32	2,188,800.00
3. Amount of state-based payment included	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	16,503.88	-	-	-	-	2,172,296.32	2,188,800.00
(iii) Profit distribution	-	-	-	-	-	-	-	-	-63,968,697.03	-	-63,968,697.03
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserve	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation of profit to owners	-	-	-	-	-	-	-	-	-63,968,697.03	-	-63,968,697.03
4. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Internal carry-over within equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve to cover losses	-	-	-	-	-	-	-	-	-	-	-
4. Changes arising from carry-over of the measured net liabilities or net assets of defined benefit plan	-	-	-	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-	-	-	-
(v) Appropriation and application of special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	-	-	-	-	-	-	-	-
2. Application of special reserve	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	913,885,529.00	-	-	-	1,464,150,323.93	-	251,825,686.34	-	671,389,361.06	213,050,189.30	3,514,254,099.43

Legal Representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianiang

Balance Sheet

30 June 2018

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB Yuan

Assets	Closing balance	Opening balance
Current assets:		
Cash and cash equivalents	133,579,967.58	172,698,117.78
Financial assets measured at fair value through profit and loss		-
Financial assets held for trading		-
Derivative financial assets		-
Notes receivable and accounts receivable	92,929,430.25	83,430,484.10
Advance to suppliers	8,723,691.13	2,793,993.19
Other receivables	271,331,680.49	251,914,483.98
Inventories	34,177,134.80	23,223,302.05
Contract assets		
Held-for-sale assets	78,387,788.27	78,387,788.27
Non-current assets due within one year		
Other current assets	414,659,521.84	450,000,000.00
Total current assets	1,033,789,214.36	1,062,448,169.37
Non-current assets:		
Available-for-sale financial assets		3,650,000.00
Held-to-maturity investments		
Debenture investments		
Other debenture investments		
Long-term receivables		
Long-term equity investments	1,779,246,291.41	1,782,505,983.43
Other investments in equity instruments		
Other non-current financial assets	3,650,000.00	
Investment properties	144,514,374.28	
Fixed assets	102,434,346.54	253,254,688.19
Construction in progress	1,539,752.37	1,539,752.37
Biological assets for production		
Fuel assets		
Intangible assets	11,454,342.78	11,830,656.32
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	2,042,839,107.38	2,052,781,080.31
Total assets	3,076,628,321.74	3,115,229,249.68

Balance Sheet (Continued)

30 June 2018

Liabilities and owners' equity	Closing balance	Opening balance
Current liabilities:		
Short-term loans	-	
Financial liabilities measured at fair value through profit and loss		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable and accounts payable	54,522,285.05	48,910,348.83
Advances from customers		563,650.00
Contract liabilities	4,000.00	
Staff Salaries payable	1,263,862.40	2,075,743.65
Taxes payable	14,648,347.82	9,345,731.70
Other payables	235,455,651.77	216,846,128.21
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities	-	
	<hr/>	<hr/>
Total current liabilities	305,894,147.04	277,741,602.39
	<hr/> <hr/>	<hr/> <hr/>
Non-current liabilities:		
Long-term loans		
Bonds payables		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term staff salaries payable	2,828,665.75	3,249,053.43
Accrued liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
	<hr/>	<hr/>
Total non-current liabilities	2,828,665.75	3,249,053.43
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities	308,722,812.79	280,990,655.82
	<hr/> <hr/>	<hr/> <hr/>
Owners' equity:		
Share capital	913,838,529.00	913,838,529.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	1,434,870,834.28	1,434,870,834.28
Less: treasury share	-	
Other comprehensive income		
Special reserve		
Surplus reserve	254,995,636.63	254,995,636.63
Undistributed profits	164,200,509.04	230,533,593.95
	<hr/>	<hr/>
Total owners' equity	2,767,905,508.95	2,834,238,593.86
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and owners' equity	3,076,628,321.74	3,115,229,249.68
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Legal representative :
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Income Statement

January–June 2018

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB Yuan

Items	Amount for the current period	Amount for the prior period
1. Total operating income	63,006,618.56	54,385,837.67
Less: Operating cost	35,598,969.47	30,093,584.43
Business taxes and surcharge	2,655,900.98	2,857,871.46
Selling expenses	2,081,113.84	2,002,994.12
Administrative expenses	45,289,518.52	51,298,382.85
R&D costs	4,375,401.51	3,395,433.13
Financial expenses	-1,001,182.08	-3,408,353.96
Including: Interest expense	–	–
Interest incomes	-946,751.69	-2,797,058.01
Loss in assets impairment	-255.71	-1,459,520.42
Loss in credit impairment	-4,050,740.35	–
Add: Other incomes	–	–
Investment income (losses are represented by "-")	1,408,417.90	46,323,991.23
Include: Investment income of associates and joint ventures	25,053,420.89	31,888,929.98
Income on hedging the net exposure (losses are represented by "-")	–	–
Income from change in fair value (losses are represented by "-")	–	–
Gains on disposal of assets (losses are represented by "-")	854.70	-132,328.02
2. Operating profit (losses are represented by "-")	-20,532,835.02	15,797,109.27
Add: Non-operating income	18,200,914.74	88,703.11
Less: Non-operating expenses	32,467.60	60,628.51
3. Total profit (total losses are represented by "-")	-2,364,387.88	15,825,183.87
Less: Income tax expense	–	–
4. Net profit (net losses are represented by "-")	-2,364,387.88	15,825,183.87
(1) Net profit for going concern (net losses are represented by "-")	-2,364,387.88	15,825,183.87
(2) Net profit for discontinued operation (net losses are represented by "-")	–	–

Income Statement (Continued)
January–June 2018

Items	Amount for the current period	Amount for the prior period
5. Net other comprehensive income after tax		
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss		
1. Changes as a result of remeasurement of defined benefit plan		
2. Other comprehensive income accounted for using equity method which will not be reclassified to profit and loss		
3. Changes in fair value of other equity instruments investment		
4. Changes in fair value of the enterprise's own credit risk		
(2) Other comprehensive income which will be reclassified to profit and loss		
1. Other comprehensive income accounted for using equity method which will be reclassified to profit and loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets		
4. Changes in fair value of other equity instruments investment		
5. Amount of financial assets reclassified to other comprehensive income		
6. Provision for credit impairment of other bonds investment		
7. Cash flow hedging reserve		
8. Translation difference of financial statements in foreign currencies		
9. Others		
Net other comprehensive income after tax attributable to minority interests		
6. Total comprehensive income:	-2,364,387.88	15,825,183.87
7. Earnings per share:		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Legal representative :
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Cash flow statement

January–June 2018

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB Yuan

Items	Amount for the current period	Amount for the prior period
1. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	49,420,552.68	54,711,370.16
Net increase in deposits and placements from financial institutions		
Net increase in borrowings due to central banks		
Net increase in loans from banks and other financial institutions		
Cash received from premiums of original insurance contract		
Net amount of reinsurance business		
Net increase in deposits of the insured and investment		
Net increase in disposal of trading financial assets		
Cash received from interests, fees and commissions		
Net increase in placements from banks and other financial institutions		
Net increase in repurchasing		
Refunds of taxes	-	557,563.18
Cash received relating to other operating activities	69,583,432.96	31,022,592.88
Sub-total of cash inflows from operating activities	119,003,985.64	86,291,526.22
Cash paid on purchase of goods and services received	30,505,465.75	32,756,131.96
Net increase in loans and advances		
Net increase in deposits in the Central Bank and other financial institutions		
Cash paid for claim settlements on original insurance contract		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	44,545,818.53	32,927,580.52
Cash paid for all types of taxes	6,922,181.10	3,937,031.60
Cash paid relating to other operating activities	116,209,026.87	14,900,368.27
Sub-total of cash outflows from operating activities	198,182,492.25	84,621,112.35
Net cash flows from operating activities	-79,178,506.61	1,770,413.87

Cash flow statement (Continued)

January–June 2018

Items	Amount for the current period	Amount for the prior period
2. Cash flows from investing activities:		
Cash received from disposal and returns of investments	–	–
Cash received from return on investments	9,573,070.12	14,435,061.25
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	–	106,000.00
Net cash received from the disposal of subsidiaries and other operating entities	–	–
Cash received relating to other investment activities	900,000,000.00	753,000,000.00
Sub-total of cash inflows from investing activities	909,573,070.12	767,541,061.25
Cash paid on purchase of fixed assets, intangible assets and other long term assets	–	601,080.00
Cash paid for investments	10,000,000.00	–
Net increase in pledge loans	–	–
Net cash paid on acquisition of subsidiaries and other operating entities	–	–
Cash paid relating to other investment activities	860,000,000.00	865,000,000.00
Sub-total of cash outflows from investing activities	870,000,000.00	865,601,080.00
Net cash flows from investing activities	39,573,070.12	-98,060,018.75
3. Cash flows from financing activities:		
Cash received from absorbing investment	–	–
Including: cash received from minority shareholder investment by subsidiaries	–	–
Cash received from borrowings	–	–
Cash received from issuing bonds	–	–
Cash received relating to other financing activities	–	–
Sub-total of cash inflows from financing activities	–	–
Cash paid on repayment of borrowings	–	–
Cash paid on distribution of dividends, profits, or interests expenses	–	–
Including: dividends and profits paid to minority shareholders by subsidiaries	–	–
Cash paid relating to other financing activities	–	–
Sub-total of cash outflows from financing activities	–	–
Net cash flows from financing activities	–	–
4. Effect of fluctuations in exchange rates on cash and cash equivalents	0.54	-110.52
5. Net increase in cash and cash equivalents	-39,605,435.95	-96,289,715.40
Add: balance of cash and cash equivalents at the beginning of the period	171,036,014.33	332,032,352.83
6. Balance of cash and cash equivalents at the end of the period	131,430,578.38	235,742,637.43

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Statement of changes in equity
January-June 2018

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB Yuan

Items	Other equity instrument				Current period					Total owners' equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserve		Surplus reserve	General risk reserve	Undistributed profit
I. Balance at the end of prior year	913,836,529.00	-	-	-	1,434,870,834.23	-	-	-	-	254,966,636.63	-	230,533,538.35	2,834,238,593.66
Adopt Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Error correction of prior period	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	913,836,529.00	-	-	-	1,434,870,834.23	-	-	-	-	254,966,636.63	-	230,533,538.35	2,834,238,593.66
III. Changes of current year (decreases are represented by "-")	-	-	-	-	-	-	-	-	-	-	-	-	-
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
(II) Share capital contributed or withdrawn by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
1. State capital contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of the equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment included	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
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 state capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve to offset losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in defined benefit plan carried over to related earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried over to related earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. 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	913,836,529.00	-	-	-	1,434,870,834.23	-	-	-	-	254,966,636.63	-	164,200,506.04	2,767,905,506.95

Legal Representative:
Xia DechuanChief Accountant:
Shen JianlongHead of the Accounting Department:
Liu Xianfang

Statement of changes in equity (Continued)

January-June 2018

Items	Other equity instrument				Pending period				Total owners' equity				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	treasury shares	Less: comprehensive income	Other comprehensive income		Special reserve	Surplus reserve	General risk reserve	Undistributed profit
I. Balance at the end of prior year	913,336,329.00	-	-	1,434,870,834.29	-	-	-	-	-	251,825,696.34	-	265,972,828.42	2,665,507,888.04
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Error correction of prior period	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	913,336,329.00	-	-	1,434,870,834.29	-	-	-	-	-	251,825,696.34	-	265,972,828.42	2,665,507,888.04
III. Changes of current year (Decreases are represented by "-")													
(i) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Share capital contributed or withdrawn by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Share capital contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment included	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
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 share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve to cover losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes arising from carry-over of re-measured net liabilities or net assets of defined benefit plan	-	-	-	-	-	-	-	-	-	-	-	-	-
5. 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	913,336,329.00	-	-	1,434,870,834.29	-	-	-	-	-	251,825,696.34	-	217,629,316.26	2,815,063,074.68

Legal Representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements from January to June 2018
(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 RMB480,000,000.00 in exchange for 480,000,000 shares of state-owned enterprise legal person. The registered capital of the Company was RMB515,000,000.00, of which 480,000,000 shares (RMB1 per share) were held by state-owned enterprise legal person and 35,000,000 shares (RMB1 per share) were held by employees.

The Company obtained 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 and technical services, electronic computer fitting products, and the development, manufacture and sale of office machinery products and tooling products and technical services.

After obtaining the special approval of general meeting, the board of directors was fully authorised to split and recombine the assets and liabilities of Company and Panda Electronics Group Company and 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 RMB322,873,348.00 on 29 June 1994, including the registered capital of RMB322,870,000.00. 287,870,000 shares were held by state-owned enterprise legal person, 35,000,000 shares were held by employees and the rest of RMB3,348.00 was adjusted to capital reserve.

Confirmed by the document (Guo Zi Qi Fa [1996] No. 12) issued by State Administration of State Property in February 1996, the net assets of the Company after evaluation were RMB864,714,000, the share capital was 322,870,000, of which 287,870,000 shares were held by Panda Electronics Group Company Limited and 35,000,000 shares were held by employees. Panda Electronics Group Company Limited making use of the land-use right valued to RMB41,300,000 and creditor's right valued to RMB62,000,000 to invest in the Company and the total 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. The State Commission for Restructuring the Economic System approved this restructuring 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 the document (Zheng Wei Fa [1996] No. 6) issued by the Securities Commission of the State Council on 2 April 1996, the Company issued 242,000,000 H shares in Hong Kong 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 the document (Zheng Jian Fa [1996] No. 304) issued by the Securities Commission of the State Council on 30 October 1996, the Company issued 23,000,000 ordinary 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 Shanghai Stock Exchange 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 30,000,000 shares were in trade in 1999.

The Company obtained the legal enterprise business license of Qi Su Ning Zong Fu Zi No. 003967 on 18 April 1997. The registered capital was RMB655,015,000.00 and the approved business scope includes the development, manufacture and sale of communication equipment, computers and other electronic equipment; meters and instruments, cultural and office machinery; electrical machinery and equipment; plastic products; general equipment such as fans, scales, and packing equipment; special equipment for the processing of chemical, wood and non-metallic products; PTD and control products; environmental, public safety and other equipment; financial and tax control devices; power products; molds; computer services, software services and systems integration; property management; as well as after-sale services and technical services for the aforesaid businesses.

The Company received the new business license numbered 320100400008823 on 6 January 2011. The registered capital is RMB655,015,000. Approved business scope includes the development, production and sale of wireless television broadcasting equipment, together with the after-sale and technical services for the aforesaid businesses, the development, production and sale of communication equipment, computers and other electronic equipment; meters and instruments, cultural and office machinery; electrical machinery and equipment; plastic products; general equipment such as fans, scales and packaging equipment; special equipment for the processing of chemical, wood and non-metallic products; PTD and control equipment; environmental, public safety and related equipment; financial and tax control devices; power products; molds; computer services, software services and system integration; property management; as well as after-sale services and technical services for the aforesaid businesses. (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 "Panda Group" or "Group" below) to Nanjing Electronics Information Industry Co., Ltd (referred to as "NEIC").

In 2012, according to the approval of "Reply to the Provincial Government on the Indirect Transfer of Listed Companies' Shares held by Panda Electronics Group Co., Ltd. and Nanjing Huadong Electronics Group Co., Ltd." (Su Zheng Fu [2009] No. 45) by Jiangsu Provincial People's Government, the "Reply to Issues Concerning the Free Alteration of Part of State-owned Property Rights of Panda Electronics Group Co., Ltd." (Su Guo Zi Fu [2012] No. 22) by the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial People's Government, the "Reply to Relevant Issues Concerning the Change of the Actual Controller of Nanjing Panda Electronics Company Limited" (Guo Zi Chan Quan [2012] No. 158) by the State-owned Assets Supervision and Administration Commission of the State Council, the "Reply to Acquisition Report of China Electronics Corporation on Nanjing Panda Electronics Company Limited 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 21.59%, 22.07% and 4.32% equity interests in Panda Group respectively to NEIC, a subsidiary of China Electronics Corporation (hereinafter referred to as "CEC"). Panda Group completed the change of industrial and commercial registrations on 21 September 2012. After the completion of the aforesaid transfer of shareholdings, CEC held 51% shares of the Company and became the actual controller via holding 56.85% shares of Panda Group through NEIC, a subsidiary of CEC with 70.00% shares.

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 NEIC 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 of 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 industrial and commercial registration on 26 November 2013 and the registered capital was RMB913,838,529.00 after the change.

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 proportion 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 NEIC, remains as the actual controller of the Company by holding 56.85% equity interests of Panda Group. 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; NEIC 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 AEGON-INDUSTRIAL 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. On 30 June, 2014, except for NEIC, the shares subscribed by the other eight investors had lifted restricted conditions, and could be transferred in the share market.

In June 2015, Panda Group reduced its shareholding of the Company by 27,069,492 shares (accounting for 2.96% of the total share capital of the Company) through the trading system of Shanghai Stock Exchange. After the reduction of shareholdings, Panda Group holds 307,645,508 shares of the Company, accounting for 33.67% of total share capital of the Company.

In August 2015, with the approval of the "Reply to the Issues Regarding Panda Electronic Group Co., Ltd. to Transfer Part of its Shares of Nanjing Panda Electronics Co., Ltd. under Negotiation" (Guo Zi Chan Quan [2015] No. 697) issued by the State-owned Assets Supervision and Administration Commission of the State Council, 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, accounting for 23.05% of the total share capital of the Company. Panda Group still holds 5 out of 9 members of the board, indicating it is still in control position of the Company.

From July 2015 to December 2015, NEIC increased its shareholdings in the Company by acquiring a total of 10,318,925 A shares under the Custody of Specific Asset Scheme through the secondary market, representing approximately 1.13% of the total share capital of the Company. The accumulated shareholdings in the Company is thereby increased by 13,768,000 H shares, representing approximately 1.51% of the total share capital of the Company. After the increase, NEIC held 49,534,611 A shares of the Company, representing 5.42% of the total share capital of the Company, and held 13,768,000 H shares of the Company, representing 1.51% of the total share capital of the Company. NEIC held 23.05% equity interest of the Company through Panda Group, a subsidiary, and the shareholding of the Company was 29.98% in total. The ultimate controller of the Company was still CEC, the controlling shareholder of NEIC.

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

As at 30 June 2018, the Company had an aggregate of 913,838,529 share capital in issue with a registered capital of RMB913,838,529. The registered address is floors 1 and 2 on North side of No. 5 Building, High Technology Development District, Nanjing. The principal activities of the Company are the development, production and sale of wireless television broadcasting equipment, together with the after-sale service and technical services for the aforesaid businesses; development, production and sale of communication equipment, computer and other electronic devices; meters and instruments, cultural and office machinery; electronic apparatus and equipment; plastic products; general equipments such as fans, scales and packaging equipment; special equipment for the processing of chemical, wood and non-metallic products; PTD and control equipment; environmental, public safety and other equipment; financial and tax control devices; power products; molds; computer services, software services and systems integration; property management; as well as after-sale services and technical services for the aforesaid businesses. (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 all directors (the board of directors) of the Company on 30 August 2018.

(II) Scope of consolidated financial statements

As of 30 June 2018, the significant subsidiaries in the Company's scope of consolidated financial statements are as follows:

Name of subsidiaries

Nanjing Panda Communication Technology Co., Ltd
Shenzhen Jinghua Electronics Technology Co., Ltd.
Nanjing Panda Information Industry Co., Ltd
Nanjing Panda Electronic Manufacture Co., Ltd.
Nanjing Panda Electronic Equipment Co., Ltd.
Nanjing Panda Industrial Enterprise Co., Ltd.
Nanjing Panda Electronic Technology Development Co., Ltd.
Galant Limited
Chengdu Panda Electronic Technology Co., Ltd.
Shanghai Panda Robot Technology Co., Ltd.

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of Preparation

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 12 months since the end of the reporting period, the Company 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 AND 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 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 the reporting 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").

(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 and liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by the 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 the share premiums in the capital reserves. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient.

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 upon review.

The agency fee such as audit, legal service and evaluation consultation and other fees which are directly related to the business combination 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 business 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.

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

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

(2) Disposal of subsidiaries or business

① *General treatment*

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

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 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.

Where loss of control is due to the decrease in the Company's shareholding as a result of the increase in capital contribution to the subsidiary by other investing parties, the accounting principle described above will be applied.

② *Disposal of subsidiary achieved by stages*

When disposal of equity interests of subsidiaries through multiple transactions until control is lost, generally transactions in stages are treated 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 one of the other transactions;
- 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 deal, 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 deal, accounting treatment for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be used.

(3) Acquisition of minority interest of subsidiaries

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

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

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

(VII) Classification of the joint arrangements and accounting method

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

The Company is engaged in joint operation when the Company is a joint operator of joint arrangement, being entitled to the assets and assuming the liabilities relating to the arrangement.

The Company recognizes the following items in relation to its interest in a joint operation, and carries out corresponding accounting treatment in accordance with relevant accounting standards:

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

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

(VIII) Determination of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognised as cash. The short-term (due within 3 months from 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 a specific-purpose borrowing denominated in foreign currency for acquisitions and construction of the qualified assets, which should be capitalised as cost of the borrowings.

2. Translation of foreign currency financial statements

All assets and liabilities items in the 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 difference arising from the translation of the foreign currency financial statements of the overseas operation, is accounted for in the profit and loss account in the current period from owners' equity items.

(X) Financial instruments

Financial instruments include cash and cash equivalents, receivables, equity investments other than long-term equity investment (see Note XIII), derivative financial instruments, account payable, loans, bonds payable and share capital, etc..

1. Classification, recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the contractual provisions of a financial instrument.

A financial assets (unless it is accounts receivable without a significant financing component) and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related transaction costs are directly charged to profit or loss; for financial assets and financial liabilities of other categories, any related transaction costs are included in their initial recognized amount. Accounts receivable without a significant financing component is initially measured at the transaction price according to Note 24 (Revenue).

2. Classification and subsequent measurement of financial assets

(1) Classification of financial assets of the Company

The classification of financial assets of the Company is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ① it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ② its contractual terms provide that cash flows on specified dates are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- ③ it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ④ its contractual terms provide that cash flows on specified dates are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, an equity investment that is not held for trading may be irrevocably designated by the Company as a financial asset at FVOCI. This designation is made on an investment-by-investment basis and relevant investments fall within the definition of equity instruments from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Company manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Company determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Company's key management personnel.

The Company determines whether the contractual cash flows incurred on specific dates are solely payments of principal and interest on the principal amounts outstanding by assessing the contractual cash flow characteristics of financial assets. In particular, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit. The Company also makes assessment on a contractual term that could change the timing or amount of contractual cash flows of financial assets to determine whether it meets the characteristics of contractual cash flows.

(2) Subsequent measurement of financial assets

① *Financial assets at FVTPL*

Such financial assets are subsequently measured at fair value after initial recognition. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

② *Equity instrument investments at FVOCI*

Such financial assets are subsequently measured at fair value after initial recognition. Dividend income are recognized in profit or loss. Other gains or losses are recognised in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to retained earnings.

③ *Financial assets at amortised cost*

Such financial assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognized, amortised or recognized under the effective interest method.

3. Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost.

(1) Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as at FVTPL on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value after initial recognition and gains and losses accrued, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

(2) Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method after initial recognition.

4. Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when the following conditions are satisfied:

- (1) the Company currently has a legally enforceable right to set off the recognised amounts;
- (2) the Company intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

5. Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- (1) the Company's contractual rights to the cash flows from the financial asset expire;
- (2) the financial asset has been transferred and the Company transfers substantially all of the risks and rewards of ownership of the financial asset; or
- (3) the financial asset has been transferred, although the Company neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- (4) the carrying amount of the financial asset transferred measured at the date of derecognition;
- (5) the sum of the consideration received from the transfer of the financial asset;

The Company derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

6. Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- (1) financial assets measured at amortised cost;
- (2) contract assets;
- (3) Other financial assets measured at fair value held by the Company, including equity instrument investments at FVTPL, equity instrument investments designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses of financial instruments on the risk of default. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The maximum period considered by the Company when estimating ECLs is the maximum contractual period (including extension options) over which the Company is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for accounts receivable and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for accounts receivable and contract assets, the Company measures loss allowance at an amount equal to 12-month ECLs for the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments:

If the financial instrument is determined to have low credit risk at the balance sheet date; or if the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk:

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The credit risk on fixed deposit which deposit in commercial bank with higher bank's credit rating is considered low.

Significant increases in credit risk:

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition to access whether the credit risk of a financial instrument has increased significantly since initial recognition.

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information.

The following information is taken into account by the Company:

- (1) the debtors' failure to make payments of principal or interest on the contractually due dates;
- (2) an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);
- (3) an actual or expected significant deterioration in the operating results of the debtor; and
- (4) existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instrument, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis.

Credit-impaired financial assets:

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- (1) significant financial difficulty of the issuer or debtor;
- (2) a breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) for economic or contractual reasons relating to the debtor's financial difficulty, the Company having granted to the borrower a concession that would not otherwise consider;
- (4) it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- (5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Presentation of allowance for ECL:

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for financial assets carried at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off:

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

7. Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(XI) Inventories

1. Category of inventory

Inventories include raw materials, circulating materials, stored commodities, work in progress, delivered commodities, consigned commodities 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 of 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 selling price less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realisable value of inventories held for execution of sales contracts or labour contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realisable value of the exceeding part shall be calculated on the ground of general selling price.

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

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

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

4. Inventory system

The perpetual inventory system is adopted.

5. Amortisation of low-value consumables and packaging materials

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

(XII) Assets classified as held-for-sale

The Company recognises non-current assets or disposal groups which meet the following conditions as assets held for sale:

- (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets in similar transactions;
- (2) The assets are highly likely to be sold, namely, the Company has been offered a resolution with disposition of the assets. The Company has entered into an 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.

(XIII) Long-term equity investments

1. Joint control or significant influence criterion

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

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

2. Determination of initial investment cost

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

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

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

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

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

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 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".

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

(3) Disposal of long-term equity investments

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

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

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

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

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

(XIV) 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.

(XV) Fixed assets

1. Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed asset is recognised when it meets the following conditions:

- (1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) Its cost can be reliably measured.

2. Method for depreciation

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

For fixed assets leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the shorter of the lease term and the remaining useful life of the leased asset.

The depreciation method, useful life of depreciation, residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Useful lives of depreciation (years)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building	straight line method	20-30	5	3.17-4.75
Machinery and equipment	straight line method	5-11	0-10	8.18-20.00
Motor vehicles	straight line method	5-10	0-5	9.50-20.00
Electronic equipment	straight line method	2-7	2-10	12.86-49.00
Other equipment	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.

(XVI) 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.

(XVII) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

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

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

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

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

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

2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalisation of borrowing costs, excluding the period in which capitalization 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 recognized 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.

(XVIII) Intangible assets

1. Valuation method of intangible assets

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

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

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

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

- (2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition.

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

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

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

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

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

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

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

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

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

4. Specific criteria for capitalisation at development phase

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

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

Development phase: Apply the research results 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.

(XIX) 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.

(XX) 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.

(XXI) Employee Remuneration

1. Method of accounting treatment for short-term remuneration

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

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

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

2. Method of accounting treatment for retirement benefit plan

(1) Defined contribution scheme

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

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

(2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognised as net liabilities or net assets. When the defined benefit scheme has surplus, the company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, were discounted based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged into the current profits and loss or relevant costs of assets. The changes generated from the re-calculation of the net liabilities or net assets of the defined benefit scheme would be included in the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period.

When the defined benefit scheme is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

3. Method of accounting treatment for termination benefits

The Company will pay termination benefits when the group can no longer withdraw the offer of termination plan or layoff proposal or when the Group recognizes costs for restructuring which involving the payment of termination benefits (whichever the earliest). The remuneration incurred by the termination benefits will be recognised as liabilities which would be charged into current profits and loss.

(XXII) 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 recognized for the reimbursement is limited to the carrying amount of the liability recognised.

(XXIII) 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.

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.

(XXIV) Revenue

Revenue is the gross inflow of economic benefit arising in the course of the Company's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Company satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Company determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Company recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Company expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

The Company satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- (1) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs obligations;
- (2) the customer can control the asset created or enhanced during the Company's performance;
- (3) the Company's performance does not create an asset with an alternative use to it and the Company has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Company recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indicators:

- (1) the Company has a present right to payment for the goods or services;
- (2) the Company has transferred physical possession of the goods to the customer;
- (3) the Company has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer;
- (4) the customer has accepted the goods or services.

A contract asset is the Company's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Company recognises loss allowances for expected credit loss on contract assets (see Note X. 6). Accounts receivable is the Company's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Company's principal activities:

(1) Commodity sales contract

When the work in progress completes, passes acceptance, and reaches the delivery conditions under the sales contract, the Company recognises sales revenue at transfer of the control over relevant goods or services to the customers.

(2) Engineering contract

For engineering sales that satisfy the performance obligation conditions over a period under the terms of sales contract and legal and regulatory requirements of various places, the Company recognises revenue over the period according to the progress of performance.

(3) Property service contract

The Company recognises revenue in the process of provision of property services.

(4) Property lease contract

The Company recognises revenue on a straight-line basis over the lease term under the lease contract.

(XXV) Government grant

1. Types

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

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

2. Recognition time point

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

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.

(XXVI) Deferred income tax assets and liabilities

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognised to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save as the exceptions, deferred income tax liabilities shall be recognised for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Group, at the same time, the net amount after offsetting its current income tax assets and current income tax liabilities shall be recorded.

The Group was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Group records the net amount after offsetting its current income tax assets and current income tax liabilities.

(XXVII) Leases

1. Accounting of operating lease

- (1) As the lessee of operating leases, rental payments under operating leases are recognised as costs or expenses on a straight line basis over the lease term (including rent free periods). Initial direct costs that are attributable to an operating lease incurred by the Company are charged to current profit and loss.

When the lesser bears the lease related expenses which should be undertaken by the Company, the Company shall deduct this part of expense from the rent and amortize the net amount over the lease term.

- (2) Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rentfree 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.

2. Accounting of finance lease

- (1) When the Company is a lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the beginning of the lease period. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortized using the effective interest method over the period of the lease. The Company, by means of the real interest method, amortizes the unacknowledged financial charges during the lease term of the assets and includes them into financing expenses. Initial direct cost incurred by the Company will be included in the leased asset value.
- (2) When the Company is a lesser, the difference between the recorded amount of the leased asset and the minimum lease receivables is accounted for as unrecognised finance income and is recognised as rental income over the period of the lease at the beginning of the lease period. Initial direct costs shall be included in the initial accounting of the lease payment receivables and deduct by the revenue recognised over the lease term.

(XXVIII) Discontinued operation

A discontinued operation is a component that either has been disposed of or is classified as held for sale by the Company, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions:

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

(XXIX) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

The Company, as a company dually listed on domestic and foreign stock exchanges, implemented the amended ASBE of No.14 –Revenue, No.22 –Recognition and Measurement of Financial Instruments, No.23–Transfer of Financial Assets, No.24 –Hedge Accounting and No.37–Presentation of Financial Instruments, which were amended by the Ministry of Finance in 2017 (collectively, the New Financial Instrument Standard), since 1 January 2018.

According to the rules of applying for the New Revenue Standard, no adjustments will be made to the figures in comparative financial statements in the first year. That is to say, the New Revenue Standard requires the entity to adjust the retained earnings at the beginning of initial adoption of the New Revenue Standard for the cumulative affected figures and amounts of other relative items in the financial statements, and need not to adjust information in comparable period. Upon adoption of the New Revenue Standard, the Company reclassifies accounts receivable up to standards into contract assets as at the end of the interim period, and recognises advances paid up to standards as contract liabilities in the interim financial statements, in each case without adjusting comparative opening figures. Apart from the above influence, there is no material impact on the interim financial statements of the Company. The items and amount which were influenced are as follows:

Consolidated Balance Sheet

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Accounts receivable	1,261,564,736.39	(649,979,334.72)	611,585,401.67
Contract assets		649,979,334.72	649,979,334.72
Advances from customers	184,446,949.47	(184,446,949.47)	
Contract liabilities		184,446,949.47	184,446,949.47

Balance Sheet of the Company

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Advances from customers	4,000.00	(4,000.00)	
Contract liabilities		4,000.00	4,000.00

According to the rules of applying for the New Financial Instrument Standard, the Company has a choice to make no adjustments to the figures in comparative financial statements at the first year. That is to say, the New Financial Instrument Standard requires the entity to adjust the retained earnings or other comprehensive income at the beginning of initial adoption (i.e. 1 January 2018) of the New Revenue Standard for the cumulative affected figures and need not to adjust information in comparable period. Upon adoption of the New Standards, the opening balance of available-for-sale financial assets are adjusted to the item of other non-current financial assets at the end of the period, without adjusting comparative opening figures. The expected credit loss resulting from the provisions for impairment of financial instruments is adjusted to the item of credit impairment loss, without adjusting comparative figures. Apart from the above influence, there is no material impact on the interim financial statements of the Company. The items and amount which were influenced, are as follows:

Consolidated Balance Sheet

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Available-for-sale financial assets	3,650,000.00	(3,650,000.00)	
Other non-current financial assets		3,650,000.00	3,650,000.00

Consolidated Income Statement

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Assets impairment loss	779,724.66	(1,018,592.09)	(238,867.43)
Credit impairment loss		1,018,592.09	1,018,592.09

Balance Sheet of the Company

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Available-for-sale financial assets	3,650,000.00	(3,650,000.00)	
Other non-current financial assets		3,650,000.00	3,650,000.00

Income Statement of the Company

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Assets impairment loss	(4,050,996.06)	4,050,740.35	(255.71)
Credit impairment loss		(4,050,740.35)	(4,050,740.35)

On 15 June 2018, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018 (Cai Kuai [2018] No. 15), and has revised the format of financial statements for general enterprises. The Company has prepared its interim financial statements for 2018 according to the presentation format required under Cai Kuai [2018] No. 15 and applied the presentation format requirements respectively. As at 30 June 2018, the items affected are as follows:

Consolidated Balance Sheet

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Notes receivable	144,673,601.35	(144,673,601.35)	
Accounts receivable	611,585,401.67	(611,585,401.67)	
Notes receivable and accounts receivable		756,259,003.02	756,259,003.02
Notes payable	168,917,721.11	(168,917,721.11)	
Accounts payable	1,689,654,197.48	(1,689,654,197.48)	
Notes payable and accounts payable		1,858,571,918.59	1,858,571,918.59
Interest payable	116,794.52	(116,794.52)	
Dividends payable	67,711,663.82	(67,711,663.82)	
Other payables	160,509,777.12	67,828,458.34	228,338,235.46

Consolidated Income Statement

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Administrative expenses	203,111,949.88	(103,166,097.03)	99,945,852.85
R&D expenses		103,166,097.03	103,166,097.03
Interest expense		1,489,974.74	1,489,974.74
Interest income		-5,522,060.92	-5,522,060.92

Balance Sheet of the Company

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Notes receivable	12,830,000.00	(12,830,000.00)	
Accounts receivable	80,099,430.25	(80,099,430.25)	
Notes receivable and accounts receivable		92,929,430.25	92,929,430.25
Notes payable	4,479,255.89	(4,479,255.89)	
Accounts payable	50,043,029.16	(50,043,029.16)	
Notes payable and accounts payable		54,522,285.05	54,522,285.05
Dividends payable	63,968,697.03	(63,968,697.03)	
Other payables	171,486,954.74	63,968,697.03	235,455,651.77

Income Statement of the Company

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Administrative expenses	49,664,920.03	(4,375,401.51)	45,289,518.52
R&D expenses		4,375,401.51	4,375,401.51
Interest income		-946,751.69	-946,751.69

As at 31 December 2017, the items affected are as follows:

Consolidated Balance Sheet

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Notes receivable	232,310,149.59	(232,310,149.59)	
Accounts receivable	1,282,404,740.23	(1,282,404,740.23)	
Notes receivable and accounts receivable		1,514,714,889.82	1,514,714,889.82
Notes payable	183,557,608.11	(183,557,608.11)	
Accounts payable	1,342,953,782.55	(1,342,953,782.55)	
Notes payable and accounts payable		1,526,511,390.66	1,526,511,390.66
Dividends payable	3,742,966.79	(3,742,966.79)	
Other payables	152,376,660.44	3,742,966.79	156,119,627.23

Consolidated Income Statement

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Administrative expenses	182,033,834.58	(83,028,112.67)	99,005,721.91
R&D expenses		83,028,112.67	83,028,112.67
Interest expense		525,043.40	525,043.40
Interest income		-6,138,429.01	-6,138,429.01

Balance Sheet of the Company

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Notes receivable	10,440,000.00	(10,440,000.00)	
Accounts receivable	72,990,484.10	(72,990,484.10)	
Notes receivable and accounts receivable		83,430,484.10	83,430,484.10
Dividends receivable	973,887.56	(973,887.56)	
Other receivables	250,940,596.42	973,887.56	251,914,483.98
Notes payable	3,261,041.54	(3,261,041.54)	
Accounts payable	45,649,307.29	(45,649,307.29)	
Notes payable and accounts payable		48,910,348.83	48,910,348.83

Income Statement of the Company

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Administrative expenses	54,693,815.98	(3,395,433.13)	51,298,382.85
R&D expenses		3,395,433.13	3,395,433.13
Interest income		-2,797,058.01	-2,797,058.01

2. Changes 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%, 16%, 11%, 10%, 7%, 6%, 5%, 3%
City maintenance and construction tax	Based on VAT and sale tax paid	7%, 5%
Enterprise income tax	Based on taxable profits	25%, 15%, 20% 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 Electronic 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%

(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 Electronic Plastic Industry 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 Shenzhen 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 subsidiary of the Company, has passed the review 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.

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 and the applicable rate is 20% from 1 October 2015 to 31 December 2017.
9. Shenzhen Jingjia Property Management Co., Ltd, a sub-sub-subsidiary of the Company was regarded as small low-profit enterprise. The tax basis is as the 50% of the taxable income and 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" and Article 95 of "Regulation on the Implementation of the Enterprise Income Tax Law" 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.

V. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT

(I) Cash and bank balance

Items	Closing balance	Opening balance
Cash	513,683.76	348,203.19
Bank deposit	1,126,481,510.67	1,191,248,912.54
Other cash and bank balance	109,034,864.59	137,148,180.77
Total	1,236,030,059.02	1,328,745,296.50
Including: the balances of deposits overseas	23,932,654.66	18,638,048.69

Cash and bank balance which is restricted by deposit, pledge or freeze and repatriation from abroad is shown below :

Items	Closing balance	Opening balance
Deposit of bank's acceptance bill	66,498,871.57	74,808,590.86
Deposit of C/L	9,110,095.69	9,692,195.77
Deposit of performance guarantee	33,425,897.33	52,647,394.14
Term deposits or demand deposits for guarantee		
Overseas deposits of which remittance back to China is limited		
Total	109,034,864.59	137,148,180.77

Up to 30 June 2018, other cash and bank balance amounting to RMB109,034,864.59 includes the deposits for the purpose of applying for unconditional and irrevocable bank letter of guarantee.

(II) Notes receivable and accounts receivable

Items	Closing balance	Opening balance
Notes receivable	144,673,601.35	232,310,149.59
Accounts receivable	611,585,401.67	1,282,404,740.23
Total	756,259,003.02	1,514,714,889.82

1. Notes receivable

(1) Notes receivable shown as classification

Items	Closing balance	Opening balance
Bank acceptance bills	144,673,601.35	232,310,149.59
Commercial acceptance bills		
Total	144,673,601.35	232,310,149.59

(2) There is no notes receivable which was pledged at the end of the period

(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 bills	69,368,700.89	
Commercial acceptance bills		
Total	69,368,700.89	

(4) There is no notes receivable turning into accounts receivable due to issuer's default at the end of the period

(5) The bank acceptance bills at the end of the period all will be expired within 6 months

2. Accounts receivable

- (1) Accounts receivable shown by classification

Accounts receivable shown by aging:

Aging	Carrying Amount		Closing balance		Carrying Value
	Amount	Percentage (%)	Provision for bad debts		
			Amount	Percentage (%)	
Within 1 year (including 1 year)	537,614,494.27	83.87	422,339.40	0.08	537,192,154.87
1 to 2 years (including 2 years)	33,003,419.32	5.15	1,359,400.00	4.12	31,644,019.32
2 to 3 years (including 3 years)	651,967.42	0.10	429,472.72	65.87	222,494.70
Over 3 years	69,736,732.14	10.88	27,209,999.36	39.02	42,526,732.78
Total	641,006,613.15	100.00	28,421,211.48		611,585,401.67

Aging	Carrying Amount		Opening Balance		Carrying Value
	Amount	Percentage (%)	Provision for bad debts		
			Amount	Percentage (%)	
Within 1 year (including 1 year)	963,777,005.59	73.28	373,982.71	0.04	963,403,022.88
1 to 2 years (including 2 years)	198,065,358.99	15.06	3,255,903.86	1.64	194,809,455.13
2 to 3 years (including 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	100.00	32,865,869.71		1,282,404,740.23

- (2) Provision, transfer or recovery of bad debts in the period

	January – June 2018	January – June 2017
Opening Balance	32,865,869.71	24,820,186.97
Provision in the period		2,066.80
Recovery or reversal in the period	307,207.91	353,506.90
Write-off in the period	62,045.82	2,066.80
Closing balance	32,496,615.98	24,466,680.07

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

Name of debtor	Amount	Closing balance	Provision for bad debt
		Percentage of total accounts receivable (%)	
Nanjing CEC Panda FPD Technology Co., Ltd.	86,135,025.09	13.44	
Nanjing Panda Handa Technology Co., Ltd.	55,786,657.79	8.70	33,649.21
Jiangsu Cable Network Development Co., Ltd. Sihong Branch	46,014,302.62	7.18	
Nanjing CEC Panda LCD Technology Co., Ltd.	37,298,495.54	5.82	
Nanjing Tieda Supply Chain Management Co., Ltd.	37,252,863.36	5.81	
Total	262,487,344.40	40.95	33,649.21

- (4) No accounts receivable to be derecognised due to the transfer of financial assets at the end of the period
- (5) No transferred accounts receivable in which the Company continued to involve and relevant assets or liabilities formed at the end of the period
- (6) The situation of overdue accounts receivable at the end of the period

Items	Closing balance
Accounts receivable not overdue and not impaired	491,590,424.43
Accounts receivable overdue and not impaired – within 3 months	64,637,291.49
Accounts receivable overdue and not impaired – over 3 months	55,357,685.75
Total	611,585,401.67

- (7) 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 centralized credit risk. The accounts receivable are not interest-bearing.

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 40.95% of total accounts receivable in consolidated financial statement as at 30 June 2018 (31 December 2017: 37.49%), The Company does not suffer from material and centralised credit risk.

(III) Advances paid

1. Categorised by age

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (including 1 year)	218,393,458.09	69.34	202,239,960.73	81.39
1 to 2 years (including 2 years)	57,370,159.26	18.21	32,629,089.81	13.13
2 to 3 years (including 3 years)	30,384,205.01	9.65	8,929,239.77	3.59
Over 3 years	8,827,874.51	2.80	4,690,350.44	1.89
Total	314,975,696.87	100.00	248,488,640.75	100.00

The main significant advances paid with aging over 1 year amounts to RMB87,675,599.60, most of which is goods and projects payment and not settled due to transportation and projects not finished.

2. Advances paid with top 5 balances at the end of the period classified by receivers

Receivers of advances	Closing balance	Attributed shares in aggregate closing balance (%)
Shanghai Aiji Information Technology Co., Ltd.	29,325,073.07	9.31
Cosmic Industry Co., Ltd.	24,748,293.39	7.86
Hefei Tongcai Automation Equipment Co., Ltd.	15,961,053.54	5.07
Suhua Construction Group Co., Ltd.	14,040,000.00	4.46
Jiangsu Zhengjie Construction and Labor Services Co., Ltd.	11,640,386.80	3.70
Total	95,714,806.80	30.40

(IV) Other receivables

Items	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	106,869,225.11	79,788,515.23
Total	106,869,225.11	79,788,515.23

1. Other receivables

(1) Other receivables by category:

The ageing analysis based on their recording dates is as follows:

Age	Carrying Amount	Closing balance		Percentage (%)	Carrying Value
		Percentage (%)	Bad debt Provision Amount		
Within 1 year (including 1 year)	69,057,471.55	61.84	69,057,471.55		
1 to 2 years (including 2 years)	14,141,775.05	12.66	1,709.82	0.01	14,140,065.23
2 to 3 years (including 3 years)	11,873,063.81	10.63	2,707,810.32	22.81	9,165,253.49
Over 3 years	16,601,809.93	14.87	2,095,375.09	12.62	14,506,434.84
Total	111,674,120.34	100.00	4,804,895.23		106,869,225.11

Age	Carrying Amount	Opening balance		Percentage (%)	Carrying Value
		Percentage (%)	Bad debt Provision Amount		
Within 1 year (including 1 year)	53,448,916.04	64.07	11,150.00	0.02	53,437,766.04
1 to 2 years (including 2 years)	12,938,375.28	15.51	41,059.14	0.32	12,897,316.14
2 to 3 years (including 3 years)	10,353,876.24	12.41	1,530,465.82	14.78	8,823,410.42
Over 3 years	6,678,410.47	8.01	2,048,387.84	30.67	4,630,022.63
Total	83,419,578.03	100.00	3,631,062.80		79,788,515.23

- (2) Provision, transfer and recovery of bad debts in the period

	From January to June 2018	From January to June 2017
Opening balance	3,631,062.80	1,914,525.41
Provision incurred in current period	1,325,800.00	234,930.00
Provision reversed or received in current period		44,654.34
Provision written off in current period	151,967.57	153,800.00
Closing balance	4,804,895.23	1,951,001.07

- (3) Other receivables by nature

Nature of receivables	Carrying Amount at the end of the period	Carrying Amount at the beginning of the year
Deposit	87,415,674.26	63,058,801.80
Export refund	17,094,565.46	18,992,849.27
Others	7,163,880.62	1,367,926.96
Total	111,674,120.34	83,419,578.03

- (4) Other receivables with top 5 balances at the end of the period classified by borrowers

Debtor	Nature	Closing balance	Age	Proportion of total closing balance of other receivables (%)	Closing balance of bad debt provision
State Administration of Taxation	Export refund	17,094,565.46	Within 1 year	15.31	
Jinling Customs deposit	Deposit	7,655,118.00	Within 1 year	6.85	
MCT Worldwide LLC	Deposit	6,937,000.00	3 to 4 years	6.21	2,621,700.00
Chengdu Rail Transit Group Co., Ltd.	Deposit	6,000,000.00	1 to 2 years	5.37	
Chengdu Metro Limited Liability Company	Deposit	3,108,921.00	1 to 2 years	2.78	
Total		40,795,604.46		36.52	2,621,700.00

- (5) There are no other receivables related to government grants at the end of the period

- (6) There is no situation of derecognition of other receivables due to the transferring of financial assets at the end of the period

- (7) 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

(V) Inventories

1. Inventories by category

Item	Carrying amount	Closing balance		Opening balance		
		Provision for depreciation	Carrying value	Carrying amount	Provision for depreciation	
Raw materials	482,644,623.66	6,585,559.30	476,163,545.94	142,623,119.28	6,824,171.02	135,798,948.26
Materials in transit						
Revolving materials	1,341,777.71		775,325.80	990,723.42		990,723.42
Consigned commodities	38,587,540.74		38,587,540.74	19,563,377.91		19,563,377.91
Work in progress	308,966,173.43	2,727,203.91	306,238,969.52	294,276,933.15	2,727,459.62	291,549,473.53
Stored commodities	124,335,939.85	11,861,646.34	112,369,811.93	130,555,358.81	12,514,493.42	118,040,865.39
Commodities in delivery	131,671,405.67	566,451.91	131,671,405.67	25,641,624.11	566,451.91	25,075,172.20
Total	<u>1,087,547,461.06</u>	<u>21,740,861.46</u>	<u>1,065,806,599.60</u>	<u>613,651,136.68</u>	<u>22,632,575.97</u>	<u>591,018,560.71</u>

2. Provision for inventory depreciation

Item	Opening Balance	Increment in this period		Reduction in this period		Closing balance
		Provision	Other	Reversed	Written-off	
Raw materials	6,824,171.02			238,611.72		6,585,559.30
Materials in transit						
Revolving materials						
Consigned commodities						
Work in progress	2,727,459.62			255.71		2,727,203.91
Stored commodities	12,514,493.42				652,847.08	11,861,646.34
Commodities in delivery	566,451.91					566,451.91
Total	<u>22,632,575.97</u>			<u>238,867.43</u>	<u>652,847.08</u>	<u>21,740,861.46</u>

The provision for inventory depreciation is due to the situation that net realisable value is lower than carrying value, and at the same time the circumstances resulting in the write-down of inventories no longer exist, so the provision for inventory depreciation is reversed.

3. No capitalization of borrowing costs in the balance of inventories at the end of the period

(VI) Contract assets

Nature	Carrying amount at the end of the period
Contract assets	649,979,334.72
Total	<u>649,979,334.72</u>

The contract assets of the Company mainly involves the Company's contracts on projects pending inspection and acceptance by the clients on the balance sheet date. The Company shall fulfill its contractual obligations and shall be paid as agreed in the contracts. Once the Company obtains the unconditional right over the receivables, the contract assets shall be reclassified into accounts receivables.

As at 30 June 2018, an impairment provision of RMB5,646,037.68 was made for the contract assets of the Company.

(VII) Held-for-sale assets

1. Assets which is classified as held-for-sale assets

Item	Carrying Amount	Closing balance Provision for impairment loss	Carrying Value	Fair value	Expected disposal expenses	Expected Disposal disposal date	Disposal approach	Reason	Department
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 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 delivered the housing of corresponding areas in building A of the research center of Project 1 on Land Lot 301 at No. 301 Zhongshan East Road 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 at the extraordinary meeting of the eighth session of the Board and 1st Extraordinary General Meeting in 2017.

(VIII) Other current assets

Item	Closing balance	Opening balance
Wealth investment products	460,000,000.00	450,000,000.00
Input tax to be deducted, Input tax to be credited and Input tax to be certified	61,050,556.23	11,476,211.21
Enterprise Income Tax paid in advance		3,728,262.73
Other tax paid in advance		206,019.70
Total	<u>521,050,556.23</u>	<u>465,410,493.64</u>

(IX) Long-term equity investments

Investee	Opening Balance	Increase	Decrease	The current period changes				Closing balance	Provision for impairment loss for the current period	Impairment provision at the end of the period
				investment profit or loss recognised under the equity method	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits			
1. Joint Ventures										
Nil										
Subtotal										
2. Associates										
Nanjing Ericsson Panda Communication Co., Ltd.	225,627,084.00			22,296,668.16				247,923,752.16		
Beijing SE Purian Mobile Communications Co., Ltd.	96,780,240.16			2,756,752.73				99,536,992.89		
Nanjing Thales Panda Transportation System Company Limited	9,313,494.30							9,313,494.30		
Shenzhen Jing'in Electronic Co., Ltd.										
Shenzhen Jinghua Network Marketing Co., Ltd.	653,577.04			624,689.10				1,278,266.14		
Shenzhen Chebao Information Technology Co., Ltd.	251,139.29			4,397.57				255,536.86		
Nanjing Huaxian High Technology Co., Ltd.										
Subtotal	332,625,534.79			25,682,507.56				358,308,042.35		
Total	332,625,534.79			25,682,507.56				358,308,042.35		

Note: The carrying value of Nanjing Huaxian High Technology Company has decreased to zero at the end of the period. Nanjing Thales Panda Transportation System Company Limited is under the procedure of liquidation.

(X) Other non-current financial assets

Item	Carrying amount	Closing balance	
		Impairment provision	Carrying value
Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd.	3,650,000.00		3,650,000.00
Total	3,650,000.00		3,650,000.00

(XI) Investment properties

1. Investment properties measured by cost

Item	Housing and buildings	Land-use right	Construction in progress	Total
1. Original carrying value				
(1) Opening balance	67,277,753.94			67,277,753.94
(2) Increase in the period				
– acquired				
– inventory/fixed assets transferred from construction in progress				
– increase in mergers of corporates				
– others				
(3) Decrease in the period				
– disposal				
– others				
(4) Closing balance	67,277,753.94			67,277,753.94
2. Accumulated depreciation and accumulated amortisation				
(1) Opening balance	58,963,219.20			58,963,219.20
(2) Increase in the period	676,240.98			676,240.98
– provision or amortisation	676,240.98			676,240.98
– transferred in				
(3) Decrease in the period				
– disposal				
– others				
(4) Closing balance	59,639,460.18			59,639,460.18
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. Closing balance				
(1) Carrying value at the end of the period	7,638,293.76			7,638,293.76
(2) Carrying value at the beginning of the year	8,314,534.74			8,314,534.74

2. There are no investment properties without property certificate as at the end of the period

3. The investment properties of the Company are all located in China Mainland and leased for office-use in a short-term (within 10 years)

(XII) Fixed assets**1. Status of fixed assets**

Items	Housing and building	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
1. Original carrying value						
(1) Opening 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) Increase in the period		9,312,278.95	1,245,379.90	3,031,177.89	1,368,946.11	14,957,782.85
– acquired		9,312,278.95	1,245,379.90	3,031,177.89	199,167.94	13,788,024.68
– transferred from construction in progress					1,169,758.17	1,169,758.17
– increase in mergers of corporates						
– transferred in						
(3) Decrease in the period		4,158,998.33	1,203,538.10	922,677.57	491,687.00	6,776,901.00
– disposal or retired		4,158,998.33	1,203,538.10	922,677.57	491,687.00	6,776,901.00
– transferred out						
(4) Closing balance	839,969,600.02	398,971,324.09	29,105,497.78	61,421,213.99	53,868,489.53	1,383,336,125.41
2. Accumulated depreciation						
(1) Opening 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
(2) Increase in the period	13,798,165.68	12,505,541.84	1,636,067.47	4,198,747.99	2,929,406.24	35,067,929.22
– provision	13,798,165.68	12,505,541.84	1,636,067.47	4,198,747.99	2,929,406.24	35,067,929.22
– transferred in						
(3) Decrease in the period		4,041,394.03	869,004.20	893,965.03	468,010.39	6,272,373.65
– disposal or retired		4,041,394.03	869,004.20	893,965.03	468,010.39	6,272,373.65
– transferred out						
(4) Closing balance	183,535,815.30	274,136,086.76	17,855,063.93	38,805,490.75	35,999,899.63	550,332,356.37
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						
– transferred out						
(4) Closing balance		10,700.00		52,722.66		63,422.66
4. Carrying value						
(1) Carrying value at the end of the period	656,433,784.72	124,824,537.33	11,250,433.85	22,563,000.58	17,868,589.90	832,940,346.38
(2) Carrying value in the beginning of the year	670,231,950.40	128,135,404.52	11,975,655.32	23,759,283.22	19,452,726.64	853,555,020.10

The amount of depreciation provided in this period is RMB35,067,929.22 and recorded in profit and loss in accordance with beneficiaries.

2. No temporary idle fixed assets at the end of the period**3. No finance leased fixed assets at the end of the period**

4. Fixed assets leased through operating leases

Items	Carrying value at the end of the period
Housing and building	20,157,145.76
Motor vehicles	2,205,727.98
Total	<u>22,362,873.74</u>

5. Fixed assets with unfinished certificate

Items	Carrying value	Reasons for unfinished certificate
Housing and building (Shenzhen Longgang Jinghua Electronic Co., Ltd.)	18,382,863.22	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	6,384,151.58	The certificate is in progress

6. Notes to fixed asset

The situation of fixed assets used in China mainland:

Period	Closing balance	Opening balance
Medium-term (10–50 years)	656,433,784.72	670,231,950.40
Short-term (within 10 years)	176,506,561.66	183,323,069.70

(XIII) Construction in progress

1. Status of construction in progress

Items	Remaining carrying amount	Closing balance Provision for impairment	Carrying value	Remaining carrying amount	Opening balance Provision for impairment	Carrying value
Digitalised factory of industrial robot manufacturing project	47,344,635.98		47,344,635.98	47,344,635.98		47,344,635.98
SAP-ERP System	1,539,752.37		1,539,752.37	1,539,752.37		1,539,752.37
Machinery and equipment The First Phase of Electronic Equipment Industry	126,117.19		126,117.19	126,117.19		126,117.19
Chengdu Industrial Park Construction Project	42,492.08		42,492.08			
Others	479,667.93		479,667.93	486,462.80		486,462.80
Total	<u>49,532,665.55</u>		<u>49,532,665.55</u>	<u>50,659,931.64</u>		<u>50,659,931.64</u>

2. Changes in key construction in progress

Project	Budget	Opening balance	Increase in the period	Amount transfer to fixed assets in the period	Other decrease amount in the period	Closing balance	Ratio of accumulated contribution to the construction to budget	Progress of construction	Accumulated amount of capitalised interest	Amount of capitalised interest in the period	Rate of capitalisation of interest in the period	Source of funding
							(%)				(%)	
Digitalised factory of industrial robot manufacturing project												
	55,000,000	47,344,635.98				47,344,635.98	87.00	88.00%				Owned fund
SAP-ERP System												
		1,539,752.37				1,539,752.37						Owned fund
Machinery and equipment												
		1,162,983.30		1,162,983.30		-						Owned fund
The First Phase of Electronic Equipment Industry												
	55,000,000	126,117.19				126,117.19	23.00	23.00%				Owned fund
Chengdu Industrial Park Construction Project												
			42,492.08			42,492.08						Owned fund
Others												
		486,462.80		6,794.87		479,667.93						Owned fund
Total		50,659,931.64	42,492.08	1,169,758.17	-	49,532,665.55						

All the unfinished constructions in progress are in the stage of implementation. The budget of the First Phase of Electronic Equipment Industry includes the value of land.

3. No provision for impairment of construction in progress was made in the period

(XIV) Intangible assets

1. Status of intangible assets

Items	Land use right	Trademark use right	Computer software	Patents	Software copyright	Non-patented technology	Total
1. Original carrying value							
(1) Opening balance	91,907,351.90	158,340,000.00	10,022,398.78	30,105.00	2,890,677.10	26,088,445.36	299,348,978.14
(2) Increase in the period					700,000.00	524,389.29	1,224,389.29
- acquired					700,000.00	524,389.29	1,224,389.29
- internal research and development							
- increase in mergers of corporates							
- transferred in							
(3) Decrease in the period							
- disposal							
- transferred out							
(4) Closing balance	91,907,351.90	158,340,000.00	10,022,398.78	30,105.00	3,590,677.10	26,612,834.65	299,573,367.43
2. Accumulated amortisation							
(1) Opening balance	12,166,265.07	158,340,000.00	7,508,043.89	20,967.34	1,571,299.66	12,434,956.03	192,041,531.99
(2) Increase in the period	1,068,973.11			1,505.37	305,906.18	3,024,724.23	4,401,108.89
- provision	1,068,973.11			1,505.37	305,906.18	3,024,724.23	4,401,108.89
- transferred in							
(3) Decrease in the period							
- disposal							
- transferred out							
(4) Closing balance	13,235,238.18	158,340,000.00	7,508,043.89	22,472.71	1,877,205.84	15,459,680.26	196,442,640.88
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	78,672,113.72		2,584,354.89	7,632.29	1,713,471.26	11,153,154.39	94,130,726.55
(2) Carrying value in the beginning of the year	79,741,066.83		2,584,354.89	9,137.66	1,319,377.44	13,653,498.33	97,307,446.15

The intangible assets formed by the internal research and development accounted for 0.00% of the total at the end of the period.

The amortization of intangible assets in the period was RMB4,401,108.89 and recorded in the profit and loss.

2. There were no land use rights without certificates at the end of the period

3. Notes to intangible assets:

The situation of intangible assets used in China mainland:

Period	Closing balance	Opening balance
Long-term (not less than 50 years)	63,497,854.05	55,671,492.20
Short-term (10–50 years)	30,632,872.50	41,635,953.95

There is no land-use right pledged for loans as at 30 June 2018 (31 December 2017: Nil).

(XV) Long-term deferred expenses

Items	Opening balance	Increase in the period	Amortised in the period	Other decreased amount	Closing balance
Afforest for Electronic Equipment					
Industry	875,051.40		875,051.40		
Purification Room Renovation Project	1,304,466.83		230,199.96		1,074,266.87
Fencing Wall for Electronics Equipment					
Industrial Park	291,876.49		145,938.18		145,938.31
Logo Production for Electronic					
Equipment Industry 1st Stage	249,485.72		124,742.82		124,742.90
Waterproof Insulation Fire Control Project	296,151.02		133,229.88		162,921.14
MCT Building Renovation Project	75,577.71				75,577.71
Others	510,179.12	31,100.00	82,200.07		459,079.05
Total	3,602,788.29	31,100.00	1,591,362.31		2,042,525.98

(XVI) Deferred income tax assets and deferred income tax liabilities**1. Deferred income tax assets not yet eliminated**

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	41,126,939.34	6,296,341.96	34,553,125.48	5,310,269.88
Internal offset of unrealised profit			3,911,824.80	977,956.20
Accrued expenses	3,722,072.26	588,949.29	3,722,072.26	828,547.34
Salaries payable	14,328,792.80	2,241,911.79	14,115,150.24	2,117,272.54
Total	59,177,804.40	9,127,203.04	56,302,172.78	9,234,045.96

2. Deferred income tax liabilities not yet eliminated

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	506,732.67	76,009.90	531,868.69	79,780.30
Long-term payables				
Total	506,732.67	76,009.90	531,868.69	79,780.30

(XVII) Short-term loans

1. Type of short-term loans

Items	Closing balance	Opening balance
Pledged loans		
Secured loans		
Guaranteed loans	95,000,000.00	45,000,000.00
Unsecured loans		
Total	95,000,000.00	45,000,000.00

2. Short-term loans expired but not repaid

Short-term loans expired but not repaid at the end of the period: Nil.

3. Details of short-term loans

Period	Amount	Interest rate	Creditor	Approach
2018/04/11–2019/04/11	50,000,000.00	4.35%	China Electronics Finance Co., Ltd.	Guaranteed
2018/05/09–2019/02/23	25,000,000.00	5.22%	Ping An Bank Nanjing Branch	Guaranteed
2018/04/09–2019/02/23	20,000,000.00	5.22%	Ping An Bank Nanjing Branch	Guaranteed

(XVIII) Notes payable and accounts payable

Type	Closing balance	Opening balance
Notes payable	168,917,721.11	183,557,608.11
Accounts payable	1,689,654,197.48	1,342,953,782.55
Total	1,858,571,918.59	1,526,511,390.66

1. Notes payable

Type	Closing balance	Opening balance
Bank acceptance bills	168,917,721.11	183,557,608.11
Commercial acceptance bills		
Total	168,917,721.11	183,557,608.11

There is no notes payable expired but not repaid. The above notes will be expired within one year.

2. Accounts payable

(1) List of accounts payable:

Classified by aging based on their recording dates:

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	1,366,285,287.72	1,048,824,443.59
1 to 2 years (including 2 years)	49,515,974.46	164,119,320.61
2 to 3 years (including 3 years)	156,486,174.00	79,250,265.58
Over 3 years	117,366,761.30	50,759,752.77
Total	1,689,654,197.48	1,342,953,782.55

Classified by nature:

Items	Closing balance	Opening balance
Payment for goods	1,278,660,035.14	1,027,943,892.19
Project funds	360,572,119.85	282,555,339.45
Processing and maintenance funds	39,300,704.37	17,250,252.72
Logistics warehousing funds	2,168,957.06	6,354,302.33
Others	8,952,381.06	8,849,995.86
Total	1,689,654,197.48	1,342,953,782.55

(2) Significant account payables aged over 1 year:

Items	Closing balance	Reasons for outstanding or carried forward
Nanjing Panda Electronics Import/Export Co., Ltd.	35,034,189.33	Not settled
Nanjing Zhuolong Technology & Trade Co., Ltd.	7,646,548.50	Not settled
Suzhou Golden Brain Intelligent System Engineering Co., Ltd.	6,120,369.96	Not settled
Shanghai Railway Communication Co., Ltd.	5,467,145.40	Not settled
Nanjing Chuangzhu Intelligent Technology Co., Ltd.	4,875,910.10	Not settled
Kunshan Judong Photoelectricity Equipment Co., Ltd.	4,158,180.00	Not settled
Aibuke (Nanjing) Electronic Technology Co., Ltd.	3,638,024.34	Not settled
Nanjing Changxin Technology Co., Ltd.	3,155,387.28	Not settled
Jiangsu Sumeng Information Technology Co., Ltd.	2,964,196.57	Not settled
Nanjing Huahao Building Technology Co., Ltd.	2,962,251.80	Not settled
Zhongtian Rili RF Cables Co., Ltd.	2,852,331.40	Not settled
Jiangsu Bodi Yuan Electronics Technology Co., Ltd.	2,627,627.32	Not settled
Hebei Far East Communication System Engineering Co., Ltd.	2,529,839.50	Not settled
Zhejiang Dahua Technology Co., Ltd.	2,469,898.00	Not settled
Nanjing Ke'an Electronics Co., Ltd.	2,411,673.45	Not settled
Anhui Tairan Information Technology Engineering Co., Ltd.	2,274,943.38	Not settled
Meiguang Building Materials Store, Shuangtang Town, Xinyi City	2,273,920.00	Not settled
Nanjing Gangjia Intelligent Technology Co., Ltd.	2,111,377.67	Not settled
Xinkaitai Electronic Store, Xuanwu District, Nanjing City	2,063,057.78	Not settled
Beijing Jinbalun Radio and Television Technology Co., Ltd.	2,043,408.48	Not settled
Total	99,680,280.26	

(XIX) Contract liabilities

Items	Closing balance
Receipts in advance for payment for goods	119,633,890.86
Receipts in advance for project funds	64,025,982.33
Others	787,076.28
	<hr/>
Total	184,446,949.47
	<hr/> <hr/>

(XX) Staff Salaries Payable**1. List of staff salaries payable**

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term remuneration	23,109,318.87	205,819,882.03	219,219,896.08	9,709,304.82
Post-employment benefit – established withdrawal and deposit scheme	190,872.17	30,819,095.28	30,984,905.27	25,062.18
Termination benefits	7,508,457.17	5,126,538.74	5,407,538.80	7,227,457.11
Other benefits due within 1 year				
	<hr/>	<hr/>	<hr/>	<hr/>
Total	30,808,648.21	241,765,516.05	255,612,340.15	16,961,824.11
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2. List of short-term remuneration

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
(1) Salary, inducement, allowance and subsidies	17,988,200.80	155,144,636.04	164,692,607.74	8,440,229.10
(2) Employee benefits fee		10,136,500.46	10,336,680.69	-200,180.23
(3) Social insurance fee	84,425.73	10,067,314.00	10,142,929.46	8,810.27
Inc.: medical insurance fee	76,245.46	8,727,205.10	8,795,571.53	7,879.03
work injury insurance fee	2,726.74	585,659.48	588,075.75	310.47
maternity insurance fee	5,453.53	754,449.42	759,282.18	620.77
(4) Housing provident fund	1,093,101.00	14,889,349.20	15,004,049.24	978,400.96
(5) Staff union fee and staff training cost	1,269,394.43	2,539,516.49	2,956,670.92	852,240.00
(6) Short-term paid leave				
(7) Short-term profit sharing scheme	2,230,000.00		2,944,000.00	-714,000.00
(8) Labour fee	444,196.91	11,734,897.90	11,835,290.09	343,804.72
(9) Other short-term remuneration		1,307,667.94	1,307,667.94	
	<hr/>	<hr/>	<hr/>	<hr/>
Total	23,109,318.87	205,819,882.03	219,219,896.08	9,709,304.82
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

3. Established withdrawal and deposit scheme

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic retirement insurance	184,055.22	19,487,885.53	19,655,936.04	16,004.71
Unemployment insurance fee	6,816.95	608,367.66	614,717.60	467.01
Corporate annuity		10,722,842.09	10,714,251.63	8,590.46
	<hr/>	<hr/>	<hr/>	<hr/>
Total	190,872.17	30,819,095.28	30,984,905.27	25,062.18
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

(XXI) Tax Payable

Tax items	Closing balance	Opening balance
Value-added tax	19,006,405.11	12,418,217.69
Enterprise income tax	6,988,016.85	10,802,460.36
Property tax	1,862,984.40	1,955,249.94
Individual income tax	1,525,083.44	2,527,124.51
Land use tax	440,998.56	440,998.56
Urban maintenance and construction tax	395,068.54	696,233.23
Educational surtax	260,285.78	349,000.20
Stamp tax	37,193.22	106,235.87
Local educational surtax		144,670.33
Others	-1,035,115.51	10,623.56
Total	<u>29,480,920.39</u>	<u>29,450,814.25</u>

(XXII) Other Payables

Item	Closing balance	Opening balance
Interest payable	116,794.52	
Dividend payable	67,711,663.82	3,742,966.79
Other payables	160,509,777.12	152,376,660.44
Total	<u>228,338,235.46</u>	<u>156,119,627.23</u>

1. 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	116,794.52	
Divided into financial liabilities of the preferred stock dividend/sustainable debt		
Total	<u>116,794.52</u>	

There is no significant interest payable which is overdue but not paid.

2. Dividend Payable

Items	Closing balance	Opening balance
Ordinary share dividends-minority shareholders	67,711,663.82	3,742,966.79
Divided into equity instruments of the preferred stock dividend/sustainable debt		
Total	<u>67,711,663.82</u>	<u>3,742,966.79</u>

Dividend payable over one year amounts to RMB3,317,135.59 because the shareholders did not ask for payment.

3. Other Payables

(1) List of other payables by nature

Items	Closing balance	Opening balance
State-owned capital management budget allocations	34,000,000.00	34,000,000.00
Deposit	46,042,367.62	45,670,131.06
Accounts with operating	39,546,079.95	29,216,928.52
Land-transferring fees	15,578,273.90	15,578,273.90
Accounts	8,481,797.70	12,892,092.18
Others	16,861,257.95	15,019,234.78
	<hr/>	<hr/>
Total	160,509,777.12	152,376,660.44
	<hr/> <hr/>	<hr/> <hr/>

(2) Significant other payables aged over 1 year

Creditors	Closing balance	Reasons for outstanding
China Electronics Corporation	34,024,947.51	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.	7,161,400.42	Has not yet been carried forward
Nanjing Chuangzhu Intelligent Technology Co., Ltd.	5,907,747.23	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.	3,605,256.38	Deposit, has not yet been expired
Liyang Panda Cuizhuyuan Hotel Co., Ltd	1,981,626.17	Has not yet been carried forward
Nanjing Baixia District Bureau of Finance	1,958,386.67	Has not yet been expired
Jiangsu Wanlong Information Technology Co., Ltd	1,831,472.22	Deposit, has not yet been expired
Jiangsu Huimin Traffic Facility Co., Ltd	1,499,498.17	Has not yet been carried forward
Urunchi Weirui Innovative Information Technology Co., Ltd	1,359,343.00	Deposit, has not yet been expired
Dongying Guanlin Intelligent Technology Co., Ltd.	1,100,000.00	Deposit, has not yet been expired
	<hr/>	
Total	80,432,377.15	Has not yet been expired
	<hr/> <hr/>	

(XXIII) Other current liabilities

Item	Closing balance	Opening balance
Special technical transformation of electronic information industry	30,000,000.00	
Jiangsu Province new industrial development special fund	10,000,000.00	10,000,000.00
High localization rate of industrial robots and intelligent equipment development and industrialisation	7,120,000.00	7,120,000.00
Allocation for new model project	5,000,000.00	5,000,000.00
Key research on UHD virtual reality based on eye tracking human-computer interaction	4,000,000.00	4,000,000.00
Intelligent manufacturing project	480,000.00	480,000.00
Leading fund for emerging industries development		
Metro automatic ticket machine domestication		500,000.00
	<hr/>	<hr/>
Total	56,600,000.00	27,100,000.00
	<hr/> <hr/>	<hr/> <hr/>

(XXIV) Long-term staff salaries payable**1. List of long-term staff salaries payable**

Items	Closing balance	Opening balance
1. Post-employment benefits – net liabilities of defined benefit plan		
2. Termination benefits	26,016,831.57	28,037,472.50
3. Other long-term employee benefits		
Total	<u>26,016,831.57</u>	<u>28,037,472.50</u>

(XXV) Deferred income

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	7,984,320.10		467,047.98	7,517,272.12	Note
Total	<u>7,984,320.10</u>		<u>467,047.98</u>	<u>7,517,272.12</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 the General Office of National Development and Reform Commission and the General Office of MIIT

The project related to government grants:

Item	Opening balance	The government grants given in the period	The amount recorded in profits and losses	Other variation	Closing balance	Related to assets/income
Auto-transferring system industrialisation of new panel display industry	7,984,320.10		467,047.98		7,517,272.12	Related to assets
Total	<u>7,984,320.10</u>		<u>467,047.98</u>		<u>7,517,272.12</u>	

(XXVI) 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	

(XXVII) 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	13,299,216.70			13,299,216.70
Total	<u>1,464,043,022.82</u>			<u>1,464,043,022.82</u>

(XXVIII) Surplus reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	184,618,995.30			184,618,995.30
Discretionary surplus reserve	70,376,641.33			70,376,641.33
Reserve fund				
Enterprise development fund				
Others				
Total	<u>254,995,636.63</u>	<u></u>	<u></u>	<u>254,995,636.63</u>

(XXIX) Undistributed profit

Item	Current period	Preceding period
Balance before adjustment at the end of preceding period	730,715,948.32	690,472,508.00
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	730,715,948.32	690,472,508.00
Add: Net profit attributable to owners of the parent company	51,019,460.71	44,885,550.09
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares	63,968,697.03	63,968,697.03
Dividend on ordinary share converted to share capital		
Closing balance	<u>717,766,712.00</u>	<u>671,389,361.06</u>

The closing balance includes surplus reserve of subsidiaries attributing to parent company.

(XXX) Operating revenue and operating cost**1. Operating revenue and operating cost**

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	1,990,390,967.77	1,702,357,561.36	1,727,032,908.49	1,479,898,539.08
Other operation	3,238,801.97	1,436,087.83	24,543,019.54	21,301,496.78
Total	<u>1,993,629,769.74</u>	<u>1,703,793,649.19</u>	<u>1,751,575,928.03</u>	<u>1,501,200,035.86</u>

2. Disaggregation of operating income

Items	Smart city industry	Electronic manufacturing services	Intelligent manufacturing industry	Others	Undistributed amount	Inter-segment elimination	Consolidated
Principal operating revenue	433,309,220.89	885,514,393.69	728,755,431.07	18,101,064.53		-75,289,142.41	1,990,390,967.77
Other operating revenue	1,288,681.11	25,639,584.59	829,651.43			-24,519,115.16	3,238,801.97
Total	<u>434,597,902.00</u>	<u>911,153,978.28</u>	<u>729,585,082.50</u>	<u>18,101,064.53</u>		<u>-99,808,257.57</u>	<u>1,993,629,769.74</u>

Operating revenue by region

	Current period
The PRC	1,777,920,084.77
Other regions	215,709,684.97

(XXXI) Taxes and surcharges

Items	Current period	Preceding period
City maintenance and construction tax	2,627,749.40	4,241,082.53
Property tax	3,477,625.21	3,203,883.16
Education surcharge	1,885,401.95	2,822,194.73
Land-use tax	800,997.12	800,997.12
Stamp tax	615,715.75	587,869.62
Vehicle and vessel use tax		330.00
Others	2,913.04	
Total	9,410,402.47	11,656,357.16

(XXXII) Selling expenses

Items	Current period	Preceding period
Salaries and Benefits	9,170,081.35	8,039,026.85
Transport and storage fee	7,845,421.85	6,568,061.25
Advertising and exhibition fee	3,049,834.57	3,260,610.58
Travelling and transportation expenses	1,373,368.71	1,670,717.16
Entertainment expenses	839,941.13	1,338,549.80
Loading and unloading fees	783,419.70	701,374.76
Office expenses	461,424.68	542,540.34
Others	1,319,254.84	1,741,866.39
Total	24,842,746.83	23,862,747.13

(XXXIII) Administrative expenses

Items	Current period	Preceding period
Salaries and benefits	62,966,207.54	54,497,459.67
Depreciation and amortization	10,642,089.79	17,701,025.26
Travelling and transportation expenses	5,461,759.26	5,600,501.53
Agent fee	4,119,675.28	4,047,394.40
Office, telephone, meeting expenses	3,679,350.55	5,160,784.89
Labour expenses	3,126,780.94	3,787,071.66
Transportation and vehicle expenses	2,210,141.36	2,736,791.90
Maintenance expenses	2,168,663.50	822,375.55
Entertainment expenses	1,714,199.94	2,202,643.55
Utilities expenses	1,045,397.71	1,010,493.91
Others	2,811,586.98	1,439,179.59
	<hr/>	<hr/>
Total	99,945,852.85	99,005,721.91
	<hr/> <hr/>	<hr/> <hr/>

(XXXIV) Financial expenses

Items	Current period	Preceding period
Interest expenses	1,489,974.74	525,043.40
Less: interest income	5,522,060.92	6,138,429.01
Exchange gain and loss	1,948,583.08	1,685,867.93
Handling charges and others	2,453,729.11	1,716,814.49
	<hr/>	<hr/>
Total	370,226.01	-2,210,703.19
	<hr/> <hr/>	<hr/> <hr/>

The interest expenses are all caused by bank loan interest from short-term borrowings.

(XXXV) Assets impairment loss

Item	Current period	Preceding period
Bad debts		-161,164.44
Inventory write-down loss	-238,867.43	7,266,889.89
	<hr/>	<hr/>
Total	-238,867.43	7,105,725.45
	<hr/> <hr/>	<hr/> <hr/>

(XXXVI) Loss in credit impairment

Items	Current period
Bad debt losses	1,018,592.09
Losses from debt investments	
Losses from other debt investments	
Losses from impairment of contract assets	
	<hr/>
Total	1,018,592.09
	<hr/> <hr/>

(XXVII) Investment income

Items	Current period	Preceding period
Income from long-term equity investments under equity method	25,682,507.56	32,250,321.46
Gains on disposal of long-term equity investments	-245,833.88	
Gains on wealth investment products	10,024,098.81	6,678,254.39
Total	35,460,772.49	38,928,575.85

(XXVIII) Gains on disposal of assets

Item	Current period	Preceding period	Amount included in non-recurring profit or loss
Disposal of assets	-178,452.31	27,066.49	-178,452.31
Total	-178,452.31	27,066.49	-178,452.31

(XXIX) Other income

Items	Current period	Preceding period	Related to assets/income
Tax returns	247,305.31	1,769,381.45	Related to income
Steady post subsidies	553,894.91	757,798.24	Related to income
Auto-transferring system industrialisation of new panel display industry	467,047.98		Related to assets
Total	1,268,248.20	2,527,179.69	

Notes: Tax return refers to Note "IV. Taxation". Auto-transferring system industrialisation of new panel display industry refers to Note "V. (XXIV)"

(XL) Non-operating income

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Gains on debt restructuring			
Donation received			
Government grants	2,102,100.00	10,383,747.98	2,102,100.00
Gains on check			
Compensations			
Others	808,714.51	558,539.94	808,714.51
Total	2,910,814.51	10,942,287.92	2,910,814.51

Government grants recorded into profit and loss

Items	Current period	Related to assets/income
Receipt of grants from Shenzhen Science and Technology Innovation Committee	1,092,000.00	Related to income
Metro automatic ticket machine domestication	500,000.00	Related to income
Reward for High and New Technology Enterprises in Nanjing for 2018 (District-level) (Ning Ke (2018) No. 138 and Ning Cai Ke (2018) No. 297)	250,000.00	Related to income
Subsidies for key technology under network control with multiple cooperating terminal network	204,500.00	Related to income
Special funds for International Business and Economics in 2017	26,600.00	Related to income
Receipt of second installment of patent grants in 2017	16,000.00	Related to income
Receipt of Technological Innovation – Patent Development Subsidy from Futian District Corporate Development Services Center	8,000.00	Related to income
Reward for outstanding projects in "Ideals and Contributions" Campaign (Ning Ke Xie [2017] No. 110)	5,000.00	Related to income
Total	2,102,100.00	

Items	Preceding period	Related to assets/income
High localization rate of industrial robots and intelligent equipment development and industrialisation	5,000,000.00	Related to income/assets
Finance Commission of Shenzhen Municipality subsidy – special funds for transformation of achievements for the development of industrial design industry	2,390,000.00	Related to income
Subsidy of participating in intelligence exhibition	1,396,000.00	Related to income
Preschool educational subsidy in Nanjing	720,000.00	Related to income
Auto-transferring system industrialisation of new panel display industry	467,047.98	Related to income
Guidance of new industry in 2016	300,000.00	Related to income
Grants for water conservation by Nanjing Water	60,000.00	Related to income
Reward for patent and copyright by Shenzhen Futian District Corporate Development Services Center	21,700.00	Related to income
Science and Technology Reward of Nanjing Economic and Technological Development Zone in 2016	20,000.00	Related to income
Golden Bridge Project Reward of Nanjing Association for Science and Technology in 2016	5,000.00	Related to income
Delegation fees received from Nanjing Bureau of Finance and Nanjing Association for Science and Technology	4,000.00	Related to income
Total	10,383,747.98	

(XLI) Non-operating expenses

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Loss on debt restructuring			
Donation to external parties	125,000.00	110,000.00	110,000.00
Non-recurring losses			
Inventory shortages			
Others	452,222.19	633,784.89	
Total	<u>577,222.19</u>	<u>743,784.89</u>	

(XLII) Income tax expenses

1. List of income tax expenses

Items	Current period	Preceding period
Current income tax	14,059,110.44	13,419,159.88
Deferred income tax	103,072.52	556,500.69
Total	<u>14,162,182.96</u>	<u>13,975,660.57</u>

2. Explain of the relationship of income tax expenses and accounting profit

Items	Current period
Total profit	90,205,231.40
Income tax expenses calculated at the statutory or applicable tax rate	20,479,201.64
Different tax rate of subsidiaries	-4,806,899.20
Profit or loss attribute to joint venture and associate	-6,263,355.22
Income not subject to tax	
Expenses not deductible for tax purposes	4,753,235.74
Utilisation of previously unrecognised tax losses	
Unrecognised deductible temporary difference and deductible tax loss	
Effect of additional deductible cost under tax law	
Total income tax expenses	<u>14,162,182.96</u>

(XLIII) **Items in cash flow statements**

1. Cash received relating to other operating activities

Items	Current period	Preceding period
Cash receipts from acceptance deposit & commitment deposit	84,288,074.31	104,975,355.58
Government grants	31,897,600.00	16,083,747.98
Interest Income	5,522,060.92	6,138,429.01
Others	2,977,939.08	4,171,077.85
Total	124,685,674.31	131,368,610.42

2. Cash paid relating to other operating activities

Item	Current period	Preceding period
Expenses	141,539,541.89	162,325,745.81
Total	141,539,541.89	162,325,745.81

3. Other cash receipt in connection with investment activities

Item	Current period	Preceding period
Principal of bank wealth investment products	950,000,000.00	1,167,500,000.00
Total	950,000,000.00	1,167,500,000.00

4. Other cash paid in connection with investment activities

Item	Current period	Preceding period
Principal of bank wealth investment products	960,000,000.00	1,369,500,000.00
Total	960,000,000.00	1,369,500,000.00

5. Other cash received in connection with financing activities

Item	Current period	Preceding period
Cash received from notes discounted	39,198,666.76	
Total	39,198,666.76	

6. Other cash paid in connection with financing activities

Item	Current period	Preceding period
Interests from notes discounted	285,364.09	
Total	285,364.09	

(XLIV) Supplementary information of cash flow statements

1. Supplementary information of cash flow statements

Supplementary information	Current period	Preceding period
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	76,043,048.44	65,633,595.53
Add: Provision for assets impairment	1,325,800.00	7,904,417.97
Depreciation of fixed assets	35,067,929.22	38,768,108.76
Depreciation of productive biological asset		
Depreciation of oil and gas assets		
Amortisation of intangible assets	4,401,108.89	4,289,718.32
Amortisation of long-term deferred expenses	1,591,362.31	2,047,042.48
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less: decrease)	-178,452.31	-27,066.49
Loss on scrapped fixed assets (or less: decrease)		
Loss on change in fair value (or less: decrease)		
Financial expenses (or less: decrease)	370,226.01	-2,210,703.19
Investment loss (or less: decrease)	-35,460,772.49	-38,928,575.85
Decrease in deferred tax assets (or less: increase)	106,842.92	564,041.46
Increase in deferred tax liabilities (or less: decrease)	-3,770.40	-27,059.10
Decrease in inventories (or less: increase)	-473,896,324.38	-151,384,255.00
Decrease of operating receivables (or less: increase)	-39,661,371.57	-24,483,089.92
Increase of operating payables (or less: decrease)	297,556,196.21	234,719,224.97
Others		
Net cash flows from operating activities	-132,738,177.15	136,865,399.94
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	1,126,995,194.43	1,047,520,495.44
Less: cash at the beginning of period	1,191,597,115.73	1,141,683,919.27
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	-64,601,921.30	-94,163,423.83

2. No cash paid for disposal of subsidiaries during the period

3. No cash received for disposal of subsidiaries during the period

4. The composition of cash and cash equivalents

Items	Balance at the end of the period	Balance at the beginning of the period
1. Cash	1,126,995,194.43	1,191,597,115.73
Inc.: Cash on hand	513,683.76	348,203.19
Bank deposit available for payment at any time	1,126,481,510.67	1,191,248,912.54
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	1,126,995,194.43	1,191,597,115.73

(XLV) Notes to the statement of change in equity

No special adjustments for the opening balance

(XLVI) Assets with title or use right restrictions

Items	Closing carrying amount	The reason
Cash and bank balances	109,034,864.59	Deposits of acceptance performance, letter of credit
Total	<u>109,034,864.59</u>	

(XLVII) Foreign currency monetary items

1. Foreign currency monetary items

Items	Foreign currency at the end of the period	Exchange rate	Converted into RMB at the end of the period
Cash on hand			
Inc.: USD	12,304,525.30	6.6166	81,414,122.10
Euro	673,226.15	7.6515	5,151,189.89
HKD	275,566.21	0.8431	232,329.87
JYP	221,287,737.00	0.0599	13,258,233.47
Accounts receivable			
Inc.: USD	676,786.10	6.6166	4,478,022.91
JYP	238,725,404.00	0.0599	14,302,993.86
Advance payment			
Inc.: USD	44,561.18	6.6166	294,843.50
Euro	2,339.00	7.6515	17,896.86
JYP	5,373,185.05	0.0599	321,929.01
Accounts payable			
Inc.: USD	80,400.00	6.6166	531,974.64
JYP	605,114,216.04	0.0599	36,254,813.14
Advances from customers			
Inc.: USD	290,143.03	6.6166	1,919,760.39
Euro	8,314.35	7.6515	63,617.22
JYP	139,424,647.49	0.0599	8,353,488.33
Other Payables			
Inc.: USD	16,779.18	6.6166	111,021.15

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

(IV) Disposal of subsidiaries in the current period

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

The Company wrote off the subsidiaries of Nanjing Panda Mechanical Engineering Plant and Nanjing Guanghua Electronics Plastic Casings Factory. Before the settlement of written-off, the companies above were consolidated in the Company's consolidated financial statements.

VII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Way of procurement
				Direct	Indirect	
Nanjing Panda Electronic Manufacture Co., Ltd.	Nanjing	Nanjing	Manufacturing	75.00	25.00	Establishment
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: The type of subsidiaries: Shenzhen Jinghua Electronics Co., Ltd is in the type of company limited (unlisted). Other subsidiaries are in the type of limited liability company.

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%	25,023,587.73		

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	Current assets	Non-current assets	Balance at the end of period			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Shenzhen Jinghua Electronics Co., Ltd	471,697,573.87	42,494,611.15	514,192,185.02	135,086,623.83	4,731,394.02	139,818,017.85

Name of subsidiaries	Current assets	Non-current assets	Balance at the beginning of period			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Shenzhen Jinghua Electronics Co., Ltd	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	Current period				Preceding period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	348,026,246.19	39,079,704.89	39,079,704.89	63,750,022.08	312,750,187.79	33,227,767.11	33,227,767.11	63,750,022.08

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).

2. Key financial information of significant associates

	Closing balance/current period		Opening balance/preceding period	
	Beijing SE Putian Mobile Communications Co., Ltd	Nanjing Ericsson Panda Communication Co., Ltd.	Beijing SE Putian Mobile Communications Co., Ltd	Nanjing Ericsson Panda Communication Co., Ltd.
Current assets	1,075,587,676.60	3,561,590,398.97	1,311,976,023.46	1,773,901,000.00
Including: cash and cash equivalents				
Non-current assets	56,155,087.95	436,065,626.43	117,163,906.63	1,952,287,000.00
Total assets	<u>1,131,742,764.55</u>	<u>3,997,656,025.40</u>	<u>1,429,139,930.09</u>	<u>3,726,188,000.00</u>
Current liabilities	704,240,426.58	3,119,513,841.73	962,460,641.15	2,890,534,000.00
Non-current liabilities				
Total liabilities	<u>704,240,426.58</u>	<u>3,119,513,841.73</u>	<u>962,460,641.15</u>	<u>2,890,534,000.00</u>
Net assets	427,502,337.97	878,142,183.67	466,679,288.94	835,654,000.00
Proportionate share in net assets	85,500,467.59	237,098,389.59	93,335,857.79	225,626,580.00
Adjustments			3,445,000.00	
Carrying amount of investments in joint ventures	99,536,992.89	247,923,752.16	96,780,240.16	225,627,084.00
Fair value of equity investments in joint ventures				
Operating income	924,516,322.34	3,596,444,852.89	4,435,087,329.61	4,307,025,119.93
Net profit	13,783,763.65	82,580,252.45	10,300,312.77	110,477,286.79
Net profit of discontinued operations				
Other comprehensive income				
Total comprehensive income	<u>13,783,763.65</u>	<u>82,580,252.45</u>	<u>10,300,312.77</u>	<u>110,477,286.79</u>
Dividend from joint ventures received				

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

3. Combined financial information of immaterial joint ventures and associates

	Closing balance/ current period	Opening balance/ preceding period
Associates:		
Total carrying amount of investment	10,847,297.30	10,218,210.63
The followings were calculated by		
– Net profit	1,576,381.31	699,145.74
– Other comprehensive income		
– Total comprehensive income	1,576,381.31	699,145.74

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 incurred by joint ventures and associates

6. There are no unconfirmed commitments in relation to investment in joint ventures

7. There are no contingency liabilities of joint ventures or associates about investment activities

(VI) **The Company has no significant joint operation**

(V) **The Company does not have structured body whose financial statements are not consolidated**

VIII. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company faces various financial risks in the course of its business: credit risk, market risk and liquidity risk. The Board of Directors is responsible for the overall risk management objectives and policies and assumes ultimate responsibility for risk management objectives and policies. The 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	1,236,030,059.02	1,236,030,059.02		
Other receivable	106,869,225.11	106,869,225.11		
Other current assets	521,050,556.23	521,050,556.23		

The credit risk exposure of the Company's accounts receivable refers to "Note V. (II)";

By the end of 30 June 2018, the accounts receivable which is overdue but not impaired is formed by the companies that 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.

(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, interest rate risk and other price risks.

(1) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market interest rates. 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	Exchange increase/(decrease)	January-June 2018	
		Total profit increase/(decrease)	Shareholder equity increase/(decrease)
Depreciation of RMB against USD	5%	4,181,211.62	4,181,211.62
Appreciation of RMB against USD	5%	-4,181,211.62	-4,181,211.62
Depreciation of RMB against JPY	5%	-836,257.26	-836,257.26
Appreciation of RMB against JPY	5%	836,257.26	836,257.26

Items	January-June 2017		
	Exchange increase/(decrease)	Total profit increase/(decrease)	Shareholder equity increase/(decrease)
Depreciation of RMB against USD	5%	5,418,663.16	5,418,663.16
Appreciation of RMB against USD	5%	-5,418,663.16	-5,418,663.16
Depreciation of RMB against JPY	5%	-1,296,012.02	-1,296,012.02
Appreciation of RMB against JPY	5%	1,296,012.02	1,296,012.02

(3) Other price risks

Given that the Company does not have any equity investments in other listed companies, the management is of the view that the market price risks arising from such investment activities are tolerable.

(III) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances.

The maturity profile of the Company's financial assets and financial liabilities at each balance sheet date based on contractual undiscounted payments is analysed below:

Items	Closing balance					Total
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	
Short-term borrowings	95,000,000.00					95,000,000.00
Notes payable and accounts payable	1,656,571,918.59					1,656,571,918.59
Other payables	228,338,235.46					228,338,235.46
Total	2,181,910,154.05					2,181,910,154.05
Items	Opening balance					Total
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	
Short-term borrowings	45,000,000.00					45,000,000.00
Notes payable and accounts payable	1,526,511,390.66					1,526,511,390.66
Other payables	156,119,627.23					156,119,627.23
Total	1,727,631,017.89					1,727,631,017.89

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 the fair values of financial assets and financial liabilities of the Company 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 "VII. Interests in subsidiaries" of the note for details on the Company's subsidiaries.

(III) Details on the Company's joint ventures and associates

Please refer to "VII. Interests in joint arrangement or associates" of the note for details on the Company's significant joint ventures and associates.

Information of the Company's other joint ventures or associates, that had transactions with the company in current period, or balances resulted from transactions with the Company in the prior period is as follows:

The name of joint ventures or associates	The Company's relationship with Joint venture or associate
Nanjing Ericsson Panda Communication Co., Ltd.	The Company's associates
Beijing SE Putian Mobile Communications Co., Ltd	The Company's associates
Nanjing Thales Panda Transportation System Company Limited	Subsidiary's associates
Shenzhen Jinghua Network Marketing Co., Ltd.	Subsidiary's associates

Other related parties Name

The Company relationships with other related 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
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

1. Purchase and sale of goods, rendering and receiving 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
Nanjing Panda Electronics Import/Export Co., Ltd.	Purchase of goods	23,572,477.56	237,472.58
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Purchase of goods	6,091,185.08	
Shenzhen China Electronics Investment Company	Purchase of goods	2,274,695.29	759,212.90
Nanjing CEC Panda LCD Technology Co., Ltd.	Purchase of goods	2,032,591.03	3,363,169.09
Nanjing Zhenhua Packing Material Factory	Purchase of goods	1,781,258.57	1,743,722.15
China Electronics Import and Export Co., Ltd.	Purchase of goods	473,113.20	
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Purchase of goods	463,640.14	95,355.30
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd.	Purchase of goods	162,140.00	1,821,487.18
Nanjing China Electronics Panda Appliances Co., Ltd.	Purchase of goods	63,835.84	69,162.39
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Purchase of goods	28,350.43	41,914.53
Nanjing Panda Dasheng Electronics Technology Co., Ltd.	Purchase of goods	3,076.92	359,487.18
Shanghai Panda Huning Electronic Technology Co., Ltd.	Purchase of goods		2,692,107.59
Shenzhen China Electronics International Information Technology Co., Ltd.	Purchase of goods		767,608.00
Nanjing Panda Handa Technology Co., Ltd.	Purchase of goods		36,879.25
Sub-total		<u>36,946,364.06</u>	<u>11,987,578.14</u>

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Receipt of services	3,957,167.30	1,640,729.91
Nanjing Panda Transport Co., Ltd.	Receipt of services	1,899,160.54	1,309,320.96
Nanjing CEC Panda LCD Technology Co., Ltd.	Receipt of services	1,137,099.16	678,628.21
Nanjing Panda Handa Technology Co., Ltd.	Receipt of services	73,084.91	23,698.11
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Receipt of services	41,566.04	
China Electronics Import and Export Co., Ltd.	Receipt of services	30,500.40	16,000.00
Panda Electronics Group Limited	Receipt of services	25,626.78	1,037,641.50
Nanjing Panda Electronics Import/Export Co., Ltd.	Receipt of services		103,850.00
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Receipt of services		73,866.67
Nanjing Zhenhua Packing Material Factory	Receipt of services		58,854.90
Shenzhen Jinghua Network Marketing Co., Ltd.	Receipt of services		4,315.89
Sub-total		<u>7,164,205.13</u>	<u>4,946,906.15</u>

Sales of goods/rendering the service:

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Chengdu China Electronics Panda Display Technology Co., Ltd.	Sales of goods	230,615,142.79	
Nanjing CEC Panda FPD Technology Co., Ltd.	Sales of goods	183,272,160.16	298,944,216.16
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Sales of goods	47,405,649.58	28,717,128.21
Nanjing CEC Panda LCD Technology Co., Ltd.	Sales of goods	38,813,732.56	96,348,824.51
Nanjing Panda Handa Technology Co., Ltd.	Sales of goods	37,042,423.45	33,161,664.70
Nanjing Panda Electronics Import/Export Co., Ltd.	Sales of goods	24,942,157.36	11,161,019.31
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Sales of goods	22,930,768.77	19,714,627.00
Shenzhen Jinghua Network Marketing Co., Ltd.	Sales of goods	11,806,142.75	4,507,348.72
Nanjing China Electronics Panda Appliances Co., Ltd.	Sales of goods	3,936,275.63	4,189,754.05
Panda Electronics Group Limited	Sales of goods	1,230,735.23	1,306,784.11
China Greatwall Technology Group Co., Ltd.	Sales of goods	1,073,505.30	
Nanjing Panda Investment Development Co., Ltd.	Sales of goods	964,394.57	
Nanjing Ericsson Panda Communication Co., Ltd.	Sales of goods	496,572.87	34,209.54
China Electronic Material Suzhe Company	Sales of goods	368,456.61	
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Sales of goods	269,697.27	66,964.96
Nanjing Huadong Electronic Information Technology Co., Ltd.	Sales of goods	183,193.99	

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Panda Technology Park Development Company Limited	Sales of goods	180,193.17	
Nanjing Electronics Information Industrial Corporation	Sales of goods	179,567.95	
Nanjing Panda Transport Co., Ltd.	Sales of goods	90,464.42	19,202.58
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd.	Sales of goods	57,435.90	
Shenzhen China Electronics Technology Co., Ltd.	Sales of goods	23,015.38	23,865.00
Nanjing China Electronics Panda Modern Service Industry Co., Ltd.	Sales of goods	17,205.66	
Nanjing China Electronics Panda Trade Development Co., Ltd.	Sales of goods	3,301.89	
Guizhou Zhenhua Yilong New Materials Co., Ltd.	Sales of goods		20,512,051.28
Shenzhen China Electronics Investment Company	Sales of goods		6,662,745.29
China Electronics Equipment International Co., Ltd.	Sales of goods		3,414,269.14
IRICO (Hefei) LCD Glass Co., Ltd.	Sales of goods		1,452,991.46
China Great Wall Computer (Shenzhen) Co., Ltd.	Sales of goods		1,001,934.32
Nanjing Sanle Electronic Information Co., Ltd.	Sales of goods		102,564.11
Nanjing CEC Panda Real Estate Co., Ltd.	Sales of goods		8,888.89
Sub-total		605,902,193.26	531,351,053.34
Nanjing Panda Investment Development Co., Ltd.	Rendering of services	35,307,639.98	1,048,487.18
Nanjing CEC Panda FPD Technology Co., Ltd.	Rendering of services	5,316,699.88	31,815,676.97
Liyang Panda Cuizhuyuan Hotel Co., Ltd.	Rendering of services	4,954,287.91	
Xianyang Caihong Optoelectronics Technology Co., Ltd.	Rendering of services	4,353,555.29	9,153,153.14
Nanjing CEC Panda LCD Technology Co., Ltd.	Rendering of services	3,857,524.47	5,493,750.93
Panda Electronics Group Limited	Rendering of services	1,381,201.66	3,335,127.63
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Rendering of services	341,299.47	330,321.21
Nanjing China Electronics Panda Appliances Co., Ltd.	Rendering of services	154,794.67	164,035.55
Nanjing Panda Handa Technology Co., Ltd.	Rendering of services	33,135.85	1,996,305.58
Nanjing Panda Transport Co., Ltd.	Rendering of services	25,992.96	43,353.33
Nanjing Panda Electronics Import/Export Co., Ltd.	Rendering of services	25,874.90	26,431.50
Shenzhen Jinghua Network Marketing Co., Ltd.	Rendering of services	4,482.50	
Nanjing CEC Panda Real Estate Co., Ltd.	Rendering of services		836,411.37

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Wuhan Zhongyuan Electronics Information Co., Ltd.	Rendering of services		660,377.36
Nanjing Ericsson Panda Communication Co., Ltd.	Rendering of services		303,318.90
Nanjing Electronics Information Industrial Corporation	Rendering of services		170,916.97
Dongguan China Electronics Panda Technology Development Co., Ltd.	Rendering of services		135,484.96
Nanjing Panda Electronics Materials Utilization Company	Rendering of services		94,017.09
		<hr/>	<hr/>
Sub-total		55,756,489.54	55,607,169.67
		<hr/> <hr/>	<hr/> <hr/>

2. Entrusted management/contract and delegated management/contract with related party

Nil

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 Transport Co., Ltd.	Lease of cars	393,601.58	415,455.54
Nanjing China Electronics Panda Appliances Co., Ltd.	Lease of houses	329,183.70	328,189.20
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Lease of houses	268,827.43	268,827.43
Nanjing Panda Electronics Import/Export Co., Ltd.	Lease of houses	121,795.00	121,427.04
Panda Electronics Group Limited	Lease of cars	25,641.03	
Nanjing Panda Transport Co., Ltd.	Lease of houses	24,951.08	24,875.70
Shenzhen Jinghua Network Marketing Co., Ltd.	Lease of houses	24,842.86	25,990.48
Panda Electronics Group Limited	Lease of houses	20,280.95	45,830.20
		<hr/>	<hr/>
Sub-total		1,209,123.63	1,230,595.59
		<hr/> <hr/>	<hr/> <hr/>

Assets leased from related parties:

Name of lessor	Types of leased assets	Rental income recognised in this period	Rental income recognised in prior period
Panda Electronics Group Limited	Lease of houses		76,666.67
		<hr/>	<hr/>

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	2017-11-01	2018-10-31	No
Nanjing Panda Electronic Manufacture Co., Ltd (9)	60,000,000.00	2018-01-16	2018-11-30	No
Nanjing Panda Electronic Manufacture Co., Ltd (10)	40,000,000.00	2017-07-24	2018-06-16	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	2018-01-16	2018-11-28	No

Information on guarantee in related party transactions :

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 30th June, 2018, Nanjing Panda Information Industry Co., Ltd. has used RMB45,790,650.30 of its total comprehensive bank credit, of which RMB45,790,650.30 is guaranteed by The Company in the form of letter of guarantee.

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 Subbranch 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 Subbranch, or advance in cash plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly plus 2 years. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 30th June, 2018, Nanjing Panda Information Industry Co., Ltd. has used RMB3,322,762.49 of its total comprehensive bank credit, of which RMB3,082,762.49 is guaranteed in the form of letter of bank guarantee offered by The Company to China Merchant Bank, Nanjing Branch, and RMB240,000.00 is guaranteed in the form of bank acceptance bill.

- 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 1 July 2016 to 30 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 30 June 2018, Nanjing Panda Information Industry Co., Ltd. has used RMB2,946,474.86 of its total comprehensive bank credit, of which RMB2,946,474.86 is guaranteed in the form of letter of guarantee offered by The Company.
- Note 4:* The Company offers irrevocable 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 date when the contract was signed, 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 30 June 2018, Nanjing Panda Electronic Equipment Co., Ltd. has used RMB107,732,479.69 of its total comprehensive bank credit, of which RMB119,000.00 is guaranteed by The Company in the form of letter of guarantee, RMB3,390,181.90 is guaranteed in the form of bank acceptance bill, RMB45,000,000.00 is guaranteed in the form of guaranteed loans and RMB59,223,297.79 in the form of letter of credit.
- Note 5:* The Company offers irrevocable maximum guarantee of RMB30,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing Branch, Maigao Bridge Subbranch 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 30 June 2018, Nanjing Panda Electronic Equipment Co., Ltd. has used RMB29,258,261.47 of its total comprehensive bank credit, of which RMB3,026,791.40 is guaranteed by The Company in the form of letter of guarantee offered by The Company, RMB26,231,470.07 is guaranteed in the form of bank acceptance bill.
- Note 6:* The Company offers irrevocable 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 a duration from 12nd July, 2017 to 12nd July, 2018 and the guarantee lasts for 2 years from the deadline of performance of the debtor while the credit lasts for 1 year from the date when the contract was signed. Nanjing Panda Electronic Equipment Co., Ltd. offers its total assets as counter guarantee. As of 30 June 2018, Nanjing Panda Electronic Equipment Co., Ltd has used RMB76,251,166.48 of its total comprehensive bank credit, of which RMB12,251,166.48 is guaranteed by The Company in the form of letter of guarantee offered by The Company, RMB14,000,000.00 is guaranteed in the form of bank acceptance bill and RMB50,000,000.00 is guaranteed in the form of guaranteed loans.
- Note 7:* The Company offers irrevocable maximum guarantee of RMB40,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Equipment Co., Ltd, subsidiary of The Company. The bank credit has a 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 30 June 2018, Nanjing Panda Electronic Equipment Co., Ltd. has used RMB4,366,378.78 of its total comprehensive bank credit, of which RMB4,366,378.78 is guaranteed in the form of bank acceptance bill by The Company.
- 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 Subbranch, 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 when 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, Chengdong Subbranch, 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 30 June 2018, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB20,373,474.30 of its total comprehensive bank credit, of which RMB13,334,474.30 is guaranteed by The Company in the form of bank acceptance bill offered by The Company and RMB7,039,000.00 is guaranteed in the form of letter of credit.

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 Subbranch, to Nanjing Panda Electronic Manufacture Co., Ltd., subsidiary of The Company. The guarantee has a period from 16 January 2018 to 30 November 2018. 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 30 June 2018, Nanjing Panda Electronic Manufacture Co., Ltd has used RMB27,377,914.39 of its total comprehensive bank credit, of which RMB27,377,914.39 is guaranteed by The Company in the form of bank acceptance bill offered by The Company.

Note 10: The Company offers irrevocable maximum guarantee of RMB40,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Manufacture Co., Ltd, subsidiary of The Company. The bank credit has a duration from 24 July 2017 to 16 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 30 June 2018, Nanjing Panda Electronic Equipment Co., Ltd has used RMB0.00 of its total comprehensive bank credit.

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., a sub-sub-sub-subsidiary of The Company. The guarantee has a period from 24 July 2017 to 16 June 2018. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Huage Electronic Plastic Industry Co., Ltd. offers its total assets as counter guarantee. As of 30 June 2018, Nanjing Huage Electronic Plastic Industry Co., Ltd. has used RMB0.00 of its total comprehensive bank credit.

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-sub-subsidiary of The Company. The guarantee has a period from 5 September 2017 to 12 July 2018. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Huage Electronic Plastic Industry Co., Ltd. offers its total assets as counter guarantee. As of 30 June 2018, Nanjing Huage Electronic Plastic Industry Co., Ltd. has used RMB6,390,877.17 of its total comprehensive bank credit, of which RMB6,390,877.17 is guaranteed in the form of bank acceptance bill offered by The Company.

Note 13: The Company offers irrevocable maximum guarantee of RMB15,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing Branch, Maigao Bridge Subbranch, to Nanjing Panda Machine Electricity Manufacturing Co., Ltd, a sub-sub-subsidiary of The Company. The guarantee has a period from 16 January 2018 to 28 November 2018. 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 30 June 2018, Nanjing Panda Machine Electricity Manufacturing Co., Ltd has used RMB4,500,000.00 of its total comprehensive bank credit, of which RMB4,500,000.00 is guaranteed by The Company in the form of bank acceptance bill offered by The Company.

Conclusively, as of 30 June 2018, total guarantee offered by The Company amounting to RMB328,310,439.93, of which RMB99,831,296.61 is for bank acceptance bill guarantee, RMB67,216,845.53 is for letter of guarantee, and RMB95,000,000.00 is for guaranteed loan guarantee, RMB66,262,297.79 for letter of credit. (As of 30 June 2017, total guarantee offered by The Company amounting RMB287,925,575.79 of which RMB100,710,680.38 is for bank acceptance bill guarantee, RMB134,042,238.18 is for letter of guarantee, RMB45,000,000.00 for guaranteed loan guarantee and RMB8,172,657.23 for letter of credit).

5. Capital borrowing and lending with related party

Related parties	Lending/ borrowing amount	Inception date	Expiration date	Remarks
Borrowed amount	Nil			
Lent amount	Nil			

6. Other related party transactions

Company name	Type of transaction	Current period	Preceding period
China Electronics Finance Co., Ltd. <i>(note)</i>	Receipt of interests	1,465,693.68	2,122,953.30
China Electronics Finance Co., Ltd. <i>(note)</i>	Payment of interest	428,958.33	
China Electronics Finance Co., Ltd. <i>(note)</i>	Payment of discounted interest	36,805.56	99,901.97

By the end of 30 June 2018, loan balance of The Company was RMB50,000,000.00, deposit balance was RMB314,304,768.66 in the China Electronics Finance Co., Ltd.

Note: The Company renewed "financial service agreement (hereafter referred to as the "Agreement") with Financial Company in 2015. According to the agreement and in compliance with national laws and regulations as well as financial institutions operating principles, Financial Company provides financial services, including but not limited to, financial consulting, credit visa service, other related consulting, agency service, offering for guarantee, notes bills, notes discounted and deposit service to the Company. The ceiling for the comprehensive 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 Agreement. The above Agreement had been approved at the first extraordinary general meeting by the Company on 28 December 2015.

(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 FPD Technology Co., Ltd.	86,135,025.09		219,638,080.32	
	Nanjing Panda Handa Technology Co., Ltd.	55,786,657.79	33,649.21	59,736,132.38	33,649.21
	Nanjing CEC Panda LCD Technology Co., Ltd.	37,298,495.54		21,338,913.06	
	Nanjing Panda Electronics Import/Export Co., Ltd.	33,440,948.30	695,611.41	25,146,791.34	695,611.41
	Chengdu China Electronics Panda Display Technology Co., Ltd.	17,079,005.09			
	Shenzhen Jinghua Network Marketing Co., Ltd.	7,845,810.00		11,266,800.00	
	Nanjing Panda Investment Development Co., Ltd.	941,607.00		35,559,458.86	
	China Greatwall Technology Group Co., Ltd.	589,362.47		347,183.89	
	Nanjing China Electronics Panda Appliances Co., Ltd.	542,399.25		1,903,780.00	

Items	Related parties	Closing balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	Panda Electronics Group Limited	514,251.13	121,109.19	212,539.44	146,659.19
	Nanjing Ericsson Panda Communication Co., Ltd.	334,401.37	1,404.00	225,460.13	1,404.00
	Shanghai Panda Huning Electronic Technology Co., Ltd.	163,700.00	163,700.00	163,700.00	163,700.00
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	109,237.03		13,709,014.18	
	Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	67,200.00			
	Nanjing Electronics Information Industrial Corporation	59,701.00		90,342.00	
	Nanjing Thales Panda Transportation System Company Limited	39,086.73	39,086.73	39,086.73	39,086.73
	Nanjing Panda Dasheng Electronics Technology Co., Ltd.	38,380.00		38,380.00	
	Shenzhen China Electronics Technology Co., Ltd	15,840.00			
	Nanjing Panda Transport Co., Ltd	12,540.93			
	Langfang China Electronics Panda Crystal Technology Co., Ltd.	3,240.00	3,240.00	3,240.00	3,240.00
	Wuhan Zhongyuan Electronics Group Co., Ltd.	2,000.00	2,000.00	2,000.00	2,000.00
	Nanjing China Electronics Panda Trade Development Co., Ltd.	800.00			
	Xianyang Caihong Optoelectronics Technology Co., Ltd.			90,396,976.00	
	Guizhou Zhenhua Yilong New Materials Co., Ltd.			30,198,680.00	
	Shaanxi IRICO Electronics Glass Co., Ltd.			10,898,078.00	
	IRICO (Hefei) LCD Glass Co., Ltd.			7,415,200.00	
	Nanjing CEC Panda Real Estate Co., Ltd.			158,803.63	
	Nanjing Panda Jinling Hotel Co., Ltd.			2,227.10	
	Liyang Panda Cuizhuyuan Hotel Co., Ltd			170,226.00	
	Nanjing Sanle Electronic Information Co., Ltd.			84,000.00	
	Panda (Beijing) International Information Technology Co., Ltd.			32,000.00	
	China Electronics Equipment International Co., Ltd.			9,093.25	
	Subtotal	241,019,688.72	1,059,800.54	528,786,186.31	1,085,350.54

Items	Related parties	Closing balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Contract assets	Nanjing CEC Panda FPD Technology Co., Ltd.	128,465,388.40			
	Chengdu China Electronics Panda Display Technology Co., Ltd.	43,218,950.20			
	Xianyang Caihong Optoelectronics Technology Co., Ltd.	42,276,254.63			
	Nanjing Panda Investment Development Co., Ltd.	20,000,000.20			
	Guizhou Zhenhua Yilong New Materials Co., Ltd.	11,199,870.00			
	Shaanxi IRICO Electronics Glass Co., Ltd.	10,898,078.00			
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	9,849,986.01			
	Nanjing CEC Panda LCD Technology Co., Ltd.	14,565,498.49			
	IRICO (Hefei) LCD Glass Co., Ltd.	7,415,200.00			
	Nanjing CEC Panda Real Estate Co., Ltd.	158,803.63			
	Panda Electronics Group Limited	25,550.00	25,550.00		
	Nanjing Panda Jinling Hotel Co., Ltd.	2,227.10			
	Nanjing Panda Handa Technology Co., Ltd.	1,000.00			
	Total	288,096,806.66	25,550.00		
	Notes receivables	Nanjing CEC Panda FPD Technology Co., Ltd.	70,000,000.00		158,405,779.47
Nanjing Panda Handa Technology Co., Ltd.		38,310,000.00		34,390,000.00	
Guizhou Zhenhua Yilong New Materials Co., Ltd.		6,562,000.00		5,000,000.00	
Nanjing CEC Panda LCD Materials Technology Co., Ltd.				4,000,000.00	
Nanjing China Electronics Panda Appliances Co., Ltd		2,490,492.96		1,122,830.00	
Nanjing Panda Electronics Import/Export Co., Ltd.		834,464.76		235,500.00	
Chengdu China Electronics Panda Display Technology Co., Ltd.		419,732.50		2,000,000.00	
China Greatwall Technology Group Co., Ltd.		396,196.11			
Subtotal		119,012,886.33		205,154,109.47	

Items	Related parties	Closing balance		Beginning balance		
		Book balance	Bad debt provision	Book balance	Bad debt provision	
Advance payment	Nanjing CEC Panda FPD Technology Co., Ltd.	9,592,962.00		1,567,461.60		
	China Electronics Import and Export Co., Ltd.	347,955.20		1,069,955.20		
	Nanjing Panda Handa Technology Co., Ltd.	316,800.00				
	Nanjing CEC Panda Illumination Co., Ltd.	88,896.00				
	Panda Electronics Group Limited	69,921.75		69,921.75		
	Liyang Panda Cuizhuyuan Hotel Co., Ltd.	40,813.61				
	Nanjing CEC Panda LCD Technology Co., Ltd.	33,295.52		89,640.59		
	Chengdu China Electronics Panda Display Technology Co., Ltd.	10,400.00				
	Nanjing China Electronics Panda Appliances Co., Ltd.	2,200.00		44,050.00		
	Shenzhen China Electronics Investment Co., Ltd.	0.01				
	Nanjing Panda Electronics Import/Export Co., Ltd.			134,202.95		
	Xianyang Caihong Optoelectronics Technology Co., Ltd.			44,060.00		
	Subtotal		10,503,244.09		3,019,292.09	

2. Payables

Items	Related parties	Closing balance	Opening balance	
Accounts payable	Nanjing Panda Electronics Import/Export Co., Ltd.	35,034,189.33	26,006,028.14	
	Nanjing Zhenhua Packing Material Factory Panda Electronic Group Co., Ltd.	1,950,873.37	2,606,418.25	
	Nanjing Panda Handa Technology Co., Ltd.	1,746,229.81	2,320,179.89	
	Beijing China Electronics Guangtong Technology Co., Ltd.	1,238,839.63	5,536.00	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd.	1,102,743.00	1,102,743.00	
	Nanjing Panda Transport Co., Ltd.	369,799.86	366,722.94	
	Nanjing China Electronics Panda Crystal Technology Co., Ltd.	275,782.39	297,102.39	
	Shanghai Panda Huning Electronic Technology Co., Ltd.	189,980.87	221,440.58	
	Nanjing China Electronics Panda Appliances Co., Ltd.	168,750.00	168,750.00	
	Guizhou Zhenhua Hualian Electronics Co., Ltd.	147,694.40	147,694.40	
	Nanjing CEC Panda Illumination Co., Ltd.	145,281.00	313,991.00	
	Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd.	88,533.15	88,533.15	
	China Zhenhua Group Yunke Electronics Co., Ltd.	65,340.00	403,200.00	
	Shenzhen China Electronics Electricity Power Technology Co., Ltd.	17,632.00	17,632.00	
	Nanjing Thales Panda Transportation System Co., Ltd.	17,000.00	17,000.00	
	Guizhou Zhenhua Qunying Electrical Appliance Co., Ltd.	16,410.02	16,410.02	
	Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	5,230.00	5,230.00	
	Subtotal		42,580,308.83	34,158,561.76

Items	Related parties	Closing balance	Opening balance	
Notes payable	Nanjing Zhenhua Packing Material Factory	17,569.68		
Other payables	China Electronics Corporation	34,024,947.51	34,040,000.00	
	Panda Electronic Group Co., Ltd.	7,161,400.42	8,098,223.19	
	Liyang Panda Bamboo Garden Hotel Co., Ltd.	1,981,626.17	1,976,818.17	
	Nanjing Thales Panda Transportation System Co., Ltd.	860,265.92	860,265.92	
	China Electronics Import and Export Co., Ltd.	195,539.62	194,539.62	
	Nanjing Panda Transport Co., Ltd.	170,552.35	87,355.14	
	Nanjing Electronics Information Industrial Corporation	41,000.00	55,200.00	
	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 CEC Panda Real Estate Co., Ltd.	5,000.00	5,000.00	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd.	200.00	200.00	
	Nanjing Panda Electronics Materials Utilisation Company		10,000.00	
	Subtotal		44,483,438.99	45,370,509.04
	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
		Nanjing CEC Panda LCD Technology Co., Ltd.		311,301.42
		Nanjing China Electronics Panda Appliances Co., Ltd.		5,518.67
Nanjing Panda Transport Co., Ltd.			1,583.07	
Panda Electronic Group Co., Ltd.			621.83	
Subtotal			79,203,039.62	
Contract liabilities	Xianyang Zhongdian IRICO Group Holdings Ltd.	5,550,000.00		
	IRICO Group Company Limited	2,150,000.00		
	Chengdu China Electronic Panda Display Technology Co., Ltd.	2,117,799.59		
	Liyang Panda Bamboo Garden Hotel Co., Ltd.	1,190,443.38		
	Nanjing CEC Panda LCD Technology Co., Ltd.	311,301.42		
	Nanjing Panda Electronics Import/Export Co., Ltd.	274,219.00		
	Panda (Beijing) International Information Technology Co., Ltd.	775.71		
	Panda Electronic Group Co., Ltd.	621.83		
Subtotal		11,595,160.93		

(VII) Related party commitment

For the assets disposal matters involving the Company, Panda Electronics Group Co., Ltd. and Nanjing Panda Investment Development Co., Ltd., please refers to Note "V. (VII)".

XI. NO SHARE-BASED PAYMENT INCURRED DURING THE PERIOD

XII. GOVERNMENT GRANTS

(I) Government grants related to assets

Item	Amount	Item in the balance sheet	Amount recorded in the profits and losses or deducted related costs		Item recorded in the profits and losses or deducted related costs
			Current period	Preceding period	
Industrialisation of auto-transferring system in factory of new panel display device	9,853,333.12	Deferred income	467,047.98		Other incomes

(II) Government grants related to income

Item	Amount	Amount recorded in the profits and losses or deducted related costs		Item recorded in the profits and losses or deducted related costs
		Current period	Preceding period	
Tax return	247,305.31	247,305.31		Other incomes
Subsidies for post stabilization	553,894.91	553,894.91		Other incomes
Special project for transformation of electronics information technology	30,000,000.00			
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			
Grants for new model project	5,000,000.00			
Research of key technology on ultra HD virtual reality human-computer interaction based on eye tracking	4,000,000.00			
Intelligent Manufacturing project	480,000.00			
Subsidies received from Shenzhen Technology & Innovation Commission	1,092,000.00	1,092,000.00		Non-operating income
Metro automatic ticket machine domestication project Award (district-level grants) for accreditation of 2018	500,000.00	500,000.00		Non-operating income
Nanjing high-tech enterprise (Ning Ke [2018] No. 138, Ning Cai [2018] No. 297)	250,000.00	250,000.00		Non-operating income
Key technology involving multiple collaborating terminals under ubiquitous network	204,500.00	204,500.00		Non-operating income
Special fund for foreign trade and economic development for 2017	26,600.00	26,600.00		Non-operating income
Subsidies of patent (Batch II) for 2017	16,000.00	16,000.00		Non-operating income
Award for support of patent regarding technological innovation received from Shenzhen Futian district development centre	8,000.00	8,000.00		Non-operating income
Award for outstanding projects regarding the activities of Objective Setting and Contribution Comparison Made (講理想比貢獻)(Ning Ke Xie [2017] No. 110)	5,000.00	5,000.00		Non-operating income

XIII. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

1. Significant commitments at the balance sheet date

The total future minimum lease payment according to irrevocable operating lease contracts signed by the Company is summarised below:

Items	Closing balance	Opening balance
Within 1 year	7,440,372.72	9,543,103.38
1 to 2 years	133,154.00	3,933,515.38
2 to 3 years	221,088.00	210,000.00
Total	7,794,614.72	13,686,618.76

At the balance sheet date, capital commitment made by the Company that has been contracted but not listed on the balance sheet is shown below:

Items	Closing balance	Opening balance
Housing and building		384,030.00
Machinery and Equipment		
Intangible assets/software	13,769,840.00	
Total	13,769,840.00	384,030.00

For the unconfirmed commitment with related parties, please refers to Note "X. Related party relationship and transactions". For the unconfirmed commitment relating to the investment in joint venture, please refers to Note "VII. Interests in other entities".

(II) Contingencies

1. Significant contingencies existed at the balance sheet date

Please refer to Note "VII Other interest entities" for contingent liability related to the investment in joint venture and associates.

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

XIV. EVENTS AFTER THE BALANCE SHEET DATE

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

(II) Sales return

There is no significant sales return after the balance sheet date

(III) No assets and disposal group classified as held-for-sales which have not been disclosed at the end of the period

(IV) No other notes to events after the balance sheet date at the end of the period

XV. OTHER SIGNIFICANT EVENTS

(I) No accounting error correction of prior period during the period

(II) No assets swap 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 information

1. The basis of determination and 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 segments is based on the actual transaction price, and cost indirectly assumed by each segment is allocated in accordance of the corresponding proportion. Assets are allocated in accordance of business performance and location. Segment liabilities includes the liabilities produced 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 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.

2. Financial information of the segment

Item	Intelligent city industry	Electronic manufacturing service	Intelligent manufacturing industry	Other products	Undistributed	Elimination among segments	Total
Trade income from third party	857,928,821.87	697,287,036.91	425,979,422.88	12,434,488.08			1,993,629,769.74
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 associated enterprises and joint ventures				629,086.67	25,053,420.89		25,682,507.56
Impairment loss from assets	-255.71	-238,611.72					-238,867.43
Depreciation and amortisation expense	3,333,282.36	13,504,998.38	2,664,846.92	15,883,459.82	5,673,812.94		41,060,400.42
Total Profit	28,546,203.68	57,176,724.66	12,590,121.25	-24,956,080.66	8,208,866.41	8,639,396.06	90,205,231.40
Income tax expense	2,755,037.65	11,407,145.31					14,162,182.96
Net profit	25,791,166.03	45,769,579.35	12,590,121.25	-24,956,080.66	8,208,866.41	8,639,396.06	76,043,048.44
Total assets	1,935,128,943.03	1,436,867,793.97	1,288,220,159.58	832,692,867.07	2,935,316,755.46	-2,341,498,452.66	6,086,728,066.45
Total liabilities	1,311,281,534.73	626,767,810.39	886,645,234.98	175,703,232.28	152,741,625.43	-649,129,478.20	2,503,039,961.61
Other non-cash expense beside Depreciation and amortisation expense							
Long term equity investment in associated enterprises and joint ventures		1,533,803.00	9,313,494.30	347,460,745.05			358,308,042.35
Increase in other non-current assets besides long-term equity investment	618,138.16	-8,017,603.50	5,714,397.01	-15,521,881.92	-8,317,550.22	-3,737,505.15	-27,282,005.62

(VI) No other significant matters which will have influence on the investors

(VII) Litigation

Nanjing Panda Electronics Equipment Co., Ltd. ("Electronics Equipment"), a subsidiary of the Company, and Jiangsu Jinling Paper Co., Ltd. ("Jinling Paper", renamed as "Jiangsu Jinling Cellulose and Fibre Co., Ltd." (江蘇金鈴纖維素纖維有限公司)), entered into the Cooperation Contract in respect of the Introduction of CAO Treatment System by Jiangsu Jinling Paper Co., Ltd. on 16 February 2011. As at January 2016, Jinling Paper owed payment for goods with a principal amount of RMB2,477,000.00 to Electronics Equipment.

Electronics Equipment filed a lawsuit with the People's Court of Dafeng District, Yancheng City, Jiangsu Province in March 2016, appealing for repayment of the outstanding payment for goods with a principal amount of RMB2,477,000.00 and the interests thereon amounting to RMB465,039.10 resulting from the delay in payment. The People's Court of Dafeng District issued the first instance judgement (2016 (Su) 0982 Min Chu No. 1678) on 9 March 2016, rejecting the claim of Electronics Equipment. Electronics Equipment brought an appeal to the Intermediate People's Court of Yancheng City against the said judgement.

On 16 November 2016, the Intermediate People's Court of Yancheng City ruled that the civil judgement (2016 (Su) 0982 Min Chu No. 1678) issued by the People's Court of Dafeng District be revoked and the case be subject to retrial at the People's Court of Dafeng District.

On 11 January 2017, the People's Court of Dafeng District reestablished a collegial panel for the retrial of the case and issued the judgment of second instance (2017 (Su) 0982 Min Chu No. 152), ruling that Jinling Paper to pay RMB995,000.00 to Electronics Equipment for the goods and dismissing the other claims of Electronics Equipment. Jinling Paper appealed against the retrial results. As at the date of the financial statements, the Intermediate People's Court of Yancheng City has not issued a judgement on the appeal.

In addition, Jinling Paper filed a lawsuit against Electronics Equipment, appealing for rescission of the Cooperation Contract entered into with Electronics Equipment in respect of the Introduction of CAO Treatment System by Jiangsu Jinling Paper Co., Ltd. and demanding Electronics Equipment to return the contract payment in an aggregate amount of RMB9,873,000.00. The People's Court of Dafeng District has accepted the case. As at the date of the financial statements, the People's Court of Dafeng District has not issued a judgement on the case.

XVI. NOTES TO PRINCIPAL ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENT

(I) Notes receivable and accounts receivable

Item	Closing balance	Opening balance
Notes receivable	12,830,000.00	10,440,000.00
Accounts receivable	80,099,430.25	72,990,484.10
Total	92,929,430.25	83,430,484.10

1. Accounts receivable shown by classification

Accounts receivable shown by aging:

Aging	Carrying Amount		Closing balance Provision for bad debt		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Within 1 year (including 1 year)	65,635,543.62	77.70			65,635,543.62
1 to 2 years (including 2 years)	3,280,707.00	3.88			3,280,707.00
2 to 3 years (including 3 years)	10,454,352.60	12.38	1,428,662.16	13.67	9,025,690.44
Over 3 years	5,099,704.31	6.04	2,942,215.12	57.69	2,157,489.19
Total	84,470,307.53	100.00	4,370,877.28		80,099,430.25

Aging	Carrying Amount		Opening Balance		Carrying Value
	Amount	Percentage (%)	Amount	Provision for bad debt Percentage (%)	
Within 1 year (including 1 year)	59,724,371.54	77.07	211,054.80	0.35	59,513,316.74
1 to 2 years (including 2 years)	12,517,689.84	16.15	1,217,607.36	9.73	11,300,082.48
2 to 3 years (including 3 years)	2,124,000.00	2.74			2,124,000.00
Over 3 years	3,129,580.00	4.04	3,076,495.12	98.30	53,084.88
Total	77,495,641.38	100.00	4,505,157.28		72,990,484.10

2. Provision, transfer and recovery of accounts receivables in the period

	January-June 2018	January-June 2017
Opening Balance	4,505,157.28	2,767,951.00
Provision in the period		
Recovery or reversal in the period	134,280.00	
Write-off in the period		
Closing balance	4,370,877.28	2,767,951.00

3. No accounts receivable effectively verified in the period

4. The top five debtors of accounts receivable at the end of the period

Name of debtor	Amount	Closing balance Proportion of total accounts receivable (%)	Bad debt provision
Nanjing Panda Information Industry Co., Ltd	25,045,000.00	29.65	
Nanjing Panda Handa Technology Co., Ltd.	13,392,548.28	15.85	
Jiangsu Cable Network Development Co., Ltd. Sihong Branch	7,529,000.00	8.91	
Jiangsu Langhong Electromechanical Co., Ltd. (江蘇朗鴻機電有限公司)	6,885,000.00	8.15	
Jiangsu Province Cable Broadcasting Network Co., Ltd. Nanjing Branch	6,703,856.20	7.94	
Total	59,555,404.48	70.50	

5. No accounts receivable to be derecognised due to the transfer of financial assets in the period

6. No transferred accounts receivable in which the company continued to involve and relevant assets or liabilities formed

(II) Other receivables

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		973,887.56
Other receivables	271,331,680.49	250,940,596.42
Total	271,331,680.49	251,914,483.98

1. Other receivables

Other receivables shown by aging:

Aging	Carrying amount		Closing balance		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Within 1 year (including 1 year)	38,917,769.11	13.73	450,000.00	1.16	38,467,769.11
1 to 2 years (including 2 years)	16,404,811.25	5.79	28,649.93	0.17	16,376,161.32
2 to 3 years (including 3 years)	31,076,165.40	10.96	4,811,900.39	15.48	26,264,265.01
Over 3 years	197,022,848.21	69.52	6,799,363.16	3.45	190,223,485.05
Total	283,421,593.97	100.00	12,089,913.48		271,331,680.49

Aging	Carrying amount		Opening balance		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Within 1 year (including 1 year)	18,314,510.88	6.86	789,009.82	4.31	17,525,501.06
1 to 2 years (including 2 years)	31,910,145.63	11.95	6,414,938.51	20.10	25,495,207.12
2 to 3 years (including 3 years)	133,026,376.13	49.82	250,000.00	0.19	132,776,376.13
Over 3 years	83,737,905.18	31.36	8,594,393.07	10.26	75,143,512.11
Total	266,988,937.82	100.00	16,048,341.40		250,940,596.42

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

	January – June 2018	January – June 2017
Opening Balance	16,048,341.40	36,490,086.57
Provision incurred in current period		1,719,930.00
Provision reversed or received in current period	3,958,427.92	3,221,152.77
Provision written off in current period		
Closing balance	12,089,913.48	34,988,863.80

3. 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	274,997,246.68	264,661,891.74
Others	8,424,347.29	2,327,046.08
Total	283,421,593.97	266,988,937.82

4. Other receivables with top 5 balances at the end of the period classified by debtors

Name of debtor	Nature	Closing balance	Aging	Percentage of total other receivables (%)	Closing balance of bad debt provision
Nanjing Panda Electronic Equipment Co., Ltd.	Accounts	119,979,546.35	3-5 years	42.33	9,737,739.19
Galant Limited	Accounts	62,074,900.00	2-5 years	21.90	
Nanjing Panda Electronic Technology Development Co., Ltd.	Accounts	54,729,600.00	1-3 years	19.31	
Nanjing Huage Electronics Plastic Industry Co., Ltd	Accounts	12,618,575.64	1-2 years	4.45	450,000.00
Nanjing Panda Information Industry Co., Ltd.	Accounts	8,406,980.55	Within 1 year	2.97	
Total		257,809,602.54		90.96	10,187,739.19

5. No receivables referring to the government grants at the end of the period

6. No other receivables to be derecognised due to the transfer of financial assets at the end of the period

7. No other receivables transferred in which the company continued to involve and relevant assets or liabilities formed

(III) Long-term equity investment

Items	Book balance	Closing Balance Impairment Provision	Book Value	Book balance	Opening Balance Impairment Provision	Book Value
Investment in subsidiaries	1,431,785,546.36		1,431,785,546.36	1,460,098,659.27		1,460,098,659.27
Investment in associates and joint ventures	347,460,745.05		347,460,745.05	322,407,324.16		322,407,324.16
Total	1,779,246,291.41		1,779,246,291.41	1,782,505,983.43		1,782,505,983.43

1. Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for	Closing balance
					impairment made in current period	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.						
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.		10,000,000.00		10,000,000.00		
Total	1,460,098,659.27	10,000,000.00	38,313,112.91	1,431,785,546.36		

2. Investment in associates and joint ventures

Investee	Opening balance	Increase/Decrease							Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
		Investments increased	Investments decreased	Investment income or loss recognised under equity method	Adjustments to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Others			
1. Joint Ventures											
Nil											
Subtotal											
2. Associates											
Beijing SE Putian Mobile Communications Co., Ltd	96,780,240.16			2,756,752.73						99,536,992.89	
Nanjing Ericsson Panda Communication Co., Ltd.	225,627,084.00			22,296,668.16						247,923,752.16	
Nanjing Huaxian High Technology Co., Ltd											
Subtotal	322,407,324.16			25,053,420.89						347,460,745.05	
Total	322,407,324.16			25,053,420.89						347,460,745.05	

(IV) Operating revenue and operating cost

1. Operating revenue and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	37,418,920.76	31,741,347.64	36,732,835.17	30,076,817.43
Other operation	<u>25,587,697.80</u>	<u>3,857,621.83</u>	<u>17,653,002.50</u>	<u>16,767.00</u>
Total	<u>63,006,618.56</u>	<u>35,598,969.47</u>	<u>54,385,837.67</u>	<u>30,093,584.43</u>

2. Disaggregation of operating revenue

Items	Smart city industry	Others	Consolidated
	Principal operating revenue	37,418,920.76	
Other operating revenue		25,587,697.80	25,587,697.80
Total	<u>37,418,920.76</u>	<u>25,587,697.80</u>	<u>63,006,618.56</u>

(V) Investment income

Items	Current period	Preceding period
Investment income from long-term equity investments under cost method		9,000,000.00
Investment income from long-term equity investments under equity method	25,053,420.89	31,888,929.98
Investment income from disposal of long-term equity investments	-33,218,073.11	
Gains on bank wealth investment products	<u>9,573,070.12</u>	<u>5,435,061.25</u>
Total	<u>1,408,417.90</u>	<u>46,323,991.23</u>

XVII. SUPPLEMENTARY INFORMATION

(I) Extraordinary Profit and Loss

Items	Amount	Note
Gain/loss on disposal of non-current assets	-178,452.31	
Tax refund or exemption with unauthorised approval or no formal approval document		
Government grants counted into the current profit and loss, except for the one closely related with the normal operation of the company and gained constantly at a fixed amount or quantity according to certain standard based on state policies	2,102,100.00	
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		
Profit and loss from entrusting others for investment or asset management	10,024,098.81	
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		
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 income received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale		
Switch-back of impairment provisions of accounts receivable that have undergone impairment test alone	307,207.91	
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 revenue and expenses other than the aforementioned items	231,492.32	
Other items of gain or loss in accordance with the definition of extraordinary profit and loss		
Effect of income tax expenses	-2,874,998.69	
Effect of non-controlling interests	-831,525.28	
	<hr/>	
Total	8,779,922.76	<hr/> <hr/>

(II) ROE and Earnings per share

Profit during reporting period	Weighted average ROE (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	1.5101	0.0558	0.0558
Net profit attributable to holders of ordinary shares of the Company after extraordinary items	1.2503	0.0462	0.0462

(III) No other matters

Nanjing Panda Electronics Company Limited
Company Stamp

30 August 2018

SECTION XI DOCUMENTS AVAILABLE FOR INSPECTION

- I. 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).
- II. Original copies of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the reporting period.
- III. The interim report published on the Hong Kong Stock Exchange.

Nanjing Panda Electronics Company Limited

Chairman: **Xu Guofei**

Date of approval by the Board for submission: 30 August 2018